

CITY OF CHATTANOOGA, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

**DEPARTMENT OF FINANCE AND ADMINISTRATION
JAMES S. BONEY, ADMINISTRATOR
DAISY W. MADISON, DEPUTY ADMINISTRATOR**

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21st Century Waterfront Planning meeting

DECEMBER 16, 2002

Mayor's Letter

TO THE MEMBERS OF THE CITY COUNCIL, AND THE CITIZENS OF CHATTANOOGA, TENNESSEE:

It is my great pleasure to present to you the annual report for the City of Chattanooga for the fiscal year ended June 30, 2002.

This report details our continuing focus on pursuing strong economic development initiatives while maintaining the fiscal integrity of our community. With the help of Council Members, Citizens, City Administrators, and city employees, we've been able to accomplish great things for Chattanooga. Our vision for the city is one of fiscal responsibility, creating new high paying jobs for our citizens through strong economic development efforts, strengthening neighborhoods, improving our quality of life and coming together as a community with innovative ideas to build on our strengths.

This past year we've put in place the vision and the funding for the \$120 million 21st Century Waterfront Plan, which when complete will completely transform our riverfront. We have put into use public funds generated from a hotel/motel tax to fund the public portions of the ambitious plan. By financing this plan through such a tax, its implementation creates no tax burden to local taxpayers. The public funds

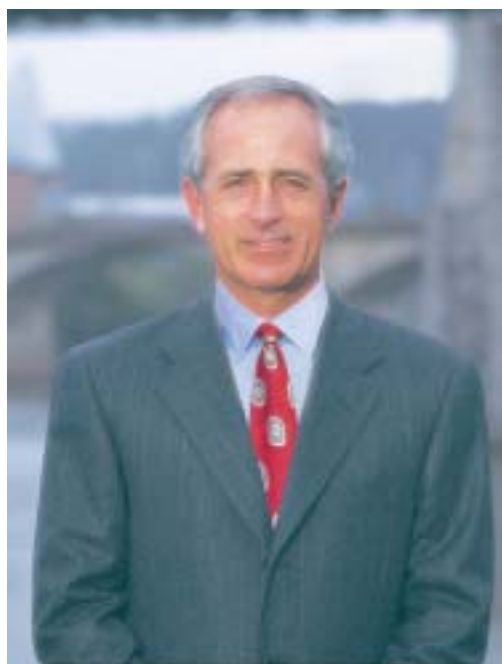


PHOTO BY MED DEMENT, HOUSE OF PHOTOGRAPHY

pooled together with foundation and philanthropic resources will allow us to complete our vision for the waterfront and do so by the spring of 2005.

Our commitment to driving up educational achievement in our city has resulted in the formation of the Community Education Alliance, an initiative that offers pay and other incentives to high performing teachers who agree to teach in our community's high priority elementary schools. This initiative uses the growth on

funds from an established half-cent sales tax and relies on support from the community's most dynamic business and non-profit leaders.

For the first time in many years, our community has in place a full-time recruitment staff, housed at the Chamber of Commerce, working on behalf of our citizens to attract new businesses to our area. We have worked closely with this recruiting effort to effectively market our assets and position our city's economic strengths nationally. We are continuing the work of developing Enterprise South to be a premier industrial park and are making great progress on building in infrastructure and creating a marketing effort which will attract new business to the site and create new jobs for our community.

During this year we pursued and were awarded by the Bush Administration a Renewal Community (RC) designation, which covers key portions of our downtown. Businesses which locate or expand in these RC zones qualify for tremendous tax credits and accelerated depreciation, all designed to revitalize and rejuvenate these areas causing economic prosperity to occur.



21st Century Waterfront Planning meeting

We are encouraging new start up businesses through our partnership with Southeast Community Capital, a venture capital firm which has made available a portfolio of \$50 million dollars to grow and create business here in Chattanooga. In addition, we have put into place \$1.5 million for the Chattanooga Opportunity Fund which focuses on supporting and stimulating start-up and minority owned businesses. Over the past year new ventures have been capitalized and provided a strong foundation for growth.

We have worked to take advantage of the significant technology resources which exist in Chattanooga. Because of the vast rail lines which run through and around our city, in recent years a significant network of fiber optic lines have been installed. We are working to leverage this tremendous infrastructure and our community's other technology strengths in a way which differentiates us and gives us a strong national reputation. We believe that the development of this "digital vision" will enable us to compete for mobile entrepreneurs and technology companies in ways that were never before possible.

Another opportunity to capitalize on our technological assets was found at UTC. We believe that this institution should be the greatest importer of talent to our region and wield great power in bringing economic investment and innovation to our city. Early on we were able to identify a strategic opportunity for the University to partner with Oak Ridge



PHOTOS BY MED DEMENT, HOUSE OF PHOTOGRAPHY

National Laboratory, the largest Department of Energy facility east of the Mississippi. Through this partnership, Chattanooga and its citizens now have access to Oak Ridge National Laboratory, one of the nation's premier scientific facilities, through a powerful direct fiber optic line. This fiber optic connection was instrumental in the University attracting the SIM Center, a computational engineering program from Mississippi which brings to UTC its first doctoral program. Recently, the City also donated the former Solar Training Building to UTC for use in the development of this first class engineering program.

Finally, our government is only as good as the customer service we provide to our citizens. To improve the link between City Government and our citizens, we will soon launch a Customer Service Call Center, which will allow residents to interact with City Hall by calling one number. At the same time we have instituted a Performance Review program which constantly evaluates the efficiency and effectiveness of government and continually looks for ways in which we can improve. This new function enables us to ensure that we are working smarter and doing everything we can to create a government that is well run, fiscally responsible and responsive to our citizens.

This has been a tremendous year. We are working hard to put in place those things which will help us build the 21st Century American City, and though there is still much to do, we are making great strides.

Chattanooga's greatest strength, however, will always be the people who call it home. We thank you for your partnership in making our city a thriving place to live.

Sincerely,

Bob Corker
Mayor



Chattanooga City Council



John M. Lively
DISTRICT 1



Sally L. Robinson
DISTRICT 2



Dan B. Page
DISTRICT 3



W. Jack Benson, Sr.
DISTRICT 4



John P. Franklin, Jr.
DISTRICT 5
Vice Chairman



Ronald C. Littlefield
DISTRICT 6
Chairman



John R. Taylor, Sr. **DISTRICT 7**



Leamon Pierce **DISTRICT 8**



Yusuf A. Hakeem **DISTRICT 9**

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City of Chattanooga

DEPARTMENT OF FINANCE AND ADMINISTRATION
CITY HALL ANNEX

Chattanooga, Tennessee 37402

OFFICE: (423) 757-5230 • FAX: (423) 757-0525

Bob Corker
Mayor

James S. Boney
City Finance Officer

DECEMBER 9, 2002 LETTER OF TRANSMITTAL

To the Honorable Mayor Bob Corker, Members of the City Council and the Citizens of Chattanooga, Tennessee:

In compliance with state and local statutes, I am submitting the Comprehensive Annual Financial Report (CAFR) of the City of Chattanooga for the fiscal year ended June 30, 2002. These ordinances and statutes require that the City of Chattanooga issue annually a report on its financial position and activities, and that an independent firm of certified public accountants audit this report.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management of the City of Chattanooga has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to

compile sufficient reliable information for the preparation of the City of Chattanooga's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not

The City of Chattanooga's financial statements have been audited by Hazlett, Lewis & Bieter, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements are free of material misstatement. The independent audit involved examining, on a test basis,

evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent

auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Chattanooga's financial statements for the fiscal year ended June 30, 2002, are fairly presented in conformity with GAAP. The independent auditor's report is presented



James S. Boney, Finance Officer



Daisy W. Madison, Deputy Finance Officer

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outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this report is complete and reliable in all material respects.

PHOTO BY RON LOWERY



With a population of 155,992, Chattanooga encompasses an area of 144.16 square miles.

as the second item in the financial section of this report.

The independent audit of the City's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. Special emphasis is placed on internal controls and legal requirements involving the administration of federal awards. These reports are in a separate Single Audit section.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Chattanooga's MD&A can be found immediately preceding the financial statement report of the independent auditors.

Governmental Structure, Economic Conditions and Major Initiatives

Profile of the Government

Founded as a ferry landing and warehouse site in 1815, the City of Chattanooga was incorporated under State of Tennessee Private Acts of 1839. The City is the county seat of Hamilton County and is located near the southeastern corner of the state on the Tennessee-Georgia border. It encompasses an area of 144.16 square miles and a population of 155,992. The City is centrally located in relation to other major population centers of the southeast, being within a 150-mile radius of Knoxville and Nashville, Tennessee; Birmingham, Alabama; and Atlanta, Georgia. Over 11 million people live within a 2 to 2-1/2 hour drive of Chattanooga. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also has the power to extend its corporate limits by annexation in accordance with procedures under an "Urban Growth Plan" agreed to between the city and the county.

The City operates under a Mayor/Council form of government. The Mayor is elected at-large and is not a member of the City Council. The Council is composed of nine members, with each member being elected from one of nine districts within the geographic boundaries of the City. The Mayor and Council are elected for four-year terms. The Mayor is the City's chief executive officer and oversees the operation of all City departments.

The City provides a full range of municipal services including but not limited to fire and police protection; sanitation services; construction and maintenance of highways, streets and infrastructure; recreation and cultural activities; public library; community development; planning and zoning; neighborhood services; social services; and general administrative services. It also operates a storm water maintenance program and a sewer and sewage facility system for its residents and for other communities in southeast Tennessee and northwest Georgia.

The annual budget serves as the foundation for the City's financial planning and control. The City Finance Officer obtains information from all departments and agencies of the City for which appropriations are made and/or revenues are collected and compiles the operating



PHOTO BY DAN REYNOLDS

PHOTO BY DAN REYNOLDS



Chattanooga has undergone a renaissance that can be surpassed by no other city of its size.

budget for submission to the Mayor. During the months of May and June, the City Council hears budget requests from the departments and agencies at its regularly scheduled meetings. In addition, advertised public hearings are held to allow taxpayers' comments prior to final passage. The budget is legally enacted through passage of an ordinance with an operative date of July 1. The appropriated budget is adopted on a departmental basis; the legal level of budgetary control is the fund level. Transfers of appropriations between funds require the approval of the City Council. The City Finance Officer may make interdepartmental transfers within the General Fund. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the basic financial statements for the governmental funds. The budget-to-actual comparisons for the remaining governmental funds with appropriated annual budgets are presented in the governmental fund subsection of this report.

Factors Affecting Financial Condition

The information presented in the financial statements may be best understood when it is considered from the broader perspective of the specific environment within which the City of Chattanooga operates.

— **Local Economy.** Chattanooga is one of the nation's oldest manufacturing cities with 18.8 percent of its employment in that sector. However, there is no single dominating industry. Employment in the Chattanooga area is diverse. In addition to manufacturing, the services and trades sectors have also come to the forefront in recent years, making up 26.1% and 21.2% of local employment, respectively. Economic advantages such as ample utilities, an efficient transportation system, abundant natural resources, a trained labor force and centralized location make Chattanooga a diversified and profitable business location. This largely accounts for the area's low unemployment rate, which stood at 3.8 percent as of July 2002. This is comparable to the national unemployment rate of 5.9 percent and the state rate of 4.9 percent for the same period. The

local economy is experiencing steady growth as indicated by a record number of building permits. Total value of all construction for the year 2001 rose to a record high of \$365.9 million, a 29% increase over 2000.

— Long-Term Financial Planning.

The City has undergone a renaissance that can be surpassed by no other city of its size. Twenty years ago, the City began a rebirth with the establishment of the Moccasin Bend Task Force. The Master Plan which grew out of this task force has resulted in the development of the Tennessee Aquarium, the Riverpark, the Walnut Street Bridge and Coolidge Park. Over the past decade hundreds of millions of dollars have been invested in these and other projects resulting in the riverfront and downtown gaining the City international recognition. The 21st Century Waterfront Plan is another step in this Master Plan to focus on the City's riverfront. It is a multimillion dollar plan combining public and private financing to transform the downtown riverfront with a careful combination of development, preservation and enhancement that honors the history and beauty of the area.

The **21st Century Waterfront Plan** comprises 129 acres on both sides of the river stretching from the Veteran's Bridge





The Chattanooga Trade Center expansion project.



on the east to Moccasin Bend and M.L. King Boulevard on the west. The plan area is divided into six districts based on their natural features and development characteristics. Half of the districts – the First Street Steps, Ross’s Landing Park, and Manufacturers East – offer immediate development potential. Three others – Manufacturers West, Cameron Harbor and the Moccasin Bend Gateway — will develop over a longer period. A brief description of the projects follows:

The **First Street Steps** connect Market Street and the Aquarium with the Walnut Street Bridge, the Bluff View Art District and the Hunter Museum of American Art. A new public plaza will be created between Cherry and Walnut Streets. First Street itself will be transformed into a mixed-use neighborhood of residences, shops, cafes and galleries with a funicular to ease the trip up and down hill. Pedestrian connections at Second Street and a proposed bridge from the Walnut Street Circle across Riverfront Parkway complement the Hunter Museum’s plans to reconnect the museum to the City.

The **Ross’s Landing Park** is a cornerstone of the plan. Here at the birthplace of the city, the vision includes a reconfigured Riverfront Parkway allowing for an enlarged and enhanced riverside park. This expansive

area encompasses the Chattanooga Green and the Tennessee River Terraces and will be a fabulous and functional setting for riverside festivals. The trailhead of the Trail of Tears is honored, and much-needed docking facilities will accommodate transient boaters. An expanded marina, water taxis, riverfront cafes, residential units and commercial development will bring a fitting vitality to the area known as the “front porch” of the city. The crown jewel is the expansion of the Tennessee Aquarium, solidifying its position as the finest freshwater aquarium in the world.

Manufacturers East comprises the area near the intersection of Manufacturers Road, Cherokee Boulevard and Market Street. The plan calls for a new mixed-use neighborhood of residential and commercial development that mark the beginning of a connection between downtown and Moccasin Bend. The highlight of this district is the Tennessee Wetland Park, preserving the wetlands west of the Market Street Bridge as a nature reserve with an interpretive riverside boardwalk. The Adventure Playground and a segment of the Trail of Tears bring recreation and history to the district, and the collective components of the district provide a perfect complement to Coolidge Park.

Highlights of the remaining segments include: **Cameron Harbor** – anchoring the west end of M.L. King Boulevard with a marina, housing and offices, restaurants and shops, green space and a river taxi linking to the developments upriver and down; **Manufacturers West** – celebrating the industrial character of the river’s north shore, but tempering it with riparian habitats, riverwalk segments and a canoe launch; **Moccasin Bend Gateway** – providing an interpretive center, water taxi access and celebratory gateway into Moccasin Bend National Park, pending the declaration of park status. Funding for the first phase of the 21st Century Waterfront Plan is estimated at over \$120 million from public and private sources. The City’s share of cost, estimated at over \$55 million, will be funded by the recently levied Hotel Motel Tax.

In June 2002, the Tennessee Legislature enacted law (TCA 67-4-1401, et seq.) which removed constraints on municipalities giving them the freedom to enact a tax on the occupancy of hotel/motel rooms, in addition to the County Tax. In August 2002, the City levied such a tax to be phased in over a 30-month period beginning October 1, 2002 at 2%; increasing to 3% on October 1, 2003 and 4% effective May 1, 2005



Mayor Corker and Councilman John Taylor at the Grand Opening of the South Chattanooga Recreational Center in April, 2002.

and thereafter. This tax will be used to fund the 21st Century Waterfront Plan.

Four years ago, the State granted approval of a development mechanism known as the Tourist Development Zone (TDZ), which encompasses the heart of Chattanooga's downtown. The zone, known as the Southside Redevelopment District, is comprised of three districts — the Aquarium/Ross's Landing District, the Central Business District and the Southside Redevelopment District. The City, through the Southside Redevelopment Corporation, is in the final phase of this project. The development will be supported by allocations of incremental increases in state and local sales and use tax revenues. Four facilities with more than 631,210 square feet and cost in excess of \$117.7 million are included in the project. It is anticipated that this investment will leverage more than \$400 million in private investment by 2006.

The Southside Redevelopment District is an opportunity to create a model community by rebuilding the District's job base and revitalize housing opportunities. In the heart of the TDZ is the convention and conference complex that includes four public use facilities. Three of the four facilities are complete and operational. They are (1) the Chattanooga, which is a 208,210 sq. ft. residential meeting facility, (2) a new 1,029-space Parking Facility and (3) the Development Resource Center which is an 85,000 sq. ft. facility that serves as a model for better ways to develop a sustainable community. The fourth and final project, the 226,000 sq. ft. expansion of the Chattanooga-Hamilton County Convention and Trade Center, is currently under construction and is scheduled for completion in the spring of 2003.

The developments that have taken place throughout the North Shore, the Central Business District, and the Southside Redevelopment District have come together to make the

Focus on Chattanooga's

Police Department

Each year, we focus attention on the efforts of one department. The Police Department has been selected as this year's focus.



Police Chief Jimmie Dotson

It's been said that public safety is the single most important role of government. For example, former New York City Mayor Rudy Giuliani noted: "If you aren't safe, then nothing else works."

The men and women of the Chattanooga Police Department understand that principle, and put their lives on the line every day to keep citizens safe. They know that freedom is not free. In the past year, one Chattanooga Officer died in the line of duty. Another was shot, but was saved by his body armor.



Chattanooga's Police Department in action.

Those who pin on the badge do so knowing that although it is a job of high risk and low pay...it may also be the single greatest opportunity to impact and improve a community's quality of life.

Their efforts are paying off. Mayor Bob Corker recently held a news conference to announce that the crime rate in Chattanooga has fallen for the first 9 months of 2002, and if all goes well, that decline will continue. A number of factors were credited for the downturn, but high on the list is the partnerships that have been created with Chattanooga's neighborhood and community groups. These partnerships are the heart and soul of the philosophy of "Community Oriented Policing."

In addition to the positive news about the crime statistics, community response indicates a higher level of satisfaction with the CPD. But the increase in professionalism is not only anecdotal. The CPD has been nationally accredited by CALEA – the Commission on Accreditation Law Enforcement Agency. This milestone, reached in just over 3 years, was made even more significant by the 98% score received. This achievement puts the CPD among "the best of the best" in American law enforcement.

The CPD divides the city into 3 "sectors" to improve patrol response and efficiency: Sector 1 includes all of Chattanooga north of the Tennessee River, as well as downtown, Tiftonia and Saint Elmo. Sector 2 basically parallels the western side of Missionary Ridge from the Georgia border, all the way to Highway 153. Sector 3 includes everything on the east side of Missionary Ridge, and the Highway 58 area.

The three "Sectors" are broken down into 7 smaller "Zones" and it is at the Zone level where community groups most often interact with the officers who patrol and protect their neighborhoods.

In hopes of strengthening the relationships and improving the response to calls for service, the CPD has established police precincts in several neighborhoods. Precincts are located at

Eastgate Mall, on 40th Street in Chattanooga's "Southside" and at 3rd and Walnut, in downtown Chattanooga. Other smaller "storefront" offices have been located in other parts of town as well, to give police officers more visibility and improved workspace.

Citizens can get an even closer and more in-depth view of police work by attending the CPD Citizens Academy. The 8-night course acquaints members with police policies and procedures, and often proves to be a very eye-opening experience.

One of the most successful recent additions to the Chattanooga Police Department is the Animal Services Division. It has had a dramatic and direct impact on the quality of life in many neighborhoods that had been plagued by stray, and often dangerous, animals. The Division often handles more than a thousand calls a month, which is evidence of the magnitude of the problem its officers address.

The Chattanooga Police Department is led by Chief Jimmie Dotson, who has been at the helm of the organization since 1997. Although Chief Dotson has been widely credited with many improvements at the CPD, he is quick to pass any credit on to the nearly 700 CPD employees.

Chief Dotson notes: "Without a doubt our most valuable assets are our employees. They provide an incredible return on our investment. God has blessed this city with men and women who put 'service above self'. Whether sworn or civilian, the employees work as a team to give the highest possible level of service to citizens who call on us for help. I have said it since my first day here: I believe the Chattanooga Police Department can become one of the nation's 'premiere' law enforcement agencies."

For more information on the Chattanooga Police Department or any of its units, divisions or programs, visit their web site: www.chattanooga.gov/police



First new schools to open downtown in decades – (left) Tommie E. Brown Academy and (right) Herman H. Battle Academy.

downtown Chattanooga area a gathering place for night, family and recreational activity. The implementation of the 21st Century Waterfront Plan will further highlight Chattanooga's ability to forge bold visions through aggressive implementation.

Chattanooga continues to place high priority on education. Two new schools were constructed and opened downtown in August 2002, representing the first new school buildings in the downtown area in decades. Other investments in the area include the renovation of a former office building into a school for children with special needs, revitalization of a department store building as a premier downtown housing development, a new bank branch, and a new office building in the central business district.

Neighborhoods and quality, affordable housing continue to be a priority in the community. The Chattanooga Neighborhood Enterprise broke ground on a 20-unit apartment building within eyesight of the University of Tennessee at Chattanooga. This unit will complement new housing units already built in the area.

The City continues to implement, through the Chattanooga Housing Authority, the HOPE VI Grant. This \$35 million grant from the Department of Housing and Urban Development (HUD)

anchors a \$159 million project to replace the Spencer J. McCallie Homes and revitalize the surrounding Alton Park neighborhood. Coupled with the Alton Park Development Corporation's master plan, the HOPE VI grant will bring about a major revitalization of one of the City's most depressed neighborhoods.

Despite the global attention to Chattanooga's downtown and environmental successes, economic growth in Chattanooga trails most of the rest of the South. During the 1990's, Chattanooga added jobs at only half the pace of the rest of the state. City officials have focused efforts on ways to reverse this trend of slow employment growth. The business culture in Chattanooga is on the verge of change. A venture capital firm with \$50 million in assets has been recruited to set up an office here. This will give entrepreneurs the needed access to capital that has been scarce in the local business environment. Additionally, \$1.5 million has been allocated by the City to target creation of new minority-owned businesses. The Chamber of Commerce, charged with the task to oversee economic development, has implemented its plan for a larger economic recruitment program. This will include hiring of a business recruitment expert as part of its long-term plan to create more jobs.

Chattanooga is also poised on the leading edge of the technological age. The Electric Power Board of Chattanooga has donated a portion of its nearly 40-mile fiber optic ring for economic development. This move is anticipated to create a high-speed information corridor allowing Chattanooga to become a hub for future research, information sharing, and job growth. This hub has already attracted a new long distance firm to locate in the heart of the central business district, bringing new jobs to the area.

City and County officials have initiated plans for the development of the old Volunteer Army Ammunition Plant site – renamed Enterprise South. The \$7.5 million investment by the City and County provides a 940-acre tract, located within 2 miles of Interstate 75, approximately 700 acres of which can be made available for industrial development almost immediately. An additional 284 acres has recently been released for use in the immediate future. This is the largest block of land available within the city limits in several decades. Infrastructure is in place to support a wide range of manufacturing and industrial uses. The entire site exceeds 6,000 acres, and efforts continue to acquire the remaining portions for industrial and recreational uses.



City employees at work.

The U.S. Department of Housing and Urban Development recently designated a selected area within Chattanooga as a Renewal Community. The area includes Alton Park, the Southside Redevelopment District, the M. L. King Boulevard district and downtown. This designation allows business to share \$17 billion in tax incentives provided as part of the 2000 Community Renewal Tax Relief Act. The program gives new and existing businesses access to \$6 billion in tax incentives and \$11 billion in low-income housing and new market tax credits that can be used to help revitalize once-vibrant communities.

Hamilton Place Mall, Tennessee's largest, and now in its thirteenth year of operation, remains a magnet for millions of people. The 1.4 million-square-foot mall has brought in many tourists and locals with a mix of new and familiar stores, theme restaurants and movie theaters. Thanks to the mall, the area has become a retail hotbed with more than 15 million visitors a year. Sales at Hamilton Place have grown steadily over the past decade and now average 30 percent above the national average for regional malls. That success has quickly spilled across Gunbarrel Road and Interstate 75. The number of businesses and amount of traffic in the mall area has more than doubled

over the past decade. CBL and Associates, the mall's owner and developer of major retail space nation wide, has begun development of a multi-acre site on the south perimeter of the mall. Phase I was the construction of their new national headquarters office building.

— **Cash Management Policies And Practices.** Cash temporarily idle during the year is invested in commercial banks and savings and loan certificates of deposit as well as various instruments guaranteed by the United States Government. These instruments have terms ranging from one week to one year. Cash idle for a longer period of time is invested in longer-term government securities. Due to statutes of the State of Tennessee, the City is limited in the investment methods it may utilize. Investment income includes the change in fair value of investments, whether that is increases or decreases.

— **Risk Management.** The City manages exposure to risk of loss through several methods. Such methods include contracts with commercial carriers for property insurance, surety bond coverage of officials and employees, and commercial liability coverage for specified situations. The City assumes the risk of loss for general liability not covered by commercial carriers. To minimize its losses, the City

has implemented various risk control techniques such as safety inspections and safety training classes. As part of the City's risk management program, resources are being accumulated in an Internal Service Fund to meet potential losses relating to general liabilities and tort claims. Reserves are accumulated in the General Fund to meet potential losses for all other exposures. Additional information on the City's risk management activity can be found in the notes to the financial statements.

— **Pension And Other Post-Employment Benefits.** The City provides retirement benefits through three single-employer defined benefit pension plans that cover all employees. One system (General Pension Plan) covers general City employees; a second plan covers employees of the Electric Power Board; and the third covers Firemen and Policemen. Each of these plans is maintained separately and engages an independent actuary to calculate the amount of annual contribution that must be made to each plan to ensure the plans will be able to fully meet their obligations to retired employees on a timely basis. As a result of the City's conservative funding policy, all plans are fully funded.

The City also provides postretirement health care benefits for certain retirees and their dependents. As of the end of the



City employees at work.

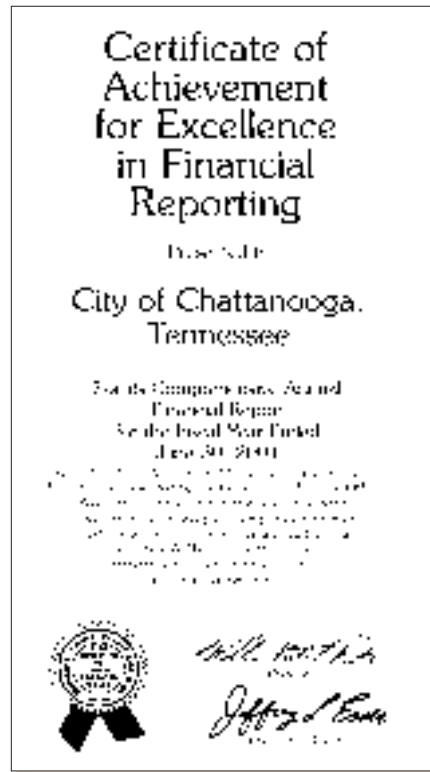
current fiscal year, there were 747 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Governments are not required by GAAP to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. Additional information on the City's pension arrangements and postretirement benefits can be found in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chattanooga, Tennessee, for its comprehensive annual financial report for the fiscal year ended June 30, 2001. This was the tenth consecutive year that the City has received this award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently

organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both



generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget for each of the five fiscal years for which it applied. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

The preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the entire staff of the Finance Department and the City's independent public accountants, Hazlett, Lewis & Bieter, PLLC. We would like to express our appreciation to members of various City departments who assisted and contributed to the preparation of this report. Further appreciation is extended to the Mayor and the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

James S. Boney, Administrator

City Officials as of June 30, 2002

BOB CORKER, MAYOR

Michael E. Compton, Chief of Staff



City Council:

Ronald C. Littlefield, Chairman -----	District 6
John P. Franklin, Jr., Vice Chairman -----	District 5
John M. Lively -----	District 1
Sally L. Robinson -----	District 2
Dan B. Page -----	District 3
W. Jack Benson, Sr. -----	District 4
John R. Taylor, Sr. -----	District 7
Leamon Pierce -----	District 8
Yusuf A. Hakeem -----	District 9

Courts:

Walter F. Williams -----	City Court Judge
Russell J. Bean -----	City Court Judge
Edward C. Hammonds -----	City Court Clerk

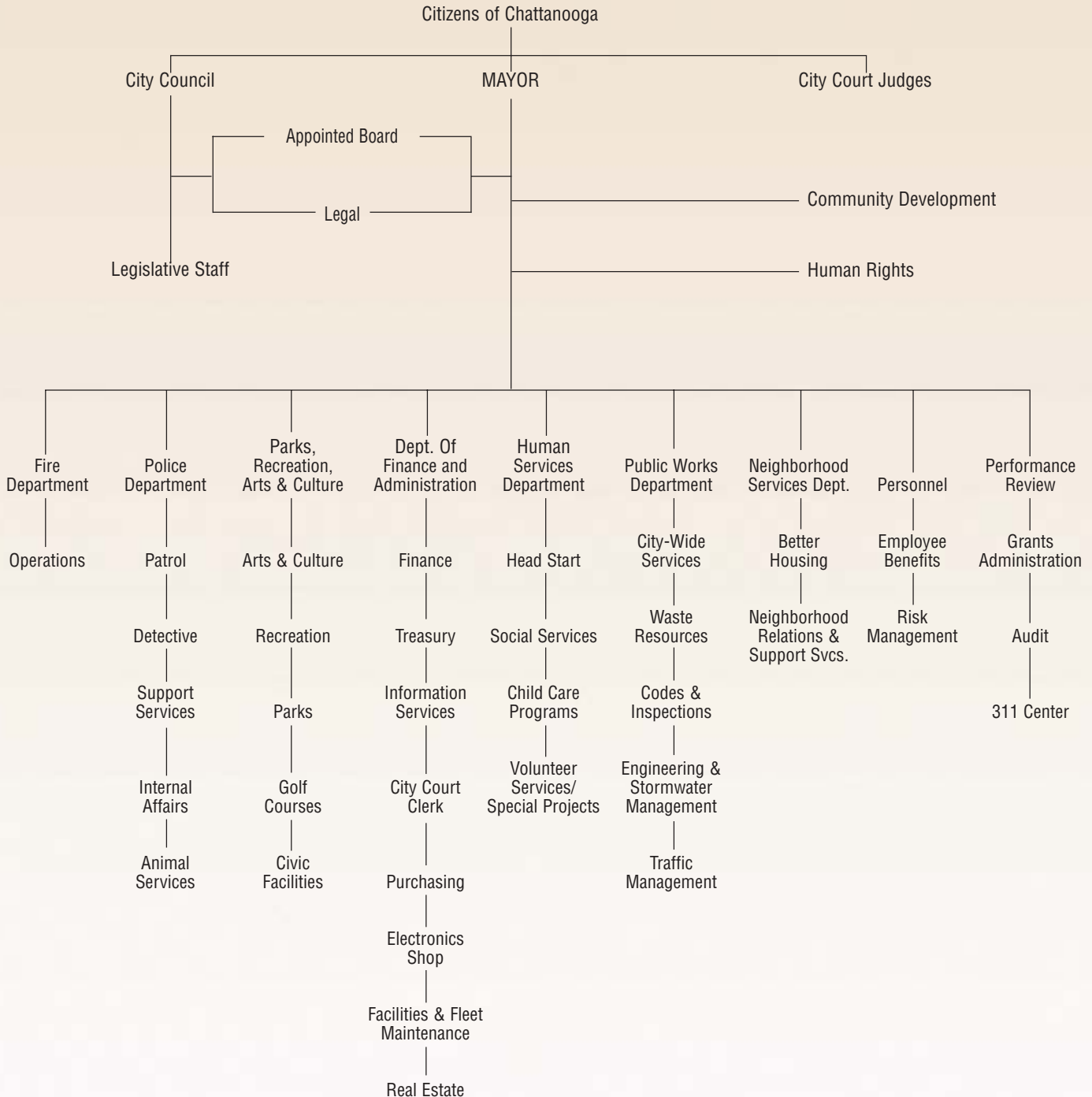
Department Administrators and Directors:

LEGAL -----	Randall Nelson -----	City Attorney
LEGISLATIVE -----	Carol O'Neal -----	Clerk of the Council
PERSONNEL -----	Donna Kelley -----	Administrator
NEIGHBORHOOD SERVICES -----	Kenardo K. Curry -----	Administrator
HUMAN SERVICES -----	Bernadine Turner -----	Administrator
	Tommie Pruitt -----	Deputy Administrator
PARKS, RECREATION, ARTS & CULTURE -----	Jerry Mitchell -----	Administrator
	Janice Hester -----	Deputy Administrator
PUBLIC WORKS -----	William C. McDonald, Jr. -----	Administrator
	Beverly P. Johnson -----	Deputy Administrator
POLICE -----	Chief Jimmie L. Dotson -----	Administrator
FIRE -----	Chief Jim M. Coppinger -----	Administrator
FINANCE & ADMINISTRATION -----	James S. Boney -----	Administrator
	Daisy W. Madison -----	Deputy Administrator
OFFICE OF PERFORMANCE REVIEW -----	David R. Eichenthal -----	Director

Brian Smart -----	Manager, Financial Operations
Fredia F. Kitchen -----	Budget Officer
Daisy W. Madison -----	Treasurer
Mark J. Keil -----	Director, Information Services
Gene D. Settles -----	Purchasing Agent
Rayburn Traughber -----	Director, Economic & Community Development
George Morgan -----	Director of Facilities & Fleet Management
Tracy Clarke -----	Risk Manager
Henry W. Yankowski -----	Director, Codes and Inspection
D. Lee Norris -----	Director, City Wide Services
Jerry W. Stewart -----	Director, Waste Resources
Phillip Lynn -----	City Engineer
John Van Winkle -----	City Traffic Engineer
Harold E. DePriest -----	President and CEO, Electric Power Board
Jane McFarland -----	Director, Chattanooga - Hamilton County Bicentennial Library
Mark VanLoh -----	President, Metropolitan Airport Authority
Barry M. Bennett -----	Director, Regional Planning Agency
Robert H. Colby -----	Director, Air Pollution Control
Carolyn Skipper -----	Director, Scenic Cities Beautiful Commission

Organizational Chart

CITY OF CHATTANOOGA



Management's Discussion and Analysis

This section of the City of Chattanooga's annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2002. Please read it in conjunction with the transmittal letter found at the front of this report and the City's financial statements, which follow this section.

Financial Highlights

- The assets of the City of Chattanooga exceeded its liabilities at the close of the most recent fiscal year by \$1.7 billion (net assets). Of this amount, \$71 million may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets).
- While the net assets of our business-type activities increased \$7.4 million the net assets of our governmental activities decreased \$13.8 million. The City's decision to implement retroactive infrastructure reporting in the first year of GASB 34 resulted in a \$35 million increase in depreciation expense.
- During the year, the City generated \$192 million in taxes and other revenues for governmental programs. This compares with \$204 million of program expenses, including \$41 million depreciation expense.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$79.9 million, a decrease of \$6.6 million in comparison with the prior year. Approximately three-fourths of this total amount, \$58.3 million, is available for spending at the City's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$28.9 million, or 18% of total General Fund expenditures and transfers out.
- The City's primary government debt decreased by \$15.3 million (5.1%) during the current fiscal year. This resulted from normal debt reduction with no new bond obligations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Chattanooga's financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The City of Chattanooga implemented the new reporting model required under Governmental Accounting Standards during fiscal year 2002. As a result there are no comparative numbers for government-wide data presented in this discussion. Comparative information will be provided in future years.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with both long-term and short-term information about the City's overall financial status in a manner similar to a private-sector business.

There are two government-wide financial statements:

- **Statement of Net Assets** — presents information about the City’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- **Statement of Activities** — presents information showing how the City’s net assets changed during the most recent fiscal year. All current year revenues and expenses are taken into account regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, parks and recreation and social services. The business-type activities include the City’s electric, sewer and storm water systems, as well as solid waste disposal and housing operations. The Electric Power Board (EPB), although legally separate, functions for all practical purposes as a department of the City and therefore has been included as a business-type activity of the primary government.

The government-wide financial statements include not only the City itself (known as the *primary government*) but also three legally separate entities (known as *component units*). The Chattanooga Metropolitan Airport Authority, the Chattanooga Area Regional Transportation Authority (CARTA) and the Southside Redevelopment Corporation, although legally separate, are important because the City is financially accountable for them. Separately issued, audited financial reports can be obtained from:

Chattanooga Metropolitan Airport Authority
P. O. Box 22444
Chattanooga, TN 37422

CARTA
1617 Wilcox Boulevard
Chattanooga, TN 37406

The government-wide financial statements can be found beginning on page 3 of this report.

Fund financial statements. The fund financial statements provide more detailed information about the most significant funds—not the City as a whole. Some funds are required by State or Federal law and by bond covenants; other funds are established by the City Council to help it control and manage money for designated or restricted purposes (i.e. economic development projects) or to show that it is meeting legal responsibilities for how certain taxes, grants and other monies are used (i.e. grants received from the U. S. Department of Housing and Urban Development).

All the funds of the City can be divided into three types of funds: (1) governmental funds, (2) proprietary funds, and (3) fiduciary funds.

- **Governmental funds** — The City’s basic services are included in governmental funds. The focus of these funds is on (1) how cash and other financial assets that can readily be converted to cash were received and used and (2) what remains at the end of the fiscal year for future spending. This detailed short-term view helps in determining whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does not include the additional long-term focus of the government-wide statements, we provide additional information after the governmental

fund statement that explains the differences between the long-term view and the short-term view.

The City maintains a general fund, multiple special revenue funds, a debt service fund and a capital projects fund as governmental funds. Information is presented separately in the governmental statements for the general fund and the capital projects fund since both of these are considered major funds. Data for the other funds is combined into a single column. Individual fund data for each of these nonmajor governmental funds is provided in the supplementary section of this report.

The City of Chattanooga adopts a budget for all governmental funds. A budgetary comparison for the General Fund is found in the fund statements of this report; comparisons for the other governmental funds, except the capital projects fund, are provided in the supplementary section of this report. Budgetary comparisons are provided to demonstrate compliance with the budget.

The governmental fund financial statements begin on page 6 of this report.

- **Proprietary funds** — Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City of Chattanooga maintains two different types of proprietary funds: enterprise funds and internal service funds.

Enterprise funds are the same as business-type activities in the government-wide financial statements but provide more detail and additional information, such as cash flows. The Electric Power Board, Interceptor Sewer System and Solid Waste are considered major funds. The other funds (Storm Water and Housing Management) are combined into a single column in the proprietary fund financial statements with individual fund data provided in the supplementary section of this report.

Internal service funds provide services for other City activities. The City of Chattanooga accounts for maintenance of City vehicles and risk financing in internal service funds. Because both of these services benefit predominantly governmental rather than business-type functions, they have been included in governmental activities in the government-wide financial statements.

The proprietary fund statements begin on page 11 of this report.

- **Fiduciary funds** — These funds provide information about the financial relationships where the City acts solely as a trustee or fiduciary for the benefit of others to whom the resources belong. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance City operations. All of the City's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets in the fund financial statements.

The fiduciary fund financial statements begin on page 16 of this report.

Notes to the financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The additional information contained in these notes is essential to a full understanding of the information provided in the government-wide and fund financial statements.

The notes to the financial statements can be found beginning on page 20 of this report.

Other information. In addition to the basic financial statements discussed above, this report also presents required supplementary information about the City's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented as additional supplementary information. Also included as additional supplementary information are budget to actual comparisons for governmental funds other than the general fund and capital projects fund.

Both the required and additional supplementary information can be found following the notes to the financial statements.

Financial Analysis Of The City As A Whole

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Chattanooga, assets exceeded liabilities by \$1.7 billion at the close of the most recent fiscal year. By far the largest portion of the City's net assets (92 percent) reflects its investment in capital assets (land, buildings, equipment, infrastructure, etc), less any related debt used to acquire those assets that is still outstanding. Because capital assets are used to provide services to citizens the assets are not available for future spending.

An additional portion of the City's net assets, (4 percent) represents resources that are restricted in how they may be used. The remaining balance of \$71.2 million may be used to meet the City's ongoing obligations. At the end of the fiscal year, the City of Chattanooga is able to report a positive balance in all categories of net assets: for the government as a whole, as well as for its governmental activities and its business-type activities.

In order to provide a complete picture of the net assets of the City, information is provided separately for the net assets of governmental and business-type activities. See the table below.

City of Chattanooga's Net Assets

(in thousands)

	Governmental Activities 2002	Business-type Activities 2002	Total 2002
Current and other assets	\$ 195,034	\$ 192,418	\$ 387,452
Capital assets	1,232,415	584,353	1,816,768
Total assets	<u>1,427,449</u>	<u>776,771</u>	<u>2,204,220</u>
Long-term debt outstanding	86,136	197,091	283,227
Other liabilities	103,989	119,847	223,836
Total liabilities	<u>190,125</u>	<u>316,938</u>	<u>507,063</u>
Net assets:			
Invested in capital assets, net of debt	1,157,120	407,816	1,564,936
Restricted	24,879	36,124	61,003
Unrestricted (deficit)	55,325	15,893	71,218
Total net assets	<u>\$ 1,237,324</u>	<u>\$ 459,833</u>	<u>\$ 1,697,157</u>

Changes in Net Assets

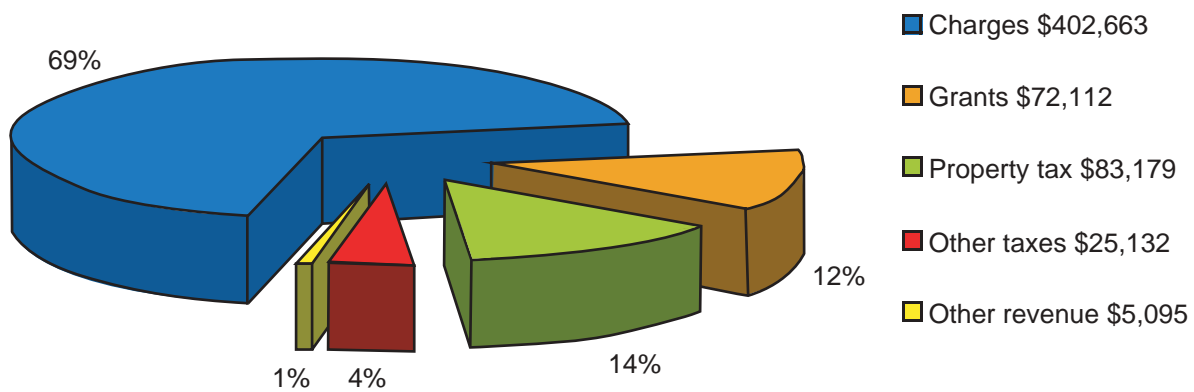
Net assets of the City's governmental activities decreased 1.1 percent to \$1.24 billion. Of that balance \$1.18 billion are either restricted on how they may be used or are invested in capital assets (buildings, roads, bridges, and so on). Therefore \$55 million remains to meet the City's ongoing obligations to citizens and creditors.

During the same period the net assets of the business-type activities increased 1.6 percent to \$460 million. However the City generally can only use these net assets to finance the continuing operations of the electric system, sewer system, storm water system, solid waste operations and housing management operations.

The graphs below summarize the sources of the City's total revenues of \$588 million and total program expenses of \$595 million.

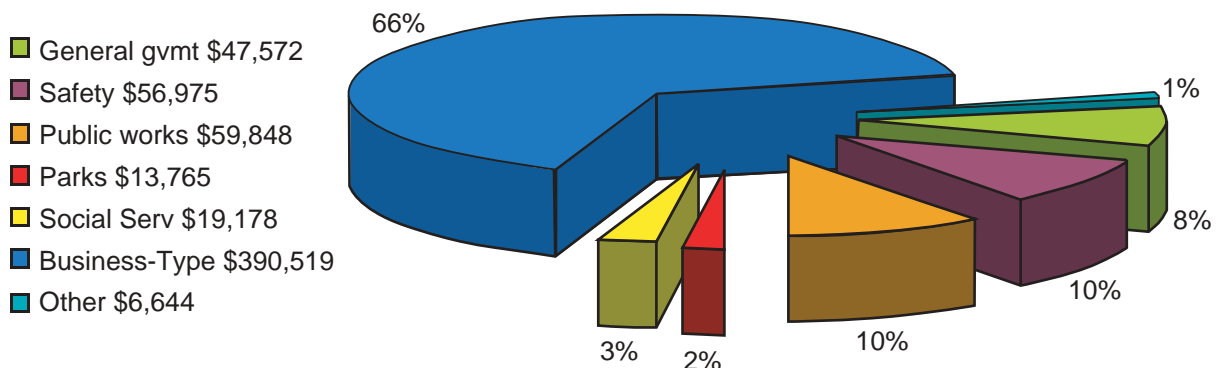
City Wide Sources of Revenue

(In thousands)



City Wide Program Expense

(In thousands)



In order to provide a complete picture of the changes in net assets of the City, information is provided separately for the net assets of governmental and business-type activities. See the table below.

City of Chattanooga's Changes in Net Assets

(in thousands)

	Governmental Activities 2002	Business-type Activities 2002	Total 2002
Revenues			
Program revenues:			
Charges for services	\$ 15,876	\$ 386,787	\$ 402,663
Grants	31,746	5,544	37,290
General revenues:			
Property taxes	83,179	—	83,179
Other taxes	25,132	—	25,132
Grants	34,822	—	34,822
Investment income	1,639	3,456	5,095
Total revenues	<u>192,394</u>	<u>395,787</u>	<u>588,181</u>
Expenses			
Government activities:			
General government	47,572	—	47,572
Public safety	56,975	—	56,975
Public works	59,848	—	59,848
Parks and recreation	13,765	—	13,765
Social services	19,178	—	19,178
Payments to components	2,977	—	2,977
Interest on long-term debt	3,668	—	3,668
Business-type activities:			
Electric utility	—	346,821	346,821
Sewer	—	31,565	31,565
Solid waste	—	6,429	6,429
Storm water	—	4,774	4,774
Housing management	—	930	930
Total expenses	<u>203,983</u>	<u>390,519</u>	<u>594,502</u>
Excess (deficiency) before transfers	(11,589)	5,268	(6,321)
Transfers	<u>(2,165)</u>	<u>2,165</u>	<u>—</u>
Increase (decrease) in net assets	<u>\$ (13,754)</u>	<u>\$ 7,433</u>	<u>\$ (6,321)</u>

The following will consider the operations of governmental and business-type activities separately and in greater detail.

Governmental Activities

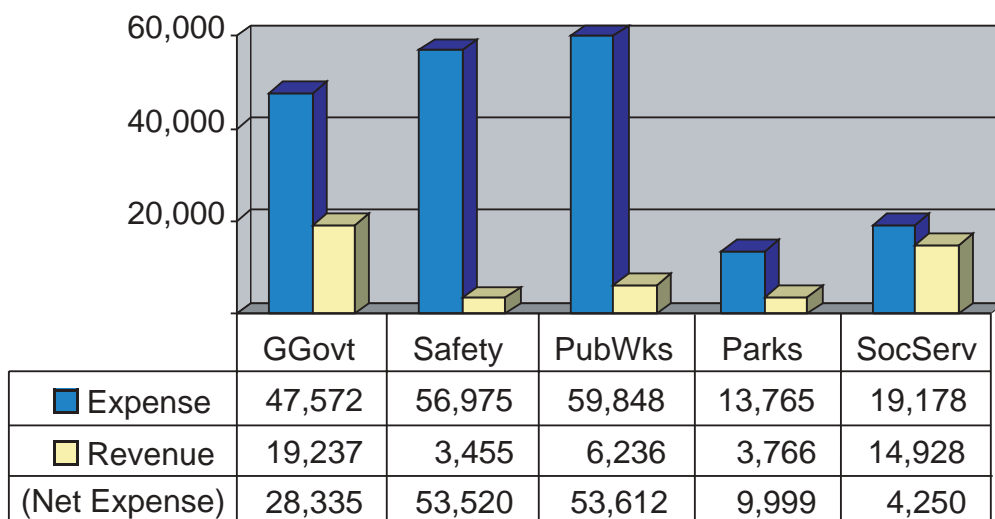
Current fiscal year revenues for the City’s governmental activities were \$192 million while the same period expenses were \$204 million.

- The single largest source of governmental activity revenue, property taxes, accounted for almost all of the \$16 million revenue increase. This was primarily due to an increase in the City’s property tax rate.
- As previously stated, this was the first year to record infrastructure assets for governmental activities resulting in a \$35 million increase in depreciation expense.

The graphs below show the revenue generated by the five largest programs of the City as compared with the expenses associated with providing each service. This will show the net cost, or the financial burden placed on City taxpayers for each program. Also presented are the major sources of revenue for governmental activities.

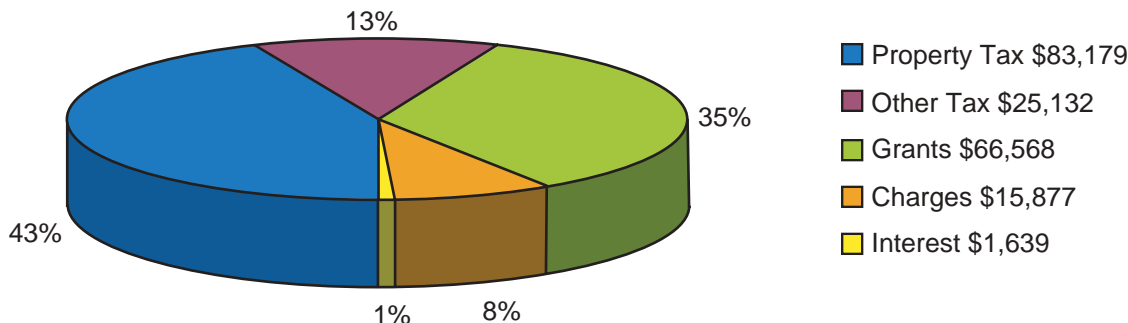
Expenses and Program Revenues - Governmental Activities

(In thousands)



Revenues by Source - Governmental Activities

(In thousands)

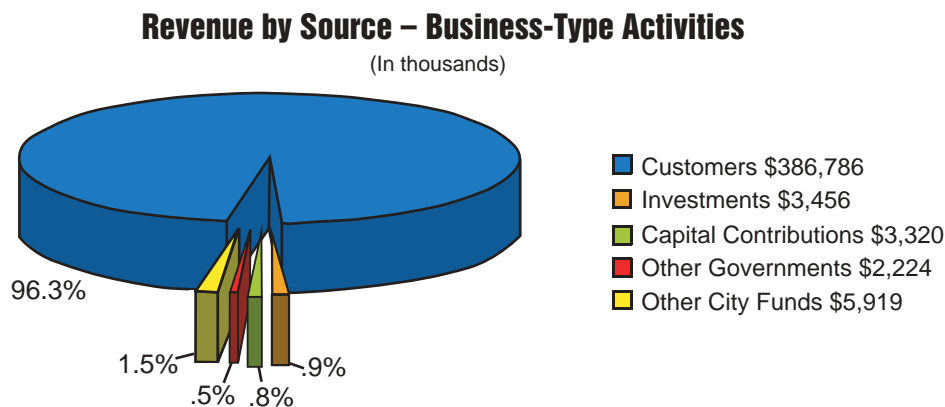


Business-type Activities

Revenues for the City’s business-type activities were \$396 million for the year just completed, a decrease of \$11.2 million or 2.8 percent. However, the same period saw a \$17.8 million or 4.3 percent decrease in expenses to \$394 million.

- The largest source of business-type activity revenue is generated from the Electric Power Board. Sales of electricity decreased 4.2 percent to \$334.8 million. However, there was an offsetting decrease of 4.5 percent in operating expenses. The change in usage is attributed to milder weather and the bankruptcy of a major industrial customer.
- Operating revenues for the Interceptor Sewer System were down \$567,000 due to the loss of a major industrial customer while operating expenses decreased \$1,332,000. This resulted in a \$765,000, or 12.9 percent, increase in net income over last year.”
- As a result of an aggressive capital program to meet State and Federal landfill requirements, the Solid Waste Fund remains in a negative net asset position. Excluding the special item to transfer waste collection assets to the General Fund, Solid Waste posted a \$585,000 net income for the year.
- Revenues from operations in the Storm Water Fund rose 6.5 percent to \$5.5 million. This is due to increased development and recent annexation. However, operational costs increased during the same period by 15.0 percent to \$3.4 million as a result of various, small citywide projects that were not capital in nature.
- The Housing Management Fund, new for the year, had a 96% occupancy rate for one apartment complex and an 88% occupancy rate for another. The fund reported \$1 million in rental income for the year, which when combined with capital contributions, earned a net income of \$3.9 million.

The chart below shows the operating revenue (including General Fund appropriations) generated by each business-type activity of the City as compared with the operating expenses associated with providing each service. Also presented are the major sources of revenue for business-type activities.



Operating Expenses and Revenues – Business-Type Activities
(in thousands)

	<u>Electric</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Storm Water</u>	<u>Housing</u>
Expense	\$ 343,405	\$ 25,403	\$ 4,556	\$ 3,409	\$ 876
Revenue	346,607	32,076	1,613	5,465	1,025
Net operating income (loss)	<u>\$ 3,202</u>	<u>\$ 6,673</u>	<u>\$ (2,943)</u>	<u>\$ 2,056</u>	<u>\$ 149</u>

Financial Analysis Of The City's Funds

The City of Chattanooga uses fund accounting to help it control and manage money for particular purposes or to demonstrate compliance with legal requirements. More detailed analysis is provided below for the City's funds.

Governmental Funds

Governmental funds focus on providing information on the near-term flow of resources. As the City completed the year, its governmental funds reported a combined fund balance of \$79.9 million. Approximately 87 percent of this amount (\$69.3 million) constitutes unreserved fund balance, which is available for spending at the City's discretion. All of the governmental funds reported a positive ending fund balance. Information about the major governmental funds is presented below.

General Fund. This fund is the chief operating fund of the City of Chattanooga. At the end of the current fiscal year, unreserved fund balance was \$34.4 million, of which \$5.5 million is designated for future spending. Total fund balance of the City's general fund increased by 7.4 percent or \$2.5 million to \$36 million during the fiscal year. Key factors in this growth are as follows:

- As a result of a countywide property reappraisal the City's property tax rate was reduced from 2.31 cents to a certified rate of 2.036 cents per \$100 assessed valuation. This rate was subsequently changed to 2.516 cents by City Council resulting in increased property tax revenues of \$15.7 million.
- The increased revenues were used to offset increases in medical insurance, salaries and capital expenditures.

Capital Projects Fund. This fund focuses on project-to-date costs for many projects within the City. At the end of the year, the fund reported \$24.9 million in fund balance of which \$8.6 million was reserved for on-going projects already begun. This is a \$11.3 million decrease from last year.

- The City spent \$25.4 million on capital expenditures, primarily from beginning fund balance which included bond proceeds received last year to finance these projects.
- Current year expenditures included \$2.3 million for building renovations and equipment for the police and fire departments; \$8.7 million for parks and recreation complexes; and \$9.3 million for street projects.

Proprietary Funds

As the City completed the fiscal year its proprietary funds, which include both enterprise funds and internal service funds, had a combined fund balance of \$461 million. Of this amount, \$53 million was available to meet on-going obligations with the majority, \$408 million, invested in capital assets. Since the major enterprise funds comprise 99 percent of the combined proprietary fund balance, key factors within those funds are presented below:

- Net assets of the Electric Power Board increased \$3.3 million to \$229.3 for fiscal year 2002. \$2.9 million of that increase is in unrestricted net assets, those that can be used to finance day-to-day operations. Revenue from electric customers fell by \$14.7 million but the associated operating expenses fell by \$14.8 million, more than offsetting the reduction. The telecommunications segment saw a net increase of \$1.5 million in net assets.

- The Interceptor Sewer System reported a net increase of \$1.9 million in net assets to \$223.1 million. \$12.1 million is unrestricted net assets, those that can be used to finance on-going operations; an additional \$22.1 million is set aside for capital improvements. There was a 2.9 percent decrease in sewer service charge revenue due to various factors including the closure of a local foundry and increase usage of secondary metering. This was partially offset by increased charges to new customers from recent expansion into Northwest Georgia.
- The City of Chattanooga operates a municipal solid waste landfill. In 1991 the Environmental Protection Agency issued an unfunded Federal mandate establishing closure and postclosure care requirements for such landfills. To date the City has accrued liabilities of \$5.6 million for a closed landfill and \$3.1 million for a landfill currently in operation. Much of the burden of these costs is being financed through general obligation bonds.

General Fund Budgetary Highlights

There were no differences between original and final budgets at the fund level. The differences shown were due to reallocations within General Fund as authorized in the original budget ordinance. General government expenditures were increased almost \$895,000, or 2.3%, primarily due to increased health insurance costs. This increase was funded from unexpended appropriations in other departments within General Fund.

When comparing the amended budgeted revenues with appropriations, the City anticipated a deficit of \$308,970. While actual revenues were less than budget by more than \$2.8 million (primarily due to reduced investment income and sales taxes), expenditures were less than budgetary estimates by nearly \$5 million resulting in a net income of \$2.3 million in General Fund.

Capital Asset And Debt Administration

Capital Assets

At the end of this year, the City had \$1.8 billion (net of accumulated depreciation) invested in capital assets. This investment includes land, buildings, utility system improvements, machinery and equipment, park facilities and infrastructure. The table below shows the investment in capital assets by both governmental activities and business-type activities.

City of Chattanooga's Capital Assets
(net of depreciation, in thousands of dollars)

	Governmental Activities 2002	Business-type Activities 2002	Total 2002
Land & Easements	\$ 35,738	\$ 14,222	\$ 49,960
Buildings	26,034	47,322	73,356
Equipment	17,341	197,770	215,120
Improvements	6,484	—	6,484
Infrastructure	1,139,908	314,827	1,454,735
Work in progress	6,910	10,203	17,113
Total	<u>\$ 1,232,415</u>	<u>\$ 584,353</u>	<u>\$ 1,816,768</u>

This year's major capital asset additions include:

- General infrastructure assets of \$1.4 billion. This includes retroactive infrastructure assets for early compliance with GASB 34 and \$2 million constructed in the current fiscal year.
- Electric Power Board investment of \$18.1 in plant assets for the year. This includes \$16 million in power distribution systems and \$2.6 million for telecommunications.
- \$11.9 million was capitalized as new infrastructure costs for the Interceptor Sewer System.
- New Housing Management Fund acquired \$5.9 million in land, apartment buildings and work-in-progress.
- Stormwater capitalized \$3 million in infrastructure costs.
- Parks & Recreation completed projects including Brainerd Recreation Complex \$4.4 million, South Chattanooga Recreation Complex \$3.4 million, Hixson Aquatics Center \$1.9 million.
- Completion of a new fire hall \$2.4 million.

The City's capital improvement program anticipates spending another \$263.8 million for capital projects over the next five years for various projects. There are plans to issue an additional \$97 million in debt during fiscal year 2003 to help finance these projects. Nearly 90% of this debt will be funded by the recently imposed hotel-motel tax (\$55 million) and sewer revenues (\$30 million).

More detailed information about the City's capital assets is presented in the notes to the financial statements.

Debt

At year-end the City had \$301.7 million in long-term debt outstanding – a decrease of 5 percent over last year -- as shown in the table below.

City of Chattanooga's Long-term Debt

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2002	2001	2002	2001	2002	2001
General obligation bonds (backed by the City)	\$ 68,794	\$ 72,014	\$ 159,206	\$ 169,726	\$ 228,000	\$ 241,740
Revenue bonds (backed by specific revenues)	—	—	38,400	40,000	38,400	40,000
Notes payable	6,894	8,226	9,523	8,029	16,417	16,255
Capital leases	—	144	288	304	288	448
Compensated absences	15,290	15,399	3,344	3,930	18,634	19,329
Total	\$ 90,978	\$ 95,783	\$ 210,761	\$ 221,989	\$ 301,739	\$ 317,772

- The City of Chattanooga maintains a “AA” rating from both Standard & Poor’s and Fitch Investor’s Service for general obligation debt.
- State statutes limit the amount of general obligation debt a City can issue to 10 percent of the assessed value of all taxable property within the City’s corporate limits. For the current fiscal year that limit is \$320.2 million.

During the year the City entered into the following new debt:

- General obligation refunding bonds were issued for \$58.1 million in April 2002. This was to refund \$57.9 million in governmental and business-type debt. It is expected to yield \$2.7 million in savings.
- Other smaller debt increases included an additional \$22,575 draw on a line of credit with the Tennessee Municipal Bond Fund for general government capital improvements and an additional \$1.9 million draw on a loan with the State of Georgia for sewer system improvements.

More detailed information about the City’s long-term liabilities is presented in the notes to the financial statements.

Economic Factors And Next Year’s Budgets And Rates

The following indicators were taken into account when adopting the General Fund budget for 2003:

- Unemployment now stands at 3.8% (July 2002), up from 3.2% a year ago. However unemployment in Chattanooga remains well below the national rate of 5.9% and the state rate of 4.9% for the same period.
- Growth in the local property tax base remains strong as indicated by the record number of building permits. The total value of all construction for calendar year 2001 rose to \$365.7 million, a 29% increase over the previous year.

Anticipated revenues in the General Fund budget are \$169.1 million, virtually unchanged from the 2002 budget. Property tax collections are expected to increase 2.8% in the coming year. Investment income and intergovernmental revenue are anticipated to decrease \$930,000 and \$785,000 respectively. These will be partially offset by an increase of service charges of \$300,000 and miscellaneous revenue of \$375,000. Budgeted expenditures are expected to decrease almost 0.2% to \$169 million from \$169.4 million in 2002. With the exception of salaries and medical costs, departmental operations are budgeted at less than the prior year. No decrease in fund balance of General Fund is expected for fiscal year 2003.

As for the City’s business-type activities, we expect that the 2003 results should see a modest increase to net assets.

Contacting The City’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

City of Chattanooga Finance Department
100 East 11th Street
Chattanooga, Tennessee 37402
(423) 757-5232

Report of Independent Certified Public Accountants
on Financial Statements, Supplementary Information, and
Schedule of Expenditures of Federal and State Awards

To the Honorable Mayor and
Members of the City Council
City of Chattanooga, Tennessee

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee, as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Chattanooga, Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of EPB, which represent 46 percent and 89 percent, respectively, of the assets and revenues of the business-type activities. We also did not audit the financial statements of the Chattanooga Metropolitan Airport Authority, which represent 23 percent and 31 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for EPB and the Chattanooga Metropolitan Airport Authority, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the City has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," as of June 30, 2002.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2002, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages one through twelve of the Financial Section and the required supplementary information on pages 54-64 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chattanooga, Tennessee's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The introductory section, combining and individual nonmajor fund and component unit financial statements, budgetary comparison schedules of special revenue funds and the debt service fund, financial schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund and component unit financial statements, budgetary comparison schedules of special revenue funds and the debt service fund, and financial schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Haylett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
November 12, 2002

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2002

	Primary Government			Components Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 28,704,577	\$ 54,717,246	\$ 83,421,823	\$ 1,901,258
Investments	46,651,495	67,609,853	114,261,348	131,437
Receivables, net of allowance for uncollectibles	111,866,444	42,678,225	154,544,669	5,754,812
Due from component units	193,526	-	193,526	-
Deferred charges	-	1,988,161	1,988,161	1,992,899
Inventories	1,903,124	7,622,423	9,525,547	227,604
Prepaid items	1,216,420	-	1,216,420	417,077
Other assets	-	2,252,425	2,252,425	-
Restricted assets:				
Cash and cash equivalents	-	3,370,510	3,370,510	554,407
Investments	-	12,039,274	12,039,274	23,970,236
Receivables	-	107,495	107,495	367,562
Other	-	33,000	33,000	-
Net pension asset	4,498,226	-	4,498,226	-
Land and other nondepreciable assets	42,647,910	24,425,647	67,073,557	52,074,081
Other capital assets, net of accumulated depreciation	<u>1,189,767,171</u>	<u>559,926,983</u>	<u>1,749,694,154</u>	<u>124,860,006</u>
Total assets	<u>1,427,448,893</u>	<u>776,771,242</u>	<u>2,204,220,135</u>	<u>212,251,379</u>
LIABILITIES				
Accounts payable and accrued liabilities	15,126,706	69,788,424	84,915,130	4,463,815
Customer deposits	-	10,413,000	10,413,000	-
Due to primary government	-	-	-	193,526
Contracts payable	1,016,751	509,584	1,526,335	398,271
Deferred revenue	83,092,099	-	83,092,099	63,554
Accrued closure and post-closure care	-	8,705,591	8,705,591	-
Accrued postretirement benefits	-	10,578,000	10,578,000	-
Conservation advances	-	3,039,000	3,039,000	-
Other liabilities	-	3,599,000	3,599,000	23,093
Long-term liabilities:				
Due within one year	4,753,112	13,214,900	17,968,012	575,000
Due in more than one year	<u>86,135,923</u>	<u>197,090,778</u>	<u>283,226,701</u>	<u>145,369,260</u>
Total liabilities	<u>190,124,591</u>	<u>316,938,277</u>	<u>507,062,868</u>	<u>151,086,519</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,157,120,004	407,816,461	1,564,936,465	47,881,490
Restricted for:				
Capital projects	24,879,407	-	24,879,407	-
Debt service	-	-	-	15,535,806
Renewal and replacement	-	36,123,848	36,123,848	-
Unrestricted	<u>55,324,891</u>	<u>15,892,656</u>	<u>71,217,547</u>	<u>(2,252,436)</u>
Total net assets	<u>\$ 1,237,324,302</u>	<u>\$ 459,832,965</u>	<u>\$ 1,697,157,267</u>	<u>\$ 61,164,860</u>

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2002

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 47,571,630	\$ 10,394,517	\$ 5,834,222	\$ 3,008,727
Public safety	56,975,310	741,994	1,982,245	730,938
Public works	59,848,473	1,738,788	4,496,260	884
Parks and recreation	13,765,543	2,909,057	786,215	70,700
Social services	19,178,170	92,345	14,835,632	-
Payments to component units	2,976,800	-	-	-
Interest on long-term debt	3,667,564	-	-	-
Total governmental activities	<u>203,983,490</u>	<u>15,876,701</u>	<u>27,934,574</u>	<u>3,811,249</u>
Business-type activities:				
Sewer	31,565,003	32,076,250	-	283,849
Solid waste/sanitation	6,428,615	1,613,264	-	40,338
Storm water	4,774,295	5,464,578	-	166,226
Housing management	930,550	1,025,353	-	3,803,975
Electric utility	346,821,000	346,607,000	-	1,250,000
Total business-type activities	<u>390,519,463</u>	<u>386,786,445</u>	<u>-</u>	<u>5,544,388</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 594,502,953</u>	<u>\$ 402,663,146</u>	<u>\$ 27,934,574</u>	<u>\$ 9,355,637</u>
Component units:				
Airport authority	\$ 7,705,488	\$ 5,858,182	\$ -	5,475,738
Transportation authority	13,947,581	3,574,890	2,401,077	8,223,958
Southside development	19,994,552	8,559,056	-	6,784,356
TOTAL COMPONENT UNITS	<u>\$ 41,647,621</u>	<u>\$ 17,992,128</u>	<u>\$ 2,401,077</u>	<u>\$ 20,484,052</u>

General revenues:
 Property taxes
 City-levied sales tax
 Liquor and beer taxes
 Other taxes
 Payments from primary government
 Unrestricted investment earnings
 Miscellaneous
 Grants and contributions not allocated to specific programs
 Special item - transfer of capital assets
 Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning

Net assets, ending

The Notes to Basic Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government		Components Units
	Business-type Activities	Total	
\$ (28,334,164)	\$ -	\$ (28,334,164)	\$ -
(53,520,133)	-	(53,520,133)	-
(53,612,541)	-	(53,612,541)	-
(9,999,571)	-	(9,999,571)	-
(4,250,193)	-	(4,250,193)	-
(2,976,800)	-	(2,976,800)	-
(3,667,564)	-	(3,667,564)	-
<u>(156,360,966)</u>	<u>-</u>	<u>(156,360,966)</u>	<u>-</u>
-	795,096	795,096	-
-	(4,775,013)	(4,775,013)	-
-	856,509	856,509	-
-	3,898,778	3,898,778	-
-	1,036,000	1,036,000	-
<u>-</u>	<u>1,811,370</u>	<u>1,811,370</u>	<u>-</u>
<u>(156,360,966)</u>	<u>1,811,370</u>	<u>(154,549,596)</u>	<u>-</u>
-	-	-	3,628,432
-	-	-	252,344
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,651,140)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(770,364)</u>
83,178,993	-	83,178,993	-
17,589,729	-	17,589,729	-
5,829,353	-	5,829,353	-
1,713,236	-	1,713,236	-
-	-	-	2,976,800
1,638,793	3,456,226	5,095,019	2,731,839
-	-	-	1,094,771
34,821,809	-	34,821,809	-
3,753,205	(3,753,205)	-	-
(5,918,505)	5,918,505	-	-
<u>142,606,613</u>	<u>5,621,526</u>	<u>148,228,139</u>	<u>6,803,410</u>
(13,754,353)	7,432,896	(6,321,457)	6,033,046
<u>1,251,078,655</u>	<u>452,400,069</u>	<u>1,703,478,724</u>	<u>55,131,814</u>
<u>\$ 1,237,324,302</u>	<u>\$ 459,832,965</u>	<u>\$ 1,697,157,267</u>	<u>\$ 61,164,860</u>

CITY OF CHATTANOOGA, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2002

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 554,289	\$ 14,307,305	\$ 12,805,102	\$ 27,666,696
Investments	39,221,652	7,429,843	-	46,651,495
Receivables, net of allowance for uncollectibles:				
Taxes	80,009,856	-	-	80,009,856
Accounts	-	53,050	104,272	157,322
Notes	1,500,000	-	3,927,032	5,427,032
Other	3,644,233	-	-	3,644,233
Due from other funds	-	6,431,638	1,499,095	7,930,733
Due from component units	475,000	-	-	475,000
Due from other governments	19,158,025	900,901	2,313,846	22,372,772
Inventories	911,040	-	-	911,040
Prepaid items	8,000	1,208,420	-	1,216,420
	<u>\$ 145,482,095</u>	<u>\$ 30,331,157</u>	<u>\$ 20,649,347</u>	<u>\$ 196,462,599</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 3,706,887	\$ 4,308,448	\$ 1,190,718	\$ 9,206,053
Due to other funds	9,426,566	-	-	9,426,566
Due to other governments	2,300,797	126,551	-	2,427,348
Due to component units	281,474	-	-	281,474
Deferred revenue	93,798,676	-	374,438	94,173,114
Contracts payable	-	1,016,751	-	1,016,751
	<u>109,514,400</u>	<u>5,451,750</u>	<u>1,565,156</u>	<u>116,531,306</u>
Fund balances:				
Reserved for:				
Encumbrances	655,047	7,408,236	399,483	8,462,766
Inventories	911,040	-	-	911,040
Prepaid items	8,000	1,208,420	-	1,216,420
Unreserved, designated for:				
Debt service	-	-	5,497,083	5,497,083
Subsequent years' expenditures	5,532,885	-	-	5,532,885
Unreserved, undesignated, reported in:				
General fund	28,860,723	-	-	28,860,723
Capital projects fund	-	16,262,751	-	16,262,751
Special revenue and debt service funds	-	-	13,187,625	13,187,625
	<u>35,967,695</u>	<u>24,879,407</u>	<u>19,084,191</u>	<u>79,931,293</u>
Total liabilities and fund balances	<u>\$ 145,482,095</u>	<u>\$ 30,331,157</u>	<u>\$ 20,649,347</u>	<u>\$ 196,462,599</u>

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CHATTANOOGA, TENNESSEE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2002

Differences in amounts reported for governmental activities in the statement of net assets
on page 3:

Fund balances - total governmental funds	\$ 79,931,293
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.	1,231,728,420
Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	11,081,015
The General Pension Plan has been funded in excess of annual required contributions, creating a net pension asset. This asset is not a currently available financial resource and is not reported in the funds.	4,498,226
Internal service funds are used by management to charge the costs of fleet management and risk management activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,557,608
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.	<u>(91,472,260)</u>
Net assets of governmental activities	<u>\$ 1,237,324,302</u>

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2002

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 107,767,598	\$ -	\$ -	\$ 107,767,598
Licenses and permits	6,276,409	-	-	6,276,409
Intergovernmental	40,070,794	3,245,813	20,281,001	63,597,608
Charges for services	3,105,976	-	68,493	3,174,469
Fines, forfeitures, and penalties	1,733,844	-	-	1,733,844
Investment income	1,470,601	440,475	467,316	2,378,392
Miscellaneous	4,112,982	658,562	2,697,722	7,469,266
Total revenues	<u>164,538,204</u>	<u>4,344,850</u>	<u>23,514,532</u>	<u>192,397,586</u>
EXPENDITURES				
Current:				
General government	44,822,763	-	15,553,691	60,376,454
Public safety	54,759,001	-	232,380	54,991,381
Public works	18,842,216	-	4,410,487	23,252,703
Parks and recreation	12,631,221	-	-	12,631,221
Community development	-	-	4,257,418	4,257,418
Capital outlay/fixed assets	-	25,356,715	975,533	26,332,248
Debt service:				
Principal retirement	-	-	4,658,954	4,658,954
Interest and fiscal charges	-	-	3,734,280	3,734,280
Total expenditures	<u>131,055,201</u>	<u>25,356,715</u>	<u>33,822,743</u>	<u>190,234,659</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>33,483,003</u>	<u>(21,011,865)</u>	<u>(10,308,211)</u>	<u>2,162,927</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	963,361	10,675,641	13,175,598	24,814,600
Transfers out	(28,996,458)	(967,251)	(769,396)	(30,733,105)
Payments to component units	(2,976,800)	-	-	(2,976,800)
Proceeds of refunding bonds	-	-	16,377,267	16,377,267
Proceeds of bonds and notes	-	22,575	-	22,575
Refunded bond payment	-	-	(16,235,491)	(16,235,491)
Total other financing sources (uses)	<u>(31,009,897)</u>	<u>9,730,965</u>	<u>12,547,978</u>	<u>(8,730,954)</u>
Net change in fund balance	2,473,106	(11,280,900)	2,239,767	(6,568,027)
FUND BALANCE, beginning	<u>33,494,589</u>	<u>36,160,307</u>	<u>16,844,424</u>	<u>86,499,320</u>
FUND BALANCE, ending	<u>\$ 35,967,695</u>	<u>\$ 24,879,407</u>	<u>\$ 19,084,191</u>	<u>\$ 79,931,293</u>

The Notes to Basic Financial Statements are an integral part of this statement

CITY OF CHATTANOOGA, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2002

Differences in amounts reported for governmental activities in the statement of activities on pages 4 and 5:

Net change in fund balances - total governmental funds	\$ (6,568,027)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the Statement of Net Assets.	25,285,966
Depreciation expense on governmental capital assets are included in the governmental activities in the Statement of Activities.	(40,852,505)
Transfers of capital assets from business-type activities do not provide current financial resources and therefore are not reported in the governmental funds	3,753,205
Proceeds of long-term debt (e.g., bonds, notes) provide financial resources to governmental funds; however, issuing long-term debt increases long-term liabilities in the statement of net assets. Repayments of long-term debt are reported as an expenditure in governmental funds, but are a reduction of long-term liabilities in the statement of net assets. In the current year, these amounts included principal repayments on bonds, notes and other debt.	4,606,514
The net revenues of internal service funds are reported with governmental activities	(11,148)
Certain items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditure in the governmental funds.	34,791
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.	<u>(3,149)</u>
Change in net assets of governmental activities	<u>\$ (13,754,353)</u>

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CHATTANOOGA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 108,538,241	\$ 108,538,241	\$ 107,767,598	\$ (770,643)
Licenses and permits	6,897,955	6,897,955	6,276,409	(621,546)
Intergovernmental	41,344,932	41,344,932	40,070,794	(1,274,138)
Charges for services	3,215,450	3,215,450	3,105,976	(109,474)
Fines, forfeitures, and penalties	1,652,500	1,652,500	1,733,844	81,344
Miscellaneous	6,436,453	6,436,453	6,310,159	(126,294)
Total revenues	<u>168,085,531</u>	<u>168,085,531</u>	<u>165,264,780</u>	<u>(2,820,751)</u>
EXPENDITURES				
General government	39,252,166	40,146,952	37,637,921	(2,509,031)
Finance and Administration	9,125,250	9,070,450	8,219,594	(850,856)
Police	34,258,554	33,958,468	33,827,824	(130,644)
Fire	21,809,578	21,569,578	20,961,799	(607,779)
Public Works	19,667,023	19,537,123	18,846,387	(690,736)
Parks and Recreation	13,122,084	12,952,084	12,747,734	(204,350)
Total expenditures	<u>137,234,655</u>	<u>137,234,655</u>	<u>132,241,259</u>	<u>(4,993,396)</u>
Excess of revenues over expenditures	<u>30,850,876</u>	<u>30,850,876</u>	<u>33,023,521</u>	<u>2,172,645</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	968,217	968,217	963,361	(4,856)
Transfers out	(29,151,263)	(29,151,263)	(28,996,458)	154,805
Payments to component units	(2,976,800)	(2,976,800)	(2,976,800)	-
Total other financing sources (uses)	<u>(31,159,846)</u>	<u>(31,159,846)</u>	<u>(31,009,897)</u>	<u>149,949</u>
Net change in fund balance	<u>\$ (308,970)</u>	<u>\$ (308,970)</u>	2,013,624	<u>\$ 2,322,594</u>
Adjustment for encumbrances			459,482	
Net change in fund balance (GAAP basis)			2,473,106	
FUND BALANCE at beginning of year (GAAP basis)			<u>33,494,589</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 35,967,695</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 165,264,780	
Employee benefit payments received from other funds			(726,576)	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 164,538,204</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 132,241,259	
Adjustment for encumbrances			(459,482)	
Employee benefit payments for other funds			(726,576)	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 131,055,201</u>	

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CHATTANOOGA, TENNESSEE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS
June 30, 2002

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Other Funds		
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 38,383,000	\$ 6,657,861	\$ 4,134,125	\$ 5,542,260	\$ 54,717,246	\$ 1,037,881
Investments	30,491,000	24,300,853	-	-	54,791,853	-
Receivables:						
Customer service	33,629,000	4,915,787	117,410	1,055,457	39,717,654	127,194
Other	761,000	497,684	-	-	1,258,684	-
Less allowance for doubtful accounts	(600,000)	(3,025)	(1,200)	(616,936)	(1,221,161)	-
Inventories	6,832,000	790,423	-	-	7,622,423	992,084
Due from other funds	-	-	10,671	-	10,671	1,495,833
Due from other governments	-	277,470	-	454,578	732,048	128,035
Other current assets	2,206,000	-	-	46,425	2,252,425	-
Total current assets	111,702,000	37,437,053	4,261,006	6,481,784	159,881,843	3,781,027
RESTRICTED ASSETS						
Cash and cash equivalents	-	15,661	3,354,849	-	3,370,510	-
Investments	-	1,330,137	9,988,159	720,978	12,039,274	-
Accounts receivable	-	182	97,360	9,953	107,495	-
Land	-	33,000	-	-	33,000	-
Total restricted assets	-	1,378,980	13,440,368	730,931	15,550,279	-
CAPITAL ASSETS						
Land	3,882,000	7,759,644	1,517,514	1,063,154	14,222,312	-
Buildings	15,004,000	37,438,195	1,717,098	3,073,850	57,233,143	589,948
Vehicles and machinery	346,907,000	11,277,013	5,113,778	1,138,915	364,436,706	1,139,495
Construction in progress	7,385,000	-	-	2,818,335	10,203,335	-
Sewer system	-	375,992,258	-	-	375,992,258	-
Storm water system	-	-	-	39,586,639	39,586,639	-
Telecommunications system	14,412,000	-	-	-	14,412,000	-
	387,590,000	432,467,110	8,348,390	47,680,893	876,086,393	1,729,443
Less accumulated depreciation	(155,243,000)	(129,482,050)	(3,071,707)	(3,937,006)	(291,733,763)	(1,042,782)
Net capital assets	232,347,000	302,985,060	5,276,683	43,743,887	584,352,630	686,661
OTHER ASSETS						
Deferred charges	578,000	1,055,583	205,531	149,047	1,988,161	-
Conservation loans receivable	2,191,000	-	-	-	2,191,000	-
Noncurrent investments	12,818,000	-	-	-	12,818,000	-
Total other assets	15,587,000	1,055,583	205,531	149,047	16,997,161	-
Total assets	\$ 359,636,000	\$ 342,856,676	\$ 23,183,588	\$ 51,105,649	\$ 776,781,913	\$ 4,467,688

The Notes to Basic Financial Statements are an integral part of this statement.

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Other Funds	Total	
CURRENT LIABILITIES						
Current maturities of long-term liabilities	\$ 1,600,000	\$ 8,719,082	\$ 1,650,075	\$ 1,245,743	\$ 13,214,900	\$ -
Accounts payable and accrued liabilities	62,132,000	3,263,940	1,127,751	3,242,165	69,765,856	230,902
Accrued claims	-	-	-	-	-	2,173,000
Deposits	10,413,000	-	-	-	10,413,000	-
Due to other funds	-	-	-	10,671	10,671	-
Due to other governments	-	-	22,568	-	22,568	-
Contracts payable	-	426,224	35,508	47,852	509,584	-
Conservation advances	800,000	-	-	-	800,000	-
Other current liabilities	3,599,000	-	-	-	3,599,000	-
Total current liabilities	78,544,000	12,409,246	2,835,902	4,546,431	98,335,579	2,403,902
LONG-TERM LIABILITIES						
Notes and capital leases payable	-	7,791,296	-	1,576,339	9,367,635	-
Compensated absences	2,224,000	780,711	162,290	177,278	3,344,279	506,178
Accrued closure and post closure care	-	-	8,705,591	-	8,705,591	-
Revenue bonds payable	36,800,000	-	-	-	36,800,000	-
General obligation bonds payable	-	99,594,549	29,697,177	18,818,728	148,110,454	-
Deferred refunding	-	(2,633,265)	(712,259)	(509,680)	(3,855,204)	-
Original issue premium	-	1,788,689	894,542	640,383	3,323,614	-
Conservation advances	2,239,000	-	-	-	2,239,000	-
Accrued postretirement benefits	10,578,000	-	-	-	10,578,000	-
Total long-term liabilities	51,841,000	107,321,980	38,747,341	20,703,048	218,613,369	506,178
Total liabilities	130,385,000	119,731,226	41,583,243	25,249,479	316,948,948	2,910,080
NET ASSETS						
Invested in capital assets, net of related debt	193,476,000	188,839,152	2,650,271	22,851,038	407,816,461	-
Restricted for renewal and replacement	-	22,148,047	13,315,551	660,250	36,123,848	-
Unrestricted	35,775,000	12,138,251	(34,365,477)	2,344,882	15,892,656	1,557,608
Total net assets	\$ 229,251,000	\$ 223,125,450	\$ (18,399,655)	\$ 25,856,170	\$ 459,832,965	\$ 1,557,608

CITY OF CHATTANOOGA, TENNESSEE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
Year Ended June 30, 2002

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Other Funds		
OPERATING REVENUES						
Charges for sales and services:						
Electric sales	\$ 334,788,000	\$ -	\$ -	\$ -	\$ 334,788,000	\$ -
Sewer charges	-	32,076,250	-	-	32,076,250	-
Waste charges	-	-	1,611,460	-	1,611,460	-
Stormwater fees	-	-	-	5,406,275	5,406,275	-
Rent	-	-	-	1,014,324	1,014,324	-
Other services	11,819,000	-	1,804	69,332	11,890,136	8,603,303
Total operating revenues	<u>346,607,000</u>	<u>32,076,250</u>	<u>1,613,264</u>	<u>6,489,931</u>	<u>386,786,445</u>	<u>8,603,303</u>
OPERATING EXPENSES						
Power purchases	272,997,000	-	-	-	272,997,000	-
Sewer plant operations	-	15,917,547	-	-	15,917,547	-
Solid waste operations	-	-	3,261,964	-	3,261,964	-
Storm water operations	-	-	-	2,549,508	2,549,508	-
Pump station operations	-	1,653,665	-	-	1,653,665	-
Housing management operations	-	-	-	735,873	735,873	-
Municipal garage operations	-	-	-	-	-	1,198,290
Maintenance and repairs	12,663,000	-	-	-	12,663,000	6,546,403
Depreciation and amortization	13,697,000	7,761,904	635,835	919,372	23,014,111	136,200
Closure/postclosure costs	-	-	658,087	-	658,087	-
Liability insurance	-	-	-	-	-	733,558
Other	44,048,000	69,764	-	80,283	44,198,047	-
Total operating expenses	<u>343,405,000</u>	<u>25,402,880</u>	<u>4,555,886</u>	<u>4,285,036</u>	<u>377,648,802</u>	<u>8,614,451</u>
OPERATING INCOME (LOSS)	<u>3,202,000</u>	<u>6,673,370</u>	<u>(2,942,622)</u>	<u>2,204,895</u>	<u>9,137,643</u>	<u>(11,148)</u>
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental	-	277,470	40,338	1,906,487	2,224,295	-
Investment income	2,245,000	1,028,542	182,456	228	3,456,226	-
Interest expense	(1,960,000)	(6,098,144)	(1,669,800)	(1,190,499)	(10,918,443)	-
Other income (expense)	(1,456,000)	(63,979)	(202,929)	(229,310)	(1,952,218)	-
Total nonoperating revenues (expenses)	<u>(1,171,000)</u>	<u>(4,856,111)</u>	<u>(1,649,935)</u>	<u>486,906</u>	<u>(7,190,140)</u>	<u>-</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEMS	<u>2,031,000</u>	<u>1,817,259</u>	<u>(4,592,557)</u>	<u>2,691,801</u>	<u>1,947,503</u>	<u>(11,148)</u>
Capital contributions	1,250,000	6,379	-	2,063,714	3,320,093	-
Transfers in	-	43,394	5,177,828	697,283	5,918,505	-
Special item: Transfer of capital assets to governmental funds	-	-	(3,753,205)	-	(3,753,205)	-
CHANGE IN NET ASSETS	<u>3,281,000</u>	<u>1,867,032</u>	<u>(3,167,934)</u>	<u>5,452,798</u>	<u>7,432,896</u>	<u>(11,148)</u>
NET ASSETS, beginning	<u>225,970,000</u>	<u>221,258,418</u>	<u>(15,231,721)</u>	<u>20,403,372</u>	<u>452,400,069</u>	<u>1,568,756</u>
NET ASSETS, ending	<u>\$ 229,251,000</u>	<u>\$ 223,125,450</u>	<u>\$ (18,399,655)</u>	<u>\$ 25,856,170</u>	<u>\$ 459,832,965</u>	<u>\$ 1,557,608</u>

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CHATTANOOGA, TENNESSEE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
Year Ended June 30, 2002

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Other Funds		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 348,641,000	\$ 31,723,680	\$ 1,626,213	\$ 6,340,915	\$ 388,331,808	\$ 404,555
Receipts from interfund services provided	-	-	-	-	-	8,140,818
Receipts from operating grants	-	-	104,455	-	104,455	-
Payments to suppliers	(297,390,000)	(13,164,712)	(2,466,390)	(2,069,492)	(315,090,594)	(5,697,209)
Payments to employees	(21,069,000)	(4,601,656)	(1,160,295)	(1,548,102)	(28,379,053)	(2,889,914)
Payments in lieu of taxes	(7,784,000)	-	-	-	(7,784,000)	-
Net cash provided by (used in) operating activities	<u>22,398,000</u>	<u>13,957,312</u>	<u>(1,896,017)</u>	<u>2,723,321</u>	<u>37,182,616</u>	<u>(41,750)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	-	43,394	5,177,828	697,283	5,918,505	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from capital debt	-	26,546,003	10,526,302	8,551,142	45,623,447	-
Principal paid on capital debt	(1,600,000)	(8,380,242)	(1,545,287)	(1,170,838)	(12,696,367)	-
Payments to escrow agent	-	(24,377,321)	(10,594,386)	(7,617,089)	(42,588,796)	-
Interest paid on capital debt	(1,967,000)	(6,027,569)	(1,646,415)	(1,242,205)	(10,883,189)	-
Capital grants received	-	-	-	1,796,583	1,796,583	-
Capital contributions	1,250,000	6,379	-	2,063,714	3,320,093	-
Additions to capital assets	(24,093,000)	(13,517,480)	(626,437)	(8,088,053)	(46,324,970)	(17,536)
Proceeds from the sale of capital assets	-	-	256,686	19,128	275,814	-
Net cash flows used in capital and related financing activities	<u>(26,410,000)</u>	<u>(25,750,230)</u>	<u>(3,629,537)</u>	<u>(5,687,618)</u>	<u>(61,477,385)</u>	<u>(17,536)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	(600,000)	(166,373,345)	(37,010,660)	(17,215,014)	(221,199,019)	-
Proceeds from sales and maturities of investments	-	174,159,300	31,723,428	19,394,468	225,277,196	-
Interest on investments	659,000	1,207,551	262,380	397,484	2,526,415	-
Net cash flows provided by (used in) investing activities	<u>59,000</u>	<u>8,993,506</u>	<u>(5,024,852)</u>	<u>2,576,938</u>	<u>6,604,592</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(3,953,000)	(2,756,018)	(5,372,578)	309,924	(11,771,672)	(59,286)
Cash and cash equivalents, beginning of year	<u>42,336,000</u>	<u>9,429,540</u>	<u>12,861,552</u>	<u>5,232,336</u>	<u>69,859,428</u>	<u>1,097,167</u>
Cash and cash equivalents, end of year	<u>\$ 38,383,000</u>	<u>\$ 6,673,522</u>	<u>\$ 7,488,974</u>	<u>\$ 5,542,260</u>	<u>\$ 58,087,756</u>	<u>\$ 1,037,881</u>
CLASSIFIED AS:						
Current assets	\$ 38,383,000	\$ 6,657,861	\$ 4,134,125	\$ 5,542,260	\$ 54,717,246	\$ 1,037,881
Restricted assets	-	15,661	3,354,849	-	3,370,510	-

The Notes to Basic Financial Statements are an integral part of this statement.

(continued on next page)

(continued from previous page)

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Other Funds		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
OPERATING INCOME (LOSS)	\$ 3,202,000	\$ 6,673,370	\$ (2,942,622)	\$ 2,204,895	\$ 9,137,643	\$ (11,148)
ADJUSTMENTS NOT AFFECTING CASH						
Depreciation and amortization	13,697,000	7,761,904	635,835	919,372	23,014,111	136,200
Provision for uncollectible accounts	37,000	220,072	1,065	217,186	475,323	-
Other	-	-	276,041	-	276,041	849
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	1,000,000	(850,112)	76,001	(820,781)	(594,892)	(57,930)
(Increase) decrease in due from other funds	-	11,944	6,074	-	18,018	(212,500)
(Increase) decrease in due from other governments	-	-	-	-	-	(2,295)
(Increase) decrease in inventory	(467,000)	17,417	-	-	(449,583)	(4,980)
(Increase) decrease in prepaid items	(336,000)	-	-	(9,979)	(345,979)	-
(Increase) decrease in deferred charges	(139,000)	8,126	-	-	(130,874)	-
Increase (decrease) in accounts payable	2,749,000	(92,126)	(249,981)	258,861	2,665,754	44,893
Increase (decrease) in accrued liabilities	615,000	153,540	514,658	38,628	1,321,826	119,814
Increase (decrease) in other assets/liabilities	2,156,000	111,926	109,280	(84,861)	2,292,345	-
Increase (decrease) in compensated absences	(116,000)	(58,749)	(322,368)	-	(497,117)	(54,653)
TOTAL ADJUSTMENTS	19,196,000	7,283,942	1,046,605	518,426	28,044,973	(30,602)
Net cash provided by (used in) operating activities	\$ 22,398,000	\$ 13,957,312	\$ (1,896,017)	\$ 2,723,321	\$ 37,182,616	\$ (41,750)
SIGNIFICANT NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
Transfer of capital assets to governmental activities	\$ -	\$ -	\$ 3,753,205	\$ -	\$ 3,753,205	\$ -

CITY OF CHATTANOOGA, TENNESSEE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 June 30, 2002

	Pension Trust Funds	Private-Purpose Trust Funds
ASSETS		
Cash and cash equivalents	\$ (1,199,610)	\$ 20,288
Investments	353,385,353	51,446
Receivables:		
Accrued income	1,205,993	-
Contributions	79,589	-
Due from plan custodian	132,950	-
Total assets	353,604,275	71,734
LIABILITIES		
Due to plan custodian	1,361,398	-
Accounts payable and accrued expenses	528,866	-
Total liabilities	1,890,264	-
NET ASSETS		
Held in trust for pension benefits and other purposes	\$ 351,714,011	\$ 71,734

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CHATTANOOGA, TENNESSEE
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 Year Ended June 30, 2002

	Pension Trust Funds	Private-Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 3,927,000	\$ -
Employee	3,336,894	-
Total contributions	7,263,894	-
Investment income (loss):		
Net appreciation (depreciation) in fair market value of investments	(24,442,854)	(6,026)
Interest	5,971,697	2,156
Dividends	4,220,689	-
	(14,250,468)	(3,870)
Less investment expense	(1,811,748)	-
Net investment loss	(16,062,216)	(3,870)
Total additions	(8,798,322)	(3,870)
DEDUCTIONS		
Benefits paid to participants	22,541,490	-
Administrative expenses	496,921	300
Total deductions	23,038,411	300
CHANGE IN NET ASSETS	(31,836,733)	(4,170)
Net assets, beginning	383,550,744	75,904
Net assets, ending	\$ 351,714,011	\$ 71,734

The Notes to Basic Financial Statements are an integral part of this statement

CITY OF CHATTANOOGA, TENNESSEE
 COMPONENT UNITS
 STATEMENT OF NET ASSETS
 June 30, 2002

	Metropolitan Airport Authority	CARTA	Southside Redevelopment Corporation	Total
ASSETS				
Cash and cash equivalents	\$ 730,494	\$ 966,026	\$ 204,738	\$ 1,901,258
Investments	24,771	106,666	-	131,437
Accounts receivable	1,729,601	1,224,928	297,530	3,252,059
Due from primary government	-	-	281,474	281,474
Due from other governments	-	-	2,502,753	2,502,753
Deferred charges	239,909	-	1,752,990	1,992,899
Inventories	-	116,668	110,936	227,604
Prepaid items	106,137	155,447	155,493	417,077
Restricted assets:				
Cash and cash equivalents	223,407	331,000	-	554,407
Investments	5,445,325	-	18,524,911	23,970,236
Receivables	83,974	-	283,588	367,562
Land and other nondepreciable assets	6,317,604	3,701,249	42,055,228	52,074,081
Other capital assets, net of accumulated depreciation	<u>34,079,930</u>	<u>28,067,157</u>	<u>62,712,919</u>	<u>124,860,006</u>
Total assets	<u>48,981,152</u>	<u>34,669,141</u>	<u>128,882,560</u>	<u>212,532,853</u>
LIABILITIES				
Accounts payable and accrued liabilities	619,837	1,124,254	2,719,724	4,463,815
Contracts payable	398,271	-	-	398,271
Due to primary government	-	475,000	-	475,000
Revenue bonds payable	16,641,065	-	129,200,000	145,841,065
Original issue premium	-	-	103,195	103,195
Deferred revenue	63,554	-	-	63,554
Other liabilities	<u>23,093</u>	<u>-</u>	<u>-</u>	<u>23,093</u>
Total liabilities	<u>17,745,820</u>	<u>1,599,254</u>	<u>132,022,919</u>	<u>151,367,993</u>
NET ASSETS				
Invested in capital assets (net of related debt)	23,669,822	31,768,406	(7,556,738)	47,881,490
Restricted for:				
Debt service	5,752,706	-	9,783,100	15,535,806
Unrestricted	<u>1,812,804</u>	<u>1,301,481</u>	<u>(5,366,721)</u>	<u>(2,252,436)</u>
Total net assets	<u>\$ 31,235,332</u>	<u>\$ 33,069,887</u>	<u>\$ (3,140,359)</u>	<u>\$ 61,164,860</u>

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CHATTANOOGA, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

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CITY OF CHATTANOOGA, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Chattanooga, Tennessee (the City) was incorporated under the Private Acts of 1869. Through June 11, 1990, the City operated under the Commission form of government, consisting of an elected Mayor and four elected Commissioners, each of whom served as the head of a city department. Pursuant to an Agreed Order dated January 18, 1990, issued by the United States District Court for the Eastern District of Tennessee, Southern Division, the Board of Commissioners of the City and the offices of Mayor and Commissioner were abolished as of June 11, 1990.

The Agreed Order provided that the City Charter be amended to create the office of Mayor, with all executive and administrative authority formerly vested in the Board of Commissioners. Further, the City Council was created with all legislative and quasi-judicial authority formerly vested in the Board of Commissioners. Under the provisions of the Agreed Order, the Mayor is elected at-large and is not a member of the City Council, while the City Council is composed of nine members, with each member elected from one of nine districts within the geographic boundaries of the City.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board ("FASB") issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund types in accordance with an election made by the City under GASB Statement No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

In June 1999, the GASB issued Statement No. 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation (based on size of government) starting with fiscal years ending after June 15, 2002. As a part of this Statement, there is a new reporting requirement regarding a local government's infrastructure (streets, bridges, traffic signals, etc.). This requirement permits an optional four-year further delay for implementation of the infrastructure-related portion to the fiscal year ending in 2006. The City elected to implement the basic reporting model required by GASB Statement No. 34 and the infrastructure-related portion of GASB Statement No. 34 during the year ended June 30, 2002.

In June 2001, GASB issued Statement No. 38, "Certain Financial Statement Note Disclosures", which in part, addressed the need to reevaluate certain existing disclosure requirements in the context of the reporting model in Statement No. 34. The City implemented Statement No. 38 in conjunction with Statement No. 34 for the year ended June 30, 2002.

(A) Reporting Entity

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. The primary government includes separately administered organizations that are not legally separate from the City, as discussed below. Blended component units, although legally separate entities, are in substance part of the government's operations and data from these units are combined with data of the primary government. The City has no blended component units at June 30, 2002. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the City. Each discretely presented component unit has a June 30 year-end.

The financial statements of EPB (the Electric Power Board) are included in the accompanying financial statements as part of the primary government because it is not legally separate from the City. The City affirms all board member appointments and approves all disbursements of EPB funds. EPB's operations are reported as an enterprise fund.

Discretely Presented Component Units

Chattanooga Metropolitan Airport Authority - The City appoints all board members and is secondarily responsible for retirement of the revenue bonds recorded as a liability of the Airport Authority. The Airport Authority is presented as a proprietary fund type.

Chattanooga Area Regional Transit Authority (CARTA) - The City appoints ten members of the twelve-member board. Although CARTA has the authority to issue its own debt, the board members serve at the City's discretion and the City finances the majority of CARTA's operating deficits. CARTA is presented as a proprietary fund type.

Southside Redevelopment Corporation - The City's Mayor, City Council Chairperson, and Chief Finance Officer are permanent members of the Board, and the City appoints the remaining board members. The Corporation has the authority to issue its own debt, but the City has agreed to finance any operating deficits of the Corporation. The Corporation is presented as a proprietary fund type.

Complete financial statements of the component units can be obtained from:

Chattanooga Metropolitan
Airport Authority
P.O. Box 22444
Chattanooga, TN 37422

CARTA
1617 Wilcox Boulevard
Chattanooga, TN 37406

Southside Redevelopment Corporation
427 City Hall Annex
Chattanooga, TN 37402

(B) Joint Ventures and Related Organizations

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an on-going financial responsibility. The City participates in the following joint venture:

Carter Street Corporation – The Carter Street Corporation, a nonprofit organization, owns a trade center and parking garage that were financed by bonds issued by the Industrial Development Board of Chattanooga. The City and Hamilton County, Tennessee jointly and severally lease the trade center and parking garage. Additional information regarding the City's participation in this joint venture is disclosed in Note 12.

Related Organizations – City officials are also responsible for appointing the members of the boards of other related organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The Mayor or the City Council appoints the Board members of the Chattanooga Housing Authority, The Industrial Development Board of the City of Chattanooga, and The Health, Educational, and Housing Facility Board of the City of Chattanooga. During 2002 the City appropriated no funds to these organizations.

(C) Basic Financial Statements – GASB Statement No. 34

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. Program revenues include revenues from fines and forfeitures, licenses and permits fees, service assessments, and charges for services. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity.

This government-wide focus is designed to view the City as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) are summarized into a single column.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the City's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate functional activity (public safety, public works, etc.).

Unless an internal service fund is combined with the business-type activities (deemed to be an infrequent event), totals on the proprietary fund statements should directly reconcile to the business-type activities column presented in the government-wide financial statements.

The City's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (pension and private-purpose trust). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to finance activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The focus of the GASB Statement No. 34 model is on the City as a whole and the fund financial statements. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

(D) Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

The GASB Statement No. 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements and detailed in the combining section.

The City reports the following major funds and other fund types:

1) Governmental Funds:

General Fund – The General Fund accounts for all financial resources applicable to the general operations of City government that are not properly accounted for in another fund. Revenues are derived primarily from taxes and intergovernmental revenues.

Capital Projects Fund – The Capital Projects Fund accounts for the acquisition or construction of capital projects, other than those financed by Enterprise Funds, Internal Service Funds, or Trust Funds. Revenues are derived primarily from the sale of general obligation bonds and notes, loans, intergovernmental revenues, and earnings on investments.

2) Proprietary Funds:

EPB Fund – The EPB Fund accounts for the cost of providing electric utility and telecommunication service for the residential and commercial concerns of Chattanooga and Hamilton County, Tennessee. The EPB is a separately administered organization whose Board of Trustees is affirmed by the City. All disbursements of the EPB funds are approved by the City.

Interceptor Sewer System Fund – The Interceptor Sewer System Fund accounts for sanitary sewer services provided to the residents of the City. The fund's revenues are derived primarily from user fees and investment earnings.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund accounts for the costs associated with the disposal of solid waste and recyclable materials.

3) Other Fund Types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for the payment of interest, principal, and related costs of long-term liabilities of the governmental activities.

Internal Service Funds - The Internal Service Funds are used to account for fleet

services and risk management activities provided to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. The costs associated with providing these goods or services are usually recovered from those governmental units that receive benefits.

Pension Trust Funds - The Pension Trust Funds account for resources held in trust for defined benefit pension plans to provide disability and retirement benefits for City employees/retirees. These funds are accounted for in the same manner as business enterprises providing similar services.

Private-Purpose Trust Funds - The Private-Purpose Trust Funds account for resources, including both principal and earnings, which must be expended according to the provisions of a trust agreement. These funds are accounted for in the same manner as business enterprises providing similar services.

4) Non-Current Governmental Assets/Liabilities:

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the governmental activities column in the government-wide Statement of Net Assets.

(E) Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements and the Proprietary, Fiduciary and Component Unit Financial Statements are presented on the accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on the modified accrual basis.

Accrual - Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual - All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements to be thirty days.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. The recipient should under most circumstances, report resources transmitted before the eligibility requirements are met as advances by the provider and as deferred revenue.

(F) Budget Policy and Budgetary Data

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City Finance Officer annually obtains information from all officers, departments, boards, commissions, and other agencies of City Government for which appropriations are made and/or revenues are collected and compiles the annual operating budget for the ensuing fiscal year beginning July 1. The compiled information, including various expenditure options and the means of financing them, is submitted to the Mayor.

During May and June, the City Council hears budget requests from agencies and departments at its regularly scheduled meetings. In addition, advertised public hearings are held to allow taxpayers' comments prior to final passage.

Prior to July, the City adopts an interim budget appropriating funds for the usual and ordinary expenses of the City Government in an amount not to exceed one-twelfth of the preceding year's operating budget for each month that the interim budget is in effect. Subsequently, the budget is legally enacted through passage of an ordinance with an operative date of July 1.

Formal budgets are adopted for the General Fund, Special Revenue Funds, and the Debt Service Fund. These formal budgets are adopted on a departmental basis and the line item estimates are from the appropriations ledger and not from a formal budget ordinance. The legal level of budgetary control is the fund level. Transfers of appropriations between funds require the approval of the City Council. The City Finance Officer may make interdepartmental and intradepartmental transfers within the General Fund.

Major capital facilities and improvements, which are accounted for by the City within the Capital Projects Funds, are subject to budgetary control on a project basis. Appropriations for a specific project do not lapse until completion of the project. Because of the project nature of these funds, budgetary comparison statements on an annual basis do not provide meaningful information and, accordingly, are not presented in the accompanying financial statements.

The budgets are prepared on a basis consistent with generally accepted accounting principles except that (a) encumbrances are treated as budget expenditures in the year of the commitment to purchase and (b) budgeted revenues and expenditures in the General Fund include retiree reimbursements of health insurance. For the fiscal year ended June 30, 2002, retiree reimbursements of health insurance of \$726,576 are presented as budgetary basis revenues and expenditures of the General Fund. This amount is not included in GAAP basis revenues and expenditures. Budgetary comparisons presented in the report are on this budgetary basis. All unencumbered and unexpended appropriations lapse at the end of the fiscal year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized for budgetary accounting controls in the governmental funds. Open encumbrances are reported as reservations of fund balances because the commitments will be honored in subsequent years. Encumbrances do not constitute expenditures or liabilities.

Expenditures may not legally exceed appropriations at or above the fund level. All budgeted amounts shown in the financial statements and the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year). During the year ended June 30, 2002, several supplemental appropriations were necessary.

(G) Assets, Liabilities and Fund Equity

1) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, interest-bearing deposits at various financial institutions, and short-term investments with an original maturity of three months or less.

2) Investments

Investments are stated at fair value, except for interest-earning investment contracts that have a remaining maturity of one year or less at the time of purchase. Any change in the value of investments recorded at fair value is included in investment income. Fair value is based on quoted market prices.

3) Inventories and Prepaid Items

Inventories, principally materials, supplies, and replacement parts, are valued at cost in Governmental Funds and at the lower of cost or market in Proprietary Funds, with cost determined using the first-in, first-out (FIFO) method. The costs are recorded as expenditures at the time individual inventory items are consumed (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4) Restricted Assets

Proceeds of bonds in the enterprise funds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. Also, amounts due from other governments may be included as restricted assets because their use is limited by grant agreements.

5) Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at their estimated fair market value on the date contributed. Capital assets

include public domain infrastructure assets consisting of roads, bridges, streets and sidewalks, sewers, lighting systems, and drainage systems. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (\$25,000 for infrastructure) and an estimated useful life of three years or greater.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

	<u>Useful Life</u>
Buildings	5 – 30 years
Vehicles and machinery	5 – 25 years
Improvements other than buildings	15 years
Sewer system	50 years
Storm water system	50 years
Telecommunications	5 – 40 years
Public domain infrastructure	10 – 50 years

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest capitalized is the net interest expense incurred (interest expense less interest income) from the date of the borrowing until completion of the project.

5) Bond Discounts and Issuance Costs

In the governmental funds, bond discounts and issuance costs are treated as period costs in the year of issue.

In proprietary funds, bond discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

At the government-wide level any bond discounts and issuance costs in the governmental funds are adjusted and reported in the same manner as in proprietary funds.

6) Deferred Gain/Loss from Advance Refunding of Debt

In the proprietary funds (and for governmental funds in the government-wide financial statements) the difference between the new debt and the net carrying value of the old debt on refunded debt transactions is deferred. The deferred gain/loss is amortized using the effective interest method over the life of the new debt. The deferred gain/loss is offset against the new liability.

7) Fund Balance

Governmental funds report reservations of fund balance in the fund financial statements for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent management plans that are subject to change.

(H) Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued. Expenditures are recognized when the related fund liability is incurred, except for the following instances permitted by generally accepted accounting principles:

- General obligation long-term debt principal and interest are reported only when due.
- Inventory costs are reported in the period when inventory items are consumed, rather than in the period purchased.

1) Property Taxes

Property taxes are levied by the City annually based upon assessed valuations established by the Hamilton County Assessor of Property. The various types of property are assessed at a percentage of market value as follows:

Farm and residential real property	25%
Commercial and industrial property:	
Real	40%
Personal	30%
Public utilities real and personal property	55%

The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the City Council and collected by the City Treasurer. Property taxes are secured by a statutory lien effective as of the original levy date of January 1. Taxes are due October 1 and become delinquent March 1. Property taxes levied for 2001 are recorded as receivables, net of estimated uncollectibles.

The receivables collected during the current fiscal year and those collected by the City Treasurer, related to tax levies for fiscal year 2002, are recorded as revenue in accordance with the principles established by the Governmental Accounting Standards Board. The net receivables estimated to be collectible subsequent to August 29, 2002, are recorded as deferred revenues at June 30, 2002.

2) Grant Revenue

The City, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the City before the eligibility requirements are met are reported as deferred revenues.

Some grants and contributions consist of capital assets or resources that are restricted for capital purposes—to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the City.

3) Investment Income

Investment income from pooled cash and investments is allocated monthly based on the percentage of a fund's average daily equity in pooled cash and investments to the total average daily-pooled equity in pooled cash and investments.

4) Compensated Absences

City employees accrue personal leave, or compensated absences, by prescribed formula based on length of service. The City limits personal leave to one hundred fifty (150) days for employees hired on or before March 27, 1990, and one hundred (100) days for employees hired thereafter. The liability for compensated absences attributable to the City's governmental funds is recorded in the government-wide financial statements. The non-current portion of the liability for employees of governmental funds is a reconciling item between the fund and government-wide financial statements. Compensated absences related to business-type activities are charged to expense with a corresponding liability established in the government-wide financial statements as well as the applicable business-type funds.

5) Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds to provide services, construct assets and service debt. These transactions are generally reflected as transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. Such transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund. Transactions that would be treated as revenues or expenditures if the involved organizations were external to the City are treated as revenues in the receiving fund and expenditures in the disbursing fund. Transfers within governmental activities and within business-type activities are eliminated upon consolidation.

Amounts owed to one fund or component unit by another are reported as due to/due from other funds or component units. Amounts reported in the fund financial statements as due to/due from other funds are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

6) Payments Between the City and Component Units

Resource flows (except those that affect the statement of net assets/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions—that is, as revenues and expenses. Payments to component units consist of operating subsidy payments by the City to CARTA. The City also makes lease payments to Southside Redevelopment Corporation.

7) Indirect Costs

Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

8) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(I) Net Assets

The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets (net of related debt)—is intended to reflect the portion of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted Net Assets—represent net assets that have third party (statutory, bond covenant or granting agency) limitations on their use. The City’s policy is generally to use restricted net assets first, as appropriate opportunities arise.

Unrestricted Net Assets—represent unrestricted net assets. While management may have categorized and segmented portions for various purposes, the City has the unrestricted authority to revisit or alter these managerial decisions.

NOTE 2. RESTATEMENTS OF PRIOR YEAR BALANCES

Fund Reclassifications

Expendable Trust Funds – GASB Statement No. 34 eliminated the use of expendable trust funds to account for assets held by the City in a trustee capacity for other governmental units or individuals. The Home Investment Fund was merged into the Community Development Fund, which has been reclassified as a Special Revenue Fund. The Chattanooga High School Medal Fund, the Ochs-Oakes Fire and Police Medal Fund, and the Ochs-Oakes High School Medal Fund were reclassified as Private-Purpose Trust Funds.

Restatements of Equity

The impact of the restatements on the fund balances/net assets as previously reported is as follows:

	<u>Special Revenue Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Expendable Trust Funds</u>
Fund balance/net assets at June 30, 2001, as previously reported	\$ 9,058,189	\$ -	\$ 3,698,832
Fund reclassifications: Expendable Trust Funds	<u>3,622,928</u>	<u>75,904</u>	<u>(3,698,832)</u>
Fund balance/net assets at June 30, 2001, as restated	<u>\$12,681,117</u>	<u>\$75,904</u>	<u>\$ -</u>

Note 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

The City incurred no material violations of finance related legal and contractual provisions.

Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2002, the City had no material excess of expenditures over appropriations in individual funds.

Net Assets/Fund Balance Deficit

The Solid Waste/Sanitation Fund has a deficit in net assets of \$18,399,655 at June 30, 2002. This deficit resulted from the recognition of cumulative landfill closure and postclosure care costs from prior years. These costs may be covered by charges to future landfill users, taxpayers, or both.

NOTE 4. CASH AND INVESTMENTS

State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of the deposits, less so much of such amount as is insured by federal deposit insurance or the Tennessee Bank Collateral Pool. The collateral must be held by the City or its agent in the City's name, or by the Federal Reserve in the City's name.

Statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

The City uses a central cash and investment pool for certain Governmental Funds and Proprietary Funds. The cash and investment pool balances are classified as cash and cash equivalents in the accompanying financial statements. The City's investment policy with respect to the cash and investment pool is to maximize investment earnings while maintaining an acceptable level of risk. Because investments in the pool must provide for the future needs of the City, flexibility and liquidity of investments are generally maintained at all times.

Cash

At June 30, 2002, the carrying amount of cash and cash equivalent deposits of the primary government was \$106,495,889 and the bank balance was \$113,949,212. The bank balance is categorized below as to credit risk. Category 1 includes deposits either covered by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name or by the Federal Reserve Banks acting as third party agents. Category 2 includes deposits covered by collateral held by the pledging bank's agent in the City's name. Category 3 includes deposits either uninsured, uncollateralized or covered by collateral held by the pledging bank or its agent, but not in the City's name.

	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash and cash equivalent deposits	<u>\$113,949,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$113,949,212</u>	\$106,495,889
Cash on hand					306,915
Certificates of deposit held as investments					<u>(20,010,471)</u>
Total cash and cash equivalents of primary government					<u>\$ 86,792,333</u>

The primary government's cash balances are presented in the following funds:

Governmental funds	\$27,666,696
Enterprise funds	58,087,756
Internal service funds	<u>1,037,881</u>
	<u>\$86,792,333</u>

The categories of credit risk for cash and cash equivalent deposits of component units are as follows:

	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash and cash equivalent deposits	<u>\$2,551,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,339,533</u>	<u>\$2,455,665</u>

The City did not experience any losses during the year as a result of insufficient collateral.

Investments

The City's investments are categorized below to give an indication of the credit risk at June 30, 2002. Category 1 includes investments either insured, registered in the City's name, or held by the City or its agent in the City's name. Category 2 includes investments uninsured and unregistered that are held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes investments uninsured and unregistered that are held by the pledging financial institution's trust department or agent, but not in the City's name.

Governmental Funds and Enterprise Funds:

	<u>Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Government Agency securities	<u>\$106,259,151</u>	<u>\$ -</u>	<u>\$ -</u>	\$106,259,151	\$106,535,399
Investments in Mutual Funds				31,000	31,000
Certificates of deposit held as investments				<u>20,010,471</u>	<u>20,009,290</u>
				<u>\$126,300,622</u>	<u>\$126,575,689</u>

Fiduciary Funds:

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government securities	\$ 16,399,230	\$ -	\$ -	\$ 16,399,230	\$ 16,399,230
Corporate bonds	40,137,174	-	-	40,137,174	40,137,174
Foreign bonds	2,098,998	-	-	2,098,998	2,098,998
Corporate stocks	159,010,289	-	-	159,010,289	159,010,289
Other securities	<u>38,098,314</u>	<u>-</u>	<u>-</u>	<u>38,098,314</u>	<u>38,098,314</u>
	<u>\$255,744,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>255,744,005</u>	<u>255,744,005</u>
Investments in Common Trust Fund				10,147,470	10,147,470
Investments in mutual funds				<u>87,545,324</u>	<u>87,545,324</u>
				<u>\$353,436,799</u>	<u>\$353,436,799</u>

Component Units:

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government and U.S. Government Agency securities and funds	<u>\$21,462,553</u>	<u>\$2,639,120</u>	<u>\$ -</u>	<u>\$24,101,673</u>	<u>\$24,412,808</u>

The City's investment portfolio did not experience any significant decline in fair value during the year.

NOTE 5. RECEIVABLES

Receivables at June 30, 2002, consist of the following:

	Governmental Activities Funds				Total
	General	Capital Projects	Other Governmental	Business-Type Activities	
Primary Government					
Receivables:					
Taxes	\$ 85,821,512	\$ -	\$ -	\$ -	\$ 85,821,512
Accounts	-	207,439	1,660,979	107,495	1,975,913
Notes	1,500,000	-	3,927,032	-	5,427,032
Customer service	-	-	-	39,717,654	39,717,654
Other	3,830,453	-	-	3,449,684	7,280,137
Intergovernmental	<u>18,971,805</u>	<u>756,512</u>	<u>757,139</u>	<u>732,048</u>	<u>21,217,504</u>
Gross receivables	110,123,770	963,951	6,345,150	44,006,881	161,439,752
Less:					
Allowance for uncollectibles	<u>(5,811,656)</u>	<u>-</u>	<u>-</u>	<u>(1,221,161)</u>	<u>(7,032,817)</u>
Net receivables	<u>\$104,312,114</u>	<u>\$963,951</u>	<u>\$6,345,150</u>	<u>\$42,785,720</u>	<u>\$154,406,935</u>

Taxes receivable include the uncollected property taxes from tax levies made during the current and past nine years, as well as the anticipated levy for the current calendar year. The allowance for uncollectible taxes is the weighted average percentage of prior year collections on delinquent taxes to the total delinquent taxes receivable at June 30, 2002.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2002 is as follows:

Primary Government

Governmental Activities:	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets:				
Land	\$ 34,868,639	\$ 1,152,819	\$ 283,836	\$ 35,737,622
Construction in Progress	<u>10,625,121</u>	<u>12,830,015</u>	<u>16,544,848</u>	<u>6,910,288</u>
Total non-depreciable assets	<u>45,493,760</u>	<u>13,982,834</u>	<u>16,828,684</u>	<u>42,647,910</u>
Depreciable Assets:				
Buildings	36,981,488	16,156,480	792,641	52,345,327
Vehicles and machinery	57,360,814	6,672,370	1,690,457	62,342,727
Improvements other than buildings	18,516,809	149,855	60,855	18,605,809
Infrastructure	<u>1,395,613,971</u>	<u>2,047,797</u>	<u>42,250</u>	<u>1,397,619,518</u>
Total depreciable assets	<u>1,508,473,082</u>	<u>25,026,502</u>	<u>2,586,203</u>	<u>1,530,913,381</u>
Less Accumulated Depreciation for:				
Buildings	25,681,496	857,178	240,247	26,298,427
Vehicles and machinery	42,410,711	4,134,541	1,530,212	45,015,040
Improvements other than buildings	11,501,932	619,420	-	12,121,352
Infrastructure	<u>222,367,274</u>	<u>35,377,566</u>	<u>33,449</u>	<u>257,711,391</u>
Total accumulated depreciation	<u>301,961,413</u>	<u>40,988,705</u>	<u>1,803,908</u>	<u>341,146,210</u>
Depreciable Assets, net	<u>1,206,511,669</u>	<u>(15,962,203)</u>	<u>782,295</u>	<u>1,189,767,171</u>
Governmental activities capital assets, net	<u>\$1,252,005,429</u>	<u>\$ (1,979,369)</u>	<u>\$17,610,979</u>	<u>\$1,232,415,081</u>
Business-Type Activities:				
Non-Depreciable Assets:				
Land	\$ 13,481,634	\$ 1,056,846	\$ 316,168	\$ 14,222,312
Construction in Progress	<u>10,757,000</u>	<u>583,335</u>	<u>1,137,000</u>	<u>10,203,335</u>
Total non-depreciable assets	<u>24,238,634</u>	<u>1,640,181</u>	<u>1,453,168</u>	<u>24,425,647</u>
Depreciable Assets:				
Buildings	53,690,725	4,200,877	658,459	57,233,143
Vehicles and machinery	351,735,377	24,388,052	11,686,723	364,436,706
Sewer system	364,065,618	11,926,640	-	375,992,258
Storm water system	36,556,315	3,030,324	-	39,586,639
Telecommunications	<u>11,778,000</u>	<u>2,643,000</u>	<u>9,000</u>	<u>14,412,000</u>
Total depreciable assets	<u>817,826,035</u>	<u>46,188,893</u>	<u>12,354,182</u>	<u>851,660,746</u>
Less Accumulated Depreciation for:				
Buildings	11,085,239	1,255,636	37,690	12,303,185
Vehicles and machinery	145,879,576	13,559,112	5,330,076	154,108,612
Sewer system	113,853,637	6,326,422	-	120,180,059
Storm water system	2,235,966	762,941	-	2,998,907
Telecommunications	<u>1,035,000</u>	<u>1,110,000</u>	<u>2,000</u>	<u>2,143,000</u>
Total accumulated depreciation	<u>274,089,418</u>	<u>23,014,111</u>	<u>5,369,766</u>	<u>291,733,763</u>
Depreciable Assets, net	<u>543,736,617</u>	<u>23,174,782</u>	<u>6,984,416</u>	<u>559,926,983</u>
Business-type activities capital assets, net	<u>\$ 567,975,251</u>	<u>\$ 24,814,963</u>	<u>\$ 8,437,584</u>	<u>\$ 584,352,630</u>

Discretely Presented Component Units

	Beginning Balance	Addition	Retirements	Ending Balance
Non-Depreciable Assets:				
Land	\$ 9,175,486	\$ 3,271,532	\$ -	\$ 12,447,018
Construction in Progress	<u>25,236,780</u>	<u>37,019,808</u>	<u>22,629,525</u>	<u>39,627,063</u>
Total non-depreciable assets	<u>34,412,266</u>	<u>40,291,340</u>	<u>22,629,525</u>	<u>52,074,081</u>
Depreciable Assets:				
Buildings	83,820,255	14,997,645	-	98,817,900
Vehicles and machinery	33,704,215	11,888,135	1,846,800	43,745,550
Improvements other than buildings	19,768,288	5,760,601	3,389	25,525,500
Infrastructure	<u>2,647,636</u>	<u>73,241</u>	<u>-</u>	<u>2,720,877</u>
Total depreciable assets	<u>139,940,394</u>	<u>32,719,622</u>	<u>1,850,189</u>	<u>170,809,827</u>
Less Accumulated Depreciation for:				
Buildings	20,463,389	3,293,705	466,462	23,290,632
Vehicles and machinery	18,782,376	3,678,328	1,085,462	21,375,242
Improvements other than buildings	613,994	471,052	-	1,085,046
Infrastructure	<u>66,191</u>	<u>132,710</u>	<u>-</u>	<u>198,901</u>
Total accumulated depreciation	<u>39,925,950</u>	<u>7,575,795</u>	<u>1,551,924</u>	<u>45,949,821</u>
Depreciable Assets, net	<u>100,014,444</u>	<u>25,143,827</u>	<u>298,265</u>	<u>124,860,006</u>
Component units capital assets, net	<u>\$134,426,710</u>	<u>\$65,435,167</u>	<u>\$22,927,790</u>	<u>\$176,934,087</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:	
General government	\$ 1,229,946
Public Safety	2,295,913
Public Works	36,164,797
Parks and Recreation	1,091,127
Social Services	<u>206,922</u>
Total	<u>\$40,988,705</u>
Primary Government – Business-Type Activities:	
Sewer	\$ 7,761,904
Solid Waste/Sanitation	635,835
Storm Water	859,162
Housing Management	60,210
Electric Utility	<u>13,697,000</u>
Total	<u>\$23,014,111</u>
Discretely Presented Component Units:	
Transportation Authority	\$ 3,030,545
Airport Authority	1,656,123
Southside Development	<u>2,889,127</u>
Total	<u>\$ 7,575,795</u>

NOTE 7. LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2002, were as follows:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2002</u>
Primary Government				
GOVERNMENTAL ACTIVITIES				
General obligation serial bonds	\$ 72,013,679	\$15,390,900	\$18,610,624	\$ 68,793,955
Notes payable	8,225,944	22,575	1,354,531	6,893,988
Capital leases payable	144,000	-	144,000	-
Compensated absences	<u>15,399,378</u>	<u>-</u>	<u>109,325</u>	<u>15,290,053</u>
Total governmental activities	<u>\$ 95,783,001</u>	<u>\$15,413,475</u>	<u>\$20,218,480</u>	90,977,996
Net deferred refunding and original issue premiums and discounts				<u>(88,961)</u>
				<u>\$90,889,035</u>
 BUSINESS-TYPE ACTIVITIES				
EPB:				
Revenue bonds	\$ 40,000,000	\$ -	\$ 1,600,000	\$38,400,000
Compensated absences	<u>2,381,000</u>	<u>-</u>	<u>157,000</u>	<u>2,224,000</u>
	<u>42,381,000</u>	<u>-</u>	<u>1,757,000</u>	<u>40,624,000</u>
Interceptor Sewer System:				
General obligation serial bonds	115,758,219	24,642,272	32,457,800	107,942,691
Notes payable	6,195,012	1,903,731	283,571	7,815,172
Capital leases payable	304,399	-	16,195	288,204
Compensated absences	<u>898,317</u>	<u>-</u>	<u>58,746</u>	<u>839,571</u>
	<u>123,155,947</u>	<u>26,546,003</u>	<u>32,816,312</u>	<u>116,885,638</u>
Solid Waste/Sanitation Fund:				
General obligation serial bonds	32,952,024	10,526,302	12,139,673	31,338,653
Compensated absences	<u>493,257</u>	<u>-</u>	<u>322,368</u>	<u>170,889</u>
	<u>33,445,281</u>	<u>10,526,302</u>	<u>12,462,041</u>	<u>31,509,542</u>
Storm Water Fund:				
General obligation serial bonds	21,016,079	7,570,526	8,661,903	19,924,702
Notes payable	1,833,493	-	126,024	1,707,469
Compensated absences	<u>157,358</u>	<u>28,559</u>	<u>-</u>	<u>185,917</u>
	<u>23,006,930</u>	<u>7,599,085</u>	<u>8,787,927</u>	<u>21,818,088</u>
Total business-type activities	<u>\$221,989,158</u>	<u>\$44,671,390</u>	<u>\$55,823,280</u>	210,837,268
Net deferred refunding and original issue premiums and discounts				<u>(531,590)</u>
				<u>\$210,305,678</u>

Discretely Presented Component Units	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2002</u>
Metropolitan Airport Authority:				
Revenue bonds	\$ 11,836,149	\$16,641,065	\$11,836,149	\$ 16,641,065
Southside Redevelopment Corporation:				
Revenue bonds	<u>129,200,000</u>	<u>-</u>	<u>-</u>	<u>129,200,000</u>
Total component units	<u>\$141,036,149</u>	<u>\$16,641,065</u>	<u>\$11,836,149</u>	145,841,065
Original issue premium				<u>103,195</u>
				<u>\$145,944,260</u>

In 1986, 1992, 1995, 1998, and 2002 the City refunded certain general obligation and sewage facility bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liabilities for the refunded bonds are not included in the City's financial statements. At June 30, 2002, the liabilities for the bonds refunded in 1986, 1992, 1995, 1998, and 2002 were \$12,100,000, \$23,660,000, \$14,850,000, \$26,715,000, and \$57,895,000, respectively.

On March 1, 2002, the City issued \$43,880,000 in General Obligation Refunding Bonds and \$14,250,000 in General Obligation Sewer Refunding Bonds with interest rates ranging from 3.00% to 5.375% for the purpose of refunding \$57,895,000 of general obligation bonds with interest rates ranging from 5.00% to 5.90%.

The effect of refunding the general obligation bonds resulted in a net decrease in total debt service payments over the next 14 years of \$2,043,903 and an economic gain (the difference between the present values of the old and new debt service payments) of \$1,455,948. At June 30, 2002, the liability for the refunded bonds was \$57,895,000.

General Obligation Bonds - The City periodically issues general obligation bonds for the acquisition and construction of major capital facilities. These bonds are direct obligations and are backed by the full faith and credit of the City. These bonds are generally issued as 15- to 30-year serial bonds. General obligation bonds are summarized by issue as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Municipal Public Improvement, Series 1992 Refunding Bonds, 1992 Series A	7.50%	\$ 155,000
Municipal Public Improvement, Series 1996 Public Improvement Refunding, Series 1998	5.20% - 5.50%	6,665,555
Municipal Public Improvement, Series 2001 Public Improvement Refunding, Series 2002	4.90%	525,000
	4.00% - 5.50%	7,260,000
	4.50% - 5.00%	38,797,500
	3.00% - 5.375%	<u>15,390,900</u>
Total payable from the Debt Service Fund		<u>\$68,793,955</u>

Tennessee Municipal Bond Fund Alternative Loan Program - The City acquired a \$7,430,000 loan through the Tennessee Municipal Bond Fund Alternative Loan Program for various capital improvement projects. Loan repayments are due in ten annual installments beginning June 15, 1994, through June 15, 2003, at variable rates of interest ranging from 2.95% to 5.25%. The balance at June 30, 2002, is \$900,000.

Hamilton County Series 1991 - Parking Garage - The City entered into an agreement with Hamilton County for cost sharing with respect to the parking garage for the Hamilton County/City of Chattanooga Courts/Jail complex in the principal amount of \$917,418. Hamilton County issued 15-year serial bonds to cover the cost of construction at rates ranging from 4.5% to 6.5%. Principal and interest payments are due annually to the County beginning 1992 through 2007. The remaining balance at June 30, 2002, is \$303,905.

Tennessee Municipal Bond Fund Loan - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga is authorized to incur indebtedness up to \$7,908,000 for the purpose of financing certain general government capital projects. The maximum amount authorized by the agreement is being reserved by the Trustee and is disbursed to the City upon request. The loan will be repaid over a 15-year period at variable interest rates beginning 1998 through 2012. The balance at June 30, 2002, is \$5,650,098.

Fire Hall Land Note - During 1999 the City acquired land for the construction of a fire hall. In connection with acquiring the property, the City executed a note payable to the former owners. The note bears interest at 9.5% and will be repaid over a 15-year period. The balance at June 30, 2002, is \$39,985.

Debt related to business-type activities at June 30, 2002, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
EPB:		
Electric System Revenue Bonds, Series 2000	4.25% - 5.38%	\$ 38,400,000
Interceptor Sewer System Fund:		
Sewer and Sewage Facilities, Series 1992	7.50%	600,000
Sewage Facilities Refunding Bonds, Series 1992	5.20% - 5.625%	35,604,445
Sewer and Sewage Facilities Refunding, Series 1995	4.60% - 5.125%	14,505,000
Municipal Public Improvement, Series 1998	5.00% - 5.375%	19,105,674
Municipal Public Improvement Refunding, Series 1998	4.00% - 5.50%	13,485,300
Municipal Public Improvement Refunding, Series 2002	3.00% - 4.50%	24,642,272
1992 State Revolving Sewer Loan*	3.98%	1,707,469
North West Georgia Sewer Expansion Project	4.00%	6,107,703
City of Collegedale Capital Lease	Variable	288,204
Solid Waste/Sanitation Fund:		
Municipal Public Improvement, Series 1998	5.00% - 5.375%	10,524,551
Municipal Public Improvement Refunding, Series 1998	4.00% - 5.50%	3,686,100
Municipal Public Improvement, Series 2001	4.50% - 5.00%	6,601,700
Municipal Public Improvement Refunding, Series 2002	3.00% - 5.375%	10,526,302
Storm Water Fund:		
1992 State Revolving Sewer Loan*	3.98%	1,707,469
Municipal Public Improvement, Series 1998	5.00% - 5.375%	7,864,776
Municipal Public Improvement Refunding, Series 1998	4.00% - 5.50%	2,528,600
Municipal Public Improvement, Series 2001	4.50% - 5.00%	1,960,800
Municipal Public Improvement Refunding, Series 2002	3.00% - 5.375%	<u>7,570,526</u>
Total payable from business-type activities		<u>\$207,416,891</u>

*State Revolving Loan Fund - The City entered into an agreement with the Tennessee Department of Health and Environment to secure a loan for the purpose of constructing a Combined Sewer Overflow Facility located at Ross's Landing. The loan will be repaid in monthly installments through 2013 with interest at 3.98%. The remaining balance at June 30, 2002, is \$3,414,938.

Georgia State Revolving Loan - Pursuant to a loan agreement with the Georgia State Revolving Loan Fund, the City of Chattanooga is authorized to incur indebtedness up to \$7,255,000 for the purpose of financing sewer expansion in Northwest Georgia. The maximum amount authorized by the agreement is being reserved by the Georgia Environmental Facilities Authority and is disbursed to the City upon request. The loan will be repaid over a 20-year period at 4% interest beginning 2000 through 2020. The balance at June 30, 2002, is \$6,107,703.

Capital Leases – The City has an agreement with the City of Collegedale to lease and purchase sewer system improvements. This obligation is included in Enterprise Funds’ debt below. Lease payments are due in monthly installments beginning October 1, 2000, through August 1, 2014, at variable rates of interest. The balance on this capital lease at June 30, 2002, is \$288,204.

Component Units debt at June 30, 2002, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Metropolitan Airport Authority:		
Series A Refunding Revenue Bonds, Series 2002	1.70%	\$ 12,542,891
Series B Refunding Revenue Bonds, Series 2002	1.97%	4,098,174
Southside Redevelopment Corporation:		
Chattanooga Lease Rental Revenue Bonds, Series 2000	5.00% - 5.625%	<u>129,200,000</u>
Total payable from Component Units		<u>\$145,841,065</u>

Principal and interest requirements to maturity, excluding amounts for compensated absences, are as follows:

<u>Year</u>	<u>Primary Government</u>			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 4,753,112	\$ 3,685,958	\$ 13,138,805	\$ 9,947,799
2004	3,946,042	3,451,875	13,105,236	9,339,592
2005	4,094,244	3,266,469	13,427,193	8,716,914
2006	4,194,068	3,077,504	13,606,358	8,077,275
2007	4,374,460	2,876,865	14,100,824	7,411,225
2008-2012	20,244,718	11,344,613	61,945,219	27,016,378
2013-2017	13,497,699	6,940,759	45,316,663	13,350,442
2018-2022	10,401,000	4,111,787	24,129,193	4,243,894
2023-2026	<u>10,182,600</u>	<u>1,307,435</u>	<u>8,647,400</u>	<u>976,565</u>
	<u>\$75,687,943</u>	<u>\$40,063,265</u>	<u>\$207,416,891</u>	<u>\$89,080,084</u>

<u>Year</u>	<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>
2003	\$ 575,000	\$ 7,494,863
2004	505,000	7,483,535
2005	545,000	7,473,587
2006	585,000	7,462,850
2007	3,200,000	7,387,076
2008-2012	19,768,174	34,552,845
2013-2017	24,545,000	29,719,155
2018-2022	28,767,891	23,143,190
2023-2027	33,210,000	14,677,409
2028-2031	<u>34,140,000</u>	<u>3,977,838</u>
	<u>\$145,841,065</u>	<u>\$143,372,348</u>

NOTE 8. CONSERVATION PROGRAMS

EPB is a fiscal intermediary for the Tennessee Valley Authority's (TVA) conservation programs. As of June 30, 2002, outstanding funds advanced by TVA totaled \$3,039,000 to be used by EPB for customer loans in connection with TVA's insulation and heat pump conservation programs. At June 30, 2002, the outstanding receivables for loans made from these funds amounted to \$2,952,000. A total of approximately \$78,336,000 has been loaned to EPB's customers since the programs were begun in 1977.

NOTE 9. EMPLOYEE RETIREMENT SYSTEMS

The primary government provides retirement benefits through three single employer defined benefit pension plans (General Pension Plan, Firemen's and Policemen's Insurance and Pension Fund, and EPB Pension Plan). All employees are eligible to participate in one of these retirement benefit plans. The City acts as Trustee for the General Pension Plan and the Firemen's and Policemen's Insurance and Pension Plan, which are included in the accompanying financial statements as pension trust funds. The City does not administer the assets of the EPB Pension Plan.

The following is a summary of each of these plans:

City of Chattanooga Administered Pension Plans

Significant Accounting Policies:

Basis of Accounting

The financial statements of the General Pension Plan and the Firemen's and Policemen's Insurance and Pension Fund are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Plan Descriptions:

(1) City of Chattanooga General Pension Plan

The City maintains a single-employer defined benefit pension plan for general City employees. Each participant is required to contribute 2 percent of earnings. The remaining cost of administering the plan is borne by the City.

The normal retirement benefit is 2 percent of average earnings multiplied by years of credited service up to twenty (20) years plus one percent of average earnings multiplied by years of credited service in excess of twenty (20) years.

The benefits payable to retirees are increased annually by a 3 percent cost-of-living increase. Future amendments to the plan provisions can be authorized by City ordinance upon recommendation from the Board of Trustees of the General Pension Plan, a statement of impact from the actuary, and a favorable opinion of the Office of Mayor.

The normal retirement date is the first day of the month following the participant's attainment of age 62. Benefits are reduced on a pro rata basis for early retirement. An employee otherwise vested shall be penalized 2.5 percent for each year of age less than 62. However, if the sum of the participant's age and years of credited service is at least eighty (80), there shall be no reduction in the immediate early retirement benefit.

A deferred retirement option plan is now available providing alternative benefits for up to 3 years of credited service to eligible members with at least 26 years of credited service.

(2) Firemen's and Policemen's Insurance and Pension Fund

The City maintains a single-employer defined benefit pension plan for the firemen and policemen employed by the City. The Plan is designed for each plan participant to contribute 8 percent of base salary. The City is currently contributing approximately 12 percent of the total covered payroll of the participants, which is the minimum requirement as noted by the most recent actuarial report. Increased court costs on all forfeitures of fines or monies or on convictions of violating any City ordinances are recorded as additional contributions to the Plan. The cost of administering the plan is borne by the City.

The normal retirement benefit is 68.75 percent of average base salary, where average base salary is based on the three-year period of service yielding the highest arithmetic average of the participant's salary history. For service beyond 25 years, the benefit is increased 1.25 percent per year.

The benefits payable to retirees are increased annually by a 3 percent cost-of-living increase. These benefit provisions may be amended by City ordinance upon recommendation from the Board of Trustees of the Firemen's and Policemen's Insurance and Pension Fund and a favorable opinion of the Office of the Mayor.

The normal retirement date is the first day of the month following the participant's completion of 25 years of credited service. Reduced benefit provisions are available for those participants who have attained age 55 and have completed at least 10 years of credited service. In the event of death, job-related or non-job-related disability, participants who are not yet eligible for normal retirement benefits can receive a percentage of their salary, based on a formula using the three-year period of service yielding the highest arithmetic average of the participant's salary history.

A deferred retirement option plan is now available providing alternative benefits for up to 3 years of credit service to eligible members who have 25 years of credited service.

Current membership in each of these plans was comprised of the following as of June 30, 2002:

<u>Group</u>	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>
Retirees and beneficiaries currently receiving benefits	647	609
Vested terminated employees	48	3
Active employees	1,596	784
Actuarial update	1-1-2002	1-1-2002

Funding Policy and Other Information:

The Board of Trustees of each plan establishes and may amend the contribution requirements of plan members and the employer. The City contributes to each plan at an actuarially determined rate. The employer's annual pension cost for the current year and related information for each plan is as follows:

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>
Contributions rates for employer	-	12.24%
Contribution rates for plan members	2%	8.00%
Annual pension cost	\$ 19,882	\$1,977,696
Contributions made by employer	-	3,927,000
Contributions made by plan members	1,015,916	2,320,978
Actuarial valuation date for current contributions	January 1, 2002	January 1, 2002
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Dollar	Level Dollar
Remaining amortization period	40 Years Open	40 Years Open
Asset valuation method	Market Value, As Adjusted	5-Year Average
Actuarial assumptions:		
Investment rate of return	7.50%	8.25%
Projected salary increases	5.50%	4.25%
Inflation rate	3.00%	4.25%

The City's annual pension cost and net pension obligation (asset) related to the General Pension Plan for the current year were as follows:

Annual required contribution	\$ -
Interest on net pension obligation (asset)	(338,858)
Adjustment to annual required contribution	<u>358,740</u>
Annual pension cost	19,882
Contributions made	<u>-</u>
Increase in net pension obligation (asset)	19,882
Net pension obligation (asset) at beginning of year	<u>(4,518,108)</u>
Net pension obligation (asset) at end of year	<u><u>\$(4,498,226)</u></u>

Trend Information:

	<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
General Pension Plan	12/31/01	\$ 19,882	N/A	\$(4,498,226)
	12/31/00	17,090	N/A	(4,518,108)
	12/31/99	1,327,689	119.15%	(3,883,569)
Firemen's and Policemen's Fund	12/31/01	1,977,697	100.00%	-
	6/30/00	3,749,260	100.00%	-
	6/30/99	3,781,998	100.00%	-

Financial Reports:

The City of Chattanooga administered plans do not issue stand-alone financial reports and are not included in the report of a public employee retirement system or a report of another entity. The plan financial statements are as follows:

Combining Statement of Plan Net Assets:

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ (1,199,610)	\$ -	\$ (1,199,610)
Receivables:			
Accrued income	475,811	730,182	1,205,993
Contributions:			
Employee	79,589	-	79,589
Due from plan custodian	<u>-</u>	<u>132,950</u>	<u>132,950</u>
Total receivables	<u>555,400</u>	<u>863,132</u>	<u>1,418,532</u>

Investments, at fair value:			
U.S. Government securities	\$ 4,365,387	\$ 12,033,843	\$ 16,399,230
Municipal bonds	-	168,261	168,261
Corporate bonds	14,150,496	25,986,678	40,137,174
Foreign bonds	-	2,098,998	2,098,998
Asset-backed securities	11,357,176	2,077,301	13,434,477
Corporate stocks	82,141,730	76,868,559	159,010,289
Mutual funds	43,410,057	44,083,821	87,493,878
Temporary investments	-	13,646,804	13,646,804
Investment in Common Trust Fund	-	10,147,470	10,147,470
Other investments	<u>9,953,772</u>	<u>895,000</u>	<u>10,848,772</u>
Total investments	<u>165,378,618</u>	<u>188,006,735</u>	<u>353,385,353</u>
Total assets	<u>164,734,408</u>	<u>188,869,867</u>	<u>353,604,275</u>
LIABILITIES			
Due to plan custodian	-	1,361,398	1,361,398
Accrued expenses	<u>280,008</u>	<u>248,858</u>	<u>528,866</u>
Total liabilities	<u>280,008</u>	<u>1,610,256</u>	<u>1,890,264</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$164,454,400</u>	<u>\$187,259,611</u>	<u>\$351,714,011</u>

Combining Statement of Changes in Plan Net Assets:

	General Pension Plan	Firemen's and Policemen's Insurance and Pension Fund	Total
ADDITIONS			
Contributions:			
Employer	\$ -	\$ 3,927,000	\$ 3,927,000
Employee	<u>1,015,916</u>	<u>2,320,978</u>	<u>3,336,894</u>
Total contributions	<u>1,015,916</u>	<u>6,247,978</u>	<u>7,263,894</u>
Investment income:			
Net appreciation (depreciation) in fair market value of investments	(22,820,651)	(1,622,203)	(24,442,854)
Interest	2,645,538	3,326,159	5,971,697
Dividends	<u>1,509,383</u>	<u>2,711,306</u>	<u>4,220,689</u>
	(18,665,730)	4,415,262	(14,250,468)
Less investment expense	(890,205)	(921,543)	(1,811,748)
Net investment income (loss)	<u>(19,555,935)</u>	<u>3,493,719</u>	<u>(16,062,216)</u>
Total additions	<u>(18,540,019)</u>	<u>9,741,697</u>	<u>(8,798,322)</u>

DEDUCTIONS			
Benefits paid to participants	\$ 6,121,315	\$ 16,420,175	\$ 22,541,490
Administrative expenses	<u>236,627</u>	<u>260,294</u>	<u>496,921</u>
Total deductions	<u>6,357,942</u>	<u>16,680,469</u>	<u>23,038,411</u>
NET INCREASE (DECREASE)	(24,897,961)	(6,938,772)	(31,836,733)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
Beginning of year	<u>189,352,361</u>	<u>194,198,383</u>	<u>383,550,744</u>
End of year	<u>\$164,454,400</u>	<u>\$187,259,611</u>	<u>\$351,714,011</u>

EPB Pension Plan

Plan Description and Provision:

EPB's Retirement Plan (the "Plan") is a Single Employer Defined Benefit Pension Plan administered by an individual designated by EPB. A stand-alone financial report is not issued for this plan. The Plan provides retirement benefits to Plan members. Article VIII of EPB of Chattanooga Retirement Plan assigns the authority to establish and amend benefit provisions to EPB.

Funding Policy:

Contribution requirements of Plan members and the EPB are established and can be amended by the EPB. The Plan does not require Plan members to make a contribution. The EPB is required to contribute at an actuarially determined rate, the current rate is 5.12% of annual covered payroll.

Annual Pension Cost and Net Pension Obligation:

EPB's annual pension cost of the Plan for the current year was \$1,148,796. There is no net pension obligation as EPB has contributed the annual required contribution, adjusted with interest, as calculated by actuarial valuation. The annual required contribution was determined as part of an actuarial valuation performed as of August 1, 2001, using the aggregate cost method. The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used in the valuation included (a) a rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 5.5% per year compounded annually, (c) no postretirement benefit increases and (d) a discount rate of 8.5%.

Trend Information:

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$1,148,796	100%	\$ -
6/30/01	1,042,000	100%	-
6/30/00	766,000	100%	-

EPB 401(k) Plan

EPB also has a 401(k) plan which permits employees to invest up to 10 percent of salary in a tax-deferred savings plan. EPB contributes up to 3 percent of an employee's salary. EPB contributions are fully vested and amounted to \$590,000 in 2002.

Pension Plans of Component Units

CARTA is the only component unit with a separate defined benefit pension plan, and complete pension disclosures are in CARTA's separately-issued financial statements. Actuarially determined employer contribution requirements were met for the year ended June 30, 2002. Condensed disclosures for CARTA's defined benefit pension plan are as follows:

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$258,529	100%	\$ -
6/30/01	194,860	100%	-
6/30/00	298,391	100%	-

Postretirement Benefits

The City provides postretirement health and medical benefits for retirees and their dependents in accordance with the applicable City ordinance. Substantially all of the City's employees may become eligible for the benefits if they reach normal retirement age while working for the City. At June 30, 2002, there were 747 employees who had retired and were receiving healthcare benefits. The City is insured for a portion of these benefits. All the associated costs are accounted for in the General Fund. For the year ended June 30, 2002, the City recognized expenditures of approximately \$3,939,008, which was offset by \$726,576 of retiree contributions.

NOTE 10. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Assets in the plan are recorded at market value but are administered by private corporations under contract with the City. It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The following is a summary of activity in the Plan for the year:

Asset balance at July 1, 2001	\$13,424,816
Deferrals of compensation	1,029,602
Earnings (losses)	(1,014,706)
Withdrawals	(1,758,082)
Administrative expenses	<u>(346)</u>
Asset balance at June 30, 2002	<u>\$11,681,284</u>

NOTE 11. COMMITMENTS AND CONTINGENCIES

The City and its component units are parties to various lawsuits and claims in the ordinary course of their operations. Management believes that the potential adverse impact of these proceedings would not be material to the combined financial statements of the City.

The City has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agencies for expenditures disallowed under the terms of the grants. City management is not aware of any potential losses from such disallowances and believes that reimbursements, if any, would not be material.

The City has entered into various construction commitments. Such contracts include contracts for improvements to sewer, solid waste, and storm water systems, and acquisition and construction contracts related to general government capital projects. Several of these contracts were in progress but not completed as of June 30, 2002. The total contractual commitments outstanding as of June 30, 2002, aggregated approximately \$29,800,000. The City has sufficient funds available to cover these commitments.

NOTE 12. JOINT VENTURE

The Industrial Development Board of Chattanooga, Tennessee, issued Lease Rental Revenue Bonds, Series 1985, dated March 1, 1985, in the amount of \$17,950,000 for the purpose of providing funds to pay the principal and interest on certain bond anticipation notes issued in anticipation of the issuance of the Series 1985 bonds. The proceeds of said bond anticipation notes were used to provide funds for the acquiring, construction, improving, and equipping of certain public building facilities comprised of a trade center and a parking garage owned by Carter Street Corporation, a not-for-profit organization, whose board consists of five members. Two of the members are appointed by the County Executive and two by the Mayor of Chattanooga. The appointment of the fifth member, who serves as chairman, is agreed on by the County Executive and the Mayor.

The City and the County of Hamilton, Tennessee, as tenants in common, have jointly and severally, signed a lease agreement with the Corporation to lease from the Corporation the trade center and parking garage. The total amount of rent payable by the City and County as tenants is designed to fund the debt of the Corporation and a portion of the Corporation's operating expense. The lease shall remain in full force and effect until such time as all Lease Rental Revenue Bonds, issued on behalf of the Corporation, have been fully paid, or provision has been made for such payment. The lease may be terminated prior to such payment if the City or County shall exercise their respective options under the terms of the lease to purchase the project. Upon the repayment of the bonds, the City and County will have equity interests in the Corporation.

While the bonds owed by the Corporation do not constitute an indebtedness of the City or the County, under the terms of the lease the City and County are unconditionally obligated to make rental payments (one-third by the County and two-thirds by the City) to the Corporation which, in the aggregate, will be sufficient to pay principal and interest on the bonds. For the fiscal year ended June 30, 2002, lease payments from the City's General Fund were \$1,426,092.

The following is a schedule of future minimum lease payments required from the City under the terms of the lease:

2003	\$1,420,765
2004	1,420,529
2005	1,419,100
2006	1,415,389

Complete financial statements can be obtained from:

Carter Street Corporation
P.O. Box 6008
Chattanooga, TN 37401

Condensed financial information for Carter Street Corporation as of June 30, 2002, is as follows:

ASSETS

Cash	\$ 639,722
Accounts receivable	1,938,903
Inventories	158,553
Prepaid items	24,503
Premises and equipment	14,258,684
Other assets	<u>89,530</u>
Total assets	<u>\$17,109,895</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable and accrued expenses	\$ 169,535
Accrued interest	144,100
Advance deposits	67,186
Bonds payable	<u>7,689,040</u>
Total liabilities	<u>8,069,861</u>

FUND EQUITY

Contributed capital:	
City of Chattanooga	3,557
Hamilton County	3,557
Urban development action grants	5,997,326
Marriott Corporation	<u>19,227</u>
	6,023,667
Retained earnings	<u>3,016,367</u>
Total fund equity	<u>9,040,034</u>
Total liabilities and fund equity	<u>\$17,109,895</u>

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY

Total operating revenues	\$ 3,753,401
Total operating expenses	<u>4,967,794</u>
Gain from operations	(1,214,393)
Nonoperating revenues	2,846,807
Nonoperating expenses	<u>456,050</u>
Net income	1,176,364
Fund equity at July 1, 2001	<u>7,863,670</u>
Fund equity at June 30, 2002	<u>\$ 9,040,034</u>

NOTE 13. SEGMENTS OF NONMAJOR ENTERPRISE ACTIVITIES

The following condensed financial statements are presented for nonmajor enterprise funds as of June 30, 2002.

	<u>Storm Water</u>	<u>Housing Management</u>	<u>Total</u>
Condensed Statement of Net Assets			
Assets:			
Current assets	\$ 5,862,337	\$ 128,423	\$ 5,990,760
Restricted assets	730,931	491,024	1,221,955
Capital assets	37,860,482	5,883,405	43,743,887
Other assets	<u>149,047</u>	<u>-</u>	<u>149,047</u>
Total assets	<u>44,602,797</u>	<u>6,502,852</u>	<u>51,105,649</u>
Liabilities:			
Current liabilities	1,942,585	2,603,846	4,546,431
Noncurrent liabilities	<u>20,703,048</u>	<u>-</u>	<u>20,703,048</u>
Total liabilities	<u>22,645,633</u>	<u>2,603,846</u>	<u>25,249,479</u>
Net assets:			
Invested in capital assets, net of related debt	16,967,633	5,883,405	22,851,038
Restricted	660,250	660,250	1,320,500
Unrestricted	<u>4,329,281</u>	<u>(1,984,399)</u>	<u>2,344,882</u>
Total net assets	<u>\$21,957,164</u>	<u>\$ 3,899,006</u>	<u>\$25,856,170</u>
Condensed Statement of Revenues, Expenses and Changes in Net Assets			
Operating revenues	\$ 5,464,578	\$1,025,353	\$ 6,489,931
Operating expenses	(2,549,508)	(816,156)	(3,365,664)
Depreciation	<u>(859,162)</u>	<u>(60,210)</u>	<u>(919,372)</u>
Operating income (loss)	2,055,908	148,987	2,204,895
Nonoperating revenues (expenses):			
Intergovernmental	109,904	1,796,583	1,906,487
Interest income	-	228	228
Interest expense	(1,140,264)	(50,235)	(1,190,499)
Other income (expense)	<u>528,244</u>	<u>2,003,443</u>	<u>2,531,687</u>
Change in net assets	1,553,792	3,899,006	5,452,798
Net assets, beginning	<u>20,403,372</u>	<u>-</u>	<u>20,403,372</u>
Net assets, ending	<u>\$21,957,164</u>	<u>\$3,899,006</u>	<u>\$25,856,170</u>
Condensed Statement of Cash Flows			
Net cash provided (used) by:			
Operating activities	\$ 2,462,575	\$ 260,746	\$ 2,723,321
Noncapital financing activities	697,283	-	697,283
Capital and related financing activities	(5,533,480)	(154,138)	(5,687,618)
Investing activities	<u>2,576,710</u>	<u>228</u>	<u>2,576,938</u>
Net increase	203,088	106,836	309,924
Cash and cash equivalents, beginning	<u>5,232,336</u>	<u>-</u>	<u>5,232,336</u>
Cash and cash equivalents, ending	<u>\$ 5,435,424</u>	<u>\$ 106,836</u>	<u>\$ 5,542,260</u>

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	General Fund	\$1,499,095
Capital Projects Fund	General Fund	6,431,638
Solid Waste/Sanitation Fund	Storm Water Fund	10,671
Liability Insurance Fund	General Fund	<u>1,495,833</u>
		<u>\$9,437,237</u>

NOTE 15. INTERFUND TRANSFERS

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Public Library Fund	General Fund	\$ 2,405,725
Human Services Fund	General Fund	1,481,641
Debt Service Fund	General Fund	8,964,342
Capital Projects Fund	General Fund	9,981,506
State Street Aid	General Fund	320,000
Solidwaste/Sanitation Fund	General Fund	5,159,292
Storm Water Fund	General Fund	683,952
General Fund	Capital Projects Fund	963,361
Debt Service Fund	Capital Projects Fund	3,890
Capital Projects Fund	Community Development Fund	153,301
Solidwaste/Sanitation Fund	Debt Service Fund	18,536
Interceptor Sewer Fund	Debt Service Fund	43,394
Storm Water Fund	Debt Service Fund	13,331
Capital Projects Fund	Debt Service Fund	173,527
Capital Projects Fund	Human Services Fund	<u>367,307</u>
Total interfund transfers		<u>\$30,733,105</u>

NOTE 16. CONDUIT DEBT OBLIGATIONS

From time to time, the Industrial Development Board of the City of Chattanooga has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2002, 119 series of Industrial Revenue Bonds had been issued. The principal amount of the series issued after July 1, 1995, was \$188,000,000. The aggregate principal amounts payable for the 108 series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$253,648,700.

NOTE 17. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Solid Waste/Sanitation Fund accounts for the operations of the City landfill, as well as the closure and postclosure care costs of closed landfills (Summit and 36th Street). State and federal regulations require the City to place a final cover on all landfills after closure, and the City must perform certain maintenance and monitoring functions for 30 years thereafter. The City recognizes landfill closure and postclosure care costs based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs of \$8,705,591 at June 30, 2002, is based on the use of 100 percent of the capacity of the Summit landfill, and 64 percent of the capacity of the City landfill. The estimated remaining life of the City landfill is five years. The City will recognize the remaining estimated costs of closure and postclosure care of \$1,738,134 as the remaining capacity is used. The estimated total current cost of the landfill closure and postclosure care of \$10,443,725 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired at June 30, 2002. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs and additional costs that might arise from changes in postclosure requirements may need to be covered by charges to future landfill users, taxpayers, or both.

NOTE 18. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; medical benefits; unemployment compensation; injuries to employees; errors and omissions; and natural disasters. The City retains the risk of loss related to torts, certain retiree medical benefits, unemployment compensation, and injuries to employees. The General Fund accounts for all exposures, except for torts, which are accounted for in the Liability Insurance Fund. To minimize its losses, the City has established a limited risk management program. Premiums are paid by all funds and are available to pay claims, claim reserves, and administrative costs of the program. The premiums are used to reduce the amount of claims expenditures reported in the respective funds. As of June 30, 2002, such interfund premiums did not exceed reimbursable expenditures. There were no significant reductions in insurance coverage in the prior year, nor did the amount of settlements exceed insurance coverage for each of the past three fiscal years.

City employees eligible for medical benefits are fully insured by Blue Cross/Blue Shield of Tennessee.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effect of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The liabilities for claims other than tort claims are reported in governmental funds rather than the general long-term debt account group because they are expected to be liquidated with expendable available financial resources.

Interfund premiums in the Liability Insurance Fund are based on the insured funds' claims experience. Premiums are adjusted to cover all reported claims. It is anticipated that the settlement of an individual claim will be funded by premiums subsequent to the filing of the claim and prior to its settlement. Changes in the balances of claims liabilities during the year are as follows:

	<u>General Fund</u>	<u>Liability Insurance Fund</u>
Unpaid claims, June 30, 2000	\$ 912,200	\$ 884,000
Incurred claims (including IBNRs)	14,491,981	1,658,877
Claim payments	<u>(14,942,806)</u>	<u>(444,877)</u>
Unpaid claims, June 30, 2001	461,375	2,098,000
Incurred claims (including IBNRs)	17,075,914	534,397
Claim payments	<u>(17,111,025)</u>	<u>(459,397)</u>
Unpaid claims, June 30, 2002	<u>\$ 426,264</u>	<u>\$2,173,000</u>

GENERAL FUND

The General Fund accounts for all financial resources applicable to the general operations of City government which are not properly accounted for in another fund. Revenues are derived primarily from taxes and intergovernmental revenues.

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 79,168,672	\$ 79,168,672	\$ 78,497,094	\$ (671,578)
Property in lieu of taxes:				
EPB	2,204,596	2,204,596	2,157,268	(47,328)
EPB Telecommunications	130,000	130,000	96,114	(33,886)
Burner Systems	20,631	20,631	25,110	4,479
Chattanooga Housing Authority	20,420	20,420	-	(20,420)
Tennessee Valley Authority	1,024,000	1,024,000	1,085,744	61,744
Jaycee Towers 1 and 2	2,448	2,448	1,224	(1,224)
Chattanooga Neighborhood Enterprise	57,996	57,996	57,996	-
Good Neighbors	2,808	2,808	2,808	-
Kenco Group	3,212	3,212	3,088	(124)
Sofix	210,076	210,076	229,007	18,931
Philip Metals	5,066	5,066	3,057	(2,009)
Metals USA	32,612	32,612	40,839	8,227
Combustion Engineering, Inc.	396	396	-	(396)
Southern Champion Tray Company	19,594	19,594	-	(19,594)
T. B. Woods	6,401	6,401	7,274	873
Regis Corporation	34,214	34,214	40,021	5,807
Culp, Inc.	396	396	451	55
Chattanooga Bakery, Inc.	5,722	5,722	5,754	32
JRB Company	16,691	16,691	25,542	8,851
National Print Group	6,365	6,365	5,798	(567)
Top Flight, Inc.	12,283	12,283	13,863	1,580
Dev Corp O Knob	-	-	894	894
Chattanooga Labeling System	7,361	7,361	9,200	1,839
E. I. DuPont	143,610	143,610	276,678	133,068
Messer Griesheim Ind.	54,009	54,009	64,315	10,306
Pavestone Company	25,215	25,215	27,897	2,682
Sears, Roebuck & Co.	2,876	2,876	3,004	128
Chattem Inc.	11,282	11,282	18,363	7,081
Wheland Foundry Inc.	1,497	1,497	-	(1,497)
Champion Tray	-	-	-	-
Nabisco, Inc.	-	-	39,942	39,942
Other	-	-	(2,354)	(2,354)
Corporate excise taxes - intangible property	72,000	72,000	131,676	59,676
Interest and penalty on taxes:				
Current year	50,000	50,000	86,551	36,551
Prior years	185,000	185,000	240,413	55,413
Collection fees - delinquent taxes	100,000	100,000	116,038	16,038
Other local taxes:				
Franchise taxes	1,587,750	1,587,750	1,576,651	(11,099)
Liquor taxes	1,365,000	1,365,000	1,379,987	14,987
Beer taxes	4,350,000	4,350,000	4,449,366	99,366
Litigation taxes - City Court	3,200	3,200	4,909	1,709
Designated revenues - City-only sales taxes	17,594,842	17,594,842	17,046,016	(548,826)
Total taxes	108,538,241	108,538,241	107,767,598	(770,643)
Licenses and permits:				
Motor vehicle licenses	380,000	380,000	377,745	(2,255)
Parking meters	454,860	454,860	424,480	(30,380)
Business licenses (excluding liquor)	120,000	120,000	121,034	1,034
Gross receipts taxes	3,100,000	3,100,000	2,781,220	(318,780)
Fees for issuing business licenses	57,000	57,000	56,520	(480)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
Year Ended June 30, 2002

(continued from previous page)

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
Licenses and permits: (continued)				
Interest and penalty on business licenses	\$ 72,000	\$ 72,000	\$ 70,114	\$ (1,886)
Wrecker permits	8,100	8,100	4,135	(3,965)
Building permits	650,800	650,800	678,159	27,359
Electrical permits	100,000	100,000	137,485	37,485
Plumbing fixtures connection permits	150,600	150,600	181,336	30,736
Street cut-in permits	165,000	165,000	191,868	26,868
Annual electrical contractors licenses	65,000	65,000	68,242	3,242
Plumbing examiner fees	25,000	25,000	26,530	1,530
Electrical examiner fees	35,000	35,000	38,370	3,370
Gas examiner fees	35,000	35,000	35,312	312
Beer permit application fees	90,000	90,000	84,383	(5,617)
Mechanical code permits	65,000	65,000	74,290	9,290
Mechanical examiner fees	62,000	62,000	64,020	2,020
Fees for issuing construction, renovation permits	64,000	64,000	66,588	2,588
Liquor by drink licenses	100,000	100,000	103,983	3,983
Liquor by drink, interest and penalty	1,050	1,050	2,094	1,044
Hotel permits	2,000	2,000	2,400	400
Gas permits	8,500	8,500	7,490	(1,010)
Exhibitor fees	2,900	2,900	3,720	820
Sign permits	85,800	85,800	94,498	8,698
Taxicab driver permits	-	-	3,985	3,985
Temporary use permits	2,000	2,000	1,400	(600)
Subdivision review/inspection fee	46,120	46,120	38,450	(7,670)
Miscellaneous licenses and permits	-	-	31,838	31,838
Designated revenues	<u>950,225</u>	<u>950,225</u>	<u>504,720</u>	<u>(445,505)</u>
Total licenses and permits	<u>6,897,955</u>	<u>6,897,955</u>	<u>6,276,409</u>	<u>(621,546)</u>
Intergovernmental revenues				
City allocation - state beer tax	65,000	65,000	76,018	11,018
City allocation - state income tax	3,050,000	3,050,000	2,567,398	(482,602)
City allocation - state sales tax	10,400,000	10,400,000	9,340,311	(1,059,689)
County-wide sales tax	21,527,000	21,527,000	21,120,255	(406,745)
Mixed drink tax	1,246,000	1,246,000	1,269,230	23,230
State maintenance of streets	110,000	110,000	109,080	(920)
State gas inspection fees	359,000	359,000	359,009	9
State alcoholic beverage taxes	65,000	65,000	65,149	149
Hamilton County - Ross's Landing	671,788	671,788	531,554	(140,234)
Hamilton County - radio and electronics	48,000	48,000	48,000	-
Hamilton County - DRC	27,399	27,399	-	(27,399)
State - Specialized Training	430,000	430,000	391,320	(38,680)
State-telecommunication sales tax	25,000	25,000	23,201	(1,799)
COPS hiring grant	585,036	585,036	484,301	(100,735)
COPS - MORE grant	36,000	36,000	36,280	280
Designated revenues	<u>2,699,709</u>	<u>2,699,709</u>	<u>3,649,688</u>	<u>949,979</u>
Total intergovernmental revenues	<u>41,344,932</u>	<u>41,344,932</u>	<u>40,070,794</u>	<u>(1,274,138)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
Year Ended June 30, 2002

	(continued from previous page)		Actual Amounts	Variance with Final Budget - Over (Under)
	Budgeted Amounts			
	Original	Final		
Charges for services:				
City court costs	\$ 125,400	\$ 125,400	\$ 110,773	\$ (14,627)
State court costs	7,500	7,500	6,003	(1,497)
City Court Clerk fees	652,054	652,054	618,830	(33,224)
Charges for financial services, EPB	7,200	7,200	7,200	-
Variance request fees	7,230	7,230	7,974	744
Fire and ambulance service fees	-	-	802	802
Warner/Montague Park ballfield fees	-	-	6,000	6,000
Champion's Club fees	21,600	21,600	27,449	5,849
Memorial Auditorium credit card fees	25,000	25,000	56,777	31,777
Tivoli credit card fees	10,000	10,000	11,021	1,021
Kidz Kamp fees	69,000	69,000	91,342	22,342
Sports program fees	10,000	10,000	2,920	(7,080)
Non-traditional program fees	7,500	7,500	388	(7,112)
Fitness center fees	25,000	25,000	34,974	9,974
Outventure fees	8,000	8,000	11,517	3,517
Crime photo fees	6,632	6,632	-	(6,632)
Police reports: accidents, etc., fees	87,091	87,091	116,613	29,522
Applicant/Photo/ID card fees	8,500	8,500	17,555	9,055
Skateboard park fees	12,500	12,500	12,941	441
Arts and culture fees	65,800	65,800	44,117	(21,683)
Zoning board of appeals	1,680	1,680	1,150	(530)
Floodplain variance request	40	40	-	(40)
Zoning letter	3,000	3,000	950	(2,050)
Fire district removal request	120	120	-	(120)
Sign board of appeals	960	960	1,000	40
Certificates of occupancy	8,518	8,518	4,310	(4,208)
Sewer verification letter	600	600	1,350	750
Code compliance letters	18,000	18,000	50	(17,950)
Re-inspection	500	500	-	(500)
Permit transfer	200	200	-	(200)
Modular homesite investigation	120	120	275	155
Plan checking fee	40,000	40,000	76,509	36,509
Phased construction plans review	4,000	4,000	2,945	(1,055)
Cell tower site/location review	6,400	6,400	3,200	(3,200)
Golf memberships	-	-	474	474
Dead animal pick up fee	22,800	22,800	2,303	(20,497)
Designated revenues	1,952,505	1,952,505	1,826,264	(126,241)
Total charges for services	3,215,450	3,215,450	3,105,976	(109,474)
Fines, forfeitures, and penalties:				
City court fines	1,054,500	1,054,500	1,062,254	7,754
Criminal court fines	180,000	180,000	172,868	(7,132)
Parking tickets	154,000	154,000	190,115	36,115
Delinquent parking tickets	264,000	264,000	284,897	20,897
Air pollution penalties	-	-	15,954	15,954
Bond forfeitures	-	-	1,406	1,406
Miscellaneous forfeitures and penalties	-	-	6,350	6,350
Total fines, forfeitures, and penalties	1,652,500	1,652,500	1,733,844	81,344

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(continued from previous page)				
General government: (continued)				
Inner-City Development Corp	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
African-American Museum	70,000	70,000	70,000	-
Regional History Museum	48,000	48,000	48,000	-
City Attorney's Office	698,285	698,285	644,034	(54,251)
Contingency fund	500,000	500,000	33,685	(466,315)
Chattanooga Area Urban League	50,000	50,000	50,000	-
Chattanooga Downtown Partnership	140,000	140,000	140,000	-
Pensions and UIC	41,500	41,500	36,712	(4,788)
Tennessee Riverpark	807,572	807,572	698,035	(109,537)
WTCL - Channel 45	60,000	60,000	60,000	-
Taxi board	300	300	-	(300)
Special programs	5,402	5,402	11,390	5,988
Tuition assistance program	20,000	20,000	22,711	2,711
Regional Planning Agency	2,891,105	2,891,105	2,656,857	(234,248)
Renewal and replacement	1,500,000	1,500,000	1,302,835	(197,165)
Economic development and education	12,866,852	12,866,852	12,963,741	96,889
Downtown design center	236,501	236,501	125,693	(110,808)
Air Pollution Control Bureau	1,469,288	1,469,288	1,406,570	(62,718)
Scenic Cities Beautiful Commission	100,475	100,475	93,331	(7,144)
Summer youth	30,550	30,550	30,161	(389)
Nonprofit funding requests	4,700	4,700	4,621	(79)
South Broad - beautification	49,025	49,025	49,025	-
Audits, dues and surveys	143,750	143,750	111,660	(32,090)
Free public library	369,140	369,140	-	(369,140)
Intergovernmental relations	228,850	228,850	217,531	(11,319)
City storm water fees	75,000	75,000	71,309	(3,691)
Front porch alliance	29,188	29,188	24,677	(4,511)
Character education program	20,000	20,000	-	(20,000)
African American Chamber of Commerce	150,000	150,000	150,000	-
Chamber of economic development	400,000	400,000	400,000	-
Community & economic development	1,625,341	1,625,341	1,326,333	(299,008)
Community education alliance	338,361	338,361	3,444	(334,917)
Business development initiative	75,000	75,000	75,000	-
Personnel	6,406,859	7,263,845	7,165,706	(98,139)
Neighborhood services	1,785,235	1,768,235	1,662,638	(105,597)
Liability insurance premiums	850,000	850,000	850,000	-
Total general government	<u>39,252,166</u>	<u>40,146,952</u>	<u>37,637,921</u>	<u>(2,509,031)</u>
Finance and Administration:				
Finance administration	1,576,652	1,561,552	1,398,732	(162,820)
Information Services	2,488,750	2,479,286	2,407,286	(72,000)
Office of City Treasurer	577,973	566,173	522,559	(43,614)
Telecommunication operations	124,730	124,730	125,384	654
Telephone system	281,238	281,238	384,808	103,570
City Court Clerk's Office	1,015,392	1,015,392	889,549	(125,843)
Geographic information system	175,843	157,407	-	(157,407)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
Year Ended June 30, 2002

	(continued from previous page)			Variance with Final Budget - Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Finance and Administration (Continued)				
Building maintenance	\$ 931,225	\$ 931,225	\$ 726,126	\$ (205,099)
Electronics division	364,417	364,417	322,085	(42,332)
Purchasing	848,801	848,801	905,824	57,023
Real estate - administration	263,875	263,875	182,900	(80,975)
Real estate - property maintenance	215,100	215,100	110,886	(104,214)
DRC building operations	78,254	78,254	78,254	-
Heritage center maintenance	88,000	88,000	72,438	(15,562)
Court space usage costs	95,000	95,000	92,763	(2,237)
Total Finance and Administration	9,125,250	9,070,450	8,219,594	(850,856)
Police:				
Operations	2,056,516	2,167,398	305,224	(1,862,174)
Administration	5,388,014	5,057,046	4,717,239	(339,807)
Uniformed Services	16,283,943	16,268,943	17,430,017	1,161,074
Investigative and support services	10,156,932	10,091,932	10,450,326	358,394
Law enforcement planning	89,091	89,091	821,527	732,436
Confiscated and unclaimed property	662	662	-	(662)
Special programs	47,772	47,772	82,207	34,435
Reduction part I offenses	235,624	235,624	21,284	(214,340)
Total Police	34,258,554	33,958,468	33,827,824	(130,644)
Fire:				
Operations	21,247,432	21,007,432	20,467,140	(540,292)
Special programs	5,970	5,970	9,618	3,648
Utilities	556,176	556,176	485,041	(71,135)
Total Fire	21,809,578	21,569,578	20,961,799	(607,779)
Public Works:				
Administration	526,377	526,377	510,666	(15,711)
Board of Appeals and Variances	5,000	5,000	4,833	(167)
City Engineer	1,923,163	1,868,263	1,767,987	(100,276)
City-wide services	874,476	874,476	861,862	(12,614)
Street cleaning	1,664,908	1,644,908	1,653,290	8,382
Emergency	519,105	519,105	476,011	(43,094)
Waste resources:				-
Sewer construction and maintenance	1,935,557	1,921,557	1,760,883	(160,674)
Codes and inspections:				-
Inspection Division	1,404,639	1,404,639	1,365,350	(39,289)
Board of Examiners	26,100	26,100	23,435	(2,665)
Utilities	154,150	154,150	126,197	(27,953)
Interceptor sewer system pump stations	109,375	109,375	63,622	(45,753)
Municipal forestry	444,037	444,037	414,131	(29,906)
Waste pickup	5,417,796	5,376,796	5,348,800	(27,996)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(continued from previous page)				
Public Works (continued)				
Traffic management:				
Administration	\$ 539,169	\$ 539,169	\$ 561,959	\$ 22,790
Control	1,598,071	1,598,071	1,545,569	(52,502)
Street lighting	2,525,100	2,525,100	2,361,792	(163,308)
Total Public Works	19,667,023	19,537,123	18,846,387	(690,736)
Parks and Recreation:				
Administration	795,614	795,614	727,266	(68,348)
Recreation:				
Administration	500,800	500,800	504,433	3,633
Recreation centers	829,147	814,147	840,320	26,173
Senior citizens recreation	58,916	58,916	58,916	-
Summer youth recreation	245,009	245,009	178,949	(66,060)
Fitness center	292,259	292,259	277,162	(15,097)
Greater Chattanooga Sports	75,000	75,000	75,000	-
Late Night Programs	61,139	61,139	42,310	(18,829)
Inner city ministries	18,500	18,500	18,500	-
Arts and culture	276,294	276,294	268,984	(7,310)
OutVenture	101,881	101,881	109,239	7,358
Sports	731,556	726,556	706,190	(20,366)
Champion's Club	181,216	181,216	186,848	5,632
Special programs	26,095	30,005	24,006	(5,999)
At Risk Youth	494,489	494,489	546,443	51,954
Parks maintenance:				
Administration	553,900	549,990	540,056	(9,934)
Warner Park Zoo	336,784	336,784	340,585	3,801
Municipal parks	1,011,932	1,011,932	1,050,358	38,426
Tennessee Riverpark-Downtown	1,250,808	1,164,808	1,093,227	(71,581)
Carousel	186,741	186,741	138,602	(48,139)
Civic facilities:				
Administration	514,370	476,370	459,654	(16,716)
Memorial Auditorium	381,741	381,741	425,433	43,692
Tivoli Theatre	254,283	254,283	291,119	36,836
Concessions	48,340	48,340	40,224	(8,116)
Brainerd Golf Course	917,674	917,674	927,276	9,602
Brown Acres Golf Course	969,832	969,832	956,510	(13,322)
City-wide security	79,629	79,629	57,530	(22,099)
Landscape	437,651	437,651	418,404	(19,247)
Building and structures	1,490,484	1,464,484	1,442,642	(21,842)
Athletic facilities	-	-	1,548	1,548
Total Parks and Recreation	13,122,084	12,952,084	12,747,734	(204,350)
Total expenditures	137,234,655	137,234,655	132,241,259	(4,993,396)
Excess of revenues over expenditures:	30,850,876	30,850,876	33,023,521	2,172,645

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 Year Ended June 30, 2002

	(continued from previous page)			Variance with Final Budget - Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 968,217	\$ 968,217	\$ 963,361	\$ (4,856)
Transfers out	(29,151,263)	(29,151,263)	(28,996,458)	154,805
Transfers to component units	<u>(2,976,800)</u>	<u>(2,976,800)</u>	<u>(2,976,800)</u>	<u>-</u>
Total other financing sources (uses)	<u>(31,159,846)</u>	<u>(31,159,846)</u>	<u>(31,009,897)</u>	<u>149,949</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - (budgetary basis)	<u>\$ (308,970)</u>	<u>\$ (308,970)</u>	2,013,624	<u>\$ 2,322,594</u>
Adjustment for encumbrances			<u>459,482</u>	
Deficiency of revenues and other financing sources under expenditures and other financing uses - (GAAP basis)			2,473,106	
FUND BALANCE at beginning of year			<u>33,494,589</u>	
FUND BALANCE at end of year			<u>\$ 35,967,695</u>	

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

SCHEDULE OF DESIGNATED REVENUES - BUDGET AND ACTUAL ON BUDGETARY BASIS
Year Ended June 30, 2002

	Final Budget					Total	Actual					Total	Variance - Over (Under)
	Taxes	Licenses and Permits	Inter- governmental Revenues	Charges for Services	Miscellaneous Revenues		Taxes	Licenses and Permits	Inter- governmental Revenues	Charges for Services	Miscellaneous Revenues		
Regional Planning Agency	\$ -	\$ -	\$ 1,800,396	\$ -	\$ 74,000	\$ 1,874,396	\$ -	\$ -	\$ 1,671,979	\$ -	\$ 93,045	\$ 1,765,024	\$ (109,372)
Air Pollution Bureau	-	950,225	595,834	-	151,423	1,697,482	-	504,720	477,891	-	164,097	1,146,708	(550,774)
Scenic Cities Beautiful Commission	-	-	65,181	-	-	65,181	-	-	72,685	-	3,155	75,840	10,659
Reduction - Part I offenses	-	-	-	-	17,657	17,657	-	-	-	-	17,657	17,657	-
Municipal golf courses	-	-	-	1,952,505	-	1,952,505	-	-	-	1,762,338	-	1,762,338	(190,167)
Free Public Library	-	-	-	-	10,000	10,000	-	-	-	-	11,010	11,010	1,010
Miller Park	-	-	-	-	175	175	-	-	-	-	155	155	(20)
Law enforcement planning	-	-	55,871	-	5,562	61,433	-	-	701,927	-	17,714	719,641	658,208
Summer youth work action	-	-	-	-	25,000	25,000	-	-	-	-	1,681	1,681	(23,319)
Confiscated and unclaimed property	-	-	-	-	662	662	-	-	-	-	662	662	-
Nonprofit request	-	-	-	-	1,250	1,250	-	-	-	-	1,300	1,300	50
Economic Development and Education fund	17,594,842	-	-	-	-	17,594,842	17,046,016	-	543,579	-	53,552	17,643,147	48,305
Special programs fund	-	-	147,427	-	26,647	174,074	-	-	146,627	63,926	104,730	315,283	141,209
Heritage Hall	-	-	35,000	-	18,000	53,000	-	-	35,000	-	18,000	53,000	-
Total designated revenues	\$ 17,594,842	\$ 950,225	\$ 2,699,709	\$ 1,952,505	\$ 330,376	\$ 23,527,657	\$ 17,046,016	\$ 504,720	\$ 3,649,688	\$ 1,826,264	\$ 486,758	\$ 23,513,446	\$ (14,211)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF REQUIRED SUPPLEMENTAL INFORMATION
 PUBLIC EMPLOYEE RETIREMENT SYSTEMS
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2002

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
CITY OF CHATTANOOGA ADMINISTERED PLANS						
General Pension Plan						
January 1, 2002	\$ 219,767,852	\$ 171,457,511	\$ (48,310,341)	128.20%	\$ 51,681,537	-93.48%
January 1, 2001	216,594,554	154,893,409	(61,701,145)	139.83%	47,490,020	-129.92%
January 1, 2000	209,084,823	144,143,794	(64,941,029)	145.10%	46,338,563	-140.14%
January 1, 1999	144,836,426	116,471,155	(28,365,271)	124.35%	43,969,283	-64.51%
January 1, 1998	129,592,442	109,916,957	(19,675,485)	117.90%	38,223,969	-51.47%
January 1, 1997	114,621,917	99,328,522	(15,293,395)	115.40%	39,136,370	-39.08%
Firemen's and Policemen's Insurance and Pension Fund						
January 1, 2002	\$ 202,140,350	\$ 226,644,488	\$ 24,504,138	89.19%	\$ 28,249,738	86.74%
July 1, 2000	201,503,400	203,104,100	1,600,700	99.21%	28,539,600	5.61%
July 1, 1999	192,166,300	179,230,000	(12,936,300)	107.22%	27,308,200	-47.37%
July 1, 1998	169,512,500	167,287,300	(2,225,200)	101.33%	25,140,400	-8.85%
July 1, 1997	144,431,598	152,129,429	7,697,831	94.94%	24,607,560	31.28%
July 1, 1996	123,063,696	143,333,706	20,270,010	85.86%	23,686,990	85.57%
ELECTRIC POWER BOARD						
August 1, 2001	\$ 44,472,000	\$ 44,472,000	\$ -	100.00%	\$ 20,757,000	0.00%
August 1, 2000	47,262,000	47,262,000	-	100.00%	20,407,000	0.00%
August 1, 1999	43,113,000	43,113,000	-	100.00%	19,610,000	0.00%
August 1, 1998	43,773,000	38,418,000	(5,355,000)	113.94%	19,437,000	-27.55%
August 1, 1997	39,169,000	40,519,000	1,350,000	96.67%	19,160,000	7.05%
August 1, 1996	33,672,000	34,873,000	1,201,000	96.56%	19,217,000	6.25%

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF REQUIRED SUPPLEMENTAL INFORMATION
 PUBLIC EMPLOYEE RETIREMENT SYSTEMS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 June 30, 2002

CITY OF CHATTANOOGA ADMINISTERED PLANS

Year Ended June 30	<u>General Pension Plan</u>		<u>Firemen's and Policemen's Insurance and Pension Fund</u>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	\$ -	100%	\$1,977,696	100%
2001	-	100%	3,749,260	100%
2000	1,422,932	100%	3,781,998	100%
1999	1,796,507	100%	5,464,302	100%
1998	2,624,929	100%	5,359,709	100%
1997	3,298,906	100%	4,924,619	100%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>
Valuation date	1/1/2002	1/1/2002
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Dollar	Level Dollar
Remaining amortization period	40 Years Open	40 Years Open
Asset valuation method	Market value, as adjusted	5-Year Average
Actuarial assumptions:		
Investment rate of return	7.50%	8.25%
Projected salary increases	5.50%	4.25%
Includes inflation at	3.00%	4.25%
Cost-of-living adjustments	3.00%	3.00%

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These are the operating funds which are restricted as to use by the federal or state governments and special purpose funds established by the City Council.

Public Library Fund accounts for revenues and expenditures of the Chattanooga-Hamilton County Bicentennial Library.

Downtown Development Fund accounts for revenues and expenditures associated with improvements to the Downtown area.

Human Services Program Fund accounts for revenues and expenditures associated with various grants and donations for specific programs administered by the City.

Narcotics Program Fund accounts for drug fines and grants received and usage of those monies to further drug education and investigations.

State Street Aid Fund accounts for revenues and expenditures of the City's share of state gasoline taxes. State law requires that gasoline taxes be used to maintain streets.

Community Development Fund accounts for Community Development Block Grant funds received from the federal government for the purpose of enhancing the economic condition and meeting various types of housing needs of low-to-moderate income residents of the City.

DEBT SERVICE FUND

Debt Service Fund accounts for the accumulation of resources for, and payment of, general long-term obligations.

CITY OF CHATTANOOGA, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
June 30, 2002

	Special Revenue							Debt Service	Total Nonmajor Governmental Funds	
	Public Library	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Interfund Eliminations			Total
ASSETS										
Cash and cash equivalents	\$ 1,704,796	\$ 425,831	\$ 3,812,487	\$ 1,258,451	\$ 1,261,157	\$ 277,283	\$ -	\$ 8,740,005	\$ 4,065,097	\$ 12,805,102
Accounts receivable	672	201	4,479	1,902	3,300	93,718	-	104,272	-	104,272
Notes receivable, net of allowance for uncollectibles	-	710,398	-	-	-	3,216,634	-	3,927,032	-	3,927,032
Due from other funds	-	-	-	-	-	-	-	-	1,499,095	1,499,095
Due from other governments	-	-	1,444,864	94,131	757,139	17,712	-	2,313,846	-	2,313,846
Total assets	\$ 1,705,468	\$ 1,136,430	\$ 5,261,830	\$ 1,354,484	\$ 2,021,596	\$ 3,605,347	\$ -	\$ 15,085,155	\$ 5,564,192	\$ 20,649,347
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable and accrued liabilities	\$ 55,079	\$ -	\$ 508,321	\$ 408,508	\$ 48,274	\$ 103,427	\$ -	\$ 1,123,609	\$ 67,109	\$ 1,190,718
Deferred revenue	-	-	-	-	374,438	-	-	374,438	-	374,438
Total liabilities	55,079	-	508,321	408,508	422,712	103,427	-	1,498,047	67,109	1,565,156
FUND BALANCES										
Reserved for encumbrances	35,097	-	233,438	18,095	46,403	66,450	-	399,483	-	399,483
Unreserved - designated for debt service	-	-	-	-	-	-	-	-	5,497,083	5,497,083
Unreserved - undesignated	1,615,292	1,136,430	4,520,071	927,881	1,552,481	3,435,470	-	13,187,625	-	13,187,625
Total fund balances	1,650,389	1,136,430	4,753,509	945,976	1,598,884	3,501,920	-	13,587,108	5,497,083	19,084,191
Total liabilities and fund balances	\$ 1,705,468	\$ 1,136,430	\$ 5,261,830	\$ 1,354,484	\$ 2,021,596	\$ 3,605,347	\$ -	\$ 15,085,155	\$ 5,564,192	\$ 20,649,347

CITY OF CHATTANOOGA, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2002

	Special Revenue							Total	Debt Service	Total Nonmajor Governmental Funds
	Public Library	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Interfund Eliminations			
REVENUES										
Intergovernmental	\$ 2,410,704	\$ -	\$ 10,502,555	\$ 93,762	\$ 4,349,519	\$ 2,258,671	\$ -	\$ 19,615,211	\$ 665,790	\$ 20,281,001
Charges for services	-	-	68,493	-	-	-	-	68,493	-	68,493
Investment income	72,839	58,824	57,081	2,394	22,156	254,022	-	467,316	-	467,316
Miscellaneous	189,902	-	29,935	455,667	5,040	1,817,178	-	2,497,722	200,000	2,697,722
Total revenues	2,673,445	58,824	10,658,064	551,823	4,376,715	4,329,871	-	22,648,742	865,790	23,514,532
EXPENDITURES										
General government	4,634,137	109,128	10,810,426	-	-	-	-	15,553,691	-	15,553,691
Police	-	-	-	232,380	-	-	-	232,380	-	232,380
Public works	-	-	-	-	4,410,487	-	-	4,410,487	-	4,410,487
Community development	-	-	-	-	-	4,257,418	-	4,257,418	-	4,257,418
Debt service	-	-	-	-	-	-	-	-	8,393,234	8,393,234
Capital outlay/fixed assets	63,350	-	693,662	88,614	118,057	11,850	-	975,533	-	975,533
Total expenditures	4,697,487	109,128	11,504,088	320,994	4,528,544	4,269,268	-	25,429,509	8,393,234	33,822,743
Excess (deficiency) of revenues over (under) expenditures	(2,024,042)	(50,304)	(846,024)	230,829	(151,829)	60,603	-	(2,780,767)	(7,527,444)	(10,308,211)
OTHER FINANCING SOURCES (USES)										
Refunding bond proceeds	-	-	-	-	-	-	-	-	16,377,267	16,377,267
Refunded bond payment	-	-	-	-	-	-	-	-	(16,235,491)	(16,235,491)
Transfers in	2,405,725	-	1,509,951	-	320,000	-	(28,310)	4,207,366	8,968,232	13,175,598
Transfers out	-	-	(367,307)	-	-	(181,611)	28,310	(520,608)	(248,788)	(769,396)
Total other financing sources (uses)	2,405,725	-	1,142,644	-	320,000	(181,611)	-	3,686,758	8,861,220	12,547,978
Net change in fund balance	381,683	(50,304)	296,620	230,829	168,171	(121,008)	-	905,991	1,333,776	2,239,767
FUND BALANCE, beginning	1,268,706	1,186,734	4,456,889	715,147	1,430,713	3,622,928	-	12,681,117	4,163,307	16,844,424
FUND BALANCE, ending	\$ 1,650,389	\$ 1,136,430	\$ 4,753,509	\$ 945,976	\$ 1,598,884	\$ 3,501,920	\$ -	\$ 13,587,108	\$ 5,497,083	\$ 19,084,191

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for the operation of self-sustaining agencies rendering services to the general public on a user-charge basis. Activities necessary to provide these services are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

Storm Water Fund accounts for costs associated with the City's storm water management program as mandated by the Environmental Protection Agency and the State of Tennessee.

Housing Management Fund accounts for the costs associated with low-income housing provided to residents of the City.

CITY OF CHATTANOOGA, TENNESSEE
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2002

	<u>Storm Water</u>	<u>Housing Management</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 5,435,424	\$ 106,836	\$ 5,542,260
Receivables:			
Customer service	1,043,849	11,608	1,055,457
Less allowance for doubtful accounts	(616,936)	-	(616,936)
Due from other governments	-	454,578	454,578
Other current assets	-	46,425	46,425
Total current assets	<u>5,862,337</u>	<u>619,447</u>	<u>6,481,784</u>
RESTRICTED ASSETS			
Investments	720,978	-	720,978
Accounts receivable	9,953	-	9,953
Total restricted assets	<u>730,931</u>	<u>-</u>	<u>730,931</u>
CAPITAL ASSETS			
Land	979,365	83,789	1,063,154
Buildings	-	3,073,850	3,073,850
Vehicles and machinery	1,137,958	957	1,138,915
Storm water system	39,586,639	-	39,586,639
Construction in progress	-	2,818,335	2,818,335
	41,703,962	5,976,931	47,680,893
Less accumulated depreciation	(3,843,480)	(93,526)	(3,937,006)
Net capital assets	<u>37,860,482</u>	<u>5,883,405</u>	<u>43,743,887</u>
OTHER ASSETS			
Deferred charges	149,047	-	149,047
Total assets	<u>\$ 44,602,797</u>	<u>\$ 6,502,852</u>	<u>\$ 51,105,649</u>

	Storm Water	Housing Management	Total
CURRENT LIABILITIES			
Current maturities of long-term liabilities	\$ 1,245,743	\$ -	\$ 1,245,743
Accounts payable and accrued liabilities	638,319	2,603,846	3,242,165
Due to other funds	10,671	-	10,671
Contracts payable	47,852	-	47,852
Total current liabilities	<u>1,942,585</u>	<u>2,603,846</u>	<u>4,546,431</u>
LONG-TERM LIABILITIES			
Notes and capital leases payable	1,576,339	-	1,576,339
Compensated absences	177,278	-	177,278
General obligation bonds payable	18,818,728	-	18,818,728
Deferred refunding	(509,680)	-	(509,680)
Original issue premium	640,383	-	640,383
Total long-term liabilities	<u>20,703,048</u>	<u>-</u>	<u>20,703,048</u>
Total liabilities	<u>22,645,633</u>	<u>2,603,846</u>	<u>25,249,479</u>
NET ASSETS			
Invested in capital assets, net of related debt	16,967,633	5,883,405	22,851,038
Restricted	660,250	-	660,250
Unrestricted	4,329,281	(1,984,399)	2,344,882
Total net assets	<u>\$ 21,957,164</u>	<u>\$ 3,899,006</u>	<u>\$ 25,856,170</u>

CITY OF CHATTANOOGA, TENNESSEE

NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

Year Ended June 30, 2002

	Storm Water	Housing Management	Total
OPERATING REVENUES			
Customer charges	\$ 5,406,275	\$ 1,014,324	\$ 6,420,599
Other	58,303	11,029	69,332
Total operating revenues	<u>5,464,578</u>	<u>1,025,353</u>	<u>6,489,931</u>
OPERATING EXPENSES			
Storm water operations	2,549,508	-	2,549,508
Housing management operations	-	735,873	735,873
Management fees	-	80,283	80,283
Depreciation and amortization	859,162	60,210	919,372
Total operating expenses	<u>3,408,670</u>	<u>876,366</u>	<u>4,285,036</u>
OPERATING INCOME	<u>2,055,908</u>	<u>148,987</u>	<u>2,204,895</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	109,904	1,796,583	1,906,487
Investment income	-	228	228
Interest expense	(1,140,264)	(50,235)	(1,190,499)
Other income (expense)	(225,361)	(3,949)	(229,310)
Total nonoperating revenues (expenses)	<u>(1,255,721)</u>	<u>1,742,627</u>	<u>486,906</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>800,187</u>	<u>1,891,614</u>	<u>2,691,801</u>
Capital contributions	56,322	2,007,392	2,063,714
Transfers in	697,283	-	697,283
CHANGE IN NET ASSETS	1,553,792	3,899,006	5,452,798
Net assets, beginning	<u>20,403,372</u>	<u>-</u>	<u>20,403,372</u>
Net assets, ending	<u>\$ 21,957,164</u>	<u>\$ 3,899,006</u>	<u>\$ 25,856,170</u>

CITY OF CHATTANOOGA, TENNESSEE
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2002

	Storm Water	Housing Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 5,327,169	\$ 1,013,746	\$ 6,340,915
Payments to suppliers	(1,503,056)	(566,436)	(2,069,492)
Payments to employees	(1,361,538)	(186,564)	(1,548,102)
Net cash provided by operating activities	<u>2,462,575</u>	<u>260,746</u>	<u>2,723,321</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	<u>697,283</u>	<u>-</u>	<u>697,283</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	7,570,526	980,616	8,551,142
Principal paid on capital debt	(1,170,838)	-	(1,170,838)
Payments to escrow agent	(7,617,089)	-	(7,617,089)
Interest paid on capital debt	(1,188,020)	(54,185)	(1,242,205)
Capital grants received	-	1,796,583	1,796,583
Capital contributions	56,322	2,007,392	2,063,714
Additions to capital assets	(3,203,509)	(4,884,544)	(8,088,053)
Proceeds from the sale of capital assets	<u>19,128</u>	<u>-</u>	<u>19,128</u>
Net cash used in capital and related financing activities	<u>(5,533,480)</u>	<u>(154,138)</u>	<u>(5,687,618)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(17,215,014)	-	(17,215,014)
Proceeds from sales and maturities of investments	19,394,468	-	19,394,468
Interest on investments	<u>397,256</u>	<u>228</u>	<u>397,484</u>
Net cash provided by investing activities	<u>2,576,710</u>	<u>228</u>	<u>2,576,938</u>
Net increase in cash and cash equivalents	203,088	106,836	309,924
Cash and cash equivalents, beginning of year	<u>5,232,336</u>	<u>-</u>	<u>5,232,336</u>
Cash and cash equivalents, end of year	<u>\$ 5,435,424</u>	<u>\$ 106,836</u>	<u>\$ 5,542,260</u>
CLASSIFIED AS:			
Current assets	<u>\$ 5,435,424</u>	<u>\$ 106,836</u>	<u>\$ 5,542,260</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2002

(continued from previous page)

	Storm Water	Housing Management	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
OPERATING INCOME	\$ 2,055,908	\$ 148,987	\$ 2,204,895
ADJUSTMENTS NOT AFFECTING CASH:			
Depreciation and amortization	859,162	60,210	919,372
Provision for uncollectible accounts	217,186	-	217,186
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(354,595)	(466,186)	(820,781)
(Increase) decrease in prepaid items	-	(9,979)	(9,979)
Increase (decrease) in accounts payable	(305,298)	564,159	258,861
Increase (decrease) in accrued liabilities	38,628	-	38,628
Increase (decrease) in other assets/liabilities	(48,416)	(36,445)	(84,861)
TOTAL ADJUSTMENTS	406,667	111,759	518,426
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,462,575	\$ 260,746	\$ 2,723,321

PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose Trust Funds are used to account for resources, including both principal and earnings, which must be expended according to the provisions of a trust agreement. These funds are accounted for in the same manner as business enterprises providing similar services.

Chattanooga High School Medal Fund accounts for revenues and expenditures associated with the award of medals to outstanding high school students at Chattanooga High School. Revenues are derived from interest earned on trust funds established by Mr. Ochs.

Ochs-Oakes Fire and Police Medal Fund accounts for the cost of providing medals to outstanding high school students. Revenues are derived from interest earned on trust funds established by Mr. Ochs and Mr. Oakes.

Ochs-Oakes High School Medal Fund accounts for the cost of providing medals to outstanding high school students. Revenues are derived from interest earned on trust funds established by Mr. Ochs and Mr. Oakes.

CITY OF CHATTANOOGA, TENNESSEE
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2002

	Chattanooga High School Medal	Ochs-Oakes Fire and Police Medal	Ochs-Oakes High School Medal	Total
ASSETS				
Cash and cash equivalents	\$ 4,650	\$ 13,370	\$ 2,268	\$ 20,288
Investments	-	43,842	7,604	51,446
Total assets	4,650	57,212	9,872	71,734
 NET ASSETS	 \$ 4,650	 \$ 57,212	 \$ 9,872	 \$ 71,734

CITY OF CHATTANOOGA, TENNESSEE

PRIVATE-PURPOSE TRUST FUNDS

COMBINING STATEMENT OF CHANGES IN NET ASSETS
Year Ended June 30, 2002

	<u>Chattanooga High School Medal</u>	<u>Ochs-Oakes Fire and Police Medal</u>	<u>Ochs-Oakes High School Medal</u>	<u>Total</u>
ADDITIONS				
Investment income				
Net appreciation (depreciation) in fair market value of investment:	\$ -	\$ (5,091)	\$ (935)	\$ (6,026)
Interest	<u>39</u>	<u>1,809</u>	<u>308</u>	<u>2,156</u>
Total additions	<u>39</u>	<u>(3,282)</u>	<u>(627)</u>	<u>(3,870)</u>
DEDUCTIONS				
Administrative expense:	<u>-</u>	<u>150</u>	<u>150</u>	<u>300</u>
CHANGE IN NET ASSETS	39	(3,432)	(777)	(4,170)
Net assets, beginning	<u>4,611</u>	<u>60,644</u>	<u>10,649</u>	<u>75,904</u>
Net assets, end	<u>\$ 4,650</u>	<u>\$ 57,212</u>	<u>\$ 9,872</u>	<u>\$ 71,734</u>

DISCRETELY PRESENTED COMPONENT UNITS

Discretely presented component units are entities that are legally separate from the City, but the City is considered to be financially accountable for these entities. These entities are presented in the same manner as Proprietary Funds.

Chattanooga Metropolitan Airport Authority accounts for the operations of the Chattanooga Metropolitan Airport.

Chattanooga Area Regional Transit Authority (CARTA) accounts for the operations of the mass transit system for the Chattanooga Metropolitan Area.

Southside Redevelopment Corporation accounts for projects in the southside of Chattanooga funded by lease rental revenue bonds. Projects included are construction of the Convention and Trade Center expansion, Development Resource Center, a parking garage and the Chattanooga (a residential conference facility). Operations include the Chattanooga and parking garage.

CITY OF CHATTANOOGA, TENNESSEE

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Year Ended June 30, 2002

	Metropolitan Airport Authority	CARTA	Southside Redevelopment Corporation	Total
OPERATING REVENUES				
Charges for services	\$ 5,858,182	\$ 3,574,890	\$ 8,559,056	\$ 17,992,128
Other	-	62,724	-	62,724
Total operating revenues	<u>5,858,182</u>	<u>3,637,614</u>	<u>8,559,056</u>	<u>18,054,852</u>
OPERATING EXPENSES				
Airport operations	4,824,586	-	-	4,824,586
CARTA operations	-	8,575,626	-	8,575,626
SRC operations	-	-	9,482,326	9,482,326
Management fees	-	-	340,623	340,623
Maintenance	140,746	2,341,410	-	2,482,156
Depreciation and amortization	1,656,123	3,030,545	2,889,127	7,575,795
Total operating expenses	<u>6,621,455</u>	<u>13,947,581</u>	<u>12,712,076</u>	<u>33,281,112</u>
OPERATING LOSS	<u>(763,273)</u>	<u>(10,309,967)</u>	<u>(4,153,020)</u>	<u>(15,226,260)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	5,475,738	5,377,877	6,784,356	17,637,971
Investment income	82,503	15,193	2,634,143	2,731,839
Interest expense	(990,407)	-	(7,257,375)	(8,247,782)
Other income (expense)	938,421	-	(25,101)	913,320
Total nonoperating revenues (expenses)	<u>5,506,255</u>	<u>5,393,070</u>	<u>2,136,023</u>	<u>13,035,348</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	4,742,982	(4,916,897)	(2,016,997)	(2,190,912)
Capital contributions	-	8,223,958	-	8,223,958
CHANGE IN NET ASSETS	4,742,982	3,307,061	(2,016,997)	6,033,046
Net assets (deficit), beginning	<u>26,492,350</u>	<u>29,762,826</u>	<u>(1,123,362)</u>	<u>55,131,814</u>
Net assets (deficit), ending	<u>\$ 31,235,332</u>	<u>\$ 33,069,887</u>	<u>\$ (3,140,359)</u>	<u>\$ 61,164,860</u>

CITY OF CHATTANOOGA, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS
Year Ended June 30, 2002

	Metropolitan Airport Authority	CARTA	Southside Redevelopment Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 5,717,386	\$ 3,762,223	\$ 7,537,377	\$ 17,016,986
Receipts from other	-	4,028	-	4,028
Payments to suppliers	(4,782,936)	(2,878,293)	(8,302,368)	(15,963,597)
Payments to employees	-	(7,647,741)	(84,436)	(7,732,177)
Cost of services	-	-	(4,880,743)	(4,880,743)
Net cash provided by (used in) operating activities:	<u>934,450</u>	<u>(6,759,783)</u>	<u>(5,730,170)</u>	<u>(11,555,503)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental payments received	-	<u>5,377,877</u>	<u>6,671,130</u>	<u>12,049,007</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	16,640,762	-	-	16,640,762
Principal paid on capital debt	(12,193,149)	(25,000)	-	(12,218,149)
Interest paid on capital debt	(1,116,010)	-	(7,198,976)	(8,314,986)
Capital contributions	5,001,873	7,939,494	-	12,941,367
Additions to capital assets	(8,970,535)	(6,582,243)	(34,443,700)	(49,996,478)
Proceeds from the sale of capital assets	-	45,103	-	45,103
Passenger facility charges collected	<u>1,096,492</u>	<u>-</u>	<u>-</u>	<u>1,096,492</u>
Net cash flows provided by (used in) capital and related financing activities:	<u>459,433</u>	<u>1,377,354</u>	<u>(41,642,676)</u>	<u>(39,805,889)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(1,131,629)	(106,666)	(97,954,868)	(99,193,163)
Proceeds from sales and maturities of investments	-	106,000	135,961,759	136,067,759
Interest on investments	82,503	5,583	2,618,008	2,706,094
Collection of note receivable	<u>2,128</u>	<u>-</u>	<u>-</u>	<u>2,128</u>
Net cash flows provided by (used in) investing activities:	<u>(1,046,998)</u>	<u>4,917</u>	<u>40,624,899</u>	<u>39,582,818</u>
Net increase (decrease) in cash and cash equivalents	346,885	365	(76,817)	270,433
Cash and cash equivalents, beginning of year	<u>607,016</u>	<u>1,296,661</u>	<u>281,555</u>	<u>2,185,232</u>
Cash and cash equivalents, end of year	<u>\$ 953,901</u>	<u>\$ 1,297,026</u>	<u>\$ 204,738</u>	<u>\$ 2,455,665</u>
CLASSIFIED AS:				
Current assets	\$ 730,494	\$ 966,026	\$ 204,738	\$ 1,901,258
Restricted assets	<u>223,407</u>	<u>331,000</u>	<u>-</u>	<u>554,407</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 COMBINING STATEMENT OF CASH FLOWS
 COMPONENT UNITS
 Year Ended June 30, 2002

(continued from previous page)

	Metropolitan Airport Authority	CARTA	Southside Redevelopment Corporation	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
OPERATING LOSS	\$ (763,273)	\$ (10,309,967)	\$ (4,153,020)	\$ (15,226,260)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Depreciation and Amortization	1,656,123	3,030,545	2,889,127	7,575,795
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(242,990)	124,608	(1,022,239)	(1,140,621)
(Increase) decrease in inventory	-	76,281	(34,486)	41,795
(Increase) decrease in prepaid items	(58,712)	(30,365)	(37,531)	(126,608)
Increase (decrease) in accounts payable and accrued liabilities	(28,449)	345,086	(3,390,551)	(3,073,914)
Increase (decrease) in deferred revenue	63,554	-	-	63,554
Increase (decrease) in other	308,197	4,029	18,530	330,756
TOTAL ADJUSTMENTS	<u>1,697,723</u>	<u>3,550,184</u>	<u>(1,577,150)</u>	<u>3,670,757</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 934,450</u>	<u>\$ (6,759,783)</u>	<u>\$ (5,730,170)</u>	<u>\$ (11,555,503)</u>
SIGNIFICANT NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Additions to property and equipment included in contracts payable	\$ 398,271	\$ -	\$ -	\$ 398,271
Additions to property and equipment included in accounts payable	55,753	-	-	55,753
Additions to property and equipment received in exchange for note receivable	<u>107,543</u>	<u>-</u>	<u>-</u>	<u>107,543</u>

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

PUBLIC LIBRARY FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Hamilton County, Tennessee funds	\$ 2,405,725	\$ 2,405,725	\$ 2,405,725	\$ -
State of Tennessee funds	-	-	4,979	4,979
Investment income	60,281	60,281	72,839	12,558
Book sales	37,562	37,562	35,752	(1,810)
Miscellaneous	128,907	128,907	154,150	25,243
Total revenues	<u>2,632,475</u>	<u>2,632,475</u>	<u>2,673,445</u>	<u>40,970</u>
EXPENDITURES				
Central branch and administration	4,015,411	4,015,411	3,495,015	(520,396)
Eastgate branch	394,725	394,725	363,993	(30,732)
Northgate branch	383,431	383,431	345,524	(37,907)
Ooltewah/Collegedale branch	338,358	338,358	279,228	(59,130)
South Chattanooga branch	140,920	140,920	132,294	(8,626)
Capital outlay	109,370	109,370	92,576	(16,794)
Other	5,000	5,000	20,130	15,130
Total expenditures	<u>5,387,215</u>	<u>5,387,215</u>	<u>4,728,760</u>	<u>(658,455)</u>
Deficiency of revenues under expenditures:	(2,754,740)	(2,754,740)	(2,055,315)	699,425
OTHER FINANCING SOURCES				
Transfers in	2,405,725	2,405,725	2,405,725	-
Net change in fund balance	<u>\$ (349,015)</u>	<u>\$ (349,015)</u>	350,410	<u>\$ 699,425</u>
Adjustment for encumbrances			31,273	
Net change in fund balance (GAAP basis)			381,683	
FUND BALANCE at beginning of year (GAAP basis)			<u>1,268,706</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 1,650,389</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 2,673,445	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 2,673,445</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,728,760	
Adjustment for encumbrances			(31,273)	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,697,487</u>	

CITY OF CHATTANOOGA, TENNESSEE
SPECIAL REVENUE FUND
DOWNTOWN DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Investment income	\$ 58,812	\$ 58,812	\$ 58,824	\$ 12
Total revenues	58,812	58,812	58,824	12
EXPENDITURES				
Downtown development	36,000	36,000	35,959	(41)
Total expenditures	36,000	36,000	35,959	(41)
Net change in fund balance	\$ 22,812	\$ 22,812	22,865	\$ 53
Adjustment for encumbrances			(73,169)	
Net change in fund balance (GAAP basis)			(50,304)	
FUND BALANCE at beginning of year (GAAP basis)			1,186,734	
FUND BALANCE at end of year (GAAP basis)			\$ 1,136,430	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 58,824	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			\$ 58,824	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 35,959	
Adjustment for encumbrances			73,169	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			\$ 109,128	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

HUMAN SERVICES PROGRAM FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 5,887,842	\$ 7,393,261	\$ 7,316,505	\$ (76,756)
State of Tennessee funds	4,449,149	3,655,363	3,186,050	(469,313)
United Way	-	2,400	2,953	553
Project Warm Neighbors	-	20,000	22,629	2,629
Day care fees	-	52,466	68,493	16,027
Investment income	-	-	57,081	57,081
Other	-	3,500	4,353	853
Total revenues	10,336,991	11,126,990	10,658,064	(468,926)
EXPENDITURES				
Administration	1,884,354	1,015,873	912,722	(103,151)
Headstart program	6,206,079	7,182,717	6,353,136	(829,581)
Day care	1,372,898	646,300	523,411	(122,889)
Food program	-	95,230	86,592	(8,638)
Weatherization program	226,982	284,573	246,400	(38,173)
Foster grandparent program	478,670	463,072	397,481	(65,591)
Low-income energy assistance	685,584	1,033,865	613,814	(420,051)
Community services block grant	610,806	706,450	504,437	(202,013)
Occupancy	226,221	186,310	200,249	13,939
Title II commodities	-	35,435	95,211	59,776
Emergency food and shelter	-	29,356	20,515	(8,841)
Summer food service program	-	815,729	661,496	(154,233)
Other human services programs	154,179	213,579	178,371	(35,208)
Capital outlay	-	654,520	522,146	(132,374)
Total expenditures	11,845,773	13,363,009	11,315,981	(2,047,028)

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CITY OF CHATTANOOGA, TENNESSEE
SPECIAL REVENUE FUND
HUMAN SERVICES PROGRAM FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2002

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Deficiency of revenues under expenditures	\$ (1,508,782)	\$ (2,236,019)	\$ (657,917)	\$ 1,578,102
OTHER FINANCING SOURCES (USES)				
Transfers in	1,508,782	1,516,641	1,509,951	(6,690)
Transfers out	-	(347,637)	(367,307)	(19,670)
Net change in fund balance	\$ -	\$ (1,067,015)	484,727	\$ 1,551,742
Adjustment for encumbrances			(188,107)	
Net change in fund balance (GAAP basis)			296,620	
FUND BALANCE at beginning of year (GAAP basis)			4,456,889	
FUND BALANCE at end of year (GAAP basis)			\$ 4,753,509	

EXPLANATION OF DIFFERENCES

REVENUES

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 10,658,064
Differences - none	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 10,658,064

EXPENDITURES

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 11,315,981
Adjustment for encumbrances	188,107
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 11,504,088

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

NARCOTICS PROGRAM FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ -	\$ -	\$ 93,762	\$ 93,762
Confiscated money, vehicles and equipment	301,231	301,231	301,231	-
Investment income	-	-	2,395	2,395
Other	154,435	154,435	154,435	-
Total revenues	<u>455,666</u>	<u>455,666</u>	<u>551,823</u>	<u>96,157</u>
EXPENDITURES				
Narcotics program	367,190	367,190	232,785	(134,405)
Capital outlay	106,304	106,304	106,304	-
Total expenditures	<u>473,494</u>	<u>473,494</u>	<u>339,089</u>	<u>(134,405)</u>
Net change in fund balance	<u>\$ (17,828)</u>	<u>\$ (17,828)</u>	212,734	<u>\$ 230,562</u>
Adjustment for encumbrances			<u>18,095</u>	
Net change in fund balance (GAAP basis)			230,829	
FUND BALANCE at beginning of year (GAAP basis)			<u>715,147</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 945,976</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 551,823	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 551,823</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 339,089	
Adjustment for encumbrances			<u>(18,095)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 320,994</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

STATE STREET AID FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 3,621,297	\$ 3,621,297	\$ 4,349,519	\$ 728,222
Investment income	50,000	50,000	22,156	(27,844)
Miscellaneous	-	-	5,040	5,040
Total revenues	<u>3,671,297</u>	<u>3,671,297</u>	<u>4,376,715</u>	<u>705,418</u>
EXPENDITURES				
Salaries and wages	2,569,599	2,569,599	2,590,355	20,756
Fringe benefits	541,401	541,401	605,117	63,716
Purchased services	43,600	43,600	20,476	(23,124)
Vehicle operations	700,900	700,900	729,990	29,090
Materials and supplies	593,650	593,650	464,549	(129,101)
Other services	850	850	-	(850)
Capital outlay	348,693	348,693	164,460	(184,233)
Total expenditures	<u>4,798,693</u>	<u>4,798,693</u>	<u>4,574,947</u>	<u>(223,746)</u>
Deficiency of revenues under expenditures	(1,127,396)	(1,127,396)	(198,232)	929,164
OTHER FINANCING SOURCES				
Transfers in	<u>1,120,000</u>	<u>1,120,000</u>	<u>320,000</u>	<u>(800,000)</u>
Net change in fund balance	<u>\$ (7,396)</u>	<u>\$ (7,396)</u>	121,768	<u>\$ 129,164</u>
Adjustment for encumbrances			46,403	
Net change in fund balance (GAAP basis)			<u>168,171</u>	
FUND BALANCE at beginning of year (GAAP basis)			<u>1,430,713</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 1,598,884</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,376,715	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,376,715</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,574,947	
Adjustment for encumbrances			(46,403)	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,528,544</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

COMMUNITY DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Intergovernmental	\$ 4,121,000	\$ 4,121,000	\$ 2,258,671	\$ (1,862,329)
Investment income	-	-	254,022	254,022
Miscellaneous	<u>1,290,000</u>	<u>1,290,000</u>	<u>1,817,178</u>	<u>527,178</u>
Total revenues	<u>5,411,000</u>	<u>5,411,000</u>	<u>4,329,871</u>	<u>(1,081,129)</u>
EXPENDITURES				
Community development projects	4,651,989	4,651,989	3,475,646	(1,176,343)
Administration	567,400	567,400	847,230	279,830
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>12,842</u>	<u>2,842</u>
Total expenditures	<u>5,229,389</u>	<u>5,229,389</u>	<u>4,335,718</u>	<u>(893,671)</u>
Excess of revenues over expenditures	181,611	181,611	(5,847)	(187,458)
OTHER FINANCING USES				
Transfers out	<u>(181,611)</u>	<u>(181,611)</u>	<u>(181,611)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(187,458)	<u>\$ (187,458)</u>
Adjustment for encumbrances			<u>66,450</u>	
Net change in fund balance (GAAP basis)			(121,008)	
FUND BALANCE at beginning of year (GAAP basis)			<u>3,622,928</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 3,501,920</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,329,871	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,329,871</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,335,718	
Adjustment for encumbrances			<u>(66,450)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,269,268</u>	

CITY OF CHATTANOOGA, TENNESSEE

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Hamilton County, Tennessee funds	\$ 799,098	\$ 799,098	\$ 665,790	\$ (133,308)
Rental revenue	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total revenues	<u>999,098</u>	<u>999,098</u>	<u>865,790</u>	<u>(133,308)</u>
EXPENDITURES				
Principal retirement	4,658,954	4,658,954	4,658,954	-
Interest	5,298,375	5,298,375	3,578,398	(1,719,977)
Fiscal charges	<u>10,000</u>	<u>10,000</u>	<u>155,882</u>	<u>145,882</u>
Total expenditures	<u>9,967,329</u>	<u>9,967,329</u>	<u>8,393,234</u>	<u>(1,574,095)</u>
Deficiency of revenues under expenditures	(8,968,231)	(8,968,231)	(7,527,444)	1,440,787
OTHER FINANCING SOURCES (USES)				
Refunding bond proceeds	-	-	16,377,267	16,377,267
Refunded bond escrow agent payment	-	-	(16,235,491)	(16,235,491)
Transfers in	8,968,231	8,968,231	8,968,232	1
Transfers out	<u>(75,261)</u>	<u>(75,261)</u>	<u>(248,788)</u>	<u>(173,527)</u>
Net change in fund balance	<u>\$ (75,261)</u>	<u>\$ (75,261)</u>	1,333,776	<u>\$ 1,409,037</u>
FUND BALANCE at beginning of year			<u>4,163,307</u>	
FUND BALANCE at end of year			<u>\$ 5,497,083</u>	

EXPLANATION OF DIFFERENCES

REVENUES

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 865,790
Differences - none	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 865,790</u>

EXPENDITURES

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 8,393,234
Differences - none	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 8,393,234</u>

FINANCIAL SCHEDULES

Financial schedules are used to demonstrate finance related legal and contractual compliance, provide details of data summarized in the financial statements and present other information deemed useful.

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CERTIFICATES OF DEPOSIT BY FUND
June 30, 2002

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
GENERAL FUND			
First Tennessee	1.73%	07/02/02	\$ 6,150
First Tennessee	1.70%	07/15/02	690,204
First Tennessee	1.72%	08/22/02	1,000,000
First Tennessee	1.72%	08/22/02	1,000,000
First Tennessee	1.79%	08/22/02	6,500,000
SunTrust	1.78%	07/12/02	3,600,000
SunTrust	1.80%	08/22/02	1,000,000
SPECIAL REVENUE FUNDS			
State Street Aid			
First Tennessee	1.75%	07/02/02	150,000
First Tennessee	1.90%	07/03/02	700,000
First Tennessee	1.74%	07/05/02	260,349
DEBT SERVICE FUND			
SunTrust	1.78%	07/26/02	3,700,000
CAPITAL PROJECTS FUNDS			
Capital Improvement Bond:			
First Tennessee	1.74%	07/03/02	909,243
First Tennessee	1.70%	07/19/02	1,618,362
SunTrust	1.85%	08/02/02	139,775
ENTERPRISE FUNDS			
Interceptor Sewer System:			
First Tennessee	1.73%	07/02/02	297,136
First Tennessee	1.79%	07/26/02	5,000,000
Solid Waste Fund:			
First Tennessee	1.79%	08/12/02	1,146,787
Storm Water Fund:			
First Tennessee	1.90%	07/05/02	<u>181,669</u>
Total certificates of deposit			<u><u>\$ 27,899,675</u></u>

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF INVESTMENTS BY FUND
June 30, 2002

	Interest Rate	Maturity Date	Amount
GENERAL FUND			
Federal Home Loan Mortgage Corporation	1.80%	07/31/02	\$ 20,600,332
Certificate of Deposit	1.88%	07/17/02	3,000,000
Certificate of Deposit	1.90%	07/30/02	3,000,000
Certificate of Deposit	2.00%	07/31/02	8,343,000
Certificate of Deposit	1.95%	08/14/02	1,000,000
Certificate of Deposit	1.78%	08/26/02	600,000
Certificate of Deposit	2.10%	08/28/02	1,500,000
Certificate of Deposit	2.10%	10/08/02	800,000
Certificate of Deposit	2.10%	10/08/02	378,320
CAPITAL PROJECT FUND			
Capital Improvement Bond:			
Certificate of Deposit	1.83%	12/26/02	405,269
Certificate of Deposit	2.40%	03/25/03	27,882
Federal National Mortgage Association	2.30%	05/02/03	<u>6,996,692</u>
Total governmental fund investments			<u>\$ 46,651,495</u>
ENTERPRISE FUNDS			
Electric Power Board			
JP Morgan	4.13%	02/14/03	4,578,000
JP Morgan	4.05%	07/07/03	5,203,000
JP Morgan	3.84%	02/15/04	3,507,000
JP Morgan	1.78%	08/26/02	7,110,000
JP Morgan	2.11%	10/31/02	4,093,000
JP Morgan	2.46%	11/15/02	4,425,000
JP Morgan	2.34%	04/30/03	3,076,000
JP Morgan	2.93%	11/30/03	4,109,000
JP Morgan	1.69%	09/12/02	6,577,000
Certificate of Deposit	1.90%	08/30/02	200,000
Certificate of Deposit	1.90%	08/30/02	400,000
Mutual Funds	N/A	N/A	31,000
Interceptor Sewer Fund:			
Certificate of Deposit	1.85%	07/25/02	1,000,000
Certificate of Deposit	1.89%	08/21/02	600,000
Certificate of Deposit	1.90%	11/12/02	500,000
Certificate of Deposit	1.83%	12/26/02	1,330,137
Federal Home Loan Bank	2.15%	02/28/03	1,499,153
Federal National Mortgage Association	2.50%	03/07/03	20,701,700
Solid Waste/Sanitation Fund:			
Certificate of Deposit	1.83%	07/22/02	1,141,224
Certificate of Deposit	1.80%	07/23/02	2,872,671
Certificate of Deposit	1.75%	07/23/02	459,962
Certificate of Deposit	2.10%	10/08/02	241,820
Federal Home Loan Bank	2.18%	11/14/02	3,983,477
Certificate of Deposit	1.90%	11/14/02	146,539
Certificate of Deposit	2.35%	12/17/02	1,142,466
Storm Water Fund:			
Federal Home Loan Bank	2.18%	11/14/02	<u>720,978</u>
Total enterprise fund investments			<u>\$ 79,649,127</u>

CITY OF CHATTANOOGA, TENNESSEE
 COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE
 Year Ended June 30, 2002

Tax Year (1)	Property Taxes Receivable Balance June 30, 2001	Property Taxes Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2002	Allowance for Uncollectibles	Net Receivable Balance June 30, 2002
2002	\$ -	\$ -	\$ 77,956,688	\$ -	\$ -	\$ 77,956,688	\$ 3,898,573	\$ 74,058,115
2001	-	80,555,898	-	(87,465)	75,788,898	4,679,535	325,114	4,354,421
2000	3,048,759	-	-	34,582	1,867,688	1,215,653	211,043	1,004,610
1999	1,204,895	-	-	(1,830)	510,994	692,071	214,098	477,973
1998	626,982	-	-	(3,037)	343,223	280,722	197,179	83,543
1997	329,097	-	-	(3,939)	37,045	288,113	256,919	31,194
1996	167,027	-	-	(4,722)	3,710	158,595	158,595	-
1995	121,920	-	-	(3,050)	1,260	117,610	117,610	-
1994	125,078	-	-	(802)	157	124,119	124,119	-
1993	170,945	-	-	(313)	85	170,547	170,547	-
1992	138,280	-	-	(416)	5	137,859	137,859	-
Totals	<u>\$ 5,932,983</u>	<u>\$ 80,555,898</u>	<u>\$ 77,956,688</u>	<u>\$ (70,992)</u>	<u>\$ 78,553,065</u>	<u>\$ 85,821,512</u>	<u>\$ 5,811,656</u>	<u>\$ 80,009,856</u>

Note:

- (1) All years prior to 2001 have been turned over to the Clerk and Master for collection.
- (2) Accrual of the anticipated current year levy is required by GASB Statement No. 33.

CITY OF CHATTANOOGA, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2002

	Principal	Interest	Total
GOVERNMENTAL ACTIVITIES			
2003	\$ 4,753,112	\$ 3,685,958	\$ 8,439,070
2004	3,946,042	3,451,875	7,397,917
2005	4,094,244	3,266,469	7,360,713
2006	4,194,068	3,077,504	7,271,572
2007	4,374,460	2,876,865	7,251,325
2008	3,166,950	2,693,038	5,859,988
2009	4,484,441	2,506,937	6,991,378
2010	4,678,882	2,276,511	6,955,393
2011	4,690,724	2,037,528	6,728,252
2012	3,223,721	1,830,599	5,054,320
2013	2,874,828	1,666,514	4,541,342
2014	2,802,475	1,522,396	4,324,871
2015	2,901,496	1,382,619	4,284,115
2016	2,853,300	1,244,403	4,097,703
2017	2,065,600	1,124,827	3,190,427
2018	2,180,100	1,020,107	3,200,207
2019	1,892,400	920,175	2,812,575
2020	1,998,900	825,555	2,824,455
2021	2,105,400	725,610	2,831,010
2022	2,224,200	620,340	2,844,540
2023	2,342,900	509,130	2,852,030
2024	2,469,900	391,985	2,861,885
2025	2,613,200	268,490	2,881,690
2026	2,756,600	137,830	2,894,430
Total governmental activities	<u>75,687,943</u>	<u>40,063,265</u>	<u>115,751,208</u>
BUSINESS-TYPE ACTIVITIES			
2003	13,138,805	9,947,799	23,086,604
2004	13,105,236	9,339,592	22,444,828
2005	13,427,193	8,716,914	22,144,107
2006	13,606,358	8,077,275	21,683,633
2007	14,100,824	7,411,225	21,512,049
2008	12,491,319	6,748,359	19,239,678
2009	14,569,559	6,078,090	20,647,649
2010	12,718,838	5,341,676	18,060,514
2011	12,018,769	4,708,981	16,727,750
2012	10,146,734	4,139,272	14,286,006
2013	10,332,758	3,611,549	13,944,307
2014	9,348,165	3,112,537	12,460,702
2015	9,678,380	2,636,567	12,314,947
2016	7,816,746	2,196,722	10,013,468
2017	8,140,614	1,793,067	9,933,681
2018	8,477,736	1,373,877	9,851,613
2019	7,252,529	978,373	8,230,902
2020	4,243,528	738,594	4,982,122
2021	2,064,600	630,140	2,694,740
2022	2,090,800	522,910	2,613,710
2023	2,117,100	413,370	2,530,470
2024	2,145,100	301,515	2,446,615
2025	2,176,800	188,260	2,365,060
2026	2,208,400	73,420	2,281,820
Total business-type activities	<u>207,416,891</u>	<u>89,080,084</u>	<u>296,496,975</u>
Total primary government indebtedness	<u>\$ 283,104,834</u>	<u>\$ 129,143,349</u>	<u>\$ 412,248,183</u>

CITY OF CHATTANOOGA, TENNESSEE
SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2002

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
COMPONENT UNITS			
2003	\$ 575,000	\$ 7,494,863	\$ 8,069,863
2004	505,000	7,483,535	7,988,535
2005	545,000	7,473,587	8,018,587
2006	585,000	7,462,850	8,047,850
2007	3,200,000	7,387,076	10,587,076
2008	3,490,000	7,242,915	10,732,915
2009	4,268,174	7,089,287	11,357,461
2010	3,800,000	6,917,570	10,717,570
2011	3,990,000	6,743,233	10,733,233
2012	4,220,000	6,559,840	10,779,840
2013	4,425,000	6,372,829	10,797,829
2014	4,650,000	6,172,169	10,822,169
2015	4,890,000	5,957,954	10,847,954
2016	5,150,000	5,729,494	10,879,494
2017	5,430,000	5,486,709	10,916,709
2018	5,720,000	5,222,905	10,942,905
2019	7,162,891	4,936,691	12,099,582
2020	5,015,000	4,619,919	9,634,919
2021	5,290,000	4,336,531	9,626,531
2022	5,580,000	4,027,144	9,607,144
2023	5,910,000	3,689,625	9,599,625
2024	6,255,000	3,332,278	9,587,278
2025	6,620,000	2,954,075	9,574,075
2026	7,010,000	2,558,075	9,568,075
2027	7,415,000	2,143,356	9,558,356
2028	7,840,000	1,704,775	9,544,775
2029	8,290,000	1,246,219	9,536,219
2030	8,760,000	766,688	9,526,688
2031	9,250,000	260,156	9,510,156
	<u>\$ 145,841,065</u>	<u>\$ 143,372,348</u>	<u>\$ 289,213,413</u>
Total component units indebtedness	<u>\$ 145,841,065</u>	<u>\$ 143,372,348</u>	<u>\$ 289,213,413</u>

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2002

	Outstanding July 1, 2001	Interest Paid FY 2001-2002	Issued FY 2001-2002	Retired FY 2001-2002	Outstanding June 30, 2002	Maturing FY 2002-2003	Interest Payable FY 2002-2003
GOVERNMENTAL ACTIVITIES							
Serial bonds:							
1987 Jail/Court Building	\$ 265,000	\$ 13,250	\$ -	\$ 265,000	\$ -	\$ -	\$ -
1992 Municipal Public Improvement	825,000	47,796	-	670,000	155,000	155,000	4,456
1992 Series A Refunding	7,421,679	384,230	-	756,124	6,665,555	743,508	345,618
1995 Municipal Public Improvement	5,874,800	310,508	-	5,874,800	-	-	-
1996 Municipal Improvement	10,780,000	316,580	-	10,255,000	525,000	525,000	25,725
1998 Public Improvement Refunding	7,271,200	391,027	-	11,200	7,260,000	12,200	390,559
2001 Municipal Public Improvement	39,576,000	1,952,173	-	778,500	38,797,500	880,700	1,921,033
2002 Municipal Improvement Refunding	-	84,180	15,390,900	-	15,390,900	1,013,000	687,017
Total serial bonds	72,013,679	3,499,744	15,390,900	18,610,624	68,793,955	3,329,408	3,374,408
Notes payable:							
1993 Tennessee Municipal Bond Fund	1,755,000	90,855	-	855,000	900,000	900,000	47,250
Hamilton County Parking Garage	364,686	21,213	-	60,781	303,905	60,781	17,475
1997 Tennessee Municipal Bond Fund	6,064,523	127,277	22,575	437,000	5,650,098	461,000	107,352
1999 Fire Hall Land Note	41,735	3,891	-	1,750	39,985	1,923	3,716
Total notes payable	8,225,944	243,236	22,575	1,354,531	6,893,988	1,423,704	175,793
Capital leases payable:							
2000 Capital Lease M L King Dev Corp.	144,000	-	-	144,000	-	-	-
Total capital leases payable	144,000	-	-	144,000	-	-	-
Total governmental activities	80,383,623	3,742,980	15,413,475	20,109,155	75,687,943	4,753,112	3,550,201

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CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2002

(continued from previous page)

	Outstanding July 1, 2001	Interest Paid FY 2001-2002	Issued FY 2001-2002	Retired FY 2001-2002	Outstanding June 30, 2002	Maturing FY 2002-2003	Interest Payable FY 2002-2003
BUSINESS-TYPE ACTIVITIES							
Interceptor Sewer System:							
Serial bonds -							
1992 Sewer and Sewage Facilities	\$ 3,190,000	\$ 184,741	\$ -	\$ 2,590,000	\$ 600,000	\$ 600,000	\$ 17,250
1992 Sewer and Sewage Facilities - Refunding	39,643,321	2,052,388	-	4,038,876	35,604,445	3,971,492	1,846,138
1995 Sewer and Sewage Facilities - Refunding	16,220,000	784,256	-	1,715,000	14,505,000	1,795,000	707,081
1995 Sewer and Sewage Facilities	12,595,000	355,776	-	12,595,000	-	-	-
1998 Municipal Public Improvement	30,580,798	1,527,976	-	11,475,124	19,105,674	1,131,207	929,806
1998 Municipal Public Improvement - Refunding	13,529,100	709,347	-	43,800	13,485,300	47,800	707,516
2002 Municipal Public Improvement - Refunding	<u>-</u>	<u>346,840</u>	<u>24,642,272</u>	<u>-</u>	<u>24,642,272</u>	<u>802,643</u>	<u>1,045,079</u>
Total serial bonds	<u>115,758,219</u>	<u>5,961,324</u>	<u>24,642,272</u>	<u>32,457,800</u>	<u>107,942,691</u>	<u>8,348,142</u>	<u>5,252,870</u>
Notes payable -							
State Revolving Loan	1,833,493	70,686	-	126,024	1,707,469	131,130	65,580
Northwest Georgia Sewer Expansion Project	<u>4,361,519</u>	<u>166,555</u>	<u>1,903,731</u>	<u>157,547</u>	<u>6,107,703</u>	<u>163,944</u>	<u>160,158</u>
Total notes payable	<u>6,195,012</u>	<u>237,241</u>	<u>1,903,731</u>	<u>283,571</u>	<u>7,815,172</u>	<u>295,074</u>	<u>225,738</u>
Capital leases payable -							
2001 Capital Lease City of Collegedale	<u>304,399</u>	<u>17,458</u>	<u>-</u>	<u>16,195</u>	<u>288,204</u>	<u>17,009</u>	<u>16,644</u>
Total capital leases payable	<u>304,399</u>	<u>17,458</u>	<u>-</u>	<u>16,195</u>	<u>288,204</u>	<u>17,009</u>	<u>16,644</u>
Total Interceptor Sewer System	<u>122,257,630</u>	<u>6,216,023</u>	<u>26,546,003</u>	<u>32,757,566</u>	<u>116,046,067</u>	<u>8,660,225</u>	<u>5,495,252</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2002

(continued from previous page)

	Outstanding July 1, 2001	Interest Paid FY 2001-2002	Issued FY 2001-2002	Retired FY 2001-2002	Outstanding June 30, 2002	Maturing FY 2002-2003	Interest Payable FY 2002-2003
BUSINESS-TYPE ACTIVITIES (continued)							
Solid Waste/Sanitation Fund:							
Serial bonds -							
1995 Municipal Public Improvement	\$ 5,686,188	\$ 300,539	\$ -	\$ 5,686,188	\$ -	\$ -	\$ -
1998 Municipal Public Improvement	16,845,736	841,701	-	6,321,185	10,524,551	623,136	512,193
1998 Municipal Public Improvement - Refunding	3,686,100	202,736	-	-	3,686,100	-	202,736
2001 Municipal Public Bond	6,734,000	332,171	-	132,300	6,601,700	149,800	326,879
2002 Municipal Public Improvement - Refunding	-	57,573	10,526,302	-	10,526,302	868,540	487,439
Total Solid Waste/Sanitation Fund	32,952,024	1,734,720	10,526,302	12,139,673	31,338,653	1,641,476	1,529,247
Storm Water Fund:							
Serial bonds -							
1995 Municipal Public Improvement	3,899,012	206,080	-	3,899,012	-	-	-
1998 Municipal Public Improvement	12,588,467	628,985	-	4,723,691	7,864,776	465,657	382,751
1998 Municipal Public Improvement - Refunding	2,528,600	139,073	-	-	2,528,600	-	139,073
2001 Municipal Public Improvement	2,000,000	98,656	-	39,200	1,960,800	44,500	97,088
2002 Municipal Public Improvement - Refunding	-	41,407	7,570,526	-	7,570,526	595,816	352,009
Total serial bonds	21,016,079	1,114,201	7,570,526	8,661,903	19,924,702	1,105,973	970,921
Notes payable -							
State Revolving Loan	1,833,493	70,686	-	126,024	1,707,469	131,130	65,580
Total notes payable	1,833,493	70,686	-	126,024	1,707,469	131,130	65,580
Total Storm Water Fund	22,849,572	1,184,887	7,570,526	8,787,927	21,632,171	1,237,103	1,036,501
Total general obligation debt	\$ 258,442,849	\$ 12,878,610	\$ 60,056,306	\$ 73,794,321	\$ 244,704,834	\$ 16,291,916	\$ 11,611,201

Note: General Obligation Serial Bonds reported as self-supporting indebtedness have the pledge of unlimited ad valorem on all taxable property in the City for their repayment. Such bonds are recorded as liabilities of the respective funds and are repaid by the City from the revenues generated from the individual funds activities.

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF REVENUE BONDS

June 30, 2002

	Outstanding July 1, 2001	Interest Paid FY 2001-2002	Issued FY 2001-2002	Retired FY 2001-2002	Outstanding June 30, 2002	Maturing FY 2002-2003	Interest Payable FY 2002-2003
PRIMARY GOVERNMENT							
EPB:							
2000 Electric System Revenue Bonds	\$ 40,000,000	\$ 1,966,800	\$ -	\$ 1,600,000	\$ 38,400,000	\$ 1,600,000	\$ 1,886,800
Total primary government	<u>40,000,000</u>	<u>1,966,800</u>	<u>-</u>	<u>1,600,000</u>	<u>38,400,000</u>	<u>1,600,000</u>	<u>1,886,800</u>
COMPONENT UNITS							
Metropolitan Airport Authority:							
1990 Airport Revenue Bonds	11,836,149	104,322	-	11,836,149	-	-	-
2002 Airport Revenue Series A Refunding	-	-	12,542,891	-	12,542,891	-	214,625
2002 Airport Revenue Series B	-	-	4,098,174	-	4,098,174	575,000	81,263
Southside Redevelopment Corporation:							
2000 Chattanooga Lease Rental Revenue Bonds	129,200,000	7,198,975	-	-	129,200,000	-	7,198,975
Total component units	<u>141,036,149</u>	<u>7,303,297</u>	<u>16,641,065</u>	<u>11,836,149</u>	<u>145,841,065</u>	<u>575,000</u>	<u>7,494,863</u>
Total revenue bonds	<u>\$ 181,036,149</u>	<u>\$ 9,270,097</u>	<u>\$ 16,641,065</u>	<u>\$ 13,436,149</u>	<u>\$ 184,241,065</u>	<u>\$ 2,175,000</u>	<u>\$ 9,381,663</u>

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2002

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2003	1992 Municipal Public Improvement	7.50	\$ 155,000	\$ 4,456	\$ 159,456
			<u>155,000</u>	<u>4,456</u>	<u>159,456</u>
2003	1992 Series A Refunding Bonds	5.20	743,508	345,618	1,089,126
2004		5.30	672,548	308,464	981,012
2005		5.40	666,240	272,653	938,893
2006		5.50	618,933	237,644	856,577
2007		5.60	609,472	203,558	813,030
2008		5.625	603,164	169,529	772,693
2009		5.70	611,049	135,150	746,199
2010		5.50	603,953	101,127	705,080
2011		5.50	394,225	73,677	467,902
2012		5.50	387,917	52,168	440,085
2013		5.50	383,975	30,941	414,916
2014		5.50	186,074	15,264	201,338
2015		5.50	184,497	5,074	189,571
			<u>6,665,555</u>	<u>1,950,867</u>	<u>8,616,422</u>
2003	1996 Municipal Public Improvement	4.90	525,000	25,725	550,725
			<u>525,000</u>	<u>25,725</u>	<u>550,725</u>
2003	1998 Public Improvement Refunding	4.00	12,200	390,557	402,757
2004		4.13	12,200	390,063	402,263
2005		4.25	13,200	389,531	402,731
2006		4.30	13,200	388,967	402,167
2007		5.00	208,800	383,463	592,263
2008		5.00	220,000	372,743	592,743
2009		5.50	1,413,900	328,361	1,742,261
2010		5.50	1,501,000	248,200	1,749,200
2011		5.50	1,593,800	163,094	1,756,894
2012		5.25	272,000	112,124	384,124
2013		5.25	288,300	97,416	385,716
2014		5.25	304,600	81,853	386,453
2015		5.25	321,900	65,407	387,307
2016		5.25	341,300	47,998	389,298
2017		5.25	361,600	29,547	391,147
2018		5.25	382,000	10,029	392,029
			<u>7,260,000</u>	<u>3,499,353</u>	<u>10,759,353</u>
2003	Note Payable - Tennessee Municipal Bond Fund 1993	5.25	900,000	47,250	947,250
			<u>900,000</u>	<u>47,250</u>	<u>947,250</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
 June 30, 2002

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal	
2003	Hamilton County - City Portion of Series 1991 General Obligation Bonds	6.20	\$ 60,781	\$ 17,475	\$ 78,256	
2004		6.30	60,781	13,676	74,457	
2005		6.40	60,781	9,816	70,597	
2006		6.45	60,781	5,911	66,692	
2007		6.50	60,781	1,975	62,756	
			<u>303,905</u>	<u>48,853</u>	<u>352,758</u>	
2003	Note Payable - Tennessee Municipal Bond Fund 1997	4.32	461,000	243,109	704,109	
2004		4.32	487,000	223,194	710,194	
2005		4.32	513,000	202,155	715,155	
2006		4.32	542,000	179,994	721,994	
2007		4.32	571,000	156,579	727,579	
2008		4.32	603,000	131,912	734,912	
2009		4.32	636,000	105,863	741,863	
2010		4.32	671,000	78,387	749,387	
2011		4.32	708,000	49,400	757,400	
2012		4.32	458,098	18,815	476,913	
				<u>5,650,098</u>	<u>1,389,408</u>	<u>7,039,506</u>
2003	1999 Fire Hall Land Note	9.50	1,923	3,716	5,639	
2004		9.50	2,113	3,525	5,638	
2005		9.50	2,323	3,316	5,639	
2006		9.50	2,554	3,085	5,639	
2007		9.50	2,807	2,832	5,639	
2008		9.50	3,086	2,553	5,639	
2009		9.50	3,392	2,247	5,639	
2010		9.50	3,729	1,910	5,639	
2011		9.50	4,099	1,540	5,639	
2012		9.50	4,506	1,133	5,639	
2013		9.50	4,953	686	5,639	
2014		9.50	4,500	198	4,698	
				<u>39,985</u>	<u>26,741</u>	<u>66,726</u>
2003		2001 Municipal Public Improvement	4.50	880,700	1,921,033	2,801,733
2004	4.50		921,600	1,881,401	2,803,001	
2005	4.50		962,600	1,839,930	2,802,530	
2006	4.50		1,003,500	1,796,613	2,800,113	
2007	5.00		1,052,700	1,751,455	2,804,155	
2008	5.00		1,097,700	1,698,820	2,796,520	
2009	5.00		1,155,100	1,643,935	2,799,035	
2010	5.00		1,204,200	1,586,180	2,790,380	
2011	5.00		1,265,600	1,525,970	2,791,570	
2012	5.00		1,331,200	1,462,690	2,793,890	
2013	5.00		1,392,600	1,396,130	2,788,730	
2014	5.00		1,462,300	1,326,500	2,788,800	
2015	5.00		1,540,100	1,253,385	2,793,485	
2016	5.00		1,622,000	1,176,380	2,798,380	
2017	5.00		1,704,000	1,095,280	2,799,280	
2018	5.00		1,798,100	1,010,080	2,808,180	
2019	5.00		1,892,400	920,175	2,812,575	
2020	5.00		1,998,900	825,555	2,824,455	

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CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
 June 30, 2002

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2021	2001 Municipal Public Improvement	5.00	\$ 2,105,400	\$ 725,610	\$ 2,831,010
2022		5.00	2,224,200	620,340	2,844,540
2023		5.00	2,342,900	509,130	2,852,030
2024		5.00	2,469,900	391,985	2,861,885
2025		5.00	2,613,200	268,490	2,881,690
2026		5.00	2,756,600	137,829	2,894,429
			<u>38,797,500</u>	<u>28,764,896</u>	<u>67,562,396</u>
2003	2002 Public Improvement Refunding	3.00	1,013,000	687,017	1,700,017
2004		4.50	1,789,800	631,551	2,421,351
2005		4.50	1,876,100	549,069	2,425,169
2006		5.00	1,953,100	465,291	2,418,391
2007		5.00	1,868,900	377,004	2,245,904
2008		4.00	640,000	317,481	957,481
2009		4.00	665,000	291,381	956,381
2010		5.00	695,000	260,706	955,706
2011		5.375	725,000	223,847	948,847
2012		5.375	770,000	183,669	953,669
2013		5.375	805,000	141,341	946,341
2014		5.00	845,000	98,581	943,581
2015		4.375	855,000	58,753	913,753
2016		4.50	890,000	20,025	910,025
			<u>15,390,900</u>	<u>4,305,716</u>	<u>19,696,616</u>
	Total direct indebtedness		<u>75,687,943</u>	<u>40,063,265</u>	<u>115,751,208</u>

INTERCEPTOR SEWER SYSTEM

2003	1992 Sewer and Sewage Facilities	7.50	600,000	17,250	617,250
			<u>600,000</u>	<u>17,250</u>	<u>617,250</u>
2003	1992 Series A Refunding Bonds	5.20	3,971,492	1,846,138	5,817,630
2004		5.30	3,592,452	1,647,679	5,240,131
2005		5.40	3,558,760	1,456,393	5,015,153
2006		5.50	3,306,067	1,269,390	4,575,457
2007		5.60	3,255,528	1,087,318	4,342,846
2008		5.625	3,221,836	905,549	4,127,385
2009		5.70	3,263,951	721,912	3,985,863
2010		5.50	3,226,047	540,173	3,766,220
2011		5.50	2,105,775	393,548	2,499,323
2012		5.50	2,072,083	278,657	2,350,740
2013		5.50	2,051,025	165,272	2,216,297
2014		5.50	993,926	81,536	1,075,462
2015	5.50	985,503	27,101	1,012,604	
			<u>35,604,445</u>	<u>10,420,666</u>	<u>46,025,111</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2002

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2003	1995 Sewer & Sewage Facilities Refunding Bonds	4.60	\$ 1,795,000	\$ 707,081	\$ 2,502,081
2004		4.70	1,880,000	624,511	2,504,511
2005		4.80	1,955,000	536,151	2,491,151
2006		4.80	2,085,000	442,311	2,527,311
2007		5.00	2,310,000	342,231	2,652,231
2008		5.00	2,295,000	226,731	2,521,731
2009		5.125	2,185,000	111,983	2,296,983
				<u>14,505,000</u>	<u>2,990,999</u>
2003	1992 State Revolving Sewer Loan	3.98	131,130	65,580	196,710
2004		3.98	136,446	60,264	196,710
2005		3.98	141,978	54,732	196,710
2006		3.98	147,732	48,978	196,710
2007		3.98	153,720	42,990	196,710
2008		3.98	159,948	36,762	196,710
2009		3.98	166,434	30,276	196,710
2010		3.98	173,178	23,532	196,710
2011		3.98	180,198	16,512	196,710
2012		3.98	187,500	9,210	196,710
2013		3.98	129,205	1,935	131,140
				<u>1,707,469</u>	<u>390,771</u>
2003	1998 General Obligation Bonds	5.00	1,131,207	929,806	2,061,013
2004		5.25	1,187,258	870,360	2,057,618
2005		5.25	1,248,404	806,424	2,054,828
2006		4.75	1,314,646	742,431	2,057,077
2007		5.00	1,375,792	676,813	2,052,605
2008		5.00	1,444,582	606,304	2,050,886
2009		5.00	-	570,189	570,189
2010		5.375	-	570,189	570,189
2011		5.375	-	570,189	570,189
2012		5.375	-	570,189	570,189
2013		5.375	-	570,189	570,189
2014		5.00	-	570,189	570,189
2015		5.00	2,063,688	518,597	2,582,285
2016		5.00	2,165,598	412,865	2,578,463
2017		5.00	2,275,152	301,846	2,576,998
2018		5.00	2,389,802	185,222	2,575,024
2019		5.00	2,509,545	62,742	2,572,287
			<u>19,105,674</u>	<u>9,534,544</u>	<u>28,640,218</u>
2003	1998 Public Improvement Refunding	4.00	47,800	707,516	755,316
2004		4.13	47,800	705,574	753,374
2005		4.25	51,800	703,487	755,287
2006		4.30	51,800	701,272	753,072
2007		5.00	816,200	679,753	1,495,953
2008		5.00	860,000	637,848	1,497,848
2009		5.50	857,800	592,759	1,450,559
2010		5.50	910,500	544,131	1,454,631
2011		5.50	963,300	492,601	1,455,901

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2002

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2012	1998 Public Improvement Refunding	5.25	\$ 1,063,000	\$ 438,207	\$ 1,501,207
2013		5.25	1,126,700	380,728	1,507,428
2014		5.25	1,190,400	319,904	1,510,304
2015		5.25	1,258,100	255,631	1,513,731
2016		5.25	1,333,700	187,596	1,521,296
2017		5.25	1,413,400	115,484	1,528,884
2018		5.25	1,493,000	39,191	1,532,191
				<u>13,485,300</u>	<u>7,501,682</u>
2003	Georgia Environmental Facilities Authority	4.00	163,944	160,158	324,102
2004		4.00	170,600	153,502	324,102
2005		4.00	177,527	146,575	324,102
2006		4.00	184,736	139,366	324,102
2007		4.00	192,237	131,865	324,102
2008		4.00	200,042	124,060	324,102
2009		4.00	208,165	115,937	324,102
2010		4.00	216,617	107,485	324,102
2011		4.00	225,413	98,689	324,102
2012		4.00	234,565	89,537	324,102
2013		4.00	244,090	80,012	324,102
2014		4.00	254,001	70,101	324,102
2015		4.00	264,314	59,788	324,102
2016		4.00	275,046	49,056	324,102
2017		4.00	286,214	37,888	324,102
2018		4.00	297,836	26,266	324,102
2019		4.00	309,929	14,173	324,102
2020		4.00	2,202,427	2,399	2,204,826
			<u>6,107,703</u>	<u>1,606,857</u>	<u>7,714,560</u>
2003	2001 Capital Lease City of Collegedale	5.90	17,009	16,644	33,653
2004		5.96	17,892	15,761	33,653
2005		6.02	18,850	14,802	33,652
2006		6.08	19,891	13,762	33,653
2007		6.13	21,019	12,633	33,652
2008		6.19	22,245	11,408	33,653
2009		6.24	23,575	10,078	33,653
2010		6.30	25,018	8,635	33,653
2011		6.36	26,585	7,068	33,653
2012		6.41	28,286	5,366	33,652
2013		6.47	30,133	3,520	33,653
2014		6.52	32,138	1,515	33,653
2015	6.68	5,563	46	5,609	
			<u>288,204</u>	<u>121,238</u>	<u>409,442</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2002

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal	
2003	General Obligation Sewer Refunding Bonds, Series 2002 Serial Bonds	3.00	\$ 795,000	\$ 1,035,127	\$ 1,830,127	
2004		3.00	1,450,000	1,005,815	2,455,815	
2005		3.00	1,495,000	961,682	2,456,682	
2006		3.25	1,540,000	912,681	2,452,681	
2007		3.50	845,000	867,931	1,712,931	
2008		4.00	875,000	835,917	1,710,917	
2009		4.00	910,000	291,727	1,201,727	
2010		4.00	945,000	250,829	1,195,829	
2011		4.25	985,000	203,314	1,188,314	
2012		4.25	1,030,000	152,528	1,182,528	
2013		4.25	1,080,000	99,814	1,179,814	
2014		4.25	1,125,000	45,917	1,170,917	
2015		4.50	1,175,000	26,438	1,201,438	
				<u>14,250,000</u>	<u>6,689,720</u>	<u>20,939,720</u>
2003		General Obligation Refunding Bonds, Series 2002 Serial Bonds	4.50	7,643	9,952	17,595
2004	4.50		7,643	5,302	12,945	
2005	5.00		7,643	4,916	12,559	
2006	5.00		10,191	6,040	16,231	
2007	4.00		10,191	10,468	20,659	
2008	4.00		10,191	9,736	19,927	
2009	5.00		1,521,007	487,602	2,008,609	
2010	5.375		1,587,248	421,299	2,008,547	
2011	5.375		1,668,776	344,453	2,013,229	
2012	5.375		1,757,948	260,327	2,018,275	
2013	5.00		1,852,214	171,181	2,023,395	
2014	4.375		1,951,577	79,654	2,031,231	
			<u>10,392,272</u>	<u>1,810,930</u>	<u>12,203,202</u>	
	Total Interceptor Sewer System indebtedness		<u>116,046,067</u>	<u>41,084,657</u>	<u>157,130,724</u>	

SOLID WASTE/SANITATION FUND

2003	1998 General Obligation Bonds	5.00	623,136	512,193	1,135,329	
2004		5.25	654,013	479,447	1,133,460	
2005		5.25	687,696	444,227	1,131,923	
2006		4.75	724,186	408,975	1,133,161	
2007		5.00	757,869	372,829	1,130,698	
2008		5.00	795,762	333,988	1,129,750	
2009		5.375	-	314,094	314,094	
2010		5.375	-	314,094	314,094	
2011		5.375	-	314,094	314,094	
2012		5.375	-	314,094	314,094	
2013		5.00	-	314,094	314,094	
2014		5.00	-	314,094	314,094	
2015		5.00	1,136,803	285,674	1,422,477	
2016		5.00	1,192,941	227,431	1,420,372	
2017		5.00	1,253,290	166,275	1,419,565	
2018		5.00	1,316,446	102,032	1,418,478	
2019		5.00	1,382,409	34,562	1,416,971	
				<u>10,524,551</u>	<u>5,252,197</u>	<u>15,776,748</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2002

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SOLID WASTE/SANITATION FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal	
2003	1998 Public Improvement Refunding	4.00	\$ -	\$ 202,736	\$ 202,736	
2004		4.13	-	202,736	202,736	
2005		4.25	-	202,736	202,736	
2006		4.30	-	202,736	202,736	
2007		5.00	-	202,736	202,736	
2008		5.00	-	202,736	202,736	
2009		5.50	1,155,600	170,957	1,326,557	
2010		5.50	1,226,900	105,438	1,332,338	
2011		5.50	1,303,600	35,845	1,339,445	
				<u>3,686,100</u>	<u>1,528,656</u>	<u>5,214,756</u>
2003		2001 General Obligation Bonds	4.50	149,800	326,879	476,679
2004	4.50		156,800	320,138	476,938	
2005	4.50		163,800	313,082	476,882	
2006	4.50		170,800	305,711	476,511	
2007	5.00		179,100	298,025	477,125	
2008	5.00		186,800	289,070	475,870	
2009	5.00		196,500	279,730	476,230	
2010	5.00		204,900	269,905	474,805	
2011	5.00		215,400	259,660	475,060	
2012	5.00		226,500	248,890	475,390	
2013	5.00		237,000	237,565	474,565	
2014	5.00		248,800	225,715	474,515	
2015	5.00		262,100	213,275	475,375	
2016	5.00		276,000	200,170	476,170	
2017	5.00		289,900	186,370	476,270	
2018	5.00		306,000	171,875	477,875	
2019	5.00		322,000	156,575	478,575	
2020	5.00		340,100	140,475	480,575	
2021	5.00		358,200	123,470	481,670	
2022	5.00		378,400	105,560	483,960	
2023	5.00	398,700	86,640	485,340		
2024	5.00	420,300	66,705	487,005		
2025	5.00	444,700	45,690	490,390		
2026	5.00	469,100	23,455	492,555		
			<u>6,601,700</u>	<u>4,894,630</u>	<u>11,496,330</u>	
2003	2002 Municipal Public Improvement Refund	4.50	868,540	487,439	1,355,979	
2004		4.50	908,998	453,958	1,362,956	
2005		5.00	958,651	411,936	1,370,587	
2006		5.00	1,015,225	365,790	1,381,015	
2007		4.00	1,074,073	314,363	1,388,436	
2008		4.00	5,614	287,398	293,012	
2009		5.00	837,860	270,529	1,108,389	
2010		5.375	874,349	231,913	1,106,262	
2011		5.375	919,260	185,349	1,104,609	
2012		5.375	968,381	134,619	1,103,000	
2013		5.00	1,020,308	81,173	1,101,481	
2014		4.375	1,075,043	26,877	1,101,920	
			<u>10,526,302</u>	<u>3,251,344</u>	<u>13,777,646</u>	
Total Solid Waste/Sanitation Fund indebtedness			<u>31,338,653</u>	<u>14,926,827</u>	<u>46,265,480</u>	

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2002

(continued from previous page)

STORM WATER FUND

<u>Fiscal Year Ended June 30</u>	<u>Issue</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest Due</u>	<u>Total Interest and Principal</u>
2003	1992 State Revolving General Obligation Loan	3.98	\$ 131,130	\$ 65,580	\$ 196,710
2004		3.98	136,446	60,264	196,710
2005		3.98	141,978	54,732	196,710
2006		3.98	147,732	48,978	196,710
2007		3.98	153,720	42,990	196,710
2008		3.98	159,948	36,762	196,710
2009		3.98	166,434	30,276	196,710
2010		3.98	173,178	23,532	196,710
2011		3.98	180,198	16,512	196,710
2012		3.98	187,500	9,210	196,710
2013		3.98	129,205	1,935	131,140
				<u>1,707,469</u>	<u>390,771</u>
2003	1998 General Bond Issue	5.00	465,657	382,751	848,408
2004		5.25	488,730	358,280	847,010
2005		5.25	513,901	331,961	845,862
2006		4.75	541,169	305,619	846,788
2007		5.00	566,339	278,608	844,947
2008		5.00	594,656	249,583	844,239
2009		5.00	-	234,716	234,716
2010		5.375	-	234,716	234,716
2011		5.375	-	234,716	234,716
2012		5.375	-	234,716	234,716
2013		5.375	-	234,716	234,716
2014		5.00	-	234,716	234,716
2015		5.00	849,509	213,478	1,062,987
2016		5.00	891,460	169,954	1,061,414
2017		5.00	936,558	124,254	1,060,812
2018		5.00	983,752	76,246	1,059,998
2019		5.00	1,033,045	25,828	1,058,873
			<u>7,864,776</u>	<u>3,924,858</u>	<u>11,789,634</u>
2003	1998 Public Improvement Refunding	4.00	-	139,073	139,073
2004		4.13	-	139,073	139,073
2005		4.25	-	139,073	139,073
2006		4.30	-	139,073	139,073
2007		5.00	-	139,073	139,073
2008		5.00	-	139,073	139,073
2009		5.50	792,700	117,274	909,974
2010		5.50	841,600	72,331	913,931
2011		5.50	894,300	24,593	918,893
				<u>2,528,600</u>	<u>1,048,636</u>
2003	2001 General Obligation Bonds	4.50	44,500	97,088	141,588
2004		4.50	46,600	95,086	141,686
2005		4.50	48,600	92,989	141,589
2006		4.50	50,700	90,802	141,502
2007		5.00	53,200	88,520	141,720
2008		5.00	55,500	85,860	141,360
2009		5.00	58,400	83,085	141,485
2010		5.00	60,900	80,165	141,065
2011		5.00	64,000	77,120	141,120
2012		5.00	67,300	73,920	141,220

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2002

(continued from previous page)

STORM WATER FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2013	2001 General Obligation Bonds	5.00	\$ 70,400	\$ 70,555	\$ 140,955
2014		5.00	73,900	67,035	140,935
2015		5.00	77,800	63,340	141,140
2016		5.00	82,000	59,450	141,450
2017		5.00	86,100	55,350	141,450
2018		5.00	90,900	51,045	141,945
2019		5.00	95,600	46,500	142,100
2020		5.00	101,000	41,720	142,720
2021		5.00	106,400	36,670	143,070
2022		5.00	112,400	31,350	143,750
2023		5.00	118,400	25,730	144,130
2024		5.00	124,800	19,810	144,610
2025		5.00	132,100	13,570	145,670
2026		5.00	139,300	6,964	146,264
			<u>1,960,800</u>	<u>1,453,724</u>	<u>3,414,524</u>
2003	2002 Municipal Public Improvement Refund	4.50	595,816	352,009	947,825
2004		4.50	623,558	329,042	952,600
2005		5.00	657,605	300,216	957,821
2006		5.00	696,484	268,559	965,043
2007		4.00	736,836	233,278	970,114
2008		4.00	4,195	214,773	218,968
2009		5.00	626,134	202,167	828,301
2010		5.375	653,402	173,309	826,711
2011		5.375	686,964	138,512	825,476
2012		5.375	723,672	100,601	824,273
2013		5.00	762,478	60,661	823,139
2014		4.375	803,382	20,084	823,466
				<u>7,570,526</u>	<u>2,393,211</u>
	Total Storm Water Fund indebtedness		<u>21,632,171</u>	<u>9,211,200</u>	<u>30,843,371</u>

EPB

2003	2000 Electric System Revenue Bonds	5.00	1,600,000	1,886,800	3,486,800
2004		4.25	1,600,000	1,812,800	3,412,800
2005		4.75	1,600,000	1,740,800	3,340,800
2006		4.75	1,600,000	1,664,800	3,264,800
2007		4.75	1,600,000	1,588,800	3,188,800
2008		4.50	1,600,000	1,514,800	3,114,800
2009		4.50	1,600,000	1,442,800	3,042,800
2010		4.60	1,600,000	1,370,000	2,970,000
2011		4.63	1,600,000	1,296,200	2,896,200
2012		5.00	1,600,000	1,219,200	2,819,200
2013		5.13	1,600,000	1,138,200	2,738,200
2014		5.25	1,600,000	1,055,200	2,655,200
2015		5.00	1,600,000	973,200	2,573,200
2016		5.38	1,600,000	890,200	2,490,200
2017		5.20	1,600,000	805,600	2,405,600
2018		5.25	1,600,000	722,000	2,322,000
2019		5.25	1,600,000	638,000	2,238,000

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2002

(continued from previous page)

Fiscal Year Ended June 30	Issue	EPB				
		Interest Rate	Principal	Interest Due	Total Interest and Principal	
2020	2000 Electric System Revenue Bonds	5.25	\$ 1,600,000	\$ 554,000	\$ 2,154,000	
2021		5.25	1,600,000	470,000	2,070,000	
2022		5.25	1,600,000	386,000	1,986,000	
2023		5.38	1,600,000	301,000	1,901,000	
2024		5.38	1,600,000	215,000	1,815,000	
2025		5.38	1,600,000	129,000	1,729,000	
2026		5.38	1,600,000	43,000	1,643,000	
			<u>38,400,000</u>	<u>23,857,400</u>	<u>62,257,400</u>	
	Total Primary Government Indebtedness		<u>\$ 283,104,834</u>	<u>\$ 129,143,349</u>	<u>\$ 412,248,183</u>	
<u>METROPOLITAN AIRPORT AUTHORITY</u>						
2003	2002 Series A Refunding Revenue Bonds	1.70	-	214,625	214,625	
2004		1.70	-	214,625	214,625	
2005		1.70	-	214,625	214,625	
2006		1.70	-	214,625	214,625	
2007		1.70	-	214,625	214,625	
2008		1.70	115,000	214,625	329,625	
2009		1.70	850,000	212,670	1,062,670	
2010		1.70	825,000	198,220	1,023,220	
2011		1.70	865,000	184,195	1,049,195	
2012		1.70	910,000	169,490	1,079,490	
2013		1.70	960,000	154,020	1,114,020	
2014		1.70	1,010,000	137,700	1,147,700	
2015		1.70	1,060,000	120,530	1,180,530	
2016		1.70	1,115,000	102,510	1,217,510	
2017		1.70	1,175,000	83,555	1,258,555	
2018		1.70	1,235,000	63,580	1,298,580	
2019		1.70	2,422,891	42,585	2,465,476	
				<u>12,542,891</u>	<u>2,756,805</u>	<u>15,299,696</u>
2003		2002 Series B Refunding Revenue Bonds	1.97	575,000	81,263	656,263
2004	1.97		505,000	69,935	574,935	
2005	1.97		545,000	59,987	604,987	
2006	1.97		585,000	49,250	634,250	
2007	1.97		630,000	37,726	667,726	
2008	1.97		675,000	25,315	700,315	
2009	1.97		583,174	12,017	595,191	
				<u>4,098,174</u>	<u>335,493</u>	<u>4,433,667</u>
<u>SOUTHSIDE REDEVELOPMENT CORPORATION</u>						
2003	2001 Lease Revenue Bonds	-	-	7,198,975	7,198,975	
2004		-	-	7,198,975	7,198,975	
2005		-	-	7,198,975	7,198,975	
2006		-	-	7,198,975	7,198,975	
2007		5.000	2,570,000	7,134,725	9,704,725	
2008		5.000	2,700,000	7,002,975	9,702,975	
2009		5.000	2,835,000	6,864,600	9,699,600	
2010		5.000	2,975,000	6,719,350	9,694,350	
2011		5.500	3,125,000	6,559,038	9,684,038	
2012		5.000	3,310,000	6,390,350	9,700,350	
2013		5.125	3,465,000	6,218,809	9,683,809	

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CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2002

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SOUTHSIDE REDEVELOPMENT CORPORATION

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2014	2001 Lease Revenue Bonds	5.250	\$ 3,640,000	\$ 6,034,469	\$ 9,674,469
2015		5.300	3,830,000	5,837,424	9,667,424
2016		5.400	4,035,000	5,626,984	9,661,984
2017		5.400	4,255,000	5,403,154	9,658,154
2018		5.750	4,485,000	5,159,325	9,644,325
2019		5.750	4,740,000	4,894,106	9,634,106
2020		5.500	5,015,000	4,619,919	9,634,919
2021		5.500	5,290,000	4,336,531	9,626,531
2022		5.875	5,580,000	4,027,144	9,607,144
2023		5.875	5,910,000	3,689,625	9,599,625
2024		5.875	6,255,000	3,332,278	9,587,278
2025		5.875	6,620,000	2,954,075	9,574,075
2026		5.750	7,010,000	2,558,075	9,568,075
2027		5.750	7,415,000	2,143,356	9,558,356
2028		5.750	7,840,000	1,704,775	9,544,775
2029		5.625	8,290,000	1,246,219	9,536,219
2030		5.625	8,760,000	766,688	9,526,688
2031	5.625	9,250,000	260,156	9,510,156	
			<u>129,200,000</u>	<u>140,280,050</u>	<u>269,480,050</u>
	Total component unit indebtedness		<u>\$ 145,841,065</u>	<u>\$ 143,372,348</u>	<u>\$ 289,213,413</u>

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2002

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Ending (Accrued) Deferred Grant Revenue
U.S. DEPARTMENT OF AGRICULTURE						
Passed through Tennessee Department of Agriculture:						
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-01-001799	\$ (8,861)	\$ 48,861	\$ 40,000	\$ -
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-02-008784	-	26,576	35,435	(8,859)
Total Emergency Food Assistance Program			(8,861)	75,437	75,435	(8,859)
Emergency Food Assistance Program (Food Commodities - Noncash)	10.569	N/A	-	378,579	378,579	-
Cooperative Forestry Assistance	10.664	Z-01-099773-00	(19,013)	19,974	961	-
Cooperative Forestry Assistance	10.664	Z-02-004442-02	-	-	14,544	(14,544)
Total Cooperative Forestry Assistance			(19,013)	19,974	15,505	(14,544)
Passed through Tennessee Department of Human Services:						
Child and Adult Care Food Program	10.558	03-47-55915-00-8	(32,754)	274,119	275,585	(34,220)
Child and Adult Care Food Program	10.558	03-47-56136-00-6	(10,257)	64,589	69,303	(14,971)
Child and Adult Care Food Program	10.558	03-47-60076-00-9	(4,138)	22,507	21,222	(2,853)
Total Child and Adult Care Food Program			(47,149)	361,215	366,110	(52,044)
Summer Food Service Program for Children	10.559	DA-02-00010-00	-	-	356,631	(356,631)
Summer Food Service Program for Children	10.559	DG-00-015711-00	(291,350)	609,430	318,080	-
Total Summer Food Service Program for Children			(291,350)	609,430	674,711	(356,631)
Total U.S. Department of Agriculture			(366,373)	1,444,635	1,510,340	(432,078)

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2002

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)						
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Upfront Grant	14.000	UPG01TN01437	\$ -	\$ 1,095,149	\$ 1,461,652	\$ (366,503)
FHLB Affordable Grant	14.000	Project# 01A0450	-	206,198	294,273	(88,075)
Community Development Block Grants/Entitlement Grants	14.218	B00MC47001	(341,182)	1,425,258	1,084,076	-
Community Development Block Grants/Entitlement Grants	14.218	B01MC47001	-	153,857	166,765	(12,908)
Community Development Block Grants/Entitlement Grants	14.218	Program Income	-	1,364,967	1,364,967	-
Total Community Development Block Grants/Entitlement Grants			(341,182)	2,944,082	2,615,808	(12,908)
Emergency Shelter Grants Program	14.231	S00MC47003	-	12,107	12,107	-
Emergency Shelter Grants Program	14.231	S01MC47003	-	73,581	73,581	-
Total Emergency Shelter Grants Program			-	85,688	85,688	-
Shelter Plus Care	14.238	TN37C931017	(19,083)	56,437	42,159	(4,805)
Home Investment Partnerships Program	14.239	M99MC470200	(32,297)	164,973	132,676	-
Home Investment Partnerships Program	14.239	M00MC470200	-	366,840	366,840	-
Home Investment Partnerships Program	14.239	M01MC470200	-	380,465	380,465	-
Home Investment Partnerships Program	14.239	Program Income	-	277,996	277,996	-
Total Home Investment Partnerships Program			(32,297)	1,190,274	1,157,977	-
Total U.S. Department of Housing and Urban Development			(392,562)	5,577,828	5,657,557	(472,291)

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2002

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)						
U.S. DEPARTMENT OF JUSTICE						
Local Law Enforcement Block Grants Program	16.592	1999-LB-VX-7822	\$ 394,731	\$ -	\$ 360,706	\$ 34,025
Local Law Enforcement Block Grants Program	16.592	2000-LB-BX-0878	285,350	-	285,350	-
Local Law Enforcement Block Grants Program	16.592	2001-LB-VX-7822	<u>-</u>	<u>557,745</u>	<u>55,871</u>	<u>501,874</u>
Total Local Law Enforcement Block Grants Program			<u>680,081</u>	<u>557,745</u>	<u>701,927</u>	<u>535,899</u>
Executive Office for Weed and Seed	16.595		<u>(94,131)</u>	<u>-</u>	<u>-</u>	<u>(94,131)</u>
Public Safety Partnership and Community Policing Grants (COPS)	16.710	95CCWX0214	(374,227)	858,528	484,301	-
Public Safety Partnership and Community Policing Grants (COPS)	16.710	97-CL-WX-0018	(50,532)	86,812	36,280	-
Public Safety Partnership and Community Policing Grants (COPS)	16.710	2001CKWX0106	<u>-</u>	<u>-</u>	<u>720,938</u>	<u>(720,938)</u>
Total Public Safety Partnership and Community Policing Gra			<u>(424,759)</u>	<u>945,340</u>	<u>1,241,519</u>	<u>(720,938)</u>
Passed through Tennessee Department of Children's Services:						
Juvenile Accountability Incentive Block Grant	16.523	GG-0109052	<u>(84,016)</u>	<u>84,016</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Justice			<u>77,175</u>	<u>1,587,101</u>	<u>1,943,446</u>	<u>(279,170)</u>
U.S. DEPARTMENT OF TRANSPORTATION						
Passed through Tennessee Department of Transportation:						
Highway Planning and Construction	20.205	STP-M-9202(54)	3,192	-	3,192	-
Highway Planning and Construction	20.205	Z-01-000781-00	(96,936)	254,317	157,381	-
Highway Planning and Construction	20.205	Z-02-008453-00	<u>-</u>	<u>250,474</u>	<u>449,785</u>	<u>(199,311)</u>
Total Highway Planning and Construction			<u>(93,744)</u>	<u>504,791</u>	<u>610,358</u>	<u>(199,311)</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2002

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)						
Federal Transit Metropolitan Planning grants	20.505	GG-01-08992-00	\$ (29,824)	\$ 56,358	\$ 26,534	\$ -
Federal Transit Metropolitan Planning grants	20.505	GG-02-09386-00	-	-	48,885	(48,885)
Total Federal Transit Metropolitan Planning grants			(29,824)	56,358	75,419	(48,885)
State and Community Highway Safety	20.600	Z-01-002160	(11,000)	11,000	-	-
Passed through Georgia Department of Transportation:						
Highway Planning and Construction	20.205	50558-1565-00-001(9)653.6	(14,753)	14,753	-	-
Highway Planning and Construction	20.205	50558-1565-00-002(9)653.6	-	47,026	95,896	(48,870)
Highway Planning and Construction	20.205	SPR00-0160-000-02	-	-	21,258	(21,258)
Total Highway Planning and Construction			(14,753)	61,779	117,154	(70,128)
Total U.S. Department of Transportation			(149,321)	633,928	802,931	(318,324)
INSTITUTE OF MUSEUM AND LIBRARY SERVICES						
Passed through Tennessee Libraries and Archives:						
State Library Program	45.310	GG-01-09207-00	-	1,279	1,279	-
State Library Program	45.310	GG-02-09383-00	-	2,500	2,500	-
State Library Program	45.310	Z-02-009920-00	-	1,200	1,200	-
Total Institute of Museum and Library Services			-	4,979	4,979	-
U.S. ENVIRONMENTAL PROTECTION AGENCY						
Air Pollution Control Program Support	66.001	A004084-01	-	270,503	270,503	-
Air Pollution Control Program Support	66.001	A004084-02	-	2,008	2,008	-
Total Air Pollution Control Program Support			-	272,511	272,511	-

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2002

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)						
Surveys, Studies, Investigations and Special Purpose Grants	66.606	PM98437198	\$ -	\$ 30,000	\$ 30,000	\$ -
CEPP Technical Assistance Grants Program	66.810	SR-97409300	-	33,207	33,207	-
Brownfield Pilots Cooperative Agreements	66.811	BP98477899-1	-	111,216	111,216	-
Total U.S. Environmental Protection Agency			-	446,934	446,934	-
U.S. DEPARTMENT OF ENERGY						
Passed through Tennessee Department of Human Services:						
Weatherization Assistance for Low-Income Persons	81.042	Z-01-098227-00	(82,710)	82,710	-	-
Weatherization Assistance for Low-Income Persons	81.042	Z-02-005287-00	-	153,450	217,414	(63,964)
Total Weatherization Assistance for Low-Income Persons			(82,710)	236,160	217,414	(63,964)
FEDERAL EMERGENCY MANAGEMENT AGENCY						
Emergency Food and Shelter National Board Program	83.523	20-7682-00	-	29,356	29,356	-
Passed through Tennessee Department of Military (Disaster Relief):						
Hazard Mitigation Grant	83.548	GG-99-08308-00	(168,557)	238,682	70,125	-
Total Federal Emergency Management Agency			(168,557)	268,038	99,481	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Head Start	93.600	04CH0047/24	(175,941)	175,941	-	-
Head Start	93.600	04CH0047/25	-	6,077,080	6,892,750	(815,670)
Total Head Start			(175,941)	6,253,021	6,892,750	(815,670)

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2002

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)						
Passed Through Tennessee Department of Human Services:						
Low-Income Home Energy Assistance	93.568	Z-01-098246-00	\$ (32,583)	\$ 32,583	\$ -	\$ -
Low-Income Home Energy Assistance	93.568	Z-01-005267-00	-	604,355	607,938	(3,583)
Total Low-Income Home Energy Assistance			(32,583)	636,938	607,938	(3,583)
Community Services Block Grant	93.569	Z-01-099751-00	(64,655)	64,655	-	-
Community Services Block Grant	93.569	Z-02-006227-00	-	477,470	526,685	(49,215)
Total Community Services Block Grant			(64,655)	542,125	526,685	(49,215)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	GG-00-08462-01	(43,190)	43,190	-	-
Total U.S. Department of Health and Human Services			(316,369)	7,475,274	8,027,373	(868,468)
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
Foster Grandparent Program	94.011	439S019/17	109,960	-	109,960	-
Foster Grandparent Program	94.011	U-01SFTN002	-	357,937	379,500	(21,563)
Total Corporation for National and Community Services			109,960	357,937	489,460	(21,563)
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT UNITS			(1,288,757)	18,032,814	19,199,915	(2,455,858)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2002

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)						
Component Units						
Chattanooga Area Regional Transportation Authority						
U.S. DEPARTMENT OF TRANSPORTATION						
Federal Transit - Capital Investment Grants	20.500	TN-03-0042	\$ -	\$ 487,450	\$ 487,450	\$ -
Federal Transit - Capital Investment Grants	20.500	TN-03-0031	-	314,422	314,422	-
Federal Transit - Capital Investment Grants	20.500	TN-03-0059	-	81,891	81,891	-
Passed through Tennessee Department of Transportation:						
Federal Transit - Capital Investment Grants	20.500	TN-03-0058	-	-	195,000	(195,000)
Total Federal Transit - Capital Investment Grants			-	883,763	1,078,763	(195,000)
Federal Transit - Formula Grants	20.507	TN-37-X001	(21,356)	22,500	1,144	-
Federal Transit - Formula Grants	20.507	TN90-X142	-	769,793	769,793	-
Federal Transit - Formula Grants	20.507	TN-90-X164	(878)	878	-	-
Federal Transit - Formula Grants	20.507	TN-90-X169	(118,711)	1,249,092	1,130,381	-
Federal Transit - Formula Grants	20.507	TN-90-X190	-	335,416	335,416	-
Federal Transit - Formula Grants	20.507	TN-90-X180	(365,388)	3,301,369	2,942,979	(6,998)
Total Federal Transit - Formula Grants			(506,333)	5,679,048	5,179,713	(6,998)
Passed through Tennessee Department of Transportation:						
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	TN-16-0026	-	193,232	193,232	-
Passed through The University of Tennessee:						
State Planning and Research	20.515	N/A	-	76,268	80,066	(3,798)
Job Access - Reverse Commute	20.516	TN-37-X008	(18,269)	296,761	302,173	(23,681)
Total Expenditures of Federal Awards - Chattanooga Area Regional Transportation Authority			(524,602)	7,129,072	6,833,947	(229,477)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2002

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)						
<u>Awards Audited by Other Auditors</u>						
Chattanooga Metropolitan Airport Authority						
U.S. DEPARTMENT OF TRANSPORTATION						
Airport Improvement Program	20.106	3-47-0009-17	\$ (338)	\$ 210,265	\$ 214,923	\$ (4,996)
Airport Improvement Program	20.106	3-47-0009-20	(6,823)	250,984	244,161	-
Airport Improvement Program	20.106	3-47-0009-21	(73,146)	778,667	776,103	(70,582)
Airport Improvement Program	20.106	3-47-0009-22	(26,325)	3,355,497	3,489,274	(160,102)
Airport Improvement Program	20.106	3-47-0009-23	(20,079)	43,000	22,921	-
Airport Improvement Program	20.106	3-47-0009-24	-	295,939	295,939	-
Airport Improvement Program	20.106	3-47-0009-25	-	-	46,424	(46,424)
Total Expenditures of Federal Awards - Component Unit Audited by Other Auditors			<u>(126,711)</u>	<u>4,934,352</u>	<u>5,089,745</u>	<u>(282,104)</u>
Total Expenditures of Federal Awards - Component Units			<u>(651,313)</u>	<u>12,063,424</u>	<u>11,923,692</u>	<u>(511,581)</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			<u>(1,940,070)</u>	<u>30,096,238</u>	<u>31,123,607</u>	<u>(2,967,439)</u>
STATE AWARDS						
Passed through Tennessee Department of Transportation:						
South Chickamauga Greenway		STP-M-9303(58)	-	215,200	215,200	-
Passed Through Tennessee Emergency Management Agency						
Hazard Mitigation Grant		GG-99-08308-00	-	39,780	39,780	-
(continued on next page)						

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2002

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)						
Passed through Tennessee Department of Finance and Administration:						
Development Resource Center		529/000-11-96	\$ (322,637)	\$ 2,447,923	\$ 2,279,675	\$ (154,389)
Passed through Georgia Department of Transportation:						
Origin - Destination Survey Contract		SPR00-0160-000-02	-	-	5,314	(5,314)
Passed through Tennessee Department of Environment and Conservation:						
Household Hazardous Waste Grant		GG-97-07431-05	(64,117)	64,117	-	-
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT UNITS			(386,754)	2,767,020	2,539,969	(159,703)

Component Units

Chattanooga Area Regional Transportation Authority

Passed through Tennessee Department of Transportation:

State funding for TN-90-X164	N/A	GG-0008467	(1,828)	1,937	109	-
State Sacramento Bus Rehab		GG-0008615	-	394	394	-
State funding for TN-90-X169		GG-0108880	(96,671)	209,293	113,802	(1,180)
State funding for TN-90-X142		GG-9707542	(687)	80,017	79,330	-
State funding for TN-03-0042		GG-9908187	-	60,931	60,931	-
State funding for TN-37-X001		Z-00097875	(96,211)	96,211	-	-
State funding for TN-03-00055		GG-0109005	(9,758)	9,758	-	-
State funding for TN-90-X180		GG-0209340	-	398,936	424,684	(25,748)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2002

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)						
State Signal Priority		TNSPR-RES1208	\$ -	\$ 19,067	\$ 20,017	\$ (950)
State funding for TN-03-0058		GG-0209531	-		24,375	(24,375)
State funding for TN-30-X190		GG-0209488	-	-	41,926	(41,926)
State funding for TN-03-0059		GG-0209487	-	10,237	10,237	-
State funding for TN-16-0026		Z-02009312	-	24,154	24,154	-
State operating 33-901-9656		GG-0209342	-	1,551,257	1,697,546	(146,289)
State funding for TN-37-X008		GG-0209257	-	301,220	377,829	(76,609)
Total Expenditures of State Awards - Chattanooga Area Regional Transportation Authority			(205,155)	2,763,412	2,875,334	(317,077)

Awards Audited by Other Auditors

Chattanooga Metropolitan Airport Authority

Airport Improvement Program		33-555-0757-04	-	4,095	4,095	-
Airport Improvement Program		33-555-0758-04	-	42,445	42,445	-
Airport Improvement Program		33-555-0763-04	-	10,891	10,891	-
Airport Improvement Program		33-555-0146-04	(149)	-	11,951	(12,100)
Airport Improvement Program		33-555-0457-04	(41,085)	71,255	30,170	-
Airport Improvement Program		33-555-0147-04	(1,656)	-	13,366	(15,022)
Airport Improvement Program		33-555-0149-04	(23,890)	-	43,985	(67,875)
Airport Improvement Program		33-555-0162-04	(4,463)	-	197,359	(201,822)
Airport Improvement Program		33-555-0159-04	(1,113)	2,389	1,276	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2002

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)						
Airport Improvement Program		33-555-0165-04	\$ -	\$ -	\$ 2,579	\$ (2,579)
Airport Improvement Program		33-555-0361-04	-	-	27,876	(27,876)
Total Expenditures of State Awards - Component Unit Audited by Other Auditors			<u>(72,356)</u>	<u>131,075</u>	<u>385,993</u>	<u>(327,274)</u>
Total Expenditures of State Awards - Component Units			<u>(277,511)</u>	<u>2,894,487</u>	<u>3,261,327</u>	<u>(644,351)</u>
TOTAL EXPENDITURES OF STATE AWARDS:			<u>(664,265)</u>	<u>5,661,507</u>	<u>5,801,296</u>	<u>(804,054)</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARD:			<u>\$ (2,604,335)</u>	<u>\$35,757,745</u>	<u>\$36,924,903</u>	<u>\$(3,771,493)</u>

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2002

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Program Income

Cash receipts for the Community Development Block Grant (CFDA 14.218) and HOME Investment Partnerships Program (CFDA 14.239) include program income of \$1,364,967 and \$277,996, respectively.

Note 3. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$ 2,126,469
Emergency Shelter Grants Program	14.231	85,688
Home Investment Partnerships Program	14.239	1,157,977

Report of Independent Certified Public Accountants on Compliance and on
Internal Control Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance With Government Auditing Standards

To the Honorable Mayor
and Members of the City Council
City of Chattanooga, Tennessee

We have audited the financial statements of the City of Chattanooga, Tennessee, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 12, 2002. We did not audit the financial statements of EPB and the Chattanooga Metropolitan Airport Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for EPB and Chattanooga Metropolitan Airport Authority, was based solely on the work of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, the City Council, the City of Chattanooga, Tennessee's management, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Haylett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
November 12, 2002

Report of Independent Certified Public Accountants on Compliance
With Requirements Applicable to Each Major Federal Program and Internal
Control Over Compliance in Accordance With OMB Circular A-133

To the Honorable Mayor
and Members of the City Council
City of Chattanooga, Tennessee

Compliance

We have audited the compliance of the City of Chattanooga, Tennessee, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. We did not audit the compliance of the Chattanooga Metropolitan Airport Authority whose federal and state financial assistance is \$5,475,738. The report of the other auditors on compliance with the requirements applicable to major programs has been furnished to us, and our opinion on compliance with those requirements, insofar as it relates to the amounts included for the Chattanooga Metropolitan Airport Authority was based solely on the report of the other auditors. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Chattanooga, Tennessee complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2002-1, 2002-2, 2002-3, and 2002-4.

Internal Control Over Compliance

The management of the City of Chattanooga, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters and the report of other auditors did not disclose any matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, the City Council, the City of Chattanooga, Tennessee's management, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Haylett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
November 12, 2002

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2002

Dollar threshold used to distinguish between type A
and type B programs: \$933,708

Auditee qualified as low-risk auditee? ___ yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2002-1: Subrecipient Monitoring

Federal program: CFDA 14.239 Home Investment Partnerships Program
Federal agency: U.S. Department of Housing and Urban Development
Award year: October 1, 2001 to September 30, 2002

Criteria: The Code of Federal Regulations Title 24, Section 92.504(a) states that the participating jurisdiction is responsible for managing the day to day operations of its HOME program, ensuring that HOME funds are used in accordance with all program requirements and written agreements, and taking appropriate action when performance problems arise. The use of State recipients, subrecipients, or contractors does not relieve the participating jurisdiction of this responsibility. The performance of each contractor and subrecipient must be reviewed at least annually. Furthermore, subrecipient monitoring is one of the fourteen compliance requirements for OMB Circular A-133.

Condition: The City did not perform monitoring activities for its community housing development organization (CHDO).

Questioned costs: None

Effect: The City is not in compliance with grant regulations regarding subrecipient monitoring requirements.

Cause: The City did not believe it was appropriate to conduct a formal monitoring visit because it was aware that the organization was working to develop and implement operating procedures relevant to the grant funds.

Recommendation: We recommend that the City perform annual subrecipient monitoring for its community housing development organization in compliance with grant provisions.

Management's response: Although the City did not perform a formal monitoring of the organization for FY 2002, ongoing technical assistance was provided to the organization. The City has scheduled a formal monitoring visit for FY 2003 to satisfy the recommendation. Thereafter, a formal review will be conducted on an annual basis.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2002

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2002-2: Davis-Bacon Act

Federal programs: CFDA 14.000 Upfront Grant
Federal agency: U.S. Housing and Urban Development
Award years: August 22, 2001 to August 22, 2003

Criteria: When required by the Davis-Bacon Act, the Department of Labor's (DOL) government-wide implementation of the Davis-Bacon Act, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 276a to 276a-7). HUD Memorandum 130 defines an apartment building more than four stories in height as a building.

Condition: In our testing, we noted that the City issued a multiple schedule of wage rates with both building and residential pay rates when the project clearly meets the definition for a building. Consequently, one subcontractor paid its workers at rates below the prevailing wage rates.

Questioned costs: \$13,892

Effect: The City has issued improper wage rates leading to the underpayment of workers.

Cause: An incorrect wage decision was issued because HUD Memorandum 131 was misinterpreted as allowing the issuance of a multiple decision.

Recommendation: We recommend that the City ensure that restitution payments are made to workers who were paid below prevailing wage rates. Furthermore, the City should evaluate the pay rates for other labor classifications, calculate whether there were additional underpayments, and initiate appropriate corrective action.

Management's response: The City of Chattanooga will ensure that restitution payments are made to all workers who were paid below prevailing wage rates. Pay rates for classifications are at or above prevailing rates.

Finding 2002-3: Special Tests and Provisions - Retention

Federal program: CFDA 16.710 Public Safety Partnership and Community Policing Grants
Federal agency: U.S. Department of Justice
Award year: January 1, 1997 to December 31, 2001

Criteria: The COPS More grant provides funding for civilian positions to replace administrative time spent by patrol officers. According to the grant agreement, the recipient agrees to retain these new positions for at least one year after the grant becomes fully implemented.

Condition: The City did not retain the new positions for the required time.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2002

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2002-3: Special Tests and Provisions – Retention (continued)

Questioned costs: None

Effect: The City is not in compliance with grant provisions.

Cause: In response to a shortfall in revenue and increasing expenditures, the City cut more than 198 positions from its workforce, including 25 civilian police service technicians funded by this program.

Recommendation: We recommend that the City work to ensure grant provisions are followed.

Management's response: Under federal regulations, the City may be eligible for an exemption from the retention requirement. The City is already working closely with the U.S. Department of Justice to obtain the exemption.

Finding 2002-4: Reporting

Federal program: CFDA 20.106 Airport Improvement Program
Federal agency: U.S. Department of Transportation
Award year: July 1, 2001 to June 30, 2002

Criteria: According to the grant agreement with the Federal Aviation Administration (FAA), the Chattanooga Metropolitan Airport Authority is reimbursed by the FAA up to 90% for approved expenditures on Airport Improvement Projects (AIP). The grant also specifies a maximum amount of funding for each project.

Condition: The Airport Authority inadvertently requested and received reimbursement in the amount of \$63,554 from AIP #3-47-0009-22 for costs expended on AIP #3-47-0009-21.

Effect: The Airport Authority is not in compliance with the grant requirements of AIP #3-47-0009-22.

Cause: These two projects are interrelated and many of the same vendors are being used for both projects. The Airport Authority inadvertently requested reimbursement under the wrong project.

Recommendation: Care must be taken to ensure reimbursement is requested from the correct project.

Management's response: We concur with the finding. Procedures are in place to ensure future requests for reimbursement are made from the correct project.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2002

Finding 2001-1 from June 30, 2001

Federal program: CFDA 16.592 Local Law Enforcement Block Grants Program

Condition: The City did not submit semi-annual programmatic reports or a final grant closeout report.

Current status: The City has taken steps toward grant compliance with reporting requirements, and management has filed the appropriate reports.

Finding 2001-2 from June 30, 2001

Federal programs: CFDA 16.592 Local Law Enforcement Block Grants Program
CFDA 16.710 Public Safety Partnership and Community Policing Grants
(COPS)

Condition: The City did not submit timely reports for two out of four quarters.

Current status: The City has taken steps toward improving timely reporting, and all quarterly reports have been filed timely during the year ended June 30, 2002.

CITY OF CHATTANOOGA, TENNESSEE
GOVERNMENT - WIDE EXPENSES BY FUNCTION
Year Ended June 30, 2002

<u>Function/Program</u>	
General government	\$ 47,571,630
Public Safety	56,975,310
Public Works	59,848,473
Parks and Recreation	13,765,543
Social Services	19,178,170
Payments to Component Units	2,976,800
Interest on long-term debt	3,667,564
Sewer	31,565,003
Solid Waste/Sanitation	6,428,615
Storm Water	4,774,295
Housing Management	930,550
Electric Utility	<u>346,821,000</u>
Total government-wide expenses	<u>\$ 594,502,953</u>

CITY OF CHATTANOOGA, TENNESSEE

GOVERNMENT - WIDE REVENUES
Year Ended June 30, 2002

Program Revenues:

Charges for services	\$ 402,663,146
Operating grants and contributions	27,934,574
Capital grants and contributions	9,355,637

General Revenues:

Taxes:

Property taxes	83,178,993
Sales taxes	17,589,729
Other taxes	7,542,589
Grants and contributions not restricted to specific programs	34,821,809
Unrestricted investment earnings	<u>5,095,019</u>
Total government-wide revenues	<u>\$ 588,181,496</u>

CITY OF CHATTANOOGA, TENNESSEE
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Property Taxes	Other Local Taxes	Licenses and Permits	Inter- Governmental	Charges for Services	Fines, Forfeitures and Penalties	Investment Income	Miscellaneous	Total
1993	\$ 59,266,895	\$ 4,919,351	\$ 3,707,760	\$ 143,013,793	\$ 8,303,582	\$ 1,349,297	\$ 1,663,412	\$ 3,928,215	\$ 226,152,305
1994	61,356,169	5,048,321	4,131,628	142,569,973	8,342,304	1,266,112	2,326,198	6,147,657	231,188,362
1995	71,061,842	5,133,580	4,159,161	135,647,682	4,402,528	1,482,496	4,112,847	6,227,331	232,227,467
1996	72,147,987	5,322,460	5,059,012	139,128,935	4,460,791	1,645,901	4,022,283	6,083,666	237,871,035
1997	66,725,268	16,505,914	5,315,140	146,431,963	4,686,720	1,760,268	4,178,729	5,828,088	251,432,090
1998	62,837,381	21,956,152	5,482,906	59,384,581	2,364,791	1,805,903	3,086,343	6,416,760	163,334,817
1999	63,927,435	22,938,301	5,593,174	62,245,526	2,640,477	2,143,025	3,258,820	9,660,580	172,407,338
2000	64,262,529	23,912,119	6,102,055	64,081,912	2,700,574	1,895,159	3,533,489	8,038,712	174,526,549
2001	66,868,120	24,131,228	6,133,506	58,682,200	2,744,292	1,825,737	3,217,133	6,326,147	169,928,363
2002	83,310,669	24,456,929	6,276,409	63,597,608	3,174,469	1,733,844	2,378,392	7,469,266	192,397,586

Notes:
(1) Includes general, special revenue, debt service, and capital projects funds.

CITY OF CHATTANOOGA, TENNESSEE
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	General Government (2)	Finance and Administration	Public Safety	Public Works	Parks and Recreation	General Services	Education	Debt Services	Capital Outlay	Social Services	Total
1993	\$ 26,588,285	\$ 3,748,014	\$ 27,841,742	\$ 15,937,355	\$ 5,224,447	\$ 10,478,139	\$ 92,111,382	\$ 6,523,416	\$ 17,674,964	\$ 8,427,892	\$ 214,555,636
1994	19,753,860	4,771,897	34,807,160	12,910,022	7,984,729	10,168,662	99,957,853	6,636,830	18,195,819	9,487,265	224,674,097
1995	17,045,619	4,542,789	37,067,540	13,082,451	8,418,986	10,428,911	97,159,632	5,943,855	22,460,035	14,097,296	230,247,114
1996	17,578,266	4,806,407	38,863,226	13,587,704	8,853,506	10,324,153	98,716,585	6,839,092	23,774,426	14,969,700	238,313,065
1997	19,615,441	5,593,165	41,239,008	13,100,104	9,645,826	11,162,219	108,785,421	7,610,454	25,333,133	14,643,491	256,728,262
1998	26,751,553	5,101,425	43,300,303	12,505,996	9,795,435	11,799,661	-	8,175,752	21,513,790	17,109,854	156,053,769
1999	28,400,715	5,347,504	44,099,492	13,013,318	10,854,732	12,596,657	-	7,477,848	21,799,963	17,405,968	160,996,197
2000	28,793,205	5,420,736	49,282,463	16,340,771	12,071,498	12,366,425	-	7,232,436	22,361,690	19,269,739	173,138,963
2001	30,804,003	5,507,500	51,526,079	17,113,740	12,009,878	12,837,433	-	6,522,170	36,392,794	12,970,057	185,683,654
2002	38,339,495	8,231,570	55,079,995	23,365,928	12,710,408	4,804	-	8,393,234	25,285,966	18,823,259	190,234,659

Notes:

(1) Includes general, special revenue, debt service, and capital projects funds.

(2) Beginning in 1994, pension benefits and social security expenses were allocated to the appropriate departments. Prior to 1994, these items were recorded as a general government expenditure

CITY OF CHATTANOOGA, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
1993	\$ 54,855,475	\$ 52,108,748	95.0%	\$ 3,484,893	\$ 55,593,641	101.3%	\$ 6,059,296	11.0%
1994	56,890,595	54,141,733	95.2%	2,312,510	56,454,243	99.2%	6,499,904	11.4%
1995	65,526,453	62,692,608	95.7%	3,148,835	65,841,443	100.5%	5,820,496	8.9%
1996	66,277,436	63,788,287	96.2%	2,273,018	66,061,305	99.7%	5,924,547	8.9%
1997	61,988,345	58,976,664	95.1%	2,498,964	61,475,628	99.2%	5,757,609	9.3%
1998	58,443,299	55,449,615	94.9%	2,930,520	58,380,135	99.9%	5,423,483	9.3%
1999	60,155,010	57,660,552	95.9%	2,574,338	60,234,890	100.1%	5,126,800	8.5%
2000	60,465,150	57,721,509	95.5%	2,139,956	59,852,775	99.0%	5,848,089	9.7%
2001	63,044,578	59,976,260	95.1%	2,495,293	62,471,553	99.1%	6,075,816	9.6%
2002	80,555,898	75,788,898	94.1%	2,764,167	78,553,065	97.5%	7,864,824	9.8%

Note 1: The property taxes levied on taxable assessed valuation in the City are billed by the City on October 1st of each year and are due without penalty by the last day in February of the following year. For failure to pay the tax bill by the due date, a penalty of 1/2 of 1% and interest of 1/2 of 1% is added on the first of March and each month thereafter until the tax bill is paid. If a tax bill continues to be unpaid through February of the following year, it is then transferred to the Clerk and Master's office by the City treasurer on July 1 of such year for collection. Additional penalties and costs of collection will be added thereafter to tax bills when they are filed in the Chancery Court of the county

CITY OF CHATTANOOGA, TENNESSEE
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Real Property (1)		Personal Property (2)		Public Utilities (3)		Total		Assessed to Total Estimated Actual Value
	Assessed Value (5)	Estimated Actual Value (5)	Assessed Value (5)	Estimated Actual Value (5)	Assessed Value (5)	Estimated Actual Value (5)	Assessed Value (5)	Estimated Actual Value (5)	
1993	\$ 1,633,805,813	\$ 4,985,486,870	\$ 265,998,097	\$ 886,660,323	\$ 139,430,519	\$ 253,150,035	\$ 2,039,234,429	\$ 6,125,657,228	33.29%
1994	1,711,202,108	5,254,372,948	306,309,606	1,021,032,020	153,885,032	279,790,967	2,171,396,746	6,555,195,935	33.12%
1995	1,733,174,165	5,324,263,360	307,830,119	1,026,100,397	157,865,664	287,028,480	2,198,869,948	6,637,392,237	33.13%
1996	1,764,147,467	5,421,140,894	308,318,501	1,027,728,337	151,604,715	275,644,936	2,224,070,683	6,724,514,167	33.07%
1997	1,797,441,847	5,523,206,725	344,984,883	1,149,949,610	153,432,945	278,968,991	2,295,859,675	6,952,125,326	33.02%
1998	1,987,416,146	6,147,138,482	381,056,931	1,270,189,770	161,516,615	293,666,573	2,529,989,692	7,710,994,825	32.81%
1999	2,031,602,544	6,284,950,419	407,967,358	1,359,891,193	164,540,123	299,163,860	2,604,110,025	7,944,005,472	32.78%
2000	2,075,650,791	6,420,828,988	382,030,624	1,273,435,413	159,854,460	290,644,473	2,617,535,875	7,984,908,874	32.78%
2001	2,126,364,954	6,569,990,348	406,302,688	1,354,342,293	196,521,415	357,311,664	2,729,189,057	8,281,644,305	32.78%
2002	2,498,277,473	7,779,159,444	482,782,728	1,609,275,760	220,670,376	401,218,865	3,201,730,577	9,789,654,070	32.71%

- Notes:
- (1) The real property includes commercial and industrial property assessed at 40% and residential and farms assessed at 25% of the estimated actual value
 - (2) Personal property is assessed at 30% of the estimated actual value
 - (3) The Public Utilities assessments are made by the State of Tennessee for all counties and cities in the state. The Electric Power Board (EPB) and the Tennessee Valley Authority (TVA) are not included in these totals.
 - (4) The estimated actual property values have not been adjusted for changes in market value. Amounts shown are calculated based on the known relationship between assessed values and actual value disregarding the fact that market value may have changed.
 - (5) All assessments and estimated actual values are based on the initial levy and do not include any adjustments

CITY OF CHATTANOOGA, TENNESSEE

PROPERTY TAX RATES AND LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Tax Rates Per \$100 Assessed Value			Tax Levies		
	City	County	Total	City	County	Total
1993	\$ 2.69	\$ 2.93	\$ 5.62	\$ 54,855,475	\$ 93,012,723	\$ 147,868,198
1994	2.62	2.81	5.43	56,890,595	96,378,123	153,268,718
1995	2.98	2.81	5.79	65,526,453	98,321,810	163,848,263
1996	2.98	2.81	5.79	66,277,436	100,264,781	166,542,217
1997	2.70	3.22	5.92	61,988,345	118,833,274	180,821,619
1998	2.31	2.93	5.24	58,443,299	121,892,101	180,335,400
1999	2.31	2.93	5.24	60,155,010	126,038,952	186,193,962
2000	2.31	3.52	5.83	60,465,150	127,944,083	188,409,233
2001	2.31	3.52	5.83	63,044,578	155,122,581	218,167,159
2002	2.52	3.06	5.58	80,555,898	160,557,203	241,113,101

Notes: Property taxes levied on taxable assessed valuation in the City and County are billed on October 1 of each year and are due without penalty by the last day in February of the following year. The Assessor of Property performed a general reappraisal of property during 2001 which resulted in an increase in assessed values for the 2002 fiscal year.

CITY OF CHATTANOOGA, TENNESSEE

PRINCIPAL TAXPAYERS

June 30, 2002

Taxpayer	2001 Assessment	Percent of Assessed Valuation	City Tax
Electric Power Board (Municipal Electric Utility)	\$ 96,291,812	3.01%	\$ 2,422,702
Chattanooga Valley Associates (TVA) (Office Leasing)	80,847,036	2.53%	2,048,307
BellSouth (Telephone Utility)	60,667,578	1.89%	1,526,396
E.I. DuPont de Nemours and Company (Synthetic Yarns)	57,826,419	1.81%	1,454,913
CBL & Associates (Land Development)	53,690,065	1.68%	1,350,842
Unum-Provident Insurance Company	45,813,011	1.43%	1,152,655
Tennessee-American Water Company (Water Utility)	38,371,122	1.20%	965,417
Chattanooga Gas Company (Natural Gas)	22,633,290	0.71%	569,454
Tennessee Hospital Association (Blue Cross) (Insurance)	22,468,609	0.70%	565,310
Parkridge Medical Center (Health Care)	<u>20,970,953</u>	<u>0.65%</u>	<u>527,629</u>
	<u>\$ 499,579,895</u>	<u>15.61%</u>	<u>\$ 12,583,625</u>

Source: City Treasurer

CITY OF CHATTANOOGA, TENNESSEE

HISTORICAL DEBT RATIOS
June 30, 2002

	1994	1995	1996	1997	1998	1999	2000	2001	2002
Estimated population (1)	154,700	154,200	151,600	150,300	148,800	147,500	145,700	155,554	155,992
Appraised property valuation	\$ 6,555,195,935	\$ 6,637,392,236	\$ 6,724,514,167	\$ 6,952,125,326	\$ 7,710,994,825	\$ 7,944,005,472	\$ 7,984,908,874	\$ 8,281,644,305	\$ 9,789,654,070
Assessed property valuation	2,171,396,746	2,198,869,948	2,224,070,683	2,295,859,675	2,529,989,692	2,604,110,025	2,617,535,875	2,729,189,057	3,201,730,577
Gross indebtedness (2)	159,288,470	185,837,792	204,479,351	191,283,521	245,731,165	237,505,962	223,521,569	258,442,849	244,704,834
Less: Self-supporting indebtedness (3)	121,598,982	140,426,612	147,739,894	138,922,708	194,393,764	190,087,672	179,866,956	178,059,226	169,036,886
Debt Service Fund	<u>8,268,907</u>	<u>9,128,676</u>	<u>9,127,569</u>	<u>8,802,830</u>	<u>7,126,274</u>	<u>2,566,687</u>	<u>2,671,606</u>	<u>4,163,307</u>	<u>5,497,083</u>
Net direct indebtedness	29,420,581	36,282,504	47,611,888	43,557,983	44,211,127	44,851,603	40,983,007	76,220,316	70,170,865
Plus: Estimated net overlapping indebtedness	<u>84,898,036</u>	<u>75,913,865</u>	<u>79,884,361</u>	<u>100,669,117</u>	<u>99,208,181</u>	<u>98,505,368</u>	<u>88,150,782</u>	<u>103,117,962</u>	<u>109,591,857</u>
Net direct and overlapping indebtedness	<u>\$ 114,318,617</u>	<u>\$ 112,196,369</u>	<u>\$ 127,496,249</u>	<u>\$ 144,227,100</u>	<u>\$ 143,419,308</u>	<u>\$ 143,356,971</u>	<u>\$ 129,133,789</u>	<u>\$ 179,338,278</u>	<u>\$ 179,762,722</u>
Gross debt per capita	\$1,029.66	\$1,205.17	\$1,348.81	\$1,272.68	\$1,651.42	\$1,610.21	\$1,534.12	\$1,661.43	\$1,568.70
Net direct debt per capita	190.18	235.30	314.06	289.81	297.12	304.08	281.28	489.99	449.84
Net direct and overlapping debt per capita	738.97	727.60	841.00	959.59	963.84	971.91	886.30	1,152.90	1,152.38
Gross debt to appraised valuation	2.43%	2.80%	3.04%	2.75%	3.19%	2.99%	2.80%	3.12%	2.50%
Net direct debt to appraised valuation	.45%	.55%	.71%	.63%	.57%	.56%	.51%	.92%	.72%
Net direct debt and overlapping debt to appraised valuation	1.74%	1.69%	1.90%	2.07%	1.86%	1.80%	1.62%	2.17%	1.84%
Gross debt to assessed valuation	7.34%	8.45%	9.19%	8.33%	9.71%	9.12%	8.54%	9.47%	7.64%
Net direct debt to assessed valuation	1.35%	1.65%	2.14%	1.90%	1.75%	1.72%	1.57%	2.79%	2.19%
Net direct and overlapping debt to assessed valuation	5.26%	5.10%	5.73%	6.28%	5.67%	5.51%	4.93%	6.57%	5.61%

(1) Population figures for all years are estimates.

(2) Gross indebtedness excludes revenue bonds payable by the Electric Power Board of Chattanooga and the Metropolitan Airport Authority

(3) The self-supporting debt includes Sewer Bonds and Municipal Public Improvement Bonds supported by Hotel-Motel taxes

CITY OF CHATTANOOGA, TENNESSEE

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT (1) TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>Bond Principal</u>	<u>Bond Interest & Fiscal Charges (2)</u>	<u>Total Debt Service Expenditures</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1993	\$ 4,435,743	\$ 2,087,673	\$ 6,523,416	\$ 214,555,636	3.0%
1994	4,253,402	2,383,428	6,636,830	224,674,097	3.0%
1995	3,884,314	2,059,541	5,943,855	230,247,114	2.6%
1996	4,295,735	2,543,357	6,839,092	238,313,065	2.9%
1997	4,719,181	2,891,273	7,610,454	256,728,262	3.0%
1998	5,233,898	2,941,854	8,175,752	156,053,769	5.2%
1999	4,852,826	2,625,022	7,477,848	160,996,197	4.6%
2000	4,750,143	2,482,293	7,232,436	173,138,963	4.2%
2001	4,226,180	2,295,990	6,522,170	185,683,654	3.5%
2002	4,658,954	3,734,280	8,393,234	190,234,659	4.4%

Notes:

(1) General obligation bonds reported in the Enterprise Funds have been excluded.

(2) Bond interest includes the interest paid on general obligation bonds and bond anticipation notes.

CITY OF CHATTANOOGA, TENNESSEE

COMPUTATION OF DIRECT AND OVERLAPPING INDEBTEDNESS
Year Ended June 30, 2002

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
Direct:			
City of Chattanooga	\$ 70,170,865	100.0000%	\$ 70,170,865
Overlapping:			
Hamilton County	<u>163,889,663</u>	66.8693%	<u>109,591,857</u>
Total	<u>\$ 234,060,528</u>		<u>\$ 179,762,722</u>

CITY OF CHATTANOOGA, TENNESSEE
COMPUTATION OF DEBT LIMIT AND LEGAL DEBT MARGIN
Year Ended June 30, 2002

Debt limit (10% of assessed valuation)	<u>\$ 320,173,058</u>
Gross Indebtedness:	
General obligation bonds outstanding	228,000,000
Notes and Capital Leases Payable	<u>16,704,834</u>
Gross indebtedness	<u>244,704,834</u>
Less self-supporting indebtedness for general obligation bonds:	
Interceptor Sewer System	116,066,062
Solid Waste/Sanitation Fund	31,338,653
Storm Water Fund	<u>21,632,171</u>
	<u>169,036,886</u>
Gross direct indebtedness	75,667,948
Less: Debt Service Fund balance	<u>5,497,083</u>
Debt subject to debt limitation	<u>70,170,865</u>
Net legal debt margin	<u>\$ 250,002,193</u>
Percentage of direct legal debt exhausted	<u>21.92%</u>

CITY OF CHATTANOOGA, TENNESSEE
PROPERTY VALUE AND CONSTRUCTION
LAST TEN FISCAL YEARS

Calendar Year (1)	Commercial Construction (2)		Residential Construction (2)		Property Value (3)		
	Number of Permits	Value	Number of Permits	Value	Commercial	Residential	Public Utilities
1992	691	\$ 99,320,108	1,229	\$ 46,109,341	\$ 2,615,638,370	\$ 2,369,848,500	\$ 253,510,035
1993	757	96,390,346	1,320	58,710,817	2,684,870,032	2,569,502,916	279,790,967
1994	672	124,406,215	1,434	63,825,615	2,716,252,084	2,608,011,276	287,028,480
1995	749	152,369,585	1,360	63,336,445	2,758,077,658	2,663,063,236	275,644,936
1996	789	214,356,906	1,465	75,164,190	2,815,608,289	2,707,598,436	278,968,991
1997	834	151,458,193	1,509	85,398,111	3,041,450,294	3,105,688,188	293,666,573
1998	822	212,851,146	1,516	73,308,479	3,109,414,963	3,175,535,456	299,163,860
1999	762	219,143,098	1,501	84,969,747	3,180,873,852	3,239,955,136	290,644,473
2000	751	180,763,204	1,670	102,825,961	3,268,879,764	3,301,110,584	357,311,664
2001	776	227,505,416	1,667	138,229,339	3,741,924,004	4,037,235,440	401,218,865

Notes:

- (1) Latest information available for the calendar year.
- (2) Source: City of Chattanooga Building Inspection Department. The values are based on the current industry averages as published by the Southern Building Code Congress International (SBCCI).
- (3) Estimated actual values from Property Tax Assessor's Office records.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenue (Note A)	Expenses (Note B)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
Primary Government:							
EPB							
1993	\$ 283,491,000	\$ 265,463,000	\$ 18,028,000	\$ 250,000	\$ 20,000	\$ 270,000	66.77
1994	298,793,000	282,413,000	16,380,000	250,000	10,000	260,000	63.00
1995	286,546,000	272,502,000	14,044,000	-	-	-	-
1996	311,940,000	296,020,000	15,920,000	-	-	-	-
1997	292,026,000	277,576,000	14,450,000	-	-	-	-
1998	332,613,000	307,581,000	25,032,000	-	-	-	-
1999	336,984,000	314,757,000	22,227,000	-	-	-	-
2000	345,998,000	326,700,000	19,298,000	-	-	-	-
2001	362,105,000	341,852,000	20,253,000	-	1,003,400	1,003,400	20.18
2002	348,852,000	331,164,000	17,688,000	1,600,000	1,966,800	3,566,800	4.96
Component Unit:							
METROPOLITAN AIRPORT AUTHORITY							
1993	4,722,120	3,111,165	1,610,955	29,118	1,012,186	1,041,304	1.55
1994	5,021,700	3,461,550	1,560,150	185,000	1,001,161	1,186,161	1.32
1995	5,306,842	3,505,242	1,801,600	195,000	989,321	1,184,321	1.52
1996	5,147,790	3,253,459	1,894,331	212,500	976,646	1,189,146	1.59
1997	5,456,099	3,277,908	2,178,191	225,000	985,062	1,210,062	1.80
1998	5,820,799	3,423,511	2,397,288	237,275	947,711	1,184,986	2.02
1999	6,319,120	4,304,545	2,014,575	252,274	931,391	1,183,665	1.70
2000	6,547,743	4,354,853	2,192,890	268,108	914,051	1,182,159	1.85
2001	8,841,283	4,531,107	4,310,176	268,107	892,086	1,160,193	3.72
2002	12,354,844	4,965,332	7,389,512	11,836,149	104,322	11,940,471	0.62
SOUTHSIDE REDEVELOPMENT CORPORATION							
2001	9,653,532	4,105,053	5,548,479	-	3,599,488	3,599,488	1.54
2002	17,977,555	9,848,050	8,129,505	-	7,198,975	7,198,975	1.13

Note A Includes operating and nonoperating revenue.

Note B Total expenses exclusive of depreciation and bond interest.

CITY OF CHATTANOOGA, TENNESSEE
SALARIES AND FIDELITY BONDS OF PRINCIPAL OFFICIALS
Year Ended June 30, 2002

Official	Description	Annual Salary	Fidelity Bonds
Robert P. Corker, Jr.	Mayor	\$ 126,031	\$ 10,000
John M. Lively	Councilman, District 1	18,905	10,000
Sally L. Robinson	Councilwoman, District 2	18,905	10,000
Dan B. Page	Councilman, District 3	18,905	10,000
W. Jack Benson, Sr.	Councilman, District 4	18,905	10,000
John P. Franklin, Jr., Vice-Chairman	Councilman, District 5	21,405	10,000
Ronald C. Littlefield, Chairman	Councilman, District 6	23,905	10,000
John R. Taylor, Sr.	Councilman, District 7	18,905	10,000
Leamon Pierce	Councilman, District 8	18,905	10,000
Yusuf A. Hakeem	Councilman, District 9	18,905	10,000
James S. Boney	Administrator and City Finance Officer	109,550	100,000
Daisy W. Madison	Deputy Finance Officer and Treasurer	95,171	550,000
Randall L. Nelson	City Attorney	109,550	10,000

CITY OF CHATTANOOGA, TENNESSEE

INSURANCE COVERAGE
Year Ended June 30, 2002

PUBLIC BUILDINGS	
Fire, extended coverage, vandalism, and malicious mischief	\$ 311,975,076
CHATTANOOGA PUBLIC LIBRARIES	
Fire, extended coverage, vandalism, and malicious mischief (80% coinsurance)	29,639,471
Automobile liability	500,000
Boiler	500,000
Flood	10,535,900
Earthquake	10,000,000
General liability	1,000,000
Employee dishonesty	125,000
Equipment	817,421
HUMAN SERVICES	
General liability	1,000,000
Fire, extended coverage, vandalism, and malicious mischief (80% coinsurance)	1,940,957
Employee dishonesty	400,000
AIR POLLUTION CONTROL BOARD	
General liability	2,000,000
Property damage (90% coinsurance)	400,000
Automobile liability	1,000,000
Public official and employee liability	1,000,000
Equipment (80% coinsurance)	419,044
Employee dishonesty	100,000
Workers compensation	500,000

CITY OF CHATTANOOGA, TENNESSEE

DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Per Capita Income (1)</u>	<u>Median Age (1)</u>	<u>Unemployment Rate (2)</u>
1992	155,000	\$13,566	35.3	6.1%
1993	154,700	14,328	35.7	4.3%
1994	154,200	15,131	36.1	2.8%
1995	151,600	14,613	37.1	4.9%
1996	150,300	15,366	36.6	4.6%
1997	148,800	15,943	36.9	5.0%
1998	147,500	16,381	38.2	4.0%
1999	145,700	24,622	37.5	3.5%
2000	155,554	26,228	37.4	3.0%
2001	155,992	26,781	37.1	3.2%

(1) Source: U.S. Census Bureau

(2) Source: Tennessee Department of Employment Security

CITY OF CHATTANOOGA, TENNESSEE

MISCELLANEOUS STATISTICAL DATA

June 30, 2002

Date of Organization: 1839
 Form of Government: Council - Mayor
 Fiscal Year Begins: July 1
 Area: 144 square miles

Miles of Streets:

	<u>City</u>	<u>County</u>
Paved	1,150	2,239
Unpaved	-	180

Building Permits:

<u>Calendar Year</u>	<u>Number Issued</u>	<u>Value of Permits*</u>
1992	1,920	\$145,429,449
1993	2,077	155,101,163
1994	2,106	188,231,830
1995	2,109	215,706,030
1996	2,254	289,521,096
1997	2,343	236,856,304
1998	2,338	286,159,625
1999	2,263	304,112,845
2000	2,421	283,589,165
2001	2,443	365,734,755

*Values are based on the current industry averages as published by the Southern Building Code Congress International (SBCCI).

Source: City Building Inspection Department

Education**

Public

Elementary	45
Middle	15
Middle thru High	3
Senior High	12
Kindergarten through Twelve	2

Private

Parochial	18
Elementary	6
Preparatory	3

**Source: Hamilton County Department of Education

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

MISCELLANEOUS STATISTICAL DATA

June 30, 2002

(continued from previous page)

Elections (County-Wide):

159,859 registered voters
 47,957 votes cast in last election
 30% registered voters voting

Population - Official U.S. Census:

	<u>City</u>	<u>County</u>
1940	128,163	180,478
1950	131,041	208,255
1960	130,009	237,905
1970	119,923	255,077
1980	169,514	287,740
1990	152,466	285,536
2000	155,554	295,000
2001 Estimate	155,554	307,896
2002 Estimate	155,992	312,226

Recreation:

Number of parks	118
Municipal golf courses	17
Recreation centers	16
Supervised summer playgrounds	38
Ball fields	122
Public and private tennis courts	200
Swimming pools	55
Theaters	15
Bowling alleys	3

Libraries:

Chattanooga-Hamilton County Bicentennial Library
 The University of Tennessee at Chattanooga
 Chattanooga State Technical Community College

Public Safety:

	<u>Fire</u>	<u>Police</u>
Sworn officers	399	436
School resource officers		16
Civilians:		
Full-time Park Rangers		2
Part-time Park Rangers		9
Part-time School Patrol		27
Full-time School Patrol		4
All other	<u>19</u>	<u>163</u>
Total Public Safety	<u>418</u>	<u>657</u>

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CITY OF CHATTANOOGA, TENNESSEE

MISCELLANEOUS STATISTICAL DATA

June 30, 2002

(continued from previous page)

Utilities:

	<u>User Class</u>	<u>Number of Customers</u>	<u>Rate Structure</u>
Electric Power Board*	Residential	136,070	\$0.0643 per kilowatt-hour
	Small Commercial and Power	19,092	0.0716 per kilowatt-hour
	Large Commercial and Power	3,159	0.0515 per kilowatt-hour
	Outdoor Lighting	141	0.0838 per kilowatt-hour
Interceptor Sewer System (based on water used)	First 100,000 gallons		\$3.43 per 1,000 gallons
	Next 650,000 gallons		2.52 per 1,000 gallons
	Next 1,250,000 gallons		2.03 per 1,000 gallons
	Over 30,000,000 gallons		1.45 per 1,000 gallons
	Over 32,000,000 gallons		1.18 per 1,000 gallons
Average Income Level:		<u>City</u>	<u>County</u>
Per capita**		\$26,781	\$29,761
Per family***		46,156	51,848

*Source: Average cost per Electric Power Board Annual Report for the year ended June 30, 2002.

**Source: U.S. Department of Commerce-Bureau of Economic Analysis.

***Source: Survey of Buying Power, Sales & Marketing Management Magazine.