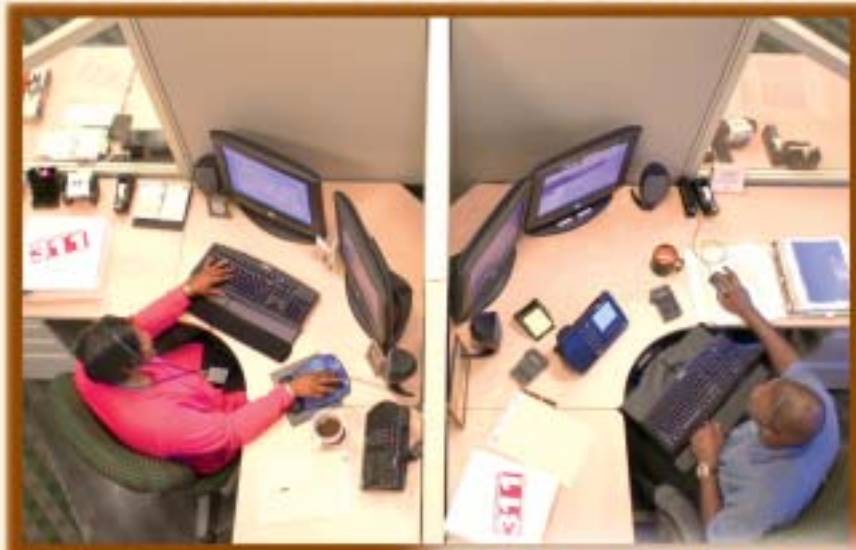




2003

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Comprehensive Annual Financial Report – For the Year Ending June 30



CHATTANOOGA
311
ONE CALL TO CITY HALL

City of Chattanooga, Tennessee

On The Cover:

In Mayor Corker's May 2002 State of the City Address, he promised that Chattanooga city government would become more democratized, as citizens from every walk of life would have an equal voice in calling one number and getting one answer for an inquiry, suggestion or complaint.

Thus, the groundwork was set for the establishment of the 311 Call Center - creating "One Call To City Hall" for all non-emergency inquiries or complaints.

On February 27, 2003, the 311 Center "went live."

Results of 311 calls can be clearly evidenced by the following examples of questions, responding answers and ultimate City Service departmental actions to those calls.

Q: I would like to have some information about the free exercise program in Coolidge Park. Have I called the right number?

A: Yes. I can give you that information. This is a 10-week program put on by the Parks, Recreation, Arts and Culture Department. Classes are held on Sunday mornings at 8am at Coolidge Park close to the stage area. The classes are held during the summer through September. If you have internet access, you can find out about this and other activities that may be of interest to you. Just go to www.chattanooga.gov and click on the City Services link. Select the Parks link and you will see the information there.

Q: I'm in town on business and would like to visit some of Chattanooga's downtown attractions. I don't want to rent a car, so can you recommend an alternate way to get around?

A: I certainly can. We have a free electric Downtown Shuttle service which runs daily about every 5 minutes from 6am to 9:30pm on weekdays, 9am to 9:30pm on Saturdays and 9am to 8:30pm on Sundays. The buses cover a 14-block loop which includes all of our convention hotels. We hope you enjoy your visit to Chattanooga and if you need anything else, do not hesitate to call 311 anytime.

Q: The house next to mine is vacant and the property hasn't been maintained all summer. Is there a city service that can help me with this?

A: Absolutely. Neighborhood Services would be the department to handle this for you. If you will give me some information, I will be glad to place a request for one of their inspectors to come out and begin the process to have the lot cleaned by the owners.

Q: I travel the downtown area quite a bit and I would like to know how long all of this construction at Riverfront Parkway is going to take. Do you have that information?

A: Yes we do have that information. The projected completion date for that project is May 2005. I know it is difficult to get around in the downtown area right now, but when all of this is completed, it will allow for a better flow of traffic and the Riverfront project will greatly improve that area for development. If you need help with travel directions in the future you can call 311 and we will be glad to give you assistance.

Q: There is a traffic signal not working properly. It is staying on red too long. Can you report this for me?

A: I certainly can. I am sorry you are experiencing difficulty. If you will give me the intersection where the light is, I will place a request to have Traffic Operations go out and check the timing of the light. They will be able to make the corrections as soon as they determine the problem.

Q: Is this the number I call to report a tree down across the road?

A: Yes, this is the number. Is anyone hurt or do any emergency conditions exist as a result of the tree falling? I am glad no one was hurt when the tree fell. Please give me the location or closest address and I will send an emergency request for a crew from City Wide Services Forestry Division to go out and remove the tree from the road.

Q: When it rains, my street gets flooded. There is a drainage ditch right in front of my house and I think it is stopped up. Is there anyone who can come out and check on this problem for me?

A: There certainly is. I will be glad to send a request to City Wide Services and they will send a crew out to clean the storm drain for you. May I have your name, address and a phone number where we can contact you in the event someone from that department needs to ask any further questions regarding your request? Thank you. The tracking number for this request is 111121.

CITY OF CHATTANOOGA, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003**

**DEPARTMENT OF FINANCE AND ADMINISTRATION
DAVID R. EICHENTHAL, ADMINISTRATOR
DAISY W. MADISON, DEPUTY ADMINISTRATOR**

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Comprehensive Annual Financial Report – For the Year Ending June 30
City of Chattanooga, Tennessee

2003





Mayor's Letter

December 16, 2003

To the Members of the City Council and the Citizens of Chattanooga, Tennessee:

It is my great pleasure to present to you this comprehensive annual financial report for the City of Chattanooga for the fiscal year ended June 30, 2003.

This report details our continuing focus on creating jobs and economic opportunity, maintaining the fiscal integrity of our city and improving the performance of City government. Working with the Council, department administrators, City employees and our citizens, we have been able to accomplish great things for Chattanooga over this past year.

Mayor Corker oversees development of the 21st Century Waterfront Plan as progress is made toward the \$120 million expansion of the Tennessee Aquarium.

During this year, we put in place the funding that is moving the Hope VI project forward and will result in an \$84 million transformation of the Alton Park community. New single and multi family housing is replacing old, dilapidated tenements, providing a catalyst for tremendous investment from the private sector.

We are nearing completion on the infrastructure of Enterprise South Industrial Park, a 1,200 acre site, which, for the first time in many years, positions Chattanooga as a significant site for recruitment. We have also launched an aggressive marketing effort designed to attract the largest number of high paying jobs possible to the site.

The extraordinary \$120 million 21st Century Waterfront development is fully underway and will be complete by May 2005. This effort, which does not rely on one penny from the City's general fund, was created through the support of our community and will dramatically transform our waterfront. The Waterfront Plan includes the expansion of both the Tennessee Aquarium and Hunter Art Museum, improvements to the Creative Discovery Museum and significant enhancements to public areas on the north and south shores.

We created the Enterprise Center which houses the economic development initiatives that are strengthening the city's economy. The Enterprise Center provides our citizens with venture capital, is helping local businesses take full advantage of our Renewal Community designation and is leading our rail initiative. We have created the Connect the Valley initiative designed to cause our city to take better advantage of the federal research facilities that surround us. In doing so, opportunities can be created to turn research developed at these institutions into products manufactured in the Chattanooga area.

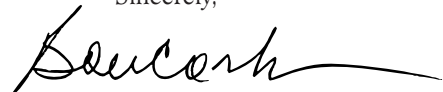
We have launched OutdoorChattanooga, an initiative that will aid the community in taking full advantage of the tremendous outdoor activities that abound throughout the region. From fly fishing to

hang gliding, from rock climbing to white water rafting, from hiking to biking, the initiative will focus on better coordinating the area's multiple outdoor assets and raising awareness of them among local citizens, visitors, and businesses and individuals being recruited to the city.

At the same time, our City government continues to improve the efficiency and effectiveness of the delivery of basic City services. In 2002, Chattanooga was one of the nation's leaders in crime reduction with the overall crime index down by nearly 20%. Implementation of the City's 311 system has democratized access to City services and provided an important tool in evaluating and improving our performance.

Chattanooga's greatest resource remains its citizens. Their self-esteem, pride and confidence is unrivaled by any other community in the country. It is an honor to be Mayor of a community with the self esteem of Chattanooga—a city of citizenry who believe they can accomplish anything that they set out to do and who work hard each day to build a great city.

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
Vice Chairman



John P. Franklin, Jr.
DISTRICT 5
Chairman



Ronald C. Littlefield
DISTRICT 6



John R. Taylor, Sr.
DISTRICT 7



Leamon Pierce
DISTRICT 8



Yusuf A. Hakeem
DISTRICT 9



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

David R. Eichenthal
City Finance Officer

Daisy W. Madison, CPA
Deputy City Finance Officer

December 1, 2003

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, 2003. 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 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.

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, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first 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 following 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 155,582. 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 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 economic environment within which the City of Chattanooga operates.

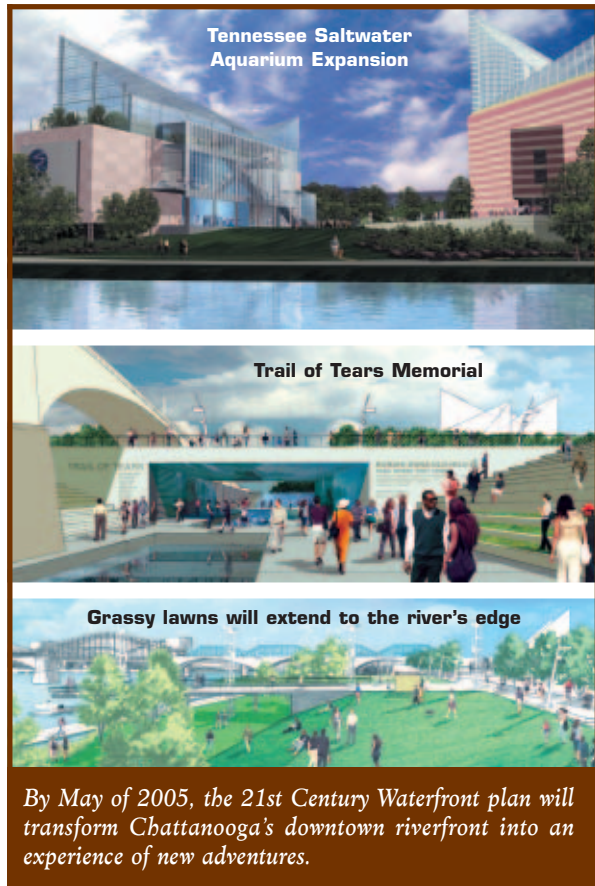
The City's Economic Future.

Employment in the Chattanooga area is diverse. The services and trades sectors now make up 32.7% and 20.4% of local employment, respectively, with manufacturing – historically, the driving engine for the region's economy – making up 20.4%. Employment in the retail service sector is driven, in part, by the presence of Hamilton Place Mall, Tennessee's largest, and now in its fourteenth 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.

Chattanooga is particularly well positioned to take advantage of future improvements in the national economy. Chattanooga enjoys strategic advantages related to its location, strong transportation system, natural resources and competitive cost of doing business. As of September 2003 the local unemployment rate of 3.5% remains significantly below the national average of 6.1% and the state average of 5.4%.

The City – along with its partners in the private sector and in County, State and the Federal government

– has systematically and strategically invested in infrastructure, recruitment and retention initiatives and technology. It has continued the process of reinventing the economy of the city in a way to meet the challenges of the 21st century. As a result, the Chamber of Commerce projects that within the next four years, 20,000 new jobs will come to the Chattanooga region.



Under the Mayor's leadership, implementation of a \$120 million public-private partnership to revitalize the City's riverfront is well underway. The 21st Century Waterfront Plan (www.waterfrontchattanooga.com) will transform the City's downtown through the creation of new park space, housing, commercial development and the expansion of three of the city's cultural gems – the Tennessee Aquarium, the Hunter Museum and the Creative Discovery Museum. Redirection of Riverfront Parkway and new pedestrian connections will increase

public access to all of these improvements. Work is on schedule for completion in May 2005.



Renovation of the Hunter Museum will include the addition of an outdoor sculpture garden as well as 20,000 square feet of interior expansion.

At the same time, the City and Hamilton County proceed on schedule with the development of Enterprise South as a world-class industrial park. Work is almost complete on the first phase of infrastructure at the 1,200 acre former site of the Volunteer Army Ammunition Plant. Now, City and County officials – working with the Chamber of Commerce – are proceeding with an



The City's new 1,200-acre Enterprise South will focus on bringing high tech jobs to Chattanooga.

aggressive marketing and recruitment plan to encourage firms to relocate to Enterprise South.

The City's new Enterprise Center will focus on efforts to bring high tech jobs to Chattanooga, building on the city's proximity to Oak Ridge, Huntsville and Tullahoma and the recent establishment of the SimCenter and Graduate School of Computational Engineering at the University of Tennessee at Chattanooga.

The federal designation of parts of Chattanooga as a Renewal Community has allowed businesses to begin to take advantage of significant tax benefits for locating there. Since the designation, 11 businesses have received \$17,644,000 in tax credits leading to the creation of 203 new jobs.

The creation of the Southside Redevelopment District led to a \$117.7 million investment in a new conference facility – The Chattanooga, a state of the art “green” City/County Development Resource Center, a new 1,029 space parking facility and an expansion of the Convention and Trade Center. All of these projects are now complete. A new federal court building and headquarters for the Electric Power Board will further bolster development on the Southside.



Expansion of the Convention and Trade Center was completed in 2003, adding 188,000 sq. ft. of meeting facilities.

Neighborhoods and quality, affordable housing continues to be a priority in the community. The MLK neighborhood is on the brink of substantial revitalization as a result of infrastructure investments and programs by

the City, the Lyndhurst Foundation and Chattanooga Neighborhood Enterprise. And an \$84 million HOPE VI project in the City's Alton Park neighborhood will produce hundreds of new units of housing and spur job creation as well.

Performance Budgeting and Enhanced Efficiency.

Governmentally, Chattanooga is going through a series of changes as well. There is a new focus within City government on efforts to both enhance the operational efficiency and effectiveness of government departments and government funded agencies. Departments are being asked to "do more with less" – with a greater focus on management and innovation to reduce costs. At the same time, the City has launched a process – chattanoogaRESULTS – where timely and accurate data is being used on a regular basis to monitor departmental performance.

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. Changes in fair value of investments is included in the statement of operations as an income/loss.

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 Postemployment Benefits.

The City provides retirement benefits through three single-employer defined benefit pension plans that cover all employees. One 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 post-retirement health care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 787 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 post-retirement benefits can be found in the notes to the financial statements.

Each year the City focuses on a department of City government describing in detail services provided. This year's focus is the newly implemented 311 Center, a division of the Office of Performance Review.

FOCUS ON

CHATTANOOGA

311

ONE CALL TO CITY HALL

Before the 311 system, Chattanoogaans had to choose from among dozens of different phone numbers when they were seeking City services or information. Often times, residents would have to call four or five different phone numbers before reaching the right one. It was frustrating for residents, who were transferred from number to number, and for City employees, who frequently tried to respond to complaints or questions without having the answers.

Since taking its first call in February 2003, 311 has changed that. Now, Chattanoogaans have one number to call to reach City Hall. And every week, customer service representatives in the City's 311 Call Center handle approximately 3000 phone calls. There is one number to call to report housing code violations or missed garbage or find out the hours for recreation centers or the landfill. The 311 Call Center can be reached 24/7 – with City customer service representatives staffing the center from 8 a.m. to 6 p.m. on weekdays.

311 is now the gateway for all non-emergency calls to the City. With a single gateway, City officials are now – for the first time – able to track both the frequency of complaints and the timeliness of the City's response. Every request for City service is now assigned a specific number, allowing citizens to call back to 311 and find out the status. Status can be checked on the City's website as well.

Chattanooga 311 has quickly become a model for other cities. Representatives from Memphis, Nashville and Atlanta have all traveled to Chattanooga to learn from the City's experience. Researchers and reporters

from other cities of a similar size – from Worcester, Massachusetts to Evansville, Indiana – have now cited Chattanooga as a model for increasing citizen access to government and improving accountability.

More importantly, Chattanoogaans have noticed the change. Surveys of 311 users have found that more than 80% rated customer service as either good or excellent.

What are Chattanoogaans saying?

- “It is heartening to know that there are individuals within our local government who know what they are doing, and more importantly, provide excellent customer service to our citizens.”
- “I wanted to comment on what a good idea 311 is...having one number to call for everything! I am pleased with it and 311 staff deserve a pat on the back.”
- “I just moved here...and the 311 Center has been most helpful to me...makes me really glad that I moved here.”



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, 2002. This was the eleventh 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.

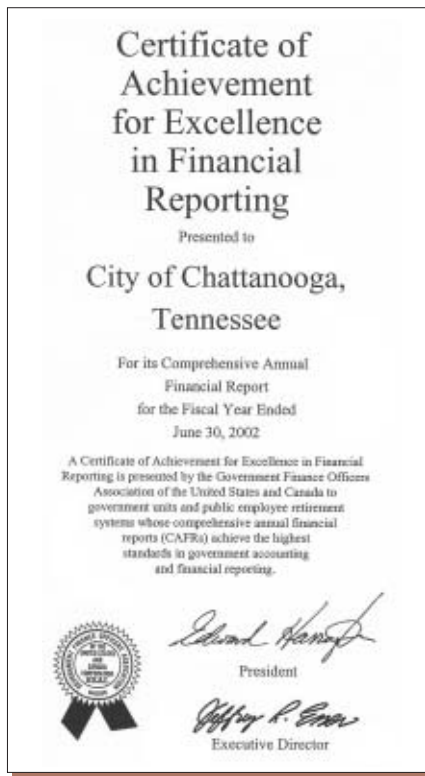
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal 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 seven 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,

David R. Eichenhal
City Finance Officer

City Officials as of June 30, 2003

BOB CORKER, MAYOR

Michael E. Compton, Chief of Staff

City Council:

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

Courts:

| | | |
|--------------------|-------|------------------|
| John W. Millican | ----- | City Court Judge |
| Russell J. Bean | ----- | City Court Judge |
| Edward C. Hammonds | ----- | City Court Clerk |

Department Administrators and Directors:

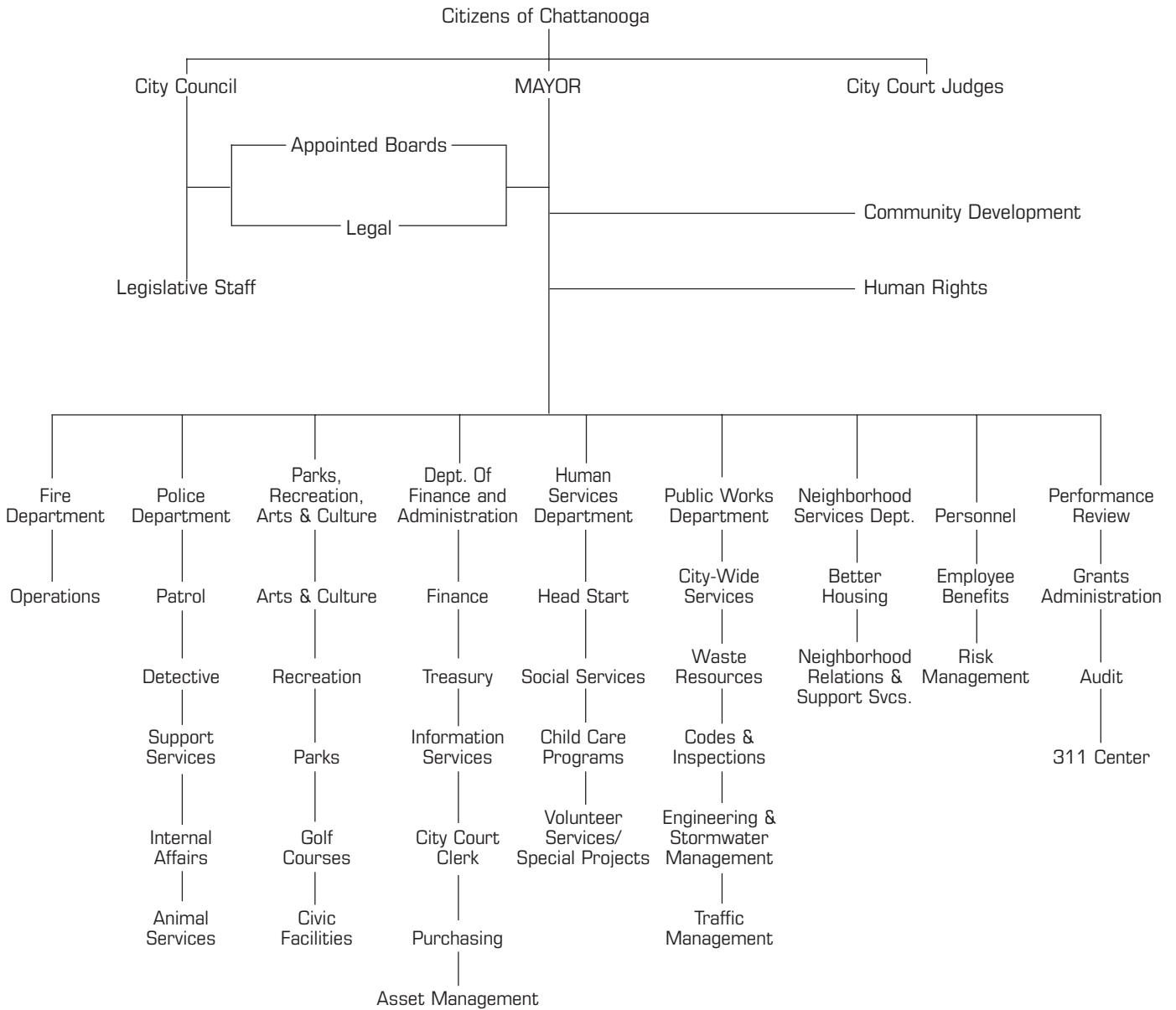
| | | | | |
|-----------------------------------|-------|--------------------------|-------|----------------------|
| LEGAL | ----- | Randall Nelson | ----- | City Attorney |
| LEGISLATIVE | ----- | Carol O'Neal | ----- | Clerk of the Council |
| PERSONNEL | ----- | Donna Kelley | ----- | Administrator |
| 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 | ----- | David R. Eichenthal | ----- | 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 | ----- | Administrator of Community Services |
| (Vacant) | ----- | Director of Asset 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 |
| David F. Clapp | ----- | 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 |
| (Vacant) | ----- | Director, Scenic Cities Beautiful Commission |



CITY OF CHATTANOOGA

Organizational Chart



cafr

Comprehensive Annual Financial Report – For the Year Ending June 30
City of Chattanooga, Tennessee

2003

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, 2003, 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 90 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 24 percent and 24 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, 2003, 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 2 to the financial statements, the City increased beginning net assets at June 30, 2002, to include revisions to capital assets and additional net pension assets computed by the actuary for the Firemen's and Policemen's Insurance and Pension Fund.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2003, 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 iii through xiv 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.

Haslett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
November 10, 2003, except for Notes 2 and 6, as to which
the date is January 16, 2004

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, 2003. 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 fiscal year by \$1.80 billion (*net assets*). Of this amount, \$89.6 million may be used to meet the government's ongoing obligations to citizens and creditors (*unrestricted net assets*), an \$18.4 million increase over last year.
- While the net assets of our business-type activities increased \$3.4 million, the net assets of our governmental activities decreased \$4.28 million or .32 percent. The City of Chattanooga chose to implement early reporting of infrastructure assets and opted to use depreciation rather than the maintenance method recognizing \$21.5 million in depreciation expense on infrastructure assets alone for the year.
- During the year, the City generated \$200.8 million in taxes and other revenues for governmental programs. This compares with \$201.2 million of program expenses, including \$32.9 million depreciation expense.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$129.5 million, an increase of \$49.6 million in comparison to last year.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$30.8 million, or 18.8 percent of total General Fund expenditures and transfers out.
- The City's primary government debt increased by \$65.7 million (16.5 percent) during the current fiscal year. \$55 million of the increase is a hotel-motel tax revenue pledge bond issue to finance the development of the riverfront. The City also issued \$12 million in general obligation bonds during the year.

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.

Government-wide financial statements. The first two statements are government-wide financial statements. They 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.

The government-wide financial statements are:

- **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 management 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 Chattanooga Downtown Redevelopment Corporation, although legally separate from the City, are important because the City is financially accountable for them. Separately issued, audited financial reports can be obtained from:

| | |
|--|-----------------------|
| Chattanooga Metropolitan Airport Authority | CARTA |
| P. O. Box 22444 | 1617 Wilcox Boulevard |
| Chattanooga, TN 37422 | Chattanooga, TN 37406 |

The Chattanooga Downtown Redevelopment Corporation is audited as part of the City of Chattanooga therefore no separately issued, audited financial report is available. However, the audited financial statements of The Chattanooga, one business within the corporation, is available from the City of Chattanooga Finance Department, 100 East 11th Street, Chattanooga, Tennessee 37402.

The government-wide financial statements begin on page 1 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 or by bond covenants; other funds are established by the City 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 with individual fund data for each of these nonmajor governmental funds 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 for funds with an annual budget are provided to demonstrate compliance with the budget. The capital projects fund is excluded since it is budgeted on a project basis.

The governmental fund financial statements begin on page 4 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 9 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 14 of this report.

Notes to the financial statements. The financial statements also include notes that provide additional information. These notes are essential to a full understanding of the information provided in the government-wide and fund financial statements.

The notes to the financial statements begin on page 18 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. Assets exceeded liabilities by \$1.8 billion at the close of the most recent fiscal year, virtually unchanged from last 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. 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 (3 percent) represents resources that are restricted in how they may be used. The remaining balance of \$89.6 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 net asset balance for the government as a whole, as well as for its governmental and 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 | | Business-type Activities | | Total | |
|---|----------------------------|--------------|-----------------------------|------------|--------------|--------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Current and other assets | \$ 253,568 | \$ 199,384 | \$ 183,476 | \$ 192,418 | \$ 437,044 | \$ 391,802 |
| Capital assets | 1,465,929 | 1,454,846 | 598,418 | 584,353 | 2,064,347 | 2,039,199 |
| Total assets | 1,719,497 | 1,654,230 | 781,894 | 776,771 | 2,501,391 | 2,431,001 |
| Long-term debt outstanding | 264,574 | 202,061 | 198,958 | 197,091 | 463,532 | 399,152 |
| Other liabilities | 111,025 | 103,989 | 119,707 | 119,847 | 230,732 | 223,836 |
| Total liabilities | 375,599 | 306,050 | 318,665 | 316,938 | 694,264 | 622,988 |
| Net assets: | | | | | | |
| Invested in capital assets, net of debt | 1,259,163 | 1,263,626 | 406,079 | 407,816 | 1,665,242 | 1,671,442 |
| Restricted | 21,805 | 29,229 | 30,443 | 36,124 | 52,248 | 65,353 |
| Unrestricted | 62,930 | 55,325 | 26,707 | 15,893 | 89,637 | 71,218 |
| Total net assets | \$ 1,343,898 | \$ 1,348,180 | \$ 463,229 | \$ 459,833 | \$ 1,807,127 | \$ 1,808,013 |

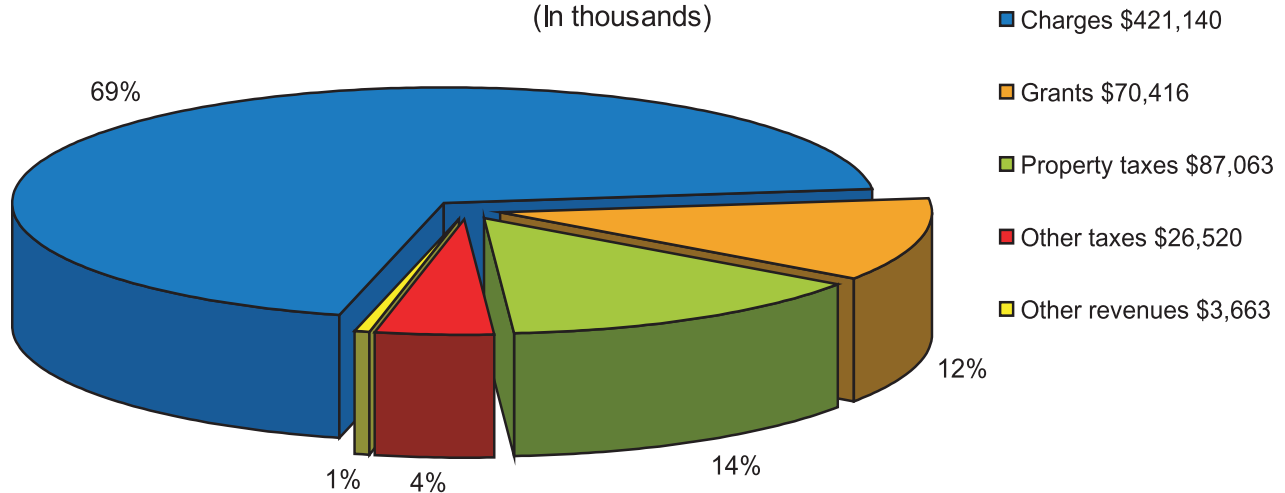
Changes in Net Assets. Net assets of the City's governmental activities decreased .32 percent to \$1.34 billion. Of that balance \$1.28 billion are either restricted on how they may be used or are invested in capital assets (buildings, roads, bridges, and so on). Therefore \$62.9 million remains to meet the City's ongoing obligations to citizens and creditors.

During the same period the net assets of the business-type activities increased .74 percent to \$463.2 million. However the City can only use these net assets to finance the continuing operations of the electric system, sewer system, storm water system, solid waste disposal and housing management.

The graphs below summarize the sources of the City's total revenues of \$608.8 million and total program expenses of \$609.7 million. These graphs include combined governmental and business-type information.

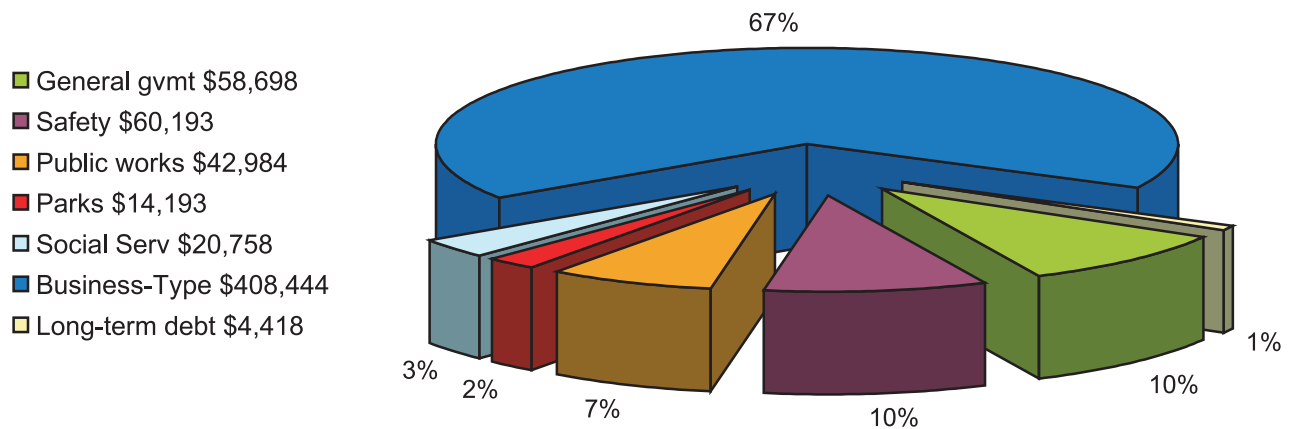
City Wide Sources of Revenue

(In thousands)



City Wide Program Expenses

(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 | | Business-type Activities | | Total | |
|--------------------------------------|----------------------------|----------------|-----------------------------|-----------------|-----------------|-----------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 17,910 | \$ 15,876 | \$ 403,230 | \$ 386,787 | \$ 421,140 | \$ 402,663 |
| Grants and contributions | 32,960 | 31,746 | 2,366 | 5,544 | 35,326 | 37,290 |
| General revenues: | | | | | | |
| Property taxes | 87,063 | 83,179 | - | - | 87,063 | 83,179 |
| Other taxes | 26,520 | 25,132 | - | - | 26,520 | 25,132 |
| Grants | 35,090 | 34,822 | - | - | 35,090 | 34,822 |
| Miscellaneous | - | - | 138 | - | 138 | - |
| Investment income | 1,274 | 1,639 | 2,251 | 3,456 | 3,525 | 5,095 |
| Total revenues | <u>200,817</u> | <u>192,394</u> | <u>407,985</u> | <u>395,787</u> | <u>608,802</u> | <u>588,181</u> |
| Expenses | | | | | | |
| Governmental activities: | | | | | | |
| General government | 58,698 | 50,549 | - | - | 58,698 | 50,549 |
| Public safety | 60,193 | 56,975 | - | - | 60,193 | 56,975 |
| Public works | 42,984 | 45,259 | - | - | 42,984 | 45,259 |
| Parks and recreation | 14,193 | 13,765 | - | - | 14,193 | 13,765 |
| Social services | 20,758 | 19,178 | - | - | 20,758 | 19,178 |
| Interest on long-term debt | 4,418 | 3,668 | - | - | 4,418 | 3,668 |
| Business-type activities: | | | | | | |
| Electric utility | - | - | 365,187 | 346,821 | 365,187 | 346,821 |
| Sewer | - | - | 31,852 | 31,565 | 31,852 | 31,565 |
| Solid waste | - | - | 5,386 | 6,429 | 5,386 | 6,429 |
| Storm water | - | - | 4,523 | 4,774 | 4,523 | 4,774 |
| Housing management | - | - | 1,496 | 930 | 1,496 | 930 |
| Total expenses | <u>201,244</u> | <u>189,394</u> | <u>408,444</u> | <u>390,519</u> | <u>609,688</u> | <u>579,913</u> |
| Excess (deficiency) before transfers | (427) | 3,000 | (459) | 5,268 | (886) | 8,268 |
| Transfers | <u>(3,856)</u> | <u>(2,165)</u> | <u>3,856</u> | <u>2,165</u> | <u>-</u> | <u>-</u> |
| Increase (decrease) in net assets | <u>\$ (4,283)</u> | <u>\$ 835</u> | <u>\$ 3,397</u> | <u>\$ 7,433</u> | <u>\$ (886)</u> | <u>\$ 8,268</u> |

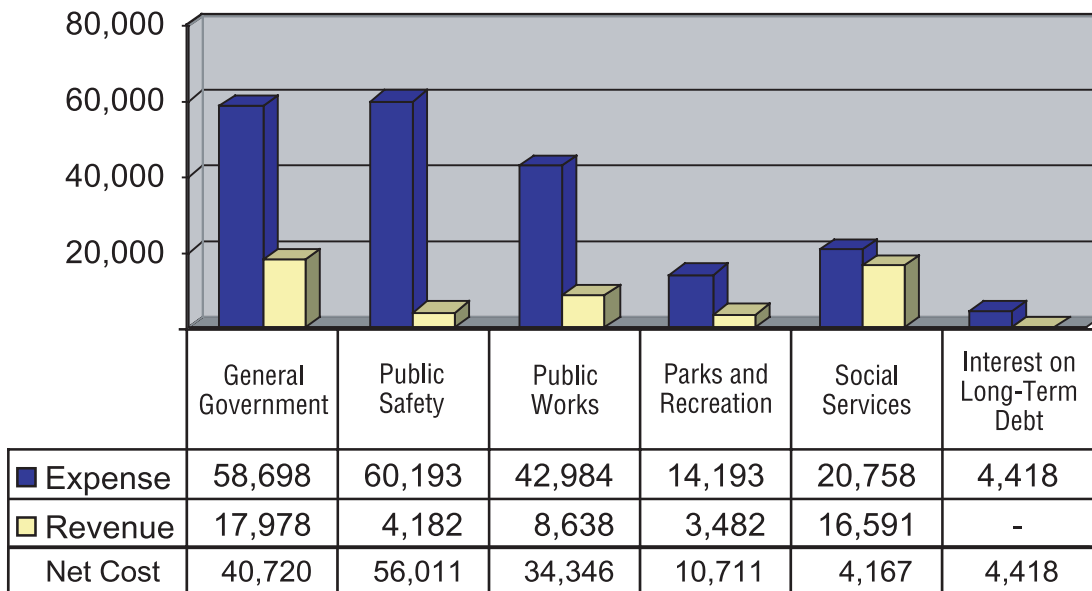
The following will consider the operations of governmental and business-type activities separately and in greater detail.

Governmental Activities. Current fiscal year revenues for the City's governmental activities were \$200.8 million compared to \$192.4 million last year, up 4.38 percent. However the increase in revenues did not keep pace with the increase in expenses. Current year expenses were \$201.2 million compared with \$189.4 last year, an increase of 6.25 percent.

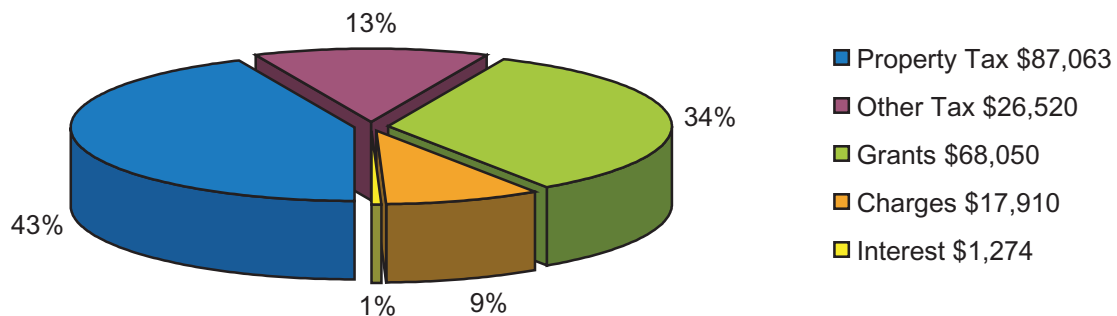
- The single largest source of governmental activity revenue, property taxes and in-lieu of tax receipts, accounted for almost all of the revenue increase. This was primarily due to increased property assessments and a 50 percent increase in delinquent tax collections.
- While personnel costs rose approximately 6 percent, a hiring freeze has been in place to keep these costs under control. The increased personnel costs were comprised of a step increase, higher health insurance premiums and an increase in employer pension contributions.

The graphs below show the revenue generated by the 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)



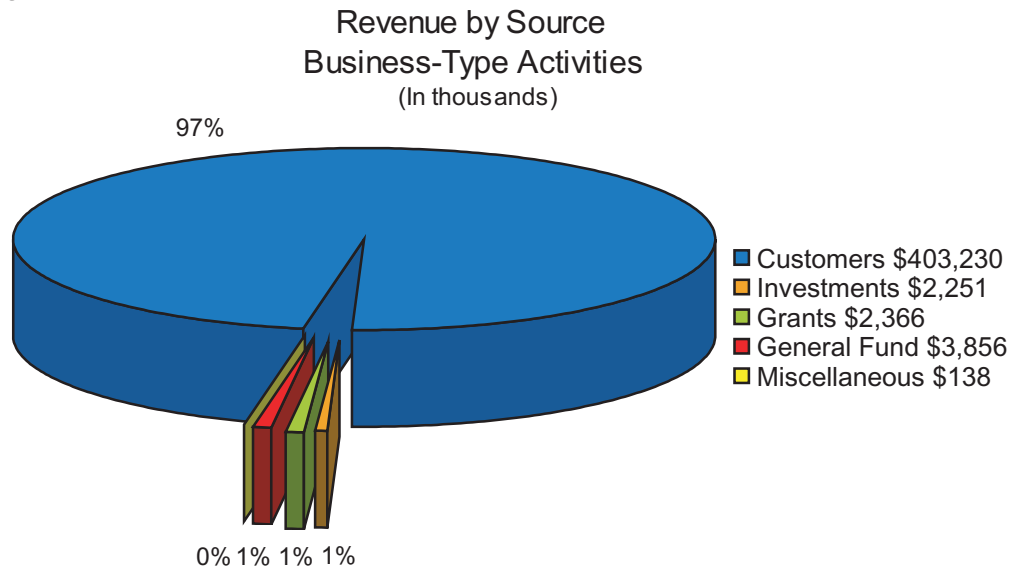
Revenues by Source - Governmental Activities
 (In thousands)



Business-type Activities. Revenues for the City’s business-type activities were \$408.0 million for the year just completed, an increase of \$12.2 million or 3.1 percent. However, the same period saw a \$14.2 million or 3.6 percent increase in expenses and special items to \$408.4 million.

- The largest source of business-type activity revenue is generated from the Electric Power Board. Revenue from electric customers rose \$14.0 million, 4.2 percent, while the telecommunications segment rose \$2.8 million, 45.7 percent. However total operating expenses increased \$18.7 million, 5.4 percent, more than offsetting the increase. \$11.7 million of the operating cost increase was additional power purchased as a result of the return to more normal weather as compared to last year’s milder weather. Net assets increased by \$937,000.
- Operating revenues for the Interceptor Sewer System were up \$681,500 or 2.1 percent in fiscal year 2003. However operating expenses increased \$2.1 million or 8.3 percent during the same period. Depreciation expense was the major factor in the increase of operating costs, reflecting the recent capital expansion program. In spite of the increase in expenses, net assets increased \$1.6 million.
- As a result of an aggressive program to meet State and Federal landfill requirements, the Solid Waste Fund remains in a negative net asset position. The major customer of the landfill is the City itself. Once the revenue from the City is included (accounted for as a transfer from General Fund) operating income is \$1.59 million. However \$1.61 million was transferred out to cover waste collection equipment purchases no longer accounted for in the fund, causing a decrease in net assets for the year.
- Expenses in the Storm Water Fund were down \$251,000 or 5.3 percent this year as a result of restructuring debt. However operating revenue was down 8.2 percent or \$449,000. Current year revenue exceeded expenses resulting in a \$1.2 million increase in net assets.
- The Housing Management Fund reported \$1.19 million in rental income, an increase of 19.4 percent from last year. During the same period operating expenses increased 52.0 percent to \$1.33 million with approximately 40 percent of that increase attributable to depreciation on the recently completed renovation of an elderly, low-income apartment building. The fund ended the year with increased net assets of \$963,500 with the help of grant revenue for renovations.

The graph below presents the major sources of revenue for business-type activities. Also presented is a chart showing the operating revenue generated by each business-type activity as compared with the operating expenses associated with providing each service.



Expenses and Revenues
Business-Type Activities
(in thousands)

| | Electric | Sewer | Solid Waste | Storm Water | Housing |
|----------------------|---------------|-----------------|-------------------|-----------------|---------------|
| Expense | \$ 365,187 | \$ 31,852 | \$ 5,386 | \$ 4,523 | \$ 1,496 |
| Revenue | 366,124 | 33,465 | 4,079 | 5,713 | 2,460 |
| Change in net assets | <u>\$ 937</u> | <u>\$ 1,613</u> | <u>\$ (1,307)</u> | <u>\$ 1,190</u> | <u>\$ 964</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. The following provides a more detailed analysis of 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 \$129.5 million. 89.1 percent of this amount (\$115.4 million) is available for day-to-day operations (unreserved fund balance). All of the governmental funds reported a positive ending fund balance. Information about the major governmental funds is presented below.

General Fund. This is the chief operating fund of the City of Chattanooga. At the end of the current fiscal year, unreserved fund balance was \$37.2 million, of which \$6.4 million is designated for future spending. Total fund balance of the City's General Fund increased by 13.1 percent or \$4.7 million to \$40.7 million during the fiscal year. Key factors in this growth are as follows:

- Total revenues increased by \$4.1 million over the prior year. Most of this increase was due to a \$3.8 million increase in current and delinquent property tax collections. There was no increase in property tax rates.
- Expenditures and transfers to other funds, when combined, increased from \$163.0 million to \$164.0 million, well below anticipated budget.

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 \$69 million in fund balance of which \$10.1 million was reserved for completion of projects already begun. This is a \$44.1 million increase from last year's fund balance due to new debt issued during the year.

- Cash inflows for the year include the issuance of \$68 million in bonds and \$4 million received from federal, state and county governments for projects.
- Current year expenditures of \$37.8 million include \$2.6 million for police technology, \$3.6 million for industrial development at Enterprise South, \$9.7 million for street and streetscape projects, and \$9.2 million for the beginning of the waterfront development.

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 \$464.1 million. Of this amount, \$57.5 million was available to meet on-going obligations with the majority, \$406.7 million, invested in capital assets. Information about the major enterprise funds is presented below.

- Net assets of the Electric Power Board increased \$937,000 to \$230.2 million for fiscal year 2003. The increase is primarily due to capital contributions of \$1 million. EPB has \$28.8 million available to finance day-to-day operations (unrestricted net assets).
- The Interceptor Sewer System reported an increase of \$1.6 million in net assets to \$224.7 million. \$19.8 million is unrestricted net assets, those that can be used to finance on-going operations with an additional \$21.3 million set aside for capital improvements. Sewer service charges, the largest component of revenue, increased by \$615,000 or 2.4 percent.
- 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 \$5.4 million for a closed landfill and \$3.7 million for a landfill currently in operation; a \$398,000 or 4.6 percent increase over last year. Much of the burden of these costs is being financed through general obligation bonds.

General Fund Budgetary Highlights. The City's budget ordinance provides for the basic functions of City government, encompassing all major departments and agencies of the City. The only differences between original and final budgets were due to reallocations within the General Fund for these functions as authorized in the budget ordinance.

When comparing the final budgeted revenues to actual, there was a \$154,000 shortfall for the year primarily due to reduced revenue from the State and declines in investment income. These reduced revenues were largely offset by the \$1.1 million increase in taxes. Expenditures were less than budgetary estimates in all departments by a combined \$4.9 million resulting in excess revenues over expenditures of \$4.8 million on a budgetary basis in General Fund. The reduction in expenditures is largely due to vacancies not filled.

Capital Asset and Debt Administration

Capital Assets. At the end of this year, the City had \$1.9 billion (net of accumulated depreciation) invested in capital assets, an increase of 6 percent. 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 | | Business-type Activities | | Total | |
|-------------------------|----------------------------|---------------------|-----------------------------|-------------------|---------------------|---------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Non-depreciable: | | | | | | |
| Land & Easements | \$ 930,234 | \$ 915,432 | \$ 14,648 | \$ 14,222 | \$ 944,882 | \$ 929,654 |
| Work in progress | 57,126 | 55,168 | 9,061 | 10,203 | 66,187 | 65,371 |
| Depreciable: | | | | | | |
| Buildings | 76,590 | 79,421 | 52,437 | 47,322 | 129,027 | 126,743 |
| Equipment | 26,155 | 24,201 | 213,134 | 197,779 | 239,289 | 221,980 |
| Improvements | 6,628 | 6,485 | - | - | 6,628 | 6,485 |
| Infrastructure | 369,196 | 374,139 | 309,138 | 314,827 | 678,334 | 688,966 |
| Total | \$ 1,465,929 | \$ 1,454,846 | \$ 598,418 | \$ 584,353 | \$ 2,064,347 | \$ 2,039,199 |

This year's major capital asset additions include:

- General infrastructure assets of \$16.5 million.
- Land and work-in-progress includes \$6.6 million on the 21st Century Waterfront development and \$3.6 million for development of the Enterprise South industrial park.
- Electric Power Board investment of \$21.8 million in plant assets for the year. This includes \$20.4 million in power distribution systems and \$1.4 million for telecommunications.
- \$16.3 million was capitalized as new infrastructure for the Interceptor Sewer System.

The City's capital improvement program anticipates spending another \$153.7 million for capital projects over the next five years for various projects. There are plans to issue an additional \$11 million in general obligation bonds during fiscal year 2004 to help finance these projects.

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 \$464.7 million in long-term debt outstanding. This is a \$65.7 million increase (16.5 percent) increase over last year. Detail is shown in the table and narrative that follow.

City of Chattanooga's Long-term Debt
(in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| General obligation bonds (backed by the City) | \$ 132,761 | \$ 68,794 | \$ 149,195 | \$ 159,206 | \$ 281,956 | \$ 228,000 |
| Revenue bonds (backed by specific revenues) | - | - | 36,800 | 38,400 | 36,800 | 38,400 |
| Notes payable | 5,620 | 6,894 | 24,118 | 9,523 | 29,738 | 16,417 |
| Capital leases | 115,925 | 115,925 | 271 | 288 | 116,196 | 116,213 |
| Total | <u>\$ 254,306</u> | <u>\$ 191,613</u> | <u>\$ 210,384</u> | <u>\$ 207,417</u> | <u>\$ 464,690</u> | <u>\$ 399,030</u> |

- 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 \$326.0 million. The City's tax-supported debt of \$254.3 million is well within that limit.

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

- General obligation refunding bonds were issued for \$38.3 million in July 2002. This was to refund \$5.9 million in governmental and \$31.6 million in business-type (Interceptor Sewer System) debt. It is expected to yield \$3.3 million in savings.

- Hotel-motel tax revenue pledge bonds were issued in October 2002 for \$55 million to fund the 21st Century Waterfront development, a governmental activity.
- General obligation bonds of \$12.2 million were issued in April 2003 for general capital improvements. The issue was combined with a business-type (Interceptor Sewer System) refunding issue of \$13.2 million to refund \$12.7 million with an expected savings of \$652,000.
- A \$37.3 million state revolving loan was approved for the Interceptor Sewer System in April 2003. At year-end \$15.0 million had been drawn down on the project. This was to finance sewer system projects already in progress.

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 factors were taken into account when adopting the General Fund budget for 2004:

- The local unemployment rate remains below the national and state rates. As of September 2003 the local unemployment rate of 3.5 percent remains significantly below the national average of 6.1 percent and the state average of 5.4 percent.
- A steady increase in our economic base as indicated by rising assessed valuations of \$58.3 million, or 1.8 percent over 2002.
- Interest rates on investments are expected to remain at an historical low.
- Anticipated nine percent reduction in state-shared revenues.

Anticipated revenues in the General Fund budget are \$167.2 million, down 1.6 percent from the 2003 budget. Property tax collections are expected to increase 2.7 percent in the coming year. This growth is expected to be offset by an anticipated intergovernmental revenue decrease of 9.3 percent. Budgeted expenditures are expected to decrease 2 percent to \$167 million from \$170 million. With the exception of salaries and medical costs, departmental operations are budgeted at less than the prior year. No decrease in fund balance of the General Fund is expected for fiscal year 2004.

As for the City's business-type activities, we expect that the 2004 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
www.chattanooga.gov

cafr

Comprehensive Annual Financial Report – For the Year Ending June 30
City of Chattanooga, Tennessee

2003

**Basic Financial
Statements**

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2003

| | Primary Government | | | Components Units |
|---|----------------------------|-----------------------------|-------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 27,093,895 | \$ 49,659,533 | \$ 76,753,428 | \$ 3,094,386 |
| Investments | 34,642,451 | 64,896,951 | 99,539,402 | 130,031 |
| Receivables, net of allowance for uncollectibles | 119,689,172 | 40,560,542 | 160,249,714 | 2,918,969 |
| Net investment in capital lease | - | - | - | 115,925,472 |
| Internal balances | (33,341) | 33,341 | - | - |
| Due from component units | 450,000 | - | 450,000 | - |
| Due from primary government | - | - | - | 826,065 |
| Deferred charges | - | 2,168,858 | 2,168,858 | 1,917,481 |
| Inventories | 1,937,796 | 6,473,947 | 8,411,743 | 285,313 |
| Prepaid items | 1,639,216 | - | 1,639,216 | 640,537 |
| Other assets | - | 6,769,327 | 6,769,327 | - |
| Restricted assets: | | | | |
| Cash and cash equivalents | 5,606,992 | 7,031,411 | 12,638,403 | 1,578,671 |
| Investments | 54,284,527 | 5,809,390 | 60,093,917 | 14,805,698 |
| Receivables | - | 39,924 | 39,924 | 235,852 |
| Land | - | 33,000 | 33,000 | - |
| Net pension assets | 8,257,560 | - | 8,257,560 | 172,677 |
| Land and other nondepreciable assets | 987,359,568 | 23,708,662 | 1,011,068,230 | 6,545,119 |
| Other capital assets, net of accumulated depreciation | 478,569,054 | 574,709,056 | 1,053,278,110 | 67,534,176 |
| Total assets | 1,719,496,890 | 781,893,942 | 2,501,390,832 | 216,610,447 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 15,371,281 | 68,808,917 | 84,180,198 | 4,531,440 |
| Customer deposits | - | 11,537,000 | 11,537,000 | - |
| Due to component units | 826,065 | - | 826,065 | - |
| Due to primary government | - | - | - | 450,000 |
| Contracts payable | 379,401 | 298,103 | 677,504 | 845,846 |
| Deferred revenue | 88,843,363 | - | 88,843,363 | 417,899 |
| Accrued closure and post-closure care | - | 9,103,968 | 9,103,968 | - |
| Accrued postretirement benefits | - | 10,378,000 | 10,378,000 | - |
| Conservation advances | - | 2,028,000 | 2,028,000 | - |
| Other liabilities | - | 3,897,000 | 3,897,000 | - |
| Long-term liabilities: | | | | |
| Due within one year | 5,604,809 | 13,655,910 | 19,260,719 | 505,000 |
| Due in more than one year | 264,574,376 | 198,957,547 | 463,531,923 | 144,866,675 |
| Total liabilities | 375,599,295 | 318,664,445 | 694,263,740 | 151,616,860 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 1,259,163,329 | 406,079,565 | 1,665,242,894 | 58,007,163 |
| Restricted for: | | | | |
| Capital projects | 21,804,937 | - | 21,804,937 | - |
| Debt service | - | - | - | 15,618,246 |
| Renewal and replacement | - | 30,443,337 | 30,443,337 | - |
| Unrestricted | 62,929,329 | 26,706,595 | 89,635,924 | (8,631,822) |
| Total net assets | \$ 1,343,897,595 | \$ 463,229,497 | \$ 1,807,127,092 | \$ 64,993,587 |

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

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2003

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------|-----------------------|-----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT | | | | |
| Governmental activities: | | | | |
| General government | \$ 58,698,292 | \$ 10,499,475 | \$ 6,225,613 | \$ 1,252,783 |
| Public safety | 60,193,174 | 849,414 | 1,121,767 | 2,210,669 |
| Public works | 42,983,849 | 2,049,593 | 4,457,386 | 2,130,861 |
| Parks and recreation | 14,193,439 | 2,848,092 | 524,716 | 109,000 |
| Social services | 20,758,129 | 1,664,301 | 14,927,080 | - |
| Interest on long-term debt | 4,417,740 | - | - | - |
| Total governmental activities | <u>201,244,623</u> | <u>17,910,875</u> | <u>27,256,562</u> | <u>5,703,313</u> |
| Business-type activities: | | | | |
| Electric utility | 365,187,000 | 363,565,000 | - | 1,058,000 |
| Sewer | 31,851,449 | 32,757,729 | - | - |
| Solid waste/sanitation | 5,385,859 | 667,253 | 66,196 | - |
| Storm water | 4,523,419 | 5,015,639 | - | 6,440 |
| Housing management | 1,496,241 | 1,224,098 | - | 1,235,096 |
| Total business-type activities | <u>408,443,968</u> | <u>403,229,719</u> | <u>66,196</u> | <u>2,299,536</u> |
| TOTAL PRIMARY GOVERNMENT | <u>\$ 609,688,591</u> | <u>\$ 421,140,594</u> | <u>\$ 27,322,758</u> | <u>\$ 8,002,849</u> |
| Component units: | | | | |
| Airport authority | \$ 7,377,036 | \$ 5,634,222 | \$ - | \$ 3,574,413 |
| Transportation authority | 13,962,152 | 3,673,187 | 5,303,518 | 4,999,651 |
| Downtown redevelopment | 17,639,885 | 10,977,872 | - | 6,950,746 |
| TOTAL COMPONENT UNITS | <u>\$ 38,979,073</u> | <u>\$ 20,285,281</u> | <u>\$ 5,303,518</u> | <u>\$ 15,524,810</u> |

General revenues:
 Property taxes
 City-levied sales tax
 Liquor and beer taxes
 Other taxes
 Unrestricted investment earnings
 Miscellaneous
 Grants and contributions not allocated to specific programs
 Transfers
 Total general revenues and transfers
 Change in net assets
 Net assets, beginning (as restated)
 Net assets, ending

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

| Net (Expense) Revenue and Changes in Net Assets | | | |
|--|-----------------------------|-------------------------|----------------------|
| Primary Government | | | Components Units |
| Governmental Activities | Business-type Activities | Total | |
| \$ (40,720,421) | \$ - | \$ (40,720,421) | \$ - |
| (56,011,324) | - | (56,011,324) | - |
| (34,346,009) | - | (34,346,009) | - |
| (10,711,631) | - | (10,711,631) | - |
| (4,166,748) | - | (4,166,748) | - |
| (4,417,740) | - | (4,417,740) | - |
| <u>(150,373,873)</u> | <u>-</u> | <u>(150,373,873)</u> | <u>-</u> |
| - | (564,000) | (564,000) | - |
| - | 906,280 | 906,280 | - |
| - | (4,652,410) | (4,652,410) | - |
| - | 498,660 | 498,660 | - |
| - | 962,953 | 962,953 | - |
| <u>-</u> | <u>(2,848,517)</u> | <u>(2,848,517)</u> | <u>-</u> |
| <u>(150,373,873)</u> | <u>(2,848,517)</u> | <u>(153,222,390)</u> | <u>-</u> |
| - | - | - | 1,831,599 |
| - | - | - | 14,204 |
| - | - | - | 288,733 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>2,134,536</u> |
| 87,063,509 | - | 87,063,509 | - |
| 17,940,768 | - | 17,940,768 | - |
| 5,864,304 | - | 5,864,304 | - |
| 2,713,523 | - | 2,713,523 | - |
| 1,274,391 | 2,251,420 | 3,525,811 | 688,233 |
| - | 137,987 | 137,987 | 1,005,958 |
| 35,089,989 | - | 35,089,989 | - |
| (3,855,642) | 3,855,642 | - | - |
| <u>146,090,842</u> | <u>6,245,049</u> | <u>152,335,891</u> | <u>1,694,191</u> |
| (4,283,031) | 3,396,532 | (886,499) | 3,828,727 |
| <u>1,348,180,626</u> | <u>459,832,965</u> | <u>1,808,013,591</u> | <u>61,164,860</u> |
| <u>\$ 1,343,897,595</u> | <u>\$ 463,229,497</u> | <u>\$ 1,807,127,092</u> | <u>\$ 64,993,587</u> |

CITY OF CHATTANOOGA, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2003

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|-----------------------|----------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,657,163 | \$ 15,351,034 | \$ 14,850,346 | \$ 31,858,543 |
| Investments | 33,917,451 | 54,284,527 | 725,000 | 88,926,978 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Taxes | 85,176,121 | - | - | 85,176,121 |
| Accounts | - | 28,580 | 527,725 | 556,305 |
| Notes | 1,500,000 | - | 3,752,548 | 5,252,548 |
| Other | 3,980,124 | - | - | 3,980,124 |
| Due from other funds | - | 1,175,757 | - | 1,175,757 |
| Due from component units | 450,000 | - | - | 450,000 |
| Due from other governments | 19,210,393 | 2,482,445 | 2,699,734 | 24,392,572 |
| Inventories | 1,018,454 | - | - | 1,018,454 |
| Prepaid items | 1,639,216 | - | - | 1,639,216 |
| Total assets | <u>\$ 148,548,922</u> | <u>\$ 73,322,343</u> | <u>\$ 22,555,353</u> | <u>\$ 244,426,618</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 4,082,907 | \$ 2,513,839 | \$ 1,308,568 | \$ 7,905,314 |
| Due to other funds | 2,005,775 | - | 848,656 | 2,854,431 |
| Due to other governments | 2,206,744 | 602,818 | - | 2,809,562 |
| Due to component units | - | 826,065 | - | 826,065 |
| Deferred revenue | 99,575,516 | - | 527,430 | 100,102,946 |
| Contracts payable | - | 379,401 | - | 379,401 |
| Total liabilities | <u>107,870,942</u> | <u>4,322,123</u> | <u>2,684,654</u> | <u>114,877,719</u> |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Encumbrances | 849,253 | 10,096,303 | 514,175 | 11,459,731 |
| Inventories | 1,018,454 | - | - | 1,018,454 |
| Prepaid items | 1,639,216 | - | - | 1,639,216 |
| Unreserved, designated for: | | | | |
| Debt service | - | - | 4,988,142 | 4,988,142 |
| Subsequent years' expenditures | 6,386,356 | 54,284,527 | - | 60,670,883 |
| Unreserved, undesignated, reported in: | | | | |
| General fund | 30,784,701 | - | - | 30,784,701 |
| Capital projects fund | - | 4,619,390 | - | 4,619,390 |
| Special revenue | - | - | 14,368,382 | 14,368,382 |
| Total fund balances | <u>40,677,980</u> | <u>69,000,220</u> | <u>19,870,699</u> | <u>129,548,899</u> |
| Total liabilities and fund balances | <u>\$ 148,548,922</u> | <u>\$ 73,322,343</u> | <u>\$ 22,555,353</u> | <u>\$ 244,426,618</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, 2003

Differences in amounts reported for governmental activities in the statement of net assets on page 1:

| | |
|---|-------------------------|
| Fund balances - total governmental funds | \$ 129,548,899 |
| 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. | 1,465,340,389 |
| 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. | 11,259,583 |
| 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. | 8,257,560 |
| 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. | 901,738 |
| 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. This item consists of the following: | |
| General obligation serial bonds | \$ (132,760,450) |
| Less net deferred refunding and original premiums and discounts | 66,096 |
| Notes payable | (5,620,284) |
| Capital leases | (115,925,472) |
| Compensated absences | (15,427,170) |
| Accrued interest payable | <u>(1,743,294)</u> |
| | <u>(271,410,574)</u> |
| Net assets of governmental activities | <u>\$ 1,343,897,595</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, 2003

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|----------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes | \$ 112,029,460 | \$ - | \$ 876,506 | \$ 112,905,966 |
| Licenses and permits | 6,649,684 | - | - | 6,649,684 |
| Intergovernmental | 39,996,512 | 4,027,264 | 22,512,032 | 66,535,808 |
| Charges for services | 3,177,236 | - | 73,112 | 3,250,348 |
| Fines, forfeitures, and penalties | 1,427,540 | - | - | 1,427,540 |
| Investment income | 883,363 | 1,015,592 | 391,028 | 2,289,983 |
| Miscellaneous | 4,486,874 | 674,987 | 2,417,480 | 7,579,341 |
| Total revenues | <u>168,650,669</u> | <u>5,717,843</u> | <u>26,270,158</u> | <u>200,638,670</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 51,924,116 | - | 17,431,663 | 69,355,779 |
| Public safety | 57,757,342 | - | 264,346 | 58,021,688 |
| Public works | 19,431,285 | - | 3,951,043 | 23,382,328 |
| Parks and recreation | 12,506,050 | - | - | 12,506,050 |
| Community development | - | - | 4,461,967 | 4,461,967 |
| Capital outlay/fixed assets | - | 37,818,283 | 635,408 | 38,453,691 |
| Debt service: | | | | |
| Principal retirement | - | - | 4,753,112 | 4,753,112 |
| Interest and fiscal charges | - | - | 4,453,705 | 4,453,705 |
| Total expenditures | <u>141,618,793</u> | <u>37,818,283</u> | <u>35,951,244</u> | <u>215,388,320</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>27,031,876</u> | <u>(32,100,440)</u> | <u>(9,681,086)</u> | <u>(14,749,650)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 65,322 | 9,525,769 | 11,868,682 | 21,459,773 |
| Transfers out | (22,386,913) | (1,468,230) | (1,460,272) | (25,315,415) |
| Proceeds of refunding bonds | - | - | 6,244,753 | 6,244,753 |
| Proceeds of bonds and notes | - | 68,163,714 | - | 68,163,714 |
| Payment to refunded bonds escrow agent | - | - | (6,185,569) | (6,185,569) |
| Total other financing sources (uses) | <u>(22,321,591)</u> | <u>76,221,253</u> | <u>10,467,594</u> | <u>64,367,256</u> |
| Net change in fund balance | 4,710,285 | 44,120,813 | 786,508 | 49,617,606 |
| FUND BALANCE, beginning | <u>35,967,695</u> | <u>24,879,407</u> | <u>19,084,191</u> | <u>79,931,293</u> |
| FUND BALANCE, ending | <u>\$ 40,677,980</u> | <u>\$ 69,000,220</u> | <u>\$ 19,870,699</u> | <u>\$ 129,548,899</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, 2003

Differences in amounts reported for governmental activities in the statement of activities on pages 2 and 3:

| | |
|---|-----------------------|
| Net change in fund balances - total governmental funds | \$ 49,617,606 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Capital outlay expenditures in governmental funds, that meet the capitalization threshold, are shown as capital assets in the Statement of Net Assets. | 44,021,298 |
| Depreciation expense on governmental capital assets are included in the governmental activities in the Statement of Activities. | (32,840,728) |
| 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. | (63,369,547) |
| The net expenses of internal service funds are reported with governmental activities | (655,870) |
| 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. | (1,234,358) |
| Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds. | <u>178,568</u> |
| Change in net assets of governmental activities | <u>\$ (4,283,031)</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, 2003

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--|---------------------|---------------------|-----------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 110,922,448 | \$ 110,922,448 | \$ 112,029,460 | \$ 1,107,012 |
| Licenses and permits | 6,587,908 | 6,587,908 | 6,649,684 | 61,776 |
| Intergovernmental | 40,866,627 | 40,866,627 | 39,996,512 | (870,115) |
| Charges for services | 3,481,573 | 3,481,573 | 3,177,236 | (304,337) |
| Fines, forfeitures, and penalties | 1,761,760 | 1,761,760 | 1,427,540 | (334,220) |
| Miscellaneous | 6,177,004 | 6,178,448 | 6,364,307 | 185,859 |
| Total revenues | <u>169,797,320</u> | <u>169,798,764</u> | <u>169,644,739</u> | <u>(154,025)</u> |
| EXPENDITURES | | | | |
| General government | 46,135,811 | 46,200,334 | 44,624,698 | (1,575,636) |
| Finance and Administration | 9,633,541 | 9,633,541 | 8,357,735 | (1,275,806) |
| Police | 35,976,450 | 35,938,516 | 35,670,358 | (268,158) |
| Fire | 23,007,450 | 23,007,450 | 22,344,424 | (663,026) |
| Public Works | 20,187,713 | 20,187,710 | 19,495,608 | (692,102) |
| Parks and Recreation | 12,867,940 | 12,867,940 | 12,405,220 | (462,720) |
| Total expenditures | <u>147,808,905</u> | <u>147,835,491</u> | <u>142,898,043</u> | <u>(4,937,448)</u> |
| Excess of revenues over expenditures | <u>21,988,415</u> | <u>21,963,273</u> | <u>26,746,696</u> | <u>4,783,423</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 65,322 | 65,322 | 65,322 | - |
| Transfers out | <u>(22,625,245)</u> | <u>(22,570,368)</u> | <u>(22,386,913)</u> | <u>183,455</u> |
| Total other financing sources (uses) | <u>(22,559,923)</u> | <u>(22,505,046)</u> | <u>(22,321,591)</u> | <u>183,455</u> |
| Net change in fund balance | <u>\$ (571,508)</u> | <u>\$ (541,773)</u> | 4,425,105 | <u>\$ 4,966,878</u> |
| Adjustment for encumbrances | | | <u>285,180</u> | |
| Net change in fund balance (GAAP basis) | | | 4,710,285 | |
| FUND BALANCE at beginning of year (GAAP basis) | | | <u>35,967,695</u> | |
| FUND BALANCE at end of year (GAAP basis) | | | <u>\$ 40,677,980</u> | |
| EXPLANATION OF DIFFERENCES: | | | | |
| REVENUES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 169,644,739 | |
| Employee benefit payments received from other funds | | | <u>(994,070)</u> | |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | <u>\$ 168,650,669</u> | |
| EXPENDITURES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 142,898,043 | |
| Adjustment for encumbrances | | | <u>(285,180)</u> | |
| Employee benefit payments for other funds | | | <u>(994,070)</u> | |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | <u>\$ 141,618,793</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, 2003

| | 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 | \$ 30,085,000 | \$ 9,568,553 | \$ 3,682,853 | \$ 6,323,127 | \$ 49,659,533 | \$ 842,344 |
| Investments | 31,212,000 | 21,039,951 | - | - | 52,251,951 | - |
| Receivables: | | | | | | |
| Customer service | 31,341,000 | 5,737,911 | 81,158 | 687,087 | 37,847,156 | 75,728 |
| Other | 562,000 | 1,497,327 | - | - | 2,059,327 | - |
| Less allowance for doubtful accounts | (750,000) | (2,600) | (1,200) | (405,079) | (1,158,879) | - |
| Inventories | 5,657,000 | 816,947 | - | - | 6,473,947 | 919,342 |
| Due from other funds | - | 32,813 | - | 528 | 33,341 | 1,645,333 |
| Due from other governments | - | 277,470 | - | 149,468 | 426,938 | 255,774 |
| Other current assets | 1,822,000 | - | - | 72,327 | 1,894,327 | - |
| Total current assets | 99,929,000 | 38,968,372 | 3,762,811 | 6,827,458 | 149,487,641 | 3,738,521 |
| RESTRICTED ASSETS | | | | | | |
| Cash and cash equivalents | - | - | 7,031,411 | - | 7,031,411 | - |
| Investments | - | 1,342,995 | 4,466,395 | - | 5,809,390 | - |
| Accounts receivable | - | - | 39,924 | - | 39,924 | - |
| Land | - | 33,000 | - | - | 33,000 | - |
| Total restricted assets | - | 1,375,995 | 11,537,730 | - | 12,913,725 | - |
| CAPITAL ASSETS | | | | | | |
| Land | 4,150,000 | 7,912,163 | 1,517,514 | 1,068,299 | 14,647,976 | - |
| Buildings | 15,336,000 | 41,077,081 | 1,717,098 | 8,535,809 | 66,665,988 | 589,948 |
| Vehicles and machinery | 359,082,000 | 11,447,248 | 5,113,778 | 1,138,915 | 376,781,941 | 1,154,632 |
| Construction in progress | 8,453,000 | - | - | 607,686 | 9,060,686 | - |
| Sewer system | - | 388,523,966 | - | - | 388,523,966 | - |
| Storm water system | - | - | - | 39,872,304 | 39,872,304 | - |
| Telecommunications system | 15,857,000 | - | - | - | 15,857,000 | - |
| | 402,878,000 | 448,960,458 | 8,348,390 | 51,223,013 | 911,409,861 | 1,744,580 |
| Less accumulated depreciation | (165,158,000) | (139,039,496) | (3,738,910) | (5,055,737) | (312,992,143) | (1,156,347) |
| Net capital assets | 237,720,000 | 309,920,962 | 4,609,480 | 46,167,276 | 598,417,718 | 588,233 |
| OTHER ASSETS | | | | | | |
| Deferred charges | 585,000 | 1,259,876 | 187,840 | 136,142 | 2,168,858 | - |
| Conservation loans receivable | 1,386,000 | - | - | - | 1,386,000 | - |
| TVA discounted energy units | 4,875,000 | - | - | - | 4,875,000 | - |
| Noncurrent investments | 12,645,000 | - | - | - | 12,645,000 | - |
| Total other assets | 19,491,000 | 1,259,876 | 187,840 | 136,142 | 21,074,858 | - |
| Total assets | \$ 357,140,000 | \$ 351,525,205 | \$ 20,097,861 | \$ 53,130,876 | \$ 781,893,942 | \$ 4,326,754 |

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

| | Business-type Activities - Enterprise Funds | | | | Total | Governmental Activities - Internal Service Funds |
|--|---|--------------------------------|----------------------------|----------------------|-----------------------|---|
| | EPB | Interceptor Sewer System | Solid Waste/ Sanitation | Other Funds | | |
| CURRENT LIABILITIES | | | | | | |
| Current maturities of long-term liabilities | \$ 1,600,000 | \$ 9,024,684 | \$ 1,724,865 | \$ 1,306,361 | \$ 13,655,910 | \$ - |
| Accounts payable and accrued liabilities | 60,057,000 | 3,682,368 | 687,334 | 4,382,215 | 68,808,917 | 378,111 |
| Accrued claims | - | - | - | - | - | 2,535,000 |
| Deposits | 11,537,000 | - | - | - | 11,537,000 | - |
| Contracts payable | - | 293,846 | - | 4,257 | 298,103 | - |
| Conservation advances | 607,000 | - | - | - | 607,000 | - |
| Other current liabilities | 3,897,000 | - | - | - | 3,897,000 | - |
| Total current liabilities | 77,698,000 | 13,000,898 | 2,412,199 | 5,692,833 | 98,803,930 | 2,913,111 |
| LONG-TERM LIABILITIES | | | | | | |
| Notes and capital leases payable | - | 22,488,056 | - | 1,439,893 | 23,927,949 | - |
| Compensated absences | 2,255,000 | 763,386 | 145,609 | 184,127 | 3,348,122 | 511,905 |
| Accrued closure and post closure care | - | - | 9,103,968 | - | 9,103,968 | - |
| Revenue bonds payable | 35,200,000 | - | - | - | 35,200,000 | - |
| General obligation bonds payable | - | 92,029,992 | 27,977,365 | 17,659,840 | 137,667,197 | - |
| Deferred refunding | - | (4,461,008) | (662,337) | (473,920) | (5,597,265) | - |
| Original issue premium | - | 2,965,138 | 827,884 | 618,522 | 4,411,544 | - |
| Conservation advances | 1,421,000 | - | - | - | 1,421,000 | - |
| Accrued postretirement benefits | 10,378,000 | - | - | - | 10,378,000 | - |
| Total long-term liabilities | 49,254,000 | 113,785,564 | 37,392,489 | 19,428,462 | 219,860,515 | 511,905 |
| Total liabilities | 126,952,000 | 126,786,462 | 39,804,688 | 25,121,295 | 318,664,445 | 3,425,016 |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 201,369,000 | 183,622,485 | (1,408,086) | 22,496,166 | 406,079,565 | 588,233 |
| Restricted for capital | - | 21,344,732 | 8,504,589 | 594,016 | 30,443,337 | - |
| Unrestricted | 28,819,000 | 19,771,526 | (26,803,330) | 4,919,399 | 26,706,595 | 313,505 |
| Total net assets | \$ 230,188,000 | \$ 224,738,743 | \$ (19,706,827) | \$ 28,009,581 | \$ 463,229,497 | \$ 901,738 |

CITY OF CHATTANOOGA, TENNESSEE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN NET ASSETS
 Year Ended June 30, 2003

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds | |
|---|---|--------------------------------|----------------------------|----------------------|---|-------------------|
| | EPB | Interceptor Sewer System | Solid Waste/ Sanitation | Other Funds | | Total |
| OPERATING REVENUES | | | | | | |
| Charges for sales and services: | | | | | | |
| Electric sales | \$ 348,824,000 | \$ - | \$ - | \$ - | \$ 348,824,000 | \$ - |
| Sewer charges | - | 32,757,729 | - | - | 32,757,729 | - |
| Waste charges | - | - | 667,253 | - | 667,253 | - |
| Stormwater fees | - | - | - | 4,951,932 | 4,951,932 | - |
| Rent | - | - | - | 1,190,134 | 1,190,134 | - |
| Other services | 14,741,000 | - | - | 97,671 | 14,838,671 | 8,504,640 |
| Other | - | - | 66,196 | - | 66,196 | - |
| Total operating revenues | <u>363,565,000</u> | <u>32,757,729</u> | <u>733,449</u> | <u>6,239,737</u> | <u>403,295,915</u> | <u>8,504,640</u> |
| OPERATING EXPENSES | | | | | | |
| Power purchases | 284,700,000 | - | - | - | 284,700,000 | - |
| Sewer plant operations | - | 16,307,297 | - | - | 16,307,297 | - |
| Solid waste operations | - | - | 2,621,150 | - | 2,621,150 | - |
| Storm water operations | - | - | - | 2,793,619 | 2,793,619 | - |
| Pump station operations | - | 1,650,249 | - | - | 1,650,249 | - |
| Housing management operations | - | - | - | 992,339 | 992,339 | - |
| Municipal garage operations | - | - | - | - | - | 1,442,076 |
| Maintenance and repairs | 14,095,000 | - | - | - | 14,095,000 | 6,540,908 |
| Depreciation and amortization | 14,630,000 | 9,557,446 | 667,203 | 1,118,730 | 25,973,379 | 113,565 |
| Closure/postclosure costs | - | - | 634,521 | - | 634,521 | - |
| Liability insurance | - | - | - | - | - | 1,063,961 |
| Other | 48,692,000 | 406 | - | 105,765 | 48,798,171 | - |
| Total operating expenses | <u>362,117,000</u> | <u>27,515,398</u> | <u>3,922,874</u> | <u>5,010,453</u> | <u>398,565,725</u> | <u>9,160,510</u> |
| OPERATING INCOME (LOSS) | <u>1,448,000</u> | <u>5,242,331</u> | <u>(3,189,425)</u> | <u>1,229,284</u> | <u>4,730,190</u> | <u>(655,870)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Intergovernmental | - | - | - | 1,241,536 | 1,241,536 | - |
| Investment income | 1,501,000 | 573,045 | 170,746 | 6,629 | 2,251,420 | - |
| Interest expense | (1,880,000) | (4,336,051) | (1,462,985) | (949,207) | (8,628,243) | - |
| Other income (expense) | (1,190,000) | 133,968 | 2,802 | (58,783) | (1,112,013) | - |
| Total nonoperating revenues (expenses) | <u>(1,569,000)</u> | <u>(3,629,038)</u> | <u>(1,289,437)</u> | <u>240,175</u> | <u>(6,247,300)</u> | <u>-</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | <u>(121,000)</u> | <u>1,613,293</u> | <u>(4,478,862)</u> | <u>1,469,459</u> | <u>(1,517,110)</u> | <u>(655,870)</u> |
| Capital contributions | 1,058,000 | - | - | - | 1,058,000 | - |
| Transfers in | - | - | 4,784,387 | 683,952 | 5,468,339 | - |
| Transfers out | - | - | (1,612,697) | - | (1,612,697) | - |
| CHANGE IN NET ASSETS | <u>937,000</u> | <u>1,613,293</u> | <u>(1,307,172)</u> | <u>2,153,411</u> | <u>3,396,532</u> | <u>(655,870)</u> |
| NET ASSETS, beginning | <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> |
| NET ASSETS, ending | <u>\$ 230,188,000</u> | <u>\$ 224,738,743</u> | <u>\$ (19,706,827)</u> | <u>\$ 28,009,581</u> | <u>\$ 463,229,497</u> | <u>\$ 901,738</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, 2003

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds | |
|---|---|--------------------------------|----------------------------|---------------------|---|-------------------|
| | EPB | Interceptor Sewer System | Solid Waste/ Sanitation | Other Funds | | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Receipts from customers and users | \$ 367,290,000 | \$ 32,276,155 | \$ 707,122 | \$ 6,697,593 | \$ 406,970,870 | \$ 582,680 |
| Receipts from interfund services provided | - | - | - | - | - | 7,696,187 |
| Receipts from operating grants | - | - | 66,196 | - | 66,196 | - |
| Payments to suppliers | (320,723,000) | (15,131,536) | (2,494,644) | (3,743,159) | (342,092,339) | (5,645,330) |
| Payments to employees | (22,925,000) | (4,905,756) | (937,776) | (1,809,434) | (30,577,966) | (2,813,937) |
| Payments in lieu of taxes | (8,605,000) | - | - | - | (8,605,000) | - |
| Net cash provided by (used in) operating activities | <u>15,037,000</u> | <u>12,238,863</u> | <u>(2,659,102)</u> | <u>1,145,000</u> | <u>25,761,761</u> | <u>(180,400)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Transfers in | - | - | 4,784,387 | 683,952 | 5,468,339 | - |
| Transfers out | - | - | (1,612,697) | - | (1,612,697) | - |
| Net cash provided by noncapital financing activities | <u>-</u> | <u>-</u> | <u>3,171,690</u> | <u>683,952</u> | <u>3,855,642</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Proceeds from capital debt | - | 60,448,748 | - | 2,473,825 | 62,922,573 | - |
| Principal paid on capital debt | (1,600,000) | (8,660,222) | (1,641,476) | (1,283,155) | (13,184,853) | - |
| Payments to escrow agent | - | (44,342,953) | - | - | (44,342,953) | - |
| Interest paid on capital debt | (1,887,000) | (4,077,349) | (1,395,770) | (963,740) | (8,323,859) | - |
| Capital grants received | - | - | - | 1,546,646 | 1,546,646 | - |
| Capital contributions | 1,058,000 | - | - | - | 1,058,000 | - |
| Additions to capital assets | (21,823,000) | (16,493,348) | - | (3,559,222) | (41,875,570) | (15,137) |
| Net cash flows used in capital and related financing activities | <u>(24,252,000)</u> | <u>(13,125,124)</u> | <u>(3,037,246)</u> | <u>(1,785,646)</u> | <u>(42,200,016)</u> | <u>(15,137)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Purchases of investments | - | (72,674,184) | (49,933,225) | - | (122,607,409) | - |
| Proceeds from sales and maturities of investments | 600,000 | 75,922,227 | 55,454,990 | 720,978 | 132,698,195 | - |
| Interest on investments | 317,000 | 533,249 | 228,183 | 16,583 | 1,095,015 | - |
| Net cash flows provided by investing activities | <u>917,000</u> | <u>3,781,292</u> | <u>5,749,948</u> | <u>737,561</u> | <u>11,185,801</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | (8,298,000) | 2,895,031 | 3,225,290 | 780,867 | (1,396,812) | (195,537) |
| Cash and cash equivalents, beginning 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> |
| Cash and cash equivalents, end of year | <u>\$ 30,085,000</u> | <u>\$ 9,568,553</u> | <u>\$ 10,714,264</u> | <u>\$ 6,323,127</u> | <u>\$ 56,690,944</u> | <u>\$ 842,344</u> |
| CLASSIFIED AS: | | | | | | |
| Current assets | \$ 30,085,000 | \$ 9,568,553 | \$ 3,682,853 | \$ 6,323,127 | \$ 49,659,533 | \$ 842,344 |
| Restricted assets | - | - | 7,031,411 | - | 7,031,411 | - |

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) | <u>\$ 1,448,000</u> | <u>\$ 5,242,331</u> | <u>\$ (3,189,425)</u> | <u>\$ 1,229,284</u> | <u>\$ 4,730,190</u> | <u>\$ (655,870)</u> |
| ADJUSTMENTS NOT AFFECTING CASH | | | | | | |
| Depreciation and amortization | 15,393,000 | 9,557,446 | 667,203 | 1,118,730 | 26,736,379 | 113,565 |
| Provision for uncollectible accounts | - | 166,834 | 1,809 | 232,514 | 401,157 | - |
| Changes in assets and liabilities: | | | | | | |
| (Increase) decrease in accounts receivable | 3,506,000 | (1,949,048) | 34,443 | 229,109 | 1,820,504 | 51,466 |
| (Increase) decrease in due from other funds | - | (32,813) | 10,671 | - | (22,142) | (149,500) |
| (Increase) decrease in due from other governments | - | - | - | - | - | (127,739) |
| (Increase) decrease in inventory | 1,175,000 | (26,524) | - | - | 1,148,476 | 72,742 |
| (Increase) decrease in prepaid items | (4,519,000) | - | - | (23,456) | (4,542,456) | - |
| (Increase) decrease in deferred charges | (223,000) | (204,293) | - | - | (427,293) | - |
| Increase (decrease) in accounts payable | (3,377,000) | 834,195 | (434,248) | (1,447,990) | (4,425,043) | 133,405 |
| Increase (decrease) in accrued liabilities | 129,000 | (806,847) | 266,916 | (223,241) | (634,172) | 375,804 |
| Increase (decrease) in other assets/liabilities | 1,422,000 | (525,093) | 3,755 | 30,050 | 930,712 | - |
| Increase (decrease) in compensated absences | 83,000 | (17,325) | (20,226) | - | 45,449 | 5,727 |
| TOTAL ADJUSTMENTS | <u>13,589,000</u> | <u>6,996,532</u> | <u>530,323</u> | <u>(84,284)</u> | <u>21,031,571</u> | <u>475,470</u> |
| Net cash provided by (used in) operating activities | <u>\$ 15,037,000</u> | <u>\$ 12,238,863</u> | <u>\$ (2,659,102)</u> | <u>\$ 1,145,000</u> | <u>\$ 25,761,761</u> | <u>\$ (180,400)</u> |

CITY OF CHATTANOOGA, TENNESSEE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 June 30, 2003

| | Pension Trust Funds | Private-Purpose Trust Funds |
|---|---------------------------|-----------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ (194,549) | \$ 7,253 |
| Investments | 348,401,779 | 68,756 |
| Receivables: | | |
| Accrued income | 1,050,884 | 48 |
| Contributions | 157,392 | - |
| Due from plan custodian | 1,992,490 | - |
| Total assets | 351,407,996 | 76,057 |
| LIABILITIES | | |
| Due to plan custodian | 3,953,141 | - |
| Accounts payable and accrued expenses | 446,381 | - |
| Total liabilities | 4,399,522 | - |
| NET ASSETS | | |
| Held in trust for pension benefits and other purposes | \$ 347,008,474 | \$ 76,057 |

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, 2003

| | Pension Trust Funds | Private-Purpose Trust Funds |
|--|---------------------------|-----------------------------------|
| ADDITIONS | | |
| Contributions: | | |
| Employer | \$ 6,165,841 | \$ - |
| Employee | <u>3,461,507</u> | <u>-</u> |
| Total contributions | <u>9,627,348</u> | <u>-</u> |
| Investment income (loss): | | |
| Net appreciation (depreciation) in fair market value of investments | (353,399) | 2,809 |
| Interest | 5,936,400 | 1,814 |
| Dividends | <u>3,177,208</u> | <u>-</u> |
| | 8,760,209 | 4,623 |
| Less investment expense | <u>(1,340,232)</u> | <u>-</u> |
| Net investment income | <u>7,419,977</u> | <u>4,623</u> |
| Total additions | <u>17,047,325</u> | <u>4,623</u> |
| DEDUCTIONS | | |
| Benefits paid to participants | 21,129,456 | - |
| Administrative expenses | <u>623,406</u> | <u>300</u> |
| Total deductions | <u>21,752,862</u> | <u>300</u> |
| CHANGE IN NET ASSETS | (4,705,537) | 4,323 |
| Net assets, beginning | <u>351,714,011</u> | <u>71,734</u> |
| Net assets, ending | <u>\$ 347,008,474</u> | <u>\$ 76,057</u> |

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, 2003

| | Metropolitan Airport Authority | CARTA | Chattanooga Downtown Redevelopment Corporation | Total |
|---|--------------------------------------|----------------------|---|----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 920,012 | \$ 1,035,990 | \$ 1,138,384 | \$ 3,094,386 |
| Investments | 24,867 | 105,164 | - | 130,031 |
| Accounts receivable | 1,366,727 | 1,111,239 | 441,003 | 2,918,969 |
| Net investment in capital lease | - | - | 115,925,472 | 115,925,472 |
| Due from primary government | - | - | 826,065 | 826,065 |
| Deferred charges | 226,544 | - | 1,690,937 | 1,917,481 |
| Inventories | - | 128,057 | 157,256 | 285,313 |
| Prepaid items | 254,210 | 224,615 | 161,712 | 640,537 |
| Net pension asset | - | 172,677 | - | 172,677 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 619,671 | 959,000 | - | 1,578,671 |
| Investments | 5,022,399 | - | 9,783,299 | 14,805,698 |
| Receivables | 87,912 | - | 147,940 | 235,852 |
| Land and other nondepreciable assets | 2,601,481 | 3,938,994 | 4,644 | 6,545,119 |
| Other capital assets, net of accumulated depreciation | <u>40,403,310</u> | <u>27,130,866</u> | <u>-</u> | <u>67,534,176</u> |
| Total assets | <u>51,527,133</u> | <u>34,806,602</u> | <u>130,276,712</u> | <u>216,610,447</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 497,396 | 784,844 | 3,249,200 | 4,531,440 |
| Contracts payable | 845,846 | - | - | 845,846 |
| Due to primary government | - | 450,000 | - | 450,000 |
| Revenue bonds payable | 16,072,133 | - | 129,200,000 | 145,272,133 |
| Original issue premium | - | - | 99,542 | 99,542 |
| Deferred revenue | <u>6,749</u> | <u>411,150</u> | <u>-</u> | <u>417,899</u> |
| Total liabilities | <u>17,422,124</u> | <u>1,645,994</u> | <u>132,548,742</u> | <u>151,616,860</u> |
| NET ASSETS | | | | |
| Invested in capital assets (net of related debt) | 26,932,659 | 31,069,860 | 4,644 | 58,007,163 |
| Restricted for: | | | | |
| Debt service | 5,729,982 | 105,164 | 9,783,100 | 15,618,246 |
| Unrestricted | <u>1,442,368</u> | <u>1,985,584</u> | <u>(12,059,774)</u> | <u>(8,631,822)</u> |
| Total net assets | <u>\$ 34,105,009</u> | <u>\$ 33,160,608</u> | <u>\$ (2,272,030)</u> | <u>\$ 64,993,587</u> |

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

CITY OF CHATTANOOGA, TENNESSEE

COMPONENT UNITS

STATEMENT OF ACTIVITIES
Year Ended June 30, 2003

| | Program Revenues | | | | Net Revenue (Expense) and Changes in Net Assets | | | Total |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|----------------------|--|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Metropolitan Airport Authority | CARTA | Chattanooga Downtown Redevelopment Corporation | |
| METROPOLITAN AIRPORT AUTHORITY | | | | | | | | |
| Airport operations | \$ 7,377,036 | \$ 5,634,222 | \$ - | \$ 3,574,413 | \$ 1,831,599 | \$ - | \$ - | \$ 1,831,599 |
| CARTA | | | | | | | | |
| CARTA operations | 13,962,152 | 3,673,187 | 5,303,518 | 4,999,651 | - | 14,204 | - | 14,204 |
| CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION | | | | | | | | |
| CDRC operations | <u>17,639,885</u> | <u>10,977,872</u> | <u>-</u> | <u>6,950,746</u> | <u>-</u> | <u>-</u> | <u>288,733</u> | <u>288,733</u> |
| Total component units | <u>\$ 38,979,073</u> | <u>\$ 20,285,281</u> | <u>\$ 5,303,518</u> | <u>\$ 15,524,810</u> | 1,831,599 | 14,204 | 288,733 | 2,134,536 |
| General revenues: | | | | | | | | |
| Investment income | | | | | 103,939 | 4,698 | 579,596 | 688,233 |
| Miscellaneous | | | | | <u>934,139</u> | <u>71,819</u> | <u>-</u> | <u>1,005,958</u> |
| Total general revenues | | | | | <u>1,038,078</u> | <u>76,517</u> | <u>579,596</u> | <u>1,694,191</u> |
| CHANGE IN NET ASSETS | | | | | 2,869,677 | 90,721 | 868,329 | 3,828,727 |
| Net assets (deficit), beginning | | | | | <u>31,235,332</u> | <u>33,069,887</u> | <u>(3,140,359)</u> | <u>61,164,860</u> |
| Net assets (deficit), ending | | | | | <u>\$ 34,105,009</u> | <u>\$ 33,160,608</u> | <u>\$ (2,272,030)</u> | <u>\$ 64,993,587</u> |

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

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Comprehensive Annual Financial Report – For the Year Ending June 30
City of Chattanooga, Tennessee

2003

**Notes to Basic
Financial Statements**

CITY OF CHATTANOOGA, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2003

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CITY OF CHATTANOOGA, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2003

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 provided the most significant change in financial reporting in over twenty years and included a phased implementation (based on size of government) starting with fiscal years ending in 2002. As a part of this Statement, there is a new reporting requirement regarding a local government's infrastructure (streets, bridges, traffic signals, etc.). The City implemented the basic reporting model required by GASB Statement No. 34 and the infrastructure-related portion of GASB Statement No. 34 during 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, 2003. 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.

Chattanooga Downtown 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

Chattanooga Downtown 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 2003 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, 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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 for specific individuals and purposes 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, except for property taxes, for which the time period is sixty days. The major revenue sources meeting the availability criterion are intergovernmental revenues and taxes.

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, 2003, retiree reimbursements of health insurance of \$994,070 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, 2003, 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. Land and certain land improvements are inexhaustible capital assets, and are not depreciated. Depreciation on depreciable 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 2002 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, 2003, are recorded as deferred revenues at June 30, 2003.

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 Chattanooga Downtown 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

Restatements of Net Assets – Governmental Activities

As discussed in Note 6, the City recorded adjustments to beginning net capital assets during the year ended June 30, 2003. In addition, the actuarial reports on the Firemen’s and Policemen’s Insurance and Pension Fund were revised to evaluate the impact on funding obligations of market declines in recent years. The revised actuarial reports computed net pension assets of \$4,350,397 at June 30, 2002, which were not previously recorded. Accordingly, beginning net assets of the primary government have been restated to reflect these changes. The impact of the restatements on net assets as previously reported is as follows:

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Total net assets at June 30, 2002, as previously reported | \$1,237,324,301 |
| Adjustments to capital assets, net | 106,505,928 |
| Additional net pension assets | <u>4,350,397</u> |
| Total net assets at June 30, 2002, as restated | <u>\$1,348,180,626</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, 2003, 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 \$19,706,827 at June 30, 2003. 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

Effective June 30, 2003, the City implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures." This statement eliminated or modified portions of the disclosures previously required by GASB Statement No. 3. GASB Statement No. 40 is designed to improve financial reporting of deposit and investment risks.

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.

At June 30, 2003, investments of the primary government (except for Pension Trust Funds) and component units consist of the following:

| | <u>Weighted Average Maturity (Years)</u> | <u>Fair Value or Carrying Amount</u> |
|---|--|--|
| Primary Government – Governmental Activities: | | |
| U.S. Treasury Notes | 0.32 | \$ 8,373,589 |
| U.S. Government agency securities | 0.63 | 79,828,389 |
| Certificates of deposit classified as investments | <u>0.32</u> | <u>725,000</u> |
| Total | <u>0.60</u> | <u>\$88,926,978</u> |
| Primary Government – Business-Type Activities: | | |
| U.S. Treasury Notes | 0.42 | \$ 4,106,000 |
| U.S. Government agency securities | 0.51 | 65,077,346 |
| Certificates of deposit classified as investments | 0.44 | 1,342,995 |
| Investments in mutual funds | <u>0.00</u> | <u>180,000</u> |
| Total | <u>0.50</u> | <u>\$70,706,341</u> |
| Component Units: | | |
| U.S. Treasury Notes | 0.38 | \$ 1,623,875 |
| U.S. Government agency securities | 0.59 | 10,884,161 |
| U.S Treasury money market fund | 0.00 | 2,391,585 |
| Cash equivalents classified as investments | <u>0.00</u> | <u>36,108</u> |
| Total | <u>0.47</u> | <u>\$14,935,729</u> |

Interest rate risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's policies require purchases of investments with maturities of two years or less. The City presents its exposure to interest rate changes using the weighted average maturity method. The City manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to less than one year. The City's investment portfolio did not experience any significant fluctuations in fair value during the year.

Custodial credit risk - The City's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be 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. State 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, the 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.

Credit risk - The City's policies are designed to maximize investment earnings, while protecting the security of principal and providing adequate liquidity, in accordance with all applicable state laws. At June 30, 2003, the primary government's investments in U.S. Government agency securities include Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association bonds, which were rated AAA by Standard & Poor's Rating Service (S & P) or Moody's Investor Service (Moody's).

Component unit investments in U.S. Government agency securities of \$1,101,103 were securities of the Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association, which were rated AAA by S & P. Component unit investments in U.S. Government agency securities of \$9,783,299 were discount notes of the Federal Home Loan Mortgage Corporation, which were not rated.

Pension Trust funds - The City's Pension Trust funds have no investments in any one issuer that represent 5 percent or more of plan net assets. The Pension Trust funds are managed with long-term objectives that include maximizing total investment earnings. State statutes and City policies allow the Pension Trust funds a broader range of investments than other City investments. The credit risk of investments of the Pension Trust funds is summarized as follows:

| | <u>S & P or Moody's Rating</u> | <u>Fair Value</u> |
|---|--|-----------------------|
| <u>City of Chattanooga General Pension Plan</u> | | |
| U.S. Government securities | AAA | \$ 8,471,030 |
| U.S. Government agency securities | AAA | 596,853 |
| Domestic corporate bonds | AAA | 439,906 |
| Domestic corporate bonds | A | 7,021,499 |
| Domestic corporate bonds | B | 8,798 |
| Domestic corporate bonds | BA | 980,000 |
| Domestic corporate bonds | BAA | 5,038,056 |
| Domestic corporate bonds | Not rated | 1,294,375 |
| Mutual funds | Not rated | 46,231,360 |
| Mortgage-backed securities | Not rated | 13,138,611 |
| Domestic equity securities | Not rated | 67,069,636 |
| Limited Partnerships | Not rated | <u>11,987,627</u> |
| | | <u>\$162,277,751</u> |

| | S & P or Moody's Rating | Fair Value |
|---|-------------------------------|----------------------|
| <u>Firemen's and Policemen's Insurance and Pension Fund</u> | | |
| U.S. Government securities | AAA | \$ 2,898,485 |
| U.S Treasury bills | AAA | 2,363,235 |
| U.S. Government agency securities | AAA | 7,150,213 |
| Domestic corporate bonds | AAA | 1,300,296 |
| Asset-backed securities | AAA | 1,037,898 |
| Domestic corporate bonds | AA | 6,839,221 |
| Asset-backed securities | AA | 324,605 |
| Foreign bonds | AA | 323,485 |
| Domestic corporate bonds | A | 10,202,863 |
| Asset-backed securities | A | 230,438 |
| Foreign bonds | A | 1,908,351 |
| Domestic corporate bonds | BAA | 5,351,912 |
| Municipal bonds | BAA | 150,507 |
| Foreign bonds | BAA | 1,080,496 |
| Asset-backed securities | Not rated | 749,503 |
| Mutual funds | Not rated | 86,738,952 |
| Domestic equity securities | Not rated | 37,539,540 |
| Money market funds | Not rated | 8,816,044 |
| Common Trust fund | Not rated | 10,232,984 |
| Investment in real estate corporation | Not rated | 885,000 |
| | | <u>\$186,124,028</u> |

NOTE 5. RECEIVABLES

Receivables at June 30, 2003, consist of the following:

| | <u>Governmental Activities Funds</u> | | | Business-Type Activities | Total |
|------------------------------|--------------------------------------|-----------------------------|-------------------------------|-----------------------------|----------------------|
| | <u>General</u> | <u>Capital Projects</u> | <u>Other Governmental</u> | | |
| Primary Government | | | | | |
| Receivables: | | | | | |
| Taxes | \$ 87,488,385 | \$ - | \$ - | \$ - | \$ 87,488,385 |
| Accounts | - | 28,580 | 527,725 | 39,924 | 596,229 |
| Notes | 1,500,000 | - | 3,752,548 | - | 5,252,548 |
| Customer service | - | - | - | 37,847,156 | 37,847,156 |
| Other | 4,231,730 | - | - | 3,445,327 | 7,677,057 |
| Intergovernmental | <u>18,958,787</u> | <u>2,482,445</u> | <u>2,699,734</u> | <u>426,938</u> | <u>24,567,904</u> |
| Gross receivables | 112,178,902 | 2,511,025 | 6,980,007 | 41,759,345 | 163,429,279 |
| Less: | | | | | |
| Allowance for uncollectibles | <u>(2,312,264)</u> | - | - | <u>(1,158,879)</u> | <u>(3,471,143)</u> |
| Net receivables | <u>\$109,866,638</u> | <u>\$2,511,025</u> | <u>\$6,980,007</u> | <u>\$40,600,466</u> | <u>\$159,958,136</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, 2003.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003 is as follows:

Primary Government

Governmental Activities:

| | Beginning Balance | Additions | Deductions | Ending Balance |
|--|------------------------|----------------------|--------------------|------------------------|
| Non-Depreciable Assets: | | | | |
| Land and land improvements | \$ 915,432,082 | \$ 15,054,544 | \$ 253,061 | \$ 930,233,565 |
| Construction in Progress | <u>55,168,541</u> | <u>8,440,873</u> | <u>6,483,411</u> | <u>57,126,003</u> |
| Total non-depreciable assets | <u>970,600,623</u> | <u>23,495,417</u> | <u>6,736,472</u> | <u>987,359,568</u> |
| Depreciable Assets: | | | | |
| Buildings | 107,867,181 | 2,333,572 | 932,033 | 109,268,720 |
| Vehicles and machinery | 70,986,968 | 8,370,350 | 1,199,679 | 78,157,639 |
| Improvements other than buildings | 18,605,809 | 960,549 | - | 19,566,358 |
| Infrastructure | <u>531,780,522</u> | <u>16,545,051</u> | <u>-</u> | <u>548,325,573</u> |
| Total depreciable assets | <u>729,240,480</u> | <u>28,209,522</u> | <u>2,131,712</u> | <u>755,318,290</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 28,446,178 | 4,233,089 | - | 32,679,267 |
| Vehicles and machinery | 46,786,235 | 6,416,248 | 1,199,679 | 52,002,804 |
| Improvements other than buildings | 12,121,352 | 816,694 | - | 12,938,046 |
| Infrastructure | <u>157,640,857</u> | <u>21,488,262</u> | <u>-</u> | <u>179,129,119</u> |
| Total accumulated depreciation | <u>244,994,622</u> | <u>32,954,293</u> | <u>1,199,679</u> | <u>276,749,236</u> |
| Depreciable Assets, net | <u>484,245,858</u> | <u>(4,744,771)</u> | <u>932,033</u> | <u>478,569,054</u> |
| Governmental activities capital assets, net | <u>\$1,454,846,481</u> | <u>\$ 18,750,646</u> | <u>\$7,668,505</u> | <u>\$1,465,928,622</u> |
| Business-Type Activities: | | | | |
| Non-Depreciable Assets: | | | | |
| Land | \$ 14,222,312 | \$ 425,664 | \$ - | \$ 14,647,976 |
| Construction in Progress | <u>10,203,335</u> | <u>2,266,308</u> | <u>3,408,957</u> | <u>9,060,686</u> |
| Total non-depreciable assets | <u>24,425,647</u> | <u>2,691,972</u> | <u>3,408,957</u> | <u>23,708,662</u> |
| Depreciable Assets: | | | | |
| Buildings | 57,233,143 | 9,433,845 | 1,000 | 66,665,988 |
| Vehicles and machinery | 364,436,706 | 18,162,235 | 5,817,000 | 376,781,941 |
| Sewer system | 375,992,259 | 12,531,707 | - | 388,523,966 |
| Storm water system | 39,586,640 | 285,664 | - | 39,872,304 |
| Telecommunications | <u>14,412,000</u> | <u>1,446,000</u> | <u>1,000</u> | <u>15,857,000</u> |
| Total depreciable assets | <u>851,660,748</u> | <u>41,859,451</u> | <u>5,819,000</u> | <u>887,701,199</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 12,303,186 | 1,927,005 | 1,000 | 14,229,191 |
| Vehicles and machinery | 154,108,612 | 14,250,781 | 4,712,000 | 163,647,393 |
| Sewer system | 120,180,059 | 7,594,063 | - | 127,774,122 |
| Storm water system | 2,998,907 | 797,530 | - | 3,796,437 |
| Telecommunications | <u>2,143,000</u> | <u>1,404,000</u> | <u>2,000</u> | <u>3,545,000</u> |
| Total accumulated depreciation | <u>291,733,764</u> | <u>25,973,379</u> | <u>4,715,000</u> | <u>312,992,143</u> |
| Depreciable Assets, net | <u>559,926,984</u> | <u>15,886,072</u> | <u>1,104,000</u> | <u>574,709,056</u> |
| Business-type activities capital assets, net | <u>\$ 584,352,631</u> | <u>\$ 18,578,044</u> | <u>\$4,512,957</u> | <u>\$ 598,417,718</u> |

Discretely Presented Component Units

| | Beginning Balance | Additions | Deductions | Ending Balance |
|-------------------------------------|----------------------|--------------------|------------------|----------------------|
| Non-Depreciable Assets: | | | | |
| Land | \$ 4,380,320 | \$ 200,935 | \$ - | \$ 4,581,255 |
| Construction in Progress | 1,932,893 | 30,971 | - | 1,963,864 |
| Total non-depreciable assets | <u>6,313,213</u> | <u>231,906</u> | <u>-</u> | <u>6,545,119</u> |
| Depreciable Assets: | | | | |
| Buildings | 47,304,926 | 92,462 | - | 47,397,388 |
| Vehicles and machinery | 34,858,920 | 2,529,639 | 570,482 | 36,818,077 |
| Improvements other than buildings | 25,525,500 | 4,314,697 | 5,103 | 29,835,094 |
| Total depreciable assets | <u>107,689,346</u> | <u>6,936,798</u> | <u>575,585</u> | <u>114,050,559</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 21,142,882 | 1,995,268 | - | 23,138,150 |
| Vehicles and machinery | 19,604,047 | 1,753,613 | 560,377 | 20,797,283 |
| Improvements other than buildings | 1,085,046 | 709,363 | - | 1,794,409 |
| Infrastructure | - | 786,541 | - | 786,541 |
| Total accumulated depreciation | <u>41,831,975</u> | <u>5,244,785</u> | <u>560,377</u> | <u>46,516,383</u> |
| Depreciable Assets, net | <u>65,857,371</u> | <u>1,692,013</u> | <u>15,208</u> | <u>67,534,176</u> |
| Component units capital assets, net | <u>\$ 72,170,584</u> | <u>\$1,923,919</u> | <u>\$ 15,208</u> | <u>\$ 74,079,295</u> |

Following the implementation of GASB Statement No. 34 in 2002, the City continued to expand and refine its capital assets records. During 2003 the City improved the process of matching physical inventories of capital assets to the capital assets records and adjusted the capital assets records accordingly. The City also obtained revised engineering estimates related to roads and roadbeds. As a result, the City reclassified costs of approximately \$875,000,000 from long-lived depreciable infrastructure to inexhaustible land improvements. The revisions impacted the accumulated depreciation previously recorded. Effective July 1, 2002, net capital assets have been adjusted for the effect of these changes, as follows:

| | <u>Governmental Activities</u> |
|---|--------------------------------|
| Capital assets, net, as previously reported | \$1,232,415,081 |
| Adjustments for: | |
| Revised estimates on capital leases described in Note 7 | 115,925,472 |
| Revised estimates on infrastructure and land improvements | <u>106,505,928</u> |
| Capital assets, net, as restated | <u>\$1,454,846,481</u> |

Depreciation expense is charged to functions as follows:

| | |
|--|---------------------|
| Primary Government – Governmental Activities: | |
| General government | \$ 6,198,465 |
| Public Safety | 2,534,418 |
| Public Works | 22,076,023 |
| Parks and Recreation | 1,936,369 |
| Social Services | 209,018 |
| Total | <u>\$32,954,293</u> |
| Primary Government – Business-Type Activities: | |
| Sewer | \$ 9,557,446 |
| Solid Waste/Sanitation | 667,203 |
| Storm Water | 884,665 |
| Housing Management | 234,065 |
| Electric Utility | 14,630,000 |
| Total | <u>\$25,973,379</u> |
| Discretely Presented Component Units: | |
| Transportation Authority | \$ 3,200,935 |
| Airport Authority | 2,043,850 |
| Total | <u>\$ 5,244,785</u> |

NOTE 7. LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2003, were as follows:

| | Balance July 1, 2002 | Additions | Reductions | Balance June 30, 2003 | Due Within One Year |
|--|-------------------------|---------------------|---------------------|--------------------------|------------------------|
| Primary Government | | | | | |
| GOVERNMENTAL ACTIVITIES | | | | | |
| General obligation serial bonds | \$ 68,793,955 | \$73,217,950 | \$ 9,251,455 | \$132,760,450 | \$ 3,862,647 |
| Notes payable | 6,893,988 | 150,000 | 1,423,704 | 5,620,284 | 550,871 |
| Capital leases payable | 115,925,472 | - | - | 115,925,472 | - |
| Compensated absences | <u>15,290,053</u> | <u>649,022</u> | <u>-</u> | <u>15,939,075</u> | <u>1,191,291</u> |
| Total governmental activities | <u>\$206,903,468</u> | <u>\$74,016,972</u> | <u>\$10,675,159</u> | 270,245,281 | <u>\$ 5,604,809</u> |
| Net deferred refunding and original issue premiums and discounts | | | | <u>(66,096)</u> | |
| | | | | <u>\$270,179,185</u> | |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| EPB: | | | | | |
| Revenue bonds | \$ 38,400,000 | \$ - | \$ 1,600,000 | \$ 36,800,000 | \$1,600,000 |
| Compensated absences | <u>2,224,000</u> | <u>31,000</u> | <u>-</u> | <u>2,255,000</u> | <u>-</u> |
| | <u>40,624,000</u> | <u>31,000</u> | <u>1,600,000</u> | <u>39,055,000</u> | <u>1,600,000</u> |
| Interceptor Sewer System: | | | | | |
| General obligation serial bonds | 107,942,691 | 45,427,050 | 52,691,095 | 100,678,646 | 8,648,654 |
| Notes payable | 7,815,172 | 15,021,698 | 295,072 | 22,541,798 | 307,046 |
| Capital leases payable | 288,204 | - | 17,008 | 271,196 | 17,892 |
| Compensated absences | <u>839,571</u> | <u>-</u> | <u>25,093</u> | <u>814,478</u> | <u>51,092</u> |
| | <u>116,885,638</u> | <u>60,448,748</u> | <u>53,028,268</u> | <u>124,306,118</u> | <u>9,024,684</u> |
| Solid Waste/Sanitation Fund: | | | | | |
| General obligation serial bonds | 31,338,653 | - | 1,641,476 | 29,697,177 | 1,719,811 |
| Compensated absences | <u>170,889</u> | <u>-</u> | <u>20,227</u> | <u>150,662</u> | <u>5,054</u> |
| | <u>31,509,542</u> | <u>-</u> | <u>1,661,703</u> | <u>29,847,839</u> | <u>1,724,865</u> |
| Storm Water Fund: | | | | | |
| General obligation serial bonds | 19,924,702 | - | 1,105,973 | 18,818,729 | 1,158,888 |
| Notes payable | 1,707,469 | - | 131,130 | 1,576,339 | 136,446 |
| Compensated absences | <u>185,917</u> | <u>9,236</u> | <u>-</u> | <u>195,153</u> | <u>11,027</u> |
| | <u>21,818,088</u> | <u>9,236</u> | <u>1,237,103</u> | <u>20,590,221</u> | <u>1,306,361</u> |
| Total business-type activities | <u>\$210,837,268</u> | <u>\$60,488,984</u> | <u>\$57,527,074</u> | 213,799,178 | <u>\$13,655,910</u> |
| Net deferred refunding and original issue premiums and discounts | | | | <u>(1,185,721)</u> | |
| | | | | <u>\$212,613,457</u> | |

| | <u>Balance</u> <u>July 1, 2002</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2003</u> | <u>Due Within</u> <u>One Year</u> |
|---|---------------------------------------|------------------|-------------------|--|--------------------------------------|
| Discretely Presented Component Units | | | | | |
| Metropolitan Airport Authority: | | | | | |
| Revenue bonds | \$ 16,750,000 | \$ - | \$ 575,000 | \$ 16,175,000 | \$ 505,000 |
| Chattanooga Downtown Redevelopment Corporation: | | | | | |
| Revenue bonds | <u>129,200,000</u> | <u>-</u> | <u>-</u> | <u>129,200,000</u> | <u>-</u> |
| Total component units | <u>\$145,950,000</u> | <u>\$ -</u> | <u>\$ 575,000</u> | 145,375,000 | <u>\$ 505,000</u> |
| Original issue premiums and discounts | | | | <u>(3,325)</u> | |
| | | | | <u>\$145,371,675</u> | |

In 1986, 1992, 1995, 1998, 2002, and 2003 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, 2003, the liabilities for the bonds refunded in 1986, 1992, 1996, 1998, 2002, and 2003 were \$10,150,000, \$21,630,000, \$13,350,000, \$26,715,000, \$76,515,000, and \$50,265,000, respectively.

On July 15, 2002, the City issued \$6,037,950 in General Obligation Refunding Bonds and \$32,252,050 in General Obligation Sewer Refunding Bonds with interest rates ranging from 3.00% to 5.00% for the purpose of refunding \$37,555,000 of general obligation bonds with interest rates ranging from 5.30% to 5.70%.

The effect of refunding the general obligation bonds resulted in a net decrease in total debt service payments over the next 12 years of \$3,349,125 and an economic gain (the difference between the present values of the old and new debt service payments) of \$2,245,645. At June 30, 2003, the liability for the refunded bonds was \$37,555,000.

On April 1, 2003, the City issued \$13,175,000 in General Obligation Sewer Refunding Bonds with interest rates ranging from 3.00% to 3.25% for the purpose of refunding \$12,710,000 of general obligation bonds with interest rates ranging from 4.70% to 5.125%.

The effect of refunding the general obligation bonds resulted in a net decrease in total debt service payments over the next 6 years of \$685,245 and an economic gain (the difference between the present values of the old and new debt service payments) of \$652,057. At June 30, 2003, the liability for the refunded bonds was \$12,710,000.

Debt related to governmental activities at June 30, 2003, consisted of the following:

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> |
|---|-----------------------|-------------------------|
| Public Improvement Refunding, Series 1998 | 4.13% - 5.50% | \$ 7,247,800 |
| Municipal Public Improvement, Series 2001 | 4.50% - 5.00% | 37,916,800 |
| Public Improvement Refunding, Series 2002 | 4.00% - 5.375% | 14,377,900 |
| Refunding Bonds, 2002 Series A | 3.00% - 5.00% | 6,037,950 |
| Hotel-Motel Tax Pledge, Series 2002 | 3.00% - 5.00% | 54,990,000 |
| General Obligation, 2003 Series A | 2.50% - 4.20% | <u>12,190,000</u> |
| Total payable from the Debt Service Fund | | <u>\$132,760,450</u> |

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, 2003, is \$243,124.

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. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2003, is \$5,339,098.

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, 2003, is \$38,062.

Capital Leases - In October, 2000, the City entered into a noncancelable long-term lease with the Chattanooga Downtown Redevelopment Corporation (CDRC), formerly the Southside Redevelopment Corporation, for financing the cost of designing, acquiring, constructing and equipping four facilities in the Tourist Development Zone comprising more than 631,210 square feet at a cost of over \$120 million. Facilities include (1) the Chattanooga-a residential conference center, (2) parking garage, (3) the Development Resource Center, and (4) an expansion of the Chattanooga-Hamilton County Convention and Trade Center. The lease provides for semiannual payments in amounts sufficient to meet the annual debt service requirements on \$129 million in revenue bonds issued by the Industrial Development Board of the City of Chattanooga on behalf of the CDRC, a non-profit corporation. The IDB bonds are secured by payments to be made by the CDRC. The lease payments will be funded by one-half of the 1/2% city-only local option sales tax, income from the Chattanooga, state incremental sales tax generated in the Tourist Development Zone and interest income from a debt service reserve fund in excess of \$9 million included as part of the bond issue. In the event these sources are insufficient, the City agreed to appropriate sufficient moneys to make the lease payments.

Estimates of income from the Chattanooga were revised in 2003 because of recent economic conditions. The changed estimates caused the City to reclassify the capital assets of the project from the CDRC, a discretely presented component unit, to the primary government. The reclassification had no impact on the City's net assets because the additional capital assets were offset by recording a capital lease obligation to CDRC, as follows:

| | |
|------------------------------------|----------------------|
| Land | \$ 4,898,094 |
| Buildings and other capital assets | <u>111,027,378</u> |
| Obligations under capital lease | <u>\$115,925,472</u> |

The debt service reserve fund held by the fiscal agent at June 30, 2003 amounts to \$9,783,058. The fiscal agent is required by the agreement to apply any interest on the debt service reserve fund toward the lease payments. The debt service reserve fund will be used to retire debt near the end of the lease.

Debt service requirements for general obligation bonds, notes payable, and capital leases are met by the General Fund. The compensated absences liability attributable to governmental activities will be liquidated by the General Fund and the Special Revenue Funds.

Debt related to business-type activities at June 30, 2003, 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% | \$ 36,800,000 |
| Interceptor Sewer System Fund: | | |
| Municipal Public Improvement, Series 1998 | 4.75% - 5.375% | 17,974,467 |
| Municipal Public Improvement Refunding, Series 1998 | 4.13% - 5.50% | 13,437,500 |
| Municipal Public Improvement Refunding, Series 2002 | 3.00% - 4.50% | 23,839,629 |
| Refunding Bonds, 2002 Series A | 3.00% - 5.00% | 32,252,050 |
| Refunding Bonds, 2003 Series B | 3.00% - 3.25% | 13,175,000 |
| 1992 State Revolving Sewer Loan* | 3.98% | 1,576,339 |
| Northwest Georgia Sewer Expansion Project | 4.00% | 5,943,761 |
| State Revolving Loan 2003 | 2.98% | 15,021,698 |
| City of Collegedale Capital Lease | Variable | 271,196 |
| Solid Waste/Sanitation Fund: | | |
| Municipal Public Improvement, Series 1998 | 4.75% - 5.375% | 9,901,415 |
| Municipal Public Improvement Refunding, Series 1998 | 4.13% - 5.50% | 3,686,100 |
| Municipal Public Improvement, Series 2001 | 4.50% - 5.00% | 6,451,900 |
| Municipal Public Improvement Refunding, Series 2002 | 4.00% - 5.375% | 9,657,762 |
| Storm Water Fund: | | |
| 1992 State Revolving Sewer Loan* | 3.98% | 1,576,339 |
| Municipal Public Improvement, Series 1998 | 4.75% - 5.375% | 7,399,119 |
| Municipal Public Improvement Refunding, Series 1998 | 4.13% - 5.50% | 2,528,600 |
| Municipal Public Improvement, Series 2001 | 4.50% - 5.00% | 1,916,300 |
| Municipal Public Improvement Refunding, Series 2002 | 4.00% - 5.375% | <u>6,974,710</u> |
| Total payable from business-type activities | | <u>\$210,383,885</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, 2003, is \$3,152,678.

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, 2003, is \$5,943,761.

State Revolving Loan 2003 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a loan for the purpose of financing sewer projects. The loan will be repaid in monthly interest installments through 2023 at 2.98%. The principal is not due until the project is substantially complete. The balance at June 30, 2003, is \$15,021,698.

Capital Leases - The City has an agreement with the City of Collegedale to lease and purchase sewer system improvements. 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, 2003, is \$271,196.

Component Units debt at June 30, 2003, 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% | \$ 12,625,000 |
| Series B Refunding Revenue Bonds, Series 2002 | 1.97% | 3,550,000 |
| Chattanooga Downtown Redevelopment Corporation: | | |
| Chattanooga Lease Rental Revenue Bonds, Series 2000 | 5.00% - 5.625% | <u>129,200,000</u> |
| Total payable from Component Units | | <u>\$145,375,000</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> |
| 2004 | \$ 4,413,518 | \$ 13,501,135 | \$13,588,737 | \$ 9,125,725 |
| 2005 | 4,566,551 | 13,283,462 | 13,814,886 | 8,572,268 |
| 2006 | 5,017,183 | 13,091,393 | 13,883,243 | 8,006,526 |
| 2007 | 8,102,733 | 13,178,764 | 14,334,286 | 7,384,404 |
| 2008 | 7,147,922 | 12,820,993 | 12,672,146 | 6,811,294 |
| 2009-2013 | 43,520,626 | 57,838,519 | 59,607,407 | 25,447,548 |
| 2014-2018 | 44,351,902 | 46,672,054 | 43,162,621 | 13,310,234 |
| 2019-2023 | 47,882,172 | 34,210,013 | 32,790,254 | 5,521,622 |
| 2024-2028 | 59,256,529 | 18,638,161 | 6,530,305 | 563,189 |
| 2029-2031 | <u>30,047,070</u> | <u>2,685,834</u> | - | - |
| | <u>\$254,306,206</u> | <u>\$225,920,328</u> | <u>\$210,383,885</u> | <u>\$ 84,742,810</u> |

| <u>Year</u> | <u>Component Units</u> | |
|-------------|------------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2004 | \$ 505,000 | \$ 7,443,766 |
| 2005 | 545,000 | 7,433,818 |
| 2006 | 585,000 | 7,423,081 |
| 2007 | 3,200,000 | 7,347,307 |
| 2008 | 3,490,000 | 7,203,146 |
| 2009-2013 | 20,730,000 | 33,512,550 |
| 2014-2018 | 25,840,000 | 28,475,126 |
| 2019-2023 | 29,040,000 | 21,602,019 |
| 2024-2028 | 35,140,000 | 12,692,559 |
| 2029-2031 | 26,300,000 | 2,273,063 |
| | <u>\$145,375,000</u> | <u>\$135,406,435</u> |

NOTE 8. CONSERVATION PROGRAMS

EPB is a fiscal intermediary for the Tennessee Valley Authority's (TVA) conservation programs. As of June 30, 2003, outstanding funds advanced by TVA totaled \$2,027,000 to be used by EPB for customer loans in connection with TVA's insulation and heat pump conservation programs. At June 30, 2003, the outstanding receivables for loans made from these funds amounted to \$1,947,000. A total of approximately \$78,417,000 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.

Cash and Cash Equivalents

The cash and cash equivalents of each plan represent balances at the financial institutions that serve as custodians of plan assets, and are not part of the City's centralized cash and investment pool. Occasionally, negative cash balances result from benefit payments and administrative expenses. Negative cash balances are replenished by transfers from investments.

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 15.72 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 up to 30 years of service.

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, 2003:

| <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 | 673 | 624 |
| Vested terminated employees | 53 | 4 |
| Active employees | 1,600 | 795 |
| Actuarial update | 1-1-2003 | 1-1-2003 |

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> |
|--|------------------------------|---|
| Contribution rates for employer | 1.82% | 15.72% |
| Contribution rates for plan members | 2.00% | 8.00% |
| Annual pension cost | 1,017,617 | 5,636,207 |
| Contributions made by employer | 947,317 | 5,218,524 |
| Contributions made by plan members | 1,034,181 | 2,427,326 |
| Actuarial valuation date for current contributions | January 1, 2003 | January 1, 2003 |
| Actuarial cost method | Entry Age | Entry Age |
| Amortization method | Level Dollar | Level Percent |
| Remaining amortization period | 30 Years Open | 40 Years Open |
| Asset valuation method | Market Value, As Adjusted | 5-Year Average |
| Actuarial assumptions: | | |
| Investment rate of return | 7.75% | 8.00% |
| Projected salary increases | 5.50% | 4.00% |
| Inflation rate | 3.00% | 4.00% |

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

| | <u>General Pension Plan</u> | <u>Firemen's and Policemen's Insurance and Pension Fund</u> |
|---|---------------------------------|---|
| Annual required contribution | \$ 974,113 | \$ 4,440,048 |
| Interest on net pension obligation (asset) | (337,367) | (358,908) |
| Adjustment to annual required contribution | <u>380,871</u> | <u>437,845</u> |
| Annual pension cost | 1,017,617 | 4,518,985 |
| Contributions made | <u>(404,126)</u> | <u>(4,541,413)</u> |
| Increase in net pension obligation (asset) | 613,491 | (22,428) |
| Net pension obligation (asset) at beginning of year | <u>(4,498,226)</u> | <u>(4,350,397)</u> |
| Net pension obligation (asset) at end of year | <u>\$(3,884,735)</u> | <u>\$(4,372,825)</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 | 12/31/02 | \$1,017,617 | 100.00% | \$(3,884,735) |
| | 12/31/01 | 19,882 | N/A | (4,498,226) |
| | 12/31/00 | 17,090 | N/A | (4,518,108) |
| Firemen's and Policemen's Fund | 12/31/02 | 4,518,985 | 100.00% | (4,372,825) |
| | 12/31/01 | 2,104,019 | 100.00% | (4,350,397) |
| | 6/30/01 | 3,653,408 | 100.00% | (4,372,825) |

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 | \$ (194,549) | \$ - | \$ (194,549) |
| Receivables: | | | |
| Accrued income | 513,769 | 537,115 | 1,050,884 |
| Contributions: | | | |
| Employer | 75,206 | - | 75,206 |
| Employee | 82,186 | - | 82,186 |
| Due from plan custodian | <u>-</u> | <u>1,992,490</u> | <u>1,992,490</u> |
| Total receivables | <u>671,161</u> | <u>2,529,605</u> | <u>3,200,766</u> |

| | <u>General Pension Plan</u> | <u>Firemen's and Policemen's Insurance and Pension Fund</u> | <u>Total</u> |
|--|---------------------------------|---|----------------------|
| Investments, at fair value: | | | |
| U.S. Government securities | \$ 9,067,883 | \$ 10,048,698 | \$ 19,116,581 |
| Municipal bonds | - | 150,507 | 150,507 |
| Corporate bonds | 14,782,634 | 23,694,292 | 38,476,926 |
| Foreign bonds | - | 3,312,332 | 3,312,332 |
| Asset-backed securities | 13,138,611 | 2,342,444 | 15,481,055 |
| Corporate stocks | 67,069,636 | 86,738,952 | 153,808,588 |
| Mutual funds | 46,231,360 | 37,539,540 | 83,770,900 |
| Temporary investments | - | 11,179,279 | 11,179,279 |
| Investment in Common Trust Fund | - | 10,232,984 | 10,232,984 |
| Other investments | <u>11,987,627</u> | <u>885,000</u> | <u>12,872,627</u> |
| Total investments | <u>162,277,751</u> | <u>186,124,028</u> | <u>348,401,779</u> |
| Total assets | <u>162,754,363</u> | <u>188,653,633</u> | <u>351,407,996</u> |
| LIABILITIES | | | |
| Due to plan custodian | - | 3,953,141 | 3,953,141 |
| Accrued expenses | <u>232,160</u> | <u>214,221</u> | <u>446,381</u> |
| Total liabilities | <u>232,160</u> | <u>4,167,362</u> | <u>4,399,522</u> |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | <u>\$162,522,203</u> | <u>\$184,486,271</u> | <u>\$347,008,474</u> |

Combining Statement of Changes in Plan Net Assets:

| | <u>General Pension Plan</u> | <u>Firemen's and Policemen's Insurance and Pension Fund</u> | <u>Total</u> |
|--|---------------------------------|---|-------------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Employer | \$ 947,317 | \$ 5,218,524 | \$ 6,165,841 |
| Employee | <u>1,034,181</u> | <u>2,427,326</u> | <u>3,461,507</u> |
| Total contributions | <u>1,981,498</u> | <u>7,645,850</u> | <u>9,627,348</u> |
| Investment income: | | | |
| Net appreciation (depreciation) in fair market value of investments | 55,131 | (408,530) | (353,399) |
| Interest | 2,161,933 | 3,774,467 | 5,936,400 |
| Dividends | <u>1,338,391</u> | <u>1,838,817</u> | <u>3,177,208</u> |
| | 3,555,455 | 5,204,754 | 8,760,209 |
| Less investment expense | (567,930) | (772,302) | (1,340,232) |
| Net investment income | <u>2,987,525</u> | <u>4,432,452</u> | <u>7,419,977</u> |
| Total additions | <u>4,969,023</u> | <u>12,078,302</u> | <u>17,047,325</u> |

| | <u>General Pension Plan</u> | <u>Firemen's and Policemen's Insurance and Pension Fund</u> | <u>Total</u> |
|--|---------------------------------|---|----------------------|
| DEDUCTIONS | | | |
| Benefits paid to participants | \$ 6,687,222 | \$ 14,442,234 | \$ 21,129,456 |
| Administrative expenses | <u>213,998</u> | <u>409,408</u> | <u>623,406</u> |
| Total deductions | <u>6,901,220</u> | <u>14,851,642</u> | <u>21,752,862</u> |
| NET INCREASE (DECREASE) | (1,932,197) | (2,773,340) | (4,705,537) |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | | | |
| Beginning of year | <u>164,454,400</u> | <u>187,259,611</u> | <u>351,714,011</u> |
| End of year | <u>\$162,522,203</u> | <u>\$184,486,271</u> | <u>\$347,008,474</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 5.58% of annual covered payroll.

Annual Pension Cost and Net Pension Obligation:

EPB's annual pension cost of the Plan for the current year was \$1,310,481. 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, 2002, 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 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, (c) no postretirement benefit increases and (d) a discount rate of 8.0%.

Trend Information:

| <u>Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-------------------|----------------------------------|--------------------------------------|-------------------------------|
| 6/30/03 | \$1,310,481 | 100% | \$ - |
| 6/30/02 | 1,148,796 | 100% | - |
| 6/30/01 | 1,042,000 | 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 \$618,000 in 2003.

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, 2003. 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> |
|-------------------|----------------------------------|--------------------------------------|-------------------------------|
| 6/30/03 | \$281,012 | 100% | \$ - |
| 6/30/02 | 258,529 | 100% | - |
| 6/30/01 | 194,860 | 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, 2003, there were 787 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 and Enterprise Funds. For the year ended June 30, 2003, the City recognized expenditures of approximately \$4,844,702, which was offset by \$1,266,666 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, 2002 | \$11,681,284 |
| Deferrals of compensation | 829,725 |
| Earnings | 299,739 |
| Withdrawals | (756,292) |
| Administrative expenses | <u>(379)</u> |
| Asset balance at June 30, 2003 | <u>\$12,054,077</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, 2003. The total contractual commitments outstanding as of June 30, 2003, aggregated approximately \$32,168,000. 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 Mayor and two by the Mayor of Chattanooga. The appointment of the fifth member, who serves as chairman, is agreed on by the County Mayor and the Mayor of Chattanooga.

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, 2003, lease payments from the City's General Fund were \$1,420,753.

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

| | |
|------|-------------|
| 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, 2003, is as follows:

ASSETS

| | |
|-----------------------------|---------------------|
| Cash | \$ 622,296 |
| Accounts receivable, net | 1,969,996 |
| Inventories | 46,985 |
| Prepaid items | 29,296 |
| Premises and equipment, net | 14,078,211 |
| Other assets | <u>61,257</u> |
| Total assets | <u>\$16,808,041</u> |

LIABILITIES AND FUND EQUITY

LIABILITIES

| | |
|---------------------------------------|------------------|
| Accounts payable and accrued expenses | \$ 184,282 |
| Accrued interest | 111,558 |
| Advance deposits | 41,420 |
| Bonds payable | <u>5,923,544</u> |
| Total liabilities | <u>6,260,804</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>4,523,570</u> |
| Total fund equity | <u>10,547,237</u> |
| Total liabilities and fund equity | <u>\$16,808,041</u> |

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY

| | |
|------------------------------|----------------------------|
| Total operating revenues | \$ 3,986,233 |
| Total operating expenses | <u>5,512,308</u> |
| Loss from operations | (1,526,075) |
| Nonoperating revenues | 3,393,710 |
| Nonoperating expenses | <u>360,432</u> |
| Net income | 1,507,203 |
| Fund equity at July 1, 2002 | <u>9,040,034</u> |
| Fund equity at June 30, 2003 | <u><u>\$10,547,237</u></u> |

NOTE 13. SEGMENTS OF NONMAJOR ENTERPRISE ACTIVITIES

The following condensed financial statements are presented for nonmajor enterprise funds as of June 30, 2003.

| | <u>Storm Water</u> | <u>Housing Management</u> | <u>Total</u> |
|--|----------------------------|----------------------------|----------------------------|
| Condensed Statement of Net Assets | | | |
| Assets: | | | |
| Current assets | \$ 6,385,158 | \$ 442,300 | \$ 6,827,458 |
| Capital assets | 37,748,934 | 8,418,342 | 46,167,276 |
| Other assets | <u>136,142</u> | <u>-</u> | <u>136,142</u> |
| Total assets | <u>44,270,234</u> | <u>8,860,642</u> | <u>53,130,876</u> |
| Liabilities: | | | |
| Current liabilities | 1,694,709 | 3,998,124 | 5,692,833 |
| Noncurrent liabilities | <u>19,428,462</u> | <u>-</u> | <u>19,428,462</u> |
| Total liabilities | <u>21,123,171</u> | <u>3,998,124</u> | <u>25,121,295</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 17,362,327 | 5,133,839 | 22,496,166 |
| Restricted | 594,016 | - | 594,016 |
| Unrestricted | <u>5,190,720</u> | <u>(271,321)</u> | <u>4,919,399</u> |
| Total net assets | <u><u>\$23,147,063</u></u> | <u><u>\$ 4,862,518</u></u> | <u><u>\$28,009,581</u></u> |
| Condensed Statement of Revenues, Expenses and Changes in Net Assets | | | |
| Operating revenues | \$ 5,015,639 | \$ 1,224,098 | \$ 6,239,737 |
| Operating expenses | (2,793,619) | (1,098,104) | (3,891,723) |
| Depreciation | <u>884,665</u> | <u>234,065</u> | <u>1,118,730</u> |
| Operating income (loss) | 1,337,355 | (108,071) | 1,229,284 |
| Nonoperating revenues (expenses): | | | |
| Intergovernmental | 6,440 | 1,235,096 | 1,241,536 |
| Interest income | 6,070 | 559 | 6,629 |
| Interest expense | (845,135) | (104,072) | (949,207) |
| Other income (expense) | <u>685,169</u> | <u>(60,000)</u> | <u>625,169</u> |
| Change in net assets | 1,189,899 | 963,512 | 2,153,411 |
| Net assets, beginning | <u>21,957,164</u> | <u>3,899,006</u> | <u>25,856,170</u> |
| Net assets, ending | <u><u>\$23,147,063</u></u> | <u><u>\$ 4,862,518</u></u> | <u><u>\$28,009,581</u></u> |

Condensed Statement of Cash Flows

| | | | |
|--|---------------------|-------------------|---------------------|
| Net cash provided (used) by: | | | |
| Operating activities | \$ 2,110,596 | \$ (965,596) | \$ 1,145,000 |
| Noncapital financing activities | 683,952 | - | 683,952 |
| Capital and related financing activities | (2,869,888) | 1,084,242 | (1,785,646) |
| Investing activities | <u>737,001</u> | <u>560</u> | <u>737,561</u> |
| Net increase | 661,661 | 119,206 | 780,867 |
| Cash and cash equivalents, beginning | <u>5,435,424</u> | <u>106,836</u> | <u>5,542,260</u> |
| Cash and cash equivalents, ending | <u>\$ 6,097,085</u> | <u>\$ 226,042</u> | <u>\$ 6,323,127</u> |

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---|---|--------------------|
| Nonmajor Enterprise Funds (Storm Water) | General Fund | \$ 528 |
| Capital Projects Fund | General Fund | 327,101 |
| Interceptor Sewer Fund | General Fund | 32,813 |
| Internal Service Fund | General Fund | 1,645,333 |
| Capital Projects Fund | Nonmajor Governmental Funds (Hotel/Motel) | <u>848,656</u> |
| | | <u>\$2,854,431</u> |

NOTE 15. INTERFUND TRANSFERS

| <u>Transfer To</u> | <u>Transfer From</u> | <u>Amount</u> |
|--|-----------------------------|---------------------|
| Nonmajor Governmental Funds | General Fund | \$10,400,452 |
| Public Library | | \$2,405,725 |
| Human Services | | 1,481,641 |
| State Street Aid | | 320,000 |
| Debt Service | | 6,193,086 |
| Capital Projects Fund | General Fund | 6,518,122 |
| Solid Waste/Sanitation Fund | General Fund | 4,784,387 |
| Nonmajor Enterprise Funds (Storm Water) | General Fund | 683,952 |
| Nonmajor Governmental Funds (Debt Service) | Capital Projects Fund | 1,468,230 |
| Capital Projects Fund | Nonmajor Governmental Funds | 1,394,950 |
| | Community Development | \$517,676 |
| | Hotel/Motel | 848,656 |
| | Debt Service | 28,618 |
| General Fund | Nonmajor Governmental Funds | 65,322 |
| | Community Development | 65,322 |
| Capital Projects Fund | Solid Waste/Sanitation Fund | <u>1,612,697</u> |
| Total interfund transfers | | <u>\$26,928,112</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, 2003, 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 \$9,103,968 at June 30, 2003, is based on the use of 100 percent of the capacity of the Summit landfill, and 75 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 \$1,234,528 as the remaining capacity is used. The estimated total current cost of the landfill closure and postclosure care of \$10,338,496 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, 2003. 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, 2003, 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 Cigna Healthcare.

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:

| | General Fund | Liability Insurance Fund |
|-----------------------------------|---------------------|--------------------------------|
| | <u> </u> | <u> </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 | 426,264 | 2,173,000 |
| Incurred claims (including IBNRs) | 20,344,579 | 866,956 |
| Claim payments | <u>(20,289,459)</u> | <u>(504,956)</u> |
| Unpaid claims, June 30, 2003 | <u>\$ 481,384</u> | <u>\$2,535,000</u> |

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Comprehensive Annual Financial Report – For the Year Ending June 30
City of Chattanooga, Tennessee

2003

Required Supplemental Information

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, 2003

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--|--------------------|--------------------|--------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 80,598,969 | \$ 80,598,969 | \$ 81,217,655 | \$ 618,686 |
| Property in lieu of taxes: | | | | |
| EPB | 2,818,667 | 2,818,667 | 2,818,158 | (509) |
| EPB Telecommunications | 157,417 | 157,417 | 157,417 | - |
| Burner Systems | 25,110 | 25,110 | 24,853 | (257) |
| Chattanooga Housing Authority | 20,420 | 20,420 | 2,360 | (18,060) |
| Tennessee Valley Authority | 1,129,154 | 1,129,154 | 1,056,074 | (73,080) |
| Jaycee Towers 1 and 2 | 2,448 | 2,448 | 1,224 | (1,224) |
| Chattanooga Neighborhood Enterprise | 57,996 | 57,996 | 58,008 | 12 |
| Good Neighbors | 2,808 | 2,808 | 2,808 | - |
| Kenco Group | 3,088 | 3,088 | 21,619 | 18,531 |
| Sofix | 99,270 | 99,270 | - | (99,270) |
| Signal Mountain Cement | - | - | 624,238 | 624,238 |
| Metals USA | 4,696 | 4,696 | 40,839 | 36,143 |
| Covenant Transport | - | - | 23,453 | 23,453 |
| T. B. Woods | 7,274 | 7,274 | - | (7,274) |
| Regis Corporation | 40,021 | 40,021 | 51,852 | 11,831 |
| Culp, Inc. | 451 | 451 | 451 | - |
| Chattanooga Bakery, Inc. | 5,754 | 5,754 | 4,471 | (1,283) |
| JRB Company | 25,542 | 25,542 | 24,486 | (1,056) |
| National Print Group | 5,798 | 5,798 | 5,069 | (729) |
| Top Flight, Inc. | 13,863 | 13,863 | 11,862 | (2,001) |
| Dev Corp O Knob | 418 | 418 | 476 | 58 |
| Chattanooga Labeling System | 9,200 | 9,200 | 9,151 | (49) |
| E. I. DuPont | 276,678 | 276,678 | 252,678 | (24,000) |
| Messer Griesheim Ind. | 64,315 | 64,315 | 64,571 | 256 |
| Pavestone Company | 27,897 | 27,897 | 26,493 | (1,404) |
| Sears, Roebuck & Co. | 3,004 | 3,004 | 2,394 | (610) |
| Chattem Inc. | 18,363 | 18,363 | 17,951 | (412) |
| Wheland Foundry Inc. | - | - | 762 | 762 |
| Central Block Corp. | - | - | 2,700 | 2,700 |
| Nabisco, Inc. | 39,941 | 39,941 | 34,092 | (5,849) |
| Other | - | - | (415) | (415) |
| Corporate excise taxes - intangible property | 131,600 | 131,600 | 183,932 | 52,332 |
| Interest and penalty on taxes: | | | | |
| Current year | 50,000 | 50,000 | 88,973 | 38,973 |
| Prior years | 200,000 | 200,000 | 258,221 | 58,221 |
| Collection fees - delinquent taxes | 100,000 | 100,000 | 158,484 | 58,484 |
| Other local taxes: | | | | |
| Franchise taxes | 1,643,996 | 1,643,996 | 1,648,122 | 4,126 |
| Liquor taxes | 1,385,475 | 1,385,475 | 1,462,827 | 77,352 |
| Beer taxes | 4,330,000 | 4,330,000 | 4,401,477 | 71,477 |
| Litigation taxes - City Court | 4,500 | 4,500 | 4,962 | 462 |
| Designated revenues - City-only sales taxes | 17,618,315 | 17,618,315 | 17,264,712 | (353,603) |
| Total taxes | 110,922,448 | 110,922,448 | 112,029,460 | 1,107,012 |
| Licenses and permits: | | | | |
| Motor vehicle licenses | 400,000 | 400,000 | 437,200 | 37,200 |
| Parking meters | 427,000 | 427,000 | 430,365 | 3,365 |
| Business licenses (excluding liquor) | 120,000 | 120,000 | 122,298 | 2,298 |
| Gross receipts taxes | 3,100,000 | 3,100,000 | 2,706,614 | (393,386) |
| Fees for issuing business licenses | 57,000 | 57,000 | 56,160 | (840) |

(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, 2003

(continued from previous page)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|---|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Licenses and permits: (continued) | | | | |
| Interest and penalty on business licenses | \$ 72,000 | \$ 72,000 | \$ 64,958 | \$ (7,042) |
| Wrecker permits | 5,000 | 5,000 | 900 | (4,100) |
| Building permits | 750,000 | 750,000 | 984,702 | 234,702 |
| Electrical permits | 140,000 | 140,000 | 158,391 | 18,391 |
| Plumbing fixtures connection permits | 200,000 | 200,000 | 177,911 | (22,089) |
| Street cut-in permits | 147,000 | 147,000 | 287,319 | 140,319 |
| Annual electrical contractors licenses | 64,000 | 64,000 | 63,662 | (338) |
| Plumbing examiner fees | 25,000 | 25,000 | 27,105 | 2,105 |
| Electrical examiner fees | 35,000 | 35,000 | 47,355 | 12,355 |
| Gas examiner fees | 35,000 | 35,000 | 31,150 | (3,850) |
| Beer permit application fees | 90,000 | 90,000 | 89,629 | (371) |
| Mechanical code permits | 75,000 | 75,000 | 63,925 | (11,075) |
| Mechanical examiner fees | 62,000 | 62,000 | 62,220 | 220 |
| Fees for issuing construction, renovation permits | 65,000 | 65,000 | 54,065 | (10,935) |
| Liquor by drink licenses | 107,500 | 107,500 | 116,630 | 9,130 |
| Liquor by drink, interest and penalty | 2,000 | 2,000 | 3,358 | 1,358 |
| Hotel permits | 2,000 | 2,000 | 2,825 | 825 |
| Gas permits | 8,000 | 8,000 | 7,580 | (420) |
| Exhibitor fees | 3,000 | 3,000 | 3,261 | 261 |
| Sign permits | 95,000 | 95,000 | 117,375 | 22,375 |
| Taxicab driver permits | - | - | 3,815 | 3,815 |
| Temporary use permits | 2,000 | 2,000 | 6,900 | 4,900 |
| Subdivision review/inspection fee | 46,120 | 46,120 | 64,202 | 18,082 |
| Miscellaneous licenses and permits | - | - | 22,084 | 22,084 |
| Designated revenues | 453,288 | 453,288 | 435,725 | (17,563) |
| Total licenses and permits | 6,587,908 | 6,587,908 | 6,649,684 | 61,776 |
| Intergovernmental revenues: | | | | |
| City allocation - state beer tax | 77,158 | 77,158 | 80,835 | 3,677 |
| City allocation - state income tax | 3,050,000 | 3,050,000 | 2,647,916 | (402,084) |
| City allocation - state sales tax | 9,703,214 | 9,703,214 | 9,358,611 | (344,603) |
| County-wide sales tax | 22,008,373 | 22,008,373 | 21,141,665 | (866,708) |
| Mixed drink tax | 1,300,254 | 1,300,254 | 1,227,490 | (72,764) |
| State maintenance of streets | 124,000 | 124,000 | 113,501 | (10,499) |
| State gas inspection fees | 359,000 | 359,000 | 355,013 | (3,987) |
| State alcoholic beverage taxes | 65,000 | 65,000 | 71,224 | 6,224 |
| State department of transportation | - | - | 18,204 | 18,204 |
| Hamilton County - Ross's Landing | 629,840 | 629,840 | 523,671 | (106,169) |
| Hamilton County - radio and electronics | 130,000 | 130,000 | 134,000 | 4,000 |
| State - Specialized Training | 390,000 | 390,000 | 415,375 | 25,375 |
| State-telecommunication sales tax | 23,692 | 23,692 | 28,664 | 4,972 |
| Designated revenues | 3,006,096 | 3,006,096 | 3,880,343 | 874,247 |
| Total intergovernmental revenues | 40,866,627 | 40,866,627 | 39,996,512 | (870,115) |

(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, 2003

| | (continued from previous page) | | Actual Amounts | Variance with Final Budget - Over (Under) |
|---|--------------------------------|------------------|-------------------|--|
| | Budgeted Amounts | | | |
| | Original | Final | | |
| Charges for services: | | | | |
| City court costs | \$ 114,857 | \$ 114,857 | \$ 76,291 | \$ (38,566) |
| State court costs | 6,500 | 6,500 | 4,405 | (2,095) |
| City Court Clerk fees | 708,781 | 708,781 | 725,521 | 16,740 |
| Charges for financial services, EPB | 7,200 | 7,200 | 7,200 | - |
| Variance request fees | 7,700 | 7,700 | 9,225 | 1,525 |
| Fire and ambulance service fees | - | - | 1,044 | 1,044 |
| Warner/Montague Park ballfield fees | 1,500 | 1,500 | 6,400 | 4,900 |
| Champion's Club fees | 25,408 | 25,408 | 23,803 | (1,605) |
| Memorial Auditorium credit card fees | 43,500 | 43,500 | 25,668 | (17,832) |
| Tivoli credit card fees | 10,000 | 10,000 | 12,678 | 2,678 |
| Kidz Kamp fees | 70,380 | 70,380 | 75,253 | 4,873 |
| Arts & culture fees | 66,300 | 66,300 | 17,307 | (48,993) |
| Sports program fees | 10,000 | 10,000 | 6,263 | (3,737) |
| Non-traditional program fees | 7,500 | 7,500 | 3,973 | (3,527) |
| Fitness center fees | 30,000 | 30,000 | 35,318 | 5,318 |
| Outventure fees | 10,000 | 10,000 | 10,417 | 417 |
| Credit card convenience fee | - | - | 7,410 | 7,410 |
| Police reports: accidents, etc., fees | 115,000 | 115,000 | 140,898 | 25,898 |
| Applicant/Photo/ID card fees | 18,500 | 18,500 | 10,651 | (7,849) |
| Skateboard park fees | 13,393 | 13,393 | 9,607 | (3,786) |
| Link2Gov internet fee | - | - | (2,123) | (2,123) |
| Construction board of appeals | 2,000 | 2,000 | 2,300 | 300 |
| Floodplain variance request | 40 | 40 | - | (40) |
| Zoning letter | 600 | 600 | 3,000 | 2,400 |
| Fire district removal request | 120 | 120 | - | (120) |
| Sign board of appeals | 1,500 | 1,500 | 3,500 | 2,000 |
| Certificates of occupancy | 5,000 | 5,000 | 8,630 | 3,630 |
| Sewer verification letter | 1,800 | 1,800 | 2,350 | 550 |
| Code compliance letters | 200 | 200 | - | (200) |
| Re-inspection | 250 | 250 | - | (250) |
| Permit transfer | 200 | 200 | - | (200) |
| Modular homesite investigation | 200 | 200 | 525 | 325 |
| Plan checking fee | 140,000 | 140,000 | 204,385 | 64,385 |
| Phased construction plans review | 4,000 | 4,000 | 5,506 | 1,506 |
| Cell tower site/location review | 8,000 | 8,000 | 3,200 | (4,800) |
| Therapeutic Kamp fee | - | - | 2,547 | 2,547 |
| Dead animal pick up fee at vet | 9,152 | 9,152 | 9,666 | 514 |
| Designated revenues | <u>2,041,992</u> | <u>2,041,992</u> | <u>1,724,418</u> | <u>(317,574)</u> |
| Total charges for services | <u>3,481,573</u> | <u>3,481,573</u> | <u>3,177,236</u> | <u>(304,337)</u> |
| Fines, forfeitures, and penalties: | | | | |
| City court fines | 1,104,625 | 1,104,625 | 713,372 | (391,253) |
| Criminal court fines | 170,579 | 170,579 | 233,565 | 62,986 |
| Parking tickets | 197,682 | 197,682 | 281,730 | 84,048 |
| Delinquent parking tickets | 288,874 | 288,874 | 148,165 | (140,709) |
| Air pollution penalties | - | - | 42,702 | 42,702 |
| Bond forfeitures | - | - | 1,706 | 1,706 |
| Miscellaneous forfeitures and penalties | - | - | 6,300 | 6,300 |
| Total fines, forfeitures, and penalties | <u>1,761,760</u> | <u>1,761,760</u> | <u>1,427,540</u> | <u>(334,220)</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, 2003

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|---|------------------|--------------|-------------------|--|
| | Original | Final | | |
| (continued from previous page) | | | | |
| Miscellaneous revenues: | | | | |
| Interest earned-general | \$ 1,402,500 | \$ 1,402,500 | \$ 804,631 | \$ (597,869) |
| Interest-Memorial Auditorium | - | - | 76 | 76 |
| Land and building rents | 75,000 | 75,000 | 65,407 | (9,593) |
| Dock rental (wharf) | 20,000 | 20,000 | 23,589 | 3,589 |
| Payroll deduction charges | 6,500 | 6,500 | 5,386 | (1,114) |
| Indirect cost | 2,134,646 | 2,134,646 | 2,134,635 | (11) |
| Plans and specification deposits | 12,000 | 12,000 | 14,250 | 2,250 |
| Retiree reimbursements - health insurance | 752,217 | 752,217 | 994,070 | 241,853 |
| Condemnation | 45,000 | 45,000 | 41,820 | (3,180) |
| Memorial Auditorium box office | 61,500 | 61,500 | 78,103 | 16,603 |
| Memorial Auditorium rents | 200,000 | 200,000 | 195,547 | (4,453) |
| Memorial Auditorium concessions | 50,000 | 50,000 | 30,342 | (19,658) |
| Tivoli box office | 28,000 | 28,000 | 37,663 | 9,663 |
| Tivoli rents | 135,000 | 135,000 | 181,743 | 46,743 |
| Tivoli concessions | 20,200 | 20,200 | 21,755 | 1,555 |
| Swimming pools | 10,100 | 10,100 | 34,131 | 24,031 |
| Park concessions | 16,413 | 16,413 | 11,878 | (4,535) |
| Zoo recycling | 25,000 | 25,000 | 27,809 | 2,809 |
| Recreation center rental | 22,680 | 22,680 | 29,852 | 7,172 |
| Carousel ridership | 135,000 | 135,000 | 107,133 | (27,867) |
| Other miscellaneous revenue | 269,589 | 265,839 | 377,619 | 111,780 |
| Designated revenues | 588,659 | 593,853 | 732,946 | 139,093 |
| Departmental revenues: | | | | |
| General Government | 167,000 | 167,000 | - | (167,000) |
| Finance and Administration | - | - | 19,987 | 19,987 |
| Police | - | - | 227,519 | 227,519 |
| Fire | - | - | 21,438 | 21,438 |
| Public Works | - | - | 94,729 | 94,729 |
| Parks and Recreation | - | - | 6,978 | 6,978 |
| General Services | - | - | 43,271 | 43,271 |
| Total miscellaneous revenues | 6,177,004 | 6,178,448 | 6,364,307 | 185,859 |
| Total revenues | 169,797,320 | 169,798,764 | 169,644,739 | (154,025) |
| EXPENDITURES | | | | |
| General government: | | | | |
| City Council | 665,657 | 665,657 | 615,525 | (50,132) |
| Allied Arts Council | 250,000 | 250,000 | 250,000 | - |
| Association of Visual Artists | 15,000 | 15,000 | 15,000 | - |
| Community Foundation scholarships | 160,000 | 160,000 | 160,000 | - |
| Carcog and Economic Development District | 30,493 | 30,493 | 30,493 | - |
| Carter Street lease agreement | 1,420,765 | 1,420,765 | 1,420,753 | (12) |
| Chattanooga Neighborhood Enterprises | 2,000,000 | 2,000,000 | 2,000,000 | - |
| City Court (Judicial) | 690,029 | 690,029 | 654,987 | (35,042) |
| Community Research Council | 10,000 | 10,000 | 10,000 | - |
| Children's Advocacy Center | 30,000 | 30,000 | 30,000 | - |
| Homeless Health Care Centers | 17,500 | 17,500 | 17,500 | - |

(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, 2003

(continued from previous page)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--------------------------------------|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| 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 | 24,000 | 24,000 | 24,000 | - |
| City Attorney's Office | 726,921 | 726,921 | 649,121 | (77,800) |
| Contingency fund | 500,000 | 500,000 | 35,241 | (464,759) |
| 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 | 51,055 | 9,555 |
| Tennessee Riverpark | 767,584 | 767,584 | 790,902 | 23,318 |
| WTCI - Channel 45 | 60,000 | 60,000 | 60,000 | - |
| Taxi board | 300 | 300 | - | (300) |
| Disaster recovery | - | - | 251,607 | 251,607 |
| Tuition assistance program | 20,000 | 20,000 | 27,234 | 7,234 |
| Regional Planning Agency | 2,430,440 | 2,430,440 | 2,219,289 | (211,151) |
| Renewal and replacement | 1,500,000 | 1,500,000 | 1,258,349 | (241,651) |
| Economic development and education | 14,700,095 | 14,700,095 | 14,630,381 | (69,714) |
| Downtown design center | 135,324 | 165,444 | 183,631 | 18,187 |
| Air Pollution Control Bureau | 1,307,409 | 1,341,812 | 1,341,812 | - |
| Scenic Cities Beautiful Commission | 103,725 | 103,725 | 99,526 | (4,199) |
| Summer youth | 20,000 | 20,000 | 13,175 | (6,825) |
| Nonprofit funding requests | 6,900 | 6,900 | 6,865 | (35) |
| Westside Development Corp. | 75,000 | 75,000 | 75,000 | - |
| Audits, dues and surveys | 166,754 | 166,754 | 130,926 | (35,828) |
| Renewal community | 24,820 | 24,820 | 30,356 | 5,536 |
| Front Porch Alliance | 917 | 917 | 917 | - |
| CARTA | 3,239,650 | 3,239,650 | 3,239,650 | - |
| Carter Street Corporation | 352,324 | 352,324 | 352,324 | - |
| Intergovernmental relations | 228,850 | 228,850 | 206,759 | (22,091) |
| City storm water fees | 75,000 | 75,000 | 65,291 | (9,709) |
| Election expense | - | - | 24,724 | 24,724 |
| Tennessee Valley Railroad Museum | - | - | 18,204 | 18,204 |
| African American Chamber of Commerce | 150,000 | 150,000 | 150,000 | - |
| Chamber of economic development | 400,000 | 400,000 | 400,000 | - |
| Citizen Relationship Management | 216,934 | 216,934 | 263,924 | 46,990 |
| Community education alliance | 350,098 | 350,098 | 153,507 | (196,591) |
| Community & economic development | 1,619,717 | 1,619,717 | 1,474,558 | (145,159) |
| Business development initiative | - | - | 100,000 | 100,000 |
| Personnel | 8,765,816 | 8,765,816 | 8,102,110 | (663,706) |
| Neighborhood services | 2,041,289 | 2,041,289 | 1,833,002 | (208,287) |
| Liability insurance premiums | 500,000 | 500,000 | 862,000 | 362,000 |
| Total general government | 46,135,811 | 46,200,334 | 44,624,698 | (1,575,636) |
| Finance and Administration: | | | | |
| Finance administration | 1,715,550 | 1,715,550 | 1,583,404 | (132,146) |
| Information Services | 2,517,994 | 2,517,994 | 2,355,491 | (162,503) |
| Office of City Treasurer | 541,065 | 541,065 | 487,040 | (54,025) |
| Telecommunication operations | 128,485 | 128,485 | 131,416 | 2,931 |
| Telephone system | 335,228 | 335,228 | 422,901 | 87,673 |
| City Court Clerk's Office | 1,033,967 | 1,033,967 | 921,970 | (111,997) |
| Geographic information system | 115,475 | 115,475 | - | (115,475) |

(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, 2003

| | (continued from previous page) | | | Variance with Final Budget - Over (Under) |
|--|--------------------------------|------------|-------------------|--|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Finance and Administration (continued) | | | | |
| Building maintenance | \$ 704,330 | \$ 704,330 | \$ 692,184 | \$ (12,146) |
| City court technology | 86,641 | 86,641 | 86,640 | (1) |
| Electronics division | 373,040 | 373,040 | 360,367 | (12,673) |
| Purchasing | 849,196 | 849,196 | 753,344 | (95,852) |
| Real estate - administration | 232,611 | 232,611 | 106,644 | (125,967) |
| Real estate - property maintenance | 156,100 | 156,100 | 57,923 | (98,177) |
| DRC building operations | 640,509 | 640,509 | 153,631 | (486,878) |
| Heritage center maintenance | 103,600 | 103,600 | 103,598 | (2) |
| Court space usage costs | 99,750 | 99,750 | 141,182 | 41,432 |
| Total Finance and Administration | 9,633,541 | 9,633,541 | 8,357,735 | (1,275,806) |
| Police: | | | | |
| Operations | 3,041,973 | 3,041,973 | - | (3,041,973) |
| Administration | 4,995,729 | 4,995,729 | 4,987,466 | (8,263) |
| Uniformed Services | 17,162,358 | 17,162,358 | 18,278,926 | 1,116,568 |
| Investigative and support services | 9,826,531 | 9,826,531 | 11,505,339 | 1,678,808 |
| Law enforcement planning | 874,390 | 874,390 | 861,093 | (13,297) |
| Special programs | 30,596 | 30,596 | 30,595 | (1) |
| Reduction part I offenses | 44,873 | 6,939 | 6,939 | - |
| Total Police | 35,976,450 | 35,938,516 | 35,670,358 | (268,158) |
| Fire: | | | | |
| Operations | 22,538,265 | 22,538,265 | 21,875,354 | (662,911) |
| Special programs | 13,385 | 13,385 | 13,384 | (1) |
| Utilities | 455,800 | 455,800 | 455,686 | (114) |
| Total Fire | 23,007,450 | 23,007,450 | 22,344,424 | (663,026) |
| Public Works: | | | | |
| Administration | 579,580 | 579,580 | 551,753 | (27,827) |
| Board of Appeals and Variances | 7,750 | 7,750 | 6,113 | (1,637) |
| City Engineer | 1,909,238 | 1,909,238 | 1,793,001 | (116,237) |
| City-wide services | 903,986 | 903,986 | 837,596 | (66,390) |
| Street cleaning | 1,810,717 | 1,810,716 | 1,720,668 | (90,048) |
| Emergency | 517,552 | 517,552 | 575,642 | 58,090 |
| Waste resources: | | | | |
| Sewer construction and maintenance | 1,908,019 | 1,908,019 | 1,732,796 | (175,223) |
| Codes and inspections: | | | | |
| Inspection Division | 1,583,970 | 1,583,970 | 1,570,585 | (13,385) |
| Board of Examiners | 26,020 | 26,020 | 33,871 | 7,851 |
| Utilities | 142,300 | 142,300 | 147,617 | 5,317 |
| Interceptor sewer system pump stations | 100,125 | 100,125 | 60,021 | (40,104) |
| Municipal forestry | 505,665 | 505,664 | 490,764 | (14,900) |
| Waste pickup | 5,500,177 | 5,500,176 | 5,285,077 | (215,099) |

(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, 2003

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--------------------------------------|--------------------|--------------------|--------------------|--|
| | Original | Final | | |
| (continued from previous page) | | | | |
| Public Works (continued) | | | | |
| Traffic management: | | | | |
| Administration | \$ 611,895 | \$ 611,895 | \$ 628,723 | \$ 16,828 |
| Control | 1,613,519 | 1,613,519 | 1,585,079 | (28,440) |
| Street lighting | 2,467,200 | 2,467,200 | 2,476,302 | 9,102 |
| Total Public Works | <u>20,187,713</u> | <u>20,187,710</u> | <u>19,495,608</u> | <u>(692,102)</u> |
| Parks and Recreation: | | | | |
| Administration | 853,838 | 853,838 | 824,668 | (29,170) |
| Recreation: | | | | |
| Recreation centers | 2,791,484 | 2,791,484 | 2,932,594 | 141,110 |
| Summer youth recreation | 129,874 | 129,874 | 61,267 | (68,607) |
| Fitness center | 283,722 | 283,722 | 321,614 | 37,892 |
| Late Night Programs | 147,312 | 147,312 | 143,214 | (4,098) |
| Arts and culture | 261,985 | 261,985 | 184,695 | (77,290) |
| OutVenture | 111,438 | 111,438 | 117,481 | 6,043 |
| Sports | 36,917 | 36,917 | 24,103 | (12,814) |
| Champion's Club | 180,463 | 180,463 | 209,486 | 29,023 |
| Aquatics | 115,294 | 115,294 | 133,292 | 17,998 |
| Special programs | 36,047 | 36,047 | 36,001 | (46) |
| Parks maintenance: | | | | |
| Administration | 517,723 | 517,723 | 538,057 | 20,334 |
| Warner Park Zoo | 381,034 | 381,034 | 400,977 | 19,943 |
| Municipal parks | 695,313 | 695,313 | 614,572 | (80,741) |
| Tennessee Riverpark-Downtown | 1,253,615 | 1,253,615 | 1,070,035 | (183,580) |
| Carousel | 125,536 | 125,536 | 97,660 | (27,876) |
| Civic facilities: | | | | |
| Administration | 528,579 | 528,579 | 445,403 | (83,176) |
| Memorial Auditorium | 400,073 | 400,073 | 402,174 | 2,101 |
| Tivoli Theatre | 246,205 | 246,205 | 325,528 | 79,323 |
| Concessions | 48,432 | 48,432 | 33,477 | (14,955) |
| Brainerd Golf Course | 921,049 | 921,049 | 805,279 | (115,770) |
| Brown Acres Golf Course | 965,984 | 965,984 | 822,752 | (143,232) |
| City-wide security | 65,771 | 65,771 | 79,859 | 14,088 |
| Landscape | 472,590 | 472,590 | 399,976 | (72,614) |
| Building and structures | 973,085 | 973,085 | 1,047,225 | 74,140 |
| Athletic facilities | 324,577 | 324,577 | 333,831 | 9,254 |
| Total Parks and Recreation | <u>12,867,940</u> | <u>12,867,940</u> | <u>12,405,220</u> | <u>(462,720)</u> |
| Total expenditures | <u>147,808,905</u> | <u>147,835,491</u> | <u>142,898,043</u> | <u>(4,937,448)</u> |
| Excess of revenues over expenditures | <u>21,988,415</u> | <u>21,963,273</u> | <u>26,746,696</u> | <u>4,783,423</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, 2003

| | (continued from previous page) | | | Variance with Final Budget - Over (Under) |
|--|--------------------------------|---------------------|----------------------|--|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 65,322 | \$ 65,322 | \$ 65,322 | \$ - |
| Transfers out | <u>(22,625,245)</u> | <u>(22,570,368)</u> | <u>(22,386,913)</u> | <u>183,455</u> |
| Total other financing sources (uses) | <u>(22,559,923)</u> | <u>(22,505,046)</u> | <u>(22,321,591)</u> | <u>183,455</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - (budgetary basis) | <u>\$ (571,508)</u> | <u>\$ (541,773)</u> | 4,425,105 | <u>\$ 4,966,878</u> |
| Adjustment for encumbrances | | | <u>285,180</u> | |
| Excess of revenues and other financing sources over expenditures and other financing uses - (GAAP basis) | | | 4,710,285 | |
| FUND BALANCE at beginning of year | | | <u>35,967,695</u> | |
| FUND BALANCE at end of year | | | <u>\$ 40,677,980</u> | |

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

SCHEDULE OF DESIGNATED REVENUES - BUDGET AND ACTUAL ON BUDGETARY BASIS
Year Ended June 30, 2003

| | Final Budget | | | | | Actual | | | | | Variance - Over (Under) | | |
|---|----------------------|----------------------------|------------------------------------|----------------------------|---------------------------|----------------------|----------------------|----------------------------|------------------------------------|----------------------------|-------------------------------|---------------------------|-------------------|
| | Taxes | Licenses and Permits | Inter- governmental Revenues | Charges for Services | Miscellaneous Revenues | Total | Taxes | Licenses and Permits | Inter- governmental Revenues | Charges for Services | | Miscellaneous Revenues | Total |
| Regional Planning Agency | \$ - | \$ - | \$ 1,504,224 | \$ - | \$ 89,778 | \$ 1,594,002 | \$ - | \$ - | \$ 1,363,827 | \$ - | \$ 103,875 | \$ 1,467,702 | \$ (126,300) |
| Air Pollution Bureau | - | 453,288 | 551,917 | - | - | 1,005,205 | - | 435,725 | 640,090 | - | 66,793 | 1,142,608 | 137,403 |
| Scenic Cities Beautiful Commission | - | - | 66,431 | - | - | 66,431 | - | - | 66,430 | - | 1,627 | 68,057 | 1,626 |
| Reduction - Part I offenses | - | - | - | - | 3,480 | 3,480 | - | - | - | - | 3,480 | 3,480 | - |
| Municipal golf courses | - | - | - | 1,937,037 | - | 1,937,037 | - | - | - | 1,628,482 | 295 | 1,628,777 | (308,260) |
| Free Public Library | - | - | - | - | 9,000 | 9,000 | - | - | - | - | 6,935 | 6,935 | (2,065) |
| Miller Park | - | - | - | - | 100 | 100 | - | - | - | - | 98 | 98 | (2) |
| Law enforcement planning | - | - | 673,252 | - | 6,928 | 680,180 | - | - | 673,252 | - | 6,928 | 680,180 | - |
| Summer youth work action | - | - | - | - | 20,000 | 20,000 | - | - | - | - | 13,175 | 13,175 | (6,825) |
| Confiscated and unclaimed property | - | - | - | - | - | - | - | - | - | - | 3,200 | 3,200 | 3,200 |
| Nonprofit request | - | - | - | - | 1,300 | 1,300 | - | - | - | - | 950 | 950 | (350) |
| Economic Development and Education fund | 17,618,315 | - | - | - | 445,267 | 17,618,315 | 17,264,712 | - | 676,056 | - | 63,252 | 18,004,020 | 385,705 |
| Special programs fund | - | - | 175,272 | 104,955 | 18,000 | 725,494 | - | - | 425,688 | 95,936 | 444,338 | 965,962 | 240,468 |
| African-American Museum | - | - | 35,000 | - | - | 53,000 | - | - | 35,000 | - | 18,000 | 53,000 | - |
| Total designated revenues | \$ 17,618,315 | \$ 453,288 | \$ 3,006,096 | \$ 2,041,992 | \$ 593,853 | \$ 23,713,544 | \$ 17,264,712 | \$ 435,725 | \$ 3,880,343 | \$ 1,724,418 | \$ 732,946 | \$ 24,038,144 | \$ 324,600 |

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF REQUIRED SUPPLEMENTAL INFORMATION
PUBLIC EMPLOYEE RETIREMENT SYSTEMS
SCHEDULE OF FUNDING PROGRESS
June 30, 2003

| 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, 2003 | \$ 195,813,753 | \$ 167,271,964 | \$ (28,541,789) | 117.06% | \$ 53,221,374 | -53.63% |
| 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% |
| Firemen's and Policemen's Insurance and Pension Fund | | | | | | |
| January 1, 2003 | \$ 201,373,183 | \$ 238,423,840 | \$ 37,050,657 | 84.46% | \$ 30,060,676 | 123.25% |
| 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 | 144,431,600 | 155,583,400 | 11,151,800 | 92.83% | 24,548,600 | 45.43% |
| ELECTRIC POWER BOARD | | | | | | |
| August 1, 2002 | \$ 42,946,000 | \$ 42,946,000 | \$ - | 100.00% | \$ 22,387,000 | 0.00% |
| 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% |

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF REQUIRED SUPPLEMENTAL INFORMATION
 PUBLIC EMPLOYEE RETIREMENT SYSTEMS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 June 30, 2003

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> | |
|--------------------------|------------------------------------|---------------------------|---|---------------------------|
| | Annual Required Contribution | Percentage Contributed | Annual Required Contribution | Percentage Contributed |
| 2003 | 974,113 | 100% | 5,636,207 | 100% |
| 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% |

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 | 1/1/2003 | 1/1/2003 |
| Actuarial cost method | Entry Age | Entry Age |
| Amortization method | Level Dollar | Level Percent |
| Remaining amortization period | 30 Years Open | 40 Years Open |
| Asset valuation method | Market value, as adjusted | 5-Year Average |
| Actuarial assumptions: | | |
| Investment rate of return | 7.75% | 8.00% |
| Projected salary increases | 5.50% | 4.00% |
| Includes inflation at | 3.00% | 4.00% |
| Cost-of-living adjustments | 3.00% | 3.00% |

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Comprehensive Annual Financial Report – For the Year Ending June 30
City of Chattanooga, Tennessee

2003

Combining Financial Statements

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.

Hotel/Motel Tax Fund accounts for revenues and expenditures of the City's hotel/motel privilege tax. The City ordinance requires that hotel/motel taxes be used to develop and implement public improvements in the downtown and waterfront areas.

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, 2003

| | Special Revenue | | | | | | | | | | Total | |
|---|---------------------|----------------------|------------------------|---------------------|---------------------|-----------------------|-------------------|------------------------|----------------------|---------------------|----------------------|-----------------------------------|
| | Public Library | Downtown Development | Human Services Program | Narcotics Program | Slate Street Aid | Community Development | Hotel/Motel Tax | Interfund Eliminations | Total | Debt Service | | Total Nonmajor Governmental Funds |
| ASSETS | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 1,871,230 | \$ 82,314 | \$ 4,162,278 | \$ 1,315,329 | \$ 1,641,453 | \$ 51,764 | \$ 709,218 | \$ - | \$ 9,833,586 | \$ 5,016,760 | \$ 14,850,346 | |
| Investments | - | 400,000 | - | - | 325,000 | - | - | - | 725,000 | - | 725,000 | |
| Accounts receivable | 1,425 | 1,815 | 132,572 | 1,023 | 2,243 | 102,520 | 286,127 | - | 527,725 | - | 527,725 | |
| Notes receivable, net of allowance for uncollectibles | - | 681,767 | - | - | - | 3,070,781 | - | - | 3,752,548 | - | 3,752,548 | |
| Due from other governments | - | - | 1,437,497 | - | 763,064 | 499,173 | - | - | 2,699,734 | - | 2,699,734 | |
| Total assets | \$ 1,872,655 | \$ 1,165,896 | \$ 5,732,347 | \$ 1,316,352 | \$ 2,731,760 | \$ 3,724,238 | \$ 995,345 | \$ - | \$ 17,538,593 | \$ 5,016,760 | \$ 22,555,353 | |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | | |
| LIABILITIES | | | | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 60,186 | \$ 600 | \$ 631,086 | \$ 343,268 | \$ 179,959 | \$ 64,851 | \$ - | \$ - | \$ 1,279,950 | \$ 28,618 | \$ 1,308,568 | |
| Deferred revenue | - | - | - | - | 380,741 | - | 146,689 | - | 527,430 | - | 527,430 | |
| Due to other funds | - | - | - | - | - | - | 848,656 | - | 848,656 | - | 848,656 | |
| Total liabilities | 60,186 | 600 | 631,086 | 343,268 | 560,700 | 64,851 | 995,345 | - | 2,656,036 | 28,618 | 2,684,654 | |
| FUND BALANCES | | | | | | | | | | | | |
| Reserved for encumbrances | 15,759 | - | 412,843 | 2,040 | 36,875 | 46,658 | - | - | 514,175 | - | 514,175 | |
| Unreserved - designated for debt service | - | - | - | - | - | - | - | - | - | 4,988,142 | 4,988,142 | |
| Unreserved - undesignated | 1,796,710 | 1,165,296 | 4,688,418 | 971,044 | 2,134,185 | 3,612,729 | - | - | 14,368,382 | - | 14,368,382 | |
| Total fund balances | 1,812,469 | 1,165,296 | 5,101,261 | 973,084 | 2,171,060 | 3,659,387 | - | - | 14,882,557 | 4,988,142 | 19,870,699 | |
| Total liabilities and fund balances | \$ 1,872,655 | \$ 1,165,896 | \$ 5,732,347 | \$ 1,316,352 | \$ 2,731,760 | \$ 3,724,238 | \$ 995,345 | \$ - | \$ 17,538,593 | \$ 5,016,760 | \$ 22,555,353 | |

CITY OF CHATTANOOGA, TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2003

| | Special Revenue | | | | | | | | | | Total Nonmajor Governmental Funds | |
|---|-------------------|-------------------------|------------------------------|----------------------|---------------------|--------------------------|------------------------|---------------------------|---------------|-----------------|--|---------------|
| | Public Library | Downtown Development | Human Services Program | Narcotics Program | State Street Aid | Community Development | Hotel/ Motel Tax | Interfund Eliminations | Total | Debt Service | | |
| REVENUES | | | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 876,506 |
| Intergovernmental | 2,509,550 | - | 11,435,230 | 12,601 | 4,343,885 | 3,404,782 | - | - | 21,706,048 | 805,984 | - | 22,512,032 |
| Charges for services | - | - | 73,112 | - | - | - | - | - | 73,112 | - | - | 73,112 |
| Investment income | 59,081 | 54,286 | 29,542 | 1,515 | 18,782 | 225,672 | 2,150 | - | 391,028 | - | - | 391,028 |
| Miscellaneous | 183,855 | - | 97,760 | 355,358 | - | 1,580,497 | - | - | 2,217,470 | 200,010 | - | 2,417,480 |
| Total revenues | 2,752,486 | 54,286 | 11,635,644 | 369,474 | 4,362,667 | 5,210,951 | 878,656 | - | 25,264,164 | 1,005,994 | - | 26,270,158 |
| EXPENDITURES | | | | | | | | | | | | |
| General government | 4,886,232 | 25,420 | 12,490,011 | - | - | - | 30,000 | - | 17,431,663 | - | - | 17,431,663 |
| Police | - | - | - | 264,346 | - | - | - | - | 264,346 | - | - | 264,346 |
| Public works | - | - | - | - | 3,951,043 | - | - | - | 3,951,043 | - | - | 3,951,043 |
| Community development | - | - | - | - | - | 4,461,967 | - | - | 4,461,967 | - | - | 4,461,967 |
| Debt service | - | - | - | - | - | - | - | - | - | 9,206,817 | - | 9,206,817 |
| Capital outlay/fixed assets | 109,899 | - | 286,499 | 78,020 | 159,448 | 1,542 | - | - | 635,408 | - | - | 635,408 |
| Total expenditures | 4,996,131 | 25,420 | 12,776,510 | 342,366 | 4,110,491 | 4,463,509 | 30,000 | - | 26,744,427 | 9,206,817 | - | 35,951,244 |
| Excess (deficiency) of revenues over (under) expenditures | (2,243,645) | 28,866 | (1,140,866) | 27,108 | 252,176 | 747,442 | 848,656 | - | (1,480,263) | (8,200,823) | - | (9,681,086) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | |
| Refunding bond proceeds | - | - | - | - | - | - | - | - | - | - | - | - |
| Payment to refunded bonds escrow agent | - | - | - | - | - | - | - | - | - | 6,244,753 | - | 6,244,753 |
| Transfers in | 2,405,725 | - | 1,488,618 | - | 320,000 | - | - | (6,977) | 4,207,366 | (6,185,569) | - | (6,185,569) |
| Transfers out | - | - | - | - | - | (589,975) | (848,656) | 6,977 | (1,431,654) | 7,661,316 | - | 11,868,682 |
| Total other financing sources (uses) | 2,405,725 | - | 1,488,618 | - | 320,000 | (589,975) | (848,656) | 6,977 | 2,775,712 | 7,691,882 | - | 10,467,594 |
| Net change in fund balance | 162,080 | 28,866 | 347,752 | 27,108 | 572,176 | 157,467 | - | - | 1,295,449 | (508,941) | - | 786,508 |
| FUND BALANCE, beginning | 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 |
| FUND BALANCE, ending | \$ 1,812,469 | \$ 1,165,296 | \$ 5,101,261 | \$ 973,084 | \$ 2,171,060 | \$ 3,659,387 | \$ - | \$ - | \$ 14,882,557 | \$ 4,988,142 | \$ - | \$ 19,870,699 |

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, 2003

| | <u>Storm Water</u> | <u>Housing Management</u> | <u>Total</u> |
|---|----------------------|-------------------------------|----------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 6,097,085 | \$ 226,042 | \$ 6,323,127 |
| Receivables: | | | |
| Customer service | 686,184 | - | 686,184 |
| Other | - | 903 | 903 |
| Less allowance for doubtful accounts | (405,079) | - | (405,079) |
| Due from other governments | 6,440 | 143,028 | 149,468 |
| Due from other funds | 528 | - | 528 |
| Other current assets | - | 72,327 | 72,327 |
| | <u>6,385,158</u> | <u>442,300</u> | <u>6,827,458</u> |
| Total current assets | | | |
| CAPITAL ASSETS | | | |
| Land | 984,510 | 83,789 | 1,068,299 |
| Buildings | - | 8,535,809 | 8,535,809 |
| Vehicles and machinery | 1,137,958 | 957 | 1,138,915 |
| Storm water system | 39,872,304 | - | 39,872,304 |
| Construction in progress | 482,308 | 125,378 | 607,686 |
| | <u>42,477,080</u> | <u>8,745,933</u> | <u>51,223,013</u> |
| Less accumulated depreciation | <u>(4,728,146)</u> | <u>(327,591)</u> | <u>(5,055,737)</u> |
| | <u>37,748,934</u> | <u>8,418,342</u> | <u>46,167,276</u> |
| Net capital assets | | | |
| OTHER ASSETS | | | |
| Deferred charges | <u>136,142</u> | <u>-</u> | <u>136,142</u> |
| | <u>\$ 44,270,234</u> | <u>\$ 8,860,642</u> | <u>\$ 53,130,876</u> |
| Total assets | | | |

| | Storm Water | Housing Management | Total |
|---|----------------------|-----------------------|----------------------|
| CURRENT LIABILITIES | | | |
| Current maturities of long-term liabilities | \$ 1,306,361 | \$ - | \$ 1,306,361 |
| Accounts payable and accrued liabilities | 384,091 | 3,998,124 | 4,382,215 |
| Contracts payable | 4,257 | - | 4,257 |
| Total current liabilities | <u>1,694,709</u> | <u>3,998,124</u> | <u>5,692,833</u> |
| LONG-TERM LIABILITIES | | | |
| Notes payable | 1,439,893 | - | 1,439,893 |
| Compensated absences | 184,127 | - | 184,127 |
| General obligation bonds payable | 17,659,840 | - | 17,659,840 |
| Deferred refunding | (473,920) | - | (473,920) |
| Original issue premium | 618,522 | - | 618,522 |
| Total long-term liabilities | <u>19,428,462</u> | <u>-</u> | <u>19,428,462</u> |
| Total liabilities | <u>21,123,171</u> | <u>3,998,124</u> | <u>25,121,295</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 17,362,327 | 5,133,839 | 22,496,166 |
| Restricted | 594,016 | - | 594,016 |
| Unrestricted | 5,190,720 | (271,321) | 4,919,399 |
| Total net assets | <u>\$ 23,147,063</u> | <u>\$ 4,862,518</u> | <u>\$ 28,009,581</u> |

CITY OF CHATTANOOGA, TENNESSEE

NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

Year Ended June 30, 2003

| | <u>Storm Water</u> | <u>Housing Management</u> | <u>Total</u> |
|---|----------------------|-------------------------------|----------------------|
| OPERATING REVENUES | | | |
| Customer charges, net | \$ 4,951,932 | \$ 1,190,134 | \$ 6,142,066 |
| Charges for other services | <u>63,707</u> | <u>33,964</u> | <u>97,671</u> |
| Total operating revenues | <u>5,015,639</u> | <u>1,224,098</u> | <u>6,239,737</u> |
| OPERATING EXPENSES | | | |
| Storm water operations | 2,793,619 | - | 2,793,619 |
| Housing management operations | - | 992,339 | 992,339 |
| Management fees | - | 105,765 | 105,765 |
| Depreciation and amortization | <u>884,665</u> | <u>234,065</u> | <u>1,118,730</u> |
| Total operating expenses | <u>3,678,284</u> | <u>1,332,169</u> | <u>5,010,453</u> |
| OPERATING INCOME (LOSS) | <u>1,337,355</u> | <u>(108,071)</u> | <u>1,229,284</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Intergovernmental | 6,440 | 1,235,096 | 1,241,536 |
| Investment income | 6,070 | 559 | 6,629 |
| Interest expense | (845,135) | (104,072) | (949,207) |
| Other income (expense) | <u>1,217</u> | <u>(60,000)</u> | <u>(58,783)</u> |
| Total nonoperating revenues (expenses) | <u>(831,408)</u> | <u>1,071,583</u> | <u>240,175</u> |
| INCOME BEFORE TRANSFERS | <u>505,947</u> | <u>963,512</u> | <u>1,469,459</u> |
| Transfers in | <u>683,952</u> | <u>-</u> | <u>683,952</u> |
| CHANGE IN NET ASSETS | 1,189,899 | 963,512 | 2,153,411 |
| Net assets, beginning | <u>21,957,164</u> | <u>3,899,006</u> | <u>25,856,170</u> |
| Net assets, ending | <u>\$ 23,147,063</u> | <u>\$ 4,862,518</u> | <u>\$ 28,009,581</u> |

CITY OF CHATTANOOGA, TENNESSEE
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2003

| | <u>Storm Water</u> | <u>Housing Management</u> | <u>Total</u> |
|---|---------------------|-------------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 5,605,818 | \$ 1,091,775 | \$ 6,697,593 |
| Payments to suppliers | (1,934,590) | (1,808,569) | (3,743,159) |
| Payments to employees | <u>(1,560,632)</u> | <u>(248,802)</u> | <u>(1,809,434)</u> |
| Net cash provided by (used in) operating activities | <u>2,110,596</u> | <u>(965,596)</u> | <u>1,145,000</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers in | <u>683,952</u> | <u>-</u> | <u>683,952</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds from capital debt | - | 2,473,825 | 2,473,825 |
| Principal paid on capital debt | (1,237,103) | (46,052) | (1,283,155) |
| Interest paid on capital debt | (859,668) | (104,072) | (963,740) |
| Capital grants received | - | 1,546,646 | 1,546,646 |
| Additions to capital assets | <u>(773,117)</u> | <u>(2,786,105)</u> | <u>(3,559,222)</u> |
| Net cash provided by (used in) capital and related financing activities | <u>(2,869,888)</u> | <u>1,084,242</u> | <u>(1,785,646)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sales and maturities of investments | 720,978 | - | 720,978 |
| Interest on investments | <u>16,023</u> | <u>560</u> | <u>16,583</u> |
| Net cash provided by investing activities | <u>737,001</u> | <u>560</u> | <u>737,561</u> |
| Net increase in cash and cash equivalents | 661,661 | 119,206 | 780,867 |
| Cash and cash equivalents, beginning of year | <u>5,435,424</u> | <u>106,836</u> | <u>5,542,260</u> |
| Cash and cash equivalents, end of year | <u>\$ 6,097,085</u> | <u>\$ 226,042</u> | <u>\$ 6,323,127</u> |
| CLASSIFIED AS: | | | |
| Current assets | <u>\$ 6,097,085</u> | <u>\$ 226,042</u> | <u>\$ 6,323,127</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2003

(continued from previous page)

| | Storm Water | Housing Management | Total |
|--|--------------|-----------------------|--------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| OPERATING INCOME | \$ 1,337,355 | \$ (108,071) | \$ 1,229,284 |
| ADJUSTMENTS NOT AFFECTING CASH: | | | |
| Depreciation and amortization | 884,665 | 234,065 | 1,118,730 |
| Provision for uncollectible accounts | 232,514 | - | 232,514 |
| Change in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | (93,146) | 322,255 | 229,109 |
| Increase in prepaid items | - | (12,257) | (12,257) |
| Increase in due from other funds | (11,199) | - | (11,199) |
| Decrease in accounts payable | (60,048) | (1,387,942) | (1,447,990) |
| Decrease in accrued liabilities | (223,241) | - | (223,241) |
| Increase (decrease) in other assets/liabilities | 43,696 | (13,646) | 30,050 |
| TOTAL ADJUSTMENTS | 773,241 | (857,525) | (84,284) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | \$ 2,110,596 | \$ (965,596) | \$ 1,145,000 |

PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose Trust Funds are used to account for resources, including both principal and earnings, which must be expended for specific individuals and purposes 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 awards to high school students at Chattanooga High School, which is now part of the Hamilton County Department of Education. 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 awards to high school students within the Hamilton County Department of Education. 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 awards to high school students within the Hamilton County Department of Education. 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, 2003

| | Chattanooga High School Medal | Ochs-Oakes Fire and Police Medal | Ochs-Oakes High School Medal | Total |
|---------------------------|-------------------------------------|--|------------------------------------|-----------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ 4,853 | \$ 2,400 | \$ 7,253 |
| Accounts receivable | 48 | - | - | 48 |
| Investments | 4,666 | 56,241 | 7,849 | 68,756 |
| Total assets | 4,714 | 61,094 | 10,249 | 76,057 |
| NET ASSETS | \$ 4,714 | \$ 61,094 | \$ 10,249 | \$ 76,057 |

CITY OF CHATTANOOGA, TENNESSEE

PRIVATE-PURPOSE TRUST FUNDS

COMBINING STATEMENT OF CHANGES IN NET ASSETS

Year Ended June 30, 2003

| | <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 in fair market value of investments | \$ - | \$ 2,541 | \$ 268 | \$ 2,809 |
| Interest | <u>64</u> | <u>1,491</u> | <u>259</u> | <u>1,814</u> |
| Total additions | <u>64</u> | <u>4,032</u> | <u>527</u> | <u>4,623</u> |
| DEDUCTIONS | | | | |
| Administrative expenses | <u>-</u> | <u>150</u> | <u>150</u> | <u>300</u> |
| CHANGE IN NET ASSETS | 64 | 3,882 | 377 | 4,323 |
| Net assets, beginning | <u>4,650</u> | <u>57,212</u> | <u>9,872</u> | <u>71,734</u> |
| Net assets, end | <u>\$ 4,714</u> | <u>\$ 61,094</u> | <u>\$ 10,249</u> | <u>\$ 76,057</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.

Chattanooga Downtown 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, 2003

| | Metropolitan Airport Authority | CARTA | Chattanooga Downtown Redevelopment Corporation | Total |
|---|--------------------------------------|----------------------|---|----------------------|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 5,634,222 | \$ 3,673,187 | \$ 10,977,872 | \$ 20,285,281 |
| Other | - | 71,819 | - | 71,819 |
| Total operating revenues | <u>5,634,222</u> | <u>3,745,006</u> | <u>10,977,872</u> | <u>20,357,100</u> |
| OPERATING EXPENSES | | | | |
| Airport operations | 4,619,571 | - | - | 4,619,571 |
| CARTA operations | - | 8,566,251 | - | 8,566,251 |
| CDRC operations | - | - | 9,797,471 | 9,797,471 |
| Management fees | 271,795 | - | 577,464 | 849,259 |
| Maintenance | 162,572 | 2,194,966 | - | 2,357,538 |
| Depreciation and amortization | 2,063,284 | 3,200,935 | - | 5,264,219 |
| Total operating expenses | <u>7,117,222</u> | <u>13,962,152</u> | <u>10,374,935</u> | <u>31,454,309</u> |
| OPERATING INCOME (LOSS) | <u>(1,483,000)</u> | <u>(10,217,146)</u> | <u>602,937</u> | <u>(11,097,209)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Intergovernmental revenue | 3,574,413 | 5,303,518 | 6,171,322 | 15,049,253 |
| Investment income | 103,939 | 4,698 | 579,596 | 688,233 |
| Interest expense | (259,814) | - | (7,257,375) | (7,517,189) |
| Other income (expense) | 934,139 | - | (7,575) | 926,564 |
| Total nonoperating revenues (expenses) | <u>4,352,677</u> | <u>5,308,216</u> | <u>(514,032)</u> | <u>9,146,861</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS | <u>2,869,677</u> | <u>(4,908,930)</u> | <u>88,905</u> | <u>(1,950,348)</u> |
| Capital contributions | - | 4,999,651 | 779,424 | 5,779,075 |
| CHANGE IN NET ASSETS | <u>2,869,677</u> | <u>90,721</u> | <u>868,329</u> | <u>3,828,727</u> |
| Net assets (deficit), beginning | <u>31,235,332</u> | <u>33,069,887</u> | <u>(3,140,359)</u> | <u>61,164,860</u> |
| Net assets (deficit), ending | <u>\$ 34,105,009</u> | <u>\$ 33,160,608</u> | <u>\$ (2,272,030)</u> | <u>\$ 64,993,587</u> |

CITY OF CHATTANOOGA, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS
Year Ended June 30, 2003

| | Metropolitan Airport Authority | CARTA | Chattanooga Downtown Redevelopment Corporation | Total |
|--|--------------------------------------|---------------------|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers and users | \$ 5,958,197 | \$ 4,129,674 | \$ 11,259,399 | \$ 21,347,270 |
| Receipts from other | - | 3,363 | - | 3,363 |
| Payments to suppliers | (5,113,467) | (3,313,744) | (4,719,603) | (13,146,814) |
| Payments to employees | - | (8,040,117) | (89,602) | (8,129,719) |
| Cost of services | - | - | (5,521,368) | (5,521,368) |
| Net cash provided by (used in) operating activities | <u>844,730</u> | <u>(7,220,824)</u> | <u>928,826</u> | <u>(5,447,268)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Intergovernmental payments received | - | 5,303,518 | 8,129,484 | 12,049,007 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Principal paid on capital debt | (598,093) | (25,000) | - | (623,093) |
| Interest paid on capital debt | (258,006) | - | (7,198,975) | (7,456,981) |
| Capital contributions | 3,391,906 | 5,139,823 | 779,424 | 9,311,153 |
| Additions to capital assets | (4,251,821) | (2,512,454) | - | (6,764,275) |
| Proceeds from the sale of capital assets | - | 10,065 | - | 10,065 |
| Passenger facility charges collected | 930,201 | - | - | 930,201 |
| Net cash flows provided by (used in) capital and related financing activities | <u>(785,813)</u> | <u>2,612,434</u> | <u>(6,419,551)</u> | <u>(4,592,930)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchases of investments | - | (105,164) | (84,862,462) | (84,967,626) |
| Proceeds from sales and maturities of investments | 422,926 | 108,000 | 93,604,074 | 94,135,000 |
| Interest on investments | 103,939 | - | 715,244 | 819,183 |
| Investment in capital lease | - | - | (11,161,969) | (11,161,969) |
| Net cash flows provided by (used in) investing activities | <u>526,865</u> | <u>2,836</u> | <u>(1,705,113)</u> | <u>(1,175,412)</u> |
| Net increase in cash and cash equivalents | 585,782 | 697,964 | 933,646 | 2,217,392 |
| Cash and cash equivalents, beginning of year | <u>953,901</u> | <u>1,297,026</u> | <u>204,738</u> | <u>2,455,665</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,539,683</u> | <u>\$ 1,994,990</u> | <u>\$ 1,138,384</u> | <u>\$ 4,673,057</u> |
| CLASSIFIED AS: | | | | |
| Current assets | \$ 920,012 | \$ 1,035,990 | \$ 1,138,384 | \$ 3,094,386 |
| Restricted assets | <u>619,671</u> | <u>959,000</u> | <u>-</u> | <u>1,578,671</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 COMBINING STATEMENT OF CASH FLOWS
 COMPONENT UNITS
 Year Ended June 30, 2003

(continued from previous page)

| | Metropolitan Airport Authority | CARTA | Chattanooga Downtown Redevelopment Corporation | Total |
|---|--------------------------------------|-----------------------|---|-----------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | |
| OPERATING INCOME (LOSS) | \$ (1,483,000) | \$ (10,217,146) | \$ 602,937 | \$ (11,097,209) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | |
| Depreciation and Amortization | 2,063,284 | 3,200,935 | - | 5,264,219 |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable | 380,780 | (26,482) | 281,527 | 635,825 |
| (Increase) decrease in inventory | - | (11,389) | (46,320) | (57,709) |
| (Increase) decrease in prepaid items | (148,073) | (69,168) | 2,636 | (214,605) |
| Increase (decrease) in accounts payable and accrued liabilities | (76,057) | (97,574) | 104,476 | (69,155) |
| Increase (decrease) in deferred revenue | (56,805) | - | - | (56,805) |
| Increase (decrease) in other | 164,601 | - | (11,610) | 152,991 |
| TOTAL ADJUSTMENTS | <u>2,327,730</u> | <u>2,996,322</u> | <u>330,709</u> | <u>5,654,761</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ 844,730</u> | <u>\$ (7,220,824)</u> | <u>\$ 933,646</u> | <u>\$ (5,442,448)</u> |
| SIGNIFICANT NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | |
| Additions to property and equipment included in contracts payable | \$ 845,846 | \$ - | \$ - | \$ 845,846 |
| Additions to property and equipment included in accounts payable | 9,369 | - | - | 9,369 |
| Exchange of capital assets for investment in capital lease | <u>-</u> | <u>-</u> | <u>104,768,147</u> | <u>104,768,147</u> |

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Comprehensive Annual Financial Report – For the Year Ending June 30
City of Chattanooga, Tennessee

2003

**Budgetary Comparison
Schedules**

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

PUBLIC LIBRARY FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2003

| | 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 | - | - | 103,825 | 103,825 |
| Investment income | 61,176 | 61,176 | 59,081 | (2,095) |
| Book sales | 38,687 | 38,687 | 32,825 | (5,862) |
| Miscellaneous | 128,671 | 128,671 | 151,030 | 22,359 |
| Total revenues | 2,634,259 | 2,634,259 | 2,752,486 | 118,227 |
| EXPENDITURES | | | | |
| Central branch and administration | 4,188,434 | 4,188,434 | 3,669,871 | (518,563) |
| Eastgate branch | 393,356 | 393,356 | 391,469 | (1,887) |
| Northgate branch | 398,873 | 398,873 | 382,212 | (16,661) |
| Ooltewah/Collegedale branch | 349,335 | 349,335 | 291,686 | (57,649) |
| South Chattanooga branch | 146,581 | 146,581 | 139,137 | (7,444) |
| Capital outlay | 94,370 | 94,370 | 91,218 | (3,152) |
| Other | 5,000 | 5,000 | 12,056 | 7,056 |
| Total expenditures | 5,575,949 | 5,575,949 | 4,977,649 | (598,300) |
| Deficiency of revenues under expenditures | (2,941,690) | (2,941,690) | (2,225,163) | 716,527 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 2,405,725 | 2,405,725 | 2,405,725 | - |
| Net change in fund balance | \$ (535,965) | \$ (535,965) | 180,562 | \$ 716,527 |
| Adjustment for encumbrances | | | (18,482) | |
| Net change in fund balance (GAAP basis) | | | 162,080 | |
| FUND BALANCE at beginning of year (GAAP basis) | | | 1,650,389 | |
| FUND BALANCE at end of year (GAAP basis) | | | \$ 1,812,469 | |
| EXPLANATION OF DIFFERENCES | | | | |
| REVENUES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 2,752,486 | |
| Differences - none | | | - | |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | \$ 2,752,486 | |
| EXPENDITURES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 4,977,649 | |
| Adjustment for encumbrances | | | 18,482 | |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | \$ 4,996,131 | |

CITY OF CHATTANOOGA, TENNESSEE
SPECIAL REVENUE FUND
DOWNTOWN DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2003

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--|------------------|-----------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Investment income | \$ 54,305 | \$ 54,305 | \$ 54,286 | \$ (19) |
| Total revenues | 54,305 | 54,305 | 54,286 | (19) |
| EXPENDITURES | | | | |
| Downtown development | 25,400 | 25,400 | 25,420 | 20 |
| Total expenditures | 25,400 | 25,400 | 25,420 | 20 |
| Net change in fund balance | \$ 28,905 | \$ 28,905 | 28,866 | \$ (39) |
| Adjustment for encumbrances | | | - | |
| Net change in fund balance (GAAP basis) | | | 28,866 | |
| FUND BALANCE at beginning of year (GAAP basis) | | | 1,136,430 | |
| FUND BALANCE at end of year (GAAP basis) | | | \$ 1,165,296 | |
| EXPLANATION OF DIFFERENCES | | | | |
| REVENUES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 54,286 | |
| Differences - none | | | - | |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | \$ 54,286 | |
| EXPENDITURES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 25,420 | |
| Adjustment for encumbrances | | | - | |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | \$ 25,420 | |

CITY OF CHATTANOOGA, TENNESSEE
SPECIAL REVENUE FUND
HUMAN SERVICES PROGRAM FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2003

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--------------------------------|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Federal funds | \$ 7,008,711 | \$ 7,533,843 | \$ 7,417,791 | \$ (116,052) |
| State of Tennessee funds | 3,958,070 | 4,161,664 | 4,017,439 | (144,225) |
| United Way | 2,500 | 2,500 | 2,351 | (149) |
| Project Warm Neighbors | 20,000 | 20,000 | 29,951 | 9,951 |
| Day care fees | 62,695 | 65,805 | 73,112 | 7,307 |
| Investment income | 74,082 | 74,082 | 29,542 | (44,540) |
| Donations | 50,000 | 50,000 | 50,000 | - |
| Other | 4,000 | 14,545 | 15,458 | 913 |
| Total revenues | 11,180,058 | 11,922,439 | 11,635,644 | (286,795) |
| EXPENDITURES | | | | |
| Administration | 1,211,654 | 1,207,154 | 1,220,453 | 13,299 |
| Headstart program | 7,883,578 | 8,029,146 | 6,938,777 | (1,090,369) |
| Day care | 836,855 | 836,655 | 614,973 | (221,682) |
| Food program | 103,720 | 99,720 | 101,772 | 2,052 |
| Weatherization program | 415,942 | 415,942 | 373,014 | (42,928) |
| Foster grandparent program | 477,408 | 477,344 | 440,796 | (36,548) |
| Low-income energy assistance | 854,055 | 940,961 | 885,635 | (55,326) |
| Community services block grant | 742,832 | 784,372 | 629,278 | (155,094) |
| Occupancy | 226,221 | 210,209 | 222,932 | 12,723 |
| Title II commodities | 35,435 | 75,435 | 108,367 | 32,932 |
| Emergency food and shelter | 29,356 | 29,865 | 37,923 | 8,058 |
| Summer food service program | 815,729 | 834,731 | 729,265 | (105,466) |
| Other human services programs | 265,058 | 263,558 | 196,149 | (67,409) |
| Capital outlay | - | 487,511 | 478,239 | (9,272) |
| Total expenditures | 13,897,843 | 14,692,603 | 12,977,573 | (1,715,030) |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SPECIAL REVENUE FUND
HUMAN SERVICES PROGRAM FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2003

(continued from previous page)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--|------------------|----------------|-------------------|--|
| | Original | Final | | |
| Deficiency of revenues under expenditures | \$ (2,717,785) | \$ (2,770,164) | \$ (1,341,929) | \$ 1,428,235 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 1,490,671 | 1,488,331 | 1,488,618 | 287 |
| Net change in fund balance | \$ (1,227,114) | \$ (1,281,833) | 146,689 | \$ 1,428,522 |
| Adjustment for encumbrances | | | 201,063 | |
| Net change in fund balance (GAAP basis) | | | 347,752 | |
| FUND BALANCE at beginning of year (GAAP basis) | | | 4,753,509 | |
| FUND BALANCE at end of year (GAAP basis) | | | \$ 5,101,261 | |

EXPLANATION OF DIFFERENCES

REVENUES

| | |
|--|---------------|
| Actual amounts (budgetary basis) from the budgetary comparison schedule | \$ 11,635,644 |
| Differences - none | - |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | \$ 11,635,644 |

EXPENDITURES

| | |
|--|---------------|
| Actual amounts (budgetary basis) from the budgetary comparison schedule | \$ 12,977,573 |
| Adjustment for encumbrances | (201,063) |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | \$ 12,776,510 |

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

NARCOTICS PROGRAM FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2003

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--|--------------------|--------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Federal funds | \$ 12,602 | \$ 12,602 | \$ 12,601 | \$ (1) |
| Confiscated money, vehicles and equipment | 181,056 | 181,056 | 181,056 | - |
| Investment income | 1,515 | 1,515 | 1,515 | - |
| Other | 174,302 | 174,302 | 174,302 | - |
| Total revenues | <u>369,475</u> | <u>369,475</u> | <u>369,474</u> | <u>(1)</u> |
| EXPENDITURES | | | | |
| Narcotics program | 392,588 | 392,588 | 263,941 | (128,647) |
| Capital outlay | - | - | 62,370 | 62,370 |
| Total expenditures | <u>392,588</u> | <u>392,588</u> | <u>326,311</u> | <u>(66,277)</u> |
| Net change in fund balance | <u>\$ (23,113)</u> | <u>\$ (23,113)</u> | 43,163 | <u>\$ 66,276</u> |
| Adjustment for encumbrances | | | (16,055) | |
| Net change in fund balance (GAAP basis) | | | 27,108 | |
| FUND BALANCE at beginning of year (GAAP basis) | | | <u>945,976</u> | |
| FUND BALANCE at end of year (GAAP basis) | | | <u>\$ 973,084</u> | |
| EXPLANATION OF DIFFERENCES | | | | |
| REVENUES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 369,474 | |
| Differences - none | | | - | |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | <u>\$ 369,474</u> | |
| EXPENDITURES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 326,311 | |
| Adjustment for encumbrances | | | <u>16,055</u> | |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | <u>\$ 342,366</u> | |

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

STATE STREET AID FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2003

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| State of Tennessee funds | \$ 3,621,297 | \$ 3,621,297 | \$ 4,343,885 | \$ 722,588 |
| Investment income | 50,000 | 50,000 | 18,782 | (31,218) |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>3,671,297</u> | <u>3,671,297</u> | <u>4,362,667</u> | <u>691,370</u> |
| EXPENDITURES | | | | |
| Salaries and wages | 2,807,457 | 2,807,457 | 2,400,253 | (407,204) |
| Fringe benefits | 826,263 | 826,263 | 642,224 | (184,039) |
| Purchased services | 34,505 | 34,505 | 28,448 | (6,057) |
| Vehicle operations | 378,650 | 378,650 | 493,256 | 114,606 |
| Materials and supplies | 302,275 | 302,275 | 398,912 | 96,637 |
| Other services | 850 | 850 | - | (850) |
| Capital outlay | - | 46,403 | 184,273 | 137,870 |
| Total expenditures | <u>4,350,000</u> | <u>4,396,403</u> | <u>4,147,366</u> | <u>(249,037)</u> |
| Excess (deficiency) of revenues over (under) expenditures | (678,703) | (725,106) | 215,301 | 940,407 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | <u>320,000</u> | <u>320,000</u> | <u>320,000</u> | <u>-</u> |
| Net change in fund balance | <u>\$ (358,703)</u> | <u>\$ (405,106)</u> | 535,301 | <u>\$ 940,407</u> |
| Adjustment for encumbrances | | | <u>36,875</u> | |
| Net change in fund balance (GAAP basis) | | | 572,176 | |
| FUND BALANCE at beginning of year (GAAP basis) | | | <u>1,598,884</u> | |
| FUND BALANCE at end of year (GAAP basis) | | | <u>\$ 2,171,060</u> | |
| EXPLANATION OF DIFFERENCES | | | | |
| REVENUES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 4,362,667 | |
| Differences - none | | | <u>-</u> | |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | <u>\$ 4,362,667</u> | |
| EXPENDITURES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 4,147,366 | |
| Adjustment for encumbrances | | | <u>(36,875)</u> | |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | <u>\$ 4,110,491</u> | |

CITY OF CHATTANOOGA, TENNESSEE
SPECIAL REVENUE FUND
COMMUNITY DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2003

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--|------------------|------------------|---------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 7,803,023 | \$ 7,803,023 | \$ 3,404,782 | \$ (4,398,241) |
| Investment income | 225,670 | 225,670 | 225,672 | 2 |
| Miscellaneous | <u>853,477</u> | <u>853,477</u> | <u>1,580,497</u> | <u>727,020</u> |
| Total revenues | <u>8,882,170</u> | <u>8,882,170</u> | <u>5,210,951</u> | <u>(3,671,219)</u> |
| EXPENDITURES | | | | |
| Community development projects | 7,975,093 | 7,928,407 | 3,704,914 | (4,223,493) |
| Administration | 790,212 | 800,405 | 745,928 | (54,477) |
| Capital outlay | <u>-</u> | <u>10,000</u> | <u>549</u> | <u>(9,451)</u> |
| Total expenditures | <u>8,765,305</u> | <u>8,738,812</u> | <u>4,451,391</u> | <u>(4,287,421)</u> |
| Excess of revenues over expenditures | 116,865 | 143,358 | 759,560 | 616,202 |
| OTHER FINANCING USES | | | | |
| Transfers out | <u>(50,000)</u> | <u>(96,686)</u> | <u>(589,975)</u> | <u>(493,289)</u> |
| Net change in fund balance | <u>\$ 66,865</u> | <u>\$ 46,672</u> | 169,585 | <u>\$ 122,913</u> |
| Adjustment for encumbrances | | | <u>(12,118)</u> | |
| Net change in fund balance (GAAP basis) | | | 157,467 | |
| FUND BALANCE at beginning of year (GAAP basis) | | | <u>3,501,920</u> | |
| FUND BALANCE at end of year (GAAP basis) | | | <u>\$ 3,659,387</u> | |
| EXPLANATION OF DIFFERENCES | | | | |
| REVENUES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 5,210,951 | |
| Differences - none | | | <u>-</u> | |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | <u>\$ 5,210,951</u> | |
| EXPENDITURES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 4,451,391 | |
| Adjustment for encumbrances | | | <u>12,118</u> | |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | <u>\$ 4,463,509</u> | |

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

HOTEL/MOTEL TAX FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2003

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--|------------------|------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 516,000 | \$ 516,000 | \$ 876,506 | \$ 360,506 |
| Investment income | 500 | 500 | 2,150 | 1,650 |
| Total revenues | <u>516,500</u> | <u>516,500</u> | <u>878,656</u> | <u>362,156</u> |
| EXPENDITURES | | | | |
| Contracted services | <u>30,000</u> | <u>30,000</u> | <u>30,000</u> | <u>-</u> |
| Total expenditures | <u>30,000</u> | <u>30,000</u> | <u>30,000</u> | <u>-</u> |
| Excess of revenues over expenditures | 486,500 | 486,500 | 848,656 | 362,156 |
| OTHER FINANCING USES | | | | |
| Transfers out | <u>(486,500)</u> | <u>(486,500)</u> | <u>(848,656)</u> | <u>(362,156)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> |
| Adjustment for encumbrances | | | - | |
| Net change in fund balance (GAAP basis) | | | - | |
| FUND BALANCE at beginning of year (GAAP basis) | | | - | |
| FUND BALANCE at end of year (GAAP basis) | | | <u>\$ -</u> | |
| EXPLANATION OF DIFFERENCES | | | | |
| REVENUES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 878,656 | |
| Differences - none | | | <u>-</u> | |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | <u>\$ 878,656</u> | |
| EXPENDITURES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 30,000 | |
| Adjustment for encumbrances | | | <u>-</u> | |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | <u>\$ 30,000</u> | |

CITY OF CHATTANOOGA, TENNESSEE

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2003

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--|------------------|-----------------------|---------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Hamilton County, Tennessee funds | \$ 805,984 | \$ 805,984 | \$ 805,984 | \$ - |
| 911 contribution | <u>200,000</u> | <u>200,000</u> | <u>200,010</u> | <u>10</u> |
| Total revenues | <u>1,005,984</u> | <u>1,005,984</u> | <u>1,005,994</u> | <u>10</u> |
| EXPENDITURES | | | | |
| Principal retirement | 4,953,112 | 4,953,112 | 4,753,112 | (200,000) |
| Interest | 3,685,958 | 4,766,440 | 4,394,875 | (371,565) |
| Fiscal charges | <u>10,000</u> | <u>10,000</u> | <u>58,830</u> | <u>48,830</u> |
| Total expenditures | <u>8,649,070</u> | <u>9,729,552</u> | <u>9,206,817</u> | <u>(522,735)</u> |
| Deficiency of revenues under expenditures | (7,643,086) | (8,723,568) | (8,200,823) | 522,745 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Refunding bond proceeds | - | - | 6,244,753 | 6,244,753 |
| Refunded bond escrow agent payment | - | - | (6,185,569) | (6,185,569) |
| Transfers in | 7,643,086 | 7,277,284 | 7,661,316 | 384,032 |
| Transfers out | <u>-</u> | <u>-</u> | <u>(28,618)</u> | <u>(28,618)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (1,446,284)</u> | (508,941) | <u>\$ 937,343</u> |
| FUND BALANCE at beginning of year | | | <u>5,497,083</u> | |
| FUND BALANCE at end of year | | | <u>\$ 4,988,142</u> | |
| EXPLANATION OF DIFFERENCES | | | | |
| REVENUES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 1,005,994 | |
| Differences - none | | | <u>-</u> | |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | <u>\$ 1,005,994</u> | |
| EXPENDITURES | | | | |
| Actual amounts (budgetary basis) from the budgetary comparison schedule | | | \$ 9,206,817 | |
| Differences - none | | | <u>-</u> | |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | <u>\$ 9,206,817</u> | |

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Comprehensive Annual Financial Report – For the Year Ending June 30
City of Chattanooga, Tennessee

2003

Financial Schedules

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, 2003

| | Interest Rate | Maturity Date | Amount |
|-------------------------------|------------------|------------------|----------------------|
| GENERAL FUND | | | |
| First Tennessee | 1.00% | 07/03/03 | \$ 386,960 |
| First Tennessee | 1.00% | 07/08/03 | 6,263 |
| First Tennessee | 1.00% | 07/09/03 | 3,500,000 |
| First Tennessee | 1.00% | 07/09/03 | 705,852 |
| First Tennessee | 1.05% | 07/10/03 | 1,600,000 |
| First Tennessee | 1.05% | 07/11/03 | 3,500,000 |
| First Tennessee | 1.05% | 07/11/03 | 5,100,000 |
| First Tennessee | 1.05% | 07/14/03 | 2,200,000 |
| First Tennessee | 1.00% | 08/28/03 | 536,000 |
| SPECIAL REVENUE FUNDS | | | |
| State Street Aid: | | | |
| First Tennessee | 1.20% | 07/01/03 | 200,000 |
| First Tennessee | 1.00% | 07/03/03 | 400,000 |
| First Tennessee | 1.00% | 07/09/03 | 300,000 |
| First Tennessee | 1.05% | 07/11/03 | 227,000 |
| First Tennessee | 1.05% | 07/14/03 | 268,721 |
| Hotel/Motel Tax: | | | |
| First Tennessee | 1.05% | 07/14/03 | 709,000 |
| DEBT SERVICE FUND | | | |
| First Tennessee | 1.05% | 07/14/03 | 5,000,000 |
| CAPITAL PROJECTS FUNDS | | | |
| Capital Improvement Bond: | | | |
| First Tennessee | 1.05% | 07/11/03 | 4,595,077 |
| Economic Development: | | | |
| First Tennessee | 1.00% | 08/28/03 | 2,000,000 |
| 21st Century Waterfront: | | | |
| First Tennessee | 1.05% | 07/07/03 | 230,000 |
| ENTERPRISE FUNDS | | | |
| Interceptor Sewer System: | | | |
| First Tennessee | 1.05% | 07/11/03 | 9,000,000 |
| Solid Waste Fund: | | | |
| First Tennessee | 1.00% | 07/03/03 | 1,500,690 |
| First Tennessee | 1.05% | 07/14/03 | 1,877,000 |
| First Tennessee | 1.00% | 08/28/03 | 3,407,358 |
| First Tennessee | 1.00% | 08/28/03 | 246,363 |
| Total certificates of deposit | | | <u>\$ 47,496,284</u> |

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF INVESTMENTS BY FUND

June 30, 2003

| | Interest Rate | Maturity Date | Amount |
|--|------------------|------------------|----------------------|
| GENERAL FUND | | | |
| Federal National Mortgage Association | 1.31% | 12/12/03 | \$ 33,917,451 |
| CAPITAL PROJECTS | | | |
| U.S. Treasury Note | 3.63% | 08/31/03 | 1,142,886 |
| Federal National Mortgage Association | 4.75% | 03/15/04 | 1,191,238 |
| Federal National Mortgage Association | 3.50% | 09/15/04 | 1,199,150 |
| Federal National Mortgage Association | 3.88% | 03/15/05 | 1,252,875 |
| Federal Home Loan Bank | 3.25% | 08/15/05 | 1,358,306 |
| Federal National Mortgage Association | 0.88% | 07/31/03 | 2,807,527 |
| U.S. Treasury Note | 3.88% | 07/31/03 | 4,778,578 |
| Federal National Mortgage Association | 4.75% | 11/14/03 | 6,283,183 |
| Federal National Mortgage Association | 5.13% | 02/13/04 | 5,194,920 |
| Federal Home Loan Bank | 3.75% | 04/15/04 | 5,215,547 |
| Federal Home Loan Bank | 3.38% | 06/15/04 | 6,816,995 |
| Federal National Mortgage Association | 6.50% | 08/15/04 | 7,119,000 |
| Federal Home Loan Bank | 3.63% | 10/15/04 | 2,835,078 |
| Federal Home Loan Bank | 1.19% | 07/23/03 | 1,007,079 |
| Federal Home Loan Mortgage Corporation | 1.06% | 07/28/03 | 1,018,644 |
| Federal National Mortgage Association | 1.20% | 08/28/03 | 1,344,469 |
| Federal Home Loan Bank | 1.20% | 10/08/03 | 795,647 |
| Federal National Mortgage Association | 1.23% | 12/15/03 | 471,280 |
| U.S. Treasury Note | 3.31% | 04/30/04 | 2,452,125 |
| SPECIAL REVENUE FUND | | | |
| Downtown Development: | | | |
| Certificate of Deposit | 1.20% | 09/11/03 | 400,000 |
| State Street Aid | | | |
| Certificate of Deposit | 1.31% | 12/15/03 | <u>325,000</u> |
| Total governmental fund investments | | | <u>\$ 88,926,978</u> |
| ENTERPRISE FUNDS | | | |
| Electric Power Board | | | |
| Federal Home Loan Bank | 4.05% | 07/07/03 | \$ 5,180,000 |
| Federal Home Loan Bank | 1.23% | 08/15/03 | 3,111,000 |
| Federal Home Loan Bank | 2.07% | 01/05/04 | 3,050,000 |
| Federal Home Loan Mortgage Corporation | 3.84% | 02/15/04 | 3,460,000 |
| Federal Home Loan Bank | 2.30% | 06/15/04 | 3,500,000 |
| Federal Home Loan Bank | 1.80% | 06/15/04 | 2,030,000 |
| Federal National Mortgage Association | 1.76% | 06/15/04 | 1,771,000 |
| Federal Home Loan Bank | 1.97% | 11/15/04 | 1,751,000 |
| Federal Home Loan Bank | 2.01% | 11/15/04 | 2,150,000 |
| Federal National Mortgage Association | 1.04% | 12/15/04 | 4,099,000 |
| Federal National Mortgage Association | 2.09% | 01/28/05 | 4,646,000 |
| Federal Home Loan Mortgage Corporation | 1.27% | 08/14/03 | 4,823,000 |
| U.S. Treasury Note | 2.93% | 11/30/03 | 4,106,000 |
| Mutual Funds | N/A | N/A | 180,000 |
| Interceptor Sewer Fund: | | | |
| Federal Home Loan Mortgage Corporation | 1.65% | 07/30/03 | 21,039,951 |
| Certificate of Deposit | 1.35% | 12/08/03 | 1,342,995 |
| Solid Waste/Sanitation Fund: | | | |
| Federal Home Loan Mortgage Corporation | 1.35% | 08/28/03 | <u>4,466,395</u> |
| Total enterprise fund investments | | | <u>\$ 70,706,341</u> |

CITY OF CHATTANOOGA, TENNESSEE
 COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE
 Year Ended June 30, 2003

| Tax Year (1) | Property Taxes Receivable Balance June 30, 2002 | Property Taxes Levied | Anticipated Current Year Levy (2) | Net Pick-Ups and Charge-Offs | Collections | Property Taxes Receivable Balance June 30, 2003 | Allowance for Uncollectibles | Net Receivable Balance June 30, 2003 |
|--------------|---|-----------------------|-----------------------------------|------------------------------|---------------|---|------------------------------|--------------------------------------|
| 2003 | \$ - | \$ - | \$ 79,299,934 | \$ - | \$ - | \$ 79,299,934 | \$ - | \$ 79,299,934 |
| 2002 | - | 82,022,214 | - | (365,685) | 77,536,040 | 4,120,489 | 328,231 | 3,792,258 |
| 2001 | 4,679,535 | - | - | (8,068) | 2,755,910 | 1,915,557 | 386,059 | 1,529,498 |
| 2000 | 1,215,653 | - | - | (8,891) | 479,405 | 727,357 | 259,698 | 467,659 |
| 1999 | 692,071 | - | - | (8,088) | 334,127 | 349,856 | 277,578 | 72,278 |
| 1998 | 280,722 | - | - | (8,270) | 27,391 | 245,061 | 230,567 | 14,494 |
| 1997 | 288,113 | - | - | (8,365) | 7,219 | 272,529 | 272,529 | - |
| 1996 | 158,595 | - | - | (5,032) | 3,384 | 150,179 | 150,179 | - |
| 1995 | 117,610 | - | - | (361) | 1,869 | 115,380 | 115,380 | - |
| 1994 | 124,119 | - | - | (349) | 1,291 | 122,479 | 122,479 | - |
| 1993 | 170,547 | - | - | (305) | 678 | 169,564 | 169,564 | - |
| Totals | \$ 7,726,965 | \$ 82,022,214 | \$ 79,299,934 | \$ (413,414) | \$ 81,147,314 | \$ 87,488,385 | \$ 2,312,264 | \$ 85,176,121 |

Note:
 (1) All years prior to 2002 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, 2003

| | Principal | Interest | Total |
|--|-----------------------|-----------------------|-----------------------|
| GOVERNMENTAL ACTIVITIES | | | |
| 2004 | \$ 4,413,518 | \$ 13,501,135 | \$ 17,914,653 |
| 2005 | 4,566,551 | 13,283,462 | 17,850,013 |
| 2006 | 5,017,183 | 13,091,393 | 18,108,576 |
| 2007 | 8,102,733 | 13,178,764 | 21,281,497 |
| 2008 | 7,147,922 | 12,820,993 | 19,968,915 |
| 2009 | 8,682,954 | 12,450,782 | 21,133,736 |
| 2010 | 9,058,418 | 12,021,211 | 21,079,629 |
| 2011 | 9,331,805 | 11,565,932 | 20,897,737 |
| 2012 | 8,318,174 | 11,122,289 | 19,440,463 |
| 2013 | 8,129,275 | 10,678,305 | 18,807,580 |
| 2014 | 8,366,475 | 10,247,088 | 18,613,563 |
| 2015 | 8,782,414 | 9,806,279 | 18,588,693 |
| 2016 | 9,105,317 | 9,342,490 | 18,447,807 |
| 2017 | 8,745,030 | 8,875,970 | 17,621,000 |
| 2018 | 9,352,666 | 8,400,227 | 17,752,893 |
| 2019 | 8,397,804 | 7,892,027 | 16,289,831 |
| 2020 | 8,960,544 | 7,400,480 | 16,361,024 |
| 2021 | 9,543,294 | 6,876,147 | 16,419,441 |
| 2022 | 10,162,207 | 6,317,752 | 16,479,959 |
| 2023 | 10,818,323 | 5,723,607 | 16,541,930 |
| 2024 | 11,505,442 | 5,098,496 | 16,603,938 |
| 2025 | 12,231,683 | 4,441,220 | 16,672,903 |
| 2026 | 13,005,386 | 3,742,507 | 16,747,893 |
| 2027 | 10,907,627 | 2,999,804 | 13,907,431 |
| 2028 | 11,606,391 | 2,356,134 | 13,962,525 |
| 2029 | 12,360,579 | 1,661,389 | 14,021,968 |
| 2030 | 13,171,491 | 911,570 | 14,083,061 |
| 2031 | 4,515,000 | 112,875 | 4,627,875 |
| | <u>254,306,206</u> | <u>225,920,328</u> | <u>480,226,534</u> |
| Total governmental activities | | | |
| BUSINESS-TYPE ACTIVITIES | | | |
| 2004 | 13,588,737 | 9,125,725 | 22,714,462 |
| 2005 | 13,814,886 | 8,572,268 | 22,387,154 |
| 2006 | 13,883,243 | 8,006,526 | 21,889,769 |
| 2007 | 14,334,286 | 7,384,404 | 21,718,690 |
| 2008 | 12,672,146 | 6,811,294 | 19,483,440 |
| 2009 | 14,630,367 | 6,264,875 | 20,895,242 |
| 2010 | 12,718,838 | 5,632,865 | 18,351,703 |
| 2011 | 11,972,442 | 5,045,203 | 17,017,645 |
| 2012 | 10,058,291 | 4,503,724 | 14,562,015 |
| 2013 | 10,227,469 | 4,000,881 | 14,228,350 |
| 2014 | 9,209,184 | 3,529,591 | 12,738,775 |
| 2015 | 9,518,341 | 3,074,036 | 12,592,377 |
| 2016 | 7,816,746 | 2,644,369 | 10,461,115 |
| 2017 | 8,140,614 | 2,240,714 | 10,381,328 |
| 2018 | 8,477,736 | 1,821,524 | 10,299,260 |
| 2019 | 7,252,529 | 1,426,020 | 8,678,549 |
| 2020 | 4,243,527 | 1,186,241 | 5,429,768 |
| 2021 | 2,064,600 | 1,077,787 | 3,142,387 |
| 2022 | 2,090,800 | 970,557 | 3,061,357 |
| 2023 | 17,138,798 | 861,017 | 17,999,815 |
| 2024 | 2,145,100 | 301,515 | 2,446,615 |
| 2025 | 2,176,800 | 188,260 | 2,365,060 |
| 2026 | 2,208,405 | 73,414 | 2,281,819 |
| | <u>210,383,885</u> | <u>84,742,810</u> | <u>295,126,695</u> |
| Total business-type activities | | | |
| Total primary government indebtedness | | | |
| | <u>\$ 464,690,091</u> | <u>\$ 310,663,138</u> | <u>\$ 775,353,229</u> |

CITY OF CHATTANOOGA, TENNESSEE
SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2003

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|-----------------------|-----------------------|-----------------------|
| COMPONENT UNITS | | | |
| 2004 | \$ 505,000 | \$ 7,443,766 | \$ 7,948,766 |
| 2005 | 545,000 | 7,433,818 | 7,978,818 |
| 2006 | 585,000 | 7,423,081 | 8,008,081 |
| 2007 | 3,200,000 | 7,347,307 | 10,547,307 |
| 2008 | 3,490,000 | 7,203,146 | 10,693,146 |
| 2009 | 4,295,000 | 7,049,881 | 11,344,881 |
| 2010 | 3,800,000 | 6,880,841 | 10,680,841 |
| 2011 | 3,990,000 | 6,709,103 | 10,699,103 |
| 2012 | 4,220,000 | 6,528,435 | 10,748,435 |
| 2013 | 4,425,000 | 6,344,290 | 10,769,290 |
| 2014 | 4,650,000 | 6,146,654 | 10,796,654 |
| 2015 | 4,890,000 | 5,935,621 | 10,825,621 |
| 2016 | 5,150,000 | 5,710,500 | 10,860,500 |
| 2017 | 5,430,000 | 5,471,227 | 10,901,227 |
| 2018 | 5,720,000 | 5,211,124 | 10,931,124 |
| 2019 | 7,245,000 | 4,928,800 | 12,173,800 |
| 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>\$ 145,375,000</u> | <u>\$ 135,406,435</u> | <u>\$ 280,781,435</u> |
| Total component units indebtedness | <u>\$ 145,375,000</u> | <u>\$ 135,406,435</u> | <u>\$ 280,781,435</u> |

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2003

| | Outstanding July 1, 2002 | Interest Paid FY 2002-2003 | Issued FY 2002-2003 | Retired FY 2002-2003 | Outstanding June 30, 2003 | Maturing FY 2003-2004 | Interest Payable FY 2003-2004 |
|--------------------------------------|-----------------------------|----------------------------------|------------------------|-------------------------|------------------------------|--------------------------|-------------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | | | |
| Serial bonds: | | | | | | | |
| 1992 Municipal Public Improvement | \$ 155,000 | \$ 5,813 | \$ - | \$ 155,000 | \$ - | \$ - | \$ - |
| 1992 Series A Refunding | 6,665,555 | 19,331 | - | 6,665,555 | - | - | - |
| 1996 Municipal Public Improvement | 525,000 | 25,725 | - | 525,000 | - | - | - |
| 1998 Public Improvement Refunding | 7,260,000 | 390,559 | - | 12,200 | 7,247,800 | 12,200 | 390,063 |
| 2001 Municipal Public Improvement | 38,797,500 | 1,921,033 | - | 880,700 | 37,916,800 | 921,600 | 1,881,401 |
| 2002 Municipal Improvement Refunding | 15,390,900 | 619,627 | - | 1,013,000 | 14,377,900 | 1,789,800 | 631,551 |
| 2002 Series A Refunding | - | 156,118 | 6,037,950 | - | 6,037,950 | 734,047 | 220,275 |
| 2002 Hotel-Motel Tax Pledge | - | 1,080,482 | 54,990,000 | - | 54,990,000 | - | 2,477,538 |
| 2003 Series A General Obligation | - | - | 12,190,000 | - | 12,190,000 | 405,000 | 465,049 |
| Total serial bonds | 68,793,955 | 4,218,688 | 73,217,950 | 9,251,455 | 132,760,450 | 3,862,647 | 6,065,877 |
| Notes payable: | | | | | | | |
| 1993 Tennessee Municipal Bond Fund | 900,000 | 47,250 | - | 900,000 | - | - | - |
| Hamilton County Parking Garage | 303,905 | 17,475 | - | 60,781 | 243,124 | 60,781 | 13,676 |
| 1997 Tennessee Municipal Bond Fund | 5,650,098 | 107,747 | 150,000 | 461,000 | 5,339,098 | 487,977 | 219,081 |
| 1999 Fire Hall Land Note | 39,985 | 3,716 | - | 1,923 | 38,062 | 2,113 | 3,525 |
| Total notes payable | 6,893,988 | 176,188 | 150,000 | 1,423,704 | 5,620,284 | 550,871 | 236,282 |
| Capital leases payable: | | | | | | | |
| 2003 CDRC Capital Lease | 115,925,472 | 7,198,975 | - | - | 115,925,472 | - | 7,198,975 |
| Total capital leases payable | 115,925,472 | 7,198,975 | - | - | 115,925,472 | - | 7,198,975 |
| Total governmental activities | 191,613,415 | 11,593,851 | 73,367,950 | 10,675,159 | 254,306,206 | 4,413,518 | 13,501,134 |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2003

(continued from previous page)

| | Outstanding July 1, 2002 | Interest Paid FY 2002-2003 | Issued FY 2002-2003 | Retired FY 2002-2003 | Outstanding June 30, 2003 | Maturing FY 2003-2004 | Interest Payable FY 2003-2004 |
|---|-----------------------------|----------------------------------|------------------------|-------------------------|------------------------------|--------------------------|-------------------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Interceptor Sewer System: | | | | | | | |
| Serial bonds - | | | | | | | |
| 1992 Sewer and Sewage Facilities | \$ 600,000 | \$ 22,500 | \$ - | \$ 600,000 | \$ - | \$ - | \$ - |
| 1992 Sewer and Sewage Facilities - Refunding | 35,604,445 | 103,259 | - | 35,604,445 | - | - | - |
| 1995 Sewer and Sewage Facilities - Refunding | 14,505,000 | 394,826 | - | 14,505,000 | - | - | - |
| 1998 Municipal Public Improvement | 19,105,674 | 929,806 | - | 1,131,207 | 17,974,467 | 1,187,258 | 870,360 |
| 1998 Municipal Public Improvement - Refunding | 13,485,300 | 707,515 | - | 47,800 | 13,437,500 | 47,800 | 705,574 |
| 2002 Municipal Public Improvement - Refunding | 24,642,272 | 950,885 | - | 802,643 | 23,839,629 | 1,457,643 | 1,011,117 |
| 2002 Series A Refunding | - | 833,913 | 32,252,050 | - | 32,252,050 | 3,920,953 | 1,176,612 |
| 2003 Series B Sewer and Sewage Refunding | - | - | 13,175,000 | - | 13,175,000 | 2,035,000 | 434,065 |
| Total serial bonds | <u>107,942,691</u> | <u>3,942,704</u> | <u>45,427,050</u> | <u>52,691,095</u> | <u>100,678,646</u> | <u>8,648,654</u> | <u>4,197,728</u> |
| Notes payable - | | | | | | | |
| State Revolving Loan | 1,707,469 | 65,580 | - | 131,130 | 1,576,339 | 136,446 | 60,270 |
| Northwest Georgia Sewer Expansion Project | 6,107,703 | 160,158 | - | 163,942 | 5,943,761 | 170,600 | 153,502 |
| 2003 State Revolving Loan | - | 56,739 | 15,021,698 | - | 15,021,698 | - | 447,647 |
| Total notes payable | <u>7,815,172</u> | <u>282,477</u> | <u>15,021,698</u> | <u>295,072</u> | <u>22,541,798</u> | <u>307,046</u> | <u>661,419</u> |
| Capital leases payable - | | | | | | | |
| 2001 Capital Lease City of Collegedale | 288,204 | 16,644 | - | 17,008 | 271,196 | 17,892 | 15,761 |
| Total capital leases payable | <u>288,204</u> | <u>16,644</u> | <u>-</u> | <u>17,008</u> | <u>271,196</u> | <u>17,892</u> | <u>15,761</u> |
| Total Interceptor Sewer System | <u>116,046,067</u> | <u>4,241,825</u> | <u>60,448,748</u> | <u>53,003,175</u> | <u>123,491,640</u> | <u>8,973,592</u> | <u>4,874,908</u> |

(continued on next page)

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

(continued from previous page)

| | Outstanding July 1, 2002 | Interest Paid FY 2002-2003 | Issued FY 2002-2003 | Retired FY 2002-2003 | Outstanding June 30, 2003 | Maturing FY 2003-2004 | Interest Payable FY 2003-2004 |
|---|-----------------------------|----------------------------------|------------------------|-------------------------|------------------------------|--------------------------|-------------------------------------|
| BUSINESS-TYPE ACTIVITIES (continued) | | | | | | | |
| Solid Waste/Sanitation Fund: | | | | | | | |
| Serial bonds - | | | | | | | |
| 1998 Municipal Public Improvement | \$ 10,524,551 | \$ 512,193 | \$ - | \$ 623,136 | \$ 9,901,415 | \$ 654,013 | \$ 479,447 |
| 1998 Municipal Public Improvement - Refunding | 3,686,100 | 202,736 | - | - | 3,686,100 | - | 202,736 |
| 2001 Municipal Public Bond | 6,601,700 | 326,879 | - | 149,800 | 6,451,900 | 156,800 | 320,138 |
| 2002 Municipal Public Improvement - Refunding | 10,526,302 | 441,542 | - | 868,540 | 9,657,762 | 908,998 | 453,958 |
| Total Solid Waste/Sanitation Fund | 31,338,653 | 1,483,350 | - | 1,641,476 | 29,697,177 | 1,719,811 | 1,456,279 |
| Storm Water Fund: | | | | | | | |
| Serial bonds - | | | | | | | |
| 1998 Municipal Public Improvement | 7,864,776 | 382,751 | - | 465,657 | 7,399,119 | 488,730 | 358,280 |
| 1998 Municipal Public Improvement - Refunding | 2,528,600 | 139,073 | - | - | 2,528,600 | - | 139,073 |
| 2001 Municipal Public Improvement | 1,960,800 | 97,088 | - | 44,500 | 1,916,300 | 46,600 | 95,086 |
| 2002 Municipal Public Improvement - Refunding | 7,570,526 | 319,000 | - | 595,816 | 6,974,710 | 623,558 | 329,042 |
| Total serial bonds | 19,924,702 | 937,912 | - | 1,105,973 | 18,818,729 | 1,158,888 | 921,481 |
| Notes payable - | | | | | | | |
| State Revolving Loan | 1,707,469 | 65,580 | - | 131,130 | 1,576,339 | 136,446 | 60,270 |
| Total notes payable | 1,707,469 | 65,580 | - | 131,130 | 1,576,339 | 136,446 | 60,270 |
| Total Storm Water Fund | 21,632,171 | 1,003,492 | - | 1,237,103 | 20,395,068 | 1,295,334 | 981,751 |
| Total general obligation debt | \$360,630,306 | \$18,322,518 | \$133,816,698 | \$66,556,913 | \$427,890,091 | \$16,402,255 | \$20,814,072 |

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, 2003

| | Outstanding July 1, 2002 | Interest Paid FY 2002-2003 | Issued FY 2002-2003 | Retired FY 2002-2003 | Outstanding June 30, 2003 | Maturing FY 2003-2004 | Interest Payable FY 2003-2004 |
|---|-----------------------------|----------------------------------|------------------------|-------------------------|------------------------------|--------------------------|-------------------------------------|
| PRIMARY GOVERNMENT | | | | | | | |
| EPB: | | | | | | | |
| 2000 Electric System Revenue Bonds | \$ 38,400,000 | \$ 1,886,800 | - | \$ 1,600,000 | \$ 36,800,000 | \$ 1,600,000 | \$ 1,812,800 |
| Total primary government | 38,400,000 | 1,886,800 | - | 1,600,000 | 36,800,000 | 1,600,000 | 1,812,800 |
| COMPONENT UNITS | | | | | | | |
| Metropolitan Airport Authority: | | | | | | | |
| 2002 Airport Revenue Series A Refunding | 12,625,000 | 188,600 | - | - | 12,625,000 | - | 174,856 |
| 2002 Airport Revenue Series B | 4,125,000 | 65,033 | - | 575,000 | 3,550,000 | 505,000 | 51,889 |
| Southside Redevelopment Corporation: | | | | | | | |
| 2000 Chattanooga Lease Rental Revenue Bonds | 129,200,000 | 7,198,975 | - | - | 129,200,000 | - | 7,198,975 |
| Total component units | 145,950,000 | 7,452,608 | - | 575,000 | 145,375,000 | 505,000 | 7,425,720 |
| Total revenue bonds | \$ 184,350,000 | \$ 9,339,408 | \$ - | \$ 2,175,000 | \$ 182,175,000 | \$ 2,105,000 | \$ 9,238,520 |

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
 June 30, 2003

| <u>DIRECT INDEBTEDNESS</u> | | | | | | |
|---------------------------------|--|--|----------------|------------------|------------------------------------|-------------------|
| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Interest Due | Total Interest and Principal | |
| 2004 | 1998 Public Improvement Refunding | 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 | 10,027 | 392,027 | |
| | | | | <u>7,247,800</u> | <u>3,108,794</u> | <u>10,356,594</u> |
| 2004 | | Hamilton County - City Portion of Series 1991 General Obligation Bonds | 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>243,124</u> | <u>31,378</u> | <u>274,502</u> | |
| 2004 | Note Payable - Tennessee Municipal Bond Fund 1997 | 4.32 | 487,977 | 219,081 | 707,058 | |
| 2005 | | 4.32 | 513,000 | 199,601 | 712,601 | |
| 2006 | | 4.32 | 542,000 | 179,081 | 721,081 | |
| 2007 | | 4.32 | 571,000 | 157,401 | 728,401 | |
| 2008 | | 4.32 | 603,000 | 134,561 | 737,561 | |
| 2009 | | 4.32 | 636,000 | 110,441 | 746,441 | |
| 2010 | | 4.32 | 671,000 | 85,001 | 756,001 | |
| 2011 | | 4.32 | 708,000 | 58,161 | 766,161 | |
| 2012 | | 4.32 | 607,121 | 29,841 | 636,962 | |
| | | | | <u>5,339,098</u> | <u>1,173,169</u> | <u>6,512,267</u> |
| 2004 | 1999 Fire Hall Land Note | 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 | 199 | 4,699 | |
| | | | <u>38,062</u> | <u>23,026</u> | <u>61,088</u> | |

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
 June 30, 2003

(continued from previous page)

DIRECT INDEBTEDNESS

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Interest Due | Total Interest and Principal |
|---------------------------------|--|------------------|-------------------|-------------------|------------------------------------|
| 2004 | 2001 Municipal Public Improvement Bonds | 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 |
| 2021 | 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>37,916,800</u> | <u>26,843,863</u> | <u>64,760,663</u> |
| 2004 | 2002 Public Improvement Refunding | 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>14,377,900</u> | <u>3,618,699</u> | <u>17,996,599</u> |
| 2004 | 2002A Public Improvement Refunding | 3.00 | 734,047 | 220,275 | 954,322 |
| 2005 | | 3.00 | 713,547 | 198,561 | 912,108 |
| 2006 | | 5.00 | 652,048 | 171,557 | 823,605 |
| 2007 | | 5.00 | 641,010 | 139,230 | 780,240 |
| 2008 | | 3.00 | 632,337 | 113,720 | 746,057 |
| 2009 | | 3.25 | 625,241 | 94,075 | 719,316 |
| 2010 | | 4.00 | 603,953 | 71,836 | 675,789 |
| 2011 | | 3.60 | 385,552 | 52,817 | 438,369 |
| 2012 | | 5.00 | 371,360 | 36,593 | 407,953 |
| 2013 | | 4.00 | 364,264 | 20,023 | 384,287 |
| 2014 | | 4.00 | 160,055 | 9,537 | 169,592 |
| 2015 | 4.10 | 154,536 | 3,168 | 157,704 | |
| | | | <u>6,037,950</u> | <u>1,131,392</u> | <u>7,169,342</u> |

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
 June 30, 2003

(continued from previous page)

DIRECT INDEBTEDNESS

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Interest Due | Total Interest and Principal | |
|---------------------------------|-----------------------------|----------------------------------|-------------------|-------------------|------------------------------------|--------------------|
| 2004 | 2002 Hotel Motel Tax Pledge | - | \$ - | \$ 2,477,538 | \$ 2,477,538 | |
| 2005 | | - | - | 2,477,538 | 2,477,538 | |
| 2006 | | - | - | 2,477,538 | 2,477,538 | |
| 2007 | | 3.00 | 720,000 | 2,466,737 | 3,186,737 | |
| 2008 | | 3.00 | 795,000 | 2,444,012 | 3,239,012 | |
| 2009 | | 3.00 | 870,000 | 2,419,037 | 3,289,037 | |
| 2010 | | 3.00 | 950,000 | 2,391,737 | 3,341,737 | |
| 2011 | | 3.13 | 1,030,000 | 2,361,394 | 3,391,394 | |
| 2012 | | 3.25 | 1,120,000 | 2,327,100 | 3,447,100 | |
| 2013 | | 5.00 | 1,225,000 | 2,278,275 | 3,503,275 | |
| 2014 | | 3.50 | 1,330,000 | 2,224,375 | 3,554,375 | |
| 2015 | | 4.00 | 1,440,000 | 2,172,300 | 3,612,300 | |
| 2016 | | 4.00 | 1,555,000 | 2,112,400 | 3,667,400 | |
| 2017 | | 4.00 | 1,680,000 | 2,047,700 | 3,727,700 | |
| 2018 | | 4.00 | 1,805,000 | 1,978,000 | 3,783,000 | |
| 2019 | | 5.00 | 1,950,000 | 1,893,150 | 3,843,150 | |
| 2020 | | 5.00 | 2,110,000 | 1,791,650 | 3,901,650 | |
| 2021 | | 5.00 | 2,280,000 | 1,681,900 | 3,961,900 | |
| 2022 | | 5.00 | 2,465,000 | 1,563,275 | 4,028,275 | |
| 2023 | | 5.00 | 2,655,000 | 1,435,275 | 4,090,275 | |
| 2024 | | 4.50 | 2,850,000 | 1,304,775 | 4,154,775 | |
| 2025 | | 4.50 | 3,045,000 | 1,172,138 | 4,217,138 | |
| 2026 | | 4.50 | 3,255,000 | 1,030,387 | 4,285,387 | |
| 2027 | | 4.50 | 3,470,000 | 879,075 | 4,349,075 | |
| 2028 | | 4.50 | 3,700,000 | 717,750 | 4,417,750 | |
| 2029 | | 5.00 | 3,950,000 | 535,750 | 4,485,750 | |
| 2030 | | 5.00 | 4,225,000 | 331,375 | 4,556,375 | |
| 2031 | | 5.00 | 4,515,000 | 112,875 | 4,627,875 | |
| | | | | <u>54,990,000</u> | <u>49,105,056</u> | <u>104,095,056</u> |
| 2004 | | 2003 Series A General Obligation | 3.00 | 405,000 | 465,049 | 870,049 |
| 2005 | | | 3.00 | 425,000 | 417,126 | 842,126 |
| 2006 | 3.00 | | 790,000 | 404,376 | 1,194,376 | |
| 2007 | 2.50 | | 790,000 | 380,676 | 1,170,676 | |
| 2008 | 3.00 | | 830,000 | 360,926 | 1,190,926 | |
| 2009 | 3.00 | | 840,000 | 336,026 | 1,176,026 | |
| 2010 | 3.25 | | 800,000 | 310,826 | 1,110,826 | |
| 2011 | 3.50 | | 830,000 | 284,827 | 1,114,827 | |
| 2012 | 3.63 | | 855,000 | 255,776 | 1,110,776 | |
| 2013 | 3.75 | | 885,000 | 224,783 | 1,109,783 | |
| 2014 | 3.88 | | 900,000 | 191,595 | 1,091,595 | |
| 2015 | 4.00 | | 900,000 | 156,720 | 1,056,720 | |
| 2016 | 4.00 | | 900,000 | 120,720 | 1,020,720 | |
| 2017 | 4.10 | | 960,000 | 84,720 | 1,044,720 | |
| 2018 | 4.20 | | 1,080,000 | 45,360 | 1,125,360 | |
| | | | <u>12,190,000</u> | <u>4,039,506</u> | <u>16,229,506</u> | |

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2003

(continued from previous page)

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Interest Due | Total Interest and Principal |
|---------------------------------|---------------------------|------------------|--------------------|--------------------|------------------------------------|
| 2004 | Southside Capital Lease | 6.38 | \$ - | \$ 7,198,975 | \$ 7,198,975 |
| 2005 | | 6.38 | - | 7,198,975 | 7,198,975 |
| 2006 | | 6.38 | - | 7,198,975 | 7,198,975 |
| 2007 | | 6.38 | 2,186,735 | 7,517,990 | 9,704,725 |
| 2008 | | 6.38 | 2,326,799 | 7,376,176 | 9,702,975 |
| 2009 | | 6.38 | 2,474,321 | 7,225,279 | 9,699,600 |
| 2010 | | 6.38 | 2,629,536 | 7,064,814 | 9,694,350 |
| 2011 | | 6.38 | 2,789,754 | 6,894,284 | 9,684,038 |
| 2012 | | 6.38 | 2,986,987 | 6,713,363 | 9,700,350 |
| 2013 | | 6.38 | 3,164,158 | 6,519,651 | 9,683,809 |
| 2014 | | 6.38 | 3,360,019 | 6,314,449 | 9,674,468 |
| 2015 | | 6.38 | 3,570,878 | 6,096,546 | 9,667,424 |
| 2016 | | 6.38 | 3,797,017 | 5,864,967 | 9,661,984 |
| 2017 | | 6.38 | 4,039,430 | 5,618,723 | 9,658,153 |
| 2018 | | 6.38 | 4,287,566 | 5,356,759 | 9,644,325 |
| 2019 | | 6.38 | 4,555,404 | 5,078,702 | 9,634,106 |
| 2020 | | 6.38 | 4,851,644 | 4,783,275 | 9,634,919 |
| 2021 | | 6.38 | 5,157,894 | 4,468,637 | 9,626,531 |
| 2022 | | 6.38 | 5,473,007 | 4,134,137 | 9,607,144 |
| 2023 | | 6.38 | 5,820,423 | 3,779,202 | 9,599,625 |
| 2024 | | 6.38 | 6,185,542 | 3,401,736 | 9,587,278 |
| 2025 | | 6.38 | 6,573,483 | 3,000,592 | 9,574,075 |
| 2026 | | 6.38 | 6,993,786 | 2,574,289 | 9,568,075 |
| 2027 | | 6.38 | 7,437,627 | 2,120,729 | 9,558,356 |
| 2028 | | 6.38 | 7,906,391 | 1,638,384 | 9,544,775 |
| 2029 | | 6.38 | 8,410,579 | 1,125,639 | 9,536,218 |
| 2030 | | 6.38 | 8,946,492 | 580,197 | 9,526,689 |
| | | | <u>115,925,472</u> | <u>136,845,445</u> | <u>252,770,917</u> |
| | Total direct indebtedness | | <u>254,306,206</u> | <u>225,920,328</u> | <u>480,226,534</u> |

INTERCEPTOR SEWER SYSTEM

| | | | | | |
|------|---------------------------------|-------|-------------------|------------------|-------------------|
| 2004 | 1998 General Obligation Bonds | 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>17,974,467</u> | <u>8,604,738</u> | <u>26,579,205</u> |
| 2004 | 1992 State Revolving Sewer Loan | 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>1,576,339</u> | <u>325,191</u> | <u>1,901,530</u> |

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2003

(continued from previous page)

INTERCEPTOR SEWER SYSTEM

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Interest Due | Total Interest and Principal | |
|---------------------------|--|--|------------------|-------------------|------------------------------|-------------------|
| 2004 | 1998 Public Improvement Refunding | 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 | |
| 2012 | | 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>13,437,500</u> | <u>6,794,166</u> | <u>20,231,666</u> |
| 2004 | | Georgia Environmental Facilities Authority | 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 | 2,202,429 | 2,397 | 2,204,826 | | |
| | | | <u>5,943,761</u> | <u>1,446,697</u> | <u>7,390,458</u> | |
| 2004 | 2001 Capital Lease City of Collegedale | 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 | 5,564 | 45 | 5,609 | |
| | | | <u>271,196</u> | <u>104,593</u> | <u>375,789</u> | |

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
 June 30, 2003

(continued from previous page)

INTERCEPTOR SEWER SYSTEM

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Interest Due | Total Interest and Principal |
|---------------------------------|---|------------------|-------------------|------------------|------------------------------------|
| 2004 | General Obligation Sewer Refunding Bonds, Series 2002 Serial Bonds | 3.00 | \$ 1,457,643 | \$ 1,011,117 | \$ 2,468,760 |
| 2005 | | 3.00 | 1,502,643 | 966,598 | 2,469,241 |
| 2006 | | 3.25 | 1,550,191 | 918,721 | 2,468,912 |
| 2007 | | 3.50 | 855,191 | 878,399 | 1,733,590 |
| 2008 | | 4.00 | 885,191 | 845,653 | 1,730,844 |
| 2009 | | 4.00 | 2,431,007 | 779,329 | 3,210,336 |
| 2010 | | 4.00 | 2,532,248 | 672,128 | 3,204,376 |
| 2011 | | 4.25 | 2,653,776 | 547,767 | 3,201,543 |
| 2012 | | 4.25 | 2,787,948 | 412,855 | 3,200,803 |
| 2013 | | 4.25 | 2,932,214 | 270,995 | 3,203,209 |
| 2014 | | 4.25 | 3,076,577 | 125,571 | 3,202,148 |
| 2015 | | 4.50 | 1,175,000 | 26,438 | 1,201,438 |
| | | | <u>23,839,629</u> | <u>7,455,571</u> | <u>31,295,200</u> |
| 2004 | Municipal Public Improvement Refunding, Series 2002A Serial Bonds | 3.00 | 3,920,953 | 1,176,612 | 5,097,565 |
| 2005 | | 3.00 | 3,811,453 | 1,060,626 | 4,872,079 |
| 2006 | | 5.00 | 3,482,952 | 916,381 | 4,399,333 |
| 2007 | | 5.00 | 3,423,990 | 743,707 | 4,167,697 |
| 2008 | | 3.00 | 3,377,663 | 607,442 | 3,985,105 |
| 2009 | | 3.25 | 3,339,759 | 502,506 | 3,842,265 |
| 2010 | | 4.00 | 3,226,047 | 383,714 | 3,609,761 |
| 2011 | | 3.60 | 2,059,448 | 282,123 | 2,341,571 |
| 2012 | | 5.00 | 1,983,640 | 195,462 | 2,179,102 |
| 2013 | | 4.00 | 1,945,736 | 106,957 | 2,052,693 |
| 2014 | | 4.00 | 854,945 | 50,943 | 905,888 |
| 2015 | | 4.10 | 825,464 | 16,923 | 842,387 |
| | | | <u>32,252,050</u> | <u>6,043,396</u> | <u>38,295,446</u> |
| 2004 | 2003 Series B Sewer Refunding | 3.00 | 2,035,000 | 434,065 | 2,469,065 |
| 2005 | | 3.00 | 2,090,000 | 339,625 | 2,429,625 |
| 2006 | | 3.00 | 2,185,000 | 276,925 | 2,461,925 |
| 2007 | | 3.00 | 2,375,000 | 211,375 | 2,586,375 |
| 2008 | | 3.00 | 2,320,000 | 140,125 | 2,460,125 |
| 2009 | | 3.25 | 2,170,000 | 70,525 | 2,240,525 |
| | | | <u>13,175,000</u> | <u>1,472,640</u> | <u>14,647,640</u> |
| 2004 | 2003 State Revolving Loan | 2.98 | - | 447,647 | 447,647 |
| 2005 | | 2.98 | - | 447,647 | 447,647 |
| 2006 | | 2.98 | - | 447,647 | 447,647 |
| 2007 | | 2.98 | - | 447,647 | 447,647 |
| 2008 | | 2.98 | - | 447,647 | 447,647 |
| 2009 | | 2.98 | - | 447,647 | 447,647 |
| 2010 | | 2.98 | - | 447,647 | 447,647 |
| 2011 | | 2.98 | - | 447,647 | 447,647 |
| 2012 | | 2.98 | - | 447,647 | 447,647 |

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2003

(continued from previous page)

INTERCEPTOR SEWER SYSTEM

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Interest Due | Total Interest and Principal |
|---------------------------------|--|------------------|--------------------|-------------------|------------------------------------|
| 2013 | 2003 State Revolving Loan | 2.98 | \$ - | \$ 447,647 | \$ 447,647 |
| 2014 | | 2.98 | - | 447,647 | 447,647 |
| 2015 | | 2.98 | - | 447,647 | 447,647 |
| 2016 | | 2.98 | - | 447,647 | 447,647 |
| 2017 | | 2.98 | - | 447,647 | 447,647 |
| 2018 | | 2.98 | - | 447,647 | 447,647 |
| 2019 | | 2.98 | - | 447,647 | 447,647 |
| 2020 | | 2.98 | - | 447,647 | 447,647 |
| 2021 | | 2.98 | - | 447,647 | 447,647 |
| 2022 | | 2.98 | - | 447,647 | 447,647 |
| 2023 | | 2.98 | - | 447,647 | 447,647 |
| | | | <u>15,021,698</u> | <u>8,952,940</u> | <u>23,974,638</u> |
| | Total Interceptor Sewer System indebtedness | | <u>123,491,640</u> | <u>41,199,932</u> | <u>164,691,572</u> |

SOLID WASTE/SANITATION FUND

| | | | | | | |
|------|-------------------------------|-----------------------------------|------------------|------------------|------------------|-------------------|
| 2004 | 1998 General Obligation Bonds | 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 | 34,561 | 1,416,970 | |
| | | | | <u>9,901,415</u> | <u>4,740,003</u> | <u>14,641,418</u> |
| 2004 | | 1998 Public Improvement Refunding | 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>1,325,920</u> | <u>5,012,020</u> | |

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2003

(continued from previous page)

SOLID WASTE/SANITATION FUND

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Interest Due | Total Interest and Principal |
|---------------------------------|---|------------------|-------------------|-------------------|------------------------------------|
| 2004 | 2001 General Obligation Bonds | 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>6,451,900</u> | <u>4,567,751</u> | <u>11,019,651</u> |
| 2004 | 2002 Municipal Public Improvement Refund | 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>9,657,762</u> | <u>2,763,905</u> | <u>12,421,667</u> |
| | Total Solid Waste/Sanitation Fund indebtedness | | <u>29,697,177</u> | <u>13,397,579</u> | <u>43,094,756</u> |

STORM WATER FUND

| | | | | | |
|------|---|------|---------|------------------|----------------|
| 2004 | 1992 State Revolving General Obligation Loan | 3.98 | 136,446 | 60,270 | 196,716 |
| 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 | 1,929 | 131,134 |
| | | | | <u>1,576,339</u> | <u>325,191</u> |

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2003

(continued from previous page)

STORM WATER FUND

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Interest Due | Total Interest and Principal | |
|---------------------------------|--|-------------------------------|------------------|------------------|------------------------------------|------------------|
| 2004 | 1998 Municipal Public Improvement Refunding Bonds | 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>7,399,119</u> | <u>3,542,107</u> | <u>10,941,226</u> | |
| 2004 | 1998 Public Improvement Refunding | 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>909,563</u> | <u>3,438,163</u> |
| 2004 | | 2001 General Obligation Bonds | 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 | |
| 2013 | 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>1,916,300</u> | <u>1,356,636</u> | <u>3,272,936</u> | |

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2003

(continued from previous page)

STORM WATER FUND

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Interest Due | Total Interest and Principal |
|---------------------------------|--|------------------|-------------------|------------------|------------------------------------|
| 2004 | 2002 Series A Refunding Revenue Bonds | 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>6,974,710</u> | <u>2,041,202</u> | <u>9,015,912</u> |
| | Total Storm Water Fund indebtedness | | <u>20,395,068</u> | <u>8,174,699</u> | <u>28,569,767</u> |

EPB

| | | | | | |
|------|---------------------------------------|-----------|-----------------------|-----------------------|-----------------------|
| 2004 | 2000 Electric System Revenue Bonds | 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 |
| 2020 | | 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 | |
| | Total EPB indebtedness | | <u>36,800,000</u> | <u>21,970,600</u> | <u>58,770,600</u> |
| | Total Primary Government Indebtedness | | <u>\$ 464,690,091</u> | <u>\$ 310,663,138</u> | <u>\$ 775,353,229</u> |

METROPOLITAN AIRPORT AUTHORITY

| | | | | | |
|------|---------------------------------------|------|---------|------------|------------|
| 2004 | 2002 Series A Refunding Revenue Bonds | 1.39 | \$ - | \$ 174,856 | \$ 174,856 |
| 2005 | | 1.39 | - | 174,856 | 174,856 |
| 2006 | | 1.39 | - | 174,856 | 174,856 |
| 2007 | | 1.39 | - | 174,856 | 174,856 |
| 2008 | | 1.39 | 115,000 | 174,856 | 289,856 |
| 2009 | | 1.39 | 850,000 | 173,264 | 1,023,264 |
| 2010 | | 1.39 | 825,000 | 161,491 | 986,491 |

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CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2003

(continued from previous page)

METROPOLITAN AIRPORT AUTHORITY

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Interest Due | Total Interest and Principal |
|---------------------------------|---------------------------------------|------------------|------------------|-------------------|------------------------------------|
| 2011 | 2002 Series A Refunding Revenue Bonds | 1.39 | \$ 865,000 | \$ 150,065 | \$ 1,015,065 |
| 2012 | | 1.39 | 910,000 | 138,085 | 1,048,085 |
| 2013 | | 1.39 | 960,000 | 125,481 | 1,085,481 |
| 2014 | | 1.39 | 1,010,000 | 112,185 | 1,122,185 |
| 2015 | | 1.39 | 1,060,000 | 98,197 | 1,158,197 |
| 2016 | | 1.39 | 1,115,000 | 83,516 | 1,198,516 |
| 2017 | | 1.39 | 1,175,000 | 68,073 | 1,243,073 |
| 2018 | | 1.39 | 1,235,000 | 51,799 | 1,286,799 |
| 2019 | | 1.39 | 2,505,000 | 34,694 | 2,539,694 |
| | | | | <u>12,625,000</u> | <u>2,071,130</u> |
| 2004 | 2002 Series B Refunding Revenue Bonds | 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 | 610,000 | 12,017 | 622,017 |
| | | | <u>3,550,000</u> | <u>254,230</u> | <u>3,804,230</u> |

CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

| | | | | | | |
|------|--------------------------|-----------------------------------|-----------|-----------------------|-----------------------|-----------------------|
| 2004 | 2000 Lease Revenue Bonds | - | - | 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 | |
| 2014 | | 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>133,081,075</u> | <u>262,281,075</u> |
| | | Total component unit indebtedness | | <u>\$ 145,375,000</u> | <u>\$ 135,406,435</u> | <u>\$ 280,781,435</u> |

cafr

Comprehensive Annual Financial Report – For the Year Ending June 30
City of Chattanooga, Tennessee

2003

CITY OF CHATTANOOGA, TENNESSEE
 GOVERNMENT - WIDE EXPENSES BY FUNCTION
 LAST TWO FISCAL YEARS

| Function/Program | 2003 | 2002 |
|--------------------------------|------------------------------|------------------------------|
| General government | \$ 58,698,292 | \$ 50,548,430 |
| Public Safety | 60,193,174 | 56,975,310 |
| Public Works | 42,983,849 | 59,848,473 |
| Parks and Recreation | 14,193,439 | 13,765,543 |
| Social Services | 20,758,129 | 19,178,170 |
| Interest on long-term debt | 4,417,740 | 3,667,564 |
| Sewer | 31,851,449 | 31,565,003 |
| Solid Waste/Sanitation | 5,385,859 | 6,428,615 |
| Storm Water | 4,523,419 | 4,774,295 |
| Housing Management | 1,496,241 | 930,550 |
| Electric Utility | <u>365,187,000</u> | <u>346,821,000</u> |
| Total government-wide expenses | <u><u>\$ 609,688,591</u></u> | <u><u>\$ 594,502,953</u></u> |

CITY OF CHATTANOOGA, TENNESSEE

GOVERNMENT - WIDE REVENUES
LAST TWO FISCAL YEARS

| | <u>2003</u> | <u>2002</u> |
|--|-----------------------|-----------------------|
| Program Revenues: | | |
| Charges for services | \$ 421,140,594 | \$ 402,663,146 |
| Operating grants and contributions | 27,322,758 | 27,934,574 |
| Capital grants and contributions | 8,002,849 | 9,355,637 |
| General Revenues: | | |
| Taxes: | | |
| Property taxes | 87,063,509 | 83,178,993 |
| Sales taxes | 17,940,768 | 17,589,729 |
| Other taxes | 8,577,827 | 7,542,589 |
| Grants and contributions not restricted to specific programs | 35,089,989 | 34,821,809 |
| Unrestricted investment earnings | 3,525,811 | 5,095,019 |
| Miscellaneous | <u>137,987</u> | <u>-</u> |
| Total government-wide revenues | <u>\$ 608,802,092</u> | <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 |
|---------------------------------|-------------------|----------------------|-------------------------|------------------------|-------------------------|--|----------------------|---------------|---------------|
| | | | | | | | | | |
| 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 |
| 2003 | 87,247,361 | 25,658,605 | 6,649,684 | 66,535,808 | 3,250,348 | 1,427,540 | 2,289,983 | 7,579,341 | 200,638,670 |

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 | Finance and Administration | Public Safety | Public Works | Parks and Recreation | General Services | Education | Debt Services | Capital Outlay | Social Services | Total |
|---------------------------|--------------------|----------------------------|---------------|---------------|----------------------|------------------|---------------|---------------|----------------|-----------------|----------------|
| 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 |
| 2003 | 44,821,104 | 8,227,036 | 58,099,709 | 23,537,088 | 12,519,226 | - | - | 9,206,817 | 38,453,691 | 20,523,649 | 215,388,320 |

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

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 |
|---------------------------|----------------|-------------------------|---------------------------|----------------------------|-----------------------|--|------------------------------|---|
| 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% |
| 2003 | 82,022,214 | 77,536,040 | 94.5% | 3,611,273 | 81,147,313 | 98.9% | 8,188,452 | 10.0% |

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 (\$) | Estimated Actual Value (\$) | Assessed Value (\$) | Estimated Actual Value (\$) | Assessed Value (\$) | Estimated Actual Value (\$) | Assessed Value (\$) | Estimated Actual Value (\$) | |
| 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% |
| 2003 | 2,572,574,393 | 7,998,826,954 | 459,250,379 | 1,530,834,597 | 228,198,584 | 414,906,516 | 3,260,023,556 | 9,944,568,067 | 32.78% |

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 values 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 |
| 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 |
| 2003 | 2.52 | 3.06 | 5.58 | 82,022,214 | 163,376,638 | 245,398,852 |

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 fiscal years 2002 and later.

CITY OF CHATTANOOGA, TENNESSEE

PRINCIPAL TAXPAYERS
June 30, 2003

| Taxpayer | 2002 Assessment | Percent of Assessed Valuation | City Tax |
|---|----------------------|-------------------------------------|----------------------|
| E.I. DuPont de Nemours and Company (Synthetic Yarns) | \$ 60,614,487 | 1.87% | \$ 1,777,738 |
| BellSouth (Telephone Utility) | 59,414,805 | 1.83% | 1,494,876 |
| CBL & Associates (Land Development) | 47,253,730 | 1.46% | 1,188,904 |
| Unum/Provident (Insurance / Leasing) | 45,704,995 | 1.41% | 1,149,938 |
| Tennessee-American Water Company (Water Utility) | 38,003,494 | 1.17% | 956,168 |
| Chattanooga Valley Associates (TVA) (Office Leasing) | 37,693,440 | 1.16% | 2,004,441 |
| Tennessee Hospital Association (Blue Cross) (Insurance) | 25,392,415 | 0.78% | 638,873 |
| AGL Resources (Natural Gas Utility) | 24,316,240 | 0.75% | 611,797 |
| Tallen Holdings (Leasing) | 20,565,961 | 0.63% | 517,440 |
| Parkridge Medical Center (Health Care) | <u>19,703,738</u> | <u>0.61%</u> | <u>495,746</u> |
| | <u>\$378,663,305</u> | <u>11.67%</u> | <u>\$ 10,835,921</u> |

Source: City Treasurer

CITY OF CHATTANOOGA, TENNESSEE
HISTORICAL DEBT RATIOS
June 30, 2003

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Estimated population (1) | 154,200 | 151,600 | 150,300 | 148,800 | 147,500 | 145,700 | 155,554 | 155,992 | 155,582 |
| Appraised property valuation | \$ 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 | \$ 9,944,568,067 |
| Assessed property valuation | 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 | 3,260,023,356 |
| Gross indebtedness (2) | 185,837,792 | 204,479,351 | 191,283,521 | 245,731,165 | 237,505,962 | 223,521,569 | 258,442,849 | 244,704,834 | 427,890,091 |
| Less: Self-supporting indebtedness (3) | 140,426,612 | 147,739,894 | 138,922,708 | 194,393,764 | 190,087,672 | 179,866,956 | 178,059,226 | 169,036,886 | 289,509,357 |
| Debt Service Fund | 9,128,676 | 9,127,569 | 8,802,830 | 7,126,274 | 2,566,687 | 2,671,606 | 4,163,307 | 5,497,083 | 4,988,142 |
| Net direct indebtedness | 36,282,504 | 47,611,888 | 43,557,983 | 44,211,127 | 44,851,603 | 40,983,007 | 76,220,316 | 70,170,865 | 133,392,592 |
| Plus: Estimated net overlapping indebtedness | 75,913,865 | 79,884,361 | 100,669,117 | 99,208,181 | 98,505,368 | 88,150,782 | 103,117,962 | 109,591,857 | 96,147,876 |
| Net direct and overlapping indebtedness | \$ 112,196,369 | \$ 127,496,249 | \$ 144,227,100 | \$ 143,419,308 | \$ 143,356,971 | \$ 129,133,789 | \$ 179,338,278 | \$ 179,762,722 | \$ 229,540,468 |
| Gross debt per capita | \$1,205.17 | \$1,348.81 | \$1,272.68 | \$1,651.42 | \$1,610.21 | \$1,534.12 | \$1,661.43 | \$1,568.70 | \$2,750.25 |
| Net direct debt per capita | 235.30 | 314.06 | 289.81 | 297.12 | 304.08 | 281.28 | 489.99 | 449.84 | 857.38 |
| Net direct and overlapping debt per capita | 727.60 | 841.00 | 959.59 | 963.84 | 971.91 | 886.30 | 1,152.90 | 1,152.38 | 1,475.37 |
| Gross debt to appraised valuation | 2.80% | 3.04% | 2.75% | 3.19% | 2.99% | 2.80% | 3.12% | 2.50% | 4.30% |
| Net direct debt to appraised valuation | .55% | .71% | .63% | .57% | .56% | .51% | .92% | .72% | 1.34% |
| Net direct debt and overlapping debt to appraised valuation | 1.69% | 1.90% | 2.07% | 1.86% | 1.80% | 1.62% | 2.17% | 1.84% | 2.31% |
| Gross debt to assessed valuation | 8.45% | 9.19% | 8.33% | 9.71% | 9.12% | 8.54% | 9.47% | 7.64% | 13.13% |
| Net direct debt to assessed valuation | 1.65% | 2.14% | 1.90% | 1.75% | 1.72% | 1.57% | 2.79% | 2.19% | 4.09% |
| Net direct and overlapping debt to assessed valuation | 5.10% | 5.73% | 6.28% | 5.67% | 5.51% | 4.93% | 6.57% | 5.61% | 7.04% |

(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> |
|--|---------------------------|---|--|--|---|
| 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% |
| 2003 | 4,753,112 | 4,404,436 | 9,157,548 | 215,388,320 | 4.3% |

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, 2003

| <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 | \$133,392,592 | 100.0000% | \$133,392,592 |
| Overlapping: | | | |
| Hamilton County | <u>160,667,945</u> | 59.8426% | <u>96,147,876</u> |
| Total | <u>\$294,060,537</u> | | <u>\$229,540,468</u> |

CITY OF CHATTANOOGA, TENNESSEE
COMPUTATION OF DEBT LIMIT AND LEGAL DEBT MARGIN
Year Ended June 30, 2003

| | |
|---|----------------------|
| Debt limit (10% of assessed valuation) | <u>\$326,002,336</u> |
| Gross Indebtedness: | |
| General obligation bonds outstanding | 281,955,002 |
| Notes and Capital Leases Payable | <u>145,935,089</u> |
| Gross indebtedness | <u>427,890,091</u> |
| Less self-supporting indebtedness for general obligation bonds: | |
| Southside Capital Lease | 115,925,472 |
| Interceptor Sewer System | 123,491,640 |
| Solid Waste/Sanitation Fund | 29,697,177 |
| Storm Water Fund | <u>20,395,068</u> |
| | <u>289,509,357</u> |
| Gross direct indebtedness | 138,380,734 |
| Less: Debt Service Fund balance | <u>4,988,142</u> |
| Debt subject to debt limitation | <u>133,392,592</u> |
| Net legal debt margin | <u>\$192,609,744</u> |
| Percentage of direct legal debt exhausted | <u>40.92%</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 |
| 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 |
| 2002 | 699 | 181,501,415 | 1,631 | 106,428,336 | 3,870,576,614 | 4,128,250,340 | 414,906,516 |

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: | | | | | | | |
| 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 |
| 2003 | 365,066,000 | 348,677,000 | 16,389,000 | 1,600,000 | 1,886,800 | 3,486,800 | 4.70 |
| Component Unit: | | | | | | | |
| METROPOLITAN AIRPORT AUTHORITY | | | | | | | |
| 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 |
| 2003 | 10,246,713 | 5,053,938 | 5,192,775 | 575,000 | 253,633 | 828,633 | 6.27 |
| CHATTANOOGA DOWNTOWN 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 |
| 2003 | 17,728,790 | 10,382,510 | 7,346,280 | - | 7,198,975 | 7,198,975 | 1.02 |

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, 2003

| 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., Vice-Chairman | Councilman, District 4 | 21,405 | 10,000 |
| John P. Franklin, Jr., Chairman | Councilman, District 5 | 23,905 | 10,000 |
| Ronald C. Littlefield | Councilman, District 6 | 18,905 | 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 |
| David R. Eichenthal | 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 | 105,955 | 10,000 |

CITY OF CHATTANOOGA, TENNESSEE

INSURANCE COVERAGE

Year Ended June 30, 2003

| | |
|---|----------------|
| PUBLIC BUILDINGS | |
| Fire, extended coverage, vandalism, and malicious mischief | \$ 320,348,025 |
| CHATTANOOGA PUBLIC LIBRARIES | |
| Fire, extended coverage, vandalism, and malicious mischief (80% coinsurance) | 31,247,258 |
| Automobile liability | 1,000,000 |
| Boiler | 500,000 |
| Flood | 10,535,900 |
| Earthquake | 10,000,000 |
| General liability | 1,000,000 |
| Employee dishonesty | 125,000 |
| Equipment | 494,040 |
| Director and officer | 1,000,000 |
| HUMAN SERVICES | |
| General liability | 1,000,000 |
| Fire, extended coverage, vandalism, and malicious mischief (80% coinsurance) | 3,906,498 |
| Employee dishonesty | 400,000 |
| Automobile liability | 1,000,000 |
| AIR POLLUTION CONTROL BOARD | |
| General liability | 2,000,000 |
| Property damage (90% coinsurance) | 500,000 |
| Automobile liability | 1,000,000 |
| Public official and employee liability | 1,000,000 |
| Equipment (80% coinsurance) | 429,044 |
| 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> |
|--------------------------|-----------------------|------------------------------|-----------------------|------------------------------|
| 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% |
| 2002 | 155,582 | 27,213 | 37.2 | 3.8% |

(1) Source: U.S. Census Bureau

(2) Source: Tennessee Department of Employment Security

CITY OF CHATTANOOGA, TENNESSEE

MISCELLANEOUS STATISTICAL DATA
June 30, 2003

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 | 1,118 | 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 |
| 2002 | 2,330 | 287,929,751 |

*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 | 4 |
| 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, 2003

(continued from previous page)

Elections (County-Wide):

164,193 registered voters
 89,030 votes cast in last election
 54.22% 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 | 145,700 | 295,000 |
| 2001 Estimate | 155,554 | 307,896 |
| 2002 Estimate | 155,992 | 312,266 |
| 2003 Estimate | 155,582 | 311,178 |

Recreation:

| | |
|----------------------------------|-----|
| Number of parks | 119 |
| Golf courses | 16 |
| Recreation centers | 15 |
| Supervised summer playgrounds | 38 |
| Ball fields | 122 |
| Public and private tennis courts | 200 |
| Swimming pools | 55 |
| Theaters | 17 |
| 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 | 400 | 472 |
| School resource officers | | 16 |
| Civilians: | | |
| Part-time Park Rangers | | 2 |
| Full-time Park Rangers | | 9 |
| Part-time School Patrol | | 31 |
| Full-time School Patrol | | 1 |
| All other | <u>18</u> | <u>180</u> |
| Total Public Safety | <u>418</u> | <u>711</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

MISCELLANEOUS STATISTICAL DATA

June 30, 2003

(continued from previous page)

Utilities:

| | <u>User Class</u> | <u>Number of Customers</u> | <u>Rate Structure</u> |
|---|----------------------------|--------------------------------|----------------------------|
| Electric Power Board* | Residential | 137,477 | \$0.0639 per kilowatt-hour |
| | Small Commercial and Power | 19,307 | 0.0715 per kilowatt-hour |
| | Large Commercial and Power | 3,190 | 0.0528 per kilowatt-hour |
| | Outdoor Lighting | 143 | 0.0812 per kilowatt-hour |
| Interceptor Sewer System (based on water used) | First 100,000 gallons | | \$3.68 per 1,000 gallons |
| | Next 650,000 gallons | | 2.70 per 1,000 gallons |
| | Next 1,250,000 gallons | | 2.18 per 1,000 gallons |
| | Next 30,000,000 gallons | | 1.59 per 1,000 gallons |
| | Over 32,000,000 gallons | | 1.40 per 1,000 gallons |
| Average Income Level: | | <u>City</u> | <u>County</u> |
| Per capita** | | \$27,213 | \$30,130 |
| Per family*** | | 45,408 | 48,915 |

*Source: Average cost per Electric Power Board Annual Report for the year ended June 30, 2003.

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

***Source: Survey of Buying Power, Sales & Marketing Management Magazine and US Census data.

cafr

Comprehensive Annual Financial Report – For the Year Ending June 30
City of Chattanooga, Tennessee

2003

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2003

| 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-02-008784 | \$ (8,859) | \$ 50,359 | \$ - | \$ 41,500 |
| Emergency Food Assistance Program (Administrative Costs) | 10.568 | Z-03-014036 | - | 17,718 | 75,435 | (57,717) |
| Total Emergency Food Assistance Program | | | (8,859) | 68,077 | 75,435 | (16,217) |
| Emergency Food Assistance Program (Food Commodities - Noncash) | 10.569 | N/A | - | 520,876 | 520,876 | - |
| Cooperative Forestry Assistance | 10.664 | Z-02-004442-02 | (14,544) | 14,544 | - | - |
| Total Cooperative Forestry Assistance | | | (14,544) | 14,544 | - | - |
| Passed through Tennessee Department of Human Services: | | | | | | |
| Child and Adult Care Food Program | 10.558 | 03-47-55915-00-8 | (34,220) | 297,672 | 298,597 | (35,145) |
| Child and Adult Care Food Program | 10.558 | 03-47-56136-00-6 | (14,971) | 78,638 | 79,772 | (16,105) |
| Child and Adult Care Food Program | 10.558 | 03-47-60076-00-9 | (2,853) | 14,365 | 13,055 | (1,543) |
| Total Child and Adult Care Food Program | | | (52,044) | 390,675 | 391,424 | (52,793) |
| Summer Food Service Program for Children | 10.559 | DA-02-00010-00 | (356,631) | 687,630 | 330,999 | - |
| Summer Food Service Program for Children | 10.559 | DA-03-00050-00 | - | - | 404,803 | (404,803) |
| Total Summer Food Service Program for Children | | | (356,631) | 687,630 | 735,802 | (404,803) |
| Total U.S. Department of Agriculture | | | (432,078) | 1,681,802 | 1,723,537 | (473,813) |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2003

| 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 | | | | | | |
| Lower Income Housing Assistance Program | 14.156 | UPG01TN01437 | \$ (366,503) | \$ 1,273,130 | \$ 1,029,369 | \$ (122,742) |
| Lower Income Housing Assistance Program | 14.156 | Project# 01A0450 | (88,075) | 267,995 | 200,207 | (20,287) |
| Total Lower Income Housing Assistance Program | | | (454,578) | 1,541,125 | 1,229,576 | (143,029) |
| Community Development Block Grants/Entitlement Grants | 14.218 | B01MC47001 | (12,908) | 1,714,238 | 1,969,114 | (267,784) |
| Community Development Block Grants/Entitlement Grants | 14.218 | Program Income | - | 1,122,837 | 1,183,792 | (60,955) |
| Total Community Development Block Grants/Entitlement Grants | | | (12,908) | 2,837,075 | 3,152,906 | (328,739) |
| Emergency Shelter Grants Program (ESG) | 14.231 | S01MC47003 | - | 16,418 | 16,418 | - |
| Emergency Shelter Grants Program (ESG) | 14.231 | S02MC47003 | - | 46,029 | 50,690 | (4,661) |
| Total Emergency Shelter Grants Program (ESG) | | | - | 62,447 | 67,108 | (4,661) |
| Shelter Plus Care | 14.238 | TN37C931017 | (4,805) | 34,681 | 35,035 | (5,159) |
| Home Investment Partnerships Program | 14.239 | M01MC470200 | - | 1,078,185 | 1,078,185 | - |
| Home Investment Partnerships Program | 14.239 | M02MC470200 | - | 29,201 | 284,984 | (255,783) |
| Home Investment Partnerships Program | 14.239 | Program Income | - | 366,883 | 366,883 | - |
| Total Home Investment Partnerships Program | | | - | 1,474,269 | 1,730,052 | (255,783) |
| Total U.S. Department of Housing and Urban Development | | | (472,291) | 5,949,597 | 6,214,677 | (737,371) |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2003

| 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 | \$ 34,025 | \$ - | \$ 34,025 | \$ - |
| Local Law Enforcement Block Grants Program | 16.592 | 2001-LB-VX-7822 | 501,874 | - | 495,270 | 6,604 |
| Local Law Enforcement Block Grants Program | 16.592 | 2002-LB-BX-0905 | - | 493,892 | 143,957 | 349,935 |
| Total Local Law Enforcement Block Grants Program | | | <u>535,899</u> | <u>493,892</u> | <u>673,252</u> | <u>356,539</u> |
| Executive Office for Weed and Seed | 16.595 | | (94,131) | 94,131 | - | - |
| Public Safety Partnership and Community Policing Grants (COPS) | 16.710 | 2001CLWX0063 | - | 1,000,000 | 1,000,000 | - |
| Public Safety Partnership and Community Policing Grants (COPS) | 16.710 | 2001CKWX0106 | - | 947,146 | 947,146 | - |
| Public Safety Partnership and Community Policing Grants (COPS) | 16.710 | 2002CKWX0005 | (720,938) | 982,776 | 263,522 | (1,684) |
| Total Public Safety Partnership and Community Policing Grants (COPS) | | | <u>(720,938)</u> | <u>2,929,922</u> | <u>2,210,668</u> | <u>(1,684)</u> |
| State Domestic Preparedness Equipment Support Program | 16.007 | 2003-TE-CX-0003 | - | 300,000 | 18,107 | 281,893 |
| Total U.S. Department of Justice | | | <u>(279,170)</u> | <u>3,817,945</u> | <u>2,902,027</u> | <u>636,748</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | | | |
| Passed through Tennessee Department of Transportation: | | | | | | |
| Highway Planning and Construction | 20.205 | Z-02-008453-00 | (199,311) | 305,969 | 106,658 | - |
| Highway Planning and Construction | 20.205 | Z-03-014494-00 | - | 150,042 | 195,886 | (45,844) |
| Total Highway Planning and Construction | | | <u>(199,311)</u> | <u>456,011</u> | <u>302,544</u> | <u>(45,844)</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2003

| 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-02-09386-00 | \$ (48,885) | \$ 59,901 | \$ 11,016 | \$ - |
| Federal Transit: Metropolitan Planning Grants | 20.505 | GG-03-09955-00 | - | 19,685 | 26,210 | (6,525) |
| Total Federal Transit: Metropolitan Planning Grants | | | (48,885) | 79,586 | 37,226 | (6,525) |
| Passed through Georgia Department of Transportation: | | | | | | |
| Highway Planning and Construction | 20.205 | 50558-1565-00-002(9)653.6 | (48,870) | 73,757 | 24,887 | - |
| Highway Planning and Construction | 20.205 | PL-0003-00-981 | - | 27,343 | 39,859 | (12,516) |
| Highway Planning and Construction | 20.205 | SPR00-0160-000-02 | (21,258) | 21,258 | - | - |
| Total Highway Planning and Construction | | | (70,128) | 122,358 | 64,746 | (12,516) |
| Total U.S. Department of Transportation | | | (318,324) | 657,955 | 404,516 | (64,885) |
| INSTITUTE OF MUSEUM AND LIBRARY SERVICES | | | | | | |
| Passed through Tennessee Libraries and Archives: | | | | | | |
| State Library Program | 45.310 | GG-01-09207-01 | - | 2,500 | 2,500 | - |
| State Library Program | 45.310 | GG-03-09901-00 | - | 1,325 | 1,325 | - |
| Total Institute of Museum and Library Services | | | - | 3,825 | 3,825 | - |
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | | | | | |
| Air Pollution Control Program Support | 66.001 | A004084-02 | - | 310,396 | 310,396 | - |
| Surveys, Studies, Investigations and Special Purpose Grants | 66.606 | PM98437198 | - | 141,146 | 141,146 | - |
| CEPP Technical Assistance Grants Program | 66.810 | SR-97409300 | - | 66,793 | 66,793 | - |
| Total U.S. Environmental Protection Agency | | | - | 518,335 | 518,335 | - |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2003

| 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 ENERGY | | | | | | |
| Passed through Tennessee Department of Human Services: | | | | | | |
| Weatherization Assistance for Low-Income Persons | 81.042 | Z-02-005287-00 | \$ - | \$ 242,266 | \$ 375,155 | \$ (132,889) |
| Weatherization Assistance for Low-Income Persons | 81.042 | Z-03-013597-00 | (63,964) | 63,964 | - | - |
| Total Weatherization Assistance for Low-Income Persons | | | (63,964) | 306,230 | 375,155 | (132,889) |
| FEDERAL EMERGENCY MANAGEMENT AGENCY | | | | | | |
| Emergency Food and Shelter National Board Program | 83.523 | 21-7682-00 | - | 29,865 | 28,711 | 1,154 |
| Total Federal Emergency Management Agency | | | - | 29,865 | 28,711 | 1,154 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | |
| Head Start | | | | | | |
| Head Start | 93.600 | 04CH0047/25 | (815,670) | 815,670 | - | - |
| Head Start | 93.600 | 04CH0047/26 | - | 6,291,618 | 6,973,373 | (681,755) |
| Total Head Start | | | (815,670) | 7,107,288 | 6,973,373 | (681,755) |
| Passed Through Tennessee Department of Human Services: | | | | | | |
| Low-Income Home Energy Assistance (LIHEAP) | 93.568 | Z-02-005267-00 | - | 878,340 | 889,137 | (10,797) |
| Low-Income Home Energy Assistance (LIHEAP) | 93.568 | Z-03-013594-00 | (3,583) | 3,583 | - | - |
| Total Low-Income Home Energy Assistance (LIHEAP) | | | (3,583) | 881,923 | 889,137 | (10,797) |
| Community Services Block Grant (CSBG) | 93.569 | Z-02-006227-00 | (49,215) | 49,215 | - | - |
| Community Services Block Grant (CSBG) | 93.569 | Z-03-010274-03 | - | 513,401 | 591,203 | (77,802) |
| Total Community Services Block Grant (CSBG) | | | (49,215) | 562,616 | 591,203 | (77,802) |
| Total U.S. Department of Health and Human Services | | | (868,468) | 8,551,827 | 8,453,713 | (770,354) |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2003

| 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) | | | | | | |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | | | | | |
| Foster Grandparent Program | 94.011 | 02-SFSTN022 | \$ - | \$ 404,988 | \$ 414,553 | \$ (9,565) |
| Foster Grandparent Program | 94.011 | U-01SFTN002 | (21,563) | 21,563 | - | - |
| Total Corporation for National and Community Services | | | (21,563) | 426,551 | 414,553 | (9,565) |
| TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT UNIT | | | (2,455,858) | 21,943,932 | 21,039,049 | (1,550,975) |
| Component Units | | | | | | |
| Chattanooga Area Regional Transportation Authority | | | | | | |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | | | |
| Federal Transit - Capital Investment Grants | 20.500 | TN-03-0042 | - | 59,551 | 59,551 | - |
| Federal Transit - Capital Investment Grants | 20.500 | TN-03-0060 | - | 805,392 | 805,392 | - |
| Passed through Tennessee Department of Transportation: | | | | | | |
| Federal Transit - Capital Investment Grants | 20.500 | TN-03-0060 | (195,000) | 195,000 | - | - |
| Total Federal Transit - Capital Investment Grants | | | (195,000) | 1,059,943 | 864,943 | - |
| Federal Transit - Formula Grants | 20.507 | TN-90-X180 | (6,998) | 1,270,140 | 1,267,652 | (4,510) |
| Federal Transit - Formula Grants | 20.507 | TN-90-X190 | - | 1,909,631 | 1,909,631 | - |
| Total Federal Transit - Formula Grants | | | (6,998) | 3,179,771 | 3,177,283 | (4,510) |
| Passed through Tennessee Department of Transportation: | | | | | | |
| Capital Assistance Program for Elderly Persons and Persons with Disabilities | 20.513 | TN-16-0027 | - | 33,301 | 33,301 | - |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2003

| 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 The University of Tennessee: | | | | | | |
| State Planning and Research | 20.515 | N/A | \$ (3,798) | \$ 25,044 | \$ 21,246 | \$ - |
| Job Access - Reverse Commute | 20.516 | TN-37-X008 | (23,681) | 117,940 | 94,259 | - |
| Job Access - Reverse Commute | 20.516 | TN-37-X008 | - | 165,512 | 215,021 | (49,509) |
| Total Job Access - Reverse Commute | | | (23,681) | 283,452 | 309,280 | (49,509) |
| Total Expenditures of Federal Awards - Chattanooga Area Regional Transportation Authority | | | (229,477) | 4,581,511 | 4,406,053 | (54,019) |
| Awards Audited by Other Auditors | | | | | | |
| Chattanooga Metropolitan Airport Authority | | | | | | |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | | | |
| Airport Improvement Program | 20.106 | 3-47-0009-20 | (4,996) | 4,996 | - | - |
| Airport Improvement Program | 20.106 | 3-47-0009-21 | (70,582) | 70,582 | - | - |
| Airport Improvement Program | 20.106 | 3-47-0009-22 | (160,102) | 2,398,862 | 2,609,226 | (370,466) |
| Airport Improvement Program | 20.106 | 3-47-0009-25 | (46,424) | 74,270 | 27,846 | - |
| Airport Improvement Program | 20.106 | 3-47-0009-26 | - | 82,693 | 82,693 | - |
| Airport Improvement Program | 20.106 | 3-47-0009-27 | - | 290,250 | 290,250 | - |
| Airport Improvement Program | 20.106 | 3-47-0009-28 | - | 9,846 | 260,408 | (250,562) |
| Total Expenditures of Federal Awards - Component Unit Audited by Other Auditors | | | (282,104) | 2,931,499 | 3,270,423 | (621,028) |
| Total Expenditures of Federal Awards - Component Units | | | (511,581) | 7,513,010 | 7,676,476 | (675,047) |
| TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY | | | <u>(2,967,439)</u> | <u>29,456,942</u> | <u>28,715,525</u> | <u>(2,226,022)</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2003

| 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 AWARDS | | | | | | |
| Passed through Tennessee Department of Transportation: | | | | | | |
| Transportation Enhancement Program | | STP-EN-9202(76) | \$ - | \$ - | \$ 18,204 | \$ (18,204) |
| Tennessee Housing Development Agency | | | | | | |
| THDA Entitlement - CNE Project | | Program Income | - | 105,548 | 112,199 | (6,651) |
| Passed through Tennessee Libraries and Archives | | | | | | |
| Library Services | | GG-03-00901-00 | - | 100,000 | 100,000 | - |
| Passed through Tennessee Department of Finance and Administration: | | | | | | |
| Development Resource Center | | 529/000-11-96 | (154,389) | 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: | | | | | | |
| Infrared Thermography Pilot Project | | N/A | - | - | 6,440 | (6,440) |
| TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT UNIT | | | (159,703) | 365,251 | 236,843 | (31,295) |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2003

| 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 | | | | | | |
| Passed through Tennessee Department of Transportation: | | | | | | |
| State funding for TN-90-X164 | N/A | GG-0008467 | \$ - | \$ - | \$ - | \$ - |
| State Sacramento Bus Rehab | | GG-0008615 | - | - | - | - |
| State funding for TN-90-X169 | | GG-0108880 | (1,180) | 1,180 | - | - |
| State funding for TN-90-X142 | | GG-9707542 | - | 16,894 | 16,894 | - |
| State funding for TN-03-0042 | | GG-9908187 | - | 7,444 | 7,444 | - |
| State funding for TN-37-X001 | | Z-00097875 | - | - | - | - |
| State funding for TN-03-00055 | | GG-0109005 | - | - | - | - |
| State funding for TN-90-X180 | | GG-0209340 | (25,748) | 185,079 | 159,331 | - |
| State Signal Priority | | TNSPR-RES1208 | (950) | 6,261 | 5,311 | - |
| State funding for TN-03-0058 | | GG-0209531 | (24,375) | 24,375 | - | - |
| State funding for TN-30-X190 | | GG-0209488 | (41,926) | 122,584 | 205,367 | (124,709) |
| State funding for TN-03-0059 | | GG-0209487 | - | - | - | - |
| State funding for TN-16-0026 | | Z-02009312 | - | - | - | - |
| State operating 33-901-9656 | | GG-0209342 | (146,289) | 146,289 | - | - |
| State funding for TN-37-X008 | | GG-0209257 | (76,609) | 198,780 | 122,171 | - |
| State funding for TN-37-X009 | | GG-0209299 | - | 110,958 | 187,110 | (76,152) |
| State funding for TN-03-0060 | | GG-0310034 | - | 100,674 | 100,674 | - |
| State Operating | | Z-03013821 | - | 1,425,244 | 1,746,495 | (321,251) |
| State funding for TN-16-0027 | | Z-03014104 | - | 4,163 | 4,163 | - |
| Total Expenditures of State Awards - Chattanooga Area Regional Transportation Authority | | | <u>(317,077)</u> | <u>2,349,925</u> | <u>2,554,960</u> | <u>(522,112)</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2003

| 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 |
|---|---------------------------|--------------------|---|----------------------|----------------------|--|
| Awards Audited by Other Auditors | | | | | | |
| Chattanooga Metropolitan Airport Authority | | | | | | |
| Airport Improvement Program | | 33-555-0146-04 | \$ (12,100) | \$ 12,100 | \$ - | \$ - |
| Airport Improvement Program | | 33-555-0147-04 | (15,022) | 15,022 | - | - |
| Airport Improvement Program | | 33-555-0149-04 | (67,875) | 65,477 | (2,398) | - |
| Airport Improvement Program | | 33-555-0162-04 | (201,822) | 227,651 | 169,366 | (143,537) |
| Airport Improvement Program | | 33-555-0165-04 | (2,579) | - | 17,687 | (20,266) |
| Airport Improvement Program | | 33-555-0168-04 | - | 3,059 | 3,059 | - |
| Airport Improvement Program | | 33-555-0173-04 | - | - | 13,920 | (13,920) |
| Airport Improvement Program | | 33-555-0361-04 | (27,876) | 27,876 | - | - |
| Airport Improvement Program | | 33-555-0766-04 | - | 1,800 | 1,800 | - |
| Airport Improvement Program | | 33-555-0767-04 | - | 39,197 | 39,657 | (460) |
| Airport Improvement Program | | 33-555-0770-04 | - | - | 44,258 | (44,258) |
| Airport Improvement Program | | 33-555-0771-04 | - | - | 11,970 | (11,970) |
| Airport Improvement Program | | | - | 4,671 | 4,671 | - |
| Total Expenditures of State Awards - Component Unit Audited by Other Auditors | | | <u>(327,274)</u> | <u>396,853</u> | <u>303,990</u> | <u>(234,411)</u> |
| Total Expenditures of State Awards - Component Units | | | <u>(644,351)</u> | <u>2,746,778</u> | <u>2,858,950</u> | <u>(756,523)</u> |
| TOTAL EXPENDITURES OF STATE AWARDS | | | <u>(804,054)</u> | <u>3,112,029</u> | <u>3,095,793</u> | <u>(787,818)</u> |
| TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS | | | <u>\$ (3,771,493)</u> | <u>\$ 32,568,971</u> | <u>\$ 31,811,318</u> | <u>\$ (3,013,840)</u> |

(continued from previous page)

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2003

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 \$1,396,055 and \$387,576 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 | \$2,744,614 |
| Emergency Shelter Grants Program | 14.231 | 67,108 |
| Home Investment Partnerships Program | 14.239 | 1,720,298 |

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, 2003, and have issued our report thereon dated November 10, 2003. 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.

Haggett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
November 10, 2003

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, 2003. We did not audit the compliance of the Chattanooga Metropolitan Airport Authority whose federal and state financial assistance is \$3,574,413. 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, 2003.

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 & Bitter, PLLC

Chattanooga, Tennessee
November 10, 2003

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2003

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ___ yes X no
- Reportable conditions identified that are not
 considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ___ yes X no
- Reportable conditions identified that are not
 considered to be material weaknesses? ___ yes X none reported

Type of auditor's report issued on compliance for
 major programs: Unqualified

Any audit findings disclosed that are required
 to be reported in accordance with section 510(a)
 of Circular A-133? ___ yes X no

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|--|
| 14.156 | U.S. Department of Housing and Urban Development: |
| 14.218 | Lower Income Housing Assistance Program |
| 14.239 | Community Development Block Grants/Entitlement Grants |
| | Home Investment Partnerships Program |
| 16.710 | U.S. Department of Justice: |
| | Public Safety Partnership and Community Policing Grants (COPS) |
| 20.106 | U.S. Department of Transportation: |
| 20.500 | Airport Improvement Program |
| 20.507 | Federal Transit - Capital Investment Grants |
| | Federal Transit - Formula Grants |
| 93.568 | U.S. Department of Health and Human Services: |
| 93.600 | Low-Income Home Energy Assistance (LIHEAP) |
| | Head Start |

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2003

Dollar threshold used to distinguish between type A
and type B programs: \$861,466

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2003

Finding 2002-1 from June 30, 2002

Federal program: CFDA 14.239 Home Investment Partnerships Program

Condition: The City did not perform monitoring activities for its Community Housing Development Organization (CHDO).

Current status: The City has taken steps toward improving monitoring activities and has performed monitoring activities in FY03 for CHDO.

Finding 2002-2 from June 30, 2002

Federal programs: CFDA 14.000 Upfront Grant

Condition: The City issued a multiple schedule of wage rates with both building and residential pay rates when the project required wage rates for a building. Consequently, one subcontractor paid its workers at rates below the prevailing wage rates.

Current status: Condition was corrected in FY 03. Restitution payments were made to all workers who were paid below prevailing wage rates.

Finding 2002-3 from June 30, 2002

Federal programs: CFDA 16.710 Public Safety Partnership and Community Policing Grants

Condition: The City did not retain the new positions for the time period specified in the grant agreement.

Current status: The U.S. Department of Justice granted the City an exemption from the retention requirement.

Finding 2002-4 from June 30, 2002

Federal programs: CFDA 20.106 Airport Improvement Program

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.

Current status: Corrective action has been taken.

City of Chattanooga

Department of
Finance & Administration

400 City Hall Annex

Chattanooga, TN 37402

423-757-5232

www.chattanooga.gov