



City of Atlanta, Georgia

Comprehensive Annual Financial Report

For the year ended December 31, 2002

SHIRLEY FRANKLIN
Mayor

Richard J. Anderson, Chief Financial Officer

INTRODUCTION

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Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2002

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CITY OF ATLANTA

SHIRLEY FRANKLIN
MAYOR

DEPARTMENT OF FINANCE
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RICHARD J. ANDERSON
CHIEF FINANCIAL OFFICER
randerson@ci.atlanta.ga.us

December 29, 2003

Honorable City Council President
Honorable Members, Atlanta City Council
City of Atlanta, Georgia

Ladies and Gentlemen:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The State Law also allows for approved extensions beyond the six-month deadline. The City of Atlanta requested an extension in order to complete its first financial statements under the provisions of Government Accounting Standards Board (GASB) Statement No. 34 – “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, and was granted an extension. We hereby issue the comprehensive annual financial report of the City of Atlanta for the fiscal year ended December 31, 2002.

This report consists of management’s representations concerning the finances of the City of Atlanta. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Atlanta has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Atlanta’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Atlanta’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

In accordance with Section 6-308 of the City Charter, the governing body shall provide annually for an independent audit of the accounts and other evidences of financial transactions of the City. This audit is to be performed by a certified public accounting firm. The City of Atlanta’s financial statements have been audited by Ernst and Young, LLP, with Minority/Female-Owned Subcontractors Banks, Finley, White & Company, CPAs, and D. Fox and Associates. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Atlanta for the fiscal year ended December 31, 2002, 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 of the overall financial statement presentation. The independent auditor rendered an unqualified opinion that the City of Atlanta financial statements for the fiscal year ended December 31, 2002, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Atlanta 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, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Atlanta's separately issued Single Audit Report.

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 Atlanta's MD&A can be found immediately following the report of the independent auditors.

Local Economy

The City of Atlanta maintains a stable economic base, primarily attributable to its diverse employment sectors and its strategic location within the southeast region. The City's diverse mix of industries is anchored by government, services, trade, education, finance, insurance and real estate, and manufacturing sectors. The City's population, according to the 2000 U.S. census, grew by 22,457 residents in the 1990's. The population gains have been accompanied by an income distribution shift to higher wages and salaries. Atlanta's economic base is further strengthened by a highly-integrated transportation network, consisting of three major interstate highways (20, 75 and 85), a beltway (interstate 285), expanded public transportation which includes MARTA, and current expansion of a fifth runway, international terminal, and expanded air cargo at Hartsfield-Jackson Atlanta International Airport estimated at \$5.4 billion. The airport, which is a regional economic engine, has consistently been ranked as the busiest passenger airport in the world. The City's designation as a Renewal Community Development of Housing and Urban Development will assist in promoting further economic development and affordable housing. The Atlantic Station mixed-use development and the Aquarium project are expected to further strengthen the City's core business districts.

The economic outlook is sound with moderate employment gains expected over the short term. The Atlanta economy is expected to continue to benefit from a diverse economic base and strategic location in the southeast region.

Profile of the Government

The City of Atlanta, incorporated in 1847, is located in the north-central part of the state, which is the top growth area in the state, and has been one of the highest growth areas of the country for

over three decades. The City of Atlanta currently occupies a land area of 131.4 square miles, with a population of 416,474 in the 2000 U.S. Census. The City of Atlanta is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City of Atlanta's policy-making and legislative authority are vested in a governing council consisting of the fifteen members and an elected City Council President who serves as presiding officer. The governing council is responsible, among other things, for passing ordinances, adopting the budget, and setting policy for the City. The government's mayor is responsible for carrying out the policies and ordinances of the City, for overseeing the day-to-day operations of the government, and for appointing and directing the heads of the various departments. The Council is elected on a non-partisan basis. Council members serve four-year terms, as does the mayor. The mayor is limited to two consecutive terms. There are no term limits on Council members or the Council President. Twelve of the Council members are elected by district. The mayor, the three remaining Council members and the Council President are elected at large.

The City of Atlanta provides a full range of municipal services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; recreational activities and cultural events; land use and building regulation; and solid waste collection and disposal. The City accounts for solid waste collection and disposal activities separately within the reporting entity and attempts to recover operating costs of the function through user charges. The City operates and maintains the world's busiest airport, financed exclusively with airport-generated income. The City also maintains and operates a water treatment and distribution system, and a wastewater collection and treatment system, together comprising the Water and Wastewater System. This system serves the City of Atlanta, as well as certain retail and wholesale customers in surrounding political jurisdictions. The City's governing body has oversight responsibility for the City's Pension Trust Funds and Group Insurance Fund. In addition, the City is financially accountable as of December 31, 2002 for the Atlanta-Fulton County Recreation Authority, the Urban Design Commission (UDC), the Solid Waste Management Authority (SWMA), the Atlanta Empowerment Zone Corporation (AEZC), and the Atlanta Development Authority (ADA), all of which were included as part of the City's year 2002 reporting entity. Certain organizations are not included within the scope of this report since they are established by the Constitution of the State of Georgia or state laws and are administered by separate boards that act independently of the City of Atlanta. These include the Atlanta Board of Education and the Atlanta Housing Authority. . Additional information on all three of these legally separate entities can be found in Note I.A in the notes to the financial statements.

Budget Process and Fiscal Policies. The City of Atlanta utilizes an executive budget process, in which all departments submit budget requests to the Mayor, who proposes a budget to the City Council. The Council Finance Committee holds at least one public hearing during the time it is deliberating the budget. Council then may modify that proposed budget, and formally adopts the budget by Ordinance. Under the City Charter, budget adoption must take place by the second Council meeting in the second month of the fiscal year (February). Beginning in December of 2002, the City has established a policy of adopting a tentative budget that is effective from January 1 until final budget adoption as provided by the City Charter.

Under the provisions of a budget law adopted in 1937, the Mayor and Council are restricted in budget making to utilize the estimates of revenue availability set by the Budget Commission of the City. The Budget Commission is made up of the Mayor, the Chairman of the Council Finance Committee, the Chief Financial Officer, and two Council members appointed by the Mayor. In the absence of any rate change, the Budget Commission is restricted to setting revenue estimates no higher than ninety-nine percent (99%) of the prior year's actual receipts in each

revenue category. Additionally, Budget Commission members are personally liable for any revenue shortfall.

The City is required to adopt a balanced budget each year and maintains budgetary controls to ensure compliance with legal provisions of the annual budget approved by the Mayor and City Council. A Budget Report and Capital Improvement Plan are published each year. Activities of the general fund, special revenue funds and the debt service fund are included in the annual budget. Project life financial plans are adopted for the capital project funds. The official level of the City budget control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is the department, function or activity, and major category or expenditure group within fund. Budgets for capital projects and grant projects are adopted at the project level within departments and fund, but budgets may be adopted for each category of expenditure within projects if necessary to meet grantor or other control requirements. Transfers of appropriations within the budget of a department in the operating, internal service, and grant funds of the City may be authorized by the approval of the affected department head, the Chief Financial Officer, the Chief Operating Officer, and the chairperson of the Council Finance Committee. Such transfers are filed with the City Council, but require no Council action. Transfers of appropriations from one department to another require an ordinance adopted by City Council and approved by the Mayor. The City's budget procedures, together with such procedures for included component units, are more fully explained in the accompanying "Notes to the General Purpose Financial Statements." The City maintains an encumbrance accounting system and an allotment system to accomplish budgetary control. Appropriations for encumbered amounts at year-end are usually carried forward to the ensuing year if they exceed a certain percentage of the ensuing year's budget, are contractually obligated or dedicated for approved projects or programs.

Long Term Capital Planning. The City's approach to long term capital planning is guided by the development of the Comprehensive Development Plan and the Capital Improvement Program. The Comprehensive Development Plan (CDP) captures the City's vision for the next 5, 10 and 15 years and identifies the City's needs and policies while recommending future projects for implementation. Citizen input is vital to the CDP and is obtained through Neighborhood Planning Units that serve as Citizen Advisory Councils, making recommendations to the Mayor and City Council on zoning, land-use and other planning issues.

The Comprehensive Improvement Program (CIP) covers a 10-year period and identifies the specific improvements to City infrastructure and facilities that are needed to support and implement the CDP. The CIP is intended to ensure that necessary projects will be undertaken according to an established set of priorities and that revenue will be available to finance such projects when they are needed. Both the CDP and CIP are updated annually.

City Infrastructure. In the early 1990s, the City of Atlanta embarked on an aggressive program to rehabilitate and improve infrastructure throughout the City. These wide-ranging construction and infrastructure improvements could not be funded through existing means because of the annual General Obligation (G.O.) debt limit of \$8 million imposed on municipalities by the Georgia constitution. As a result, a voter referendum was needed to approve bond funding for capital improvements throughout the City.

In 1994, a \$150 million G.O. bond referendum was approved for streets and bridges, traffic control, storm drainage, and flood and erosion control. This initial program was followed by another voter referendum in November 2000, approving additional capital projects to improve the quality of life for Atlanta citizens through infrastructure improvements. This second referendum

gave approval for another \$150 million in bond indebtedness for sidewalks, new streetscapes, public plazas and green spaces, traffic control devices, and additional street improvements.

To promote economic development in undeveloped or underdeveloped areas, the City issues limited obligation Tax Allocation District (TAD) bonds. TAD bonds are limited obligation of the City, not secured by the full faith and credit of the City, but rather secured solely by and payable from pledged revenues. The pledged revenues are the tax allocation increments, or the amount of property taxes generated within the TAD that exceed the amount collected from the same area prior to development. Tax allocation districts have proven to be an effective and useful economic development tool; two TADs were issued in 2001, none in 2002, and the City is planning a third TAD on the eastside of the City in 2004.

Municipal Facilities. In the development of the CIP, the City assesses its need for general government improvements and identifies appropriate fund sources and priorities for construction of and improvements to municipal facilities. To that end, the City continues to utilize an annual \$8 million G.O. debt issuance with the proceeds shared equally with the Atlanta Board of Education. City proceeds are used to construct or renovate municipal facilities such as police precincts, fire stations, maintenance facilities, general office buildings and recreation centers. The Atlanta Board of Education's proceeds are used by the Board for making capital improvements to the school system.

Hartsfield-Jackson Atlanta International Airport. Hartsfield-Jackson Atlanta International Airport is the principal air carrier airport in Georgia and the southeastern United States. It serves as a primary connecting or transfer point in the national air transportation system. In 2002, more than 76.9 million passengers were enplaned or deplaned at the Atlanta Airport, making it the busiest passenger airport in the world according to the Airport Council International. Atlanta's Airport is widely considered to be the economic engine of the southeastern United States. Recognizing the pivotal role played by the Airport, the City has adopted a capital improvement plan to increase airfield capacity and provide additional terminal facilities required to accommodate increased operations and passenger activity at the Airport based on a master plan developed by the Airport and entitled "Hartsfield 2000 and Beyond."

Initial construction of elements of the Airport's Capital Improvement Plan began in 1999 and is expected to be completed by 2010. The CIP includes, among other things, the construction of a 9,000 foot fifth parallel runway, a new South Terminal, a new International Terminal, a consolidated rental care facility, improvements to air cargo facilities, and renovations to the existing terminal complex. The cost of the Airport CIP is currently estimated at approximately \$6.8 billion. These costs also include required new security improvements as a result of the enactment of the Aviation and Transportation Security Act and the Homeland Security Act. The majority of the Airport CIP projects will be funded by revenue bond issues.

Water and Sewer Infrastructure. A major component of the City's long-term capital planning for Water and Wastewater has been driven by federal and state consent decrees and orders that require the correction of problems caused by the City's outdated combined sewer facilities and water treatment plants that provide drinking water. Upgrades and improvements are required to address wastewater treatment facilities, pretreatment requirements, and capacity issues of the sewerage collection and transmission system City-wide that has been neglected for decades. Improvements to the wastewater system must be completed by 2014, and together with improvements to the drinking water system, will cost approximately \$3.2 billion in capital improvements. The majority of the Water and Wastewater improvements will be funded by a

planned series of revenue bond issues over the next five years and rate increases for both retail and wholesale users of the City's water and wastewater system.

Cash Management Policies and Practices. With the exception of the pension of funds and certain long-term investment funds, the City's investments are placed primarily in moneymarket instruments. These instruments include: U.S. government obligations (Treasury securities, agency and instrumentality securities); depository instruments such as certificates of deposit with commercial banks; repurchase agreements (repos); and the State Treasurer's pooled investment vehicle, "Georgia Fund 1." The maturity periods for the investments range from overnight to five years. The average yield on investments was 3.4 percent for government and an average yield of 5.7 percent for the pension trust fund. The higher rate of return for the pension trust is attributable to the long-term character and market sector of most of its investment holdings. Investment income includes appreciation in the fair market value of investments. Increases in fair market value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such gains, especially in the case of temporary changes in the fair market value of investments held until maturity.

Risk Management. The City's Risk Management program is designed to protect the City's assets from loss and minimize the financial burden incurred by the City as a result of worker-related injuries, damage to City property, damages incurred by third parties when the City is held liable, and vendor performance deficiencies on City contracts. To address this mission, the Risk Management program identifies and evaluates exposure to loss, recommends changes in procedures to mitigate loss or exposure to loss, arranges for appropriate insurance for the transfer of risk, and approves all insurance purchases. In 2002, a comprehensive fixed asset valuation was completed that provided current property values to optimize insurance coverage.

The City maintains Airport Liability Insurance, Ambulance Liability for its airport transport units, Property Insurance for the Airport and all City owned facilities, and other coverage as needed. Risk Management administers an Owner Controlled Insurance Program (OCIP) at the Airport. This is a program where the City as a sponsor, purchases insurance on behalf of the participating contractors.

Risk Management continually makes an effort to identify and evaluate exposure to loss, recommend changes in procedures to mitigate loss, and arrange for appropriate insurance for the transfer of risk. It also proactively pursues implementation of safety and health related measures to reduce potential liability.

Pension and Other Post-Employment Benefits. The City of Atlanta sponsors four pensions for various employee groups. A one-agent multiple-employer Defined Benefit Plan covers general government employees and some employees of the Atlanta Board of Education, two single-employer Defined Benefit Plans exist, one to cover fire personnel and one to cover police personnel, and a Defined Contribution Plan for permanent employees. Defined Benefit Plans were established in 1927 by an Act of the State of Georgia Legislature and, until 1983, the Georgia Legislature established all requirements and policies of these Plans. In 1983, the control over the Plans was transferred to the City under the principle of Home Rule.

Each of the three Defined Benefit Plans is governed by its own Board of Trustees. Each year, independent actuary reports are prepared to determine if the assets and contributions are sufficient to provide the prescribed benefits of the respective plans. As a matter of policy, the City budgets each year to provide the annual required contribution to the pension plans as determined by the actuary.

The Defined Contribution Plan was legislatively adopted in July 2001 for all newly hired, non-sworn employees and for members of the General Employee Defined Benefit Plan who elect to transfer their contributions, as well as those of the City, to the Plan. Two hundred forty nine (249) members of the General Employee Defined Benefit Plan elected to participate in the Defined Contribution Plan. They were required to transfer the actuarially determined lump-sum present value of their accrued benefits to the Plan; this transfer from the General Pension Plan was operationally implemented in 2002.

Post-Retirement Benefits. For participants in the City of Atlanta's Defined Benefit Plans, the City of Atlanta also provides post-retirement healthcare, dental care, and life insurance benefits for retirees, beneficiaries, and their dependents. The benefits are financed on a pay-as-you-go basis. As of December 31, 2002, there were 3,894 retirees, beneficiaries, and dependents receiving these benefits. In 2002, the City contributed \$14,177,450 for retiree health and dental care premiums and \$930,891 for life insurance premiums; these contributions funded a portion of the \$23,632,749 total cost for retiree health and dental care and life insurance premiums.

Additional information on the City of Atlanta's pension arrangements and post-employment benefits can be found in Note N in the Notes to the financial statements.

City Internal Auditor and City Audit Committee. The City Charter (Article 2, Chapter 6) establishes the Office of City Internal Auditor and outlines its primary duties. The office conducts performance and financial audits of all departments, offices, boards, activities and agencies of the City. Audits may assess compliance with laws and regulations; efficiency, effectiveness, and results of programs; accuracy of financial reporting; and adequacy of management controls. Audits are selected primarily through development of an annual audit plan and conducted under government audit standards. Audit reports are distributed to the Mayor and City Council and are available to the public.

The City Internal Auditor is appointed by and accountable to the City of Atlanta Audit Committee, a five-member group including three City residents with expertise in auditing, the Mayor, and the City Council President. This structure assures the independence of the internal audit function. The Audit Committee and City Internal Auditor also provide oversight and coordination of the independent financial audit and other external audits, and report annually on the implementation of audit recommendations.

Awards and Acknowledgements

The Government Finance Officers association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Atlanta its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2001. This was the 17th consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its 2002 annual budget document. In order to qualify for the Distinguished Budget

Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Department of Finance and the other operating and support departments of the City. We would like to express our appreciation to all who assisted in and contributed to the preparation of this report. Credit also must be given to the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Atlanta's finances.

Respectfully submitted,



Shirley Franklin
Mayor

Respectfully submitted,



Richard J. Anderson
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Atlanta,
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



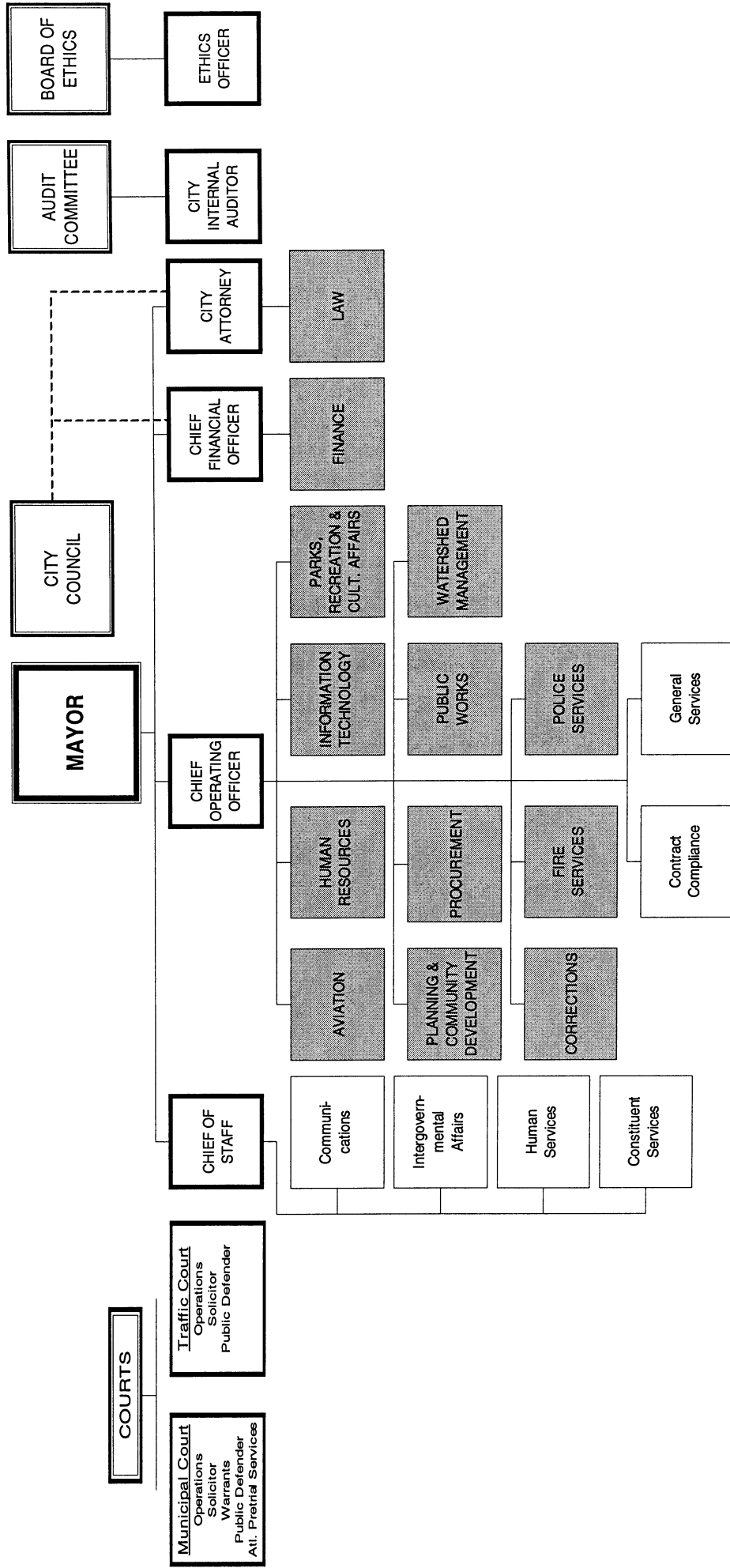
A handwritten signature in black ink, appearing to read "William Patrick Pate".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

City of Atlanta 2003 ORGANIZATION CHART



EXECUTIVE

Mayor.....Shirley Franklin

LEGISLATIVE

City Council (Elected)

President of CouncilCathy Woolard

Members of Council

- District 1 - Carla Smith
- District 2 - Debi Starnes
- District 3 - Ivory Lee Young, Jr.
- District 4 - Cleta Winslow
- District 5 - Natalyn Archibong
- District 6 - Anne Fauver
- District 7 - Howard Shook
- District 8 - Clair Muller
- District 9 - Felicia Moore
- District 10 - C.T. Martin
- District 11 - Jim Maddox
- District 12 - Derrick Boazman

Members of Council-At-Large

- City Council-At-Large - Post 1 - Caesar C. Mitchell
- City Council-At-Large - Post 2 - Mary Norwood
- City Council-At-Large - Post 3 - H. Lamar Willis

ADMINISTRATIVE

(Appointed)

Chief Operating Officer Lynnette Young	Chief of Staff Gregory Pridgeon	Chief Policy Officer Greg Giornelli	Chief Financial Officer Richard J. Anderson
--	---	---	---

- Director, City Council StaffRobert Barger
- Commissioner of Parks, Recreation & Cultural AffairsDiane Harnell Cohen
- Aviation General Manager Benjamin R. DeCosta
- City Attorney Linda DiSantis
- Ethics Officer (Interim) Bob Godfrey
- Chief Judge, Traffic Court.....Calvin S. Graves
- Commissioner of Planning & Community Development.....Charles Graves
- Acting Commissioner of Public Works..... John Griffin
- Chief Judge, Municipal Court.....Barbara Harris
- Municipal Clerk..... Rhonda D. Johnson
- Chief Information Officer Abe Kani
- Fire Chief Winston L. Minor
- Police Chief Richard Pennington
- Commissioner of Corrections Thomas J. Pocock
- Commissioner of Human Resources Benita C. Ransom
- Commissioner of Watershed Management Jack Ravan
- Chief Procurement Officer.....Adam Smith
- City Internal Auditor..... Leslie Ward



City of Atlanta, Georgia

2002 BUDGET

SHIRLEY FRANKLIN
Mayor

FINANCE/EXECUTIVE COMMITTEE
ATLANTA CITY COUNCIL

Felicia Moore -- **Chairperson**
Jim Maddox -- **V. Chairperson**
Anne Fauver
C.T. Martin
Clair Muller
Mary Norwood
Debi Starnes

BUDGET COMMISSION

Shirley Franklin, Mayor -- **Chairperson**
Felicia Moore, Councilmember --
Chairperson of Finance/Executive Committee
Debi Starnes, Councilmember
Richard J. Anderson, Chief Fin. Off. -- **Secretary**

FINANCIAL SECTION

Management's Discussion and Analysis

As management of the City of Atlanta, we offer readers of the City of Atlanta's financial statements this narrative overview and analysis of the financial activities of the City of Atlanta for the fiscal year ended December 31, 2002. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv-xi of this report.

Financial Highlights

- The assets of the City of Atlanta exceeded its liabilities at the close of 2002 by \$3.7 billion, that amount comprising the City's net assets. Of this amount, \$525 million in unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$286.4 million in 2002.
- At the close of 2002, the City of Atlanta's governmental funds reported combined ending fund balances of \$338.3 million, an increase of \$97.8 million in comparison with the prior year. An unreserved fund balance of \$50.4 million, 40 percent of the total increase, was available for spending at the government's discretion.
- At the end of 2002, the unreserved fund balance for the general fund was \$50.4 million, or 13.9 percent of total general fund expenditures.
- The City of Atlanta's total long-term debt increased by \$948.3 million (27.4%) during the current fiscal year, primarily from the issuance of debt for proprietary purposes.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Atlanta's basic financial statements. The City of Atlanta's basic financial statements are comprised of three components: 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 government-wide financial statements* are designed to provide readers with a broad overview of the City of Atlanta's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Atlanta'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 of Atlanta is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Atlanta that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from 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 of Atlanta include general government, public safety, highways and streets, economic development, and cultural and recreation. The business-type activities of the City of Atlanta include The Department of Aviation (Hartsfield-Jackson International Airport), Water and Wastewater Operations, Parks Facility Revenue Operations, Sanitary Services, and the Civic Center.

The government-wide financial statements include not only the City of Atlanta itself (known as the primary government), but also a legally separate Atlanta-Fulton County Recreation Authority, Atlanta Empowerment Zone Corporation, Atlanta Development Authority and Atlanta Clean City Commission for which the City of Atlanta is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. Certain organizations are not included within the scope of this report since they are established by the Constitution of the State of Georgia or state laws and are administered by separate boards that act independently of the City of Atlanta. Included in this category are the Atlanta Board of Education and the Atlanta Housing Authority.

The government-wide financial statements can be found following this section of the report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Atlanta, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Atlanta can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term flows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and *governmental activities*

The City of Atlanta maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Atlanta adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found elsewhere in this report.

Proprietary funds. The City of Atlanta maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Atlanta uses enterprise funds to account for its business-type activities of the Hartsfield-Jackson International Airport, Water and Wastewater Operations, Parks Facility Revenue Operations, Solid Waste Services, and the Civic Center. An *internal service fund* is an accounting device used to accumulate and allocate costs internally among the City of Atlanta's various functions. The City of Atlanta uses an internal service fund to account for the maintenance and operation of its fleet of vehicles and for its management information systems. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide separate information for the Department of Aviation (Hartsfield-Jackson International Airport), and the Water and Wastewater Operations, which are considered to be major funds of the City of Atlanta. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Atlanta's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found elsewhere in this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found following the financial statements in this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Atlanta's progress in funding its obligation to provide pension benefit to its employees. Required supplementary information can be found following the notes in this report.

The combining statements, referred to earlier in connection with non-major governmental funds and internal service funds, are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found at the end of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Atlanta, assets exceeded liabilities by \$3.7 billion at the close of the most recent fiscal year. Table 1 summarizes the major categories of assets, liabilities and net assets for governmental activities, business-type activities, and the government as a whole.

Table 1. City of Atlanta Net Assets, Fiscal Year 2002
(in thousands)

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 417,563	\$ 2,721,767	\$ 3,139,331
Net capital assets	<u>936,987</u>	<u>4,035,511</u>	<u>4,972,498</u>
 Total assets	 <u>1,354,550</u>	 <u>6,757,279</u>	 <u>8,111,829</u>
Long-term debt outstanding	582,474	3,234,792	3,817,266
Other liabilities	<u>85,423</u>	<u>462,906</u>	<u>548,329</u>
 Total liabilities	 <u>667,897</u>	 <u>3,697,698</u>	 <u>4,365,595</u>
Net assets			
Invested in capital assets, net of related debt	401,074	1,866,320	2,267,394
Restricted	249,153	704,703	953,856
Unrestricted	<u>36,427</u>	<u>488,558</u>	<u>524,984</u>
 Total net assets	 <u>\$ 686,653</u>	 <u>\$ 3,059,581</u>	 <u>\$ 3,746,234</u>

At the end of the 2002 fiscal year, the City of Atlanta is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

By far the largest portion of the City of Atlanta's net assets (60.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Atlanta uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City of Atlanta's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's net assets increased \$286.4 million during the current fiscal year. Table 2 shows revenues, expenses, and changes in net assets for governmental activities, business-type activities, and the government as a whole.

Table 2. City of Atlanta's Changes in Net Assets, Fiscal Year 2002

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues			
Charges for services	\$ 63,055	\$ 501,996	\$ 565,051
Operating grants and contributions	55,071	-	55,071
Capital grants and contributions	-	197,531	197,531
General revenues			
Property taxes	183,604	-	183,604
Other taxes	248,728	-	248,728
State formula aid	538	-	538
Investment Income	10,348	85,392	95,741
Other	14,106	-	14,106
Total revenues	<u>575,451</u>	<u>784,920</u>	<u>1,360,370</u>
Expenses:			
General government:	161,237	-	161,237
Police	140,204	-	140,204
Fire	65,275	-	65,275
Corrections	37,627	-	37,627
Public Works	65,136	-	65,136
Parks, Recreation and Cultural Affairs	31,527	-	31,527
Nondepartmental	28,149	-	28,149
Interest on long-term debt	25,602	-	25,602
Water and Wastewater System	-	233,704	233,704
Department of Aviation	-	233,459	233,459
Other	-	52,080	52,080
Total Expenses	<u>554,756</u>	<u>519,242</u>	<u>1,073,999</u>
Increase (decrease) in net assets before transfers	20,694	265,677	286,372
Transfers	<u>(6,682)</u>	<u>6,682</u>	<u>(0)</u>
Increases in net assets	14,012	272,359	286,372
Net Assets, Beginning of Year	<u>672,641</u>	<u>2,787,222</u>	<u>3,459,863</u>
Net Assets, End of Year	<u>\$ 686,653</u>	<u>\$ 3,059,581</u>	<u>\$ 3,746,235</u>

Governmental activities. Governmental activities increased the City of Atlanta’s net assets by \$14 million. Key elements of these changes are as follows:

- Revenues from property taxes increased by \$70.1 million (62.6%) during 2002. The increase reflects an increase in the general fund operations and maintenance millage rate from 6.19 mills to 9.02 mills to support the general fund budget. The sinking fund millage rate was also increased from .86 mills to 1.45 mills to support an increase in debt service requirements.
- Operating grants and contributions for governmental activities increased \$17.3 million (45.8%) during the year. The \$17.3 million increase in operating grants and contributions was due to: (1) the inclusion of 2002 revenues of approximately \$11.4 received under the U.S. Department of Labor’s Welfare to Work grant, reported in prior periods with fiduciary funds; (2) an increase of approximately \$2 million in U.S. Department of Housing and Urban Development HOME grant revenue; and (3) an increase of approximately \$3 million in the Department of Justice grant funding.
- General Government expenses decreased \$13.8 million (7.9%) during the year. Cost reductions enacted as part of the 2002 General Fund budget were the primary driver of the reduction.

Revenue from property taxes (32.5%) and other taxes (44.0%) provide over three-quarters of the funding for governmental activities. Service charges and grants contribute most of the other program revenue, nearly 21 percent, as shown in Figure 1.

Figure 1. Program Revenues for Governmental Activities, Fiscal Year 2002

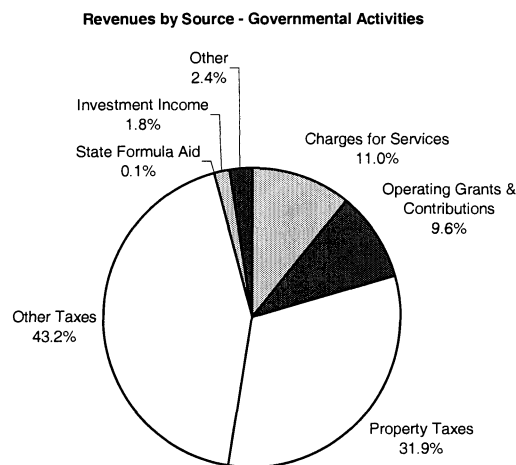
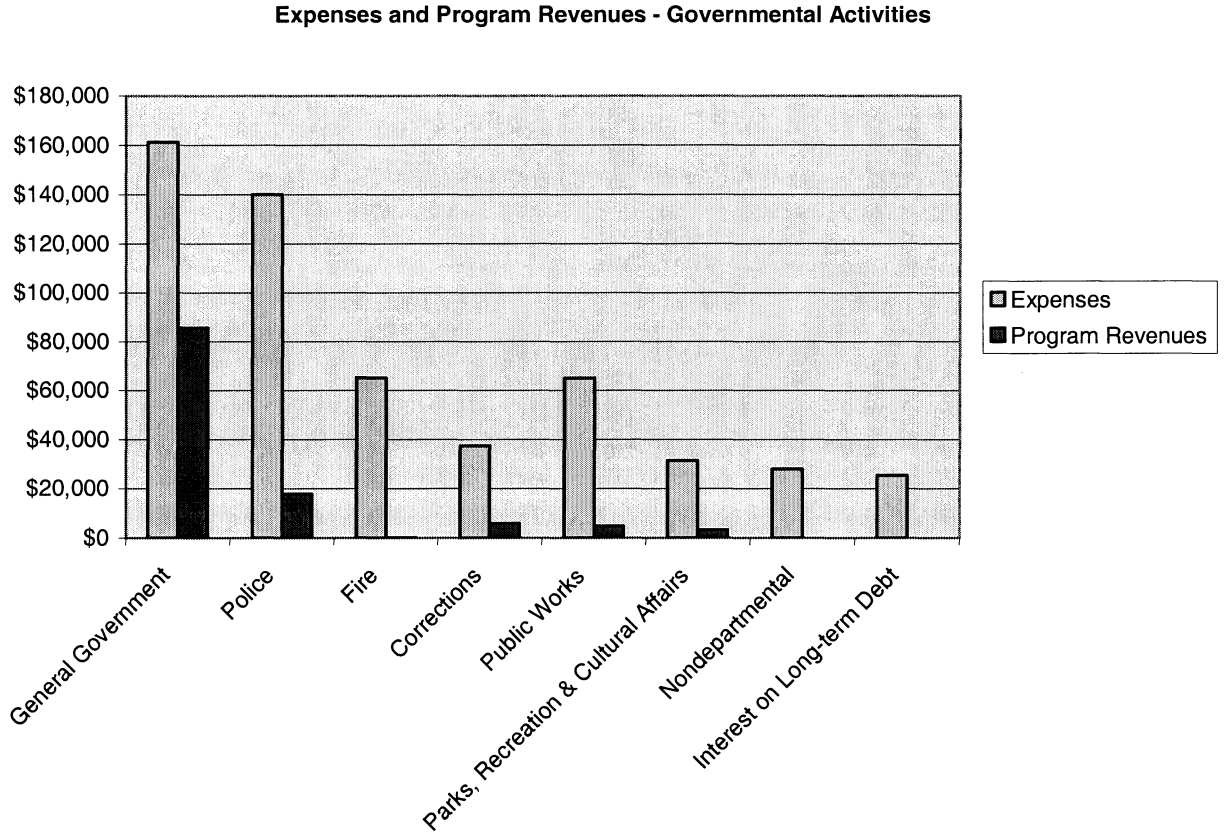


Figure 2 shows program revenues for major governmental activities compared to their expenses. Only the general government functions generate program revenue of more

than one-half the amount of expenses. The other governmental activities of the City are supported by tax and fee revenues which are not dedicated to a specific purpose.

Figure 2. Program Revenues Compared to Expenses, Fiscal Year 2002



Business-type activities. Business-type activities increased the City of Atlanta's net assets by \$272.4 million. Most of the increase, \$255.9 million, was from the Department of Aviation. The major business-type fund, Water & Wastewater, contributed \$9.1 million. The other non-major funds increased net assets by \$8.2 million.

Figure 3 shows that 73 percent of program revenue for business-type activities is derived from charges for services. The remaining program revenue comes from grants and contributions.

Figure 3. Program Revenues from Business-type Activities, Fiscal Year 2002

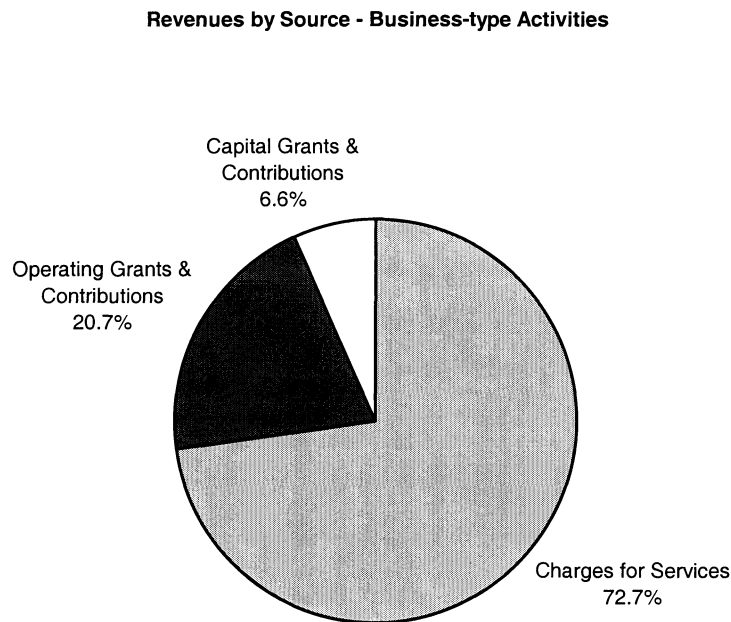
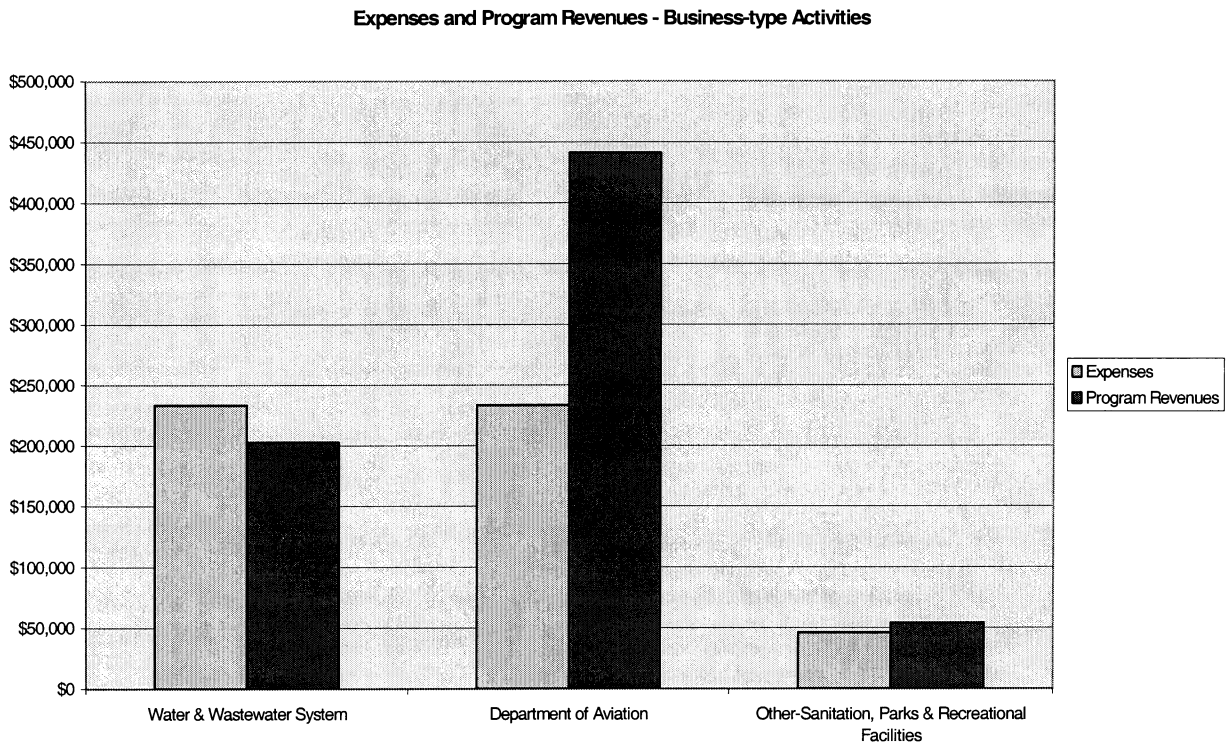


Figure 4 compares operating expenses to program revenues for business-type activities. For the Water and Wastewater System, operating expenses exceed program revenues. Program revenues do not include investment income of \$38.2 million. In the Department of Aviation, program revenues are nearly twice expenses due to the inclusion of certain grants and Passenger Facility Charges (PFCs) that do not have corresponding operating expense items.

For the remaining business-type activities, Solid Waste (Sanitation) and Parks and Recreational Facilities, program revenues exceed operating expenses.

Figure 4. Expenses for Business-type Activities, Fiscal Year 2002



Water & Wastewater System. For the Water & Wastewater Fund, the primary cause for the change in net assets is a correction of the prior period reporting error. System gross capital assets were undervalued \$359.5 million; accumulated depreciation was understated \$507.8 million; and the amount due from other governmental units was understated \$9.3 million, as of December 31, 2001. The net assets at the beginning of the year have been restated to properly record this correction, and the amount is reflected as a correction of prior period errors in the Statement of Revenue, Expense, and Changes in Net Assets.

Total revenues for the year ended December 31, 2002, increased 23 percent over 2001. This is a result of an increase of 15.6 percent in sewer rates, effective January 2002,

coupled with improved collection of receivables. For non-operating income, interest income increased as restricted investment balances increased with the sale of the Series 2001 water and wastewater revenue bonds.

Table 3. Water & Wastewater Revenues and Expenses
Fiscal years 2002 and 2001 (in thousands)

<u>REVENUES</u>	<u>2002</u>	<u>2001</u>	<u>% Change</u>
Net operating revenues	\$202,729	\$174,942	15.9%
Non-operating revenues	<u>38,225</u>	<u>21,015</u>	<u>81.9</u>
Total Revenues	\$240,954	\$195,957	23.0
 <u>EXPENSES</u>			
Operating expenses	\$131,708	\$130,902	0.6
Depreciation expense	52,539	32,637	66.5
Non-operating expenses	<u>49,241</u>	<u>36,883</u>	<u>28.6</u>
Total Expenses	\$233,488	\$200,422	16.5

Total expenses increased 16.5 percent over 2001. A major portion of this increase resulted from higher depreciation expense in 2002 caused by substantial fixed asset additions in 2001 and 2002. In addition, operating expenses increased due to intense efforts to comply with consent decree requirements, which led to additional personnel cost in the System, by both the Water and Sewer operations, as well as support departments of City government. Non-operating expense increased as a result of the additional debt service requirements incurred in 2002.

Department of Aviation. For the Department of Aviation, the increase over prior years' changes in net assets (13.6%) is primarily due to significant increases in investment in the Capital Improvement Program.

The Department of Aviation's restricted portion of the Airport's net assets represent bond reserve funds that are subject to external restrictions on how they can be used under bond ordinance, and Passenger Facilities Charges (PFC) that are restricted by Federal PFC regulations for the purposes authorized, together with the bond ordinance stating they will be used to pay future indebtedness. The 1.2% increase in restricted net assets in 2002 over 2001 is primarily due to issuance of \$300 million in Bond Anticipation Notes. These notes will be refinanced on a long-term basis in 2004.

The remaining \$421.2 million of the unrestricted net assets may be used to meet any of the Airport's ongoing capital and operating obligations. The \$86.7 million decrease in the unrestricted funds is primarily due to increased activity in the airport's Renewal & Extension Fund to finance CIP projects.

Table 4. Aviation Revenues and Expenses, Fiscal Years 2002 and 2001
(in thousands)

<u>REVENUES</u>	<u>2002</u>	<u>2001</u>	<u>% Change</u>
Operating revenues	\$244,997	\$248,466	(1.4)%
Interest Income	48,263	53,638	(10.0)
Other Income	<u>150,006</u>	<u>129,671</u>	<u>15.7</u>
Total Revenues	443,266	431,775	2.7
<u>EXPENSES</u>			
Operating expenses	95,714	91,955	4.1
Interest expense	77,258	58,488	32.1
Depreciation	<u>60,351</u>	<u>59,793</u>	<u>.9</u>
Total Expenses	\$233,323	\$210,236	11.0

Operating revenues in 2002 were \$245 million. This amount is 1.4% lower than the \$248.5 million generated in 2001. The decrease can be attributable to the loss of parking spaces as a result of heightened security regulations, a decline in car rental revenue due to economic trends, and an audit adjustment to record a bad debt allowance against concession revenue. These decreases were partially offset by a \$4 million, or 18 percent, increase in landing fees and increased cost recoveries.

Total revenues consist of operating revenue, investment income and other incomes that include Passenger Facility Charges (PFC) revenue. The total revenue in 2002 was \$443.3 million. This amount is 2.7 percent greater than the \$431.8 million generated in 2001.

Operating expenses were \$3.8 million, or 4.1 percent, higher than the prior year. This variance is primarily attributable to increases in insurance premiums and salaries associated with security personnel.

Total expenses in 2002 increased by \$23.1 million, or 11 percent, over 2001 expenses. This is due largely to an \$18.8 million increase in interest expense resulting from the restructuring of debt service.

Financial Analysis of the Government's Funds

As noted earlier, the City of Atlanta uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Atlanta's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Atlanta's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2002, the City of Atlanta's governmental funds reported combined ending fund balances of \$338.3 million, or an increase of \$97.8 million over 2001. (Note: Beginning Fund Balance was restated due to an error of \$14.5 million in comparison with the prior year.) Approximately \$50.4 million of total fund balance constitutes *unreserved fund balance*, which was available for spending at the government's discretion. The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed either to support special programs (\$123 million) or to pay for debt service, capital improvements, and encumbrances (\$164.9 million).

The general fund is the chief operating fund of the City of Atlanta. At the end of the current fiscal year, unreserved fund balance of the general fund was \$50.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund expenditures. Unreserved fund balance represents 13.9 percent of total general fund expenditures.

The fund balance of the City of Atlanta's general fund increased \$61.6 million during 2002, the result of increased revenues, primarily from the increase in property tax rates, and reduced expenditures.

The debt service fund has a total fund balance of \$21.9 million, all of which is reserved for the payment of debt service. The net increase in fund balance for the debt service fund was \$7.1 million.

General Fund Budgetary Highlights

Total 2002 general fund revenues on a non-GAAP budgetary basis were \$460.2 million, 6.2 percent greater than budgetary revenue anticipations. Some of the excess is due to a

conservative anticipation setting strategy in the budget process. Other differences were due to increased property tax collection rates and an increase in public utility franchise taxes due to application of a new rate structure. Indirect cost recoveries also increased due to increased levels of support of airport and water and wastewater construction projects by general government operations.

Expenses for 2002 were \$411.3 million. This represented an expenditure of 93.6 percent of budgeted appropriations. Expenses were less than budget due to cost containment efforts and the implementation of the Charter reserve requirement, which for 2002 set aside 3.3 percent of the General Fund budget in a restricted reserve.

The difference between the initial 2002 General Fund budget and the final 2002 General Fund budget is accounted for almost entirely by carry-forward appropriations from 2001, which are not included in the initial budget, but are in the final. Only two departments had significant variances from budget for 2002: the Department of Finance and the Department of Corrections. In each case, the variance was caused by personnel expense being budgeted in other funds, which did not have sufficient funds to cover the expenses, resulting in General Fund covering the overage.

Proprietary funds. The statements of City of Atlanta's proprietary funds provide the same type of information as in the government-wide financial statements, but in more detail. Unrestricted net assets of the Hartsfield-Jackson International Airport at the end of the year amounted to \$421.2 million, and those for Water and Wastewater Operations amounted to \$ 114.8 million.

Capital Asset and Debt Administration

Capital assets. The City of Atlanta’s investment in capital assets for its governmental and business type activities as of December 31, 2002, amounts to \$5 billion, net of accumulated depreciation. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. As shown in Table 5, buildings, improvements, and land account for the largest share of the value of these assets.

Table 5. City of Atlanta’s Capital Assets, Net of Depreciation
Fiscal year 2002 (in thousands)

	Governmental Activities	Business-type Activities	Total
Land	\$ 189,279	\$ 826,579	\$ 1,015,858
Construction in progress	46,929	463,448	510,377
Land improvements	11,538	413,214	424,752
Buildings and building improvements	79,535	2,225,372	2,304,907
Other property and equipment	38,575	106,898	145,473
Infrastructure	<u>571,131</u>	<u>-</u>	<u>571,131</u>
Total	<u>\$ 936,987</u>	<u>\$ 4,035,511</u>	<u>\$ 4,972,498</u>

Major capital asset events during the current fiscal year included the following:

- Physical inspection and inventory of capital assets of the City’s General Fund operations.
- Included in the audit statement, required changes in accounting principles and financial requirements of GASB 34, including depreciation of fixed assets and the accounting for infrastructure.

Additional information of the City’s capital assets can be found within the Notes to the Financial Statements.

The City's total long-term debt increased 27.4 percent during 2002. The primary causes were increases in outstanding revenue bonds issued for the City of Atlanta's Water & Wastewater System and for the Department of Aviation.

Table 6. City of Atlanta's Outstanding Long-Term Debt, Fiscal Year 2002 (in thousands)

	Total Outstanding Debt	
	Total	Percentage Change
General obligation and annual bonds	\$ 238,510	0.6%
SWMA revenue refunding bonds	25,710	-3.1%
Limited obligation bonds	91,500	0.0%
Section 108 loans	14,660	-10.3%
Certificates of participation	165,533	22.4%
Water and Wastewater Revenue Bonds	1,673,966	55.5%
Airport Facilities Revenue Bonds	1,682,273	14.8%
Underground Atlanta	71,625	-1.0%
Capital Leases:		
Water and Wastewater System	25,579	276.2%
Sanitation Fund	5,075	-14.0%
Total	\$ 3,994,431	27.4%

Additional information regarding the City's Long-term Obligations can be found in the Note L in the Notes to the Financial Statements.

The most recent General Obligation Bond rating by Moody's is Aaa. The rating outlook for the City's General Obligation Bonds has been revised from Negative to Stable by Standard and Poor's, based on improved financial operations.

As of the date of the issuance of this report, the City's Water & Wastewater Bonds have been rated Baa1 by Moody's, A- by Standard and Poors, and BBB+ by Fitch.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. The current debt limitation for the City of Atlanta is \$1.4 billion, which is significantly in excess of the City of Atlanta's outstanding general obligation debt. See the Computation of Legal Debt Margin elsewhere in this report.

Economic Factors and Next Year's Budgets and Rates

Despite the effects of a sluggish national economy, some local recessionary trends and an increase in the unemployment rate for the City of Atlanta, the City economy continues strong. Recent estimates by the Atlanta Regional Commission are that the City of Atlanta has added over 16,000 residents since the 2000 census, an increase of nearly 4% in just three years.

A record dollar volume for building permits issued was set in 2002, with several major construction projects underway. The City's own massive capital projects at Hartsfield-Jackson International Airport and associated with the Water and Wastewater Systems will also impact the local economy in terms of job creation and supply requirements.

The property tax increase that was adopted for the 2002 budget lessened the City's dependence on Sales Tax for general fund revenue support. Sales Tax revenues have been in decline for the past two years, and when combined with an adjustment in the distribution formula among cities within Fulton County, have reduced City Sales Tax revenues and the significance of the Sales Tax in the City's revenue picture. The decrease in Sales Tax revenues was factored into the City's 2003 budget and was accommodated without any additional property tax rate increases being required. In fact, the millage levy for general government purposes was "rolled back" (reduced) for the value of property value reassessments. This resulted in a 2003 levy of 8.71 mills, down from 9.02 in 2002.

Requests for Information

This financial report is designed to provide a general overview of the City of Atlanta's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Atlanta's Chief Financial Officer, 1100 City Hall Tower, 68 Mitchell St., SW., Atlanta, Georgia 30303.

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Independent Auditor's Report
Honorable Mayor and Members of the City Council
City of Atlanta, Georgia

We have audited the accompanying financial statements 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 Atlanta, Georgia (the City), as of and for the year ended December 31, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Atlanta and Fulton County Recreation Authority, The Atlanta Empowerment Zone, The Atlanta Development Authority, discretely presented component units, and the Pension Trust Funds, which collectively represent total assets of approximately \$2.061 billion as of December 31, 2002 and total revenues or additions of approximately \$31.7 million for the year then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, in so far as it relates to the amounts included for those entities and funds, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the basic 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 Atlanta, Georgia as of December 31, 2002, and the respective changes in financial position and cash flows, where appropriate, 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.

As discussed in Note A to the financial statements, effective January 1, 2002, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB No. 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2003 on our consideration of the City's internal control over financial reporting and on 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.

The managements discussion and analysis and schedule of funding progress on pages 1 through 17 and 85 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. 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’s basic financial statements. The combining and individual fund financial statements listed in the accompanying table of contents are presented for purposes for additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report 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.

December 11, 2003

BASIC FINANCIAL STATEMENTS

CITY OF ATLANTA, GEORGIA
Statement of Net Assets
December 31, 2002
(In Thousands)

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 20,652	\$ 6,178	\$ 26,830	\$ 7,797
Investments in pooled investment fund	73,688	486,914	560,602	
Investments	200,195	-	200,195	842
Receivables (net of allowances for uncollectibles):	93,882	56,009	149,890	19,453
Due from other governments	11,663	14,313	25,976	144
Due from primary government	-	-	-	1,176
Internal balances	9,655	(9,655)	-	-
Inventories	-	11,352	11,352	322
Prepaid expenses and other assets	2,625	1,923	4,548	499
Total current assets	412,359	567,033	979,393	30,231
Noncurrent assets:				
Restricted cash and cash equivalents	-	175,808	175,808	34,740
Restricted investments	1,294	1,900,982	1,902,276	16,691
Capital assets:				
Land and construction in progress	236,208	1,290,027	1,526,235	36,752
Other capital assets, net of depreciation	129,648	2,745,484	2,875,132	273,897
Infrastructure, net of depreciation	571,131	-	571,131	-
Investments in joint venture	-	48,645	48,645	-
Investments in escrow	3,911	-	3,911	-
Other assets	-	29,299	29,299	23,116
Long-term receivable	-	-	-	13,951
Total noncurrent assets	942,191	6,190,246	7,132,437	399,147
Total Assets	1,354,550	6,757,279	8,111,830	429,379
LIABILITIES				
Current liabilities				
Accounts payable	19,061	39,942	59,003	7,385
Accrued expenses, vacations, and compensatory pay	16,818	5,536	22,354	551
Claims payable	-	2,991	2,991	-
Contract retentions	1,583	-	1,583	-
Due to other governments	5,743	-	5,743	-
Due to component unit	1,176	-	1,176	-
Other liabilities	8,606	-	8,606	10,533
Deferred revenues	32,436	7,099	39,535	1,358
Liabilities payable from restricted assets	-	405,784	405,784	2,389
Current portion of long-term debt	24,982	57,160	82,142	6,018
Current portion of capital leases	-	1,554	1,554	-
Total current liabilities	110,405	520,066	630,471	28,232
Noncurrent liabilities				
Noncurrent portion of long-term debt	510,931	3,073,598	3,584,529	313,633
Noncurrent portion of capital leases	-	27,546	27,546	-
Other long-term liabilities	46,561	76,488	123,049	-
Total Liabilities	667,897	3,697,698	4,365,595	341,866
NET ASSETS				
Invested in capital assets, net of related debt	401,074	1,866,320	2,267,394	60,607
Restricted for:				
Debt service	21,863	4,549	26,412	-
Programs	122,999	-	122,999	12,644
Capital projects	104,291	700,154	804,445	-
Unrestricted	36,427	488,558	524,985	14,260
Total Net Assets	\$ 686,653	\$ 3,059,581	\$ 3,746,235	\$ 87,511

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
Statement of Activities
For the Year Ended December 31, 2002
(In Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities:				
General government:	\$ 161,237	\$ 36,528	\$ 49,155	\$ -
Police	140,204	14,920	3,105	-
Fire	65,275	43	120	-
Corrections	37,627	5,860	48	-
Public Works	65,136	4,203	687	-
Parks, Recreation and Cultural Affairs	31,527	1,500	1,899	-
Nondepartmental	28,149	-	56	-
Interest on long-term debt	25,602	-	-	-
Total Governmental activities	554,756	63,055	55,071	-
Business-type activities				
Water and Wastewater System	233,704	202,729	-	1,598
Department of Aviation	233,459	244,997	-	195,933
Other	52,080	54,270	-	-
Total Business-type activities	519,242	501,996	-	197,531
Total Primary Government	\$ 1,073,999	\$ 565,051	\$ 55,071	\$ 197,531
Component Units	\$ 75,634	\$ 39,459	\$ 4,743	\$ -

General revenues:

Taxes:

Property Taxes Levied for general purposes
Local Option Sales Tax
Public Utility Franchise Taxes
Business Taxes

Federal and State aid not restricted for specific purposes

Investment income

Other

Total General revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year, as restated

NET ASSETS - END OF YEAR

The accompanying notes are an integral part of the statements.

Net (Expenses) Revenues and
Changes in Net Assets

Governmental Activities	Business-type Activities	TOTALS	Component Units
\$ (75,553)		\$ (75,553)	
(122,179)		(122,179)	
(65,111)		(65,111)	
(31,719)		(31,719)	
(60,246)		(60,246)	
(28,128)		(28,128)	
(28,093)		(28,093)	
<u>(25,602)</u>		<u>(25,602)</u>	
<u>(436,630)</u>		<u>(436,630)</u>	
	\$ (29,377)	(29,377)	
	207,471	207,471	
	<u>2,191</u>	<u>2,191</u>	
	<u>180,285</u>	<u>180,285</u>	
<u>(436,630)</u>	<u>180,285</u>	<u>(256,346)</u>	
			\$ <u>(31,432)</u>
183,604	-	183,604	-
94,773	-	94,773	-
47,300	-	47,300	-
106,656	-	106,656	-
538	-	538	-
10,348	85,392	95,741	3,364
14,106	-	14,106	1,157
<u>457,325</u>	<u>85,392</u>	<u>542,717</u>	<u>4,520</u>
<u>(6,682)</u>	<u>6,682</u>	<u>-</u>	<u>-</u>
<u>450,643</u>	<u>92,075</u>	<u>542,717</u>	<u>4,520</u>
14,012	272,359	286,372	(26,911)
672,641	2,787,222	3,459,863	114,423
<u>\$ 686,653</u>	<u>\$ 3,059,581</u>	<u>\$ 3,746,235</u>	<u>\$ 87,511</u>

CITY OF ATLANTA, GEORGIA

Balance Sheet
 Governmental Funds
 December 31, 2002
 (In Thousands)

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 73	\$ 20,579	\$ 20,652
Investments in pooled investment fund	39,909	33,248	73,157
Investments	(20,446)	220,641	200,195
Receivables:			
Taxes	21,494	2,490	23,984
Accounts	46,665	1,819	48,484
Notes	-	-	-
Other	851	5,940	6,791
Less: Allowance for uncollectibles	(3,308)	(6,627)	(9,935)
Due from other governments	-	11,663	11,663
Due from other funds	33,035	8,668	41,703
Other assets	-	2,625	2,625
Investments in escrow	-	3,911	3,911
Restricted assets	<u>1,294</u>	<u>-</u>	<u>1,294</u>
TOTAL ASSETS	<u>\$ 119,566</u>	<u>\$ 304,957</u>	<u>\$ 424,523</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,676	\$ 9,551	\$ 13,227
Accrued expenses, vacations, and compensatory pay	8,151	611	8,762
Contract retentions	-	1,583	1,583
Due to other governments	5,362	381	5,743
Due to component units	-	1,176	1,176
Due to other funds	1,517	11,648	13,165
Deferred revenue	17,872	16,133	34,005
Other liabilities	<u>8,606</u>	<u>-</u>	<u>8,606</u>
Total Liabilities	<u>45,184</u>	<u>41,083</u>	<u>86,267</u>
Fund Balances:			
Reserved for:			
Encumbrances	24,002	14,721	38,723
Special programs	-	122,999	122,999
Capital improvements	-	104,291	104,291
Debt service	-	21,863	21,863
Unreserved:			
Undesignated, reported in:			
General fund	<u>50,380</u>	<u>-</u>	<u>50,380</u>
Total fund balances	<u>74,382</u>	<u>263,874</u>	<u>338,256</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 119,566</u>	<u>\$ 304,957</u>	<u>\$ 424,523</u>

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
 Reconciliation of Governmental Fund Balance Sheet
 To the Government-wide Statement of Net Assets
 December 31, 2002

Total fund balances \$ 338,256

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the above funds:

Land and construction in progress	236,208	
Cost of Capital Assets	2,044,633	
Less: Accumulated Depreciation	<u>(1,343,854)</u>	936,987

Other long-term assets are not available to pay for current-period expenditures and , therefore, are deferred in the above funds

Deferred revenue	1,569
------------------	-------

Internal service funds are used by management to charge the costs of automotive services and management information systems activities as well as transactions related to the provision of life, accident and medical insurance benefits through outside insurance companies for permanent employees and retirees. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

(1,584)

Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the above funds

General obligation and annual bonds	\$ (238,510)	
SWMA revenue refunding bonds	(25,710)	
Limited obligation bonds	(91,500)	
Section 108 loans	(14,660)	
Certificates of participation	(165,533)	
Vacation pay	(16,881)	
Compensatory pay	(2,441)	
Net pension obligation	(8,647)	
Arbitrage rebate	(75)	
Workers' compensation	<u>(24,617)</u>	<u>(588,574)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 686,653

CITY OF ATLANTA, GEORGIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2002
(In Thousands)

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 140,579	\$ 41,456	\$ 182,035
Local option sales taxes	94,773	-	94,773
Public utility, alcoholic beverage and other taxes	113,625	-	113,625
Licenses and permits	52,403	-	52,403
Charges for current services	7,480	16,580	24,060
Fines, forfeitures and penalties	1,185	19,205	20,390
Investment income	4,611	5,689	10,301
Intergovernmental revenues and contributions:			
Federal revenues	-	39,201	39,201
State revenues	538	15,870	16,408
Building rentals and concessions	8,552	-	8,552
Other	<u>222</u>	<u>13,884</u>	<u>14,106</u>
Total revenues	<u>423,969</u>	<u>151,885</u>	<u>575,854</u>
EXPENDITURES			
Current:			
General government:	65,315	82,062	147,377
Police	120,003	3,019	123,021
Fire	54,598	79	54,677
Corrections	31,483	3,109	34,591
Public Works	24,560	1,810	26,369
Parks, Recreation and Cultural Affairs	22,777	3,659	26,436
Nondepartmentals	23,747	3,986	27,733
Capital Outlays	-	56,335	56,335
Debt Service:			
Principal payments	16,163	10,509	26,672
Interest payments	2,983	22,619	25,602
Bond issuance costs	<u>-</u>	<u>(599)</u>	<u>(599)</u>
Total Expenditures	<u>361,628</u>	<u>186,586</u>	<u>548,214</u>
Excess (deficiency) of revenues over expenditures	<u>62,341</u>	<u>(34,702)</u>	<u>27,640</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from general long-term debt	-	76,840	76,840
Transfers in (out)	<u>(696)</u>	<u>(5,986)</u>	<u>(6,682)</u>
Net change in fund balances	61,645	36,152	97,798
Fund Balance:			
Beginning of the year, as previously reported	27,196	227,722	254,918
Correction of prior year error	<u>(14,459)</u>	<u>-</u>	<u>(14,459)</u>
Beginning of year, as restated	<u>12,737</u>	<u>227,722</u>	<u>240,459</u>
FUND BALANCE, END OF YEAR	<u>\$ 74,382</u>	<u>\$ 263,874</u>	<u>\$ 338,256</u>

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
To the Statement of Activities
For the Year Ended December 31, 2002

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balance - total governmental funds		\$ 97,798
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
	Capital Outlays	54,316
	Depreciation Expense	<u>(46,180)</u>
		8,136
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
	Deferred Revenue	1,569
<p>The issuance of long-term debt (capitalized leases) provides current financial resources to government funds. Repayment of debt (bonds, certificates of participation and capitalized leases) is an expenditure in the governmental funds but the repayments reduce long-term liabilities in the statement of net assets. This amount is the net effect of these differences in treatment of long-term debt.</p>		
	Proceeds from long-term debt	(76,840)
	Repayment of long-term debt	26,672
	Amortization of bond costs	<u>(599)</u>
		(50,767)
<p>Internal service funds are used by management to charge the costs of automotive services and management information systems activities as well as transactions related to the provision of life, accident and medical insurance benefits through outside insurance companies for permanent employees and retirees. The net revenue of these activities are reported as government funds for affected departments.</p>		
		(1,226)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and , therefore, are not reported as expenditures in governmental funds.</p>		
		<u>(41,498)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$ <u>14,012</u>

CITY OF ATLANTA, GEORGIA

General Fund

Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP - Budgetary Basis)
For the Year Ended December 31, 2002
(In Thousands)

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 132,973	\$ 132,973	\$ 139,766	\$ 6,794
Sales, public utility, alcoholic beverage, and other taxes	194,035	194,035	196,309	2,274
Licenses and permits	53,286	54,635	52,403	(2,232)
Charges for current services:				
Services to other governmental agencies	4,624	4,754	7,480	2,727
Recreation fees and other	135	110	-	(110)
Total charges for current services	4,760	4,863	7,480	2,617
Fines, forfeitures, and penalties	1,089	1,111	1,251	140
Revenues from use of money and property:				
Investment income	519	519	4,611	4,092
Building rentals and concessions	7,143	6,428	7,805	1,377
Total revenues from use of money and property	7,663	6,947	12,416	5,469
Intergovernmental revenues:				
State and local grants and contributions	538	538	538	-
Other	31,145	30,846	40,252	9,406
Total intergovernmental revenues	31,683	31,384	40,790	9,406
Total revenues	425,489	425,948	450,415	24,467

CITY OF ATLANTA, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP - Budgetary Basis)
For the Year Ended December 31, 2002
(In Thousands)

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General government:				
Executive offices	\$ 3,804	\$ 4,524	\$ 4,055	\$ 469
Personnel and human resources	3,903	4,214	3,797	417
City Council	4,655	4,904	4,088	815
Administrative services	8,845	9,047	8,892	155
Courts and judicial agencies	14,500	14,837	15,140	(303)
Finance	7,909	8,011	9,538	(1,526)
Housing, planning and development	11,354	11,638	11,516	122
Law	3,453	3,484	3,441	44
Police	118,839	121,645	119,700	1,945
Fire	53,899	55,708	54,902	806
Corrections	30,489	31,057	32,270	(1,213)
Public Works	25,995	28,259	25,528	2,731
Parks, Recreation, and Cultural Affairs	22,699	23,419	23,385	34
Nondepartmental expenditures	84,980	88,614	65,407	23,207
Debt service fund:				
Bond principal payments	21,588	20,920	16,163	4,757
Interest on bonds	1,647	1,647	2,983	(1,335)
Total expenditures	418,558	431,928	400,804	31,124
Excess (deficiency) of revenues over (under) expenditures	6,931	(5,979)	49,611	55,591
Other financing sources (uses):				
Transfers in	7,382	7,382	9,758	(2,376)
Transfers out	(7,127)	(7,803)	(10,454)	2,651
Excess (deficiency) of revenue and other sources over (under) expenditures and other uses	7,186	(6,400)	48,915	\$ 50,564
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	13,510	
To record effect of net change in unrecorded liabilities	-	-	(780)	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	7,186	(6,400)	61,645	
Fund balance, beginning of year				
Beginning of the year, as previously reported	52,675	52,675	27,196	
Correction of prior year error	-	-	(14,459)	
Beginning of year, as restated	52,675	52,675	12,737	
FUND BALANCE, END OF YEAR	\$ 59,861	\$ 46,275	\$ 74,382	

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
Statement of Net Assets
Proprietary Funds
December 31, 2002
(In Thousands)

	Business Activities - Enterprise Funds				Internal Service Fund
	Water and Wastewater System	Department of Aviation	Other Nonmajor Funds	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 261	\$ 5,914	\$ 3	\$ 6,178	\$ -
Investments in pooled investment fund	31,816	454,085	1,013	486,914	530
Receivables:					
Accounts	75,498	9,991	81,447	166,936	-
Less allowance for doubtful accounts	(45,430)	(8,682)	(59,339)	(113,451)	-
Interest	2,165	-	-	2,165	-
Total receivables	<u>32,233</u>	<u>1,309</u>	<u>22,107</u>	<u>55,650</u>	<u>-</u>
Due from other governments	14,313	-	-	14,313	-
Due from other funds	46,630	5,181	203	52,014	151
Inventories	10,292	1,060	-	11,352	-
Prepaid expenses	-	1,923	-	1,923	-
Total current assets	<u>135,545</u>	<u>469,472</u>	<u>23,326</u>	<u>628,343</u>	<u>682</u>
Noncurrent assets:					
Cash and cash equivalents	44,003	131,805	-	175,808	-
Investments	856,576	1,044,406	-	1,900,982	-
Due from other governments	-	1,150	-	1,150	-
Capital assets:					
Land	40,137	439,001	23,023	502,161	136
Land purchased for noise abatement	-	324,418	-	324,418	-
Construction in progress	54,276	409,172	-	463,448	-
Land improvements	-	789,178	-	789,178	-
Buildings and other structures	2,450,103	1,180,613	75,429	3,706,145	5,481
Other property and equipment	72,734	67,433	40,589	180,757	19,997
Less accumulated depreciation	<u>(927,527)</u>	<u>(940,208)</u>	<u>(62,863)</u>	<u>(1,930,598)</u>	<u>(22,721)</u>
Capital assets, net	<u>1,689,723</u>	<u>2,269,609</u>	<u>76,178</u>	<u>4,035,510</u>	<u>2,893</u>
Investment in joint venture	48,645	-	-	48,645	-
Other assets	<u>12,988</u>	<u>6,440</u>	<u>8,721</u>	<u>28,149</u>	<u>-</u>
Total noncurrent assets	<u>2,651,935</u>	<u>3,453,410</u>	<u>84,899</u>	<u>6,190,244</u>	<u>2,893</u>
Total Assets	<u>\$ 2,787,480</u>	<u>\$ 3,922,882</u>	<u>\$ 108,225</u>	<u>\$ 6,818,587</u>	<u>\$ 3,574</u>

	Business Activities - Enterprise Funds				Internal Service Fund
	Water and Wastewater System	Department of Aviation	Other Nonmajor Funds	Total	
LIABILITIES					
Liabilities:					
Current liabilities					
Accounts payable	\$ 8,224	\$ 30,492	\$ 1,226	\$ 39,942	\$ 310
Accrued expenses, vacations, and compensatory pay	4,272	-	1,264	5,536	1,260
Claims payable	2,790	201	-	2,991	-
Due to other funds	39,422	5,475	15,586	60,484	-
Current maturities of capital leases	1,554	-	-	1,554	-
Total current liabilities	<u>56,262</u>	<u>36,168</u>	<u>18,076</u>	<u>110,507</u>	<u>1,570</u>
Current liabilities payable from restricted assets:					
Accounts payable	26,400	4,921	-	31,321	-
Accrued interest payable	11,547	39,754	1,121	52,422	-
Contract retention	5,603	12,288	-	17,891	-
Due to other governments	467	-	-	467	-
Current maturities of long-term debt	3,260	50,775	3,125	57,160	-
Bond anticipation notes	-	299,350	-	299,350	-
Deposits and advance	2,549	1,784	-	4,333	-
Total current liabilities payable from restricted assets	<u>49,826</u>	<u>408,872</u>	<u>4,246</u>	<u>462,944</u>	<u>-</u>
Noncurrent liabilities					
Long-term debt, excluding current maturities	1,670,706	1,332,148	69,234	3,072,088	-
Capital lease obligations, excluding current maturities	24,025	-	5,075	29,100	-
Deferred revenue	7,099	-	-	7,099	-
Arbitrage rebate liability	3,273	10,200	-	13,473	-
Accrued workers' compensation	4,700	1,873	4,290	10,863	696
Landfill postclosure costs	-	-	52,152	52,152	-
Total noncurrent liabilities	<u>1,709,803</u>	<u>1,344,221</u>	<u>130,751</u>	<u>3,184,775</u>	<u>696</u>
Total Liabilities	<u>1,815,891</u>	<u>1,789,261</u>	<u>153,073</u>	<u>3,758,226</u>	<u>2,266</u>
NET ASSETS					
Invested in capital assets, net of related debt	855,341	1,012,236	(1,257)	1,866,320	2,893
Restricted for:					
Debt service	1,423	-	3,126	4,549	-
Capital projects	-	700,154	-	700,154	-
Unrestricted	<u>114,824</u>	<u>421,231</u>	<u>(46,717)</u>	<u>489,338</u>	<u>(1,584)</u>
Total net assets	<u>\$ 971,588</u>	<u>\$ 2,133,621</u>	<u>\$ (44,848)</u>	<u>\$ 3,060,361</u>	<u>\$ 1,308</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(780)	
Net assets of business-type activities				<u>\$ 3,059,581</u>	

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2002
(In Thousands)

	Business Activities - Enterprise Funds				Internal Service Fund
	Water and Wastewater System	Department of Aviation	Other Nonmajor Funds	Total	
Operating revenues:					
Charges for services	\$ 196,511	\$ 27,025	\$ 50,916	\$ 274,452	\$ 82,255
Rentals, admissions and concessions	-	198,895	3,199	202,094	-
Other	6,218	19,077	154	25,449	7,451
Total operating revenues	<u>202,729</u>	<u>244,997</u>	<u>54,270</u>	<u>501,996</u>	<u>89,705</u>
Operating expenses:					
Salaries	43,044	43,558	17,945	104,547	14,627
Utilities	17,530	3,540	597	21,667	642
Supplies and materials	7,696	2,084	365	10,145	6,929
Repairs, maintenance and other contractual services	5,849	24,913	1,696	32,458	1,805
Motor equipment services	4,248	-	5,471	9,718	-
Engineering and consultant fees	24,064	-	7,268	31,332	1,050
General services	15,824	13,417	12,784	42,025	65,619
Payment in lieu of taxes and franchise fees	9,976	-	-	9,976	-
Programs services and other costs	3,477	8,203	-	11,680	349
Total operating expenses	<u>131,708</u>	<u>95,715</u>	<u>46,125</u>	<u>273,548</u>	<u>91,022</u>
Operating income (loss) before depreciation	71,021	149,282	8,145	228,448	(1,316)
Depreciation and amortization	<u>52,539</u>	<u>60,351</u>	<u>5,530</u>	<u>118,420</u>	<u>726</u>
Operating income	<u>18,482</u>	<u>88,932</u>	<u>2,615</u>	<u>110,029</u>	<u>(2,042)</u>
Nonoperating revenues (expenses):					
Investment income	38,225	48,263	(1,096)	85,392	48
Interest expense	(49,241)	(77,258)	4	(126,495)	-
Passenger facility charges	-	150,006	-	150,006	-
Total nonoperating revenues (expenses)	<u>(11,016)</u>	<u>121,011</u>	<u>(1,092)</u>	<u>108,903</u>	<u>48</u>
Income (loss) before capital contributions	7,466	209,943	1,523	218,932	(1,995)
Capital contributions	<u>1,598</u>	<u>45,927</u>	<u>-</u>	<u>47,525</u>	<u>-</u>
Transfers in	-	-	9,702	9,702	-
Transfers out	-	-	(3,020)	(3,020)	(10)
Changes in net assets	9,064	255,870	8,205	273,139	(2,005)
Net Assets					
Beginning of the year, as previously reported	1,101,585	1,877,751	(39,876)	2,939,460	3,313
Correction of prior year error	<u>(139,061)</u>	<u>-</u>	<u>(13,177)</u>	<u>(152,238)</u>	<u>-</u>
Beginning of year, as restated	<u>962,524</u>	<u>1,877,751</u>	<u>(53,053)</u>	<u>2,787,222</u>	<u>3,313</u>
NET ASSETS, END OF YEAR	<u>\$ 971,588</u>	<u>\$ 2,133,621</u>	<u>\$ (44,848)</u>	<u>\$ 3,060,361</u>	<u>\$ 1,308</u>
			Changes in net assets	\$ 273,139	
			Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(780)</u>	
			Change in net assets of business-type activities	<u>\$ 272,359</u>	

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2002
(In Thousands)

	Business Activities - Enterprise Funds				Internal Service Fund
	Water and Wastewater System	Department of Aviation	Other Nonmajor Funds	Total	
Cash flow from operating activities					
Cash received from user charges	\$ 198,200	\$ 246,107	\$ 41,709	\$ 486,016	\$ 89,705
Cash payments to employees for services	(57,467)	(47,400)	(24,592)	(129,459)	(76,321)
Cash payments to suppliers for goods and services	(44,225)	(36,098)	(17,918)	(98,241)	(15,196)
Net cash provided for (used in) operating activities	96,508	162,609	(800)	258,317	(1,812)
Cash flows from noncapital financing activities					
Operating transfers in (out)	-	-	4,856	4,856	(10)
	-	-	4,856	4,856	(10)
Cash flows from capital and related financing activities					
Capital contributions	1,598	45,927	-	47,525	-
Principal repayments of long-term debts	(322,930)	(48,110)	(2,363)	(373,403)	-
Acquisition, construction and improvements of capital assets	(257,646)	(412,232)	(563)	(670,441)	(129)
Passenger facility charges	-	150,006	-	150,006	-
Accounts payable from restricted assets	9,080	-	-	9,080	-
Contract retainage withheld, net	5,132	10,680	-	15,812	-
Proceeds from bond issuance	962,255	300,000	-	1,262,255	-
Interest paid on revenue bonds	(74,863)	(77,258)	(1,275)	(153,396)	-
Net cash from (used in) capital and related financing activities	322,626	(30,987)	(4,201)	287,438	(129)
Cash flows from investing activities					
Interest on investments	38,903	58,463	175	97,541	42
Purchases and sales of nonpooled investments, net	(418,635)	(217,829)	-	(636,464)	-
Net change in investment in pooled funds	6,100	65,498	(27)	71,571	1,909
Increase in arbitrage rebate liability	(1,863)	-	-	(1,863)	-
Decrease in investment in joint venture	625	-	-	625	-
Net cash from (used in) investing activities	(374,870)	(93,868)	148	(468,590)	1,951
Net increase in cash and cash equivalents	44,264	37,754	3	82,021	-
Cash and cash equivalents, beginning of year	-	99,965	-	99,965	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 44,264	\$ 137,719	\$ 3	\$ 181,986	\$ -
Supplemental schedule of noncash financing activities					
Appreciation of capital appreciation bonds	\$ 14,787	\$ 5,159	\$ -	\$ -	\$ -

CITY OF ATLANTA, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2002
(In Thousands)

	Business Activities - Enterprise Funds			Total	Internal Service Fund
	Water and Wastewater System	Department of Aviation	Other Nonmajor Funds		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	18,482	88,932	2,615	110,029	(2,042)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	52,539	60,351	5,530	118,420	726
Changes in assets and liabilities					
Receivables - net of allowance	4,827	1,111	(12,961)	(7,023)	-
Inventory	(57)	(70)	-	(127)	671
Due from other funds	37,250	(5,141)	(89)	32,020	-
Prepaid expenses and other assets	-	(1,208)	(430)	(1,639)	-
Due from other governmental units	(14,313)	-	-	(14,313)	-
Accounts payable and accrued expenses	(4,010)	11,584	(814)	6,760	(533)
Accrued interest payable	-	(208)	-	(208)	(569)
Claims payable	1,790	-	-	1,790	-
Deposits and advances	-	1,784	-	1,784	-
Due to other funds	-	5,475	5,348	10,823	-
Net cash provided by (used in) operating activities	<u>\$ 96,508</u>	<u>\$ 162,609</u>	<u>\$ (800)</u>	<u>\$ 258,317</u>	<u>\$ (1,747)</u>

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2002

(In Thousands)

ASSETS

	Pension Trust Funds	Agency Fund	Totals
Assets:			
Cash and cash equivalents	\$ 60,868	\$ 203	\$ 61,071
Investments in pooled investment fund	325,092	7,108	332,200
Investments	1,229,537	25	1,229,562
Other receivables	7,680	-	7,680
Due from other funds	<u>8,480</u>	<u>-</u>	<u>8,480</u>
Total Assets	<u>\$ 1,631,657</u>	<u>\$ 7,335</u>	<u>\$ 1,638,992</u>

LIABILITIES AND NET ASSETS

Liabilities:			
Accounts payable	\$ 302	\$ 7,331	\$ 7,633
Accrued salaries, vacation, and compensatory pay	-	4	4
Other liabilities	10,713	-	10,713
Due to other funds	28,700	-	28,700
Liability for securities lending agreement	<u>325,092</u>	<u>-</u>	<u>325,092</u>
Total Liabilities	364,807	7,335	372,142
Net Assets			
Restricted for employee benefits	<u>1,266,850</u>	<u>-</u>	<u>1,266,850</u>
Total Net Assets	<u>\$ 1,266,850</u>	<u>\$ -</u>	<u>\$ 1,266,850</u>

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2002
(In Thousands)

	Pension Trust Funds
Additions	
Employer contributions	\$ 56,252
Employee contributions	20,423
Refunds and other	360
Investment income:	
Net depreciation in fair value of investments	(136,365)
Investment income	55,798
Securities lending income	624
Less: Investment expenses	(13,953)
Securities lending expenses	(147)
Net investment loss	(94,043)
Total Additions	(17,008)
Deductions	
Employee benefits	91,528
Refunds	622
Other expenses	3,281
Total Deductions	95,431
Change in Net Assets	(112,439)
Net Assets Held in Trust for Pension Benefits:	
Beginning of Year	1,379,289
END OF YEAR	\$ 1,266,850

The accompanying notes are an integral part of the statements.

Component Units

City of Atlanta and Fulton County Recreation Authority - Established to account for the acquisition, construction, maintenance, and operation of an athletic stadium, an athletic coliseum, and the Atlanta Zoo.

Atlanta Empowerment Zone Corporation - Established to account for the revenue and expenditures attendant to funding provided under Title XX Empowerment Zone of the Empowerment Zone Social Security Act as amended by part VI of the Omnibus Budget Reconciliation Act of 1993. Title XX Empowerment Zone provides for the fulfillment of a strategic plan to create economic opportunities, create sustainable community development, build broad participation among community-based partners, develop a strategic vision for change in the community and improve the quality of life for residents of the designated area.

Atlanta Development Authority - Established to promote the revitalization and growth of the City of Atlanta through a comprehensive and centralized program focusing on community development and redevelopment.

Atlanta Clean City Commission Fund - Established to account for the revenues and expenditures associated with the operation and management of the Atlanta Clean City Commission (“ACC”) which promotes and organizes efforts to keep the City of Atlanta clean.

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CITY OF ATLANTA, GEORGIA

Component Units

Statement of Net Assets

December 31, 2002

(In Thousands)

	City of Atlanta and Fulton County Recreation Authority	Atlanta Empowerment Zone Corporation	Atlanta Development Authority	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,286	\$ -	\$ 6,510	\$ 7,797
Short-term investments	-	-	842	842
Receivables:				
Accounts	456	-	-	456
Pledges	3,996	-	-	3,996
Notes receivable	-	13,854	-	13,854
Other receivable	122	67	958	1,147
	4,574	13,920	958	19,453
Total receivables				
Due from other governmental units and agencies	-	144	-	144
Due from primary government	-	1,176	-	1,176
Inventories	322	-	-	322
Prepaid expenses and other assets	360	-	139	499
	6,543	15,239	8,450	30,231
Total current assets				
Restricted assets:				
Cash and cash equivalents	20,313	-	14,427	34,740
Investments	16,691	-	-	16,691
Project assets	-	-	11,408	11,408
Mortgage loans receivable	-	-	13,951	13,951
Bond issues costs and discounts	3,678	-	1,405	5,083
Other restricted assets	-	-	3,829	3,829
	40,682	-	45,020	85,702
Total restricted assets				
Property and equipment - at cost:				
Land	25,323	-	9,774	35,097
Construction-in-progress	1,655	-	-	1,655
Land improvements	927	-	2,720	3,647
Buildings and improvements	267,829	-	37,130	304,959
Other property and equipment	23,528	185	559	24,272
	319,262	185	50,182	369,631
Less accumulated depreciation	(56,352)	(148)	(2,481)	(58,981)
	262,910	37	47,701	310,648
Property and equipment, net				
Other assets	9	-	2,787	2,796
	9	-	2,787	2,796
Total assets and other debits	\$ 310,144	\$ 15,276	\$ 103,958	\$ 429,378

	City of Atlanta and Fulton County Recreation Authority	Atlanta Empowerment Zone Corporation	Atlanta Development Authority	Totals
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 5,249	\$ 232	\$ 1,904	\$ 7,385
Accrued interest payable	122	-	429	551
Notes and loans payable	1,243	-	1,388	2,631
Other liabilities	<u>7,201</u>	<u>-</u>	<u>700</u>	<u>7,901</u>
Total current liabilities	<u>13,815</u>	<u>232</u>	<u>4,422</u>	<u>18,469</u>
Liabilities Payable from Restricted Assets:				
Current maturities of long-term debt	4,882	-	1,136	6,018
Accrued interest payable	-	-	1,491	1,491
Other liabilities	379	-	517	896
Deferred revenues	<u>1,116</u>	<u>-</u>	<u>242</u>	<u>1,358</u>
Total liabilities payable from restricted assets	<u>6,378</u>	<u>-</u>	<u>3,387</u>	<u>9,765</u>
Long-Term Liabilities:				
Long-term debt, excluding current maturities	<u>236,267</u>	<u>-</u>	<u>77,366</u>	<u>313,633</u>
Total liabilities	<u>256,460</u>	<u>232</u>	<u>85,175</u>	<u>341,867</u>
NET ASSETS				
Investment in capital assets, net of related debt	58,086	37	2,484	60,607
Restricted for grant programs	-	-	12,644	12,644
Unrestricted	<u>(4,402)</u>	<u>15,007</u>	<u>3,655</u>	<u>14,260</u>
Total net assets	<u>\$ 53,684</u>	<u>\$ 15,044</u>	<u>\$ 18,783</u>	<u>\$ 87,511</u>

CITY OF ATLANTA, GEORGIA

Component Units

Statement of Activities

For the Year Ended December 31, 2002

(In Thousands)

Functions/Programs Component Units	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	TOTALS
Governmental activities: Atlanta Empowerment Zone: General government Depreciation - unallocated	4,811 36	- -	4,740 -	- -	(71) (36)		(71) (36)
Total Governmental activities	<u>4,847</u>	<u>-</u>	<u>4,740</u>	<u>-</u>	<u>(107)</u>		<u>(107)</u>
Business-type activities City of Atlanta Fulton County Recreation Authority Atlanta Empowerment Zone Atlanta Development Authority	50,217 27 20,543	27,192 - 12,267	- 3 -	- - -		(23,024) (24) (8,277)	(23,024) (24) (8,277)
Total Business-type activities	<u>70,787</u>	<u>39,459</u>	<u>3</u>	<u>-</u>		<u>(31,325)</u>	<u>(31,325)</u>
Total Component Units	<u>\$ 75,634</u>	<u>\$ 39,459</u>	<u>\$ 4,743</u>	<u>\$ -</u>	<u>(107)</u>	<u>(31,325)</u>	<u>(31,432)</u>
General revenues:							
Investment income					-	3,364	3,364
Other					468	688	1,157
Total General revenues					468	4,051	4,520
Change in net assets					362	(27,274)	(26,911)
Net assets - beginning of year					12,533	101,890	114,423
NET ASSETS - END OF YEAR					<u>\$ 12,895</u>	<u>\$ 74,616</u>	<u>\$ 87,511</u>

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA

Notes to Financial Statements
Year ended December 31, 2002

A. Summary of Significant Accounting Policies

The accounting principles of the City of Atlanta, Georgia (the "City") conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental entities. The Governmental Accounting Standards Board ("GASB") is the standards-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

The Financial Reporting Entity

The City of Atlanta is a municipal corporation governed by the Mayor and the City Council. In evaluating how to define the City, for financial reporting purposes, the management of the City has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The concept underlying the definition of the reporting entity is that elected officials are accountable. The component units discussed below are included because of the significance of their operational or financial relationships with the City. All blended and discretely presented component units, except as noted below, have a December 31 year end.

Blended Component Units

The Urban Design Commission ("UDC") and the Solid Waste Management Authority ("SWMA") are governed by boards appointed by the Mayor and/or the City Council who have the ability to impose their will on UDC and SWMA. Although they are legally separate from the City, UDC and SWMA are reported as if they are part of the primary government because their primary purpose is to provide services to the City. The general funds of each of these entities are reported as special revenue funds of the City. SWMA's capital projects fund is reported as a capital projects fund of the City.

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the City of Atlanta and Fulton County Recreation Authority ("Recreation Authority"), the Atlanta Empowerment Zone Corporation ("AEZC") and the Atlanta Development Authority ("ADA"), and Atlanta Clean City Commission ("ACCC"). They are reported in a separate column to emphasize that they are legally separate from the City. The Recreation Authority and ADA are accounted for as proprietary fund types and AEZC and ACCC are accounted for as governmental fund types in the fund-level financial statements.

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

Recreation Authority - Created in 1961, the principal activities of the Recreation Authority include the maintenance and oversight of an athletic stadium (the "Stadium"), an athletic coliseum (the "Arena"), and the Atlanta Zoo ("Zoo"), in which the Recreation Authority acts as lessee under a leasehold interest granted by the City. The Mayor appoints the majority of the governing body of the Recreation Authority. The City has a two-thirds interest in the Recreation Authority. Fulton County's one-third interest is reported as minority interest in the accompanying financial statements. The separate financial statements which comprise the Recreation Authority may be obtained from the City of Atlanta Department of Finance, 68 Mitchell Street, Suite 11100, Atlanta, Georgia 30335.

The City and Fulton County (the "County") have contracted with the Recreation Authority to fund any deficiencies in principal and interest payments on the applicable revenue bonds issued for construction of the Arena and the Zoo. When these revenue bonds have been fully paid, the Recreation Authority will convey fee simple title of the Arena to the City and the County based on their proportionate shares noted above.

The financial statements of the Recreation Authority consolidate the operations of the Zoo, which has an August 31 year end, and the operations of the Stadium and Arena, which have a December 31 year end.

AEZC - The AEZC was established and incorporated in 1995 to oversee, implement, administer, and monitor the strategic plan for the Empowerment Zone program. The Empowerment Zone program was established with a federal grant in the amount of \$100,000,000 under Title XX of the Social Security Act as amended by Part VI of the Omnibus Budget Recreation Act of 1993, in accordance with the strategic plan set forth in the City's grant application. The Empowerment Zone program grant has an initial ten-year term that expires July 16, 2005. The Empowerment Zone is a contiguous 9.3 square mile area in the City comprising approximately 50,000 residents wherein nearly 55% of this population's income is at or below poverty level. The benchmark projects established in the strategic plan are to satisfy the Empowerment Zone program's four key principles: (1) creating economic opportunity; (2) creating sustainable community development, (3) building broad participation among community-based partners, and (4) describing a strategic vision for change in the community. The AEZC is managed by an Executive Board of 17 which is chaired by the Mayor. The Mayor is responsible for appointing the members of the Executive Board. The separate financial statements of AEZC may be obtained from the City of Atlanta Department of Finance, 68 Mitchell Street, Suite 11100, Atlanta, Georgia 30335.

ADA - ADA was established to promote the revitalization and growth of the City of Atlanta through a comprehensive and centralized program focusing on community development and redevelopment. It was created effective January 1, 1997 and combines many previously separate organizations which were performing similar economic development functions. The Mayor and City Council are responsible for appointing the members of the Board of Directors of ADA and have the ability to impose their will on ADA. The separate financial statements of ADA may be obtained from the City of Atlanta Department of Finance, 68 Mitchell Street, Suite 11100, Atlanta, Georgia 30335.

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

ACCC - The ACCC, which is legally separate from the City, was established to provide and oversee a strategic plan for keeping the City of Atlanta clean. The ACCC is governed by a board appointed by the Mayor and the City Council. The Mayor and City Council have the ability to impose their will on ACCC. The ACCC does not have separate financial statements. There was no activity within the ACCC during 2002.

Related Organizations

The City is also responsible for appointing a majority of the members of the boards of the Atlanta Housing Authority and the First Source Job Program but the City's accountability for these organizations does not extend beyond making appointments.

Joint Ventures

The Atlanta-Fulton County Water Resource Commission (the "Commission") is a joint venture between the City and the County for the construction and operation of the North Area water treatment plant. The City and the County shared equally in the construction costs of Phase I and Phase II of the plant. The Commission is governed by a seven-member management commission, three of which are appointed by the City, three by the County, and one independent member elected by vote of the other members. The City and County also approve the annual budget of the Commission.

The cost of operations of the plant are paid directly by the City as incurred. The City is subsequently reimbursed by the County for its pro rata share of the operating costs. The costs are allocated between the City and the County on the basis of water delivered to each. The City's share of those costs was \$1,484,060 for the year ended December 31, 2002.

Financial information for the Commission as summarized below, is as of and for the year ended December 31, 2002 (dollars in thousands):

Total assets (net property, plant, and equipment)	\$ 99,138
Total net assets	\$ 97,209
Total operating revenue	\$ 4,199
Total operating expenses	\$ 6,491
Net loss	\$(2,390)

During 2002, the Commission advertised for the construction of phase 2.5 and awarded a contract for approximately \$66,913,000 that will be funded equally by the County and the City.

The separate financial statements of the Commission may be obtained from the City of Atlanta Department of Finance, 68 Mitchell Street, Suite 11100, Atlanta, Georgia 30335.

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

Under Georgia law, the City, in conjunction with other cities and counties in metropolitan Atlanta, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto. During the past year, the City paid approximately \$228,360 in such dues. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC. The ARC Board membership includes the chief elected official of each county and municipality in the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from the Atlanta Regional Commission; 40 Courtland St. NE; Atlanta, Georgia 30303.

Adoption of New Accounting Standards

During fiscal year 2002, the City also adopted GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, issued June 1999; GASB Statement No. 36, *Recipient Reporting for Certain Shared Non-Exchange Revenues*, an amendment to GASB No. 33; GASB Statement No. 37, *Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment to GASB Statements no 21 and No. 34, issued in June 2001, and; in GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001.

The gross cost of fixed assets and accumulated depreciation balances at December 31, 2001 were restated to capitalize assets and record accumulated depreciation in accordance with the adoption of GASB No. 34. The gross cost balances at December, 2001 were also restated to reflect the increase in the capitalization threshold to \$5,000. In addition, the City overstated its investment balances as of December 31, 2001 by \$14,459,000. The net assets at the beginning of the year have been restated to properly record this activity, and the amount is reflected as a correction of prior period errors in the Statement of Revenue, Expense, and Changes in Net Assets.

Beginning net assets restated for the effects of implementation of GASB No. 34 is as follows (in thousands):

Fund Balance at December 31, 2001 – Governmental Funds	\$ 212,975
Long-term Liabilities	(551,435)
Net Capital Assets	988,621
Deferred Property Tax Revenue	8,983
Internal Service Fund	2,056
Transfer of Expendable Trust Fund To Special Revenue Fund	25,900
	687,100
Correction of Prior Period Error	(14,459)
Restated Net Assets as of December 31, 2001	\$672,641

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on user fees and charges for support. Likewise, the City is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to applicants who use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Interfund activity has been eliminated from the government-wide financial statements except for charges between the governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported in the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

The City reports the following major government fund:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial transactions of the City, except those required to be accounted for in another fund. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprises funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary funds:

Water and Wastewater System Fund - This fund accounts for activities associated with the provision of water, wastewater and water pollution control services to individuals, organizations and other governmental units within and around the City of Atlanta. During 2002, these facilities were operated by United Water Services Unlimited LLC under contract with the City (see Note P).

Department of Aviation Fund - This fund accounts for the activities of the William B. Hartsfield - Maynard H. Jackson Atlanta International Airport

In addition, the City has an *Internal Service Fund*, accounted for as a proprietary fund. The activities of the Bureaus of Management Information Systems and Motor Transport Services are accounted for in the Internal Service Fund, as well as group insurance transactions related to the provision of life, accident, and medical insurance benefits through outside insurance companies for permanent employees and retirees of the City.

Private-sector standards, of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Fiduciary Fund Types

Trust and Agency Funds - These funds account for activities in which the City acts as agent or trustee for an individual or organization. Additionally, these funds account for *Pension Trust Funds* which accumulate resources for pension benefit payments to qualified general employees, police and firefighters for the City.

Additionally, the City reports the following fund types as nonmajor funds:

Governmental Fund Types

Debt Service Fund - This fund is used to account for the accumulation of resources and the subsequent disbursement of such resources to pay principal and interest on long-term debt of the City (other than certificates of participation and the debt of the Enterprise Funds). Bond ordinances

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

require the City to account for debt service transactions in separate funds, restrict the flow of cash between such funds, and comply with various other covenants. For financial statement reporting, the various debt service funds have been combined.

Special Revenue Funds - These funds account for activities carried out by the City under the terms of certain intergovernmental grants, or as otherwise deemed to require separate reporting.

Capital Projects Funds - These funds account for the accumulation of resources and the subsequent disbursement of such resources to acquire or renovate major fixed assets.

Assets, liabilities and net assets or equity

Cash Equivalents

The City considers all highly liquid debt securities with an original maturity of three months or less to be cash equivalents.

Investments

Statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, State of Georgia obligations, obligations of a corporation of the U.S. Government, and the Georgia Fund I (a local government investment pool maintained by the State of Georgia). The City invests in repurchase agreements only when collateralized by U.S. Government or agency obligations. By statute, up to 55% of the cost basis of the investment portfolio for the pension plans may consist of U.S. corporate equity securities.

In accordance with authorized investment laws, the City, in its pension funds, can invest in various mortgage-backed securities, such as collateralized mortgage obligations ("CMOs") and government backed mortgage securities. These are separately identified in the disclosure of custodial credit risk (see Note E).

Investments, other than repurchase agreements, are carried at fair value, based on quoted market prices, and include any accrued interest. Repurchase agreements are valued at their amortized cost. The City maintains a pooled investment fund. All investments, except those held in debt service, special revenue, pension funds, various capital project funds, and for construction projects of enterprise funds, are held in this fund. This fund is not considered a separate accounting entity for financial reporting purposes; instead, each participating fund's equity in the pooled investment fund is recorded as investments on the accompanying combined balance sheet. Investment income of this pooled fund is allocated to each participating fund based on that fund's recorded equity in the pooled fund.

The activity related to certain short-term investments of the component units is reported as a net change in the investment balance in the cash flow statements as their turnover is quick and their maturities are generally short term.

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

Materials and Supplies

Materials and supplies are stated at cost (substantially first-in, first-out) which is not in excess of market. Inventories are accounted for using the consumption method.

Restricted Assets

Restricted assets represent amounts which are required to be maintained pursuant to City ordinances relating to the passenger facility charges (construction, renewal and extension and sinking funds) and funds received for specific purposes pursuant to U. S. government grants.

The City's policy is to use restricted resources first, then unrestricted resources, when both are available for use to fund an activity.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, sidewalks, and similar items) used in governmental and business-types activities of the City are recorded in the statement of net assets, respectively, at historical cost (or estimated historical cost). Donated fixed assets are recorded at their estimated fair value at the date of donation. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Expenses for replacements, maintenance, repairs, and betterments which do not materially prolong the life of the related asset are charged to expenditures/expenses when incurred.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

Governmental-type activities:

Buildings	20-50 years
Building improvements	20 years
Furniture and equipment	3-10 years
Vehicles	5-8 years
Infrastructure	25-50 years

Business-type activities:

Department of Aviation:	
Runways, taxiways, and other land improvements	15-40 years
Terminal and maintenance buildings and other structures	15-40 years
Other property and equipment	3-20 years

Water and Wastewater System:	
Water and wastewater plant and treatment facilities	50-75 years
Water collection and distribution system	60 years
Wastewater system	67 years
Machinery, equipment, and other	4-10 years

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

Sanitation:	
Buildings	20-25 years
Equipment	5-20 years
Parks and Recreational Facilities:	
Buildings	40 years
Other property and equipment	15-20 years
Underground Atlanta:	
Parking garage	30 years
Buildings	15 – 30 years
Machinery, equipment, and other	5 years
Internal Service Fund:	
Buildings	40 years
Other property and equipment	3-8 years
City of Atlanta and Fulton County Recreation Authority (as a discretely presented component unit):	
Buildings and improvements	15-30 years
Parking garage	30 years
Other property and equipment	3- 10 years

The City has elected not to capitalize works of art and historical treasures based on its policy that these items are not held for financial gain, they will be preserved and any proceeds from the sale of the items will be used to acquire other collections.

Interest is capitalized on proprietary fund assets constructed with the proceeds of tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. The Water and Wastewater System capitalized \$34,091,000 in net interest costs in 2002.

Compensated Absences

City employees can accrue a maximum of 25 to 45 days of annual leave, depending upon the length of service, and 20 days of compensatory leave. Vested or accumulated vacation and compensatory pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term debt in the government-wide financial statements. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Employees can accrue unlimited amounts of sick leave. Sick leave can be taken only due to personal illness or, in certain cases, illness of family members. Depending on City Council's approval and the availability of funds, employees may be paid in cash each year for a portion of

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

their sick leave accrual in excess of a stated base accumulation. No accrued liability is recorded for sick pay accumulated since the amount which ultimately may be paid is not determinable.

Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made with 45 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Bond discounts and issuance costs in the government-wide financial statements are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Gains and losses from refundings of government-wide and proprietary fund types are deferred and amortized over the shorter of the life of the new or old debt on a straight-line basis.

Net Assets

Reservations of Net Assets - The unreserved fund balances for governmental funds represent the amount available for future operations. The reserved fund balances for governmental funds represent the amounts that have been legally identified for specific purposes. Unreserved Net Assets for proprietary funds represent the net assets available for future operations or distribution. Reserved net asset proprietary funds represent the net assets that have been legally restricted for specific purposes. The following reservations have been established by the City:

- *Net Assets - Reserved for Capital Projects and Debt Service* - This portion of Net Assets represents various restricted assets of the Enterprise Funds, less liabilities payable from such assets, that are not available for appropriation.
- *Net Assets - Reserved for Minority Interest* - This portion of Net Assets represents the County's one-third interest in the Recreation Authority.
- *Fund Balance - Reserved for Encumbrances, Special Programs and Capital Improvements* - This portion of fund balance represents various restricted assets or resources of the City which have been encumbered or appropriated for purchase orders or contractual obligations.

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

- *Fund Balance - Reserved for Debt Service* - This portion of fund balance represents resources of the City which have been formally set aside for future debt service.

Net Assets

Equity for government-wide and proprietary fund statements is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Grants From Other Governments

Federal and state governmental units represent an important source of supplementary funding used to finance housing, employment, construction programs, and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded in the Governmental, Proprietary, and Fiduciary funds. All grant contributions in the Proprietary Funds are for the purpose of construction activities, or land or easement acquisitions. Accordingly, they are recorded as reported in the statement of revenues, expenses, and changes in net assets as a separate line item after non-operating revenues and expenses as previously discussed. For all funds, a grant receivable is recorded when the City has met all applicable eligibility requirements.

Impact and Recoupment Fees

The City charges impact and recoupment fees to developers to help defray costs of certain transportation, parks and recreation, fire protection, emergency medical services, and police facilities in order to ensure these facilities are available to serve new growth and development in the City. Amounts received from impact fees are recorded as deferred revenue until such time as the facilities are ready for their intended use at which time revenue is recognized. Recoupment fees are not deferred and are recorded as revenue when measurable and available.

General Services Costs

The City allocates a portion of general services costs (such as purchasing, accounting, budgeting, personnel administration, and certain other costs based on allocation methods determined by an independent study) to the Department of Aviation, the Water and Wastewater System, the Sanitation Fund, and the Internal Service Fund in order to more fully reflect the actual cost of operating these

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

Proprietary Funds. In 2002, such allocated expenses amounted to \$9,484,000 for the Department of Aviation, \$9,107,000 for the Water and Wastewater System, \$4,238,000 for the Sanitation Fund, and \$3,961,000 for the Internal Service Fund.

Costs allocated to the Community Development Fund are based upon a negotiated indirect cost rate, determined by an independent study. The City's indirect cost rate is based upon prior cost experience, documented by a cost allocation plan. Such expenditures charged to Community Development during 2002 amounted to \$821,000. The reimbursement of these costs to the General Fund is recorded as a reduction in expenditures.

Indirect expenses and direct expenses are reported in separate columns in the government-wide statement of activities.

New Accounting Pronouncements

The City will adopt the following new accounting pronouncements in future years:

GASB 39 – *Determining Whether Certain Organizations Are Component Units* effective for the City's year ending December 31, 2004.

GASB Statement No. 40 – *Deposits and Investment Risk Disclosures*, effective for fiscal year ended December 31, 2005

The impact of these pronouncements on the City's financial statements has not been assessed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenditures/expenses and disclosures. Actual results could differ from those estimates.

Stewardship, Compliance and Accountability

B. Budgets and Budgetary Accounting

Annual budgets are adopted for the General Fund, the Community Development Special Revenue Fund, the Intergovernmental Grant Special Revenue Fund, Debt Service Fund, and each Capital Projects Fund with the level of legal budgetary control established at the department level by City Council. The remaining governmental funds and operating portions of the proprietary funds of the City adopt project-length or management budgets. The City is required to adopt a balanced budget each year and maintains budgetary controls to ensure compliance with legal provisions of the annual appropriated budget approved by the Mayor and City Council.

The amounts of anticipated revenues and appropriated expenditures for the annual budget are controlled by the City Charter and various ordinances adopted by the City Council.

Notes to the Financial Statements - Continued

B. Budgets and Budgetary Accounting Policies, continued

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual Comparison (Budgetary Basis) - General, Special Revenue, Debt Service, and Capital Projects Funds presents comparisons of the legally adopted budget, and legally adopted interdepartmental transfers of appropriations, with actual operating results on a budgetary basis. Since the legally adopted budget is on a cash basis, which differs significantly from GAAP, the actual data is similarly presented on a cash basis for comparison purposes, however other financing sources are separately displayed and budgeted as such. A reconciliation from the cash basis to GAAP basis is also presented in each statement.

The responsibility for revenue anticipations and specified appropriations is fixed by law with the Budget Commission, which is composed of the Mayor, the Chief Financial Officer, the Chair of the City Council Finance Committee, and two other members of City Council. The Budget Commission may not anticipate in any year an amount in excess of 99% of the normal revenues of the City actually collected during the previous year (unless tax rates or fees are increased) plus any accumulated cash surplus carried forward from the previous year. Grant revenues are anticipated in the Community Development and Intergovernmental Grant Funds in the year the grant is awarded to the City, although the funds may not be received in the same year. Grant revenue is, therefore, not considered to be over-anticipated until the activity for which the funds were granted is completed and actual revenues are less than anticipated revenues.

The amount remaining from such anticipations, after providing for the above required appropriations, may be appropriated by the Mayor and City Council for any department or purpose authorized by law not later than the second regular meeting of City Council in the second month of the fiscal year.

After the initial annual budget is adopted, it may be amended for interdepartmental transfers of appropriations with the approval of City Council. Intradepartmental transfers of appropriations among individual budgetary accounts may be initiated by a department head with the approval of the Chief Operating Officer, the Chair of the City Council Finance Committee, and the Chief Financial Officer.

Total appropriations for any fund may be increased if, during the year, sources of revenue become available to the City in excess of original anticipations, and these amounts are anticipated by the Budget Commission and subsequently appropriated by City Council. During 2002 supplemental anticipations and appropriations occurred as legal amendments to the budget were adopted in accordance with the procedures described above. Budget amounts in the accompanying financial statements reflect these budget amendments.

Encumbrance accounting, under which purchase orders and contracts are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary process. All appropriations, except for the General Fund's reserved fund balance, construction, bond proceed funds, and Special Revenue funds, lapse at the end of the year, but are considered during the following year's budgeting process. Contractually encumbered appropriations and certain unencumbered appropriations in the General Fund do not lapse, but are carried forward to the ensuing budget year as budgetary amendments.

Notes to Financial Statements - Continued

C. Net Assets/Fund Balance Deficit

The following funds reported deficits in Net Assets at December 31, 2002:

- The Sanitation Fund had an accumulated deficit of \$42,284,000 due to deficiencies in operating revenues. Billed rates, billing methodologies, and operating costs will all be evaluated in order to eliminate the negative net assets in future periods.
- Underground Atlanta had an accumulated deficit of \$10,446,000 due to deficiencies in operating revenues (see note H). In mid 1999, the City and the previous private management company of Underground Atlanta terminated their lease agreement. The City subsequently signed another lease agreement with a new private management company. The new management company was selected from a group of interested companies as having the best plan to revitalize the Underground Project and provide positive operating results in the future.

D. Restatement of Prior Year Amount

The Water and Wastewater System understated the value of gross capital assets by \$359,453,000, understated the value of accumulated depreciation by \$507,845,000, and understated the amount due from other governmental units by \$9,331,000 at December 31, 2001. The net assets at the beginning of the year have been restated to properly record this activity, and the amount is reflected as a correction of prior period errors in the Statement of Revenue, Expense, and Changes in Net Assets.

The Sanitation Fund System overstated the value of gross capital assets by \$33,748,000, overstated the value of accumulated depreciation by \$20,571,000 at December 31, 2001. The net assets at the beginning of the year have been restated to properly record this activity, and the amount is reflected as a correction of prior period errors in the Statement of Revenue, Expenses, and Changes in Net Assets.

Detailed Notes on All Funds

E. Cash & Cash Equivalents and Investments

Cash and Cash Equivalents

At year-end, the carrying amount of the City's cash deposits, including cash accounts, certificates of deposit, and short-term investments, was \$263,709,000 and the bank balance was \$296,497,000. The amount of the total bank balance is classified into three categories of credit risk: 1) cash that is insured or collateralized with securities held by the City or by its agent in the City's name, 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and 3) uncollateralized bank accounts.

The balance is classified as follows at December 31, 2002 (in thousands):

1	\$296,497
2	-
3	-
Total	<u>\$296,497</u>

Notes to the Financial Statements - Continued

E. Cash and Cash Equivalents and Investment, continued

At year-end, the carrying amount of the City's discretely presented component unit's cash deposits, including cash accounts and certificates of deposit, was \$43,380,000 and the bank balance was \$43,142,000. The balance of the discretely presented component units is classified as follows at December 31, 2002 (in thousands):

1	\$ 21,130
2	3,488
3	<u>18,524</u>
Total	<u>\$43,142</u>

Investments

The City's investments are categorized below to give an indication of the level of risk assumed by the City at year-end. Category 1 represents investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 represents uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 represents uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name (in thousands):

<u>Security Type</u>	<u>Risk Category</u>			<u>Carrying value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Government obligations	\$ 433,122	\$ -	\$ -	\$ 433,122
U.S. agency obligations	519,548	-	-	519,548
Equities	449,198	-	-	449,198
Repurchase agreements	627,116	-	-	627,116
Corporate bonds	255,338	-	-	255,338
Collateralized mortgage obligations	<u>110,230</u>	<u>-</u>	<u>-</u>	<u>110,230</u>
Total categorized investments	<u>\$2,394,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,394,553</u>
Investments not categorized:				
Local investment pool				22,966
Guaranteed investment contracts				1,011,769
Mutual funds				447,533
Held by broker-dealers under securities lending arrangements with cash collateral:				
U.S. Government and agency obligations				153,176
Corporate equities				158,384
Corporate bonds				32,184
Securities lending short-term collateral investments				<u>325,089</u>
				<u>2,151,101</u>
Total				<u>\$ 4,545,654</u>

Notes to the Financial Statements - Continued

E. Cash, Cash Equivalents and Investments, continued

The following is a reconciliation of the carrying amount of investments as shown above to the amounts shown in the statement of net assets (in thousands):

Balance per above	\$4,545,654
Securities lending short-term collateral investment	<u>325,089</u>
Balances in statement of net assets	<u>\$4,220,565</u>

Presented as:

Unrestricted	\$ 756,501
Included with restricted assets	1,902,302
Fiduciary Funds	<u>1,561,762</u>
	<u>\$4,220,565</u>

The City's discretely presented component units' investments are categorized below to give an indication of the level of risk assumed by the component units at year-end (in thousands').

<u>Security Type</u>	<u>Risk Category</u>			<u>Carrying value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Government obligations	\$ 4,750	\$ -	\$ -	\$ 4,750
Insurance contracts	<u>11,941</u>	<u>-</u>	<u>-</u>	<u>11,941</u>
Total categorized investments	<u>\$ 16,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,691</u>

The following is a reconciliation of the carrying amount of investments the amounts shown in the financial statements (in thousands):

Balance presented as:

Included with restricted assets	<u>\$16,691</u>
---------------------------------	-----------------

The City invests in U.S. Treasury interest-only strips in part to maximize yields and in part to hedge against a rise in interest rates. In addition, the City's pension funds also invest in collateralized mortgage obligations (CMO's) and government backed mortgage securities. These securities are based on cash flows from interest payments on underlying mortgages. They are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and mortgagees refinance their mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced and the value of these securities declines. Likewise, if mortgagees pay on mortgages longer than anticipated, the cash flows are greater and the return on investment would be higher.

Notes to the Financial Statements - Continued

E. Cash, Cash Equivalents and Investments, continued

Securities Lending

State statutes and Retirement Board of Trustee policies permit the City's pension funds (the City's) to lend their securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Funds' custodians lend securities of the type on loan at year-end for collateral in the form of cash or other securities of 102%. Securities loaned at year-end for cash collateral are presented as unclassified in the preceding schedule of custodial credit risk; securities loaned for securities collateral are classified according to the category for the collateral.

Cash collateral is invested in overnight investments and the Funds have the ability to pledge or sell the collateral securities even without borrower default. At year-end, the Funds have no significant credit risk exposure to borrowers because the amounts the Funds owe the borrowers exceed the amounts the borrowers owe the Funds. The contract with the Fund's custodian requires it to indemnify the Funds if the borrowers fail to return the securities and if the collateral is inadequate to replace the securities loaned or fail to pay the Funds for income distributions by the securities' issuers while the securities are on loan.

There were no violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the year. There are no income distributions owing on the securities loaned. The City records the cash received as collateral under securities lending agreements and the investments purchased with that cash as securities lending short-term collateral investment pool with a corresponding amount recorded as a liability.

F. Property Taxes, Local Option Sales Taxes, and Car Rental Taxes

Property taxes include amounts levied against all real, public utility, and tangible property. The City shares a common tax base with the Atlanta Board of Education, portions of Fulton and DeKalb counties, and a hospital authority. The distribution of the City's 2002 levy (tax rate per \$1,000 assessed taxable value) to its funds and to the Atlanta Board of Education (which operates as a separate legal entity and is not included in the City's financial reporting entity) is as follows:

	<u>Millage Rate</u>
General Fund	9.020
General Obligation Bond Sinking Fund:	
City Bonds	1.340
School Bonds	.114
Park Improvement Fund (included in Capital Projects Funds)	.500
Board of Education for operations	21.670
Special Tax District/DeKalb County	1.300
Special Tax District/Downtown Improvement	<u>2.500</u>
	<u>36.444</u>

Notes to the Financial Statements – Continued

F. Property Taxes, Local Option Sales Taxes, and Car Rental Taxes, continued

The City's annual tax millage rates are approved by the City Council in the second Council meeting in February each year and are reaffirmed in May or June after the Atlanta Board of Education establishes its millage rates to conform with the advertising requirements of State of Georgia law. The millage rate is based on the anticipated tax digest that is submitted to the State of Georgia on May 30. The tax digest is based on real and tangible assessed property values as of January 1. The tax assessment responsibility is the privy of Fulton County.

Assessed values are established by the Tax Assessors' Office at 40% of appraised market value as required by the State of Georgia. A revaluation of all property is done annually, based on statistical analysis. That valuation in 2002 resulted in an assessed value, prior to Freeport exemption, of approximately \$17,498,002,000.

Tax bills are sent to property owners in early July. Fulton County acts as the City's agent in billing and collecting property taxes levied for property within the City limits and in Fulton County. DeKalb County acts as the City's agent in billing and collecting property taxes levied for property within the City limits and in DeKalb County. The billing and collection fees due to the Counties are withheld from cash remitted to the City and are reported as a reduction to property tax revenue. Such fees amounted to approximately \$1,414,913 in 2002. Real and tangible property taxes are payable to the Counties on August 15th and, if not paid, become delinquent on August 16th. Public utility taxes are due in December and, if not paid before December 20th, become delinquent. Once taxes become delinquent, the Tax Commissions' Office adds penalties to the original tax and sends past due notices. The delinquent taxpayer then has 30 days to remit payment after the 30 day period, the Tax Commissioners' Office may begin procedures to sell the property for the collection of the past due tax. The collection period for the City is typically from July 1 to December 31, with pursuance of delinquent taxes early in the following year.

The City levies a 1% local option sales tax which is collected by the State of Georgia and remitted to the City on a two-month lag. The tax law requires an offsetting reduction in property tax during each subsequent year of assessment equal to the amount of sales tax revenue received in the prior year.

A 3% excise tax on all rental motor vehicles was implemented in June 1996. This car rental tax is intended to be used to promote industry trade, commerce, and tourism and fund capital outlay projects. The capital outlay projects have included infrastructure improvements required for the new sports arena complex which houses the professional basketball and hockey franchises, the Atlanta Hawks and Atlanta Thrashers, respectively.

Notes to the Financial Statements - Continued

G. Reserved Net Assets and Restricted Assets

The bond covenants require certain reservations of Net Assets of the Water and Wastewater System and the Department of Aviation. Reserved Net Assets at December 31, 2002 are as follows (in thousands):

	Water and Wastewater <u>System</u>	Department <u>of Aviation</u>	<u>Total</u>
Passenger facility charges	\$ -	\$303,603	\$303,603
Debt service and debt service reserve	<u>44,331</u>	<u>241,338</u>	<u>285,669</u>
Total	<u>\$44,331</u>	<u>\$544,941</u>	<u>\$589,272</u>

Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt. Other assets are restricted by bond ordinances for capital purposes. The General Fund, because of covenants required by various Certificates of Participation is required to keep certain reserve balances. This includes the investment account established by the 1998 Georgia Municipal Association Certificates of Participation related to the 1998 lease pool, as discussed further in Note L related to long-term obligations. Restricted assets of the enterprise funds at December 31, 2002 are as follows (in thousands):

	Water and Wastewater <u>System</u>	Department <u>of Aviation</u>	<u>Total</u>
Renewal and Extension Funds:			
Grants receivable	\$ -	\$ 1,150	\$ 1,150
Passenger Facility Charges Fund:			
Investments	-	303,061	303,061
Cash	-	542	542
Construction Funds:			
Investments	812,246	598,929	1,411,175
Cash	39,935	32,341	72,276
Sinking Funds:			
Investments	44,331	142,416	186,747
Cash	4,067	9,518	13,585
Cash held with fiscal agent	<u>-</u>	<u>89,404</u>	<u>89,404</u>
	<u>\$ 900,579</u>	<u>\$1,177,361</u>	<u>\$2,077,940</u>

Notes to the Financial Statements - Continued

H. Underground Atlanta Project

The Underground Atlanta Project ("Project") is a restored historical section of downtown Atlanta containing bars, restaurants, and retail shops. Under an agreement with a private management company, the City receives revenues from the Project based on certain formulas applied to earnings of the Project. Under a related agreement, the City leases from the Downtown Development Authority ("DDA") that portion of the Project representing land and buildings formerly owned by the City and conveyed to DDA to facilitate completion of the Project (the commercial facilities). Lease payments are equal to the principal and interest payments on the revenue bonds. Upon retirement of the revenue bonds, title to the public facilities reverts to the City.

The City's contract with DDA requires the City to exercise its power of taxation to the extent necessary to pay the bonds should revenues paid to the City by the Project, together with any other funds available, not be sufficient to pay the revenue bonds. Accordingly, the portion of the Project related to the revenue bonds of DDA is a part of the City's reporting entity and is included in an Enterprise Fund titled "Underground Atlanta." This fund also includes all City transactions related to the Project, such as Project revenues earned by the City.

In 1986, DDA issued approximately \$85,000,000 (Note L) in revenue bonds, and in 1992 a portion of those bonds were refunded with the issuance of approximately \$76,580,000 in Refunding Revenue Bonds. At December 31, 2002, the DDA had outstanding \$71,625,000 in aggregate principal, representing DDA's portion of the Project. In addition to financing provided by DDA, other financing of approximately \$56,000,000 was provided by a combination of federal grants, sales tax revenues, Fulton County Building Authority grant, and private funds.

A private management company (the "Company") had a 48-year operating sublease agreement with the City for the commercial facilities of Underground. Annual rental payments are equal to (1) a pro rata portion, 21.725% of the annual debt service on the City's Revenue Bonds (facilities rent), (2) \$1,100,000 in the first year, after the development opens, plus 5% per year thereafter (ground rent), and (3) 75% of "annual cash flow" as defined in the rental agreement in excess of \$800,000 (additional rent). In March 1999, the City and the Company signed an agreement canceling the aforementioned operating sublease, providing forgiveness of all previously recorded notes and rents receivable, and transferring land parcels owned by the Company to the City. The revenue for all notes and rents receivable had been deferred. The City subsequently entered into an operating sublease agreement with another private company to operate and manage the Underground project. The property lease and the land parcels transferred to the City were valued by a third party to be \$8,000,000 and \$3,000,000, respectively, which were recorded as assets of Underground and for which the lease value is being amortized over the life of the lease.

Notes to Financial Statements - Continued

I. Interfund Assets, Liabilities, and Transfers

During the course of its operations, the City makes transfers between funds to finance operations, provide services, acquire assets and service debt. To the extent that certain transfers between funds had not been received as of year end, balances of interfund amounts receivable or payable have been recorded. Interfund receivable and payable balances as of December 31, 2002 are as follows (in thousands):

	Due from other funds	Due to other funds
General Fund	\$ 33,035	\$ 1,517
Nonmajor governmental funds	8,668	11,648
Water and Wastewater Fund	46,630	39,422
Department of Aviation	5,181	5,475
Nonmajor enterprise funds	203	15,586
Internal Service Fund	151	-
Fiduciary funds	8,480	28,700
Total Primary Government	\$ 102,348	\$ 102,348

Interfund receivables and payables are not reported in the government-wide financial statements but are netted to zero as internal balances in the government-wide statement of net assets.

Component Units:

	<u>Due from</u>	<u>Due to</u>
Special Revenue Funds:		
Intergovernmental Grant Fund:		
Atlanta Empowerment Zone Corporation	\$ -	\$ 1,176
Discretely presented component units:		
Atlanta Empowerment Zone Corporation:		
Intergovernmental Grant Fund	\$ 1,176	\$ -

Notes to Financial Statements - Continued

I. Interfund Assets, Liabilities, and Transfers, continued

Operating transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments are due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers for the year ended December 31, 2002 are as follows (in thousands):

	Transfers In	Transfers Out
General Fund	\$ 9,758	\$ 10,454
Nonmajor governmental funds	4,843	10,829
Nonmajor enterprise funds	9,702	3,020
Total	\$ 24,303	\$ 24,303

The Atlanta Fulton County Recreation Authority during the year transferred \$17.8 million to the City for park improvements. The Atlanta Development Authority received \$421,000 from the City to subsidize its operations.

Notes to Financial Statements - Continued

J. Capital Assets

A summary of capital assets activity and changes in accumulated depreciation for the year ended December 31, 2002 follows (in thousands):

	Balance at December 31, 2001	Additions	Deletions and Retirements	Balance at December 31, 2002
Governmental activities:				
Land	\$ 188,499	\$ 780	\$ -	\$ 189,279
Construction in progress	46,929	-	-	46,929
	<u>235,428</u>	<u>780</u>	<u>-</u>	<u>236,208</u>
Land improvements	19,149	1,750	-	20,899
Buildings and building improvements	120,536	-	-	120,536
Other property and equipment	144,684	5,515	-	150,199
Infrastructure	1,752,999	-	-	1,752,999
Total depreciable assets	<u>2,037,368</u>	<u>7,265</u>	<u>-</u>	<u>2,044,633</u>
Totals at historical cost	<u>2,272,796</u>	<u>\$ 8,045</u>	<u>\$ -</u>	<u>2,280,841</u>
Less: Accumulated Depreciation				
Land improvements	8,447	914	-	9,361
Buildings and building improvements	38,735	2,266	-	41,001
Other property and equipment	100,464	11,160	-	111,624
Infrastructure	1,150,028	31,840	-	1,181,868
Total accumulated depreciation	<u>1,297,674</u>	<u>\$ 46,180</u>	<u>\$ -</u>	<u>1,343,854</u>
Governmental activities capital assets, net	<u>\$ 975,122</u>			<u>\$ 936,987</u>
Business-type activities:				
Land	726,031	104,658	(4,110)	826,579
Construction in progress	176,796	286,652	-	463,448
	<u>902,827</u>	<u>391,310</u>	<u>(4,110)</u>	<u>1,290,027</u>
Land improvements	782,096	7,082	-	789,178
Buildings and other structures	3,443,727	278,572	(16,153)	3,706,146
Other property and equipment	173,903	22,364	(15,510)	180,757
Total depreciable assets	<u>4,399,726</u>	<u>308,018</u>	<u>(31,663)</u>	<u>4,676,081</u>
Totals at historical cost	<u>5,302,553</u>	<u>\$ 699,328</u>	<u>\$ (35,773)</u>	<u>5,966,108</u>
Less: Accumulated Depreciation				
Land improvements	359,804	16,160	-	375,964
Buildings and other structures	1,412,920	86,027	(18,173)	1,480,774
Other property and equipment	61,630	12,229	-	73,859
Total accumulated depreciation	<u>1,834,354</u>	<u>\$ 114,416</u>	<u>\$ (18,173)</u>	<u>1,930,597</u>
Business-type activities capital assets, net	<u>\$ 3,468,199</u>			<u>\$ 4,035,511</u>

Notes to Financial Statements - Continued

J. Capital Assets

Depreciation expense was charged to governmental functions as follows:

General government:	\$	3,638
Police		2,007
Fire		1,767
Corrections		109
Public Works		36,584
Parks, Recreation and Cultural Affairs		2,074
Nondepartmental		<u>2</u>
Total	\$	<u>46,180</u>

K. Leases

Department of Aviation

The City has entered into lease agreements with four prime concessionaires for food, beverage, and retail concessions. Minimum guarantees are included which are based on passenger levels and adjusted for inflation. There are opportunities for the prime concessionaires to subcontract, but the City requires that the concessionaire provider pay the agreed-upon amount. Additionally, there are several stand-alone lease agreements to enhance the overall concessions business.

The Department leases terminal space, aircraft maintenance and overhaul facilities, cargo facilities, hangars, and other structures to air carriers and other tenants at Atlanta Hartsfield International Airport (the "Airport") under various operating leases which terminate no later than 2023. Certain of the leases provide for fixed and variable rental payments, and all are generally designed to allow the City to meet its debt service requirements and recover certain operating and maintenance costs. Rental receipts related to the terminal are based on the cost of the facilities. In addition, certain of the agreements under which the Department receives revenues from the operation of concessions at the Airport provide for the payment of a fee based on the greater of an aggregated percentage of gross receipts or a guaranteed minimum.

Minimum future rentals and fees revenue on noncancelable leases or concession agreements at the Airport are as follows (in thousands):

2003	\$161,397
2004	164,141
2005	166,931
2006	170,270
2007	173,657
2008 – 2023	<u>932,115</u>
	<u>\$1,768,529</u>

The agreement covering the operation of the parking lot does not provide for a minimum fee and is, therefore, not included in the above table. Revenue from this source, which is solely a function of parking lot receipts, as defined, was approximately \$58,769,000 in 2002.

Notes to Financial Statements - Continued

K. Leases, continued

Water and Wastewater System

In July 1968, the City and DeKalb County, Georgia ("DeKalb County") entered into an agreement (the "Clayton Agreement") providing for the construction of a 120-MOD water pollution control facility to be known as the R.M. Clayton WWTP (the "Plan C"). Pursuant to the Clayton Agreement, the City agreed to assume responsibility for the financing, construction, operation, and maintenance of the Plant. In addition, the Clayton Agreement also gives DeKalb County the right to use 2.6 MOD and .02 MOD of the capacity of City's Intranchment Creek and South River Wastewater Treatment Plants, respectively. In 1987, the Clayton Agreement was amended to provide that DeKalb County would have the right to use 50 MGD of the capacity, which represents 41.67% of the total Plant capacity. The City maintains full ownership of the Plants.

Additional capital improvements may be made to the Plant upon determination by the City that excessive flows or loads are impairing the efficient operation of the City's sewer system, improved processes are available, and that addition of improvements are necessary or desirable for the efficient operation of the system or to comply with applicable law. In any such event, the City and DeKalb County have agreed to share the cost of such capital improvements generally upon the basis of relative sewerage flow contributed by the City and DeKalb County, respectively.

In 1997, DeKalb County was asked to share in the capital improvements costs made to the Clayton, South River and Intranchment Creek plants, with their share being based on their portion of the sewerage flow. In 1997, DeKalb County contributed \$96,500,000 towards those costs. In 1998, DeKalb County and the City signed a Consent Order to share in the total cost of the phosphorous reduction capital plan. In 1999, DeKalb County contributed \$49,000,000 in accordance with the Consent Order, and in the process extended their lease and increased their capacity availability in relation to the plants.

DeKalb County shares in the costs of operation and maintenance of the Plants based upon the ratio that the sewerage flows from DeKalb County bear to the total flows to the Plants. DeKalb County's share of the operating and maintenance costs, including the aforementioned minimum rentals, for the Plants for the year ended December 31, 2002 was \$9,743,000. These payments are treated as revenues of the City's Water and Wastewater System Fund.

Fulton County, Clayton County, the City of Hapeville, the City of Forest Park and the City of East Point and the City of College have agreed to share in the capital improvement costs made to certain plants with their share being based on their portion of the sewerage flow. They also share in the costs of the operation and maintenance of the plants based upon the ratio that their sewerage flows bears to the total flows to the plants. The amounts receivable from these municipalities is included in the amount due from other governmental units in the accompanying financial statements.

The City has entered into several lease agreements as lessee for power generators. This lease agreement qualifies as a capital lease for accounting purposes and the lease payments are reflected as a capital lease for accounting purposes and the lease payments are reflected as a capital lease obligation at the present value of the aggregate payments due over the remaining life of the lease. Included in machinery and equipment is approximately \$28,591,000 of equipment acquired under capital lease. The accumulated amortization on this equipment is \$7,593,000 as of December 31, 2002 and is recorded as a component of depreciation expense. Amortization expense was \$1,731,000 for the year ended December 31, 2002.

Notes to Financial Statements - Continued

K. Leases, continued

For its Water and Wastewater System, the City has entered into a lease agreement as lessee for power generators. This lease agreement qualifies as a capital lease for accounting purposes and the lease payments are reflected as a capital lease obligation at the present value of the aggregate payments due over the remaining life of the lease. Included in machinery and equipment is \$7,179,000 of equipment acquired under capital lease. The amortization of this equipment recorded under this lease is included as a component of depreciation expense.

The present value of future minimum capital lease payments as of December 31, 2002 are as follows (dollars in thousands):

2003	\$ 2,985
2004	2,985
2005	2,985
2006	2,985
2007	2,985
2008 thru 2013	<u>20,555</u>
Total minimum payments	35,480
Less amounts representing interest	<u>(9,901)</u>
Present Value of Minimum Capital Lease Payments	<u>\$25,579</u>

Sanitation Fund

For its Sanitation Fund, the City has entered into a lease agreement as lessee for refuse collection vehicles. This lease agreement qualifies as a capital lease for accounting purposes and the lease payments are reflected as a capital lease obligation at the present value of the aggregate payments due over the remaining life of the lease. Included in machinery and equipment is \$6,753,000 of equipment acquired under capital lease. This equipment is being depreciated as component of depreciation expense.

The present value of future minimum capital lease payments are as follows (in thousands):

2003	\$1,200
2004	1,200
2005	1,200
2006	1,200
2007	<u>1,200</u>
Total minimum payments	6,000
Less amounts representing interest	<u>(924)</u>
Present value of minimum capital lease payments	<u>\$5,075</u>

Notes to Financial Statements - Continued

L. Long Term Obligations

Changes in long-term debt during the year ended December 31, 2002 follows:

	Balance at December 31, 2001	Additions	Reductions	Balance at December 31, 2002	<u>Due within One Year</u>
Governmental activities:					
Long-term debt					
General obligation and annual bonds	\$ 237,200	\$ 8,000	\$ (6,690)	\$ 238,510	7,150
SWMA revenue refunding bonds	26,530		(820)	25,710	855
Limited obligation bonds	91,500			91,500	-
Section 108 loans	16,335		(1,675)	14,660	1,695
Certificates of participation					
1990 GMA lease pool	1,194		(597)	597	597
1998 GMA lease pool	18,248	5,949	(5,721)	18,476	4,065
2002 COPS	-	55,195	(1,410)	53,785	1,225
Citywide radio system	9,845		(4,780)	5,065	5,065
Installment sale program	91,790	-	(4,180)	87,610	4,330
Total long-term debt	<u>492,642</u>	<u>69,144</u>	<u>(25,873)</u>	<u>535,913</u>	<u>24,982</u>
Other long-term liabilities					
Vacation pay	18,983	208	(1,277)	17,914	1,300
Compensatory pay	2,120	1,214	(700)	2,634	700
Net pension obligation	8,647	-	-	8,647	
General claims payable	6,072		(6,072)	-	
Arbitrage rebate	927		(852)	75	
Workers' compensation	22,044	6,625	(4,052)	24,617	4,100
Total other long-term liabilities	<u>58,793</u>	<u>8,047</u>	<u>(12,953)</u>	<u>53,887</u>	<u>6,100</u>
Total long-term liabilities	<u>\$ 551,435</u>	<u>\$ 77,191</u>	<u>\$ (38,826)</u>	<u>\$ 589,800</u>	<u>\$ 31,082</u>
Business-type activities					
Long-term debt					
Department of Aviation:					
Facilities Revenue Bonds	\$ 1,423,841	\$ 304,509	\$ (46,077)	\$ 1,682,273	\$ 350,125
Water & Wastewater:					
System Revenue Bonds	1,040,259	948,690	(314,983)	1,673,966	3,260
Capital lease obligation	11,219	15,620	(1,260)	25,579	1,554
Nonmajor funds:					
Capital lease obligation (Sanitation fund)	5,075	-	-	5,075	-
Revenue Bonds (Underground Atlanta)	73,135	-	(1,510)	71,625	2,435
Total long-term debt	<u>2,553,529</u>	<u>1,268,819</u>	<u>(363,830)</u>	<u>3,458,518</u>	<u>357,374</u>

Notes to Financial Statements - Continued

K. Long Term Obligations, continued

	Balance at December 31, 2001	Additions	Reductions	Balance at December 31, 2002	<u>Due within One Year</u>
Business-type activities, continued					
Other long-term liabilities					
Arbitrage rebate	15,336	-	(1,863)	13,473	
Workers' compensation	<u>10,453</u>	<u>2,028</u>	<u>(1,618)</u>	<u>10,863</u>	
Total other long-term liabilities	<u>25,789</u>	<u>2,028</u>	<u>(3,481)</u>	<u>24,336</u>	
Total long-term liabilities	<u>\$ 2,579,318</u>	<u>\$ 1,270,847</u>	<u>\$ (367,311)</u>	<u>\$ 3,482,854</u>	<u>\$ 357,374</u>

Governmental-type Activities

General Obligation Bonds are direct general obligations secured by the full faith and credit of the City. Principal and interest are payable through the general and debt service funds from an ad valorem tax levied on all taxable property within the City.

In December 2002, the City issued \$8,000,000 of Various Purpose General Obligation Bonds, Series 2002, to finance the various costs of acquiring, constructing, renovating, equipping, adding to, and improving both municipal facilities and school facilities as allowed in the special provision of the Constitution of the State of Georgia.

In December 2002, the City issued Certificates of Participation in the amount of \$55,195,000 through the Georgia Municipal Association Inc. Installment Sale Program. The proceeds from the sale of the Certificates are to be used to finance the acquisition, construction and equipping of a new City Court of Atlanta facility for the City of Atlanta, Georgia, pay the premium for a surety bond relating to a debt service reserve fund for the Certificates and pay certain costs incurred in connection with the execution of delivery of the Certificates.

The City participates a lease pool arrangement with 29 other local governments through the Georgia Municipal Association, Inc. (GMA). GMA issued \$127,635,000 Certificates of Participation (COPs) Series 1990 of which the City's share is \$25,090,000 and is governed by a master lease agreement. The purpose of the COPs is to fund the purchase of eligible capital assets that are leased back to each of the participating governments. The City's interest in this arrangement functions similar to a line of credit whereby eligible capital assets may be purchased up to the City's share. The lease of eligible capital assets decreases the City's net available credit and repayments of principal increase the City net available credit. Leases are due generally between three and five years from the date the equipment is purchased. The agreement terminates upon the financial due date of the COPs in June 2020. Interest is due monthly on the outstanding principal balance at a rate of 5%. In addition, the City is obligated to pay an annual service fee of 1% on the outstanding principal balance. During 2002, the City borrowed \$5,949,000 under this agreement.

Notes to the Financial Statements - Continued

L. Long Term Obligations, continued

In December 2001, the City issued \$61,220,000 of General Obligation Public Improvement Bonds (Quality of Life), Series 2001B, to finance the various costs of acquiring, constructing, renovating, equipping, adding to, and improving public sidewalks, public plazas, and greenspace, as approved by City voter referendum.

During 2001, the City issued \$76,505,000 in limited obligation bonds for the Atlantic Station Tax Allocation District and \$14,995,000 in limited obligation bonds for Westside Tax Allocation District. Each issuance is a limited obligation of the City, not secured by the full faith and credit of the City, but rather are secured solely by, and payable solely from, the Pledged Revenues. The Pledged Revenues are defined as the tax allocation increments, the amount of property taxes generated within the district area which exceed the amount collected from the same area prior to development, from the City, Fulton County, and the Atlanta Board of Education. Additionally, the Atlantic Station Bonds are secured by the tax increments of sales taxes collected by the City and Fulton County within the developed area until 2009. The property tax increments are pledged until the payment in full of the bonds. The proceeds of the limited obligation bonds and the accumulation of tax increments for debt service are accounted for in newly created Special Revenue Funds.

The arbitrage rebate liability, on all City issued obligations, is treated as a claim or judgment upon occurrence.

Business-type Activities

Revenue bonds re payable solely from revenues generated by enterprise fund activities. The various revenue bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of a flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. As of December 31, 2002, the City believes it was in compliance with all such significant financial limitations and restrictions.

Department of Aviation

The 2002 Series Bond Anticipation Notes (BAN's mature on October 30, 2003 and bear interest at an annual rate of 2.25%. The airport intends to issue 2003 Series BAN's in October 2003 to replace the 2002 Series.

In prior years, the City defeased certain outstanding Department of Aviation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the Department's financial statements. At December 31, 2002, the outstanding amount of bonds considered defeased in prior years is \$56,465,000.

Water and Wastewater System

In March 2001, the City entered into an interest rate swap upon agreement with a financial institution in which it agreed to essentially convert, at the financial institution's request, \$145,000,000 of the City's Water and Wastewater Revenue Bonds, Series 1999, from 5% fixed rate

Notes to the Financial Statements - Continued

L. Long Term Obligations, continued

bonds to floating rate bonds in which the interest rate is based on the Municipal Swap Index. The bonds would not be refunded, rather the financial institution would continue to pay the fixed rate to bond holders and the City would pay the variable rate to the financial institution. The option for conversion begins in 2005 and until then the City will continue to service the debt at the fixed rate. For entering into this agreement the City received a nonrefundable \$2,700,000 commitment fee which has been deferred and is being amortized over the life of the agreement in the Water and Wastewater Fund.

Also in March 2001, the City entered into a similar interest rate swap option agreement with the same financial institution in which it agreed to essentially convert, at the financial institution's request, \$71,850,000 of the City's Water and Wastewater Revenue Bonds, Series 1999, from 5% fixed rate bonds to floating rate bonds in which the interest rate is based on the Municipal Swap Index. The option for conversion begins in 2004 and the City received a nonrefundable \$4,800,000 commitment fee which has been deferred and is being amortized over the life of the agreement in the Water and Wastewater Fund.

These interest rate swap option agreements increase the interest rate risk of the City, however management believes it will achieve an overall lower cost of capital by entering into the agreement, that it increases the diversity of the capital structure of the Water and Wastewater System, and better

matches the asset to liability portfolio by matching variable rate obligations with the large amount of the Water and Wastewater System's short-term, variable rate assets.

In January 2002, the System entered into two interest rate swap agreements. These swap agreements are associated with the 2001B Bonds and the 2001C bonds. In each of these agreements the System owes interest to the counterparty, calculated at an annual fixed rate of 4.09% on a notional amount of equal to the each Bond issue and that amortizes with the Series 2001B Bonds and Series 2001C Bonds. For the Series 2001C Bonds, the counterparty owes the System interest at a variable rate based on the municipal swap index and for the Series 2001B Bonds the counterparty owes the System interest at a variable rate based on either the municipal swap index, with the exception that the interest amount payable cannot exceed the interest amount payable during the same period to the holders of the System's Series 2001B Bonds, or London Interbank Offered Rate. The swap agreement for the Series 2001B Bonds allows for the counterparty to terminate the agreement by providing 30 days written notice if the arithmetic mean of the Municipal Swap Index has exceeded 7% in the preceding 180 days.

If the counterparties to the swaps default, or if the swaps are terminated, the System and the City will be exposed to the rates established in each bond issue. A termination of any swap agreement may result of the System or the City making or receiving a termination payment. The counterparties to the interest rate swap agreements are a large international brokerage and insurance firm and accordingly, the System believes there is little risk of counterparty nonperformance.

In January 2002, the City issued Water and Wastewater Revenue Bonds Series 2001A, Series 2001B and Series 2001C in the amount of \$415,310,000, \$335,640,000 and \$105,705,000, respectively.

The proceeds of the 2001A Bonds will be used to finance a portion of the costs of a program of capital improvements to the System, to fund capitalized interest for the 2001A Bonds through May 1, 2003, to fund the Debt Service Reserve Account balance for the 2001A bonds and to pay the costs of issuance associated with the 2001A bonds.

Notes to the Financial Statements - Continued

L. Long Term Obligations, continued

The proceeds of the Series 2001B bonds were used to advance refund a portion of the System's previously issued Water and Wastewater Revenue Bonds Series 1999A and to pay the costs of issuance associated with the 2001B Bonds and are due November 1, 2038, subject to mandatory and optional redemption and mandatory and optional tender. Interest is payable on a monthly basis at the beginning of each month beginning with February 1, 2002 at a variable rate of interest as established on a weekly basis by the remarketing agent. The weekly interest rate determined by the remarketing agent is the minimum rate of interest that would result in the sale of the 2001B Bonds at a price equal to 100% of the principal amount. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at par by adjusting the interest rate.

Under the standby bond purchase agreement issued by the bank, the fiscal agent can draw amounts sufficient to repurchase the bonds if they cannot be resold by the remarketing agent. The agreement expires the later of May 1, 2009 or the last day of any extension as stipulated in the agreement. The City pays a commitment fee of .175% per annum on the average daily amount of the available commitment. In the event that were required to purchase bonds under the standby bond purchase agreement, the amounts would be payable in 14 equal semi annual installments commencing 180 days after the end of the purchase period. There were no amounts outstanding at December 31, 2002 under the standby bond purchase agreement.

The proceeds of the Series 2001C Bonds will be used to finance a portion of the costs of a program of capital improvements to the System, to fund capitalized interest for the 2001C Bonds through May 1, 2003 to fund the Debt Service Reserve Account Balance for the 2001C Bonds and to pay the costs of issuance associated with the 2001C Bonds and are due November 1, 20418. Interest is payable on a monthly basis at the beginning of each month beginning with February 1, 2002 at a variable rate of interest as established on a daily basis by the remarketing agent. The daily interest rate determined by the remarketing agent is the minimum rate of interest that would result in the sale of the 2001B Bonds at a price equal to 100% of the principal amount.

Revenue of the System is pledged as security for payments on the Bonds.

In January 2002, the System also issued Water and Wastewater Revenue Bonds Series 2001C Auction Rate Certificate in the amount of \$105,600,000. The proceeds of the Series 2001C ARC's will be used to finance a portion of the costs of a program of capital improvements to the System, to fund capitalized interest for the 2001C ARC's through May 1, 2003 to fund the Debt Service Reserve Account Balance for the 2001C ARC's and to pay the costs of issuance associated with the 2001C ARC's. Revenue of the System is pledged as security for payments on the Bonds.

Sanitation Fund

State and federal laws and regulations require the City to place final covers on its four landfill sites when each site stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The City has landfill sites at Cascade Road, Key Road, Gun Club Road, and East Confederate Road. All City landfills were certified by the State of Georgia as closed during 2000 and only postclosure care costs will be incurred in the future. Although postclosure care costs will be paid over the next 30 years, the City accrued a liability for those costs as the landfills were accepting waste. The \$52,152,000 reported as the landfill postclosure care

Notes to the Financial Statements - Continued

L. Long Term Obligations, continued

liability at December 31, 2002 represents the cumulative amount of postclosure costs expected to be incurred over the required 30 year monitoring period which began in 2000. These amounts are estimates calculated by the management of the City of what it would cost to perform all postclosure care. Actual costs may be higher than estimates due to inflation, changes in technology or regulations. Postclosure care costs will be funded by future sanitary charges of the Sanitation Fund or from future contributions from the General Fund if necessary.

Debt Service Requirements

The following summarizes the debt service requirements of long-term debt at December 31, 2002 (excluding unamortized bond discount/premiums and deferred refunding amounts of \$39,901,000 for the Department of Aviation, \$42,759,000 for the Water and Wastewater System, \$2,540,553 for the Recreation Authority and \$2,541,000 for Underground Atlanta) (dollars in thousands on the following table).

Year Ended December 31,	Governmental Activities									
	General Obligations		SWMA Revenue Bonds		Annual Bonds		Certificates of Participation		Limited Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 6,700	\$ 12,356	\$ 855	\$ 1,292	\$ 450	\$ 3,541	\$ 16,977	\$ 8,146	\$ -	\$ 6,749
2004	3,735	12,018	890	1,254	470	3,494	11,560	7,701	565	6,749
2005	6,775	10,953	930	1,214	1,040	3,281	11,830	7,686	2,240	6,721
2006	8,580	10,728	975	1,172	1,330	3,099	11,700	7,470	2,405	6,572
2007	9,060	10,222	1,020	1,126	1,405	2,989	9,851	6,747	2,575	6,402
2008-2012	44,945	42,172	5,915	4,838	8,690	12,974	43,295	25,834	15,925	28,997
2013-2017	48,525	26,994	7,555	3,178	9,500	9,034	36,590	15,693	22,630	22,397
2018-2022	62,565	12,469	7,570	1,019	9,360	5,841	21,080	8,105	31,250	12,754
2023-2027	12,020	601	-	-	3,360	1,321	17,310	2,050	13,910	1,663
	<u>\$ 202,905</u>	<u>\$ 138,513</u>	<u>\$ 25,710</u>	<u>\$ 15,093</u>	<u>\$ 35,605</u>	<u>\$ 45,574</u>	<u>\$ 180,193</u>	<u>\$ 89,433</u>	<u>\$ 91,500</u>	<u>\$ 99,005</u>

Year Ended December 31,	Business-Type Activities						Component Units			
	Aviation		Water & Sewer		Underground Atlanta		Recreation Authority		Development Authority	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 50,775	\$ 79,555	\$ 3,260	\$ 79,652	\$ 2,435	\$ 4,313	\$ 13,167	\$ 15,076	\$ 456	\$ 1,988
2004	51,495	77,723	9,375	79,167	3,860	4,124	5,695	14,295	527	1,989
2005	52,866	74,549	10,655	78,617	4,050	3,920	6,020	13,967	613	1,960
2006	54,547	71,029	15,985	77,788	4,225	3,697	6,375	13,618	663	1,929
2007	56,662	67,421	16,700	76,923	4,445	3,462	8,290	13,237	725	1,897
2008-2012	190,320	296,619	104,470	369,076	26,460	13,113	31,550	60,698	4,285	8,878
2013-2017	187,885	239,705	138,130	336,776	26,150	4,240	42,390	49,856	4,760	7,701
2018-2022	245,145	175,608	180,290	300,193	-	-	53,885	34,844	8,619	6,211
2023-2027	302,750	98,660	196,170	252,167	-	-	62,435	16,247	7,840	4,127
2028-2032	230,379	13,088	270,995	188,760	-	-	11,342	781	11,835	1,528
2033-2037	-	-	388,185	130,486	-	-	-	-	-	-
2038-2042	-	-	382,510	16,526	-	-	-	-	-	-
	<u>\$ 1,422,824</u>	<u>\$ 1,193,957</u>	<u>\$ 1,716,725</u>	<u>\$ 1,986,131</u>	<u>\$ 71,625</u>	<u>\$ 36,869</u>	<u>\$ 241,149</u>	<u>\$ 232,620</u>	<u>\$ 40,323</u>	<u>\$ 38,208</u>

Notes to the Financial Statements - Continued

L. Long Term Obligations, continued

Advance Refunding

The City issued \$335,640,000 of Water and Wastewater Revenue Bonds Series 2001B to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of granting resources for debt service payments on certain Water and Wastewater Revenue Bonds, Series 1999A in the amount of \$321,670,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Water and Wastewater System Fund. The reacquisition price exceeded the net carrying amount of the old debt by \$10,009,000. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advanced refunding was undertaken to reduce total debt service payments over the next 36 years by approximately \$46,132,000 and resulted in an economic gain of approximately \$20,752,000.

Defeased Debt

The City has defeased various bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the City's government-wide and proprietary fund financial statements. At December 31, 2002, the City has \$138,255,000 in defeased Various Purpose General Obligation Bonds, \$56,465,000 in defeased Airport Extension and Improvement Bonds, and \$790,775,000 in defeased Water and Wastewater Revenue Bonds.

The trust accounts and the defeased bonds are not included in the City's financial statements. At December 31, 2002, the outstanding amount of Water and Wastewater Revenue Bonds considered defeased was \$321,670,000.

Notes to the Financial Statements - Continued

M. Segment Information

Segment information is reported for the City's enterprise funds that have revenues pledged to revenue bonds. The segments reported include the funds used to account for the City's Water and Wastewater Department, Hartsfield-Jackson Atlanta International Airport, the Sanitation Department, and Underground Atlanta (a retail and entertainment complex).

	Water and Wastewater System	Department of Aviation	Sanitation	Underground Atlanta
Condensed Statement of Net Assets:				
Assets:				
Current assets	\$ 135,545	\$ 469,472	\$ 22,271	\$ 40
Other assets	962,212	1,183,801	-	8,721
Capital assets	1,689,723	2,269,609	14,985	54,273
Total assets	<u>2,787,480</u>	<u>3,922,882</u>	<u>37,256</u>	<u>63,034</u>
Liabilities:				
Interfund payables	39,422	5,475	15,586	-
Other current liabilities	66,666	439,565	2,436	4,246
Noncurrent liabilities	1,709,803	1,344,221	61,517	69,234
Total liabilities	<u>1,815,891</u>	<u>1,789,261</u>	<u>79,540</u>	<u>73,480</u>
Net assets:				
Invested in capital assets, net of related debt	855,341	1,012,236	9,910	(18,086)
Restricted	1,423	700,154	-	-
Unrestricted	114,824	421,231	(52,194)	7,640
Total net assets	<u>\$ 971,588</u>	<u>\$ 2,133,621</u>	<u>\$ (42,284)</u>	<u>\$ (10,446)</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets:				
Operating revenue	\$ 202,729	\$ 244,997	\$ 50,478	\$ 2,094
Depreciation and amortization expense	(52,539)	(60,351)	(2,343)	(2,918)
Other Operating expenses	(131,708)	(95,715)	(35,414)	(11,668)
Operating income	<u>18,482</u>	<u>88,932</u>	<u>12,721</u>	<u>(12,492)</u>
Nonoperating revenues (expenses)				
Investment income	38,225	48,263	(1,123)	(13)
Interest expense	(49,241)	(77,258)	158	(153)
Capital contributions	1,598	195,933	-	-
Net operating transfers	-	-	(3,020)	7,652
Change in net assets	9,064	255,870	8,736	(2,087)
Beginning net assets	962,524	1,877,751	(51,020)	(8,359)
Ending net assets	<u>\$ 971,588</u>	<u>\$ 2,133,621</u>	<u>\$ (42,284)</u>	<u>\$ (10,446)</u>

Notes to the Financial Statements - Continued

M. Segment Information, continued

	Water and Wastewater System	Department of Aviation	Sanitation	Underground Atlanta
Condensed Statement of Cash Flows:				
Net cash provided (used) by:				
Operating activities	\$ 96,508	\$ 162,609	\$ 6,893	\$ (7,447)
Noncapital financing activities	-	-	(3,020)	-
Capital and related financing activities	322,626	(30,987)	(3,957)	(153)
Investing activities	<u>(374,870)</u>	<u>(93,868)</u>	<u>84</u>	<u>(13)</u>
Net increase (decrease)	44,264	37,754	0	(7,613)
Beginning cash & equivalents	-	99,965	-	-
Ending cash & equivalents	<u>\$ 44,264</u>	<u>\$ 137,719</u>	<u>\$ 0</u>	<u>\$ (7,613)</u>

Other Information

N. Pension Plans and Other Employee Benefits

Pension Plans

The City maintains one agent multiple-employer defined benefit pension plan, entitled the General Employees' Pension Plan, two single-employer defined benefit pension plans, entitled the Firefighters' Pension Plan and the Police Officers' Pension Plan, and one single-employer defined contribution pension plan, entitled the General Employees' Defined Contribution Plan. The funding methods and determination of benefits payable were established by the legislative acts creating such plans, as amended, and in general, provide that the pension funds are to be accumulated from employee contributions, City contributions, and income from the investment of accumulated funds. The plans are administered by separate boards of trustees which include an appointee of the Mayor, the Chief Financial Officer, a member of City Council, and members elected from active and retired employees.

Prior to July 1, 2001, all permanent employees of the City, excluding sworn personnel of the Police and Fire Departments and including employees of the Board of Education who are not covered under the Teachers Retirement System of Georgia, were eligible to participate in the General Employees' Pension Plan. In addition, certain Atlanta Board of Education (the "Board") employees, employed prior to July 1, 1979, also participate in the City's General Employees' Pension Plan (the "Plan"). The City has no obligation to pay any costs related to retirement benefits of employees of the Board. The financial information herein relates only to City obligations for City employees.

Effective July 1, 2001, all new, permanent employees of the City, excluding sworn personnel of the Police and Fire Departments, are only eligible to participate in the newly created Defined Contribution Plan. During 2002 persons employed prior to July 1, 2001 were given the option of transferring to the New Defined Contribution Plan. As of year end, employees previously participating in the General Employees' Defined Benefit Plan did not have the option of transferring the new Defined Contribution Plan. Sworn personnel of the Police and Fire Departments are eligible to participate in the Police Officers' and Firefighters' plans, respectively.

Notes to the Financial Statements - Continued

N. Pension Plans and Other Employee Benefits, continued

Complete financial statements for all Plans, except the newly created General Employees' Defined Contribution Plan, can be obtained at the following address:

City of Atlanta
68 Mitchell Street, S.W.
Suite 1600
Atlanta, Georgia 30335

Separate financial statements have not been prepared for the General Employees' Defined Contribution Plan.

Defined Benefit Plans

The City's defined benefit plans provide retirement benefits that, initially, are 2% for each year of service times the final average three-year earnings. Normal retirement, after 15 years of service, is available at age 60 for City employees and at age 55 for Police and Fire employees. Cost-of-living increases are awarded annually, up to a 3% maximum increase. Partial vesting percentages based on years of creditable service and provisions for early retirement are included in the plans. Benefits also may be payable at termination, death, or disability.

All modifications to the pension plans must be supported by actuarial analysis and receive the recommendations of the City Attorney, the Chief Financial Officer, and the boards of trustees of each plan. Each pension law modification must be adopted by at least two-thirds vote of City Council and approved by the Mayor.

In addition, the City has been given special constitutional authority by the State to supplement benefits for retired employees as long as such adjustments are funded by the City.

The City's practice is to have actuarial valuations of its defined benefit pension plans performed every two years by an enrolled actuary. The membership at the latest actuarial valuation date of January 1, 2002, in the three defined benefit plans and related current year payrolls are as follows (dollars in thousands):

	<u>General Employees</u>	<u>Firefighters</u>	<u>Police Officers</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	3,194	742	953	4,889
Current active employees:				
Fully vested	1,315	459	548	2,322
Partially vested	1,666	283	572	2,521
Nonvested	<u>1,608</u>	<u>136</u>	<u>420</u>	<u>2,164</u>
Total Membership	<u><u>7,783</u></u>	<u><u>1,620</u></u>	<u><u>2,493</u></u>	<u><u>11,896</u></u>

Notes to the Financial Statements - Continued

N. Pension Plans And Other Employee Benefits, continued

The payroll and covered payroll for the year ended December 31, 2002 are as follows:

Total current year payroll	<u>\$185,733</u>	<u>\$39,515</u>	<u>\$73,203</u>	<u>\$298,451</u>
Total current year covered payroll	<u>\$163,140</u>	<u>\$39,460</u>	<u>\$67,320</u>	<u>\$269,920</u>

Funding Policy

The City's funding policy for its defined benefit plans is to contribute a percentage of each plan's covered employee payroll as developed in the actuarial valuation for the individual plan. Active participants are required to contribute 7% of base pay (or 8% if participant has a covered beneficiary). The City's contribution percentage is the actuarially determined amount necessary to fund plan benefits after consideration of employee contributions. The City makes an additional contribution of 1% of payroll, which effectively decreases the employees' required contribution percentage to 6% (or 7% if participant has a covered beneficiary), but has no effect on the overall required contribution. The City is not obligated to continue the 1% supplemental contribution for any specified period of time.

The actuarially determined annual required contribution amount is the sum of the annual normal cost (determined under the entry age normal actuarial cost method) and the amortization of the unfunded actuarial accrued liability as a level percentage of future payrolls (over 40 years from January 1, 1979). The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the actuarial accrued liability. The required contribution percentages, developed in the most recent actuarial valuations for the plans, to cover pension liabilities and the actual 2002 contribution amounts are (dollars in thousands):

	<u>General Employees</u>	<u>Firefighters</u>	<u>Police Officers</u>
Normal cost	12.27%	22.07%	18.98%
Amortization of the unfunded actuarial accrued liability	<u>14.35</u>	<u>9.10</u>	<u>11.09</u>
Total required contributions as a percentage of payroll	<u>26.62%</u>	<u>31.17%</u>	<u>30.07%</u>
2002 actual employee contributions:			
Dollar amount	\$12,732	\$2,724	\$ 4,553
Percent of covered payroll	7.8%	6.9%	6.7%
2002 actual City contributions:			
Dollar amount	\$30,910	\$9,524	\$15,595
Percent of covered payroll	18.9%	24.1%	23.2%

Notes to the Financial Statements - Continued

N. Pension Plans And Other Employee Benefits, continued

With respect to the General Employees' Pension Plan, which is a multiple-employer plan, the City's actuarially determined contribution required above is only that of the City's portion.

The actual City contributions shown above include amounts used to fund retiree supplemental cost of living increases and other minimum benefits. These amounts are components of the City's contributions for purposes of meeting its actuarially determined funding requirements.

Annual Pension Cost and Net Pension Obligation: The City's annual pension cost and net pension obligation for the current year and each of the two preceding years were as follows (dollars in thousands).

<u>Year</u>	<u>Annual Pension Cost</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
General Employees:			
2000	\$26,206	100%	-
2001	31,107	72.2	\$8,647
2002	30,910	100	-
Firefighters:			
2000	10,616	100	-
2001	9,438	100	-
2002	12,248	100	-
Police Officers:			
2000	13,816	100	-
2001	14,200	100	-
2002	20,148	100	-

The City uses the result of its biennial actuarial valuations of its pension plans to determine the two succeeding years' contributions requirements. The actuarial cost method used for funding purposes and to calculate the actuarial accrued liability is the Entry Age Normal Cost Method. This method is one of the approved methods for such plans in Georgia, and provides for contributions estimated to be a level percentage of future payroll. The unfunded actuarial accrued liability for funding purposes is amortized over a closed period of 40 years from January 1, 1979 as a level percentage of estimated future payroll, in accordance with State of Georgia guidelines. The net pension obligation could not be distributed to the various proprietary funds and is thus all recorded as long-term debt in the government-wide financial statements. Other actuarial assumptions used to perform the most recent (January 1, 2002) calculations for funding purposes are:

Rate of return on investments	8% per year
Projected salary increases for:	
Inflation	5 % per year
Merit or seniority and productivity	.7-5.5% per year
Postretirement benefit increases	3% per year

Notes to the Financial Statements - Continued

N. Pension Plans And Other Employee Benefits, continued

The following schedule (derived from the most recent actuarial valuation reports) reflects accounting policies, liabilities, and funding provisions for the City's three plans as of December 31, 2002:

	<u>General Employees</u>	<u>Firefighters</u>	<u>Officers</u>
Basis of accounting	Accrual	Accrual	Accrual
Asset Valuation: Reporting Actuarial valuation	Fair Value Fair Value	Fair Value Smoothed 5 Year Average	Fair Value Smoothed 5 Year Average
Internal Loans	None	None	None
Nongovernment individual Investment In excess of 5% of net assets	None	None	None

Defined Contribution Plan

The City's General Employees' Defined Contribution Plan provides funds at retirement for employees of the City and in the event of death, to provide funds for their beneficiaries, through an arrangement by which contributions are made to the Plan by employees and the City. The current mandatory contribution requirement of the City is 6% of employee payroll. Employees also make a pretax contribution of 6% plus have the option to contribute amounts up to the amount legally limited for retirement contributions. All modifications to the Plan, including contribution requirements, must receive the recommendations of the City Attorney, the Chief Financial Officer, and the board of trustees of the plan. Each pension law modification must be adopted by at least two-thirds vote of the City Council and approved by the Mayor.

All new employees, hired after July 1, 2001, who previously would have been enrolled in the General Employees' Defined Benefit Plan, were enrolled in the General Employees' Defined Contribution Plan. During 2002, persons employed prior to July 1, 2001 were given the option to transfer to the Defined Contribution Plan. As of December 31, 2002 there were 327 participants in the Defined Contribution Plan.

Employee contributions for the year ended December 31, 2002 were \$4,316,000 and employer contributions were \$3,502,000 (inclusive of amounts transferred in from General Employees' Defined Benefit Plan).

The Defined Contribution Plan uses the accrual basis of accounting. Investments are reported at fair value, based on quoted market prices and there were no nongovernmental individual investments that exceeded 5% of the net assets of the Plan.

Notes to the Financial Statements - Continued

N. Pension Plans And Other Employee Benefits, continued

Postretirement Benefits

In accordance with a City ordinance, the City provides certain health/dental care for retired employees, their dependents, and their beneficiaries. The City also provides life insurance for retired employees and their dependents. These benefits are funded on a pay-as-you-go basis. Substantially all employees may become eligible for these benefits if they reach retirement age, as defined, or are totally disabled while working for the City. Currently, 3,894 retirees meet the eligibility requirements. The City contributes 75% of the premium cost for the least expensive health care provider coverage and contributes \$4.10 per thousand of the premium cost for a retiree's life insurance coverage in amounts ranging from \$1,000 to \$10,000. The City does not contribute to the cost of dependent life insurance. The cost of retiree health/dental care and life insurance benefits is recognized as premiums are paid to the private insurers and such costs totaled \$24,722,749 in 2002.

Deferred Compensation Plan

The City has adopted a deferred compensation plan in accordance with the 1997 revisions of Section 457 of the Internal Revenue Code. The plan, available to all City employees, allows an employee to voluntarily defer up to 25% of his/her gross compensation, not to exceed certain limits per year. Each participant selects one of three providers to administer the investment of the deferred funds. MI administrative costs of the plan are deducted from the participants' accounts. The plan assets are held in custodial accounts for the exclusive benefit of the plan participants and their beneficiaries, and are therefore not included in the City's financial statements.

O. Risk Management

Self-insurance

The City is self-insured for workers' compensation and general claims liabilities. The City pays for such claims as they become due. These claims liabilities are accounted for in the General Fund and the applicable Enterprise Funds. Claims generated by a governmental fund expected to be paid subsequent to one year are recorded in the government-wide financial statements. The City's workers' compensation liability is calculated by an outside actuary. Liabilities are reported when it is probable a loss has occurred and the amount can be reasonably estimated including amounts for claims incurred but not yet reported.

Notes to the Financial Statements - Continued

O. Risk Management, continued

Workers' Compensation

The calculation of the present value of future workers' compensation liabilities is based on a discount rate of 5.5% and 6% for 2002 and 2001, respectively. Changes in the balances of claims liabilities for workers' compensation and general claims liabilities during 2001 and 2002 were as follows (in thousands):

	<u>Beginning of year</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>End of year</u>
Workers' compensation:				
2001	\$27,299	\$14,785	\$(8,891)	\$33,193
2002	\$33,193	\$10,455	\$(8,207)	\$35,193
General claims liability:				
2001	\$7,273	\$21,677	\$(7,125)	\$21,825
2002	\$21,825	\$ 1,792	\$(20,626)	\$ 2,991

The City participates in the State Subsequent Injury Trust Fund, a public entity managed by the State of Georgia. The pool is designed to provide the insurance coverage for employees who are hired with previous medical conditions. Historically, premiums have not been significant.

P. Commitments and Contingencies

Litigation

The City is subject to various suits and proceedings arising in the ordinary conduct of its affairs and has been named as defendant in several lawsuits. The City has accrued amounts related to litigation where an outcome unfavorable to the City is probable and the amount can be reasonably estimated. The City has been named as defendant in several other suits and actions claiming personal and property damages. In the opinion of the City Attorney, all suits and actions now pending, or likely to be filed, will be resolved without a material effect on the financial position of the City.

Grants from Governments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Notes to Financial Statements - Continued

P. Commitments and Contingencies, continued

Construction Commitments

At December 31, 2002, the total estimated costs to complete construction projects are \$352,354,000 and \$139,218,000 for the Department of Aviation and Water and Wastewater System, respectively

Outsourcing of Water Management

On January 1, 1999, United Water Services Unlimited Atlanta LLC ("United Water") began operating and maintaining the City's drinking water system, pursuant to the terms of an operations and management agreement dated December 24, 1998 (the "Agreement"). United Water operated and maintained the City's two wholly owned water treatment plants and the associated storage facilities, pumping stations, and water distribution mains. United Water managed billing, collections, and customer service functions for the water and sewerage system. Under this 20-year agreement, the City was to pay United Water annual payments, which increased annually based on 90% of the Atlanta Consumer Price Index escalation.

In January 2003, the City and United Water reached an agreement to mutually dissolve the operating and management agreement and transfer the operation and maintenance of the System and certain employees of United Water to the City. The dissolution agreement specified that the Agreement would end on April 28, 2003. Beginning April 29, 2003, the City became responsible for operating and maintaining the System. The City received a \$6 million payment for settlement of all outstanding claims against United Water and that the City would paid United Water a complete settlement of all claims not to exceed \$1 million.

For the period January 2, 2003 through and including March 31, 2003, the City paid United Water a monthly operation and management fee in the amount of \$1,975,878 per month and for the period April 1, 2003 through April 28, 2003, \$2,353,255 in accordance with the terms of an operations and management agreement dated December 24, 1998 (the Agreement).

Consent Decrees for Wastewater System

The System is subject to two related consent decrees the City entered into to resolve alleged violations of the Federal Clean Water Act and the Georgia Water Quality Control Act. On October 10, 1995, the Upper Chattahoochee Riverkeeper Fund, Inc. (*Riverkeeper*), brought suit against the City of Atlanta pursuant to the citizen suit provision of the Clean Water Act seeking injunctive relief and the assessment of civil penalties. Subsequently, the United States of America, acting at the request and on behalf of the EPA, and the State of Georgia, at the request of the Georgia Environmental Protection Division (EPD), also filed a complaint against the City alleging violations of the Clean Water Act and seeking similar relief. The actions were consolidated.

The plaintiffs alleged that the City violated the terms of its permits that authorize discharge of Wastewater from the City's Combined Sewer Overflow (CSO) Control Facilities and its Wastewater Treatment Facilities. In 1998, the plaintiffs and the City agreed to the entry of a consent decree relating to the CSO Control Facilities. On December 20, 1999, the First Amended Consent Decree was entered by the United States District Court for the Northern District of Georgia. The United States, the State of Georgia, and the City of Atlanta are the parties to the First

Notes to Financial Statements - Continued

P. Commitments and Contingencies, continued

Amended Consent Decree (FACD). Because claims brought by *Riverkeeper* were resolved under the CSO Consent Decree, *Riverkeeper* is not a party to the First Amended Consent Decree.

First Amended Consent Decree

The First Amended Consent Decree resolved allegations regarding the City's wastewater treatment facilities, inter-jurisdictional requirements, and the City's sewerage collection and transmission system. For the wastewater treatment facilities, the FACD requires the City to: continue its ongoing wastewater treatment facilities Capital Improvement Program for completion of upgrades at the R.M. Clayton, Utoy Creek, Intrenchment Creek, and South River Water Reclamation Centers (WRC); install and implement a maintenance management system, revise the current operations program, and implement upgrades to the current laboratory information system; and review its inter-jurisdictional agreements to address over-loading and pretreatment issues. For the collection and transmission system, the City is required to implement a remedial action plan to eliminate all sewer overflows. All capital improvements, upgrades, and repairs under the FACD must be completed by July 1, 2014, which includes many milestones along the way that must be completed on schedule. The upgrades to the WRCs, scheduled to be operational by December 31, 2001, were completed on schedule. The City failed to meet the February 28, 2003 deadline for the Indian Creek Trunk Relief Project. In response to a notice letter from the agencies regarding this missed deadline, the City submitted a report explaining its failure to meet the deadline and itemizing its efforts to correct operational deficiencies in the City processes. Although the FACD allows for fines up to \$1,000,000 for missed deadlines, the City has been assessed a penalty of \$100,000. The City continues to address operational and technical issues to improve efficiency and stay on track with the work required.

CSO Consent Decree

With respect to the October 10, 1995, action brought against the City by the *Riverkeeper*, the court dismissed allegations regarding the phosphorus reduction program and common law nuisance claims, but found that the City violated federal and State water pollution laws with regard to the City's operation of its Tanyard Creek, Proctor Creek/North Avenue, and Proctor Creek/Greensferry CSO treatment facilities. As mentioned, the City and the citizen plaintiffs settled the lawsuit in what is referred to as the CSO Consent Decree (EPA and the EPD also joined). The CSO Consent Decree requires the City to study the performance of the existing CSO treatment facilities, evaluate treatment alternatives that may be necessary for meeting State water quality standards, and improve the performance, maintenance, operation, and management of the existing treatment facilities. The City has completed its CSO Remedial Measures Report and has received EPA/EPD's authorization to proceed with a partial sewer separation and consolidated storage and treatment remedy to resolve the CSO problems.

Notes to Financial Statements - Continued

P. Commitments and Contingencies, continued

In 2002, Mayor Shirley Franklin put in place a technical review panel to study the City's plans to address the CSO remedial plan and make recommendations. The panel was chaired by Dr. Wayne Clough, President of the Georgia Institute of Technology. In October 2002, the panel recommended a plan that includes separation of 27% of the combined sewers. The estimated capital cost of the authorized CSO plan was \$953 million at the planning stage, \$883 million at the pre-design stage, and as of December 31, 2002, \$806 million at the final design phase. The City is currently executing its remedial plan. Under the CSO Consent Decree the deadline for completion of any new or additional capital improvement is November 7, 2007.

The Franklin administration has actively sought funding assistance needed to perform this work. Through the current date, the federal and state governments have offered limited assistance; \$4.6 million loan from the Georgia Environmental Facilities Authority, a state agency, and \$1.8 million for the City's Nancy Creek Project made through Title III of the VA-HUD. Efforts to secure federal and state funding continue. In addition, to date, the Fulton County Commission has refused to put a Special Purpose Local Option Sales Tax (SPLOST) on the ballot. Efforts continue with the Commission as well.

The Atlanta City Council is currently deliberating several legislative options to address the consent decree and other regulatory issues. As of December 11, 2003, there is not a rate plan in place to satisfy the requirements of the Consent Decrees, as presently approved by the regulatory agencies. If a sufficient rate increase is not approved, the City faces the possibility of not being able to fund the construction. Failure to meet the 2007 deadline and mandated milestones would subject the City to significant financial and administrative penalties. Additionally, failure to set a rate sufficient to fund the annual debt service and mandatory reserve requirements is a potential event of default for the City's outstanding water and wastewater bonds.

The CSO Consent Decree requires the City to finance a \$27.5 million supplemental environmental project ("SEP") which consists of two projects: (1) the Stream Cleanup Project for the removal of debris from urban streams below all of the CSO facilities and 2) the Greenway Acquisition Project for acquisition of Greenway properties adjacent to urban streams. Funding for the SEP may not include funds from private donations, state or federal loans, contracts, or grants. The CSO Consent Decree mandated that the cleanup be accomplished by October 1, 1999. The City completed the Stream Cleanup Project on August 27, 1999, ahead of the mandated deadline. The EPA/EPD granted approval of the completion of the Project on January 6, 2000.

Greenway Acquisition

The EPA and EPD authorized the final Greenway Acquisition Plan on April 27, 2001. The City is currently in the implementation phase of the Greenway Acquisition Project. The CSO Consent Decree requires the City to expend funds deposited in the Greenway Account for acquisition of streamside buffers measured 100 feet from top of bank, to be maintained in perpetuity in a natural undisturbed state. As of December 31, 2002, the City has acquired 228 acres of property and has spent \$2.5 million on development of the Greenway Plan and \$2,733,604 to acquire buffers.

The City must deposit \$25 million into a separate Greenway Account by March 31, 2006, based upon a schedule outlined in the Consent Decree. The City is current on its deposits to the fund (currently at \$13 million).

Notes to Financial Statements - Continued

P. Commitments and Contingencies, continued

Consent Orders for Drinking Water System

The City of Atlanta is subject to two administrative Consent Orders issued by the Georgia Department of Natural Resources, Environmental Protection Division. They are dated December 9, 1997, and March 21, 2003. Those Orders require capital improvements at the Chattahoochee and Hemphill Treatment Plants, as well as operational improvements to ensure compliance with the Georgia Rules for Safe Drinking Water. While the City is in substantial compliance with the provisions of both Orders, certain aspects of the capital program remain to be completed.

Estimated Capital Costs to Complete Compliance with Decrees and Orders

The City is in the midst of a Capital Improvement Program mandated by court orders, regulatory and priority requirements. This Capital Improvement Program details all of the improvements needed through 2014 to meet the aforementioned objectives. A summary of the project types and related costs are as follows:

<u>Project Types</u>	<u>Total 2004-2014 CIP</u> (Millions)
Wastewater Projects	
CSO Consent Decree	\$ 884
First Amended Decree	963
Regulatory	108
R & E Fund Projects	<u>420</u>
Subtotal	2,375
Drinking Water Projects	
Consent Order	152
Non-Consent Order	<u>647</u>
Subtotal	<u>799</u>
Grand Total	<u>\$3,174</u>

Q. Subsequent Events

As required under Section XII, Force Majeure (C), of the Consent Decree (CD) and First Amended Consent Decree (FACD), on December 5, 2003, the City of Atlanta notified the US Environmental Protection Agency and the State of Georgia Environmental Protection Agency that the rate increases adopted by the Atlanta City Council on December 1, 2003 were significantly less than the rate increase recommended by the City of Atlanta's administration as the rates required to comply with the consent decree. This action would preclude the City from issuing new water and sewer bonds in 2004 and would delay or prevent the performance of its obligations under the CD and FACD, despite the City's best efforts to fulfill these obligations. As a result, the Mayor vetoed the rate increase adopted by the City Council. In order for the City to issue additional water and sewer bonds in 2004, increased rates must be enacted prior to the adoption of the final 2004 budget in February 2004. The City is unsure what action the US Environmental Protection Agency and/or the State of Georgia Environmental Protection Agency could take to ensure compliance with the obligations under the CD and FACD.

Notes to Financial Statements - Continued

Q. Subsequent Events, continued

In December 2003, the City issued \$8,000,000 of Various Purposes General Obligation Bonds, Series 2003, to finance the various costs of acquiring, constructing, renovating, equipping, adding to, and improving both municipal facilities and school facilities as allowed in the special provision of the Constitution of the state of Georgia.

In June 2003, the City of Atlanta refunded \$576,225,000 of Airport Facilities Revenue Bonds through the issue of the Series 2003 bonds in the same amount.

The 2002 Series Bond Anticipation Notes (BAN's) matured on October 30, 2003 and bore interest at an annual rate of 2.25%. In October 2003, the City of Atlanta issued Airport Limited Obligation Bonds Anticipation Notes, Series 2003 in the amount of \$395,000,000 to replace the 2002 Series.

In December 2003, the City of Atlanta issued Airport General Revenue Refunding Bonds, Series 2003-RF in the amount of \$118,270,000 to refund certain maturities of the City's outstanding Airport Facilities Revenue Bonds, Series 1994B.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ATLANTA, GEORGIA

Required Supplementary Information

Schedule of Funding Progress (Amounts in thousands)

<u>Valuation Date</u>	<u>Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Percentage Funded</u>	<u>Unfunded Accrued Liabilities</u>	<u>Current Year Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Covered Payroll</u>
General Employees:						
01/01/98	\$590,739	\$ 808,374	73.1	\$217,635	\$155,605	139.9%
01/01/00	\$703,381	\$ 920,409	76.4	\$217,028	\$177,754	122.1%
01/01/02	\$726,180	\$1,059,876	68.5	\$333,096	\$175,752	187.8%
Firefighters:						
01/01/98	\$223,575	\$297,349	75.2	\$73,774	\$34,679	212.7%
01/01/00	\$289,054	\$322,370	89.7	\$33,316	\$38,797	85.9%
01/01/02	\$326,620	\$370,291	88.2	\$43,671	\$39,447	110.7%
Police Officers:						
01/01/98	\$296,516	\$384,074	77.2	\$87,558	\$57,878	151.3%
01/01/00	\$384,083	\$419,439	91.6	\$35,356	\$67,330	52.5%
01/01/02	\$448,676	\$541,209	82.9	\$92,533	\$68,056	135.9%

The City uses the result of its biennial actuarial valuations of its pension plans to determine the two succeeding years' contributions requirements. The actuarial cost method used for funding purposes and to calculate the actuarial liability is the Entry Age Normal Cost Method. The unfunded actuarial accrued liability for funding purposes is amortized over a closed period of 40 years from January , 1979 as a level percentage of estimated future payroll. The actuarial value of assets is determined, for the General Employees' Pension Plan, using the market value, and for the Police Officers' and Firefighters' Pension Plans, using a smoothed five years averaged market value. Other actuarial assumptions used to perform the most recent calculations for funding purposes are:

Rate of return on investments	8%	per year
Projected salary increases for:		
Inflation	5%	per year
Merit or seniority and productivity	0.7-5.5%	per year
Postretirement benefit increases	3%	per year

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Nonmajor Governmental Funds

Special Revenue Funds

These funds account for activities carried out by the City under the terms of certain intergovernmental grants and/or laws. Certain funds other than Special Revenue Funds also reflect grant activity but to a lesser extent.

Community Development Fund - Established to account for the revenue and expenditures provided under the Title I of the Housing and Community Development Act of 1974 which provides for development of viable urban communities, including decent housing and suitable living environments and expansion of economic opportunities, principally for persons of low and moderate incomes.

Intergovernmental Grant Fund - Established to account for the revenues and expenditures for miscellaneous grants except for those recorded in the Department of Aviation, Water and Sewerage System, and the Community Development Funds.

Urban Design Commission Fund - Established to account for the revenues and expenditures associated with the operation and management of the Urban Design Commission (“UDC”), a blended component unity of the City. The UDC is legally separate from the City, and is governed by a board appointed by the Mayor and City Council.

Solid Waste Management - Established to account for the revenues and expenditures associated with the operation and management of debt financings for the closure of City landfills. The Solid Waste Management Authority, a blended component unit of the City, is legally separate from the City, and is governed by a board appointed by the Mayor and City Council.

Westside Tax Allocation - Established by the law creating the district to account for the proceeds of bonds issued to develop the Westside area and to account for the collection of the tax increments created by that development for repayment of the bonds and other projects.

Atlantic Station Tax - Established by the law creating the district to account for the proceeds of bonds issued to develop the Atlantic Station area and to account for the collection of the tax increments created by that development for repayment of the bonds and other projects.

Capital Projects Funds

These funds account for the accumulation of resources and the subsequent disbursement of such resources in obtaining or renovating major fixed assets.

Annual Bond Fund - Established to record capital project activity funded by General Obligation Bonds which are issued pursuant to special referenda or annual issues authorized by the City of Atlanta Charter. The annual issues of \$8 million are allocated equally between the City of Atlanta and the Atlanta Board of Education.

Park Improvement Fund - For permanent improvements to parks, the zoo, and recreation facilities funded by an ad valorem tax levy.

Special Assessment Fund - For the accumulation and expenditures of resources for various public improvements which are financed through assessment to individual property owners.

General Government - Established to record the acquisition, construction or improvement of capital assets which are funded by working capital obtained from certificates of appropriated and allocated from general government resources (operating transfers); dedicated taxes or a combination of financing sources which are not funded by the issuance of general obligation bonds.

Solid Waste Management - Established for the purpose of funding the closure cost of City of Atlanta landfills.

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CITY OF ATLANTA, GEORGIA
Nonmajor Governmental Funds

Combining Balance Sheet
December 31, 2002
(In Thousands)

ASSETS	Special Revenue Funds					
	Community Development Fund	Inter - governmental Grant Fund	Traffic Court	Atlantic Station Tax Allocation District	Westside Tax Allocation District	Other Special Rev. Funds
Cash	\$ 1,468	\$ 9,634	\$ 1,236	\$ 10	\$ 14	\$ 8,007
Investments in pooled investment fund	-	10	-	-	-	26,503
Investments	-	-	44,651	16,740	10,452	1,253
Receivables						
Taxes	-	-	-	-	-	-
Accounts	1,309	-	-	-	-	510
Special assessments	-	-	-	-	-	-
Loans	510	-	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	-	-
Due from other governmental units and agencies	1,742	7,274	-	-	-	1,909
Due from other funds	227	1,016	1,112	-	-	3,208
Investment in escrow	-	-	-	-	-	-
Other assets	-	-	1,349	-	-	-
Total assets	<u>\$ 5,256</u>	<u>\$ 17,935</u>	<u>\$ 48,349</u>	<u>\$ 16,751</u>	<u>\$ 10,466</u>	<u>\$ 41,390</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 662	\$ 885	\$ 195	\$ -	\$ -	\$ 2,223
Accrued salaries, vacation, and compensatory pay	56	84	191	-	-	209
Contract retentions	86	52	-	-	-	-
Due to other governments	-	217	-	-	-	-
Due to component units	-	1,176	-	-	-	-
Due to other funds	896	4,096	2,244	-	3	1,358
Deferred revenues	2,515	-	-	-	-	-
Total liabilities	<u>4,215</u>	<u>6,510</u>	<u>2,630</u>	<u>-</u>	<u>3</u>	<u>3,790</u>
Fund balances:						
Reserved for:						
Encumbrances	-	-	-	-	-	-
Programs	1,041	11,425	45,718	16,751	10,463	37,600
Capital Outlays	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-
Total fund balances	<u>1,041</u>	<u>11,425</u>	<u>45,718</u>	<u>16,751</u>	<u>10,463</u>	<u>37,600</u>
Total liabilities and fund balances	<u>\$ 5,256</u>	<u>\$ 17,935</u>	<u>\$ 48,349</u>	<u>\$ 16,751</u>	<u>\$ 10,466</u>	<u>\$ 41,390</u>

Capital Projects Funds

Debt Service Fund	Annual Bond	Park Improvement	Special Assessment	General Governmental Capital Outlay	Solid Waste Management Authority	Total Nonmajor Governmental Funds
\$ 35	\$ 156	\$ -	\$ -	\$ 19	\$ -	\$ 20,579
-	377	6,339	19	-	-	33,248
20,460	107,332	-	-	18,321	1,432	220,641
1,934	-	448	106	-	-	2,490
-	-	-	-	-	-	1,819
-	-	-	-	-	-	-
5,430	-	-	-	-	-	5,940
(6,397)	-	(231)	-	-	-	(6,627)
738	-	-	-	-	-	11,663
113	1,611	768	2	200	411	8,668
-	-	-	-	-	3,911	3,911
-	1,275	-	-	-	-	2,625
<u>\$ 22,314</u>	<u>\$ 110,751</u>	<u>\$ 7,324</u>	<u>\$ 127</u>	<u>\$ 18,540</u>	<u>\$ 5,755</u>	<u>\$ 304,957</u>
\$ -	\$ 3,142	\$ 1,038	\$ (2)	\$ 1,406	\$ -	\$ 9,551
-	41	30	-	-	-	611
-	378	1,068	-	-	-	1,583
164	-	-	-	-	-	381
-	-	-	-	-	-	1,176
-	323	-	-	1,940	789	11,648
287	-	71	-	13,260	-	16,133
451	3,885	2,206	(2)	16,606	789	41,083
-	8,306	2,525	188	3,519	184	14,721
-	-	-	-	-	-	122,999
-	98,561	2,594	(59)	(1,586)	4,781	104,291
21,863	-	-	-	-	-	21,863
-	-	-	-	-	-	-
21,863	106,866	5,118	129	1,934	4,965	263,874
<u>\$ 22,314</u>	<u>\$ 110,751</u>	<u>\$ 7,324</u>	<u>\$ 127</u>	<u>\$ 18,540</u>	<u>\$ 5,755</u>	<u>\$ 304,957</u>

CITY OF ATLANTA, GEORGIA
Nonmajor Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2002
(In Thousands)

	Special Revenue Funds					
	Community Development Fund	Inter-governmental Grant Fund	Traffic Court	Atlantic Station Tax Allocation District	Westside Tax Allocation District	Other Special Rev. Funds
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ 3,284	\$ 5,150	\$ -
Charges for current services	293	8,659	10	-	-	5,599
Charges for special assessments	-	-	-	-	-	-
Fines, forfeitures and penalties	-	-	16,824	-	-	2,381
Investment income	-	253	807	627	124	1,290
Intergovernmental revenues:						
U.S. Government grants	16,712	15,919	-	-	-	6,570
State of Georgia	-	15,869	-	-	-	1
Total intergovernmental revenues	16,712	31,788	-	-	-	6,571
Other	420	687	-	-	-	10,626
Total revenues	17,425	41,386	17,641	3,911	5,274	26,466
Expenditures:						
General government:						
Executive Offices	-	2,259	-	-	-	3,257
Personnel and human services	-	-	-	-	-	4
Administrative services	152	(13)	21,980	(46)	-	-
Courts and judicial agencies	-	440	17,325	-	-	42
Finance	66	-	-	-	-	1,966
Housing, planning and development	12,632	18,925	-	-	-	2,808
Law	70	-	-	-	-	-
Total general government	12,919	21,610	39,304	(46)	-	8,077
Police	-	2,493	-	-	-	525
Fire	-	50	-	-	-	29
Corrections	-	113	-	-	-	2,996
Public Works:	468	958	-	-	-	384
Parks, Recreation, and Cultural Affairs:	464	1,078	-	-	-	2,117
Nondepartmental	-	2	-	6	3,264	713
Capital Outlays	-	-	-	-	-	-
Debt service:						
Principal payments	1,589	-	1,410	-	-	-
Interest payments	944	-	2,563	6,091	-	-
Bond issuance costs	-	-	(125)	(596)	94	-
Total debt service	2,533	-	3,849	5,495	94	-
Total expenditures	16,384	26,305	43,153	5,455	3,358	14,841
Excess (Deficiency) of revenues over (under) expenditures	1,041	15,082	(25,512)	(1,544)	1,916	11,625
Other financing sources:						
Transfers in (out)	-	(7,701)	(8)	-	-	75
Proceeds of general long-term debt	-	-	55,195	-	-	-
Total other financing sources	-	(7,701)	55,187	-	-	75
Revenues and other sources over (under) expenditures and other uses	1,041	7,381	29,675	(1,544)	1,916	11,700
Fund balances, beginning of year, as restated	-	4,044	16,043	18,295	8,547	25,900
Fund balances, end of year	\$ 1,041	\$ 11,425	\$ 45,718	\$ 16,751	\$ 10,463	\$ 37,600

Capital Projects Funds

Debt Service Fund	Annual Bond	Park Improvement	Special Assessment	General Governmental Capital Outlay	Solid Waste Management Authority	Totals
\$ 25,307	\$ -	\$ 7,715	\$ -	\$ -	\$ -	\$ 41,456
-	-	-	-	-	-	14,561
-	-	-	550	1,469	-	2,019
-	-	-	-	-	-	19,205
350	1,571	272	14	313	70	5,689
-	-	-	-	-	-	39,201
-	-	-	-	-	-	15,870
-	-	-	-	-	-	55,071
12	32	-	-	2,107	-	13,884
25,669	1,603	7,986	564	3,888	70	151,885
-	-	-	-	-	-	5,516
-	-	-	-	-	-	4
196	-	-	-	-	-	22,269
-	-	-	-	-	-	17,807
-	-	-	-	-	-	2,032
-	-	-	-	-	-	34,364
-	-	-	-	-	-	70
196	-	-	-	-	-	82,062
-	-	-	-	-	-	3,019
-	-	-	-	-	-	79
-	-	-	-	-	-	3,109
-	-	-	-	-	-	1,810
-	-	-	-	-	-	3,659
-	-	-	-	-	-	3,986
-	39,066	12,751	228	4,528	(238)	56,335
6,690	-	-	-	-	820	10,509
11,693	-	-	-	-	1,327	22,619
20	-	-	-	-	9	(599)
18,403	-	-	-	-	2,156	32,529
18,599	39,066	12,751	228	4,528	1,918	186,586
7,070	(37,463)	(4,765)	336	(640)	(1,848)	(34,702)
-	-	(434)	(327)	261	2,147	(5,986)
-	21,645	-	-	-	-	76,840
-	21,645	(434)	(327)	261	2,147	70,854
7,070	(15,818)	(5,199)	9	(379)	299	36,152
14,793	122,684	10,317	120	2,313	4,666	227,722
\$ 21,863	\$ 106,866	\$ 5,118	\$ 129	\$ 1,934	\$ 4,965	\$ 263,874

CITY OF ATLANTA, GEORGIA
COMMUNITY DEVELOPMENT FUND

Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP - Budgetary Basis)
For the Year Ended December 31, 2002
(In Thousands)

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenues-				
U.S. Government grants	\$ 18,039	\$ 30,689	\$ 16,712	\$ (13,977)
Other revenues	356	1,040	713	(327)
Total revenues	<u>18,396</u>	<u>31,730</u>	<u>17,425</u>	<u>(14,304)</u>
Expenditures:				
Housing	14,981	20,194	13,241	6,953
Parks, Recreation, and Cultural Affairs	2,337	3,934	645	3,289
Public Works	1,685	1,685	268	1,417
Fire	37	37	-	37
General government:				
Administrative services	569	569	288	281
Finance	292	116	(11)	127
Law	44	88	(3)	91
Economic development	-	2,187	-	2,187
Debt Service:				
Bond principal payments		312	-	312
Interest on bonds	-	2,529	2,533	(5)
Total expenditures	<u>19,945</u>	<u>31,650</u>	<u>16,961</u>	<u>14,689</u>
Excess (deficiency) of revenues over (under) expenditures	(1,549)	79	464	<u>\$ 385</u>
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded liabilities	-	-	577	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	(1,549)	79	1,041	
Fund balance (deficit), beginning of year	<u>(291)</u>	<u>(291)</u>	<u>-</u>	
Fund balance (deficit), end of year	<u>\$ (1,840)</u>	<u>\$ (212)</u>	<u>\$ 1,041</u>	

CITY OF ATLANTA, GEORGIA
INTERGOVERNMENTAL GRANT FUND

Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP - Budgetary Basis)
For the Year Ended December 31, 2002
(In Thousands)

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenues-				
U.S. Government grants	\$ 26,076	\$ 38,824	\$ 15,919	\$ (22,904)
Empowerment Zone grant	61,354	61,356	-	(61,356)
State of Georgia grants	10,985	29,393	15,869	(13,524)
Other revenues	<u>7,452</u>	<u>9,862</u>	<u>9,382</u>	<u>(481)</u>
Total revenues	<u>105,867</u>	<u>139,435</u>	<u>41,169</u>	<u>(98,265)</u>
Expenditures:				
General government:				
Executive offices	1,587	3,832	2,253	1,579
City Council	-	20	-	20
Administration	160	160	(126)	286
Courts and judicial agencies	407	1,121	440	681
Economic development projects	-	-	(102)	102
Housing	86,348	74,125	18,746	55,379
Police Services	4,966	8,862	2,247	6,615
Fire		236	49	187
Corrections	219	389	116	273
Parks, Recreation, and Cultural Affairs	2,003	3,563	1,009	2,553
Public Works	7,274	7,921	958	6,963
Nondepartmental	<u>69</u>	<u>71</u>	<u>15</u>	<u>56</u>
Total expenditures	<u>100,879</u>	<u>100,300</u>	<u>25,605</u>	<u>74,696</u>
Excess (deficiency) of revenues over (under) expenditures	4,988	39,135	15,565	(23,570)
Other financing sources (uses):				
Transfers in	1,150	2,599	1,635	(964)
Transfers out	<u>(7,382)</u>	<u>(9,351)</u>	<u>(9,336)</u>	<u>(16)</u>
Excess (deficiency) of revenue and other sources over (under) expenditures and other uses	(1,244)	32,383	7,864	<u>\$ (24,518)</u>
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	217	
To record effect of net change in unrecorded liabilities	<u>-</u>	<u>-</u>	<u>(700)</u>	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	(2,488)	64,765	7,381	
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>4,044</u>	
Fund balance (deficit), end of year	<u>\$ (2,488)</u>	<u>\$ 64,765</u>	<u>\$ 11,425</u>	

CITY OF ATLANTA, GEORGIA
TRAFFIC COURT FUND

Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP - Budgetary Basis)
For the Year Ended December 31, 2002
(In Thousands)

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and Forfeitures	\$ 10,497	\$ 16,313	\$ 16,824	\$ 511
Investment income	-	784	784	-
Other revenues	<u>4,000</u>	<u>10</u>	<u>10</u>	<u>-</u>
Total revenues	<u>14,497</u>	<u>17,107</u>	<u>17,618</u>	<u>511</u>
Expenditures:				
General government:				
Administration	14,552	23,745	21,980	1,765
Courts and judicial agencies	15,989	17,097	16,823	274
Nondepartmental	<u>-</u>	<u>1,348</u>	<u>3,849</u>	<u>(2,500)</u>
Total expenditures	<u>30,541</u>	<u>42,190</u>	<u>42,652</u>	<u>(462)</u>
Excess (deficiency) of revenues over (under) expenditures	(16,043)	(25,083)	(25,034)	49
Other financing sources (uses):				
Bond proceeds	-	55,195	55,195	-
Transfer in	16,043	16,043	16,043	-
Transfers out	<u>-</u>	<u>(8)</u>	<u>(8)</u>	<u>-</u>
Excess (deficiency) of revenue and other sources over (under) expenditures and other uses	-	46,147	46,196	<u>\$ 49</u>
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	23	
To record effect of net change in unrecorded liabilities	<u>-</u>	<u>-</u>	<u>(501)</u>	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	-	92,294	45,718	
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balance, end of year	<u>\$ -</u>	<u>\$ 92,294</u>	<u>\$ 45,718</u>	

CITY OF ATLANTA, GEORGIA
ANNUAL BOND FUND

Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP - Budgetary Basis)
For the Year Ended December 31, 2002
(In Thousands)

	Budget Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Investment income	\$ 44	\$ 1,598	\$ 1,571	\$ (27)
Other revenue	-	56	32	(24)
Total revenues	44	1,654	1,603	(51)
Expenditures:				
General government:				
Executive offices	48	50	66	(16)
Administrative services	218	1,384	189	1,195
Finance	1,711	1,896	1,546	351
Housing, planning and development	171	20,788	774	20,015
Fire	198	5,571	699	4,873
Corrections	21	21	-	21
Public Works	35,361	80,232	19,218	61,014
Parks, Recreation, and Cultural Affairs	16,218	16,577	14,148	2,429
Nondepartmental expenditures	88,322	21,449	3,326	18,123
Total expenditures	142,267	147,969	39,966	108,003
Other financing sources:				
Bond proceeds	326	71,565	21,645	(49,920)
Transfers in	-	-	326	326
Transfers out	-	(21,000)	(326)	20,674
Total other financing sources	326	50,565	21,645	(28,920)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(141,897)	(95,750)	(16,718)	\$ (79,134)
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded liabilities	-	-	900	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - GAAP basis	(141,897)	(95,750)	(15,818)	
Fund balance, beginning of year	-	-	122,684	
Fund balance (deficit), end of year	\$ (141,897)	\$ (95,750)	\$ 106,866	

CITY OF ATLANTA, GEORGIA
PARK IMPROVEMENT FUND

Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP - Budgetary Basis)
For the Year Ended December 31, 2002
(In Thousands)

	<u>Budget Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 6,175	\$ 7,995	\$ 7,632	\$ (363)
Investment income	357	390	272	(118)
Total revenues	<u>6,531</u>	<u>8,385</u>	<u>7,904</u>	<u>(481)</u>
Expenditures:				
Parks, Recreation & Cultural Affairs	14,282	15,103	11,039	4,065
Non-departmental	2,705	-	-	-
Total expenditures	<u>16,987</u>	<u>15,103</u>	<u>11,039</u>	<u>4,065</u>
Excess (deficiency) of revenues over (under) expenditures	(10,455)	(6,718)	(3,135)	<u>\$ 3,583</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	798	(434)	(1,232)
Excess (deficiency) of revenue and other sources over (under) expenditures and other uses	(10,455)	(5,920)	(3,569)	<u>\$ 2,351</u>
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	83	
To record effect of net change in unrecorded liabilities	-	-	(1,712)	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	(20,910)	(11,841)	(5,199)	
Fund balance, beginning of year	-	-	10,317	
Fund balance (deficit), end of year	<u>\$ (20,910)</u>	<u>\$ (11,841)</u>	<u>\$ 5,118</u>	

**CITY OF ATLANTA, GEORGIA
SPECIAL ASSESSMENT FUND**

Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP - Budgetary Basis)
For the Year Ended December 31, 2002
(In Thousands)

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charge for services:				
Streets and sidewalks improvements	\$ 650	\$ 777	\$ 99	\$ (677)
Storm sewer construction				
Demolition and land clearance	6,956	7,058	451	(6,607)
Interest on assessments receivable	4	-	-	-
Investment income	7	10	14	4
Total revenues	7,618	7,844	564	(7,280)
Expenditures:				
Planning, Development & Neighborhood	645	762	226	536
Public Works	1,038	1,137	-	1,137
Non-departmental	1,154	-	-	-
Total expenditures	2,836	1,899	226	1,673
Excess (deficiency) of revenues over (under) expenditures	4,782	5,945	338	(8,953)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(327)	-
Excess (deficiency) of revenue and other sources over (under) expenditures and other uses	4,782	5,945	11	(5,607)
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded liabilities	-	-	(2)	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	4,782	5,945	9	
Fund balance, beginning of year	-	-	120	
Fund balance, end of year	\$ 4,782	\$ 5,945	\$ 129	

CITY OF ATLANTA, GEORGIA
GENERAL GOVERNMENT CAPITAL OUTLAY FUND

Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP - Budgetary Basis)
For the Year Ended December 31, 2002
(In Thousands)

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 2	\$ 523	\$ 313	\$ (210)
Other	-	3,581	3,575	(6)
Total revenues	2	4,103	3,888	(215)
Expenditures:				
General government:				
Administration	2,619	3,262	2,044	1,218
Housing, planning and development	3,072	3,435	1,031	2,404
Police Services	433	433	-	433
Fire	45	980	811	169
Parks, Recreation, and Cultural Affairs	2,040	2,040	20	2,019
Public Works	10,444	11,402	77	11,325
Nondepartmental	5,708	1,904	655	1,249
Total expenditures	24,361	23,456	4,639	18,817
Excess (deficiency) of revenues over (under) expenditures	(24,359)	(19,352)	(751)	\$ 18,601
Other financing sources (uses):				
Transfers in	2,035	668	540	(128)
Transfers out	-	-	(279)	279
Excess (deficiency) of revenue and other sources over (under) expenditures and other uses	(22,324)	(18,684)	(490)	\$ 18,194
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded liabilities	-	-	111	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - GAAP basis	(22,324)	(18,684)	(379)	
Fund balance, beginning of year	-	-	2,313	
Fund balance (deficit), end of year	\$ (22,324)	\$ (18,684)	\$ 1,934	

Nonmajor Proprietary Funds

Enterprise Funds

Operations of Enterprise Funds are designed to be self-supporting. The Water and Sewerage System, Department of Aviation, Sanitation Services, Parks and Recreation Facilities and Underground Atlanta Project are accounted for as Enterprise Funds. The latter two were determined to be nonmajor proprietary funds and are presented herein.

Parks and Recreation Facilities Fund - Established to account for the financial activities of the Cyclorama.

Underground Atlanta - To account for the portion of construction of a major public/private downtown economic development project paid for by public funds, and expenses associated with project.

Civic Center – Established to account for the fiscal activities of the Boisfeuillet Jones Atlanta Civic Center.

CITY OF ATLANTA, GEORGIA
SOLID WASTE MANAGEMENT AUTHORITY FUND

Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP - Budgetary Basis)
For the Year Ended December 31, 2002

	<u>Budget Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ -	\$ 58	\$ 70	\$ 12
Total revenues	<u>-</u>	<u>58</u>	<u>70</u>	<u>12</u>
Expenditures:				
General government:				
Finance	11	11	135	(124)
Public Works	1,063	1,063	174	889
Nondepartmental	2,299	-	1,736	(1,736)
Total expenditures	<u>3,372</u>	<u>1,073</u>	<u>2,044</u>	<u>(971)</u>
Excess (deficiency) of revenues over (under) expenditures	(3,372)	(1,015)	(1,974)	983
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	2,147	<u>-</u>
Excess (deficiency) of revenue and other sources over (under) expenditures and other uses	(3,372)	(1,015)	173	<u>\$ 983</u>
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded liabilities	<u>-</u>	<u>-</u>	126	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	(3,372)	(1,015)	299	
Fund balance, beginning of year	<u>-</u>	<u>-</u>	4,666	
Fund balance (deficit), end of year	<u>\$ (3,372)</u>	<u>\$ (1,015)</u>	<u>\$ 4,965</u>	

CITY OF ATLANTA, GEORGIA
Nonmajor Enterprise Funds

Combining Statement of Net Assets
December 31, 2002
(In Thousands)

	Sanitation	Parks and Recreational Facilities	Underground Atlanta	Civic Center	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 3	\$ -	\$ -	\$ 3
Investments in Pooled Investment Fund	74	880	35	23	1,013
Receivables:					
Accounts	81,447	-	-	-	81,447
Less allowance for doubtful accounts	(59,339)	-	-	-	(59,339)
Total receivables	22,107	-	-	-	22,107
Due from other funds	89	107	4	3	203
Total current assets	22,271	989	40	26	23,326
Property and equipment - at cost:					
Land	888	-	21,621	514	23,023
Buildings and other structures	6,658	6,759	57,821	4,191	75,429
Other property and equipment	24,709	3,210	12,670	-	40,589
Less accumulated depreciation	(17,271)	(4,884)	(37,839)	(2,869)	(62,863)
Property and equipment, net	14,985	5,085	54,273	1,836	76,178
Other assets	-	-	8,721	-	8,721
Total assets	<u>\$ 37,256</u>	<u>\$ 6,074</u>	<u>\$ 63,034</u>	<u>\$ 1,862</u>	<u>\$ 108,225</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 1,226	\$ -	\$ -	\$ -	\$ 1,226
and compensatory pay	1,210	25	-	28	1,264
Due to other funds	15,586	-	-	-	15,586
Total current liabilities	18,023	25	-	28	18,076
Liabilities payable from restricted assets:					
Current maturities of long-term debt	-	-	3,125	-	3,125
Accrued interest payable	-	-	1,121	-	1,121
Total liabilities payable from restricted assets	-	-	4,246	-	4,246
Long-term liabilities :					
Long-term debt, excluding current maturities shown above	-	-	69,234	-	69,234
Capital lease obligation, excluding current maturities shown above	5,075	-	-	-	5,075
Accrued workers' compensation	4,290	-	-	-	4,290
Landfill postclosure costs	52,152	-	-	-	52,152
Total long-term liabilities	61,517	-	69,234	-	130,751
Total liabilities	79,540	25	73,480	28	153,073
Net Assets:					
Investment in capital assets	9,910	5,085	(18,086)	1,836	(1,256)
Unreserved	(52,194)	964	7,640	(2)	(43,592)
Total net assets	(42,284)	6,049	(10,446)	1,833	(44,848)
Total liabilities and net assets	<u>\$ 37,256</u>	<u>\$ 6,074</u>	<u>\$ 63,034</u>	<u>\$ 1,862</u>	<u>\$ 108,225</u>

CITY OF ATLANTA, GEORGIA

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenditures and Changes in Net Assets

For the Year Ended December 31, 2002

(In Thousands)

	Sanitation	Parks and Recreational Facilities	Underground Atlanta	Civic Center	Total
Operating revenues:					
Charges for services	\$ 50,352	\$ 505	\$ -	\$ 60	\$ 50,916
Rentals, admissions, and concessions	-	-	2,094	1,105	3,199
Other	126	7	-	21	154
Total operating revenues	50,478	512	2,094	1,186	54,270
Operating expenses:					
Salaries and employee benefits	16,729	517	-	699	17,945
Utilities	264	43	55	236	597
Materials and supplies	334	7	-	24	365
Repairs, maintenance, and other contractual services	639	52	651	354	1,696
Motor equipment service	5,466	-	-	5	5,471
Engineering and consultant fees	7,267	1	-	-	7,268
General services	4,715	17	8,045	7	12,784
Total operating expenses	35,414	638	8,750	1,324	46,125
Operating income (loss) before depreciation	15,064	(126)	(6,656)	(138)	8,145
Depreciation and amortization	2,343	187	2,918	82	5,530
Operating income	12,721	(313)	(9,574)	(220)	2,615
Nonoperating revenues (expenses):					
Interest expense	158	-	(153)	(1)	4
Investment income (loss)	(1,123)	36	(13)	4	(1,096)
Total nonoperating (expenses) revenues	(965)	36	(166)	3	(1,092)
Income (loss) before operating transfers	11,756	(277)	(9,740)	(217)	1,523
Transfers in	-	-	7,652	2,050	9,702
Transfers out	(3,020)	-	-	-	(3,020)
Net income (loss)	8,736	(277)	(2,087)	1,833	8,205
Net assets:					
Beginning of the year, as previously reported	(37,843)	6,326	(8,359)	-	(39,876)
Correction of prior year error	(13,177)	-	-	-	(13,177)
Beginning of year, as restated	(51,020)	6,326	(8,359)	-	(53,053)
Net assets, end of year	<u>\$ (42,284)</u>	<u>\$ 6,049</u>	<u>\$ (10,446)</u>	<u>\$ 1,833</u>	<u>\$ (44,848)</u>

CITY OF ATLANTA, GEORGIA
Nonmajor Enterprise Funds

Combining Statement of Cash Flows
For the Year Ended December 31, 2002

	Sanitation	Parks and Recreational Facilities	Underground Atlanta	Civic Center	Total
Cash flow from operating activities					
Cash received from user charges	\$ 38,017	\$ 512	\$ 1,994	\$ 1,186	\$ 41,709
Cash payments to employees for services	(14,432)	(123)	(9,441)	(596)	(24,592)
Cash payments to suppliers for goods and services	(16,692)	(527)	-	(699)	(17,918)
Net cash from (used in) operating activities	<u>6,893</u>	<u>(138)</u>	<u>(7,447)</u>	<u>(109)</u>	<u>(800)</u>
Cash flows from noncapital financing activities					
Operating transfers in (out)	(3,020)	-	7,652	224	4,856
Net cash from (used in) noncapital financing activities	<u>(3,020)</u>	<u>-</u>	<u>7,652</u>	<u>224</u>	<u>4,856</u>
Cash flows from capital and related financing activities					
Capital contributions	-	-	-	-	-
Payments on landfill postclosure costs	(1,510)	-	-	-	(1,510)
Principals paid on bonds	(853)	-	-	-	(853)
Interest paid on bonds	(1,123)	-	(153)	1	(1,275)
Acquisition of capital assets	(471)	-	-	(92)	(563)
Net cash from (used in) capital and related financing activities	<u>(3,957)</u>	<u>-</u>	<u>(153)</u>	<u>(91)</u>	<u>(4,201)</u>
Cash flows from investing activities					
Net change in investment in pooled funds	(74)	115	(40)	(28)	(27)
Interest on investments	158	26	(13)	4	175
Net cash from investing activities	<u>84</u>	<u>141</u>	<u>(53)</u>	<u>(24)</u>	<u>148</u>
Net increase in cash and cash equivalents	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>3</u>
Cash and cash equivalents, beginning of year	-	-	-	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>-</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 3</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 12,721	\$ (313)	\$ (9,574)	\$ (220)	\$ 2,615
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and depreciation	2,343	187	2,918	82	5,530
Commodities used	-	-	-	-	-
Increase (decrease) in receivables	(12,961)	-	-	-	(12,961)
Increase (decrease) in due from other funds	(89)	-	-	-	(89)
Increase (decrease) in other assets	-	-	(430)	-	(430)
(Increase) decrease in accounts payable	(578)	(3)	(261)	-	(842)
Increase (decrease) in other liabilities	37	(9)	-	-	28
Increase (decrease) in due to other funds	5,419	-	(100)	29	5,348
Net cash provided by (used in) operating activities	<u>\$ 6,893</u>	<u>\$ (138)</u>	<u>\$ (7,447)</u>	<u>\$ (109)</u>	<u>\$ (800)</u>

The accompanying notes are an integral part of the statements.

Fiduciary Funds

General Employees' Defined Benefits Pension Fund - To account for the operations of the Defined Benefits pension plan covering general officers and employees of the City.

General Employees' Defined Contribution Pension Fund - To account for the operations of the Defined Contribution pension plan covering general officers and employees of the City

Firefighter's Pension Fund -To account for the operations of the pension plan covering fire fighting employees of the City.

Police Officer's Pension Fund -To account for the operations of the pension plan covering sworn police employees of the City.

CITY OF ATLANTA, GEORGIA
Pension Trust Funds

Combining Statement of Plan Net Assets
December 31, 2002
(In Thousands)

	Pension Trust Funds				Totals
	General Employees' Defined Benefit	General Employees' Defined Contribution	Firefighters'	Police Officers'	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 9,738	\$ 1,333	\$ 30,293	\$ 19,504	\$ 60,868
Securities lending collateral investment pool	177,383	-	64,394	83,315	325,092
Investments	612,374	-	254,342	362,821	1,229,537
Other receivables	1,849	-	2,016	3,815	7,680
Due from other funds	<u>38</u>	<u>6,929</u>	<u>542</u>	<u>971</u>	<u>8,480</u>
 Total assets	 <u>\$ 801,382</u>	 <u>\$ 8,262</u>	 <u>\$ 351,587</u>	 <u>\$ 470,426</u>	 <u>\$ 1,631,657</u>
 LIABILITIES, FUND BALANCES, AND NET ASSETS HELD IN TRUST FOR PENSION BENEFITS					
Current liabilities:					
Accounts payable	\$ 239	\$ -	\$ 18	\$ 45	\$ 302
Other liabilities	-	-	3,694	7,019	10,713
Due to other funds	22,099	-	-	6,601	28,700
Liability for securities lending agreement	<u>177,383</u>	<u>-</u>	<u>64,394</u>	<u>83,315</u>	<u>325,092</u>
 Total current liabilities	 <u>199,721</u>	 <u>-</u>	 <u>68,106</u>	 <u>96,980</u>	 <u>364,807</u>
 Net Assets Held in Trust for Pension Benefits:					
Net assets held in trust for pension benefits	<u>\$ 601,661</u>	<u>\$ 8,262</u>	<u>\$ 283,481</u>	<u>\$ 373,446</u>	<u>\$ 1,266,850</u>

CITY OF ATLANTA, GEORGIA
Pension Trust Funds

Combining Statement of Changes in Plan Net Assets
For the Year Ended December 31, 2002
(In Thousands)

	Pension Trust Funds				Totals
	General Employees' Defined Benefit	General Employees' Defined Contribution	Firefighters'	Police Officers'	
Additions:					
Employer contributions	\$ 30,910	\$ 222	\$ 9,525	\$ 15,595	\$ 56,252
Employee contributions	12,732	218	2,789	4,684	20,423
Refunds and other	154	-	41	165	360
Investment income:					-
Net depreciation in					-
fair value of investments	(70,477)	-	(27,490)	(38,398)	(136,365)
Investment income	21,815	192	9,389	24,402	55,798
Securities lending income	263	-	144	217	624
Less: Investment expenses	(1,956)	-	50	(12,047)	(13,953)
Securities lending expenses	(21)	-	(50)	(76)	(147)
Net investment income (loss)	(50,376)	192	(17,957)	(25,902)	(94,043)
Total additions	(6,580)	632	(5,602)	(5,458)	(17,008)
Deductions:					
Benefit payments	52,435	-	17,379	21,714	91,528
Refunds	34	-	139	449	622
Transfer to Defined Contribution Plan	7,379	(7,379)	-	-	-
Other	424	-	1,088	1,769	3,281
Total deductions	60,272	(7,379)	18,606	23,932	95,431
Net increase (decrease) in net assets held in trust for pension benefits	(66,852)	8,011	(24,208)	(29,390)	(112,439)
Net assets held in trust for pension benefits:					
Beginning of year	668,513	251	307,689	402,836	1,379,289
End of year	<u>\$ 601,661</u>	<u>\$ 8,262</u>	<u>\$ 283,481</u>	<u>\$ 373,446</u>	<u>\$ 1,266,850</u>

**CAPITAL ASSETS USED
IN THE OPERATION OF
GOVERNMENTAL FUNDS**

CITY OF ATLANTA, GEORGIA
Capital Assets Used in the Operation of Governmental Funds

Schedule by Source
December 31, 2002
(In Thousands)

Governmental funds capital assets:

Land	\$ 189,279
Construction in Progress	46,929
Buildings	120,536
Land improvements	20,899
Other property and equipment	150,199
Infrastructure	1,752,999
	<hr/>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 2,280,841</u>

Investment in Governmental Funds Capital Assets by Source:

General Fund	\$ 2,233,912
Capital Projects	46,929
	<hr/>
TOTAL INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 2,280,841</u>

CITY OF ATLANTA, GEORGIA
Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity
 December 31, 2002
 (In Thousands)

	Land	Buildings	Land Improvement	Other Property and Equipment	Infrastructure	Construction in Progress	Total
General government:	\$ 115,646	\$ 64,959	\$ 1,567	\$ 38,622	\$ 6,000	\$ 46,929	\$ 273,723
Police	697	1,107	110	20,695	-	-	22,610
Fire	1,250	9,361	-	24,895	-	-	35,506
Corrections	-	-	-	1,334	-	-	1,334
Public Works	32,698	2,245	1,533	56,704	1,746,999	-	1,840,179
Parks, Recreation and Cultural Affairs	38,989	42,864	17,688	7,949	-	-	107,490
Total governmental funds capital assets	<u>\$ 189,279</u>	<u>\$ 120,536</u>	<u>\$ 20,899</u>	<u>\$ 150,199</u>	<u>\$ 1,752,999</u>	<u>\$ 46,929</u>	<u>\$ 2,280,841</u>

CITY OF ATLANTA, GEORGIA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Year Ended December 31, 2002
(In Thousands)

Function and Activity	<u>January 1, 2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2002</u>
General government:	\$ 200,857	\$ 72,866	\$ -	\$ 273,723
Police	21,220	1,390		22,610
Fire	35,145	361		35,506
Corrections	1,233	101		1,334
Public Works	1,837,096	3,083		1,840,179
Parks, Recreation and Cultural Affairs	<u>104,702</u>	<u>2,788</u>	-	<u>107,490</u>
Total governmental funds capital assets	<u>\$ 2,200,252</u>	<u>\$ 80,588</u>	<u>\$ -</u>	<u>\$ 2,280,841</u>

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STATISTICAL SECTION

(Unaudited)

Cash Basis

The financial information presented provides detailed data on the financial, economic, and physical characteristics of the City. These tables cover multiple fiscal years and provide financial report users with a broader and more complete understanding of the City and its financial affairs.

CITY OF ATLANTA, GEORGIA

GENERAL FUND EXPENDITURES BY FUNCTION LAST TEN YEARS (NON-GAAP BUDGETARY BASIS)

Year	General Government		Public Safety	Public Works		Cultural Affairs & Libraries	Parks & Recreation	Total Expenditures
				Sanitation	Streets & Highways			
1993	\$149,426,802	(1)	\$144,900,712	\$29,955,807	\$24,863,698	\$3,006,598	\$21,409,140	\$373,562,757
1994	151,691,130	(1)	138,088,804	28,940,396	23,420,357	2,872,571	19,136,756	364,150,014
1995	167,290,852	(1)	135,967,649	30,723,103	22,780,516	3,460,590	19,871,524	380,094,234
1996	168,660,622	(1)	144,591,993	37,994,940	28,084,434	3,590,375	23,331,025	406,253,389
1997	171,491,843	(1)	152,344,992	33,702,386	27,042,910	3,760,872	23,296,357	411,639,360
1998	171,948,161	(1)	152,667,051	34,278,576	24,604,577	3,741,488	21,078,736	408,318,589
1999	183,213,904	(1)	153,649,715	32,282,506	22,758,700	3,601,245	19,207,585	414,713,655
2000	204,121,947	(1)	167,852,280	41,299,069	24,758,195	3,971,696	19,774,437	461,777,624
2001	220,144,015	(1)	178,248,929	N/A (2)	26,242,079	4,202,155	22,164,440	451,001,618
2002	187,743,000	(1)	174,602,000	N/A (2)	25,528,000	2,549,523	20,835,477	411,258,000

(1) Includes Bureau of Corrections. In 2002, City Traffic Court expenditures were moved from the General Fund to the Traffic Court Operations Fund.

(2) Sanitary service expenditures were moved from the General Fund in 2001 to the Sanitation Enterprise Fund.

CITY OF ATLANTA, GEORGIA

**GENERAL FUND REVENUES
LAST TEN YEARS
(NON-GAAP BUDGETARY BASIS)**

Year	Taxes	Licenses and Permits	Charges For Current Services	Fines Forfeits, & Penalties	Inter-Governmental Revenues	Miscellaneous Revenue	Other Financing Sources	General Fund Revenue Total
\$1,993	\$236,074,825	\$33,310,619	\$35,068,844	\$12,724,405	\$646,226	\$7,167,817	\$25,555,853	\$350,548,589
1994	248,285,751	34,676,030	41,233,861	11,939,177	1,576,589	8,518,957	36,753,837	382,984,202
1995	247,413,223	35,518,221	41,281,247	11,793,833	1,073,614	9,439,447	42,317,568	388,837,153
1996	246,751,394	40,516,158	40,876,442	11,033,573	1,053,472	14,432,742	51,564,468	406,228,249
1997	238,862,426	42,520,605	43,600,158	14,272,905	533,644	10,983,667	42,683,488	393,456,893
1998	245,306,399	43,109,673	42,821,940	16,301,862	581,288	10,896,719	36,172,253	395,190,134
1999	286,363,348	47,224,484	34,817,921	18,000,059	536,820	11,309,549	36,821,689	435,073,870
2000	292,278,332	52,119,888	39,267,781	20,487,625	536,780	14,049,049	37,671,033	456,410,488
2001	291,157,216	52,443,055	4,678,380 (1)	16,175,769	535,368	11,386,982	39,652,165	416,028,934
2002	336,075,000	52,403,000	7,480,000 (1)	1,251,052 (2)	538,267	12,712,000	49,714,000	460,173,319

- (1) Sanitary service charge revenues were moved from the General Fund in 2001 to the Sanitation Enterprise Fund.
- (2) Traffic and parking fine revenues were moved from the General Fund in 2002 to the Traffic Court Operations Fund.

CITY OF ATLANTA, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS

Year	Total Tax Levy (1)	Collection of Current Year's Taxes (4)	% of Levy Collected	Collection of Prior Year's Taxes	Total Tax Collections	% of Total Collections To Tax Levy	Outstanding Delinquent Taxes	% of Outstanding Delinquent Taxes to Tax Levy
1993	123,086,043	109,039,823 (2)	88.59	6,751,599	115,791,422	94.07	23,514,346	19.10
1994	120,444,703	108,476,361	90.06	10,091,982	118,568,343	98.44	22,992,754	19.09
1995	117,837,727	106,638,809	90.50	8,155,161	114,793,970	97.42	20,544,365	17.43
1996	96,847,743	93,879,289 (3)	96.93	9,413,521	103,292,810	106.65	17,771,774	18.35
1997	94,585,011	88,969,652	94.06	10,762,145	99,731,797	105.44	11,283,058	11.93
1998	111,063,274 (5)	88,990,821	80.13	4,285,557	93,276,378	83.98	12,427,219	11.19
1999	113,290,448	103,339,232	91.22	18,250,121 (5)	121,589,353	107.33	11,500,706	10.15
2000	118,232,484	109,025,223	92.21	7,516,653	116,541,876	98.57	10,810,824	9.14
2001	107,512,146	99,985,261	93.00	6,346,239	106,331,500	98.90	9,813,218	9.13
2002	173,920,120	158,225,729	90.98	8,434,089	166,659,818	95.83	7,371,405	4.24

(1) Does not include intangible taxes; intangible taxes no longer assessed as of January 1, 1996.

(2) In 1992, \$1.9 million was collected by the City in error, then subsequently remitted to Atlanta Board of Education in 1993. The true collection rate, after adjusting for the \$1.9 million in school revenues, is 91.48% in 1992 and 90.11% in 1993.

(3) Includes incorrect billings of public utilities by the Fulton County Tax Commissioner, which was refunded to taxpayers in 1997.

(4) Does not include tax revenues retained by Fulton County for administrative expenses, therefore the collection rate shown is slightly less than actual.

(5) Includes a reassessment of \$15,189,076 which was billed by Fulton County to taxpayers in March, 1999. Collections related to the late reassessment billing are included in 1999 collections of prior year taxes.

CITY OF ATLANTA, GEORGIA

GENERAL FUND TAX REVENUES BY SOURCE-CASH BASIS
LAST TEN YEARS

Year	Property				Other							
	Tangible (Current)	Tangible (Prior)	Intangible (Current)	Intangible (Prior)	Recording & Transfer Tax	Penalties & Interest on Taxes	Sales Tax	Tax on Receipt of Public Utilities	Tax on Insurance Premiums	Alcoholic Beverages	Hotel/ Motel	Total Taxes Collected
1993	93,277,761	6,007,133	2,196,684	1,170,337	2,534,186	2,503,257	56,204,278	24,809,994	11,993,813	12,454,721	22,922,661	236,074,825
1994	90,586,424	8,720,971	2,910,237	623,225	2,907,631	2,263,175	62,764,765	26,920,166	12,268,812	12,837,401	25,482,944	248,285,751
1995	81,368,902	6,853,855	2,400,000	406,101	2,670,063	4,414,382	68,663,795	27,263,643	13,003,429	13,070,511	27,298,542	247,413,223
1996	63,708,102	7,352,229	- (1)	938,292	2,694,217	3,314,677	80,297,450	28,981,021	13,896,912	14,195,329	31,373,165	246,751,394
1997	60,728,297	7,997,555	-	276	3,465,713	4,479,431	75,191,022	29,116,831	14,740,366	12,831,008	30,311,927	238,862,426
1998	60,688,695	2,888,569	-	-	4,152,381	1,547,299	83,949,293	30,087,442	15,457,214	13,405,497	33,130,009	245,306,399
1999	70,975,961	12,418,702 (2)	-	-	4,849,676	1,004,010	90,386,199	39,447,359	16,015,976	13,939,739	37,325,726	286,363,348
2000	74,824,932	5,055,803	-	22,654	5,387,983	509,359	96,164,771	39,632,661	17,011,123	13,824,789	39,844,257	292,278,332
2001	81,971,876	4,024,541	-	-	6,327,210	736,654	94,780,206	39,534,961	15,128,028	13,736,088	34,917,652	291,157,216
2002	128,177,300	5,815,990	-	-	6,900,067	706,801	88,788,626	45,191,936	16,590,653	13,283,328	33,500,593	338,955,295

(1) Intangible taxes no longer assessed as of January 1, 1996.

(2) Includes collections of a 1998 reassessment of \$15,189,076 which was billed by Fulton County to taxpayers in March, 1999.

CITY OF ATLANTA, GEORGIA

**ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY
LAST TEN YEARS**

Year	Real Estate		Personal Property and Corporate Franchise		Total		Ratio of Total Assessed to Total Estimated Market Value
	Assessed Value (Gross)	Estimated Market Value	Assessed Value (1)	Estimated Market Value	Assessed Value	Estimated Market Value	
1993	\$7,560,671,370	\$18,901,678,425	\$2,440,539,621	\$6,101,349,052	\$10,001,210,991	\$25,003,027,477	40
1994	7,552,051,010	18,880,127,525	2,491,762,876	6,229,407,190	10,043,813,886	25,109,534,715	40
1995	7,615,780,160	19,039,450,400	2,597,436,514	6,493,591,285	10,213,216,674	25,533,041,685	40
1996	7,798,454,040	19,496,135,100	2,773,758,023	6,934,395,058	10,572,212,063	26,430,530,158	40
1997	7,845,932,330	19,614,830,825	2,954,562,073	7,386,405,183	10,800,494,403	27,001,236,008	40
1998	7,904,182,149	19,760,455,374	2,976,496,762	7,441,241,904	10,880,678,911	27,201,697,278	40
1999	9,671,243,681	24,178,109,203	3,112,309,595	7,780,773,988	12,783,553,276	31,958,883,191	40
2000	10,537,528,819	26,343,822,048	3,378,385,537	8,445,963,843	13,915,914,356	34,789,785,891	40
2001	12,273,584,727	30,683,961,818	3,328,687,294	8,321,718,235	15,602,272,021	39,005,680,053	40
2002	14,191,430,603	35,478,576,508	3,286,308,120	8,215,770,300	17,477,738,723	43,694,346,808	40

NOTE: Assessed values are established by the Fulton County Board of Tax Assessors on January 1 of each year at 40% of the market value as required by State Law.

(1) Freeport exemption netted out.

CITY OF ATLANTA, GEORGIA

**PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 ASSESSED VALUE)
LAST TEN YEARS**

Year	City of Atlanta, Georgia					Atlanta/DeKalb County Special Tax District		Downtown Improvement District		Fulton County, Georgia			Georgia State Levy	
	General Levy	School Levy	Parks Levy	City Bond Levy	School Bond Levy	Total	Special Tax District	Special Tax District (1)	Special Tax District	County Levy	County Bond Levy	Hospital Levy	State Levy	Total
1993	\$ 11.49	\$ 23.66	\$ 0.50	\$ 0.21	\$ 1.11	\$ 36.97	\$ 2.03	-	-	\$ 8.75	\$ 0.66	\$ 5.10	\$ 0.25	\$ 14.76
1994	10.99	23.44	0.50	0.25	1.29	36.47	1.98	-	-	8.64	0.66	4.71	0.25	14.26
1995	9.66	23.19	0.50	0.99	1.31	35.65	1.90	-	-	9.20	0.66	4.15	0.25	14.26
1996	6.90	26.95	0.50	0.99	1.31	36.65	1.87	2.02	2.02	8.90	0.66	4.45	0.25	14.26
1997	6.57	25.43	0.50	1.32	1.00	34.82	2.06	2.02	2.02	9.14	0.66	3.89	0.25	13.94
1998	6.57	25.43	0.50	1.32	1.00	34.82	2.06	2.02	2.02	9.14	0.66	3.89	0.25	13.94
1999	6.57	24.93	0.50	1.32	1.00	34.32	1.96	2.22	2.22	9.14	0.66	3.89	0.25	13.94
2000	6.28	23.84	0.48	1.27	0.96	32.83	1.86	2.22	2.22	13.31 (3)	0.38 (3)	-	0.25	13.94
2001	6.19	21.94	0.44	0.74	0.12	29.43	1.47	2.22	2.22	13.04 (3)	0.30 (3)	-	0.25	13.59
2002	9.02	21.67	0.50	1.34	0.11	32.64	1.30	2.50	2.50	12.53 (3)	0.28 (3)	-	0.25	13.06

(1) Tax imposed by property owners in the district pursuant to state authorization.

(2) Reduced by a debt service payment by the Atlanta Board of Education using its existing resources.

(3) Hospital levy included in County levy.

CITY OF ATLANTA, GEORGIA

PROPERTY TAXES RECEIVABLES BY YEAR OF LEVY DECEMBER 31, 2002

Year of Levy	Amount
1996	\$ 511,454
1997	538,670
1998	616,889
1999	471,569
2000	687,384
2001	916,426
2002	<u>17,751,608</u>
	<u>\$ 21,494,000</u>

NOTE: Amounts indicated are gross amounts outstanding. These amounts do not reflect any allowances for bad debts which are reflected in the general purpose financial statements.

CITY OF ATLANTA

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN YEARS
(NON-GAAP BUDGETARY BASIS)**

Billing Year	Assessments Billed	Assessments Collected	% of Collections to Amount Billed	Total Outstanding Assessments
1993	\$593,685	\$139,044	23.4	3,313,114
1994	1,074,752	189,323	17.6	4,198,543
1995	1,609,273	121,968	7.6	5,685,848
1996	1,171,079	163,052	13.9	6,693,875
1997	2,079,161	358,874	17.3	8,748,431
1998	878,224	203,428	23.2	8,621,736
1999	122,219	386,675	316.4	8,357,280
2000	95,756	379,999	396.8	8,073,037
2001	105,523	347,505	329.3	7,831,055
2002	98,921	432,549	437.3	7,497,427

NOTES: All Special Assessments are due when billed and may be paid within thirty (30) days without interest. An election to pay in four installments is available for demolition, curb, gutter and sidewalks; six installments for sewer; and ten installments for paving at an annual interest rate of seven percent (7%) on the balance. Each installment is added to the Special Assessment Fund and the method of enforcing collections is the same as for general government taxes.

These amounts do not reflect any allowances for bad debts.

CITY OF ATLANTA, GEORGIA

**RATIO OF NET GENERAL BONDED DEBT TO
ASSESSED VALUE AND NET BONDED DEBT
PER CAPITA
LAST TEN YEARS
(NON-GAAP BUDGETARY BASIS)**

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Monies Available	Net Bonded Debt	% of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1993	419,300	\$10,046,683	\$178,260	\$27,067	\$151,193	1.50	\$ 360.58
1994	421,900	10,100,534	260,410	29,412	230,998	2.29	547.52
1995	424,300	10,268,452	260,990	30,674	230,316	2.24	542.82
1996	425,200	10,629,772	289,795	27,795	262,000	2.46	616.18
1997	426,300	10,860,127	329,440	33,006	296,434	2.73	695.36
1998	426,600	10,955,531	324,030	49,453	274,577	2.51	643.64
1999	427,500	12,916,521	323,365	43,409	279,956	2.17	654.87
2000	430,000	13,940,772	321,915	52,362	269,553	1.93	626.87
2001	419,185	15,725,462	237,200	13,973	223,227	1.42	532.53
2002	428,100	17,498,002	238,510	20,528	217,982	1.25	509.18

(1) Source: Atlanta Regional Commission as of April 2002.

(2) Includes Freeport.

(3) Includes all Long-term General Obligation Debt.

CITY OF ATLANTA, GEORGIA

COMPUTATION OF LEGAL DEBT MARGIN DECEMBER 31, 2002

Gross assessed value of property	\$ 17,498,002,461	
Less: Homeowner's exemptions (City debt purposes)	<u>(217,188,077)</u>	
Debt limit (City debt purpose) 8% of net assessed value	17,280,814,384	\$ 1,382,465,151
Total general obligation bonded debt	238,510,000	
Less school bonds outstanding	<u>(7,897,500)</u>	
Total amount of general obligation debt applicable to debt limit		<u>246,407,500</u>
General purpose debt margin		<u>1,136,057,651</u>
Gross assessed value of property (school debt purposes)	17,498,002,461	
Less: Homeowner's exemptions (school debt purposes)	<u>(220,073,367)</u>	
Debt limit (school purpose) 4% of net assessed value	17,277,929,094	\$ 691,117,164
Total school bonded debt	(7,897,500)	
Less school bonds not subject to constitutional debt limitation	<u>-</u>	
Total amount of school debt applicable to debt limit		<u>(7,897,500)</u>
School purpose debt margin		<u>699,014,664</u>
TOTAL LEGAL DEBT MARGIN		<u>\$ 1,835,072,314</u>

CITY OF ATLANTA, GEORGIA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT DECEMBER 31, 2002 (NON-GAAP BUDGETARY BASIS)

	Amount Outstanding	%	Amount Applicable to Atlanta
<u>DIRECT DEBT</u>			
Total City G.O. Debt			\$ 238,510,000
Less: Bond Sinking Fund Balance			<u>20,527,500</u>
<u>NET DIRECT DEBT</u>			<u>217,982,500</u>
<u>OVERLAPPING DEBT</u>			
Fulton County	41,478,909	53.9%	22,357,132
Dekalb County	252,664,000	3.4%	8,590,576
Building Authority of Fulton County	109,644,894	53.9%	59,098,598
Atlanta and Fulton Recreation Authority	6,800,000	66.7%	4,533,560
Downtown Development Authority of the City of Atlanta(DDA)	70,010,000	100.0%	70,010,000
Urban Residential Finance Authority of the City of Atlanta(URFA)	10,196,565	33.3%	3,398,515
Fulton-Dekalb Hospital Authority	<u>262,635,000</u>	40.4%	<u>106,104,540</u>
TOTAL OVERLAPPING DEBT			274,092,921
TOTAL DIRECT & OVERLAPPING DEBT			<u>\$ 492,075,421</u>

Sources: Dekalb County, Terry Arnold (404) 371-2056, Dick Adams (404) 371-2763
Marvin Davis (404) 371-2238, Dekalb County bond counsel - Joe Lay (404) 233-0292
In the outstanding debt figure for Dekalb County, the sinking fund balance has been netted out.

URFA (404) 880-4100 Dawn Luke, Pete Walker
Fulton County (404) 730-7600 Sharron Whitmore; Ray Turner (404) 730-7737

CITY OF ATLANTA, GEORGIA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES LAST TEN YEARS (NON-GAAP BUDGETARY BASIS)

Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures	% of Debt Service to General Expenditures
1993	\$ 4,740,000	\$ 6,502,903	\$ 11,242,903	\$ 373,562,757	3.0
1994	5,960,000	9,887,379	15,847,379	364,150,014	4.4
1995	7,420,000	16,350,126	23,770,126	380,094,234	6.3
1996	7,695,000	14,561,647	22,256,647	406,253,389	5.5
1997	9,715,000	15,965,781	25,680,781	411,639,360	6.2
1998	10,270,000	18,148,531	28,418,531	408,318,589	7.0
1999	10,720,000	17,126,336	27,846,336	414,713,655	6.7
2000	9,450,000	16,515,024	25,965,024	461,777,624	5.6
2001	9,970,000	16,498,701	26,468,701	451,001,618	5.9
2002	6,690,000	11,692,878	18,382,878	410,587,994	4.5

CITY OF ATLANTA, GEORGIA

2002 TEN MAJOR TAXPAYERS

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Value</u>	<u>% of Total Assessed Value</u>
BELLSOUTH	Communication Service	\$ 296,305,165	1.69%
COCA-COLA COMPANY	Marketing and Manufacturing	175,126,510	1.00%
GEORGIA POWER COMPANY	Utility Service	125,185,211	0.72%
POST APARTMENT HOMES	Residential Real Estate	111,937,620	0.64%
GEORGIA PACIFIC	Pulp and Paper Estate	91,552,200	0.52%
CSC ASSOCIATES	Commercial Real Estate	87,329,610	0.50%
SUNTRUST PLAZA ASSOCIATES	Commercial Real Estate	76,491,240	0.44%
ONE NINETY ONE PEACHTREE ASSOCIATION	Commercial Real Estate	73,648,450	0.42%
SUMITO LIFE REALTY, INC.	Commercial Real Estate	68,164,600	0.39%
ATLANTA CENTER LTD	Commercial Real Estate	<u>63,761,840</u>	0.36%
Total		<u>\$ 1,169,502,446</u>	<u>6.68%</u>
CITY OF ATLANTA 2002 TOTAL GROSS PROPERTY TAX DIGEST		<u>\$17,498,002,461</u>	

CITY OF ATLANTA, GEORGIA

**SCHEDULE OF REVENUE BOND COVERAGE
DEPARTMENT OF AVIATION
LAST TEN YEARS
(NON-GAAP BUDGETARY BASIS)**

Year	Operating Revenue (1)	Current Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
				Principal	Interest (3)	Total	
1992	\$ 123,260,018	\$ 37,417,944	\$ 85,842,074	\$ 17,915,000	\$ 33,394,434	\$ 51,309,434	1.67
1993	137,438,318	45,129,137	92,309,181	16,323,420	54,355,888	70,679,308	1.31
1994	133,249,106	43,594,295	89,654,811	11,710,000	51,279,995	62,989,995	1.42
1995	172,644,485	47,431,233	125,213,252	14,575,000	54,641,630	69,216,630	1.81
1996	187,589,010	58,306,392	129,282,618	6,555,000	52,068,253	58,623,253	2.21
1997	203,393,601	57,680,544	145,713,057	32,180,000	50,907,185	83,087,185	1.75
1998	236,281,519	61,044,014	175,237,505	33,945,000	49,161,158	83,106,158	2.11
1999	243,875,331	65,241,480	178,633,851	35,905,000	47,250,968	83,155,968	2.15
2000	254,701,033	76,383,098	178,317,935	42,670,000	62,277,198	104,947,198	1.70
2001	257,119,663	84,788,711	172,330,952	48,110,000	79,922,860	128,032,860	1.35
2002	250,917,834	93,131,834	157,786,000	50,775,000	77,257,713	128,032,713	1.23

(1) Represents total operating revenues

(2) Represents total operating expenses exclusive of debt service.

(3) Interest includes capitalized interest for the years 1993-2001 which is excluded in the bond coverage calculation.

CITY OF ATLANTA, GEORGIA

SCHEDULE OF REVENUE BOND COVERAGE WATER AND SEWERAGE SYSTEM LAST FIVE YEARS (GAAP BASIS) (DOLLARS IN THOUSANDS)

Year	Revenue (1)	Expenses (2)	Net Revenue available for Debt Service	Annual Debt Service Requirements (3)	Coverage Ratio
1997	\$ 162,854	\$ 110,219	\$ 52,635	\$ 16,523	3.19
1998	182,183	111,798	70,385	26,733	2.64
1999	182,946	117,784	65,162	39,359	1.66
2000	208,463	125,968	82,495	36,692	2.25
2001	185,957	121,102	64,855	34,050	1.90
2002	240,954	131,708	109,246	47,451	2.30

- (1) Total operating revenues plus investment income.
- (2) Total operating expenses exclusive of the payment in lieu of taxes and franchise fees and depreciation and amortization.
- (3) Annual debt service includes sinking fund requirements of the Water and Sewerage Revenue Fund, Fund, thus excluding capitalized interest and sinking fund payments funded by the 1999 Revenue Bonds in order to comply with the defined bond coverage calculation.

CITY OF ATLANTA, GEORGIA

DEMOGRAPHIC STATISTICS LAST TEN YEARS

Year	Population (1)	Median Age (2)	Drop Out Rate (3)	School Enrollment (4)	Unemployment Rate
1993	419,300	31.5	450.00%	58,072	8.3%
1994	421,900	31.5	530.00%	57,780	7.6%
1995	424,300	31.5	*	57,883	7.4%
1996	425,200	31.5	*	58,107	6.7%
1997	426,300	31.5	*	58,042	6.2%
1998	426,600	31.5	*	57,711	5.6%
1999	427,500	31.5	*	57,223	5.2%
2000	430,000	31.9	*	56,377	5.0%
2001	419,185	31.9	*	56,586	5.8%
2002	428,100	31.9	*	56,946	7.3%

Sources:

- 1 Source: Atlanta Regional Commission as of April 2002.
- 2 Estimate of Median Age - Per Census Taken Every 10 Years
- 3 Atlanta School Board
- 4 At end of school year in June.
- * Not available

CITY OF ATLANTA, GEORGIA

**VALUE OF CONSTRUCTION, BANK DEPOSITS AND CITY PROPERTY
LAST TEN YEARS**

Year	Commercial Construction		Residential Construction		Bank Deposits (in thousands) (1)	City Property Values		
	Number of Units	Value	Number of Units	Value		Real Property Market Value	Personal Property Market Value (2)	Total Market Value
1993	437	\$ 134,061,877.00	425	\$ 61,651,005.00	\$ 18,457,466	\$ 18,901,678,425	\$ 6,101,349,052	25,003,027,477
1994	506	447,118,705	431	88,234,695	18,675,277	18,880,127,525	6,229,407,190	25,109,534,715
1995	492	141,425,935	460	119,174,147	20,095,365	19,039,450,400	6,493,591,285	25,533,041,685
1996	855	161,874,206	548	265,315,897	21,775,882	19,496,135,100	6,934,395,058	26,430,530,158
1997	559	250,113,212	472	188,433,969	22,188,091	19,614,830,825	7,386,405,183	27,001,236,008
1998	572	400,599,578	647	234,141,067	23,405,856	23,864,583,350	7,841,041,275	31,705,624,625
1999	564	371,755,724	884	409,909,735	24,186,589	24,178,109,203	7,780,773,988	31,958,883,191
2000	1045	552,114,967	244	192,497,450	29,241,200	26,343,822,048	8,445,963,843	34,789,785,891
2001	1068	538,068,746	551	747,118,442	29,248,023	30,683,961,818	8,321,718,235	39,005,680,053
2002	1019	581,419,369	531	1,004,552,282	32,257,957	35,478,576,508	8,215,770,300	43,694,346,808

Source:

(1) Federal Reserve Bank- Atlanta Region

(2) Freepport exemption netted out.

CITY OF ATLANTA, GEORGIA

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2002

GENERAL:

Date of incorporation and original City charter	December 29, 1847
Revised City charter effective	January 1, 1974
Form of government	Mayor-Council
Area of City	131.4 square miles
Miles of streets:	
Paved	1,414 miles
Unpaved	26 miles
Miles of curbstone	2,800 (approximate)

CONSTRUCTION PERMITS:

Permits issued	8,398
Total value	\$ 2,071,647,541

NUMBER OF STREET LIGHTS:

Owned	6,216
Leased	36,384
Freeway Lights	6,664

FIRE PROTECTION:

Fire stations	34
Employees:	
Firefighting	896
Civilian	101

FIRE VEHICLES:

Fire engines	45
Tractor drawn aerial ladders	16
Mid-ship platform ladders	4
Mid-ship aerial ladders	4
Rear mount aerial ladders	1
Foam trailer	1
Light unit truck	1
Command vehicle	6
Service trucks	3
Pick-up trucks	28
Hazardous material trucks	2
Rescue units	6
Vans	3
Bus	1
Fire cars	43
Station Wagons	0
Lift gate stake body trucks	2
Van aerial truck	1
Air crash fire rescue vehicles	10
Ambulances	4

CITY OF ATLANTA, GEORGIA

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2002

POLICE PROTECTION:

Police administrative headquarters	1
Precincts	6
Employees:	
Law enforcement	1,570
Civilian	412

POLICE VEHICLES:

Patrol cars	387
Detective cars	368
Patrol wagons	40
Solo motorcycles	132
Pick-up trucks	27
Vans (full size)	65
Three-wheel motorcycles	7
Bomb trailers	3
Mini vans	55
Horse trailers	5
Helicopters	3
Buses	4

JAILS:

Correctional Facilities	2
Pre-trial Detention Center Capacity	1,317

RECREATION:

Parks	338
Total acres	2,850
Golf courses	5
Tennis courses	5
Swimming pools:	
Outdoor	18
Indoor	4
Play Grounds	111
Ball Fields	85
Other recreational facilities	38

SCHOOLS:

Elementary	66
Middle	16
High	11
Evening	3
Alternative	4

CITY OF ATLANTA, GEORGIA

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2002

STUDENT ENROLLMENT:

Pre- Kindergarten	844
Elementary	29,753
Middle	12,461
High	11,736
Evening	590
Alternative	436

TEACHERS (Classroom) 3,920

Municipal employees (exclusive of Atlanta Board of Education) 7,607

WATER AND SEWERAGE:

PURE WATER PRODUCED:

Total gallons produced	40,359 mill. gal.
Maximum daily produced	138.14 mill. gal.
Average daily produced	107 mill. gal.

WATER MAINS:

Miles in service 2,414

ATLANTA INTERNATIONAL AIRPORT:

Number of passengers served	75,858,500
Number of operations served	890,499
Number of carriers:	
Commercial	27
Cargo	25
Number of runways	4
Number of feet each runway:	
9R 27L	9,000 feet or 2,743 meters
9L 27R	11,889 feet or 3,624 meters
8R 26L	10,000 feet or 3,048 meters
8L 26R	9,000 feet or 1,743 meters