

CAFR 2005



Comprehensive Annual Financial Report For The Year Ending June 30, 2005

City of Chattanooga, Tennessee



Photo by Mead Dement

The Passage — the new pedestrian passage beneath Riverfront Parkway connects the revitalized waterfront with the First Street public art garden. The Passage includes a permanent public art installation that celebrates Cherokee culture, symbolism, and mythology while commemorating the forced removal of the Cherokee Indians on the Trail of Tears. The artwork was designed by a five member team of Cherokee Indians from Locust Grove, Oklahoma. The focal artistic element is a series of seven massive carved and glazed medallions inset in the west wall. Images on the medallions represent symbolism and imagery related to Cherokee culture and character.



Photo by Jim Myers

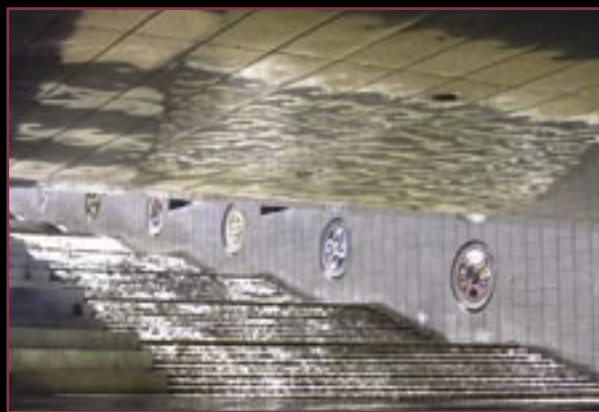


Photo by Priscilla Simmons



Photo by Mead Dement



Photo by Jim Myers

On The Cover -

The completed 21st Century Waterfront development fulfills Chattanooga's 20 year vision for revitalizing downtown Chattanooga and marks a return to our greatest natural resource, the Tennessee River. The \$120 million, 129 acre vision, capitalized on the public/private partnerships that have made Chattanooga a model for urban revitalization.

Cover Photo by Mead Dement

CITY OF CHATTANOOGA, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2005**

**DEPARTMENT OF FINANCE AND ADMINISTRATION
DAISY W. MADISON, ADMINISTRATOR**

CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter from Mayor Ron Littlefield City Council	one three
Finance Administrator's Letter of Transmittal	four
Certificate of Achievement for Excellence in Financial Reporting City Officials	twelve thirteen
Organization Chart	fourteen
FINANCIAL SECTION	
Report of Independent Certified Public Accountants	i-ii
Management's Discussion and Analysis	iii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2-3
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	8
Proprietary Fund Financial Statements	
Statement of Net Assets	9-10
Statement of Revenues, Expenses, and Changes in Net Assets	11
Statement of Cash Flows	12-13
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	14
Statement of Changes in Fiduciary Net Assets	15
Component Units Financial Statements	
Statement of Net Assets	16
Statement of Activities	17
Notes to Basic Financial Statements	18-52

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Schedules of Required Supplementary Information:

Public Employee Retirement Systems - Schedule of Funding Progress	53
Schedule of Employer Contributions	54

OTHER SUPPLEMENTARY INFORMATION

Combining Financial Statements

Combining Balance Sheet – Nonmajor Governmental Funds	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	56
Combining Statement of Net Assets – Private-Purpose Trust Funds	57
Combining Statement of Changes in Net Assets – Private-Purpose Trust Funds	58
Combining Statement of Revenues, Expenses and Changes in Net Assets – Component Units	59
Combining Statement of Cash Flows – Component Units	60-61

Budgetary Comparison Schedules

General Fund	62-70
Special Revenue Funds	
Public Library Fund	71
Downtown Development Fund	72
Human Services Program Fund	73-74
Narcotics Program Fund	75
State Street Aid Fund	76
Community Development Fund	77
Hotel/Motel Tax Fund	78
Debt Service Fund	79

Financial Schedules

Schedule of Certificates of Deposit by Fund	80
Schedule of Investments by Fund	81
Combined Schedule of Changes in Taxes Receivable	82
Summary Schedule of Debt Service Requirements to Maturity	83-84
Analysis of General Obligation Debt	85-87
Analysis of Revenue Bonds and Other Debt	88
Schedule of Bonds, Notes, and Capital Leases Payable - by Fiscal Year	89-101

STATISTICAL SECTION

Government-Wide Information:

Government-Wide Expenses by Function	102
Government-Wide Revenues	103

Fund Information:

General Governmental Revenues by Source	104
General Governmental Expenditures by Function	105
Property Tax Levies and Collections	106
Assessed and Estimated Actual Value of Taxable Property	107
Property Tax Rates and Levies - Direct and Overlapping Governments	108
Principal Taxpayers	109
Historical Debt Ratios	110
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	111
Computation of Direct and Overlapping Indebtedness	112
Computation of Debt Limit and Legal Debt Margin	113
Property Value and Construction	114
Schedule of Revenue Bond Coverage	115
Salaries and Fidelity Bonds of Principal Officials	116
Insurance Coverage	117
Demographic Statistics	118
Miscellaneous Statistical Data	119-121

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal and State Awards	122-130
Notes to Schedule of Expenditures of Federal and State Awards	131-133
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	134-135
Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	136-137
Schedule of Findings and Questioned Costs	138-142
Schedule of Prior Audit Findings	143

MAYOR'S LETTER

November 21, 2005

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

It is my privilege to present to you the annual report for the City of Chattanooga for the fiscal year ended June 30, 2005. This report affirms the strong fiscal condition of the City. Having served the City over the past 30 years in various capacities ranging from senior planner to city councilmember, I am very excited about the opportunity to move seamlessly into the future as Mayor.

Economic development remains our top priority. With your support, I will continue to focus on the recruitment of new businesses and the expansion of existing businesses. In cooperation with Federal, State and County officials and the Chamber of Commerce, we continue our efforts to recruit businesses to Enterprise South and other areas of the City. Upon the recommendation of a task force of local builders and contractors, the Public Works Department has been restructured to provide a single location (the newly created Land Development Office) where builders and developers can apply for permits, talk to plan reviewers and schedule site inspections. This completes the goal of a one-stop shop for developers.

In addition to our strong focus on economic development, there are three elements that will guide my administration. The first one is positive and progressive change in our City. Chattanooga has shown it can be a master of change. We are known nationally and globally as a city that transformed its downtown. I want us to be known as a city that embraces change and finds new

opportunity to transform the social and economic fabric of our community for the better.

The second element is creativity. Through our "Great Ideas Competition" we will engage our youth to think creatively. The competition is open to any public high school student and targeted at seniors in marketing, economics and entrepreneurial classes. A \$2,500 scholarship will be awarded to the winner who presents the most innovative idea. We will help our youth excel by giving them other avenues to learn by increasing interaction with museums, making our recreation centers a hub of knowledge and giving our central and branch libraries a bigger role in educating our youth. We will show people who want to invest in Chattanooga that we do have young people in this community with great ideas.

The third element is compassion. Shortly after coming to office, we created

Photos Left to Right: Mayor Littlefield meets with Chamber of Commerce; Mayor talks to students about Great Ideas competition; Mayor updates library card.

Photos by (L-R): Med Dement, Michelle Michaud, Med Dement



the Office of Faith-Based and Community Partnerships. This office will work with neighborhoods, agencies and city leaders to build strong partnerships that address community issues such as housing the homeless. Chattanooga has done much for the homeless through Chattanooga Neighborhood Enterprise, Habitat for Humanity, the Food Bank and United Way. The City Council has also approved the creation of the Office of Multicultural Affairs to address not only race, but religion, national origin, sex and other issues impacting our community. Other programs such as Go!Fest, Stop the Madness, and the Council on Disabilities are all in line with my goal of molding Chattanooga into a “city of compassion”.

During my campaign, I visited each of the nine districts to listen to residents and get their ideas about how to make their communities better. As a result of these meetings, I developed a comprehensive blueprint for implementation over the next four years. This blueprint encompasses the following seven step strategy:

- Finish What We’ve Started
- Enhance Links and Gateways
- Nourish the Neighborhoods
- Keep Growing the Green
- Attack Fear with Technology
- Focus on Teaching
- Fill in Economic Gaps

Details concerning each of these strategies can be found on our City’s website at Chattanooga.gov. As Mayor, I plan to take these great ideas and put them to work for all to benefit.

I am excited about the future of Chattanooga. I look forward to working with the members of City Council and the citizens of Chattanooga to continue to move forward as a progressive, creative and compassionate city.

Sincerely,



Ron Littlefield, Mayor

Photos Left to Right: Mayor touts Chattanooga in China; Go!Fest with Siskin Rebounders; Mayor answers questions about Brainerd Mission Cemetery; Mayor with County Mayor Claude Ramsey at Chamber meeting.

Photos by (L-R): Trevor Hamilton, Med Dement, Michelle Michaud, Med Dement



CHATTANOOGA CITY COUNCIL



Photos by Med Dement



DISTRICT 1
Linda G. Bennett

DISTRICT 2
Sally L. Robinson,
Chairman

DISTRICT 3
Dan B. Page

DISTRICT 4
W. Jack Benson, Sr.

DISTRICT 5
John P. Franklin, Jr.

DISTRICT 6
Marti Rutherford

DISTRICT 7
Manuel Rico

DISTRICT 8
Leamon Pierce,
Vice Chairman

DISTRICT 9
Yusuf A. Hakeem



City of Chattanooga

Ron Littlefield
Mayor

DEPARTMENT OF FINANCE AND ADMINISTRATION
CITY HALL ANNEX

Daisy W. Madison, CPA
City Finance Officer

Chattanooga, Tennessee 37402

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

November 14, 2005

To the Honorable Mayor Ron Littlefield, Members of the City Council and the Citizens of Chattanooga, Tennessee:

In compliance with state and local statutes, I am submitting the Comprehensive Annual Financial Report (CAFR) of the City of Chattanooga for the fiscal year ended June 30, 2005. These ordinances and statutes require that the City of Chattanooga issue annually a report on its financial position and activities, and that an independent firm of certified public accountants audit this report.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations,

management of the City of Chattanooga has established a comprehensive internal control

framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information

for the preparation of the City of Chattanooga's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this report is complete and reliable in all material respects.



Daisy W. Madison, Finance Officer

The City of Chattanooga's financial statements have been audited by Hazlett, Lewis & Bieter, PLLC,

a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Chattanooga's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first item in the financial section of this report.

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

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in

conjunction with it. The City of Chattanooga's MD&A can be found immediately following the financial statement report of the independent auditors.

GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND MAJOR INITIATIVES

PROFILE OF THE GOVERNMENT

Founded as a ferry landing and warehouse site in 1815, the City of Chattanooga was incorporated under State of Tennessee Private Acts of 1839. The City is the county seat of Hamilton County and is located near the southeastern corner of the state on the Tennessee-Georgia border. It encompasses an area of 144.16 square miles and a population of 154,853. The City is centrally located in relation to other major population centers of the southeast, being within a 150-mile radius of Knoxville and Nashville, Tennessee; Birmingham, Alabama; and Atlanta, Georgia. Over 11 million people live within a 2 to 2-1/2 hour drive of Chattanooga. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also has the power to extend its corporate limits by annexation in accordance with procedures under an "Urban Growth Plan" agreed to between the city and the county.

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

is the City's chief executive officer and oversees the operation of all City departments.

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

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

presented as part of the basic financial statements for the governmental funds. The budget-to-actual comparisons for the remaining governmental funds with appropriated annual budgets are presented in the other supplementary information section of this report.

FACTORS AFFECTING FINANCIAL CONDITION

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

THE CITY'S ECONOMIC FUTURE

Employment in the Chattanooga area is diverse. The top employment sectors of trades, transportation, and utilities (23.9%), government (14.8%), manufacturing (14.2%), professional and business services (10.7%), education and health (9.7%), and leisure and hospitality (8.3%) comprise 81.6% of the workforce. Employment in the retail service sector is driven, in part, by the presence of Hamilton Place Mall, Tennessee's largest. The 1.4 million-square-foot mall has brought in many tourists and locals with a mix of new and familiar stores, theme restaurants and movie theaters. Thanks to the mall, the area has become a retail hotbed with more than 15 million visitors a year.

Chattanooga is particularly well positioned to take advantage of future improvements in the national economy. Chattanooga enjoys strategic advantages related to its location,

strong transportation system, natural resources and competitive cost of doing business. The local unemployment rate of 4.4% remains significantly below the state average of 5.1% and the national average of 5.1% as of September, 2005.

A solid foundation has been laid for Chattanooga's future. The opening of the 21st Century Waterfront in April 2005, marks the culmination of a vision first conceived by Chattanoogaans in the early 1980's. Through the work of the publicly commissioned Moccasin Bend Task Force, Chattanoogaans created a shared dream for riverfront redevelopment over twenty years and across 22 miles. With the opening of the waterfront, the connection is completed twenty years to the month from the publication of the Tennessee Riverpark Master Plan. Construction is nearly complete on all components of the 21st Century Waterfront Plan. Thirty-five months in the works, the \$120 million waterfront initiative includes major expansions to the Tennessee Aquarium, the Creative Discovery Museum and the Hunter Museum featuring new attractions ranging from a glass-floored walking bridge to a 160-foot pier illuminated by towering light columns. It also includes public green spaces, an urban wetland, boat docks and a downtown-to river-side pedestrian link with dazzling artwork that evokes American Indian history.

Photos by (top to bottom): David Humber, Jim Myers, Med Dement



ABOVE: Completed 21st Century Waterfront development.

RIGHT: 160-foot public pier with lighted columns.

BELOW: New glass-floored walking bridge connecting waterfront development with Hunter Museum.



Each year the City focuses on a department of City government describing in detail services provided. This year's focus is the Parks and Recreation Department.

PARKS AND RECREATION DEPARTMENT

Mission Statement – to efficiently manage programs, parks and facilities that are offered equitably to maximize use by the broadest spectrum of Chattanooga residents and visitors, which will, in turn, help develop and educate our community physically, socially and morally.

OUTDOOR CHATTANOOGA

Launched in fiscal year 2005, THE OUTDOOR INITIATIVE is embraced by Mayor Ron Littlefield and is touching many areas of our region. It will continue to be the forefront of our department to deliver its mission of promoting a healthy active lifestyle. This initiative is focused on four major areas: Health and Wellness, Education and Environmental Stewardship, Tourism and Conventions, and Economic Development.

PARKS

Chattanooga's new waterfront is certainly a huge resource for our community. One primary focus will be to program the area while maintaining its beauty. Keeping these areas well maintained will help promote the use of our parks by the community. Outside of physical parks, Chattanooga has a large variety of wonderful outdoor spaces where we will continue to develop programs to increase the level of activity and awareness.

RECREATION CENTERS

The City of Chattanooga operates 15 recreation centers. Each recreation center offers a variety of

Photo by Med Dement



Rob Healy (above left), Director of Parks and Recreation Department, visits OUTVENTURE KAYAKING class, a program of Outdoor Initiative, at UT Chattanooga pool.

programs that are offered to citizens of all ages. The recreation centers are each unique in programming due to the different needs of each neighborhood. Extending their hours of operation and expanding their programs is a goal in the coming years. We will try and make a difference in people's lives in our community – not only offering traditional sports activities but focusing on using activities to enhance the lives of citizens of all ages. We want to make a difference in the development of youth educationally, emotionally, and spiritually.

FITNESS CENTER

Therapeutic recreation, aquatics and fitness programming will continue to develop through this department. We will look at new outlets to encourage people to be more active and introduce citizens of all physical abilities to activities they enjoy. We will continue to offer diverse programs at the Warner Park Fitness Center. With our Parks and Recreation Centers in combination with the fitness

center we will be reaching out to our neighborhoods to deliver new and exciting programs.

GOLF

Brainerd and Brown Acres are two great facilities that offer quality affordable golf to citizens in our community. We will continue to look at ways to get youth involved in golf in our community as well as ways to enhance the golf experience that our people have at these golf courses.

TENNIS

The Champions Club is one of the finest tennis facilities in the Southeast. We will showcase this facility to bring people into our community that will organize quality tennis tournaments, as well as balancing these events with the needs of our local community. The primary focus for the Champions Club is league play and to ensure that our citizens have the opportunity to play tennis. In addition to the Champions Club we have tennis courts throughout our community. We would like to expand the use of those additional facilities by building youth programming components.

ZOO

The partnership with the Friends of the Zoo will enable the zoo to continue to offer new and exciting programs and exhibits. An important factor to the zoo will be to increase the visibility in our region which we hope will, in turn, increase memberships

and attendance. We are also looking at ways to embrace the growing tourist population in our city.

PARTNERSHIPS

Chattanooga Parks and Recreation will begin to look at ways to establish partnerships with organizations that can work with us to deliver quality programs in our community. The partnerships range from youth and senior programming, foundations, corporate partnerships, faith and family based initiative, health and wellness partners as well as facility and land partnerships. We will be working to improve better use of our resources to deliver more to our community in a more efficient and cost effective manner.

CIVIC FACILITIES

Under Mayor Littlefield's reorganization in fiscal year 2006 a new Department of Arts, Education and Culture was created. This department will assume the responsibility of the Civic Facilities which includes the Memorial Auditorium, the Tivoli Theatre and the North River Civic Center.

Below L-R: Children at Zoo's Cougar Express grand opening; Native American dance exhibition and children experiencing Weeping Wall at Passage grand opening.

Photos by (L-R): Judy Ridge, Judy Ridge, David Humber, David Humber



Now we can focus on how to build a more progressive and compassionate city based on all that has gone before. Chattanooga's focus on the recruitment of new businesses and the expansion of existing business is only the beginning. Continuing efforts are underway by City and County Mayors, the Chamber of Commerce and the State to recruit businesses to Enterprise South and other areas of the City. Over the past 3 years more than \$491 million have been invested in the Chattanooga area including 47 business expansions and 30 new businesses. The Chamber is well on its way to achieving it's goal of 20,000 new jobs with the addition of 7,496 since July 2002.

For years, builders and developers in Chattanooga have requested a "One Stop Shop": where they could apply for permits, talk to plan reviewers and schedule site inspections all in one place. While the City moved toward this with the consolidation of offices and agencies that deal with construction in the Development Resource Center, the goal was truly achieved with the restructuring of the Public Works Department by Mayor Littlefield. Developers and contractors can now go to one office, the Land Development Office, for approval, review and inspection of projects.

While Chattanooga can be proud of the continuing renaissance taking place in many areas, much remains to be done. The Enterprise Center is ramping up efforts to bring life back to acres of unused industrial land in Hamilton County. It is a non-profit organization created by the City and County and Congressman Wamp as an umbrella organization for oversight and accountability to 12 innovative, federally funded initiatives to ensure enhancement of Chattanooga's place in the

technology corridor. A panel made up of public officials and private business will craft a Brownfields management program aimed at tapping state, federal and other resources to help rehabilitate Brownfields which are old industrial or commercial property that may hold contaminants.

As part of a \$10 million initiative called Housing for People Who are Homeless and Addicted to Alcohol, the U.S. Department of Housing and Urban Development awarded the Southeast Tennessee Human Resource Agency \$1 million to house 100 chronically homeless people who also suffer from alcoholism. Unlike some homeless programs, this program strives not to provide emergency shelter but permanent housing for the homeless. The City has also had it first annual "Go!Fest", to celebrate those who place their abilities above their disabilities. These along with Mayor Littlefield's establishment of an Office of Faith-Based and Community Partnerships are major initiatives in making Chattanooga a "city of compassion".

BUDGET HIGHLIGHTS

The City's undesignated General Fund budget has grown by roughly one percent over the past four years and there are 250 fewer positions in City government. For the fourth consecutive year tax increases and layoffs have been avoided by a combination of more effective management and economic growth. This budget provides the resources for continued investment in the long term fiscal health of this community.

The City's chattanoogaRESULTS initiative and hiring and vacancy control program that has been in effect since February 2002 greatly increases

accountability by allowing the Mayor, the City Finance Officer and other senior City officials to regularly monitor both spending and departmental performance. The result has been a budget review process that is no longer episodic, but instead defines the way that all of City government does business throughout the fiscal year. The City published its first annual performance report to the citizens of Chattanooga. The report not only gives residents an update on how city services are responding to their needs, it also provides department heads and managers with quantifiable performance measures.

CASH MANAGEMENT POLICIES AND PRACTICES

Cash temporarily idle during the year is invested in commercial banks and savings and loan certificates of deposit as well as various instruments guaranteed by the United States Government. These instruments have terms ranging from one week to one year. Cash idle for a longer period of time is invested in longer-term government securities. Due to statutes of the State of Tennessee, the City is limited in the investment methods it may utilize. Changes in the fair value of investments are reported as investment income or loss.

RISK MANAGEMENT

The City manages exposure to risk of loss through several methods including contracts with commercial carriers for property insurance, surety bond coverage of officials and employees, and commercial liability coverage. The City assumes the risk of loss for general liability not

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

PENSION AND OTHER POSTEMPLOYMENT BENEFITS

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

The City also provides postemployment health care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 834 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Additional information on the City's pension arrangements and postemployment benefits can be found in the notes to the financial statements.

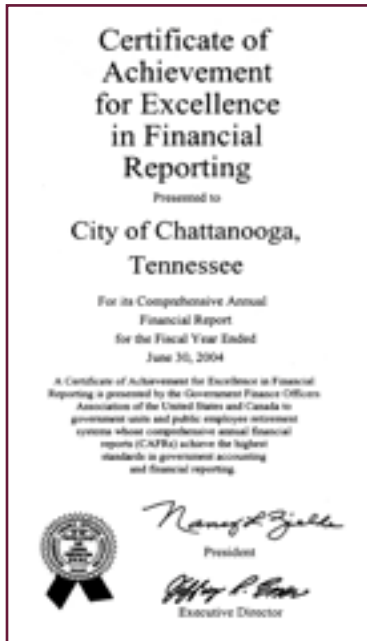
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chattanooga, Tennessee for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the thirteenth consecutive year that the City has received this award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

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



Respectfully submitted,


Daisy W. Madison
City Finance Officer

Photo by Med Dement



Finance Department staff prepares data for annual financial report

CITY OFFICIALS AS OF JUNE 30, 2005

RON LITTLEFIELD, MAYOR

L. Dan Johnson, Chief of Staff

CITY COUNCIL:

Sally L. Robinson, Chairperson	District 2
Leamon Pierce, Vice Chairman.....	District 8
Linda G. Bennett	District 1
Dan B. Page.....	District 3
W. Jack Benson, Sr.	District 4
John P. Franklin, Jr.	District 5
Marti P. Rutherford.....	District 6
Manuel Rico.....	District 7
Yusuf A. Hakeem	District 9



COURTS:

Sherry B. Paty	City Court Judge
Russell J. Bean.....	City Court Judge
Edward C. Hammonds.....	City Court Clerk

DEPARTMENT ADMINISTRATORS AND DIRECTORS:

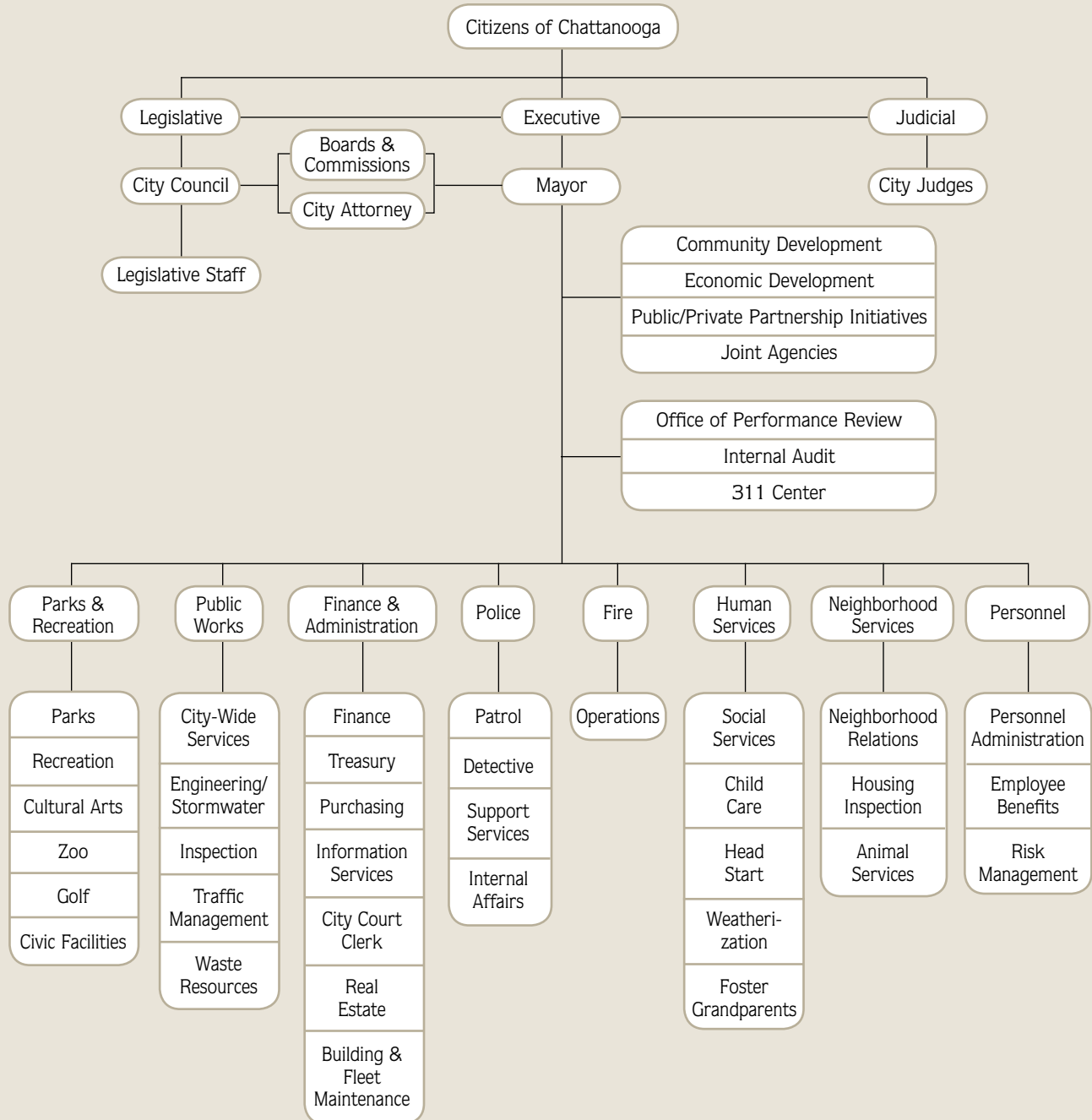
Legal	Randall Nelson.....	City Attorney
Legislative.....	Carol O'Neal	Clerk of the Council
Finance & Administration.....	Daisy W. Madison.....	Administrator
Fire.....	Chief Jim M. Coppinger.....	Administrator
Human Services	Bernadine Turner	Administrator
	Tommie Pruitt	Deputy Administrator
Neighborhood Services	Beverly P. Johnson.....	Administrator
Parks & Recreation	Robert L. Healy	Administrator
Personnel	Donna Kelley	Administrator
Police	Chief Steven M. Parks.....	Administrator
Public Works	Steven C. Leach	Administrator
	D. Lee Norris.....	Duputy Administrator

Brian Smart	Manager, Financial Operations
Fredia F. Kitchen.....	Budget Officer
Daisy W. Madison	Treasurer
Mark J. Keil.....	Director, Information Services
Gene D. Settles.....	Purchasing Agent
Paul R. Page	Director of Asset Management
Stanley L. Sewell	Director of Internal Audit
Jeffrey E. Claxton.....	Risk Manager
Henry W. Yankowski.....	Director, Codes and Inspection
(Vacant).....	Director, City Wide Services
Jerry W. Stewart.....	Director, Waste Resources
Naveed A. Minhas	City Engineer
John Van Winkle	City Traffic Engineer
Harold E. DePriest.....	President and CEO, Electric Power Board
David F. Clapp	Director, Chattanooga - Hamilton County Bicentennial Library
Michael J. Landguth.....	President and CEO, Metropolitan Airport Authority
Barry M. Bennett.....	Director, Regional Planning Agency
Robert H. Colby	Director, Air Pollution Control
(Vacant).....	Director, Scenic Cities Beautiful Commission

ORGANIZATIONAL CHART



CITY OF CHATTANOOGA



The above organizational structure does not reflect revisions made by the newly elected Mayor on June 14, 2005.

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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Chattanooga, Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Chattanooga Metropolitan Airport Authority, which represent 25 percent and 28 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chattanooga Metropolitan Airport Authority, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the City increased beginning net assets of its governmental activities at June 30, 2004, to include the Library Endowment Fund and the Ochs-Oakes Fire and Police Medal Fund.

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages iii through xiv of the Financial Section and the required supplementary information on pages 53-54 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Haslett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
October 21, 2005

In this section of the City of Chattanooga's annual financial report we offer readers a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2005. Please consider the information presented here in conjunction with the transmittal letter found at the front of this report and with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Chattanooga exceeded its liabilities at the close of the fiscal year by \$1.84 billion (*net assets*), an increase of \$8.0 million. Of this amount, \$82.6 million may be used to meet the government's ongoing obligations to citizens and creditors (*unrestricted net assets*), a \$12.2 million increase over last year.
- While the net assets of our business-type activities increased \$11.0 million, or 2.3 percent, the net assets of our governmental activities decreased \$3.0 million, or .18 percent. During the year, the City generated \$216.7 million in taxes and other revenues for governmental programs. This compares with \$219.1 million of expenses for these programs.
- The City of Chattanooga has opted to use depreciation rather than the maintenance method to report infrastructure assets. During the current fiscal year our governmental activities recognized depreciation expense of \$34.1 million including \$22.3 million on infrastructure assets alone.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$83.8 million, a decrease of \$23 million in comparison to last year. The decrease is primarily a result of capital construction funded from bond proceeds received in prior years.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$39.0 million, up \$2.4 million or 6.5 percent over prior year. This represents 22.8 percent of total General Fund expenditures and transfers out.
- The City's primary governmental debt decreased \$5.3 million (1.1 percent) during the current fiscal year. Business-type activity debt decreased from \$213.7 million to \$206.4 million, retiring more debt than they issued while governmental activities debt increased slightly from \$255.8 million to \$257.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS. The first two statements are government-wide financial statements. They are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The government-wide financial statements are:

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

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, parks and recreation and social services. The business-type activities include the City’s electric, sewer and storm water systems, as well as solid waste disposal and housing management operations.

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

Complete financial statements of the component units may be obtained from: (1) Chattanooga Metropolitan Airport Authority, P. O. Box 22444, Chattanooga, TN 37422; (2) CARTA, 1617 Wilcox Boulevard, Chattanooga, TN 37406 and (3) Chattanooga Downtown Redevelopment Corporation, 427 City Hall Annex, 100 East 11th Street, Chattanooga, Tennessee 37402.

The government-wide financial statements begin on page 1 of this report.

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

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

- **Governmental Funds** – The City’s basic services are included in governmental funds. The focus of these funds is on (1) how cash and other financial assets that can readily be converted to cash were received and used and (2) what remains at the end of the fiscal year for future spending. This

detailed short-term view helps in determining whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not include the additional long-term focus of the government-wide statements, we provide additional information after the governmental fund statements that explain the differences between the long-term view and the short-term view.

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

The City of Chattanooga adopts an annual budget for the General Fund, special revenue funds and the debt service fund. Budgetary comparisons are provided for these funds to demonstrate compliance with the budget: the General Fund budgetary comparison is found in the fund statements of this report and comparisons for special revenue funds and the debt service fund are provided in the other supplementary information section of this report. Both the capital projects fund and the permanent funds are excluded from budgetary reporting since neither adopts an annual budget.

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

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

Enterprise funds are the same as business-type activities in the government-wide financial statements but provide more detail and additional information, such as cash flows. The Electric Power Board (EPB), Interceptor Sewer System, Storm Water Management and Solid Waste are considered major funds. The only other fund, Housing Management, is also shown on the face of the proprietary fund financial statements.

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

The proprietary fund statements begin on page 9 of this report.

- **Fiduciary Funds** – These funds are used to account for resources held for the benefit of others outside the government. During the year the net assets of the City's two private-purpose trust funds were transferred to the Hamilton County Department of Education by request of the trusts. At year-end the City retained pension trust funds for the various pension plans as the only fiduciary funds. The City is responsible for ensuring that the assets are used for their intended purposes, however, we exclude these activities from the City's government-wide financial statements since these assets cannot be used to finance City operations. The City's fiduciary activities are reported in statements of fiduciary net assets and changes in fiduciary net assets in the fund financial statements.

The fiduciary fund financial statements begin on page 14 of this report.

As previously stated, the City includes three legally separate component units in the government-wide financial statements. Financial information is provided for each component unit beginning on page 16 of this report.

NOTES TO THE FINANCIAL STATEMENTS. The financial statements also include notes that provide additional information that is essential to a full understanding of the government-wide and fund financial statements.

The notes to the financial statements begin on page 18 of this report.

SUPPLEMENTARY INFORMATION. In addition to the basic financial statements discussed above, this report also contains supplementary information.

- **Required Supplementary Information** – Information about the City's progress in funding its obligation to provide pension benefits to its employees.
- **Other Supplementary Information** – This includes the combining statements for nonmajor governmental funds, private-purpose trust funds and discretely presented component units. It also includes a more detailed budget to actual comparison for General Fund and budget to actual comparisons for special revenue funds and the debt service fund.

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets. Net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$1.84 billion at the close of the most recent fiscal year, an increase of \$8.0 million, or .44 percent, from last year.

By far the largest portion of the City's net assets (94 percent) reflects its investment in capital assets (land, buildings, equipment, infrastructure, etc), less any related debt used to acquire those assets. Because capital assets are used to provide services to citizens the assets are not available for future spending. It should be noted that although the City reports capital assets net of related debt, the resources needed to repay the debt must be provided from other sources.

A portion of the City's net assets, \$26.0 million or 1.4 percent, represents resources that are restricted in how they may be used. The remaining balance of \$82.6 million may be used to meet the City's ongoing obligations, a \$12.1 million increase.

At the end of the fiscal year, the City of Chattanooga is able to report a positive net asset balance for the government as a whole, as well as for its governmental and business-type activities.

City of Chattanooga's Net Assets
(in thousands)

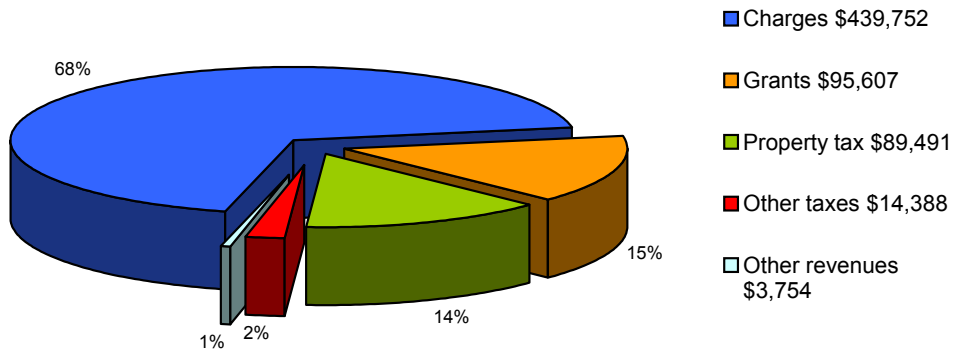
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 211,607	\$ 234,600	\$ 165,759	\$ 184,459	\$ 377,366	\$ 419,059
Capital assets	1,530,278	1,505,270	647,845	625,078	2,178,123	2,130,348
Total assets	<u>1,741,885</u>	<u>1,739,870</u>	<u>813,604</u>	<u>809,537</u>	<u>2,555,489</u>	<u>2,549,407</u>
Long-term debt outstanding	273,948	272,032	208,376	214,912	482,324	486,944
Other liabilities	109,003	105,945	120,073	120,441	229,076	226,386
Total liabilities	<u>382,951</u>	<u>377,977</u>	<u>328,449</u>	<u>335,353</u>	<u>711,400</u>	<u>713,330</u>
Net assets:						
Invested in capital assets, net of debt	1,277,884	1,281,946	457,613	428,284	1,735,497	1,710,230
Restricted	7,713	35,211	18,301	20,236	26,014	55,447
Unrestricted	73,337	44,736	9,241	25,664	82,578	70,400
Total net assets	<u>\$ 1,358,934</u>	<u>\$ 1,361,893</u>	<u>\$ 485,155</u>	<u>\$ 474,184</u>	<u>\$ 1,844,089</u>	<u>\$ 1,836,077</u>

CHANGES IN NET ASSETS. Net assets of the City's governmental activities were \$1.4 million, a slight reduction from the prior year. Of that balance \$1.29 billion are either restricted as to how they may be used or are invested in capital assets (buildings, roads, bridges, and so on). Therefore \$73.3 million remains to meet the City's ongoing obligations to citizens and creditors, a \$28.6 million increase.

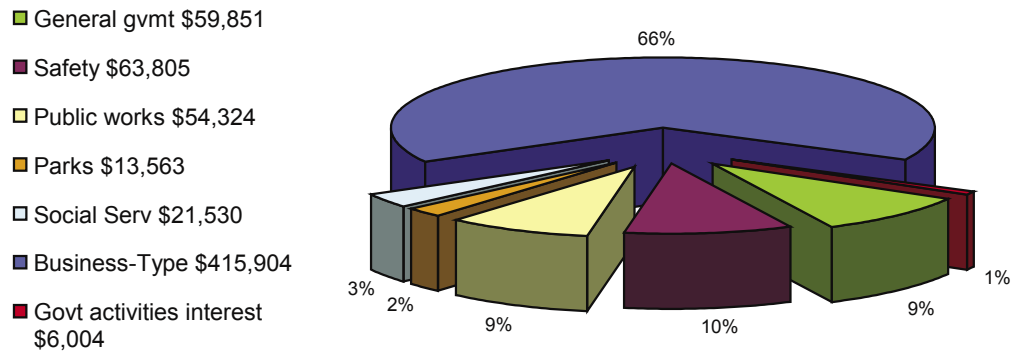
During the current year the net assets of the business-type activities increased \$11.0 million or 2.3 percent to \$485.2 million. These net assets are dedicated solely to finance the continuing operations of the electric, sewer, and storm water systems, and solid waste disposal and housing management operations.

The following graphs summarize the sources of the City's total revenues of \$643.0 million and total program expenses of \$635.0 million. These graphs combine governmental and business-type information.

City Wide Sources of Revenue (In thousands)



City Wide Program Expenses (In thousands)



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

City of Chattanooga's Changes in Net Assets

(in thousands)

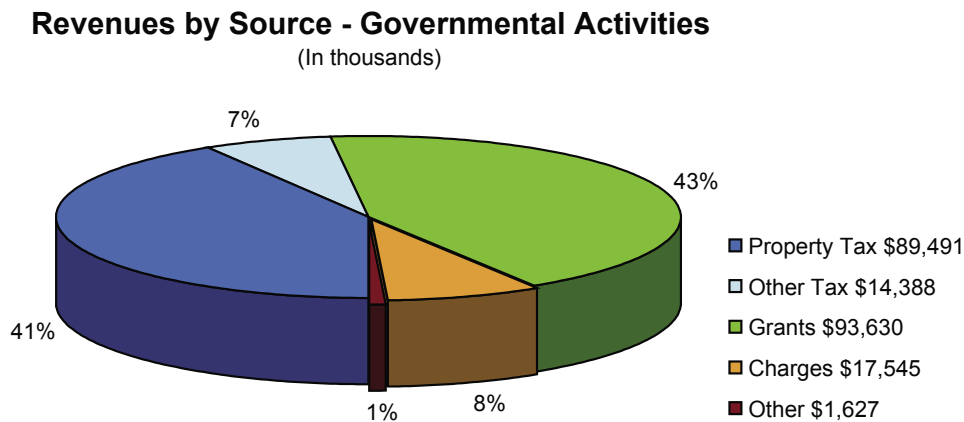
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services	\$ 17,545	\$ 18,836	\$ 422,207	\$ 424,924	\$ 439,752	\$ 443,760
Grants and contributions	45,129	45,590	1,977	2,055	47,106	47,645
General revenues:						
Property taxes	89,491	87,093	-	-	89,491	87,093
Other taxes	14,388	29,530	-	-	14,388	29,530
Investment income	1,546	183	1,942	1,578	3,488	1,761
Miscellaneous	-	-	185	12	185	12
Unrestricted grants	48,501	34,896	-	-	48,501	34,896
Gain on sale of assets	81	249	-	-	81	249
Total revenues	216,681	216,377	426,311	428,569	642,992	644,946
Expenses						
Governmental activities:						
General government	59,851	59,111	-	-	59,851	59,111
Public safety	63,805	62,984	-	-	63,805	62,984
Public works	54,324	50,610	-	-	54,324	50,610
Parks and recreation	13,563	12,981	-	-	13,563	12,981
Social services	21,530	26,059	-	-	21,530	26,059
Interest on long-term debt	6,004	6,097	-	-	6,004	6,097
Business-type activities:						
Electric utility	-	-	371,630	374,823	371,630	374,823
Sewer	-	-	33,607	32,726	33,607	32,726
Solid waste	-	-	4,260	4,719	4,260	4,719
Storm water	-	-	4,709	4,312	4,709	4,312
Housing management	-	-	1,698	1,718	1,698	1,718
Total expenses	219,077	217,842	415,904	418,298	634,981	636,140
Excess (deficiency) before special item and transfers	(2,396)	(1,465)	10,407	10,271	8,011	8,806
Special item-state highway contribution	-	17,096	-	-	-	17,096
Transfers	(563)	(684)	563	684	-	-
Increase (decrease) in net assets	\$ (2,959)	\$ 14,947	\$ 10,970	\$ 10,955	\$ 8,011	\$ 25,902

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

GOVERNMENTAL ACTIVITIES. Current fiscal year revenues for the City’s governmental activities were \$216.7 million compared to \$216.4 million last year, up .14 percent. Current year expenses were \$219.1 million compared with \$217.8 million last year, an increase of .57 percent.

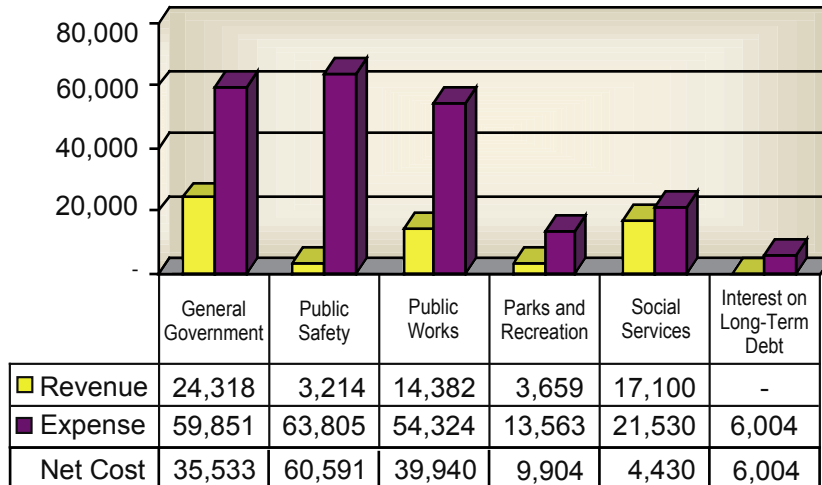
- The single largest source of governmental activity revenue, property taxes and in-lieu of tax receipts increased by \$2.3 million, or 2.6 percent. This increase was offset by the elimination of the city-only sales tax as discussed in the “Financial Analysis of the City’s Funds” for the general fund (see p. xiv).
- The \$1.2 million increase in expenditures includes a step increase for employees of approximately 1.8 percent. Also included is \$1.1 million in infrastructure donations and abandonments. Insurance and pension contributions remained virtually unchanged.

The graph below presents the major sources of revenue for governmental activities. A chart is also presented to show the expenses associated with providing each service of the City as compared with the revenue generated by each. This will show the net cost, or the financial burden placed on City taxpayers for each program.



Expenses and Program Revenues Governmental Activities

(In thousands)



BUSINESS-TYPE ACTIVITIES. Revenues for the City's business-type activities were \$426.3 million for the year just completed; this is a \$2.2 million decrease or .53 percent. The decrease in revenue was more than offset by a \$2.3 million, .57 percent decrease in expenses, to \$416.0 million. All business-type activities are briefly covered below.

Electric Power Board

- The largest source of business-type activity revenue is generated from the Electric Power Board. Operating revenue from electric customers dropped by \$4.3 million, 1.2 percent, due to decreased power usage as a result of milder temperatures. This loss in revenue was more than offset by a \$8.5 million reduction in operating costs including a \$7.6 million drop in purchased power costs.
- Total net assets of the Electric Power Board increased \$4.7 million to \$239.7 million for fiscal year 2005, an increase of 2.0 percent.
- Net assets invested in capital and restricted for use total \$244.0 leaving a negative \$4.3 million available to finance day-to-day operations (unrestricted net assets).

Interceptor Sewer System

- Net assets of the Interceptor Sewer System increased \$3.1 million, 1.4 percent, to \$231.2 million.
- Operating expenses rose only \$691,000, 2.5 percent, while operating revenues rose \$823,000, 2.3 percent. There was a modest increase in all categories of operating revenue due to rate increases.

- Unrestricted net assets, those that can be used to finance on-going operations, increased \$3.8 million to \$32.6 million. An additional \$7.0 million is restricted for future capital spending.

Solid-Waste Fund

- The City of Chattanooga operates a municipal solid waste landfill. In 1991 the Environmental Protection Agency (EPA) issued an unfunded Federal mandate establishing closure and postclosure care requirements for such landfills. As a result of an aggressive program to meet these requirements, the Solid Waste Fund remains in a negative net asset position. However during fiscal year 2005 net assets increased by \$2.0 million or 11 percent. This follows a \$1.3 million increase in fiscal year 2004.
- To date the City has accrued liabilities of \$4.9 million for a closed landfill and \$4.6 million for a landfill currently in operation, a \$260,000 or 2.8 percent increase over last year. Many of these costs are being financed through general obligation bonds.
- The major customer of the landfill is the City itself. During the current fiscal year tipping fees from the City of Chattanooga were \$4.9 million, 83 percent of total tipping fees.

Stormwater Management

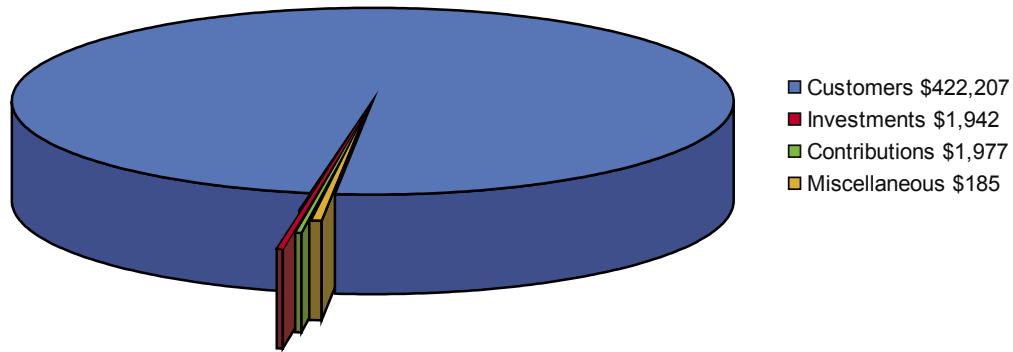
- The Stormwater Fund, established to comply with EPA guidelines, now has \$26.4 million in net assets, an increase of \$1.5 million, 5.8 percent, from last year.
- \$20.7 million of the net assets are invested in capital assets as a result of the aggressive capital campaign designed to continually improve storm water drainage and discharge within the City. This is a \$2.2 million, 11.7 percent increase.
- The amount set aside for capital improvements and the amount available to fund day-to-day operations decreased from a combined \$5.4 million to \$4.7 million. Capital improvements are being paid from net assets instead of being funded through debt.

Housing Management

- The Housing Management Fund reported \$1.3 million in rental income, a decrease of 3.7 percent from last year. During the same period operating expenses decreased 1.2 percent to \$1.5 million.
- The fund ended the year with net assets of \$4.3 million, a decrease of \$330,000, or 7.1 percent. All of the net assets are invested in capital leaving a deficit of \$237,000 in assets available to meet on-going operations.

The following graph presents the major sources of revenue for business-type activities. Also presented is a chart showing the operating expense of each business-type activity as compared to operating revenue generated.

**Revenues by Source
Business-Type Activities**
(In thousands)



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

	Electric	Sewer	Solid Waste	Storm Water	Housing
Revenue	\$ 373,490	\$ 35,976	\$ 5,965	\$ 5,492	\$ 1,367
Expense	368,971	28,348	2,979	3,875	1,475
Operating income (loss)	\$ 4,519	\$ 7,628	\$ 2,986	\$ 1,617	\$ (108)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City of Chattanooga uses fund accounting to help it control and manage money for particular purposes or to demonstrate compliance with legal requirements. The following provides a more detailed analysis of the City's funds.

GOVERNMENTAL FUNDS. Governmental funds focus on providing information on the near-term flow of resources. The City's governmental funds reported a combined fund balance of \$83.8 million at the end of the fiscal year. 72.3 percent of this amount (\$60.6 million) is available for day-to-day operations (unreserved fund balance). All of the governmental funds reported a positive ending fund balance. Information about the major governmental funds is presented below.

General Fund. This is the chief operating fund of the City of Chattanooga. Total fund balance of the City's General Fund decreased by 3.8 percent or \$1.9 million to \$47.5 million during the fiscal year. Unreserved fund balance was \$44.0 million, of which \$5.0 million is designated for future spending. During the same period unreserved, undesignated fund balance increased \$2.4 million or 6.5 percent. Key factors are as follows:

- Total revenues decreased \$3.1 million from the prior year.
 - o The reduction in revenue is solely due to the passage by referendum to increase the county-wide sales tax by 1/2 percent effective July 1, 2004 superceding the former city-only sales tax which generated \$18.4 million. These taxes are now collected as part of the county-wide sales tax with 50% returned to the city as intergovernmental revenue. The remaining 50% is paid directly by the county to the Hamilton County Department of Education. There is minimal impact on net operations however, since the education funding no longer flows through the city.
 - o Licenses and permits were \$3.1 million lower for fiscal year 2005 primarily due to a \$3.6 million reclassification of gross receipts taxes.
 - o Taxes decreased \$12.1 million due to the passage of a 1/2 cent county-wide sales tax as described above. The largest tax revenue, property taxes, increased \$2.3 million, or 2.6 percent, due to increased assessments resulting from economic growth.
 - o Intergovernmental revenues increased \$11.4 million over the prior year with county-wide sales tax being the largest component. As discussed above, the city-only sales tax was replaced by a half percent increase in county-wide sales tax; the city's share of this additional tax was \$9.6 million for the year.
- Expenditures decreased from \$148.7 million to \$148.4 million.
 - o Salaries and fringe benefits rose by approximately \$2.7 million or 3.1 percent over last year.
 - o General Fund's share of lease payments due under a lease agreement with the Chattanooga Downtown Redevelopment Corporation increased by \$1.4 million primarily due to a reduction in funding from the sales tax generated in the tourist development zone and reduced cash flows from operations of The Chattanooga Hotel.
 - o The increases above are more than offset by an \$8.4 million reduction as a result of the repeal of the city-only sales tax and discontinued funding for the Hamilton County Department of Education.

Capital Projects Fund. This fund focuses on project-to-date costs for many projects within the City. At the end of the year, the fund reported \$16.6 million in fund balance all of which was reserved for completion of projects already begun. Fund balance for this fund fluctuates from year to year based on debt issued and expenditures for projects; new debt increases fund balance while construction decreases it. For fiscal year 2005 there was a \$25.2 million decrease. Analysis of project income and expenditures follows.

- Cash inflows for the year include \$7.3 million in notes, \$9.9 million received from federal, state and county governments, \$3.8 million in contributions (including \$2.0 million in CDRC swaption proceeds) and \$9.0 million in transfer from General Fund.
- Current year expenditures of \$57.5 million include \$29.2 million for construction of the waterfront development, \$3.1 million for street, traffic light and streetscape improvements, \$1.8 million for

park improvements, \$4.7 million for industrial development at Enterprise South and \$3.5 million for fire and police equipment.

PROPRIETARY FUNDS. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As the City completed the fiscal year its proprietary funds, which include both enterprise funds and an internal service fund, had combined net assets of \$485.2 million.

- \$8.9 million was available to meet on-going obligations. The majority, \$485.0 million is invested in capital assets with an additional \$18.3 million restricted for future use.
- Net assets of the enterprise funds rose \$10.9 million, 2.3 percent. Factors concerning the finances of the enterprise funds have already been addressed in the discussion of the City's business-type activities.
- The internal service fund serves City government by providing fuel and vehicle maintenance and by accounting for the City's liability for self-insurance. Fund balance for this fund decreased \$1.7 million, 104 percent from the previous year as a result of an unfunded accrual for potential liabilities at year-end.

GENERAL FUND BUDGETARY HIGHLIGHTS. The City's budget ordinance provides for the basic functions of City government, encompassing all major departments and agencies of the City. There were no differences between original and final budgets since reallocations within the General Fund are authorized in the budget ordinance.

When comparing final budgeted revenues to actual, there was a \$6.4 million surplus for the year with all revenue categories higher than budget. Property tax collections for fiscal year 2005 not only exceeded prior year collections, they also exceeded budget expectations. The same is true of county-wide sales tax. As a result, taxes and intergovernmental revenues exceeded budget by \$2.8 million and \$1.9 million, respectively.

Expenditures were less than budgetary estimates by almost \$1.0 million. All departments were below budget as a result of the continuation of vacancy control and performance management programs. The budget for General Fund anticipated using \$8.2 million of fund balance during the year; less than \$2.0 million was actually used.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS. At the end of this year, the City had \$2.2 billion (net of accumulated depreciation) invested in capital assets, an increase of 2.2 percent. This investment includes land, buildings, utility system improvements, machinery and equipment, park facilities and infrastructure. The following table shows the investment in capital assets by both governmental activities and business-type activities.

City of Chattanooga's Capital Assets

(net of depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Non-depreciable:						
Land & Easements	\$ 963,319	\$ 950,594	\$ 14,005	\$ 13,596	\$ 977,324	\$ 964,190
Work in progress	69,401	88,656	34,283	17,678	103,684	106,334
Depreciable:						
Buildings	116,161	70,061	52,899	52,071	169,060	122,132
Equipment	27,123	27,819	237,361	218,078	264,484	245,897
Improvements	7,914	6,883	-	-	7,914	6,883
Infrastructure	346,360	361,257	309,297	323,655	655,657	684,912
Total	<u>\$1,530,278</u>	<u>\$1,505,270</u>	<u>\$ 647,845</u>	<u>\$ 625,078</u>	<u>\$2,178,123</u>	<u>\$2,130,348</u>

This year's major capital asset additions include:

- Land purchases include \$3.6 million for additional land at Enterprise South Industrial Park.
- The major additions to work-in-progress are \$29.2 million on the 21st Century Waterfront development and \$1.2 million for development of the Enterprise South Industrial Park.
- Building additions include \$48.3 million Chattanooga Convention Center expansion, \$680,100 Hixson Civic Center and \$526,500 exhibit at the Chattanooga Zoo; all of these completed projects moved from work-in-progress.
- Street improvements of \$9.6 million and greenways near the University of Tennessee at Chattanooga of \$615,500 were the major additions to infrastructure. Street improvements include \$3.1 million of donated streets from contractors.
- The Electric Power Board invested \$42.5 million in plant assets for the year. This includes \$13.9 million in power distribution systems, \$17.5 in building under construction and \$4.9 million for telecommunications and internet improvements.
- \$7.5 million was capitalized as new infrastructure for the Interceptor Sewer System.

The capital budget for fiscal year 2006 anticipates spending \$37.9 million for various capital projects including \$8.9 million in City Hall renovation, \$2.0 for an animal shelter and \$8.7 for roadways at Enterprise South Industrial Park. An additional \$14.6 million in bonds has been approved for fiscal year 2006 to help finance these projects.

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

City of Chattanooga's Long-term Debt

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds (backed by the City)	\$ 125,317	\$128,898	\$125,388	\$137,667	\$250,705	\$266,565
Revenue bonds (backed by specific revenues)	-	-	33,600	35,200	33,600	35,200
Notes payable	13,594	7,159	47,212	40,606	60,806	47,765
Capital leases	118,843	119,725	234	253	119,077	119,978
Total	\$ 257,754	\$255,782	\$206,434	\$213,726	\$464,188	\$469,508

DEBT ADMINISTRATION. At year-end the City had \$464.2 million in long-term debt outstanding. This is a \$5.3 million decrease (1.1 percent) from last year. Detail is shown in the table above and narrative below.

- The City of Chattanooga maintains a “AA” rating from both Standard & Poor’s and Fitch Investor’s Service for general obligation debt.
- City Charter limits the amount of general obligation debt a City can issue to 10 percent of the assessed value of all taxable property within the City’s corporate limits. For the current fiscal year that limit is \$331.9 million. The City’s tax-supported debt of \$82.2 million is well within that limit.

During the year the City issued the following new debt:

- Additional draws of \$1.2 million were made on a \$5.0 million Fannie Mae loan approved in FY04 to fund the Hope VI project, a governmental activity. The loan will be repaid by Community Development Block Grant program revenue. Currently \$1.5 million is outstanding.
- Additional draws of \$6.1 million were made on two state revolving loan funds for governmental activities capital. The total combined loan amount is \$31.0 million. At year-end there was \$7.4 million outstanding.
- \$5.6 million in additional draws on a \$37.3 million state revolving loan approved in fiscal year 2003. \$37.2 million was outstanding at year-end. The loan is financing Interceptor Sewer System (a business-type activity) projects already in progress.
- \$1.8 million of notes payable for telecommunications equipment. The loan will be paid from revenue from EPB telecommunications operations; EPB is a business-type activity.

In addition to new debt issued, the City issued \$51.4 million of refunding bonds to save an estimated \$1.9 million in future interest costs. This advance refunding includes both governmental and business-type activity bonded debt.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were taken into account when adopting the General Fund budget for 2006:

- Conservative forecasts are for local and state tax collections to continue improving.
- Interest rates are on the rise.
- The local unemployment rate remains significantly below the state average of 6.4 percent at 5.5 percent. However it is slightly higher than the national average of 5.2 percent.

Anticipated revenues in the General Fund budget are \$170.3 million, up 3.2 percent from the 2005 budget. Property tax, county-wide and state sales tax collections are projected to grow by 2 percent, 4 percent and 2 percent, respectively, based on an improving economy. Interest earnings are estimated to increase by 22.8 percent due to increased available funds and higher interest rates. Fines, forfeitures and penalties are expected to increase by 7 percent because of better collections of court fines and clerk fees.

Budgeted expenditures are expected to increase 3.2 percent to \$170.3 million from \$164.9 million. Salaries and fringe benefits are expected to increase by 4.97 percent while operations have a slight increase of 1.57 percent. The City will continue the vacancy control policy to manage the costs associated with salaries and benefits. No change in fund balance of the General Fund is expected for fiscal year 2006.

As for the City's business-type activities, we expect that the 2006 results should see another modest increase to net assets.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government			Components Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 23,886,444	\$ 59,750,673	\$ 83,637,117	\$ 4,383,967
Investments	47,382,472	38,585,644	85,968,116	661,059
Receivables, net of allowance for uncollectibles	121,757,628	39,408,958	161,166,586	2,826,789
Net investment in capital lease	-	-	-	115,925,472
Due from component units	375,000	-	375,000	-
Due from primary government	-	-	-	411,412
Deferred charges	-	2,810,781	2,810,781	2,065,341
Inventories	1,819,544	5,906,693	7,726,237	329,862
Prepaid items	38,740	1,142,862	1,181,602	720,534
Other assets	-	4,440,614	4,440,614	-
Restricted assets:				
Cash and cash equivalents	41,188	-	41,188	1,605,579
Investments	4,472,708	13,702,432	18,175,140	13,638,700
Endowment investments	3,176,515	-	3,176,515	-
Receivables	-	10,423	10,423	313,849
Net pension assets	8,656,714	-	8,656,714	127,952
Land and other nondepreciable assets	1,032,719,443	48,288,371	1,081,007,814	13,502,007
Other capital assets, net of accumulated depreciation	497,558,433	599,556,661	1,097,115,094	64,655,731
Total assets	1,741,884,829	813,604,112	2,555,488,941	221,168,254
LIABILITIES				
Accounts payable and accrued liabilities	16,627,195	77,005,764	93,632,959	4,618,378
Customer deposits	-	12,650,000	12,650,000	-
Internal balances	(194,155)	194,155	-	-
Due to component units	411,412	-	411,412	-
Due to primary government	-	-	-	375,000
Contracts payable	593,763	439,499	1,033,262	404,877
Unearned revenue	91,564,542	-	91,564,542	27,521
Accrued closure and post-closure care	-	9,555,619	9,555,619	-
Accrued postretirement benefits	-	10,038,000	10,038,000	-
Other liabilities	-	10,190,484	10,190,484	-
Long-term liabilities:				
Due within one year	12,914,771	16,333,141	29,247,912	644,780
Due in more than one year	261,033,320	192,042,796	453,076,116	143,263,428
Total liabilities	382,950,848	328,449,458	711,400,306	149,333,984
NET ASSETS				
Invested in capital assets, net of related debt	1,277,883,814	457,612,822	1,735,496,636	63,541,766
Restricted for:				
Capital projects	4,513,896	-	4,513,896	-
Debt service	-	-	-	14,289,527
Renewal and replacement	-	18,300,530	18,300,530	722,868
Permanent endowments:				
Expendable	73,056	-	73,056	-
Nonexpendable	3,126,561	-	3,126,561	-
Unrestricted	73,336,654	9,241,302	82,577,956	(6,719,891)
Total net assets	\$ 1,358,933,981	\$ 485,154,654	\$ 1,844,088,635	\$ 71,834,270

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

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 59,850,789	\$ 8,523,871	\$ 6,625,226	\$ 9,168,410
Public safety	63,805,046	864,536	1,593,139	756,788
Public works	54,323,539	2,390,699	4,587,414	7,405,030
Parks and recreation	13,562,609	2,768,211	476,079	414,446
Social services	21,530,148	2,997,590	14,102,302	-
Interest on long-term debt	6,004,530	-	-	-
Total governmental activities	<u>219,076,661</u>	<u>17,544,907</u>	<u>27,384,160</u>	<u>17,744,674</u>
Business-type activities:				
Electric utility	371,630,000	373,490,000	-	1,723,000
Sewer	33,606,869	35,976,537	-	170,247
Solid waste/sanitation	4,260,270	5,881,486	83,652	-
Storm water	4,709,090	5,491,938	-	-
Housing management	1,698,166	1,367,348	-	-
Total business-type activities	<u>415,904,395</u>	<u>422,207,309</u>	<u>83,652</u>	<u>1,893,247</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 634,981,056</u>	<u>\$ 439,752,216</u>	<u>\$ 27,467,812</u>	<u>\$ 19,637,921</u>
Component units:				
Airport authority	\$ 8,068,254	\$ 6,946,840	\$ -	\$ 4,213,370
Transportation authority	16,017,064	4,159,873	6,124,936	3,315,131
Downtown redevelopment	19,521,035	17,668,297	-	-
TOTAL COMPONENT UNITS	<u>\$ 43,606,353</u>	<u>\$ 28,775,010</u>	<u>\$ 6,124,936</u>	<u>\$ 7,528,501</u>
General revenues: Property taxes Liquor and beer taxes Other taxes Unrestricted investment earnings Miscellaneous Grants and contributions not allocated to specific programs Gain on sale of capital assets Transfers Total general revenues and transfers Change in net assets Net assets, beginning Net assets, ending				

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Components Units
Governmental Activities	Business-type Activities	Total	
\$ (35,533,282)	\$ -	\$ (35,533,282)	\$ -
(60,590,583)	-	(60,590,583)	-
(39,940,396)	-	(39,940,396)	-
(9,903,873)	-	(9,903,873)	-
(4,430,256)	-	(4,430,256)	-
(6,004,530)	-	(6,004,530)	-
<u>(156,402,920)</u>	<u>-</u>	<u>(156,402,920)</u>	<u>-</u>
-	3,583,000	3,583,000	-
-	2,539,915	2,539,915	-
-	1,704,868	1,704,868	-
-	782,848	782,848	-
-	(330,818)	(330,818)	-
<u>-</u>	<u>8,279,813</u>	<u>8,279,813</u>	<u>-</u>
<u>(156,402,920)</u>	<u>8,279,813</u>	<u>(148,123,107)</u>	<u>-</u>
-	-	-	3,091,956
-	-	-	(2,417,124)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,852,738)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,177,906)</u>
89,490,700	-	89,490,700	-
6,245,169	-	6,245,169	-
8,142,921	-	8,142,921	-
1,545,737	1,942,076	3,487,813	774,369
-	184,682	184,682	980,317
48,501,241	-	48,501,241	-
81,638	-	81,638	-
(563,637)	563,637	-	-
<u>153,443,769</u>	<u>2,690,395</u>	<u>156,134,164</u>	<u>1,754,686</u>
(2,959,151)	10,970,208	8,011,057	576,780
<u>1,361,893,132</u>	<u>474,184,446</u>	<u>1,836,077,578</u>	<u>71,257,490</u>
<u>\$ 1,358,933,981</u>	<u>\$ 485,154,654</u>	<u>\$ 1,844,088,635</u>	<u>\$ 71,834,270</u>

CITY OF CHATTANOOGA, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,673,237	\$ 1,571,992	\$14,714,761	\$ 22,959,990
Investments	40,070,995	10,129,753	4,830,947	55,031,695
Receivables, net of allowance for uncollectibles:				
Taxes	87,863,934	-	-	87,863,934
Accounts	-	63,703	185,217	248,920
Notes	1,500,000	921,380	-	2,421,380
Other	4,336,315	-	-	4,336,315
Due from other funds	7,214	1,667,838	1,227,309	2,902,361
Due from component units	375,000	-	-	375,000
Due from other governments	18,795,416	4,955,277	2,869,805	26,620,498
Inventories	949,875	-	-	949,875
Prepaid items	8,081	-	30,659	38,740
	<u>\$160,580,067</u>	<u>\$19,309,943</u>	<u>\$23,858,698</u>	<u>\$203,748,708</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 5,535,206	\$ 1,362,584	\$ 1,639,876	\$ 8,537,666
Due to other funds	4,172,642	-	1,479,866	5,652,508
Due to other governments	1,080,325	383,050	187,493	1,650,868
Due to component unit	-	411,412	-	411,412
Deferred revenue	102,341,694	-	755,989	103,097,683
Contracts payable	-	593,763	-	593,763
	<u>113,129,867</u>	<u>2,750,809</u>	<u>4,063,224</u>	<u>119,943,900</u>
Fund balances:				
Reserved for:				
Encumbrances	1,015,784	-	44,407	1,060,191
Library endowment	-	-	3,125,561	3,125,561
Public safety awards	-	-	1,000	1,000
Inventories	949,875	-	-	949,875
Prepaid items	8,081	-	-	8,081
Capital improvements	-	16,559,134	-	16,559,134
Notes receivable	1,500,000	-	-	1,500,000
Unreserved, designated for:				
Debt service	-	-	6,471,929	6,471,929
Subsequent years' expenditures	5,000,477	-	-	5,000,477
Unreserved, undesignated, reported in:				
General fund	38,975,983	-	-	38,975,983
Special revenue	-	-	10,079,521	10,079,521
Permanent funds	-	-	73,056	73,056
	<u>47,450,200</u>	<u>16,559,134</u>	<u>19,795,474</u>	<u>83,804,808</u>
Total liabilities and fund balances	<u>\$160,580,067</u>	<u>\$19,309,943</u>	<u>\$23,858,698</u>	<u>\$203,748,708</u>

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

CITY OF CHATTANOOGA, TENNESSEE

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

June 30, 2005

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

Fund balances - total governmental funds	\$ 83,804,808
--	---------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.	1,529,879,892
---	---------------

Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	11,533,141
---	------------

The General Pension Plan has been funded in excess of annual required contributions, creating a net pension asset. This asset is not a currently available financial resource and is not reported in the funds.	8,656,714
---	-----------

Internal service fund is used by management to charge the costs of fleet management and risk management activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	35,076
---	--------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets. This item consists of the following:

General obligation serial bonds	\$(125,317,464)	
Less net deferred refunding and original premiums and discounts	724,797	
Notes payable	(13,594,190)	
Capital leases	(118,842,663)	
Compensated absences	(16,373,002)	
Accrued interest payable	<u>(1,573,128)</u>	
		<u>(274,975,650)</u>

Net assets of governmental activities	<u>\$1,358,933,981</u>
---------------------------------------	------------------------

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

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended June 30, 2005

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 101,295,560	\$ -	\$ 2,583,318	\$ 103,878,878
Licenses and permits	4,092,969	-	-	4,092,969
Intergovernmental	52,354,359	9,971,567	22,495,200	84,821,126
Charges for services	3,774,828	-	141,512	3,916,340
Fines, forfeitures, and penalties	1,410,642	-	-	1,410,642
Investment income	1,191,283	661,256	356,695	2,209,234
Contributions and donations	-	3,760,840	500	3,761,340
Miscellaneous	4,719,001	71,498	3,613,783	8,404,282
Total revenues	<u>168,838,642</u>	<u>14,465,161</u>	<u>29,191,008</u>	<u>212,494,811</u>
EXPENDITURES				
Current:				
General government	46,699,756	-	18,758,516	65,458,272
Public safety	62,075,048	-	162,307	62,237,355
Public works	26,937,744	-	4,685,412	31,623,156
Parks and recreation	12,707,873	-	-	12,707,873
Community development	-	-	3,839,453	3,839,453
Capital outlay/fixed assets	-	57,181,588	281,867	57,463,455
Debt service:				
Principal retirement	-	-	5,777,360	5,777,360
Interest and fiscal charges	-	327,280	6,171,437	6,498,717
Total expenditures	<u>148,420,421</u>	<u>57,508,868</u>	<u>39,676,352</u>	<u>245,605,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,418,221</u>	<u>(43,043,707)</u>	<u>(10,485,344)</u>	<u>(33,110,830)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	12,695,410	15,093,792	27,789,202
Transfers out	(22,327,382)	(2,480,853)	(3,544,604)	(28,352,839)
Proceeds of notes payable	-	7,339,369	-	7,339,369
Refunding bonds issued	-	22,906,508	-	22,906,508
Premium on refunding bonds	-	1,319,753	-	1,319,753
Payment to refunded bonds escrow agent	-	(23,958,331)	-	(23,958,331)
Total other financing sources (uses)	<u>(22,327,382)</u>	<u>17,821,856</u>	<u>11,549,188</u>	<u>7,043,662</u>
Net change in fund balance	(1,909,161)	(25,221,851)	1,063,844	(26,067,168)
FUND BALANCE, beginning	<u>49,359,361</u>	<u>41,780,985</u>	<u>18,731,630</u>	<u>109,871,976</u>
FUND BALANCE, ending	<u>\$ 47,450,200</u>	<u>\$ 16,559,134</u>	<u>\$ 19,795,474</u>	<u>\$ 83,804,808</u>

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

CITY OF CHATTANOOGA, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds	\$ (26,067,168)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlay expenditures in governmental funds, that meet the capitalization threshold, are shown as capital assets in the statement of net assets.	57,506,685
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(34,027,359)
Contributions of capital assets are not reflected in the governmental funds, but are reported in the statement of activities. This item consists of streets contributed by developers	3,101,488
The net effect of various transactions involving capital assets is to decrease net assets.	(1,486,616)
Proceeds of long-term debt (e.g., bonds, notes) provide financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and deferred amounts on refundings when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,361,935)
The net expenses of internal service funds are reported with governmental activities.	(1,662,258)
Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditure in the governmental funds.	(46,837)
Governmental revenues that provide current financial resources are reported in the governmental funds, while revenues that will not be collected for several months after the fiscal year are deferred. The statement of activities includes certain revenues that do not provide current financial resources.	<u>1,084,849</u>
Change in net assets of governmental activities	<u>\$ (2,959,151)</u>

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

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 99,177,137	\$ 99,177,137	\$101,295,560	\$ 2,118,423
Licenses and permits	3,833,567	3,833,567	4,092,969	259,402
Intergovernmental	49,709,458	49,709,458	52,354,359	2,644,901
Charges for services	3,473,302	3,473,302	3,774,828	301,526
Fines, forfeitures, and penalties	1,091,759	1,091,759	1,410,642	318,883
Miscellaneous	5,133,903	5,133,903	5,910,284	776,381
Total revenues	<u>162,419,126</u>	<u>162,419,126</u>	<u>168,838,642</u>	<u>6,419,516</u>
EXPENDITURES				
General government	37,278,095	37,278,095	36,961,125	(316,970)
Finance and Administration	8,492,464	8,492,464	8,443,525	(48,939)
Police	37,287,574	37,287,574	37,152,667	(134,907)
Fire	25,255,234	25,255,234	24,834,413	(420,821)
Public Works	27,063,425	27,063,425	26,995,000	(68,425)
Parks and Recreation	12,712,349	12,712,349	12,712,170	(179)
Total expenditures	<u>148,089,141</u>	<u>148,089,141</u>	<u>147,098,900</u>	<u>(990,241)</u>
Excess of revenues over expenditures	<u>14,329,985</u>	<u>14,329,985</u>	<u>21,739,742</u>	<u>7,409,757</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(22,494,170)</u>	<u>(22,494,170)</u>	<u>(22,327,382)</u>	<u>166,788</u>
Total other financing sources (uses)	<u>(22,494,170)</u>	<u>(22,494,170)</u>	<u>(22,327,382)</u>	<u>166,788</u>
Net change in fund balance	<u>\$ (8,164,185)</u>	<u>\$ (8,164,185)</u>	<u>(587,640)</u>	<u>\$ 7,576,545</u>
Adjustment for encumbrances			<u>(1,321,521)</u>	
Net change in fund balance (GAAP basis)			<u>(1,909,161)</u>	
FUND BALANCE at beginning of year (GAAP basis)			<u>49,359,361</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 47,450,200</u>	
EXPLANATION OF DIFFERENCES:				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$168,838,642	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$168,838,642</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$147,098,900	
Adjustment for encumbrances			<u>1,321,521</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$148,420,421</u>	

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

CITY OF CHATTANOOGA, TENNESSEE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS
June 30, 2005

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund	Total	
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Storm Water	Housing Management		
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 39,926,000	\$ 9,026,216	\$ 4,643,975	\$ 5,920,433	\$ 234,049	\$ 59,750,673	\$ 967,642
Investments	13,105,000	24,981,212	-	499,432	-	38,585,644	-
Receivables:							
Customer service	34,958,000	3,711,301	78,743	732,918	-	39,480,962	142,966
Other	339,000	54,162	-	-	-	393,162	-
Less allowance for doubtful accounts	(560,000)	(1,575)	(600)	(406,991)	-	(969,166)	-
Inventories	5,340,000	566,693	-	-	-	5,906,693	869,669
Prepaid items	1,097,000	30,398	2,089	8,597	4,778	1,142,862	-
Due from other funds	-	-	-	-	-	-	2,945,333
Due from other governments	-	-	85,000	-	-	85,000	123,615
Other current assets	506,000	-	-	-	59,614	565,614	-
Total current assets	94,711,000	38,368,407	4,809,207	6,754,389	298,441	144,941,444	5,049,225
NONCURRENT ASSETS							
Restricted assets:							
Investments	787,000	1,373,684	11,541,748	-	-	13,702,432	-
Accounts receivable	-	-	10,423	-	-	10,423	-
Total restricted assets	787,000	1,373,684	11,552,171	-	-	13,712,855	-
Capital assets:							
Land	3,442,000	7,974,738	1,517,514	987,330	83,789	14,005,371	-
Buildings	16,667,000	41,303,711	1,717,098	-	8,719,028	68,406,837	589,948
Vehicles and machinery	390,756,000	30,198,104	5,075,045	1,313,284	957	427,343,390	1,154,632
Construction in progress	34,283,000	-	-	-	-	34,283,000	-
Sewer system	-	399,808,197	-	-	-	399,808,197	-
Storm water system	-	-	-	42,496,355	-	42,496,355	-
Telecommunications system	22,622,000	-	-	-	-	22,622,000	-
	467,770,000	479,284,750	8,309,657	44,796,969	8,803,774	1,008,965,150	1,744,580
Less accumulated depreciation	(190,618,000)	(158,303,435)	(4,589,317)	(6,528,581)	(1,080,785)	(361,120,118)	(1,346,596)
Net capital assets	277,152,000	320,981,315	3,720,340	38,268,388	7,722,989	647,845,032	397,984
Other assets:							
Deferred charges	1,151,000	1,252,536	245,325	161,920	-	2,810,781	-
Conservation loans receivable	419,000	-	-	-	-	419,000	-
TVA discounted energy units	3,875,000	-	-	-	-	3,875,000	-
Total other assets	5,445,000	1,252,536	245,325	161,920	-	7,104,781	-
Total noncurrent assets	283,384,000	323,607,535	15,517,836	38,430,308	7,722,989	668,662,668	397,984
Total assets	\$ 378,095,000	\$ 361,975,942	\$ 20,327,043	\$ 45,184,697	\$ 8,021,430	\$ 813,604,112	\$ 5,447,209

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

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund	Total	
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Storm Water	Housing Management		
LIABILITIES							
CURRENT LIABILITIES							
Current maturities of long-term liabilities	\$ 1,942,000	\$ 10,819,467	\$ 2,015,002	\$ 1,556,672	\$ -	\$ 16,333,141	\$ 163,993
Accounts payable and accrued liabilities	69,289,000	2,797,870	625,453	652,196	3,641,245	77,005,764	201,533
Accrued claims	-	-	-	-	-	-	4,664,000
Deposits	12,650,000	-	-	-	-	12,650,000	-
Contracts payable	-	399,258	-	40,241	-	439,499	-
Conservation advances	344,000	-	-	-	-	344,000	-
Due to other funds	-	87,870	65,920	40,365	-	194,155	1,031
Other current liabilities	5,212,000	-	-	-	-	5,212,000	-
Total current liabilities	89,437,000	14,104,465	2,706,375	2,289,474	3,641,245	112,178,559	5,030,557
LONG-TERM LIABILITIES							
Notes and capital leases payable	1,432,000	42,517,237	-	1,150,183	-	45,099,420	-
Compensated absences	962,000	544,929	97,774	123,426	-	1,728,129	381,576
Accrued closure and post closure care	-	-	9,555,619	-	-	9,555,619	-
Revenue bonds payable	32,000,000	-	-	-	-	32,000,000	-
Original issue discount	(58,000)	-	-	-	-	(58,000)	-
General obligation bonds payable	-	74,361,101	24,052,649	14,995,854	-	113,409,604	-
Deferred refunding	-	(3,792,829)	(883,709)	(565,631)	-	(5,242,169)	-
Original issue premium	-	3,068,019	1,212,588	825,205	-	5,105,812	-
Other noncurrent liabilities	4,575,000	-	-	-	59,484	4,634,484	-
Accrued postretirement benefits	10,038,000	-	-	-	-	10,038,000	-
Total long-term liabilities	48,949,000	116,698,457	34,034,921	16,529,037	59,484	216,270,899	381,576
Total liabilities	138,386,000	130,802,922	36,741,296	18,818,511	3,700,729	328,449,458	5,412,133
NET ASSETS (DEFICIT)							
Invested in capital assets, net of related debt	242,188,000	191,607,146	(1,483,013)	20,742,622	4,558,067	457,612,822	397,984
Restricted for renewal and replacement	1,774,000	7,001,079	8,605,555	919,896	-	18,300,530	-
Unrestricted	(4,253,000)	32,564,795	(23,536,795)	4,703,668	(237,366)	9,241,302	(362,908)
Total net assets (deficit)	\$ 239,709,000	\$231,173,020	\$ (16,414,253)	\$ 26,366,186	\$ 4,320,701	\$ 485,154,654	\$ 35,076

CITY OF CHATTANOOGA, TENNESSEE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund	Total	
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Storm Water	Housing Management		
OPERATING REVENUES							
Charges for sales and services:							
Electric sales	\$ 356,153,000	\$ -	\$ -	\$ -	\$ -	\$ 356,153,000	\$ -
Sewer charges	-	35,976,537	-	-	-	35,976,537	-
Waste charges	-	-	5,881,486	-	-	5,881,486	-
Stormwater fees	-	-	-	5,424,966	-	5,424,966	-
Rent	-	-	-	-	1,346,944	1,346,944	-
Other services	17,337,000	-	-	66,972	20,404	17,424,376	9,761,492
Other	-	-	83,652	-	-	83,652	-
Total operating revenues	<u>373,490,000</u>	<u>35,976,537</u>	<u>5,965,138</u>	<u>5,491,938</u>	<u>1,367,348</u>	<u>422,290,961</u>	<u>9,761,492</u>
OPERATING EXPENSES							
Power purchases	291,947,000	-	-	-	-	291,947,000	-
Sewer plant operations	-	17,005,042	-	-	-	17,005,042	-
Solid waste operations	-	-	1,870,879	-	-	1,870,879	-
Storm water operations	-	-	-	2,963,730	-	2,963,730	-
Pump station operations	-	1,643,449	-	-	-	1,643,449	-
Housing management operations	-	-	-	-	1,096,766	1,096,766	-
Municipal garage operations	-	-	-	-	-	-	2,221,349
Maintenance and repairs	12,264,000	-	-	-	-	12,264,000	6,444,567
Depreciation and amortization	15,776,000	9,699,724	589,758	911,002	378,687	27,355,171	86,525
Closure/postclosure costs	-	-	517,996	-	-	517,996	-
Liability insurance	-	-	-	-	-	-	2,671,309
Other	48,984,000	-	-	-	-	48,984,000	-
Total operating expenses	<u>368,971,000</u>	<u>28,348,215</u>	<u>2,978,633</u>	<u>3,874,732</u>	<u>1,475,453</u>	<u>405,648,033</u>	<u>11,423,750</u>
OPERATING INCOME (LOSS)	<u>4,519,000</u>	<u>7,628,322</u>	<u>2,986,505</u>	<u>1,617,206</u>	<u>(108,105)</u>	<u>16,642,928</u>	<u>(1,662,258)</u>
NONOPERATING REVENUES (EXPENSES)							
Investment income	1,105,000	600,780	225,222	10,073	1,001	1,942,076	-
Interest expense	(859,000)	(5,258,654)	(1,281,637)	(834,358)	(222,713)	(8,456,362)	-
Other income (expense)	(1,800,000)	34,973	147,541	2,168	-	(1,615,318)	-
Total nonoperating revenues (expenses)	<u>(1,554,000)</u>	<u>(4,622,901)</u>	<u>(908,874)</u>	<u>(822,117)</u>	<u>(221,712)</u>	<u>(8,129,604)</u>	<u>-</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>2,965,000</u>	<u>3,005,421</u>	<u>2,077,631</u>	<u>795,089</u>	<u>(329,817)</u>	<u>8,513,324</u>	<u>(1,662,258)</u>
Capital contributions	1,723,000	170,247	-	-	-	1,893,247	-
Transfers in	-	438	-	686,460	-	686,898	-
Transfers out	-	(53,019)	(44,690)	(25,552)	-	(123,261)	-
CHANGE IN NET ASSETS	<u>4,688,000</u>	<u>3,123,087</u>	<u>2,032,941</u>	<u>1,455,997</u>	<u>(329,817)</u>	<u>10,970,208</u>	<u>(1,662,258)</u>
NET ASSETS (DEFICIT), beginning	<u>235,021,000</u>	<u>228,049,933</u>	<u>(18,447,194)</u>	<u>24,910,189</u>	<u>4,650,518</u>	<u>474,184,446</u>	<u>1,697,334</u>
NET ASSETS (DEFICIT), ending	<u>\$ 239,709,000</u>	<u>\$ 231,173,020</u>	<u>\$ (16,414,253)</u>	<u>\$ 26,366,186</u>	<u>\$ 4,320,701</u>	<u>\$ 485,154,654</u>	<u>\$ 35,076</u>

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

CITY OF CHATTANOOGA, TENNESSEE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund	Total	
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Storm Water	Housing Management		
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ 373,882,000	\$ 37,737,630	\$ 5,940,146	\$ 5,560,924	\$ 1,367,348	\$ 424,488,048	\$ 519,079
Receipts from interfund services provided	-	-	-	-	-	-	8,424,980
Receipts from operating grants	-	-	83,652	-	-	83,652	-
Payments to suppliers	(320,439,000)	(12,919,154)	(1,342,800)	(683,560)	(1,017,836)	(336,402,350)	(6,628,294)
Payments to employees	(21,288,000)	(5,327,475)	(563,500)	(1,803,251)	-	(28,982,226)	(2,791,407)
Payments in lieu of taxes	(8,651,000)	-	-	-	-	(8,651,000)	-
Net cash provided by (used in) operating activities	23,504,000	19,491,001	4,117,498	3,074,113	349,512	50,536,124	(475,642)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	-	438	-	686,460	-	686,898	-
Transfers out	-	(53,019)	(44,690)	(25,552)	-	(123,261)	-
Net cash provided by (used in) noncapital financing activities	-	(52,581)	(44,690)	660,908	-	563,637	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from capital debt	1,432,000	18,169,926	9,880,239	6,043,563	-	35,525,728	-
Principal paid on capital debt	(1,600,000)	(9,373,700)	(1,810,147)	(1,362,078)	(69,091)	(14,215,016)	-
Payments to escrow agent	-	(12,848,368)	(10,006,352)	(6,158,880)	-	(29,013,600)	-
Interest paid on capital debt	(1,756,000)	(5,222,150)	(1,191,420)	(918,977)	(213,297)	(9,301,844)	-
Capital grants and contributions	1,723,000	170,247	-	-	-	1,893,247	-
Additions to capital assets	(41,613,000)	(8,273,045)	(86,198)	(1,499,705)	(31,041)	(51,502,989)	-
Net cash flows used in capital and related financing activities	(41,814,000)	(17,377,090)	(3,213,878)	(3,896,077)	(313,429)	(66,614,474)	-
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of investments	-	(162,789,540)	(19,829,026)	(499,432)	-	(183,117,998)	-
Proceeds from sales and maturities of investments	14,876,000	162,354,774	15,666,160	-	-	192,896,934	-
Interest on investments	1,017,000	600,963	227,495	11,228	1,001	1,857,687	-
Net cash flows provided by (used in) investing activities	15,893,000	166,197	(3,935,371)	(488,204)	1,001	11,636,623	-
Net increase (decrease) in cash and cash equivalents	(2,417,000)	2,227,527	(3,076,441)	(649,260)	37,084	(3,878,090)	(475,642)
Cash and cash equivalents, beginning of year	42,343,000	6,798,689	7,720,416	6,569,693	196,965	63,628,763	1,443,284
Cash and cash equivalents, end of year	\$ 39,926,000	\$ 9,026,216	\$ 4,643,975	\$ 5,920,433	\$ 234,049	\$ 59,750,673	\$ 967,642

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

(continued on next page)

(continued from previous page)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund	Total	
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Storm Water	Housing Management		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
OPERATING INCOME	\$ 4,519,000	\$ 7,628,322	\$ 2,986,505	\$ 1,617,206	\$ (108,105)	\$ 16,642,928	\$ (1,662,258)
ADJUSTMENTS NOT AFFECTING CASH							
Depreciation and amortization	16,500,000	9,699,724	589,758	911,002	378,687	28,079,171	86,526
Provision for uncollectible accounts	-	451,868	(704)	55,902	-	507,066	-
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	833,000	1,185,035	-	(20,807)	140,769	2,137,997	(48,455)
(Increase) decrease in due from other funds	-	-	60,069	-	-	60,069	(800,000)
Decrease in due from other governments	-	-	-	-	-	-	29,991
(Increase) decrease in inventory	(360,000)	29,327	-	-	-	(330,673)	29,087
(Increase) decrease in prepaid items	1,914,000	(30,398)	-	-	-	1,883,602	-
Increase in deferred charges	629,000	29,871	-	-	-	658,871	-
Increase (decrease) in accounts payable	(2,175,000)	153,063	97,353	387,255	(60,119)	(1,597,448)	(101,676)
Increase (decrease) in accrued liabilities	(12,000)	(28,122)	73,455	-	-	33,333	1,990,000
Increase (decrease) in other assets/liabilities	595,000	277,231	250,342	83,190	(1,720)	1,204,043	-
Increase (decrease) in compensated absences	1,061,000	7,210	(5,200)	-	-	1,063,010	112
Increase in due to other funds	-	87,870	65,920	40,365	-	194,155	1,031
TOTAL ADJUSTMENTS	18,985,000	11,862,679	1,130,993	1,456,907	457,617	33,893,196	1,186,616
Net cash provided by (used in) operating activities	\$ 23,504,000	\$ 19,491,001	\$ 4,117,498	\$ 3,074,113	\$ 349,512	\$ 50,536,124	\$ (475,642)

CITY OF CHATTANOOGA, TENNESSEE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 June 30, 2005

	Pension Trust Funds	Private-Purpose Trust Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 4,969
Investments:		
U.S. Government securities	17,180,641	-
Municipal bonds	96,653	-
Corporate bonds	25,352,960	-
Foreign bonds	2,871,847	-
Corporate stocks	189,860,378	-
Mutual funds - equity	86,945,649	-
Mutual funds - fixed income	43,968,640	-
Temporary investments	22,868,652	-
Limited partnerships	25,716,053	-
Other investments	865,000	-
Receivables:		
Accrued income	848,020	-
Contributions	252,096	-
Due from plan custodian	133,715	-
	416,960,304	4,969
LIABILITIES		
Due to plan custodian	750,000	-
Accounts payable and accrued expenses	588,823	-
Due to other governments	-	4,969
	1,338,823	4,969
NET ASSETS		
Held in trust for pension benefits and other purposes	\$ 415,621,481	\$ -

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

CITY OF CHATTANOOGA, TENNESSEE
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 Year Ended June 30, 2005

	Pension Trust Funds	Private-Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 8,379,041	\$ -
Employee	<u>3,663,694</u>	<u>-</u>
Total contributions	<u>12,042,735</u>	<u>-</u>
Investment income:		
Net appreciation in fair market value of investments	27,226,536	112
Interest	3,784,912	274
Dividends	<u>5,177,541</u>	<u>-</u>
	36,188,989	386
Less investment expense	<u>(1,665,575)</u>	<u>-</u>
Net investment income	<u>34,523,414</u>	<u>386</u>
Total additions	<u>46,566,149</u>	<u>386</u>
DEDUCTIONS		
Benefits paid to participants	26,548,492	-
Administrative expenses	654,067	13
Transfer to Hamilton County Department of Education	<u>-</u>	<u>15,583</u>
Total deductions	<u>27,202,559</u>	<u>15,596</u>
CHANGE IN NET ASSETS	19,363,590	(15,210)
Net assets, beginning	<u>396,257,891</u>	<u>15,210</u>
Net assets, ending	<u><u>\$ 415,621,481</u></u>	<u><u>\$ -</u></u>

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

CITY OF CHATTANOOGA, TENNESSEE

COMPONENT UNITS

STATEMENT OF NET ASSETS

June 30, 2005

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
ASSETS				
Cash and cash equivalents	\$ 1,742,725	\$ 875,908	\$ 1,765,334	\$ 4,383,967
Investments	24,464	-	636,595	661,059
Accounts receivable	1,682,708	676,885	467,196	2,826,789
Net investment in capital lease	-	-	115,925,472	115,925,472
Due from primary government	-	-	411,412	411,412
Deferred charges	199,814	-	1,865,527	2,065,341
Inventories	-	144,075	185,787	329,862
Prepaid items	199,209	247,352	273,973	720,534
Net pension asset	-	127,952	-	127,952
Restricted assets:				
Cash and cash equivalents	569,579	1,036,000	-	1,605,579
Investments	3,852,225	-	9,786,475	13,638,700
Receivables	84,623	-	229,226	313,849
Land and other nondepreciable assets	10,404,711	3,097,296	-	13,502,007
Other capital assets, net of accumulated depreciation	<u>38,638,815</u>	<u>25,104,414</u>	<u>912,502</u>	<u>64,655,731</u>
Total assets	<u>57,398,873</u>	<u>31,309,882</u>	<u>132,459,499</u>	<u>221,168,254</u>
LIABILITIES				
Accounts payable and accrued liabilities	622,344	925,070	3,070,964	4,618,378
Contracts payable	404,877	-	-	404,877
Notes payable	-	-	186,703	186,703
Due to primary government	-	375,000	-	375,000
Revenue bonds payable	14,520,000	-	129,200,000	143,720,000
Original issue premium (discount)	(90,731)	-	92,236	1,505
Deferred revenue	<u>4,568</u>	<u>22,953</u>	<u>-</u>	<u>27,521</u>
Total liabilities	<u>15,461,058</u>	<u>1,323,023</u>	<u>132,549,903</u>	<u>149,333,984</u>
NET ASSETS (DEFICIT)				
Invested in capital assets (net of related debt)	34,614,257	28,201,710	725,799	63,541,766
Restricted for:				
Debt service	4,506,427	-	9,783,100	14,289,527
Renewal and replacement	-	-	722,868	722,868
Unrestricted	<u>2,817,131</u>	<u>1,785,149</u>	<u>(11,322,171)</u>	<u>(6,719,891)</u>
Total net assets (deficit)	<u>\$ 41,937,815</u>	<u>\$ 29,986,859</u>	<u>\$ (90,404)</u>	<u>\$ 71,834,270</u>

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

CITY OF CHATTANOOGA, TENNESSEE
 COMPONENT UNITS
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2005

	Program Revenues				Net Revenue (Expense) and Changes in Net Assets			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	
CHATTANOOGA METROPOLITAN AIRPORT AUTHORITY Airport operations	\$ 8,068,254	\$ 6,946,840	\$ -	\$ 4,213,370	\$ 3,091,956	\$ -	\$ -	\$ 3,091,956
CARTA CARTA operations	16,017,064	4,159,873	6,124,936	3,315,131	-	(2,417,124)	-	(2,417,124)
CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION CDRC operations	<u>19,521,035</u>	<u>17,668,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,852,738)</u>	<u>(1,852,738)</u>
Total component units	<u>\$ 43,606,353</u>	<u>\$ 28,775,010</u>	<u>\$ 6,124,936</u>	<u>\$ 7,528,501</u>	<u>3,091,956</u>	<u>(2,417,124)</u>	<u>(1,852,738)</u>	<u>(1,177,906)</u>
General revenues:								
Investment income					83,989	3,797	686,583	774,369
Miscellaneous					<u>906,030</u>	<u>74,287</u>	<u>-</u>	<u>980,317</u>
Total general revenues					<u>990,019</u>	<u>78,084</u>	<u>686,583</u>	<u>1,754,686</u>
CHANGE IN NET ASSETS					4,081,975	(2,339,040)	(1,166,155)	576,780
Net assets (deficit), beginning					<u>37,855,840</u>	<u>32,325,899</u>	<u>1,075,751</u>	<u>71,257,490</u>
Net assets (deficit), ending					<u>\$ 41,937,815</u>	<u>\$ 29,986,859</u>	<u>\$ (90,404)</u>	<u>\$ 71,834,270</u>

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

CITY OF CHATTANOOGA, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Index to Notes

	<u>Page</u>
Note 1 Summary of Significant Accounting Policies	18-28
Note 2 Restatement of Prior Year Balances	28
Note 3 Stewardship, Compliance and Accountability	28-29
Note 4 Cash and Investments	29-31
Note 5 Receivables	31-32
Note 6 Interfund Receivables and Payables	32
Note 7 Interfund Transfers	32
Note 8 Capital Assets	33-34
Note 9 Long-Term Liabilities	35-40
Note 10 Employee Retirement Systems	41-46
Note 11 Conservation Programs	47
Note 12 Deferred Compensation Plan	47
Note 13 Commitments and Contingencies	47
Note 14 Conduit Debt Obligations	48
Note 15 Joint Venture	48-49
Note 16 Landfill Closure and Postclosure Care Costs	50
Note 17 Risk Management	50-51
Note 18 Component Unit Swaption	51-52

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(A) Reporting Entity

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

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. The primary government includes separately administered organizations that are not legally separate from the City, as discussed below. Blended component units, although legally separate entities, are in substance part of the government's operations and data from these units are combined with data of the primary government. The City has no blended component units at June 30, 2005. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the City. Each discretely presented component unit has a June 30 year-end.

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

Discretely Presented Component Units

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

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

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

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

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

CARTA
1617 Wilcox Boulevard
Chattanooga, TN 37406

Chattanooga Downtown Redevelopment Corporation
427 City Hall Annex
Chattanooga, TN 37402

(B) Joint Ventures and Related Organizations

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

Carter Street Corporation – The Carter Street Corporation, a nonprofit organization, owns a trade center and parking garage that were financed by bonds issued by the Industrial Development Board of Chattanooga. The City and Hamilton County, Tennessee jointly and severally lease the trade center and parking garage. Additional information regarding the City’s participation in this joint venture is disclosed in Note 15.

Related Organizations – City officials are also responsible for appointing the members of the boards of other related organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The Mayor or the City Council appoints the Board members of the Chattanooga Housing Authority, The Industrial Development Board of the City of Chattanooga, and The Health, Educational, and Housing Facility Board of the City of Chattanooga. During 2005 the City appropriated no funds to these organizations.

(C) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. 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 fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government 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 customers or applicants who purchase, 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.

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 major individual enterprise funds are reported as separate columns in the fund financial statements.

(D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 thirty days of the end of the fiscal period, except for property taxes, for which the time period is sixty days. 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, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 government.

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the government’s programs.

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

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

(E) Budget Policy and Budgetary Data

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

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

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

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

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

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

The budgets are prepared on a basis consistent with generally accepted accounting principles except that encumbrances are treated as budget expenditures in the year of the commitment to purchase. Budgetary comparisons presented in the report are on this budgetary basis. All unencumbered and unexpended appropriations lapse at the end of the fiscal year.

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

Expenditures may not legally exceed appropriations at or above the fund level. All budgeted amounts shown in the financial statements and the accompanying supplementary information reflect the original budget and the amended budget (which may have been adjusted for legally authorized revisions to the annual budgets during the year). During the year ended June 30, 2005, no supplemental appropriations were necessary.

(F) Assets, Liabilities and Fund Equity

1) Cash and Cash Equivalents

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

2) Investments

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

3) Inventories and Prepaid Items

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

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

4) Restricted Assets

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

5) Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at their estimated fair market value on the date contributed. Capital assets include public domain infrastructure assets consisting of roads, bridges, streets and sidewalks, sewers, lighting systems, and drainage systems. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (\$25,000 for infrastructure) and an estimated useful life of three years or greater.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Land and certain land improvements are inexhaustible capital assets, and are not depreciated. Depreciation on depreciable capital assets is calculated on the straight-line basis over the following estimated useful lives:

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

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

5) Bond Discounts and Issuance Costs

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

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

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

6) Deferred Gain/Loss from Advance Refunding of Debt

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

7) Fund Balance

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

(G) Revenues, Expenditures and Expenses

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

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

1) Property Taxes

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

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

The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the City Council and collected by the City Treasurer. Property taxes are secured by a statutory lien effective as of the original levy date of January 1. Taxes are due October 1 and become delinquent March 1. Property taxes levied for 2004 are recorded as receivables, net of estimated uncollectible amounts.

The receivables collected during the current fiscal year and those collected by the City Treasurer related to tax levies for 2004, are recorded as revenue in accordance with the principles established by the Governmental Accounting Standards Board. The net receivables estimated to be collectible subsequent to August 29, are recorded as deferred revenues at June 30, 2005.

2) Grant Revenue

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

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

3) Investment Income

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

4) Compensated Absences

City employees accrue personal leave, or compensated absences, by prescribed formula based on length of service. The City limits personal leave to one hundred fifty (150) days for employees hired on or before March 27, 1990, and one hundred (100) days for employees hired thereafter. The liability for compensated absences attributable to the City's governmental funds is recorded in the government-wide financial statements.

The non-current portion of the liability for employees of governmental funds is a reconciling item between the fund and government-wide financial statements. Compensated absences related to business-type activities are charged to expense with a corresponding liability established in the government-wide financial statements as well as the applicable business-type funds.

5) Interfund Transactions

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

Amounts owed to one fund or component unit by another are reported as due to/due from other funds or component units. The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Amounts reported in the fund financial statements as due to/due from other funds are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

6) Payments Between the City and Component Units

Resource flows (except those that affect the statement of net assets/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions—that is, as revenues and expenses. Payments to component units consist of operating subsidy payments by the City to CARTA. The City also makes lease payments to Chattanooga Downtown Redevelopment Corporation. During 2005, Chattanooga Downtown Redevelopment Corporation contributed \$2,000,000 to the City’s Capital Projects Fund for the Waterfront Development Project.

7) Indirect Costs

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

8) Estimates

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

(H) Net Assets

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

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

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

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

NOTE 2. RESTATEMENTS OF PRIOR YEAR BALANCES

During the year ended June 30, 2005, management determined that a library endowment that had existed for several years should be recorded by the City as a Permanent Fund. This revision resulted in recording net assets in the Library Endowment Fund at June 30, 2004 of \$2,984,537, which were not previously recorded.

During 2005 the City also received additional documentation from the donor’s heirs regarding the donor’s intent related to the Ochs-Oakes Fire and Police Medal Fund. As a result, this fund was reclassified from a Private-Purpose Trust Fund (a Fiduciary Fund) to a Permanent Fund (a Governmental Fund).

Accordingly, beginning net assets of the primary government have been restated to reflect these changes. The impact of the restatements on net assets as previously reported is as follows:

	<u>Governmental Activities</u>
Total net assets at June 30, 2004, as previously reported	\$1,833,028,787
Adjustment related to library endowment	2,984,537
Reclassification from fiduciary funds	<u>64,254</u>
Total net assets at June 30, 2004, as restated	<u>\$1,836,077,578</u>

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

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

Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2005, the City had no material excess of expenditures over appropriations in individual funds.

Net Assets/Fund Balance Deficit

The Solid Waste/Sanitation Fund has a deficit in net assets of \$16,414,253 at June 30, 2005. This deficit resulted from the recognition of cumulative landfill closure and postclosure care costs from prior years. These costs may be covered by charges to future landfill users, taxpayers, or both. The deficit decreased by \$2,032,941 from the prior fiscal year.

NOTE 4. CASH AND INVESTMENTS

The City has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures," for financial reporting of deposit and investment risks.

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

At June 30, 2005, investments of the primary government (except for Permanent and Pension Trust Funds) and component units consist of the following:

	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value or Carrying Amount</u>
Primary Government – Governmental Activities:		
U.S. Government agency securities	0.33	\$48,124,353
Certificates of deposit classified as investments	<u>0.89</u>	<u>3,730,827</u>
Total	<u>0.37</u>	<u>\$51,855,180</u>
Primary Government – Business-Type Activities:		
U.S. Government agency securities	0.40	\$43,771,661
Certificates of deposit classified as investments	<u>0.85</u>	<u>8,516,415</u>
Total	<u>0.48</u>	<u>\$52,288,076</u>
Component Units:		
U.S. Treasury Notes	1.33	\$ 2,246,317
U.S. Government agency securities	0.51	11,413,358
Certificates of deposit classified as investments	0.84	636,595
Cash equivalents classified as investments	<u>0.00</u>	<u>3,489</u>
Total	<u>0.65</u>	<u>\$14,299,759</u>

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

Custodial credit risk - The City's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

Credit risk - The City's policies are designed to maximize investment earnings, while protecting the security of principal and providing adequate liquidity, in accordance with all applicable state laws. At June 30, 2005, the primary government's investments in U.S. Government agency securities include Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association bonds, which were rated AAA by Standard & Poor's Rating Service (S & P) or Moody's Investor Service (Moody's).

Component unit investments in U.S. Government agency securities of \$11,413,358 were securities of the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association, which were rated AAA by S & P.

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

	<u>S & P or Moody's Rating</u>	<u>Fair Value</u>
<u>Permanent funds</u>		
Common Trust fund	Not rated	\$ 234,954
Mutual funds - equity	Not rated	1,779,715
Mutual funds - fixed income	Not rated	838,040
Mutual funds - government securities	Not rated	284,146
Cash equivalents classified as investments	Not rated	<u>39,660</u>
		<u><u>\$3,176,515</u></u>

	<u>S & P or Moody's Rating</u>	<u>Fair Value</u>
<u>City of Chattanooga General Pension Plan</u>		
Domestic corporate bonds	B	\$ 1,142,160
Domestic corporate bonds	BA	431,010
Domestic corporate bonds	CA	223,273
Domestic corporate bonds	CAA	1,260,301
Domestic corporate bonds	Not rated	998,002
Mutual funds - equity	Not rated	28,850,935
Mutual funds - fixed income	Not rated	43,968,640
Domestic equity securities	Not rated	87,098,321
Limited partnerships	Not rated	25,716,053
Money market funds	Not rated	<u>3,013,881</u>
		<u>\$192,702,576</u>
<u>Firemen's and Policemen's Insurance and Pension Fund</u>		
U.S. Government securities	AAA	\$ 17,180,641
Domestic corporate bonds	AAA	3,989,060
Domestic corporate bonds	AA	5,395,547
Domestic corporate bonds	A	7,940,596
Foreign bonds	A	1,849,602
Domestic corporate bonds	BAA	3,973,011
Municipal bonds	BAA	96,653
Foreign bonds	BAA	1,022,245
Mutual funds - equity	Not rated	58,094,714
Domestic equity securities	Not rated	102,762,057
Money market funds	Not rated	19,854,771
Investment in real estate corporation	Not rated	<u>865,000</u>
		<u>\$223,023,897</u>

NOTE 5. RECEIVABLES

Receivables at June 30, 2005, consist of the following:

	<u>Governmental Activities Funds</u>			<u>Business-Type Activities</u>	<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental</u>		
Primary Government					
Receivables:					
Taxes	\$ 90,705,919	\$ -	\$ -	\$ -	\$ 90,705,919
Accounts	-	63,703	188,760	10,423	262,886
Notes	1,500,000	921,380	-	-	2,421,380
Customer service	-	-	-	39,480,962	39,480,962
Other	4,336,315	-	-	393,162	4,729,477
Intergovernmental	<u>18,795,416</u>	<u>4,955,277</u>	<u>2,869,805</u>	<u>85,000</u>	<u>26,705,498</u>
Gross receivables	115,337,650	5,940,360	3,058,565	39,969,547	164,306,122
Less:					
Allowance for uncollectibles	<u>(2,841,985)</u>	<u>-</u>	<u>(3,543)</u>	<u>(969,166)</u>	<u>(3,814,694)</u>
Net receivables	<u>\$112,495,665</u>	<u>\$5,940,360</u>	<u>\$3,055,022</u>	<u>\$39,000,381</u>	<u>\$160,491,428</u>

Taxes receivable include the uncollected property taxes from tax levies made during the current and past nine years, as well as the anticipated levy for the current calendar year. The allowance for uncollectible taxes is the weighted average percentage of prior year collections on delinquent taxes to the total delinquent taxes receivable at June 30, 2005.

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

Receivable Fund	Payable Fund	Amount
Internal Service Fund	General Fund	\$2,945,333
Capital Projects Fund	Nonmajor Governmental Funds (Hotel/Motel)	1,478,529
Capital Projects Fund	Major Enterprise Funds	
	Interceptor Sewer Fund	83,416
	Solid Waste/Sanitation Fund	65,688
	Storm Water Fund	40,205
General Fund	Nonmajor Governmental Funds	
	Public Library	67
	Human Services	870
	State Street Aid	400
General Fund	Major Enterprise Funds	
	Interceptor Sewer Fund	4,454
	Solid Waste/Sanitation Fund	232
	Storm Water Fund	160
General Fund	Internal Service Fund	1,031
Nonmajor Governmental Funds (Debt Service)	General Fund	<u>1,227,309</u>
		<u>\$5,847,694</u>

NOTE 7. INTERFUND TRANSFERS

	Transfers In:				Total
	Capital Projects	Nonmajor Governmental	Interceptor Sewer System	Storm Water	
Transfers out:					
General Fund	\$ 9,050,000	\$12,593,430	\$ -	\$683,952	\$22,327,382
Capital Projects Fund	-	2,480,853	-	-	2,480,853
Nonmajor Governmental Funds	3,525,095	19,509	-	-	3,544,604
Interceptor Sewer System	53,019	-	-	-	53,019
Solid Waste/Sanitation	41,744	-	438	2,508	44,690
Storm Water	<u>25,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,552</u>
Total	<u>\$12,695,410</u>	<u>\$15,093,792</u>	<u>\$438</u>	<u>\$686,460</u>	<u>\$28,476,100</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the Capital Projects Fund and the Debt Service Fund as required, and 3) move unrestricted revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 is as follows:

Primary Government

Governmental Activities:

	Beginning Balance	Additions	Deductions	Ending Balance
Non-Depreciable Assets:				
Land and land improvements	\$ 950,593,586	\$13,032,190	\$ 306,992	\$ 963,318,784
Construction in Progress	<u>88,656,540</u>	<u>38,963,772</u>	<u>58,219,653</u>	<u>69,400,659</u>
Total non-depreciable assets	<u>1,039,250,126</u>	<u>51,995,962</u>	<u>58,526,645</u>	<u>1,032,719,443</u>
Depreciable Assets:				
Buildings	105,836,941	49,983,087	329,637	155,490,391
Vehicles and machinery	84,518,301	6,675,012	1,481,299	89,712,014
Improvements other than buildings	20,323,908	2,010,289	357,897	21,976,300
Infrastructure	<u>561,402,092</u>	<u>7,990,150</u>	<u>790,992</u>	<u>568,601,250</u>
Total depreciable assets	<u>772,081,242</u>	<u>66,658,538</u>	<u>2,959,825</u>	<u>835,779,955</u>
Less Accumulated Depreciation for:				
Buildings	35,776,315	3,885,542	332,659	39,329,198
Vehicles and machinery	56,698,860	7,261,064	1,370,729	62,589,195
Improvements other than buildings	13,440,621	622,456	1,170	14,061,907
Infrastructure	<u>200,145,368</u>	<u>22,344,822</u>	<u>248,968</u>	<u>222,241,222</u>
Total accumulated depreciation	<u>306,061,164</u>	<u>34,113,884</u>	<u>1,953,526</u>	<u>338,221,522</u>
Depreciable Assets, net	<u>466,020,078</u>	<u>32,544,654</u>	<u>1,006,299</u>	<u>497,558,433</u>
Governmental activities capital assets, net	<u>\$1,505,270,204</u>	<u>\$84,540,616</u>	<u>\$59,532,944</u>	<u>\$1,530,277,876</u>
Business-Type Activities:				
Non-Depreciable Assets:				
Land	\$ 13,596,466	\$ 408,905	\$ -	\$ 14,005,371
Construction in Progress	<u>17,678,000</u>	<u>17,476,000</u>	<u>871,000</u>	<u>34,283,000</u>
Total non-depreciable assets	<u>31,274,466</u>	<u>17,884,905</u>	<u>871,000</u>	<u>48,288,371</u>
Depreciable Assets:				
Buildings	67,793,082	613,755	-	68,406,837
Vehicles and machinery	393,316,998	38,097,473	4,071,081	427,343,390
Sewer system	410,053,295	13,646,876	23,891,974	399,808,197
Storm water system	41,142,881	1,471,075	117,601	42,496,355
Telecommunications	<u>17,644,000</u>	<u>4,980,000</u>	<u>2,000</u>	<u>22,622,000</u>
Total depreciable assets	<u>929,950,256</u>	<u>58,809,179</u>	<u>28,082,656</u>	<u>960,676,779</u>
Less Accumulated Depreciation for:				
Buildings	15,722,258	2,088,055	2,302,000	15,508,313
Vehicles and machinery	175,238,960	14,822,559	79,653	189,981,866
Sewer system	135,445,480	7,788,106	-	143,233,586
Storm water system	4,611,902	838,451	-	5,450,353
Telecommunications	<u>5,128,000</u>	<u>1,818,000</u>	<u>-</u>	<u>6,946,000</u>
Total accumulated depreciation	<u>336,146,600</u>	<u>27,355,171</u>	<u>2,381,653</u>	<u>361,120,118</u>
Depreciable Assets, net	<u>593,803,656</u>	<u>31,454,008</u>	<u>25,701,003</u>	<u>599,556,661</u>
Business-type activities capital assets, net	<u>\$ 625,078,122</u>	<u>\$49,338,913</u>	<u>\$26,572,003</u>	<u>\$ 647,845,032</u>

Discretely Presented Component Units

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Non-Depreciable Assets:				
Land	\$ 4,380,320	\$ -	\$ -	\$ 4,380,320
Construction in Progress	<u>5,652,155</u>	<u>4,119,532</u>	<u>650,000</u>	<u>9,121,687</u>
Total non-depreciable assets	<u>10,032,475</u>	<u>4,119,532</u>	<u>650,000</u>	<u>13,502,007</u>
Depreciable Assets:				
Buildings	48,407,381	439,383	-	48,846,764
Vehicles and machinery	38,761,798	1,494,094	270,148	39,985,744
Improvements other than buildings	<u>32,132,291</u>	<u>1,260,120</u>	<u>7,604</u>	<u>33,384,807</u>
Total depreciable assets	<u>119,301,470</u>	<u>3,193,597</u>	<u>277,752</u>	<u>122,217,315</u>
Less Accumulated Depreciation for:				
Buildings	25,938,439	2,012,258	5,070	27,945,627
Vehicles and machinery	22,711,716	2,992,489	270,148	25,434,057
Improvements other than buildings	<u>2,905,728</u>	<u>1,276,172</u>	<u>-</u>	<u>4,181,900</u>
Total accumulated depreciation	<u>51,555,883</u>	<u>6,280,919</u>	<u>275,218</u>	<u>57,561,584</u>
Depreciable Assets, net	<u>67,745,587</u>	<u>(3,087,322)</u>	<u>2,534</u>	<u>64,655,731</u>
Component units capital assets, net	<u>\$ 77,778,062</u>	<u>\$ 1,032,210</u>	<u>\$ 652,534</u>	<u>\$ 78,157,738</u>

Depreciation expense is charged to functions as follows:**Primary Government – Governmental Activities:**

General government	\$10,457,257
Public Safety	1,411,186
Public Works	21,320,603
Parks and Recreation	812,416
Social Services	<u>112,422</u>
Total	<u>\$34,113,884</u>

Primary Government – Business-Type Activities:

Sewer	\$ 9,699,724
Solid Waste/Sanitation	589,758
Storm Water	911,002
Housing Management	378,687
Electric Utility	<u>15,776,000</u>
Total	<u>\$27,355,171</u>

Discretely Presented Component Units:

Transportation Authority	\$ 3,581,438
Airport Authority	2,594,228
Downtown Redevelopment	<u>105,253</u>
Total	<u>\$ 6,280,919</u>

NOTE 9. LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2005, were as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
GOVERNMENTAL ACTIVITIES					
General obligation serial bonds	\$128,897,803	\$22,906,508	\$26,486,847	\$125,317,464	\$ 4,637,068
Notes payable	7,158,924	7,339,369	904,103	13,594,190	2,471,335
Capital leases payable	119,725,472	-	882,809	118,842,663	566,954
Compensated absences	<u>16,364,606</u>	<u>8,146,215</u>	<u>7,592,250</u>	<u>16,918,571</u>	<u>5,239,414</u>
Total governmental activities	<u>\$272,146,805</u>	<u>\$38,392,092</u>	<u>\$35,866,009</u>	274,672,888	<u>\$12,914,771</u>
Net deferred refunding and original issue premiums and discounts				<u>(724,797)</u>	
				<u>\$273,948,091</u>	
BUSINESS-TYPE ACTIVITIES					
EPB:					
Revenue bonds	\$ 35,200,000	\$ -	\$ 1,600,000	\$ 33,600,000	\$ 1,600,000
Notes payable	-	1,829,000	55,000	1,774,000	342,000
Compensated absences	<u>1,021,000</u>	<u>-</u>	<u>59,000</u>	<u>962,000</u>	<u>-</u>
	<u>36,221,000</u>	<u>1,829,000</u>	<u>1,714,000</u>	<u>36,336,000</u>	<u>1,942,000</u>
Interceptor Sewer System:					
General obligation serial bonds	92,029,992	12,545,129	21,553,106	83,022,015	8,660,914
Notes payable	39,165,671	5,625,234	650,550	44,140,355	1,837,680
Capital leases payable	253,304	-	18,851	234,453	19,891
Compensated absences	<u>838,702</u>	<u>474,434</u>	<u>467,225</u>	<u>845,911</u>	<u>300,982</u>
	<u>132,287,669</u>	<u>18,644,797</u>	<u>22,689,732</u>	<u>128,242,734</u>	<u>10,819,467</u>
Solid Waste/Sanitation Fund:					
General obligation serial bonds	27,977,366	9,877,292	11,813,554	26,041,104	1,988,455
Compensated absences	<u>129,521</u>	<u>28,555</u>	<u>33,755</u>	<u>124,321</u>	<u>26,547</u>
	<u>28,106,887</u>	<u>9,905,847</u>	<u>11,847,309</u>	<u>26,165,425</u>	<u>2,015,002</u>
Storm Water Fund:					
General obligation serial bonds	17,659,840	6,046,071	7,381,494	16,324,417	1,328,563
Notes payable	1,439,893	-	141,972	1,297,921	147,738
Compensated absences	<u>211,433</u>	<u>125,070</u>	<u>132,706</u>	<u>203,797</u>	<u>80,371</u>
	<u>19,311,166</u>	<u>6,171,141</u>	<u>7,656,172</u>	<u>17,826,135</u>	<u>1,556,672</u>
Total business-type activities	<u>\$215,926,722</u>	<u>\$36,550,785</u>	<u>\$43,907,213</u>	208,570,294	<u>\$16,333,141</u>
Net deferred refunding and original issue premiums and discounts				<u>(194,357)</u>	
				<u>\$208,375,937</u>	

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
Discretely Presented Component Units					
Metropolitan Airport Authority:					
Revenue bonds	\$ 15,670,000	\$ -	\$ 1,150,000	\$ 14,520,000	\$ 585,000
Chattanooga Downtown Redevelopment Corporation:					
Revenue bonds	129,200,000	-	-	129,200,000	-
Notes payable	-	<u>194,315</u>	<u>7,612</u>	<u>186,703</u>	<u>59,780</u>
Total component units	<u>\$144,870,000</u>	<u>\$ 194,315</u>	<u>\$ 1,157,612</u>	143,906,703	<u>\$ 644,780</u>
Original issue premiums and discounts				<u>1,505</u>	
				<u>\$143,908,208</u>	

In prior years and in 2005 the City refunded certain general obligation and sewage facility bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liabilities for the refunded bonds are not included in the City's financial statements. At June 30, 2005, the liabilities for the bonds refunded in 1986, 1992, 1996, 1998, 2002, 2003 and 2005 were \$6,975,000, \$19,600,000, \$11,750,000, \$22,595,000, \$45,555,000, \$44,120,000 and \$51,510,000, respectively.

On April 27, 2005, the City issued \$51,375,000 in General Obligation Refunding Bonds with interest rates ranging from 2.50% to 5.00% for the purpose of refunding the following:

	<u>Bonds</u> <u>Refunded</u>	<u>Refunding</u> <u>Bonds</u> <u>Issued</u>
Governmental Activities	\$22,496,400	\$22,906,508
Business Type Activities:		
Interceptor Sewer System	12,848,368	12,545,129
Solid Waste/Sanitation Fund	10,006,352	9,877,292
Storm Water Fund	<u>6,158,880</u>	<u>6,046,071</u>
	<u>\$51,510,000</u>	<u>\$51,375,000</u>

The effect of refunding the general obligation bonds resulted in a net decrease in total debt service payments over the next 15 years of \$2,808,187 and an economic gain (the difference between the present values of the old and new debt service payments) of \$1,808,815. At June 30, 2005, the liability for the refunded bonds was \$51,510,000.

Debt related to governmental activities at June 30, 2005, consisted of the following:

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

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Public Improvement Refunding, Series 1998	4.13% - 5.50%	\$ 7,222,400
Municipal Public Improvement, Series 2001	4.50% - 5.00%	18,821,200
Public Improvement Refunding, Series 2002	4.00% - 5.375%	10,712,000
Refunding Bonds, 2002 Series A	3.00% - 5.00%	4,590,356
Hotel-Motel Tax Pledge, Series 2002	3.00% - 5.00%	49,705,000
General Obligation, 2003 Series A	2.50% - 4.20%	11,360,000
General Obligation, 2005 Series A	2.50% - 5.00%	17,436,521
Hotel-Motel Tax Pledge, Series 2005A	2.50% - 5.00%	5,469,987
Total payable from the Debt Service Fund		<u>\$125,317,464</u>

Hamilton County Series 1991 - Parking Garage - The City entered into an agreement with Hamilton County for cost sharing with respect to the parking garage for the Hamilton County/City of Chattanooga Courts/Jail complex in the principal amount of \$917,418. Hamilton County issued 15-year serial bonds to cover the cost of construction at rates ranging from 4.5% to 6.5%. Principal and interest payments are due annually to the County beginning 1992 through 2007. The remaining balance at June 30, 2005, is \$121,562.

Tennessee Municipal Bond Fund Loan (1997) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga is authorized to incur indebtedness up to \$7,908,000 for the purpose of financing certain general government capital projects. The maximum amount authorized by the agreement is being reserved by the Trustee and is disbursed to the City upon request. The loan will be repaid over a 15-year period at variable interest rates through 2012. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2005, is \$4,477,023.

Tennessee Municipal Bond Fund Loan (2003) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga is authorized to incur indebtedness up to \$6,000,000 for the purpose of paying for certain general government capital projects. The maximum amount authorized by the agreement is being reserved by the Trustee and is disbursed to the City upon request. The loan will be repaid over a 15-year period at variable rates through 2018. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2005, is \$1,901,771.

Tennessee Municipal Bond Fund Loan (2004) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga is authorized to incur indebtedness up to \$25,000,000 for the purpose of paying for certain general government capital projects. The maximum amount authorized by the agreement is being reserved by the Trustee and is disbursed to the City upon request. The loan will be repaid over a 20-year period at variable rates through 2024. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2005, is \$5,525,378.

Fire Hall Land Note - During 1999 the City acquired land for the construction of a fire hall. In connection with acquiring the property, the City executed a note payable to the former owners. The note bears interest at 9.5% and will be repaid over a 15-year period. The balance at June 30, 2005, is \$33,627.

Fannie Mae American Communities Fund – In July 2003, the City entered into an agreement with Fannie Mae to borrow up to \$5,000,000 for the purpose of funding HOPE VI projects. The loan will be repaid over a 10-year period at variable rates of interest. Interest rates are adjusted quarterly to the published 3-month LIBOR plus 1.5% (5.00% at June 30, 2005). The balance at June 30, 2005, is \$1,534,829.

Chattanooga Downtown Redevelopment Corporation Capital Lease - In October 2000, the City entered into a noncancelable long-term lease with the Chattanooga Downtown Redevelopment Corporation (CDRC), for financing the cost of designing, acquiring, constructing and equipping four facilities in the Tourist Development Zone comprising more than 631,210 square feet at a cost of over \$120 million. Facilities include (1) the Chattanooga-a residential conference center, (2) parking garage, (3) the Development Resource Center, and (4) an expansion of the Chattanooga-Hamilton County Convention and Trade Center. The lease provides for semiannual payments in amounts sufficient to meet the annual debt service requirements on \$129 million in revenue bonds issued by the Industrial Development Board of the City of Chattanooga on behalf of the CDRC, a non-profit corporation. The IDB bonds are secured by payments to be made by the CDRC. The lease payments will be funded by the City’s share of the 1/2% increase in the county-wide sales tax passed by county-wide referendum, income from the Chattanooga, state incremental sales tax generated in the Tourist Development Zone and interest income from a debt service reserve fund in excess of \$9 million included as part of the bond issue. In the event these sources are insufficient, the City agreed to appropriate sufficient moneys to make the lease payments. The City’s lease payment was \$5,856,374 for the year ended June 30, 2005. The recorded liability under this capital lease at June 30, 2005, is \$115,925,472.

The debt service reserve fund held by the fiscal agent at June 30, 2005 is \$9,786,475. The fiscal agent is required by the agreement to apply any interest on the debt service reserve fund toward the lease payments. The debt service reserve fund will be used to retire debt near the end of the lease.

Equipment Capital Lease - In September 2003, the City entered into an equipment lease-purchase agreement to finance radio communications equipment and software upgrades at the Hamilton County “911” Emergency Communications District totaling \$3,800,000. The lease term is six years and provides for annual payments which began July 1, 2004. The recorded liability under this capital lease at June 30, 2005, is \$2,917,191.

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

Debt related to business-type activities at June 30, 2005, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
EPB:		
Electric System Revenue Bonds, Series 2000	4.50% - 5.38%	\$ 33,600,000
2005 Equipment Notes	4.40% - 4.67%	1,774,000
Interceptor Sewer System Fund:		
Municipal Public Improvement, Series 1998	4.75% - 5.00%	2,690,000
Municipal Public Improvement Refunding, Series 1998	4.30% - 5.50%	13,337,900
Municipal Public Improvement Refunding, Series 2002	3.25% - 4.50%	20,879,342
Refunding Bonds, 2002 Series A	3.00% - 5.00%	24,519,644

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Interceptor Sewer System Fund (continued):		
Refunding Bonds, 2003 Series B	3.00% - 3.25%	\$ 9,050,000
Refunding Bonds, 2005 Series A	2.50% - 5.00%	12,545,129
1992 State Revolving Sewer Loan*	3.98%	1,297,921
Northwest Georgia Sewer Expansion Project	4.00%	5,629,576
State Revolving Loan 2003	2.98%	37,212,858
City of Collegedale Capital Lease	Variable	234,453
Solid Waste/Sanitation Fund:		
Municipal Public Improvement, Series 1998	4.75% - 5.00%	1,485,000
Municipal Public Improvement Refunding, Series 1998	4.30% - 5.50%	3,686,100
Municipal Public Improvement, Series 2001	4.50% - 5.00%	3,202,600
Municipal Public Improvement Refunding, Series 2002	4.00% - 5.375%	7,790,112
Refunding Bonds, 2005 Series A	2.50% - 5.00%	9,877,292
Storm Water Fund:		
Municipal Public Improvement, Series 1998	4.75% - 5.00%	1,105,000
Municipal Public Improvement Refunding, Series 1998	4.30% - 5.50%	2,528,600
Municipal Public Improvement, Series 2001	4.50% - 5.00%	951,200
Municipal Public Improvement Refunding, Series 2002	4.00% - 5.375%	5,693,546
Refunding Bonds, 2005 Series A	2.50% - 5.00%	6,046,071
1992 State Revolving Sewer Loan*	3.98%	1,297,921
Total payable from business-type activities		<u>\$206,434,265</u>

*1992 State Revolving Loan Fund - The City entered into an agreement with the Tennessee Department of Health and Environment to secure a loan for the purpose of constructing a Combined Sewer Overflow Facility located at Ross's Landing. The loan will be repaid in monthly installments through 2013 with interest at 3.98%. The remaining balance at June 30, 2005, is \$2,595,842.

Georgia State Revolving Loan - Pursuant to a loan agreement with the Georgia State Revolving Loan Fund, the City of Chattanooga is authorized to incur indebtedness up to \$7,255,000 for the purpose of financing sewer expansion in Northwest Georgia. The maximum amount authorized by the agreement is being reserved by the Georgia Environmental Facilities Authority and is disbursed to the City upon request. The loan will be repaid over a 20-year period at 4% interest through 2020. The balance at June 30, 2005, is \$5,629,576.

State Revolving Loan 2003 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a loan for the purpose of financing sewer projects. The loan will be repaid in monthly installments through 2023 at 2.98% interest. The balance at June 30, 2005, is \$37,212,858.

Capital Leases - The City has an agreement with the City of Collegedale to lease and purchase sewer system improvements. Lease payments are due in monthly installments through 2014 at variable rates of interest. The balance on this capital lease at June 30, 2005, is \$234,453.

EPB Equipment Notes - EPB has three installment notes outstanding at June 30, 2005, totaling \$1,774,000. The proceeds of these notes were used for electrical equipment. The notes will be repaid over a 5-year period at interest rates in the range of 4.40% to 4.67%.

Component Units debt at June 30, 2005, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Metropolitan Airport Authority:		
Series A Refunding Revenue Bonds, Series 2002	2.76% - 2.80%	\$ 12,625,000
Series B Refunding Revenue Bonds, Series 2002	2.76% - 2.80%	1,895,000
Chattanooga Downtown Redevelopment Corporation:		
Chattanooga Lease Rental Revenue Bonds, Series 2000	5.00% - 5.625%	129,200,000
Republic Parking Equipment Loan	7.00%	<u>186,703</u>
Total payable from Component Units		<u>\$143,906,703</u>

Republic Parking Equipment Loan – CDRC entered into an agreement with the Republic Parking System, Inc. The loan is for the purpose of financing parking garage equipment. The loan will be repaid in monthly installments for 36 months at 7.00% interest. The balance at June 30, 2005 is \$186,703.

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

<u>Year</u>	<u>Primary Government</u>			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 7,675,357	\$ 13,060,828	\$ 15,925,241	\$ 8,481,220
2007	10,629,678	13,251,015	16,247,222	8,003,316
2008	9,678,802	12,840,967	14,662,435	7,393,135
2009	10,794,362	12,417,456	16,670,862	6,808,246
2010	11,196,272	11,924,828	14,735,628	6,102,358
2011-2015	43,185,588	52,964,209	60,180,752	21,697,776
2016-2020	44,772,833	41,539,253	44,019,881	9,463,947
2021-2025	54,264,350	28,457,225	21,773,444	2,894,790
2026-2030	61,042,075	11,671,406	2,218,800	73,420
2031	<u>4,515,000</u>	<u>112,875</u>	-	-
	<u>\$257,754,317</u>	<u>\$198,240,062</u>	<u>\$206,434,265</u>	<u>\$70,918,208</u>
<u>Year</u>	<u>Component Units</u>			
	<u>Principal</u>	<u>Interest</u>		
2006	\$ 644,780	\$ 7,617,139		
2007	3,264,101	7,529,275		
2008	3,552,822	7,372,131		
2009	3,690,000	7,212,661		
2010	3,800,000	7,060,716		
2011-2015	22,175,000	32,388,718		
2016-2020	28,560,000	26,341,002		
2021-2025	29,655,000	18,339,653		
2026-2030	39,315,000	8,419,113		
2031	<u>9,250,000</u>	<u>260,156</u>		
	<u>\$143,906,703</u>	<u>\$122,540,564</u>		

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS

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

City of Chattanooga Administered Pension Plans

Significant Accounting Policies:

Basis of Accounting

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

Cash and Cash Equivalents

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

Method Used to Value Investments

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

Plan Descriptions:

(1) City of Chattanooga General Pension Plan

The City maintains a single-employer defined benefit pension plan for general City employees. Each participant is required to contribute 2 percent of earnings. The City is currently contributing 4.07 percent of the total covered payroll of the participants, which is the minimum requirement as noted by the most recent actuarial report.

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

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

The normal retirement date is the first day of the month following the participant's attainment of age 62. Benefits are reduced on a pro rata basis for early retirement. An employee otherwise vested shall be penalized 2.5 percent for each year of age less than 62. However, if the sum of the participant's age and years of credited service is at least eighty (80), there shall be no reduction in the immediate early retirement benefit. A deferred retirement option plan provides alternative benefits for up to 3 years of credited service to eligible members with at least 26 years of credited service.

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

The City maintains a single-employer defined benefit pension plan for the firemen and policemen employed by the City. The Plan is designed for each plan participant to contribute 8 percent of base salary. The City is currently contributing 18.39 percent of the total covered payroll of the participants, which is the minimum requirement as noted by the most recent actuarial report. Increased court costs on all forfeitures of fines or monies or on convictions of violating any City ordinances are recorded as additional contributions to the Plan. The cost of administering the plan is borne by the City.

The normal retirement benefit is 68.75 percent of average base salary, where average base salary is based on the three-year period of service yielding the highest arithmetic average of the participant's salary history. For service beyond 25 years, the benefit is increased 1.25 percent per year up to 30 years of service.

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

The normal retirement date is the first day of the month following the participant's completion of 25 years of credited service. Reduced benefit provisions are available for those participants who have attained age 55 and have completed at least 10 years of credited service. In the event of death, job-related or non-job-related disability, participants who are not yet eligible for normal retirement benefits can receive a percentage of their salary, based on a formula using the three-year period of service yielding the highest arithmetic average of the participant's salary history. A deferred retirement option plan provides alternative benefits for up to 3 years of credit service to eligible members who have 25 years of credited service.

Current membership in each of these plans was comprised of the following as of June 30, 2005:

<u>Group</u>	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>
Retirees and beneficiaries currently receiving benefits	738	655
Vested terminated employees	56	5
Active employees	1,531	799
Actuarial update	1-1-2005	1-1-2005

Trend Information:

	<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
General Pension Plan	12/31/04	\$2,132,773	100.00%	\$(4,343,073)
	12/31/03	2,204,619	100.00%	(3,943,428)
	12/31/02	1,017,617	100.00%	(3,884,735)
Firemen's and Policemen's Fund	12/31/04	6,190,284	100.00%	(4,313,641)
	12/31/03	5,719,267	100.00%	(4,336,014)
	12/31/02	4,518,985	100.00%	(4,372,825)

Funding Policy and Other Information:

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

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>
Contribution rates for employer	4.07%	18.39%
Contribution rates for plan members	2.00%	8.00%
Annual pension cost	\$2,132,773	\$6,190,284
Contributions made by employer	2,141,635	6,237,406
Contributions made by plan members	1,047,369	2,616,325
Actuarial valuation date for current contributions	January 1, 2005	January 1, 2005
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Dollar	Level Percent
Remaining amortization period	30 Years Open	40 Years Open
Asset valuation method	Market Value, As Adjusted	5-Year Average
Actuarial assumptions:		
Investment rate of return	7.75%	8.00%
Projected salary increases	5.00%	3.25%
Inflation rate	3.00%	3.00%

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

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>
Annual required contribution	\$ 2,096,333	\$ 6,073,138
Interest on net pension obligation (asset)	(305,616)	(346,881)
Adjustment to annual required contribution	<u>342,056</u>	<u>464,027</u>
Annual pension cost	2,132,773	6,190,284
Contributions made	<u>(2,532,418)</u>	<u>(6,167,911)</u>
Increase in net pension obligation (asset)	(399,645)	22,373
Net pension obligation (asset) at beginning of year	<u>(3,943,428)</u>	<u>(4,336,014)</u>
Net pension obligation (asset) at end of year	<u>\$(4,343,073)</u>	<u>\$(4,313,641)</u>

Financial Reports:

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

Combining Statement of Plan Net Assets:

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>	<u>Total</u>
ASSETS			
Receivables:			
Accrued income	\$ 215,077	\$ 632,943	\$ 848,020
Contributions:			
Employer	169,106	-	169,106
Employee	82,990	-	82,990
Due from plan custodian	<u>-</u>	<u>133,715</u>	<u>133,715</u>
Total receivables	<u>467,173</u>	<u>766,658</u>	<u>1,233,831</u>
Investments, at fair value:			
U.S. Government securities	-	17,180,641	17,180,641
Municipal bonds	-	96,653	96,653
Corporate bonds	4,054,746	21,298,214	25,352,960
Foreign bonds	-	2,871,847	2,871,847
Corporate stocks	87,098,321	102,762,057	189,860,378
Mutual funds - equity	28,850,935	58,094,714	86,945,649
Mutual funds - fixed income	43,968,640	-	43,968,640
Temporary investments	3,013,881	19,854,771	22,868,652
Limited Partnerships	25,716,053	-	25,716,053
Other investments	<u>-</u>	<u>865,000</u>	<u>865,000</u>
Total investments	<u>192,702,576</u>	<u>223,023,897</u>	<u>415,726,473</u>
Total assets	<u>193,169,749</u>	<u>223,790,555</u>	<u>416,960,304</u>
LIABILITIES			
Due to plan custodian	-	750,000	750,000
Accrued expenses	<u>263,550</u>	<u>325,273</u>	<u>588,823</u>
Total liabilities	<u>263,550</u>	<u>1,075,273</u>	<u>1,338,823</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$192,906,199</u>	<u>\$222,715,282</u>	<u>\$415,621,481</u>

Combining Statement of Changes in Plan Net Assets:

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Employer	\$ 2,141,635	\$ 6,237,406	\$ 8,379,041
Employee	<u>1,047,369</u>	<u>2,616,325</u>	<u>3,663,694</u>
Total contributions	<u>3,189,004</u>	<u>8,853,731</u>	<u>12,042,735</u>
Investment income:			
Net appreciation in fair market value of investments	11,164,050	16,062,486	27,226,536
Interest	536,607	3,248,305	3,784,912
Dividends	<u>1,986,105</u>	<u>3,191,436</u>	<u>5,177,541</u>
	13,686,762	22,502,227	36,188,989
Less investment expense	<u>(662,584)</u>	<u>(1,002,991)</u>	<u>(1,665,575)</u>
Net investment income	<u>13,024,178</u>	<u>21,499,236</u>	<u>34,523,414</u>
Total additions	<u>16,213,182</u>	<u>30,352,967</u>	<u>46,566,149</u>
DEDUCTIONS			
Benefits paid to participants	8,772,924	17,775,568	26,548,492
Administrative expenses	<u>175,047</u>	<u>479,020</u>	<u>654,067</u>
Total deductions	<u>8,947,971</u>	<u>18,254,588</u>	<u>27,202,559</u>
NET INCREASE	7,265,211	12,098,379	19,363,590
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
Beginning of year	<u>185,640,988</u>	<u>210,616,903</u>	<u>396,257,891</u>
End of year	<u>\$192,906,199</u>	<u>\$222,715,282</u>	<u>\$415,621,481</u>

EPB Pension Plan

Plan Description and Provision:

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

Funding Policy:

Contribution requirements of Plan members and the EPB are established and can be amended by the EPB. The Plan does not require Plan members to make a contribution. The EPB is required to contribute at an actuarially determined rate, the current rate is 9.70% of annual covered payroll.

Annual Pension Cost and Net Pension Obligation:

EPB's annual pension cost of the Plan for the current year was \$1,988,000. There is no net pension obligation as EPB has contributed the annual required contribution, adjusted with interest, as calculated by actuarial valuation. The annual required contribution was determined as part of an actuarial valuation performed as of August 1, 2004, using the aggregate cost method. The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used in the valuation included (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, (c) no postretirement benefit increases, and (d) a discount rate of 8.0%.

Trend Information:

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$1,988,000	100%	\$ -
6/30/04	1,932,000	100%	-
6/30/03	1,310,481	100%	-

EPB 401(k) Plan

EPB also has a 401(k) plan which permits employees to invest up to 13 percent of salary in a tax-deferred savings plan. EPB contributes up to 3.5 percent of an employee's salary. EPB contributions are fully vested and amounted to \$571,000 in 2005.

Pension Plans of Component Units

CARTA is the only component unit with separate defined benefit pension plans, and complete pension disclosures are in CARTA's separately-issued financial statements. Actuarially determined employer contribution requirements were met for the year ended June 30, 2005. Condensed disclosures for CARTA's defined benefit pension plans are as follows:

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/05	\$397,422	100%	\$(127,952)
6/30/04	397,790	100%	(161,485)
6/30/03	374,804	100%	(172,677)

Postemployment Benefits

The City provides postemployment health and medical benefits for retirees and their dependents in accordance with the applicable City ordinance. Substantially all of the City's employees may become eligible for the benefits if they reach normal retirement age while working for the City. At June 30, 2005, there were 887 employees who had retired and were receiving healthcare benefits. The City is insured for a portion of these benefits. All the associated costs are accounted for in the General Fund and Enterprise Funds. For the year ended June 30, 2005, the City recognized expenditures of approximately \$5,775,645, which was offset by \$1,456,457 of retiree contributions.

NOTE 11. CONSERVATION PROGRAMS

EPB is a fiscal intermediary for the Tennessee Valley Authority's (TVA) conservation programs. As of June 30, 2005, outstanding funds advanced by TVA totaled \$783,000 to be used by EPB for customer loans in connection with TVA's insulation and heat pump conservation programs. At June 30, 2005, the outstanding receivables for loans made from these funds amounted to \$758,000. A total of approximately \$78,417,000 has been loaned to EPB's customers since the programs were begun in 1977.

NOTE 12. DEFERRED COMPENSATION PLAN

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

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

Asset balance at July 1, 2004	\$13,344,820
Deferrals of compensation	822,518
Earnings	630,554
Withdrawals	(962,489)
Administrative expenses	<u>(324)</u>
Asset balance at June 30, 2005	<u>\$13,835,079</u>

NOTE 13. COMMITMENTS AND CONTINGENCIES

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

The City has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agencies for expenditures disallowed under the terms of the grants. At June 30, 2005, the City has accrued liabilities of \$187,493 to reimburse a grantor agency. Subsequent to year-end, the reimbursements were paid and the City recovered \$133,621 from the vendor on this grant. City management is not aware of any additional potential losses from such disallowances.

The City has entered into various construction commitments. Such contracts include contracts for improvements to sewer, solid waste, and storm water systems, and acquisition and construction contracts related to general government capital projects. Several of these contracts were in progress but not completed as of June 30, 2005. The total contractual commitments outstanding as of June 30, 2005, aggregated approximately \$26,159,000. The City has sufficient funds available to cover these commitments.

NOTE 14. CONDUIT DEBT OBLIGATIONS

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

As of June 30, 2005, 119 series of Industrial Revenue Bonds had been issued. The principal amount of the series issued after July 1, 1995, was \$188,000,000. The aggregate principal amounts payable for the 108 series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$253,648,700.

NOTE 15. JOINT VENTURE

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

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

While the bonds owed by the Corporation do not constitute an indebtedness of the City or the County, under the terms of the lease the City and County are unconditionally obligated to make rental payments (one-third by the County and two-thirds by the City) to the Corporation which, in the aggregate, will be sufficient to pay principal and interest on the bonds. For the fiscal year ended June 30, 2005, lease payments from the City's General Fund were \$1,419,097.

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

2006	\$1,415,389
------	-------------

Complete financial statements can be obtained from: Carter Street Corporation
P.O. Box 6008
Chattanooga, TN 37401

Condensed financial information for Carter Street Corporation as of June 30, 2005, is as follows:

ASSETS

Cash	\$ 653,350
Accounts receivable, net	2,182,260
Inventories	80,993
Prepaid items	27,753
Capital assets, net	12,714,317
Other assets	<u>76,714</u>
Total assets	<u>\$15,735,387</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 231,852
Accrued interest	40,058
Advance deposits	59,223
Bonds payable	<u>2,087,552</u>
Total liabilities	<u>2,418,685</u>

NET ASSETS

Invested in capital assets, net of related debt	10,631,479
Unrestricted	<u>2,685,223</u>
Total net assets	<u>13,316,702</u>
Total liabilities and net assets	<u>\$15,735,387</u>

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Total operating revenues	\$ 5,415,440
Total operating expenses	<u>6,674,880</u>
Loss from operations	(1,259,440)
Nonoperating revenues	2,506,367
Nonoperating expenses	<u>147,833</u>
Net income	1,099,094
Net assets at July 1, 2004	<u>12,217,608</u>
Net assets at June 30, 2005	<u>\$13,316,702</u>

NOTE 16. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Solid Waste/Sanitation Fund accounts for the operations of the City landfill, as well as the closure and postclosure care costs of closed landfills (Summit and 36th Street). State and federal regulations require the City to place a final cover on all landfills after closure, and the City must perform certain maintenance and monitoring functions for 30 years thereafter. The City recognizes landfill closure and postclosure care costs based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs of \$9,555,619 at June 30, 2005, is based on the use of 100 percent of the capacity of the Summit landfill, and 89 percent of the capacity of the City landfill. The estimated remaining life of the City landfill is 1.5 years. Changes in the estimated liability for landfill closure and postclosure care costs for the year ended June 30, 2005, are as follows:

Estimated liability, June 30, 2004	\$9,295,666
Expenses recognized	517,996
Costs incurred	<u>(258,043)</u>
Estimated liability, June 30, 2005	<u>\$9,555,619</u>

The City will recognize the remaining estimated costs of closure and postclosure care of \$566,323 as the remaining capacity is used. The estimated total current cost of the landfill closure and postclosure care of \$10,121,942 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired at June 30, 2005. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs and additional costs that might arise from changes in postclosure requirements may need to be covered by charges to future landfill users, taxpayers, or both.

NOTE 17. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; medical benefits; unemployment compensation; injuries to employees; errors and omissions; and natural disasters. The City retains the risk of loss related to torts, certain retiree medical benefits, unemployment compensation, and injuries to employees. The General Fund accounts for all exposures, except for torts, which are accounted for in the Internal Service Fund. To minimize its losses, the City has established a limited risk management program. Premiums are paid by all funds and are available to pay claims, claim reserves, and administrative costs of the program. The premiums are used to reduce the amount of claims expenditures reported in the respective funds. As of June 30, 2005, such interfund premiums did not exceed reimbursable expenditures. There were no significant reductions in insurance coverage in the prior year, nor did the amount of settlements exceed insurance coverage for each of the past three fiscal years.

City employees eligible for medical benefits are fully insured by Cigna Healthcare.

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

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

	General Fund	Internal Service Fund
Unpaid claims, June 30, 2003	\$ 481,384	\$ 2,535,000
Incurred claims (including IBNRs)	21,611,723	1,412,820
Claim payments	<u>(21,575,665)</u>	<u>(1,273,820)</u>
Unpaid claims, June 30, 2004	517,442	2,674,000
Incurred claims (including IBNRs)	23,092,250	2,634,175
Claim payments	<u>(22,848,294)</u>	<u>(644,175)</u>
Unpaid claims, June 30, 2005	<u>\$ 761,398</u>	<u>\$ 4,664,000</u>

NOTE 18. COMPONENT UNIT SWAPTION

In March 2004 the Chattanooga Downtown Redevelopment Corporation (CDRC), a component unit of the City, sold by competitive bid a floating-to-fixed interest rate swaption. Information related to the swaption is as follows:

Objective:

CDRC entered into a swaption contract that provided CDRC an up-front payment of \$3,088,000. As a synthetic refunding of its 2000 bonds, this payment represents the risk-adjusted, present-value savings of a refunding in October 2010 without issuing refunding bonds currently. The swaption gave the counterparty the option to require CDRC to enter into a pay-fixed, receive variable interest rate swap. If the option is exercised, CDRC would expect to issue refunding bonds at that date.

Terms:

The swaption was entered into in March 2004. The \$3,088,000 payment was based on a notional amount of \$59,655,000. The counterparty has the option to exercise the agreement on October 1, 2010. If exercised, the interest rate swap will also commence October 1, 2010. The fixed rate swap (5.45%) was set at a rate that, when added to an assumption for remarketing and liquidity costs, will approximate the coupons of the "refunded" bonds. The swap's variable payment would be based on The Bond Market Association Municipal Swap Index (BMA).

Fair value:

At June 30, 2005, the swap had a negative fair value of \$5,535,517, estimated using the zero-coupon method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon rate bonds due on the date of each future net settlement on the swap.

Market-access risk:

If the option is exercised and refunding bonds are not issued, CDRC would be obligated to make net swap payments as required by the terms of the contract. If the option is exercised and variable-rate bonds are issued, the actual savings ultimately recognized by the transaction will be affected by the relationship between the interest rate terms of the to-be-issued variable-rate bonds versus the variable payment on the swap.

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEE RETIREMENT SYSTEMS
SCHEDULE OF FUNDING PROGRESS
June 30, 2005

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
CITY OF CHATTANOOGA ADMINISTERED PLANS						
General Pension Plan						
January 1, 2005	\$ 206,837,961	\$ 198,874,444	\$ (7,963,517)	104.00%	\$ 53,531,483	-14.88%
January 1, 2004	200,844,363	180,133,668	(20,710,695)	111.50%	53,322,027	-38.84%
January 1, 2003	195,813,753	167,271,964	(28,541,789)	117.06%	53,221,374	-53.63%
January 1, 2002	219,767,852	171,457,511	(48,310,341)	128.20%	51,681,537	-93.48%
January 1, 2001	216,594,554	154,893,409	(61,701,145)	139.83%	47,490,020	-129.92%
January 1, 2000	209,084,823	144,143,794	(64,941,029)	145.10%	46,338,563	-140.14%
Firemen's and Policemen's Insurance and Pension Fund						
January 1, 2005	\$ 213,205,883	\$ 267,070,330	\$ 53,864,447	79.83%	\$ 31,869,770	169.01%
January 1, 2004	205,955,526	254,328,956	48,373,430	80.98%	30,981,336	156.14%
January 1, 2003	201,373,183	238,423,840	37,050,657	84.46%	30,060,676	123.25%
January 1, 2002	202,140,350	226,644,488	24,504,138	89.19%	28,249,738	86.74%
July 1, 2000	201,503,400	203,104,100	1,600,700	99.21%	28,539,600	5.61%
July 1, 1999	192,166,300	179,230,000	(12,936,300)	107.22%	27,308,200	-47.37%
ELECTRIC POWER BOARD						
August 1, 2004	\$ 25,990,000	\$ 25,990,000	\$ -	100.00%	\$ 20,502,000	0.00%
August 1, 2003	27,296,000	27,296,000	-	100.00%	20,081,000	0.00%
August 1, 2002	42,946,000	42,946,000	-	100.00%	22,387,000	0.00%
August 1, 2001	44,472,000	44,472,000	-	100.00%	20,757,000	0.00%
August 1, 2000	47,262,000	47,262,000	-	100.00%	20,407,000	0.00%
August 1, 1999	43,113,000	43,113,000	-	100.00%	19,610,000	0.00%

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF REQUIRED SUPPLEMENTAL INFORMATION
 PUBLIC EMPLOYEE RETIREMENT SYSTEMS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 June 30, 2005

CITY OF CHATTANOOGA ADMINISTERED PLANS

Year Ended June 30	<u>General Pension Plan</u>		<u>Firemen's and Policemen's Insurance and Pension Fund</u>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2005	\$2,096,333	120.8%	\$6,073,138	101.6%
2004	2,168,721	104.4%	5,636,207	100.8%
2003	974,113	41.5%	4,440,048	102.3%
2002	-	100%	1,821,269	108.6%
2001	-	100%	3,494,042	82.1%
2000	1,422,932	100%	3,071,820	122.1%

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

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>
Valuation date	1/1/2005	1/1/2005
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Dollar	Level Percent
Remaining amortization period	30 Years Open	40 Years Open
Asset valuation method	Market value, as adjusted	5-Year Average
Actuarial assumptions:		
Investment rate of return	7.75%	8.00%
Projected salary increases	5.00%	3.25%
Includes inflation at	3.00%	3.00%
Cost-of-living adjustments	3.00%	3.00%

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

DEBT SERVICE FUND

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

PERMANENT FUNDS

Library Endowment Fund accounts for several nonexpendable gifts to the Chattanooga-Hamilton County Bicentennial Library. The library board makes investment decisions related to the endowment fund. Earnings on the fund are used solely to purchase books.

Ochs-Oakes Fire and Police Medal Fund accounts for the assets willed to the City by Mr. George W. Ochs-Oakes. Earnings from investments are to be used solely for public safety awards to Fire and Police Officers of the City of Chattanooga.

CITY OF CHATTANOOGA, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2005

	Special Revenue							Debt Service	Permanent		Total Nonmajor Governmental Funds	
	Public Library	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax		Library Endowment	Ochs-Oakes Fire and Police Medal		
ASSETS												
Cash and cash equivalents	\$ 1,191,085	\$ 33,717	\$ 3,348,774	\$ 2,027,965	\$ 232,438	\$ 1,153,456	\$ 1,459,604	\$ 9,447,039	\$ 5,244,620	\$ 18,664	\$ 4,438	\$ 14,714,761
Investments	-	-	-	-	1,654,432	-	-	1,654,432	-	3,113,844	62,671	4,830,947
Accounts receivable	12,876	233	125,133	2,195	1,822	42,958	-	185,217	-	-	-	185,217
Due from other funds	-	-	-	-	-	-	-	-	1,227,309	-	-	1,227,309
Due from other governments	-	-	1,196,204	-	761,170	269,808	642,623	2,869,805	-	-	-	2,869,805
Prepaid items	-	-	-	-	30,659	-	-	30,659	-	-	-	30,659
Total assets	\$ 1,203,961	\$ 33,950	\$ 4,670,111	\$ 2,030,160	\$ 2,680,521	\$ 1,466,222	\$ 2,102,227	\$ 14,187,152	\$ 6,471,929	\$ 3,132,508	\$ 67,109	\$ 23,858,698
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts payable and accrued liabilities	\$ 76,231	\$ -	\$ 518,326	\$ 781,713	\$ 75,347	\$ 188,259	\$ -	\$ 1,639,876	\$ -	\$ -	\$ -	\$ 1,639,876
Deferred revenue	-	-	7,655	-	375,010	-	373,324	755,989	-	-	-	755,989
Due to other funds	67	-	870	-	400	-	1,478,529	1,479,866	-	-	-	1,479,866
Due to other governments	-	-	187,493	-	-	-	-	187,493	-	-	-	187,493
Total liabilities	76,298	-	714,344	781,713	450,757	188,259	1,851,853	4,063,224	-	-	-	4,063,224
FUND BALANCES												
Reserved for:												
Encumbrances	1,949	-	36,609	-	3,106	2,743	-	44,407	-	-	-	44,407
Library endowment	-	-	-	-	-	-	-	-	-	3,125,561	-	3,125,561
Public safety awards	-	-	-	-	-	-	-	-	-	-	1,000	1,000
Unreserved - designated for debt service	-	-	-	-	-	-	-	-	6,471,929	-	-	6,471,929
Unreserved - undesignated	1,125,714	33,950	3,919,158	1,248,447	2,226,658	1,275,220	250,374	10,079,521	-	6,947	66,109	10,152,577
Total fund balances	1,127,663	33,950	3,955,767	1,248,447	2,229,764	1,277,963	250,374	10,123,928	6,471,929	3,132,508	67,109	19,795,474
Total liabilities and fund balances	\$ 1,203,961	\$ 33,950	\$ 4,670,111	\$ 2,030,160	\$ 2,680,521	\$ 1,466,222	\$ 2,102,227	\$ 14,187,152	\$ 6,471,929	\$ 3,132,508	\$ 67,109	\$ 23,858,698

CITY OF CHATTANOOGA, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2005

	Special Revenue							Total	Debt Service	Permanent		Total Nonmajor Governmental Funds
	Public Library	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax			Library Endowment	Ochs-Oakes Fire and Police Medal	
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,583,318	\$ 2,583,318	\$ -	\$ -	\$ -	\$ 2,583,318
Intergovernmental	2,314,260	-	11,270,597	40,582	4,410,939	2,752,971	-	20,789,349	1,705,851	-	-	22,495,200
Charges for services	-	-	141,512	-	-	-	-	141,512	-	-	-	141,512
Investment income	-	4,537	36,054	4,183	37,437	-	43,296	125,507	21,916	206,405	2,867	356,695
Contributions and donations	-	-	-	-	-	-	-	-	-	500	-	500
Miscellaneous	190,470	-	76,894	310,903	-	2,835,516	-	3,413,783	200,000	-	-	3,613,783
Total revenues	2,504,730	4,537	11,525,057	355,668	4,448,376	5,588,487	2,626,614	27,053,469	1,927,767	206,905	2,867	29,191,008
EXPENDITURES												
General government	5,071,745	320,320	13,226,281	-	-	-	81,236	18,699,582	-	58,934	-	18,758,516
Public safety	-	-	-	162,295	-	-	-	162,295	-	-	12	162,307
Public works	-	-	-	-	4,685,412	-	-	4,685,412	-	-	-	4,685,412
Community development	-	-	-	-	-	3,839,453	-	3,839,453	-	-	-	3,839,453
Debt service	-	-	-	-	-	-	-	-	11,948,797	-	-	11,948,797
Capital outlay/fixed assets	72,667	-	171,712	28,926	8,300	262	-	281,867	-	-	-	281,867
Total expenditures	5,144,412	320,320	13,397,993	191,221	4,693,712	3,839,715	81,236	27,668,609	11,948,797	58,934	12	39,676,352
Excess (deficiency) of revenues over (under) expenditures	(2,639,682)	(315,783)	(1,872,936)	164,447	(245,336)	1,748,772	2,545,378	(615,140)	(10,021,030)	147,971	2,855	(10,485,344)
OTHER FINANCING SOURCES (USES)												
Transfers in	2,487,660	-	1,335,877	-	-	-	-	3,823,537	11,270,255	-	-	15,093,792
Transfers out	-	-	-	-	-	(1,249,600)	(2,295,004)	(3,544,604)	-	-	-	(3,544,604)
Total other financing sources (uses)	2,487,660	-	1,335,877	-	-	(1,249,600)	(2,295,004)	278,933	11,270,255	-	-	11,549,188
Net change in fund balance	(152,022)	(315,783)	(537,059)	164,447	(245,336)	499,172	250,374	(336,207)	1,249,225	147,971	2,855	1,063,844
FUND BALANCE, beginning	1,279,685	349,733	4,492,826	1,084,000	2,475,100	778,791	-	10,460,135	5,222,704	2,984,537	64,254	18,731,630
FUND BALANCE, ending	\$ 1,127,663	\$ 33,950	\$ 3,955,767	\$ 1,248,447	\$ 2,229,764	\$ 1,277,963	\$ 250,374	\$ 10,123,928	\$ 6,471,929	\$ 3,132,508	\$ 67,109	\$ 19,795,474

PRIVATE-PURPOSE TRUST FUNDS

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

Chattanooga High School Medal Fund accounts for revenues and expenditures associated with awards to high school students at Chattanooga High School, which is now part of the Hamilton County Department of Education. Revenues are derived from interest earned on trust funds established by Mr. Ochs-Oakes. The fund will be transferred to the Hamilton County Department of Education at the request of the donor.

Ochs-Oakes High School Medal Fund accounts for the cost of providing awards to high school students within the Hamilton County Department of Education. Revenues are derived from interest earned on trust funds established by Mr. Ochs-Oakes. The fund was transferred to the Hamilton County Department of Education at the request of the donor.

CITY OF CHATTANOOGA, TENNESSEE

PRIVATE-PURPOSE TRUST FUNDS

COMBINING STATEMENT OF NET ASSETS

June 30, 2005

	<u>Chattanooga High School Medal</u>	<u>Ochs-Oakes High School Medal</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 4,969</u>	<u>\$ -</u>	<u>\$ 4,969</u>
Total assets	<u>4,969</u>	<u>-</u>	<u>4,969</u>
LIABILITIES			
Due to other governments	<u>4,969</u>	<u>-</u>	<u>4,969</u>
Total Liabilities	<u>4,969</u>	<u>-</u>	<u>4,969</u>
NET ASSETS	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF CHATTANOOGA, TENNESSEE

PRIVATE-PURPOSE TRUST FUNDS

COMBINING STATEMENT OF CHANGES IN NET ASSETS
Year Ended June 30, 2005

	<u>Chattanooga High School Medal</u>	<u>Ochs-Oakes High School Medal</u>	<u>Total</u>
ADDITIONS			
Investment income:			
Net appreciation of fair market value of investments	\$ -	\$ 112	\$ 112
Interest	<u>91</u>	<u>183</u>	<u>274</u>
Total additions	<u>91</u>	<u>295</u>	<u>386</u>
DEDUCTIONS			
Administrative expenses	-	13	13
Transfer to Hamilton County Department of Education	<u>4,969</u>	<u>10,614</u>	<u>15,583</u>
Total deductions	<u>4,969</u>	<u>10,627</u>	<u>15,596</u>
CHANGE IN NET ASSETS	(4,878)	(10,332)	(15,210)
Net assets, beginning	<u>4,878</u>	<u>10,332</u>	<u>15,210</u>
Net assets, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

CITY OF CHATTANOOGA, TENNESSEE

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Year Ended June 30, 2005

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
OPERATING REVENUES				
Charges for services	\$ 5,879,940	\$ 4,159,873	\$ 17,668,297	\$ 27,708,110
Other	-	74,287	-	74,287
Total operating revenues	<u>5,879,940</u>	<u>4,234,160</u>	<u>17,668,297</u>	<u>27,782,397</u>
OPERATING EXPENSES				
Airport operations	4,719,797	-	-	4,719,797
CARTA operations	-	10,105,433	-	10,105,433
CDRC operations	-	-	9,727,684	9,727,684
Management fees	256,846	-	418,732	675,578
Maintenance	154,496	2,330,193	-	2,484,689
Depreciation and amortization	2,613,661	3,581,438	105,253	6,300,352
Total operating expenses	<u>7,744,800</u>	<u>16,017,064</u>	<u>10,251,669</u>	<u>34,013,533</u>
OPERATING INCOME (LOSS)	<u>(1,864,860)</u>	<u>(11,782,904)</u>	<u>7,416,628</u>	<u>(6,231,136)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	-	6,124,936	-	6,124,936
Investment income	83,989	3,797	686,583	774,369
Interest expense	(321,420)	-	(7,269,366)	(7,590,786)
Other income (expense)	1,970,896	-	(2,000,000)	(29,104)
Total nonoperating revenues (expenses)	<u>1,733,465</u>	<u>6,128,733</u>	<u>(8,582,783)</u>	<u>(720,585)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(131,395)</u>	<u>(5,654,171)</u>	<u>(1,166,155)</u>	<u>(6,951,721)</u>
Capital contributions	<u>4,213,370</u>	<u>3,315,131</u>	<u>-</u>	<u>7,528,501</u>
CHANGE IN NET ASSETS	<u>4,081,975</u>	<u>(2,339,040)</u>	<u>(1,166,155)</u>	<u>576,780</u>
Net assets (deficit), beginning	<u>37,855,840</u>	<u>32,325,899</u>	<u>1,075,751</u>	<u>71,257,490</u>
Net assets (deficit), ending	<u>\$ 41,937,815</u>	<u>\$ 29,986,859</u>	<u>\$ (90,404)</u>	<u>\$ 71,834,270</u>

CITY OF CHATTANOOGA, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS
Year Ended June 30, 2005

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 5,705,586	\$ 3,919,224	\$ 17,729,708	\$ 27,354,518
Receipts from other	-	2,706	-	2,706
Payments to suppliers	(4,969,595)	(3,528,960)	(4,795,266)	(13,293,821)
Payments to employees	-	(8,829,676)	-	(8,829,676)
Cost of services	-	-	(5,645,885)	(5,645,885)
Net cash provided by (used in) operating activities	<u>735,991</u>	<u>(8,436,706)</u>	<u>7,288,557</u>	<u>(412,158)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental payments received	-	6,124,936	-	6,124,936
Contribution to primary government	-	-	(2,000,000)	(2,000,000)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>6,124,936</u>	<u>(2,000,000)</u>	<u>4,124,936</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital debt	(1,150,000)	(25,000)	(7,612)	(1,182,612)
Interest paid on capital debt	(305,470)	-	(7,201,268)	(7,506,738)
Capital contributions	4,223,985	3,199,636	-	7,423,621
Additions to capital assets	(6,024,462)	(1,504,519)	(146,835)	(7,675,816)
Proceeds from the sale of capital assets	500	-	-	500
Reimbursement from U.S. Forestry Service	1,266,900	-	-	1,266,900
Passenger facility charges collected	905,459	-	-	905,459
Net cash flows provided by (used in) capital and related financing activities	<u>(1,083,088)</u>	<u>1,670,117</u>	<u>(7,355,715)</u>	<u>(6,768,686)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	-	-	(42,978,205)	(42,978,205)
Proceeds from sales and maturities of investments	658,986	108,000	42,338,159	43,105,145
Interest on investments	83,989	-	604,923	688,912
Net cash flows provided by (used in) investing activities	<u>742,975</u>	<u>108,000</u>	<u>(35,123)</u>	<u>815,852</u>
Net increase (decrease) in cash and cash equivalents	395,878	(533,653)	(2,102,281)	(2,240,056)
Cash and cash equivalents, beginning of year	<u>1,916,426</u>	<u>2,445,561</u>	<u>3,867,615</u>	<u>8,229,602</u>
Cash and cash equivalents, end of year	<u>\$ 2,312,304</u>	<u>\$ 1,911,908</u>	<u>\$ 1,765,334</u>	<u>\$ 5,989,546</u>
CLASSIFIED AS:				
Current assets	\$ 1,742,725	\$ 875,908	\$ 1,765,334	\$ 4,383,967
Restricted assets	<u>569,579</u>	<u>1,036,000</u>	<u>-</u>	<u>1,605,579</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 COMBINING STATEMENT OF CASH FLOWS
 COMPONENT UNITS
 Year Ended June 30, 2005

(continued from previous page)

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
OPERATING INCOME (LOSS)	\$ (1,864,860)	\$ (11,782,904)	\$ 7,416,628	\$ (6,231,136)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Depreciation and Amortization	2,613,661	3,581,438	105,253	6,300,352
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(240,709)	(76,244)	58,654	(258,299)
Decrease in inventory	-	(933)	(26,647)	(27,580)
(Increase) decrease in prepaid items	14,729	(11,526)	-	3,203
Increase (decrease) in accounts payable and accrued liabilities	146,815	(146,537)	163,897	164,175
Increase in deferred revenue	994	-	-	994
Increase (decrease) in other	65,361	-	(429,228)	(363,867)
TOTAL ADJUSTMENTS	<u>2,600,851</u>	<u>3,346,198</u>	<u>(128,071)</u>	<u>5,818,978</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 735,991</u>	<u>\$ (8,436,706)</u>	<u>\$ 7,288,557</u>	<u>\$ (412,158)</u>
SIGNIFICANT NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Additions to property and equipment included in contracts payable	\$ 404,877	\$ -	\$ -	\$ 404,877
Additions to property and equipment included in accounts payable	<u>12,314</u>	<u>-</u>	<u>-</u>	<u>12,314</u>

GENERAL FUND

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

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 82,758,888	\$ 82,758,888	\$ 83,456,869	\$ 697,981
Property in lieu of taxes:				
EPB	2,845,443	2,845,443	2,827,923	(17,520)
EPB Telecommunications	210,781	210,781	210,781	-
Burner Systems	24,540	24,540	25,859	1,319
Chattanooga Housing Authority	29,994	29,994	22,921	(7,073)
Tennessee Valley Authority	1,086,352	1,086,352	1,144,642	58,290
Jaycee Towers 1 and 2	2,448	2,448	1,224	(1,224)
The Bread Factory	1,938	1,938	4,051	2,113
Good Neighbors	2,808	2,808	2,808	-
Kenco Group	82,373	82,373	86,137	3,764
Signal Mountain Cement	517,697	517,697	428,892	(88,805)
Metals USA	40,839	40,839	-	(40,839)
Covenant Transport	23,526	23,526	23,505	(21)
T. B. Woods	15,529	15,529	7,274	(8,255)
Regis Corporation	48,010	48,010	49,919	1,909
JRB Company	45,689	45,689	42,383	(3,306)
Dev Corp O Knob	476	476	476	-
Chattanooga Labeling System	9,151	9,151	8,928	(223)
E. I. DuPont	252,664	252,664	248,760	(3,904)
Messer Griesheim Ind.	64,272	64,272	66,414	2,142
Pavestone Company	21,560	21,560	-	(21,560)
Sears, Roebuck & Co.	1,723	1,723	-	(1,723)
Chattem Inc.	21,664	21,664	32,006	10,342
Central Block Corp.	2,700	2,700	2,700	-
LJT of Tennessee	2,099	2,099	14,126	12,027
Provident Life & Accident Insurance Co.	10,248	10,248	10,243	(5)
South Market LLC	1,762	1,762	1,762	-
Refunds	-	-	(5,771)	(5,771)
Corporate excise taxes - intangible property	103,500	103,500	182,611	79,111
Interest and penalty on taxes:				
Current year	67,000	67,000	131,963	64,963
Prior years	275,000	275,000	482,438	207,438
Collection fees - delinquent taxes	188,000	188,000	172,724	(15,276)
Other local taxes:				
Franchise taxes	1,654,000	1,654,000	1,664,863	10,863
Liquor taxes	1,566,141	1,566,141	1,606,265	40,124
Beer taxes	4,420,922	4,420,922	4,638,904	217,982
Litigation taxes - City Court	5,400	5,400	5,176	(224)
Gross receipts tax	2,772,000	2,772,000	3,695,784	923,784
Total taxes	99,177,137	99,177,137	101,295,560	2,118,423
Licenses and permits:				
Motor vehicle licenses	395,000	395,000	394,810	(190)
Parking meters	508,077	508,077	449,486	(58,591)
Business licenses (excluding liquor)	120,000	120,000	144,000	24,000
Fees for issuing business licenses	57,000	57,000	55,512	(1,488)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Licenses and permits: (continued)				
Interest and penalty on business licenses	\$ -	\$ -	\$ 10,371	\$ 10,371
Wrecker permits	5,000	5,000	6,900	1,900
Building permits	1,022,000	1,022,000	1,143,668	121,668
Electrical permits	175,000	175,000	191,787	16,787
Plumbing fixtures connection permits	175,000	175,000	220,388	45,388
Street cut-in permits	275,000	275,000	251,088	(23,912)
Annual electrical contractors licenses	64,000	64,000	57,824	(6,176)
Plumbing examiner fees	25,000	25,000	35,698	10,698
Electrical examiner fees	25,000	25,000	32,555	7,555
Gas examiner fees	35,000	35,000	45,415	10,415
Beer permit application fees	85,000	85,000	97,142	12,142
Mechanical code permits	65,000	65,000	68,666	3,666
Mechanical examiner fees	62,000	62,000	60,640	(1,360)
Fees for issuing construction, renovation permits	53,790	53,790	57,320	3,530
Liquor by drink licenses	120,000	120,000	114,885	(5,115)
Liquor by drink, interest and penalty	2,500	2,500	3,420	920
Hotel permits	2,000	2,000	1,000	(1,000)
Gas permits	8,000	8,000	7,162	(838)
Exhibitor fees	3,500	3,500	6,806	3,306
Sign permits	117,500	117,500	152,636	35,136
Taxicab driver permits	3,700	3,700	2,830	(870)
Temporary use permits	1,500	1,500	2,980	1,480
Subdivision review/inspection fee	5,000	5,000	29,085	24,085
Miscellaneous licenses and permits	-	-	16,871	16,871
Designated revenues	423,000	423,000	432,024	9,024
Total licenses and permits	3,833,567	3,833,567	4,092,969	259,402
Intergovernmental revenues:				
City allocation - state beer tax	84,420	84,420	76,270	(8,150)
City allocation - state income tax	1,800,000	1,800,000	2,149,036	349,036
City allocation - state sales tax	8,928,544	8,928,544	9,398,986	470,442
County-wide sales tax	21,885,073	21,885,073	23,585,866	1,700,793
Mixed drink tax	1,216,540	1,216,540	1,347,872	131,332
State maintenance of streets	90,000	90,000	141,982	51,982
State gas inspection fees	352,000	352,000	350,173	(1,827)
State alcoholic beverage taxes	75,000	75,000	72,530	(2,470)
State - Department of Transportation	-	-	34,493	34,493
Hamilton County - Ross's Landing	489,787	489,787	476,079	(13,708)
Hamilton County - radio and electronics	147,541	147,541	147,541	-
Hamilton County - SRO	751,283	751,283	-	(751,283)
State - specialized training	368,470	368,470	347,032	(21,438)
State - telecommunication sales tax	29,611	29,611	25,974	(3,637)
Department of Justice - bulletproof vest program	-	-	24,371	24,371
Designated revenues:				
County-wide sales tax	8,909,500	8,909,500	9,615,776	706,276
TDZ - State	500,000	500,000	602,883	102,883
TDZ - County	189,000	189,000	191,027	2,027
Other designated revenues	3,892,689	3,892,689	3,766,468	(126,221)
Total intergovernmental revenues	49,709,458	49,709,458	52,354,359	2,644,901

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Charges for services:				
City court costs	\$ 106,900	\$ 106,900	\$ 229,010	\$ 122,110
State court costs	2,600	2,600	3,473	873
City Court Clerk fees	623,319	623,319	937,811	314,492
Charges for financial services, EPB	7,200	7,200	7,200	-
Variance request fees	8,500	8,500	11,989	3,489
Fire and ambulance service fees	750	750	541	(209)
Warner/Montague Park ballfield fees	7,500	7,500	4,350	(3,150)
Champion's Club fees	20,000	20,000	23,488	3,488
Memorial Auditorium credit card fees	24,000	24,000	35,300	11,300
Tivoli credit card fees	8,250	8,250	6,114	(2,136)
Kidz Kamp fees	55,000	55,000	83,656	28,656
Sports program fees	10,000	10,000	4,059	(5,941)
Non-traditional program fees	5,000	5,000	8,532	3,532
Fitness center fees	30,000	30,000	30,992	992
Outventure fees	10,000	10,000	15,951	5,951
Credit card processing fee	13,000	13,000	22,072	9,072
Police reports: accidents, etc., fees	145,000	145,000	132,423	(12,577)
Applicant/Photo/ID card fees	8,000	8,000	4,372	(3,628)
Police records & fingerprinting fee	6,600	6,600	7,520	920
Skateboard park fees	8,500	8,500	32,864	24,364
Link2Gov internet fee	-	-	(11,793)	(11,793)
Construction board of appeals	2,500	2,500	3,550	1,050
Zoning letter	2,760	2,760	4,900	2,140
Sign board of appeals	3,500	3,500	4,135	635
Certificates of occupancy	1,000	1,000	325	(675)
Sewer verification letter	1,000	1,000	1,450	450
Code compliance letter fee	-	-	110	110
Push cart permit	-	-	25	25
Modular homesite investigation	570	570	175	(395)
Plan checking fee	150,000	150,000	184,755	34,755
Phased construction plans review	3,500	3,500	3,022	(478)
Cell tower site/location review	1,500	1,500	4,500	3,000
Arts & culture fees	3,000	3,000	7,334	4,334
Therapeutic Kamp fee	5,000	5,000	7,109	2,109
Preservation fee - civic facilities	150,000	150,000	61,060	(88,940)
Dead animal pick up fee at vet	7,500	7,500	7,696	196
General pension administration cost	35,000	35,000	25,000	(10,000)
Designated revenues	<u>2,006,353</u>	<u>2,006,353</u>	<u>1,869,758</u>	<u>(136,595)</u>
Total charges for services	<u>3,473,302</u>	<u>3,473,302</u>	<u>3,774,828</u>	<u>301,526</u>
Fines, forfeitures, and penalties:				
City court fines	403,500	403,500	603,444	199,944
Criminal court fines	184,000	184,000	220,799	36,799
Parking tickets	427,259	427,259	444,639	17,380
Delinquent parking tickets	77,000	77,000	119,063	42,063
Air pollution penalties	-	-	6,405	6,405
Bond forfeitures	-	-	1,542	1,542
Miscellaneous forfeitures and penalties	-	-	14,750	14,750
Total fines, forfeitures, and penalties	<u>1,091,759</u>	<u>1,091,759</u>	<u>1,410,642</u>	<u>318,883</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	(continued from previous page)			Variance with Final Budget - Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Miscellaneous revenues:				
Interest earned	\$ 543,946	\$ 543,946	\$ 1,101,516	\$ 557,570
Sale of property	25,000	25,000	31,670	6,670
Land and building rents	65,000	65,000	71,681	6,681
Dock rental (wharf)	20,000	20,000	13,685	(6,315)
Payroll deduction charges	4,900	4,900	5,548	648
Indirect cost	2,685,866	2,685,866	2,685,866	-
Plans and specification deposits	2,000	2,000	4,905	2,905
Condemnation	41,000	41,000	60,966	19,966
Memorial Auditorium box office	65,000	65,000	98,974	33,974
Memorial Auditorium rents	180,000	180,000	182,365	2,365
Memorial Auditorium concessions	90,000	90,000	37,967	(52,033)
Tivoli box office	30,000	30,000	26,622	(3,378)
Tivoli rents	130,000	130,000	134,652	4,652
Tivoli concessions	55,000	55,000	16,274	(38,726)
Swimming pools	25,000	25,000	36,040	11,040
Park concessions	10,000	10,000	10,755	755
Recreation center rental	30,000	30,000	47,053	17,053
Carousel ridership	85,000	85,000	93,414	8,414
Other miscellaneous revenue	311,471	311,471	361,518	50,047
Designated revenues	458,584	458,584	574,013	115,429
Departmental revenues:				
General Government	276,136	276,136	-	(276,136)
Finance and Administration	-	-	12,983	12,983
Police	-	-	121,183	121,183
Fire	-	-	1,063	1,063
Public Works	-	-	166,710	166,710
Parks and Recreation	-	-	12,861	12,861
Total miscellaneous revenues	<u>5,133,903</u>	<u>5,133,903</u>	<u>5,910,284</u>	<u>776,381</u>
Total revenues	<u>162,419,126</u>	<u>162,419,126</u>	<u>168,838,642</u>	<u>6,419,516</u>
EXPENDITURES				
General government:				
City Council	676,599	676,599	627,105	(49,494)
Allied Arts Council	250,000	250,000	250,000	-
Association of Visual Artists	15,000	15,000	15,000	-
Tennessee Valley Railroad Museum	-	-	34,493	34,493
Community Foundation scholarships	160,000	160,000	160,000	-
Carcog and Economic Development District	31,111	31,111	31,111	-
Carter Street lease agreement	1,419,100	1,419,100	1,419,097	(3)
Chattanooga Neighborhood Enterprises	2,000,000	2,000,000	2,000,000	-
City Court (Judicial)	600,273	600,273	556,513	(43,760)
Community impact fund	450,000	450,000	450,000	-
Community Research Council	10,000	10,000	10,000	-
Children's Advocacy Center	30,000	30,000	30,000	-
Election Expense	180,000	180,000	207,121	27,121
Finley Stadium	-	-	25,000	25,000
Homeless Health Care Centers	17,500	17,500	17,500	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
General government: (continued)				
African-American Museum	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
Regional History Museum	24,000	24,000	24,000	-
City Attorney's Office	1,006,236	1,006,236	936,018	(70,218)
Contingency fund	-	-	39,766	39,766
Chattanooga Area Urban League	50,000	50,000	50,000	-
Chattanooga Downtown Partnership	140,000	140,000	140,000	-
CARTA	3,285,000	3,285,000	3,285,000	-
Pensions and UIC	25,000	25,000	61,686	36,686
Tennessee Riverpark	798,471	798,471	855,741	57,270
WTCI - Channel 45	60,000	60,000	60,000	-
Disaster recovery	85,094	85,094	85,094	-
Disaster recovery - Hurricane Ivan	88,640	88,640	88,640	-
Tuition assistance program	20,000	20,000	15,985	(4,015)
Regional Planning Agency	2,626,945	2,626,945	2,762,366	135,421
Renewal and replacement	1,483,685	1,483,685	1,447,127	(36,558)
Economic development and education	6,973,500	6,973,500	6,651,609	(321,891)
Downtown design center	242,204	242,204	177,641	(64,563)
311 call center	355,526	355,526	373,059	17,533
Air Pollution Control Bureau	1,496,630	1,496,630	1,518,387	21,757
Scenic Cities Beautiful Commission	86,382	86,382	49,012	(37,370)
Enterprise Center	39,013	39,013	39,013	-
Westside Development Corp.	75,000	75,000	75,000	-
Audits, dues and surveys	206,757	206,757	176,853	(29,904)
Renewal community	100,000	100,000	100,000	-
ChattanoogaInvest	210,000	210,000	169,363	(40,637)
Intergovernmental relations	228,850	228,850	287,390	58,540
City storm water fees	70,000	70,000	72,720	2,720
City code revision	10,000	10,000	9,600	(400)
Government performance report grant	9,990	9,990	9,990	-
African American Chamber of Commerce	150,000	150,000	150,000	-
Chamber of economic development	400,000	400,000	400,000	-
Community education alliance	320,879	320,879	320,879	-
Community & economic development	1,358,990	1,358,990	1,358,678	(312)
Business development initiative	75,000	75,000	50,000	(25,000)
Personnel	5,564,679	5,564,679	5,553,181	(11,498)
Neighborhood services	2,652,041	2,652,041	2,614,387	(37,654)
Liability insurance premiums	1,050,000	1,050,000	1,050,000	-
Total general government	37,278,095	37,278,095	36,961,125	(316,970)
Finance and Administration:				
Finance administration	1,698,024	1,698,024	1,692,769	(5,255)
Information Services	2,671,652	2,671,652	2,707,131	35,479
Office of City Treasurer	518,868	518,868	507,318	(11,550)
Telecommunication operations	131,551	131,551	137,763	6,212
Telephone system	208,300	208,300	170,218	(38,082)
City Court Clerk's Office	826,744	826,744	819,846	(6,898)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Finance and Administration (continued)				
Building maintenance	\$ 589,768	\$ 589,768	\$ 585,179	\$ (4,589)
City court technology	31,632	31,632	31,632	-
Mobile communications	383,019	383,019	372,747	(10,272)
Purchasing	782,860	782,860	818,023	35,163
Real estate - administration	101,869	101,869	96,783	(5,086)
Real estate - property maintenance	45,138	45,138	43,942	(1,196)
DRC building operations	180,157	180,157	166,272	(13,885)
Heritage center maintenance	129,797	129,797	101,129	(28,668)
Animal care trust	81,085	81,085	81,085	-
Court space usage costs	112,000	112,000	111,688	(312)
Total Finance and Administration	<u>8,492,464</u>	<u>8,492,464</u>	<u>8,443,525</u>	<u>(48,939)</u>
Police:				
Administration	1,606,110	1,606,110	1,684,531	78,421
Uniformed Services	20,998,868	20,998,868	22,329,154	1,330,286
Investigative and support services	13,668,358	13,668,358	12,406,709	(1,261,649)
Law enforcement planning	706,485	706,485	455,121	(251,364)
Special programs	256,878	256,878	261,237	4,359
Reduction part I offenses	50,875	50,875	15,915	(34,960)
Total Police	<u>37,287,574</u>	<u>37,287,574</u>	<u>37,152,667</u>	<u>(134,907)</u>
Fire:				
Operations	24,485,034	24,485,034	24,070,432	(414,602)
Utilities	770,200	770,200	763,981	(6,219)
Total Fire	<u>25,255,234</u>	<u>25,255,234</u>	<u>24,834,413</u>	<u>(420,821)</u>
Public Works:				
Administration	961,899	961,899	1,024,510	62,611
Board of Appeals & Variances	10,000	10,000	6,968	(3,032)
City Engineer	1,903,901	1,903,901	1,863,900	(40,001)
City-wide services	959,962	959,962	960,995	1,033
Street cleaning	2,060,815	2,060,815	2,086,259	25,444
Emergency	741,769	741,769	759,789	18,020
Waste resources:				
Sewer construction and maintenance	2,096,870	2,096,870	2,093,301	(3,569)
Codes and inspections:				
Land development	1,885,942	1,885,942	1,867,015	(18,927)
Board of Examiners	25,870	25,870	25,867	(3)
Utilities	137,547	137,547	141,889	4,342
Interceptor sewer system pump stations	84,404	84,404	138,595	54,191
Solid waste subsidy	4,881,755	4,881,755	4,881,755	-
Municipal forestry	512,487	512,487	497,776	(14,711)
Waste pickup	5,767,385	5,767,385	5,756,962	(10,423)
Technology	139,430	139,430	71,374	(68,056)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Public Works (continued)				
Traffic management:				
Administration	\$ 656,764	\$ 656,764	\$ 606,377	\$ (50,387)
Control	1,673,125	1,673,125	1,614,399	(58,726)
Street lighting	2,563,500	2,563,500	2,597,269	33,769
Total Public Works	<u>27,063,425</u>	<u>27,063,425</u>	<u>26,995,000</u>	<u>(68,425)</u>
Parks and Recreation:				
Administration	1,082,115	1,082,115	1,088,557	6,442
Recreation:				
Recreation centers	3,365,459	3,365,459	3,455,024	89,565
Fitness center	301,791	301,791	318,864	17,073
Late Night Programs	51,251	51,251	33,287	(17,964)
Arts and culture	65,505	65,505	17,312	(48,193)
OutVenture	108,355	108,355	104,533	(3,822)
Sports	31,537	31,537	19,755	(11,782)
Champion's Club	216,986	216,986	221,680	4,694
Aquatics	171,503	171,503	143,223	(28,280)
Special programs	33,847	33,847	33,842	(5)
Parks maintenance:				
Administration	508,037	508,037	551,696	43,659
Warner Park Zoo	443,483	443,483	426,185	(17,298)
Municipal parks	777,916	777,916	810,158	32,242
Tennessee Riverpark-Downtown	871,748	871,748	909,589	37,841
Carousel	103,115	103,115	96,368	(6,747)
Civic facilities:				
Administration	508,987	508,987	459,864	(49,123)
Memorial Auditorium	375,010	375,010	392,178	17,168
Tivoli Theatre	240,131	240,131	282,596	42,465
Concessions	43,933	43,933	32,612	(11,321)
Brainerd Golf Course	883,194	883,194	889,204	6,010
Brown Acres Golf Course	871,300	871,300	864,947	(6,353)
City-wide security	86,631	86,631	87,003	372
Landscape	410,986	410,986	368,561	(42,425)
Building and structures	831,689	831,689	822,912	(8,777)
Athletic facilities	327,840	327,840	282,220	(45,620)
Total Parks and Recreation	<u>12,712,349</u>	<u>12,712,349</u>	<u>12,712,170</u>	<u>(179)</u>
Total expenditures	<u>148,089,141</u>	<u>148,089,141</u>	<u>147,098,900</u>	<u>(990,241)</u>
Excess of revenues over expenditures	<u>14,329,985</u>	<u>14,329,985</u>	<u>21,739,742</u>	<u>7,409,757</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (22,494,170)</u>	<u>\$ (22,494,170)</u>	<u>\$ (22,327,382)</u>	<u>\$ 166,788</u>
Total other financing sources (uses)	<u>(22,494,170)</u>	<u>(22,494,170)</u>	<u>(22,327,382)</u>	<u>166,788</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - (budgetary basis)	<u>\$ (8,164,185)</u>	<u>\$ (8,164,185)</u>	(587,640)	<u>\$ 7,576,545</u>
Adjustment for encumbrances			<u>(1,321,521)</u>	
Net change in fund balance (GAAP basis)			(1,909,161)	
FUND BALANCE at beginning of year (GAAP basis)			<u>49,359,361</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 47,450,200</u>	

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - DESIGNATED REVENUES
Year Ended June 30, 2005

	Final Budget					Actual					Variance - Over (Under)		
	Taxes	Licenses and Permits	Inter- governmental Revenues	Charges for Services	Miscellaneous Revenues	Total	Taxes	Licenses and Permits	Inter- governmental Revenues	Charges for Services		Miscellaneous Revenues	Total
Regional Planning Agency	\$ -	\$ -	\$ 1,496,082	\$ 90,000	\$ 143,560	\$ 1,729,642	\$ -	\$ -	\$ 1,495,000	\$ 90,400	\$ 125,903	\$ 1,711,303	\$ (18,339)
Air Pollution Bureau	-	423,000	642,554	-	-	1,065,554	-	432,024	616,671	-	-	1,048,695	(16,859)
Scenic Cities Beautiful Commission	-	-	56,088	-	-	56,088	-	-	56,088	-	2,376	58,464	2,376
Reduction - Part I offenses	-	-	-	-	50,875	50,875	-	-	-	-	50,875	50,875	-
Municipal golf courses	-	-	-	1,687,794	-	1,687,794	-	-	-	1,543,440	-	1,543,440	(144,354)
Free Public Library	-	-	-	-	6,272	6,272	-	-	-	-	7,796	7,796	1,524
Miller Park	-	-	-	-	28	28	-	-	-	-	28	28	-
Law enforcement planning	-	-	657,245	-	11,743	668,988	-	-	499,685	-	11,743	511,428	(157,560)
Confiscated and unclaimed property	-	-	-	-	407	407	-	-	-	-	406	406	(1)
Nonprofit request	-	-	-	-	1,000	1,000	-	-	-	-	1,000	1,000	-
Economic Development and Education fund	-	-	9,598,500	-	-	9,598,500	-	-	10,409,686	-	76,419	10,486,105	887,605
Special programs fund	-	-	1,002,812	228,559	226,699	1,458,070	-	-	1,061,116	235,918	277,967	1,575,001	116,931
African-American Museum	-	-	37,908	-	18,000	55,908	-	-	37,908	-	19,500	57,408	1,500
Total designated revenues	<u>\$ -</u>	<u>\$ 423,000</u>	<u>\$ 13,491,189</u>	<u>\$ 2,006,353</u>	<u>\$ 458,584</u>	<u>\$ 16,379,126</u>	<u>\$ -</u>	<u>\$ 432,024</u>	<u>\$ 14,176,154</u>	<u>\$ 1,869,758</u>	<u>\$ 574,013</u>	<u>\$ 17,051,949</u>	<u>\$ 672,823</u>

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

PUBLIC LIBRARY FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Hamilton County, Tennessee funds	\$ 2,165,152	\$ 2,165,152	\$ 2,165,152	\$ -
Federal Funds	51,588	51,588	52,583	995
State of Tennessee funds	107,900	107,900	96,525	(11,375)
Investment income	37,956	37,956	-	(37,956)
Book sales	53,000	53,000	51,122	(1,878)
Miscellaneous	129,046	129,046	139,348	10,302
Total revenues	2,544,642	2,544,642	2,504,730	(39,912)
EXPENDITURES				
Central branch and administration	4,376,998	4,376,998	3,981,892	(395,106)
Eastgate branch	410,329	410,329	336,053	(74,276)
Northgate branch	404,749	404,749	326,351	(78,398)
Ooltewah/Collegedale branch	308,673	308,673	272,227	(36,446)
South Chattanooga branch	160,848	160,848	151,958	(8,890)
Capital outlay	80,988	80,988	72,667	(8,321)
Other	11,000	11,000	5,213	(5,787)
Total expenditures	5,753,585	5,753,585	5,146,361	(607,224)
Deficiency of revenues under expenditures	(3,208,943)	(3,208,943)	(2,641,631)	567,312
OTHER FINANCING SOURCES				
Transfers in	2,487,660	2,487,660	2,487,660	-
Net change in fund balance	\$ (721,283)	\$ (721,283)	(153,971)	\$ 567,312
Adjustment for encumbrances			1,949	
Net change in fund balance (GAAP basis)			(152,022)	
FUND BALANCE at beginning of year (GAAP basis)			1,279,685	
FUND BALANCE at end of year (GAAP basis)			\$ 1,127,663	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 2,504,730	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			\$ 2,504,730	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 5,146,361	
Adjustment for encumbrances			(1,949)	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			\$ 5,144,412	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

DOWNTOWN DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Investment income	\$ 2,321	\$ 2,321	\$ 4,537	\$ 2,216
Total revenues	<u>2,321</u>	<u>2,321</u>	<u>4,537</u>	<u>2,216</u>
EXPENDITURES				
Enterprise Center	256,521	256,521	256,521	-
Downtown development	<u>63,799</u>	<u>63,799</u>	<u>63,799</u>	-
Total expenditures	<u>320,320</u>	<u>320,320</u>	<u>320,320</u>	-
Net change in fund balance	<u>\$ (317,999)</u>	<u>\$ (317,999)</u>	(315,783)	<u>\$ 2,216</u>
Adjustment for encumbrances			-	
Net change in fund balance (GAAP basis)			(315,783)	
FUND BALANCE at beginning of year (GAAP basis)			<u>349,733</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 33,950</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,537	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,537</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 320,320	
Adjustment for encumbrances			<u>-</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 320,320</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

HUMAN SERVICES PROGRAM FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 7,833,912	\$ 7,833,912	\$ 7,769,972	\$ (63,940)
State of Tennessee funds	4,198,106	4,198,106	3,500,625	(697,481)
United Way	2,000	2,000	3,282	1,282
Project Warm Neighbors	22,000	22,000	27,989	5,989
Day care fees	99,013	99,013	141,511	42,498
Donations	45,000	45,000	45,000	-
Investment income	5,000	5,000	36,054	31,054
Other	4,000	4,000	624	(3,376)
Total revenues	<u>12,209,031</u>	<u>12,209,031</u>	<u>11,525,057</u>	<u>(683,974)</u>
EXPENDITURES				
Administration	826,271	826,271	1,045,726	219,455
Headstart program	7,855,572	7,855,572	7,809,684	(45,888)
Day care	800,400	800,400	708,589	(91,811)
Food program	91,500	91,500	89,119	(2,381)
Weatherization program	411,966	411,966	235,318	(176,648)
Foster grandparent program	494,379	494,379	474,327	(20,052)
Low-income energy assistance	1,269,869	1,269,869	1,198,890	(70,979)
Community services block grant	800,589	800,589	774,438	(26,151)
Title II commodities	70,435	70,435	102,785	32,350
Emergency food and shelter	32,120	32,120	24,691	(7,429)
Summer food service program	713,857	713,857	518,787	(195,070)
Other human services programs	259,868	259,868	230,135	(29,733)
Capital outlay	81,727	81,727	161,460	79,733
Total expenditures	<u>13,708,553</u>	<u>13,708,553</u>	<u>13,373,949</u>	<u>(334,604)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SPECIAL REVENUE FUND
HUMAN SERVICES PROGRAM FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Deficiency of revenues under expenditures	\$ (1,499,522)	\$ (1,499,522)	\$ (1,848,892)	\$ (349,370)
OTHER FINANCING SOURCES				
Transfers in	1,348,477	1,348,477	1,335,877	(12,600)
Net change in fund balance	\$ (151,045)	\$ (151,045)	(513,015)	\$ (361,970)
Adjustment for encumbrances			(24,044)	
Net change in fund balance (GAAP basis)			(537,059)	
FUND BALANCE at beginning of year (GAAP basis)			4,492,826	
FUND BALANCE at end of year (GAAP basis)			\$ 3,955,767	

EXPLANATION OF DIFFERENCES

REVENUES

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 11,525,057
Differences - none	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 11,525,057

EXPENDITURES

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 13,373,949
Adjustment for encumbrances	24,044
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 13,397,993

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

NARCOTICS PROGRAM FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 40,582	\$ 40,582	\$ 40,582	\$ -
Confiscated money, vehicles and equipment	200,000	200,000	231,259	31,259
Investment income	4,183	4,183	4,183	-
Other	<u>26,646</u>	<u>26,646</u>	<u>79,644</u>	<u>52,998</u>
Total revenues	<u>271,411</u>	<u>271,411</u>	<u>355,668</u>	<u>84,257</u>
EXPENDITURES				
Narcotics program	271,411	271,411	162,295	(109,116)
Capital outlay	<u>-</u>	<u>-</u>	<u>28,926</u>	<u>28,926</u>
Total expenditures	<u>271,411</u>	<u>271,411</u>	<u>191,221</u>	<u>(80,190)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	164,447	<u>\$ 164,447</u>
Adjustment for encumbrances			-	
Net change in fund balance (GAAP basis)			164,447	
FUND BALANCE at beginning of year (GAAP basis)			<u>1,084,000</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 1,248,447</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 355,668	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 355,668</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 191,221	
Adjustment for encumbrances			<u>-</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 191,221</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

STATE STREET AID FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 4,369,350	\$ 4,369,350	\$ 4,410,939	\$ 41,589
Investment income	<u>20,000</u>	<u>20,000</u>	<u>37,437</u>	<u>17,437</u>
Total revenues	<u>4,389,350</u>	<u>4,389,350</u>	<u>4,448,376</u>	<u>59,026</u>
EXPENDITURES				
Salaries and wages	2,917,730	2,917,730	2,695,352	(222,378)
Fringe benefits	864,231	864,231	785,866	(78,365)
Purchased services	46,007	46,007	82,967	36,960
Vehicle operations	420,351	420,351	623,653	203,302
Materials and supplies	439,681	439,681	500,089	60,408
Other services	1,350	1,350	591	(759)
Capital outlay	<u>8,300</u>	<u>8,300</u>	<u>8,300</u>	<u>-</u>
Total expenditures	<u>4,697,650</u>	<u>4,697,650</u>	<u>4,696,818</u>	<u>(832)</u>
Net change in fund balance	<u>\$ (308,300)</u>	<u>\$ (308,300)</u>	(248,442)	<u>\$ 59,858</u>
Adjustment for encumbrances			<u>3,106</u>	
Net change in fund balance (GAAP basis)			(245,336)	
FUND BALANCE at beginning of year (GAAP basis)			<u>2,475,100</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 2,229,764</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,448,376	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,448,376</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,696,818	
Adjustment for encumbrances			<u>(3,106)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,693,712</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

COMMUNITY DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,631,503	\$ 3,631,503	\$ 2,752,971	\$ (878,532)
Miscellaneous	<u>1,900,000</u>	<u>1,900,000</u>	<u>2,835,516</u>	<u>935,516</u>
Total revenues	<u>5,531,503</u>	<u>5,531,503</u>	<u>5,588,487</u>	<u>56,984</u>
EXPENDITURES				
Community development projects	3,661,211	3,661,211	3,430,428	(230,783)
Administration	612,692	612,692	397,886	(214,806)
Capital outlay	<u>8,000</u>	<u>8,000</u>	<u>262</u>	<u>(7,738)</u>
Total expenditures	<u>4,281,903</u>	<u>4,281,903</u>	<u>3,828,576</u>	<u>(453,327)</u>
Excess of revenues over expenditures	1,249,600	1,249,600	1,759,911	510,311
OTHER FINANCING USES				
Transfers out	<u>(1,249,600)</u>	<u>(1,249,600)</u>	<u>(1,249,600)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	510,311	<u>\$ 510,311</u>
Adjustment for encumbrances			<u>(11,139)</u>	
Net change in fund balance (GAAP basis)			499,172	
FUND BALANCE at beginning of year (GAAP basis)			<u>778,791</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 1,277,963</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 5,588,487	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 5,588,487</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 3,828,576	
Adjustment for encumbrances			<u>11,139</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 3,839,715</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

HOTEL/MOTEL TAX FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 2,330,000	\$ 2,330,000	\$ 2,583,318	\$ 253,318
Investment income	<u>46,240</u>	<u>46,240</u>	<u>43,296</u>	<u>(2,944)</u>
Total revenues	<u>2,376,240</u>	<u>2,376,240</u>	<u>2,626,614</u>	<u>250,374</u>
EXPENDITURES				
Contracted services	<u>81,236</u>	<u>81,236</u>	<u>81,236</u>	<u>-</u>
Total expenditures	<u>81,236</u>	<u>81,236</u>	<u>81,236</u>	<u>-</u>
Excess of revenues over expenditures	2,295,004	2,295,004	2,545,378	250,374
OTHER FINANCING USES				
Transfers out	<u>(2,295,004)</u>	<u>(2,295,004)</u>	<u>(2,295,004)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	250,374	<u>\$ 250,374</u>
Adjustment for encumbrances			-	
Net change in fund balance (GAAP basis)			250,374	
FUND BALANCE at beginning of year (GAAP basis)			-	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 250,374</u>	

EXPLANATION OF DIFFERENCES

REVENUES

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 2,626,614
Differences - none	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,626,614</u>

EXPENDITURES

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 81,236
Adjustment for encumbrances	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 81,236</u>

CITY OF CHATTANOOGA, TENNESSEE

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Hamilton County, Tennessee funds	\$ 1,705,851	\$ 1,705,851	\$ 1,705,851	\$ -
Investment income	-	-	21,916	21,916
911 contribution	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total revenues	<u>1,905,851</u>	<u>1,905,851</u>	<u>1,927,767</u>	<u>21,916</u>
EXPENDITURES				
Principal retirement	6,132,526	6,091,647	5,777,360	(314,287)
Interest	7,066,472	7,107,351	6,118,239	(989,112)
Fiscal charges	<u>10,000</u>	<u>10,000</u>	<u>53,198</u>	<u>43,198</u>
Total expenditures	<u>13,208,998</u>	<u>13,208,998</u>	<u>11,948,797</u>	<u>(1,260,201)</u>
Deficiency of revenues under expenditures	(11,303,147)	(11,303,147)	(10,021,030)	1,282,117
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>11,303,147</u>	<u>11,303,147</u>	<u>11,270,255</u>	<u>(32,892)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,249,225	<u>\$ 1,249,225</u>
FUND BALANCE at beginning of year			<u>5,222,704</u>	
FUND BALANCE at end of year			<u>\$ 6,471,929</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 1,927,767	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 1,927,767</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 11,948,797	
Differences - none			<u>-</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 11,948,797</u>	

FINANCIAL SCHEDULES

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

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CERTIFICATES OF DEPOSIT BY FUND
June 30, 2005

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
GENERAL FUND			
First Tennessee	3.00%	07/19/05	\$ 1,500,000
First Tennessee	3.10%	07/19/05	2,000,000
First Tennessee	3.15%	08/10/05	3,500,000
SPECIAL REVENUE FUNDS			
State Street Aid:			
First Tennessee	3.10%	07/06/05	250,000
DEBT SERVICE FUND			
First Tennessee	3.10%	08/22/05	3,500,000
ENTERPRISE FUNDS			
Interceptor Sewer System:			
First Tennessee	3.10%	07/29/04	5,000,000
First Tennessee	2.90%	08/01/05	<u>3,000,000</u>
Total certificates of deposit			<u><u>\$ 18,750,000</u></u>

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF INVESTMENTS BY FUND

June 30, 2005

	Interest Rate	Maturity Date	Amount
GENERAL FUND			
Federal National Mortgage Association	2.77%	07/06/05	\$ 3,499,550
Federal Home Loan Mortgage Corporation	3.17%	12/05/05	34,574,138
Federal Home Loan Bank	2.77%	07/18/05	1,599,196
Certificate of Deposit	3.25%	05/18/06	398,111
CAPITAL PROJECTS			
Federal Home Loan Mortgage Corporation	3.17%	07/12/05	2,047,335
Federal Home Loan Mortgage Corporation	3.17%	07/12/05	2,409,588
Federal Home Loan Bank	3.05%	07/20/05	2,171,836
Federal Home Loan Bank	3.25%	08/15/05	1,323,278
Certificate of Deposit	3.35%	03/21/06	25,902
Certificate of Deposit	3.49%	05/30/06	311,814
Certificate of Deposit	3.49%	05/30/06	1,840,000
SPECIAL REVENUE FUND			
State Street Aid			
Federal Home Loan Mortgage Corporation	3.37%	05/30/06	499,432
Certificate of Deposit	3.45%	05/02/06	455,000
Certificate of Deposit	3.45%	05/02/06	<u>700,000</u>
Total governmental fund investments, excluding permanent funds			<u>\$ 51,855,180</u>
ENTERPRISE FUNDS			
Electric Power Board			
Federal National Mortgage Association	N/A	07/15/05	\$ 1,099,000
Federal National Mortgage Association	N/A	08/15/05	1,096,000
Federal National Mortgage Association	N/A	12/09/05	1,189,000
Federal Home Loan Mortgage Corporation	N/A	08/15/05	689,000
Federal Home Loan Mortgage Corporation	2.75%	05/17/06	794,000
Federal Home Loan Bank	2.13%	09/01/05	3,275,000
Federal Home Loan Bank	2.70%	11/28/05	700,000
Federal Home Loan Bank	2.52%	12/01/05	3,163,000
Federal Home Loan Bank	3.13%	02/17/06	1,100,000
Federal Home Loan Bank	2.10%	07/24/06	787,000
Interceptor Sewer Fund:			
Federal National Mortgage Association	3.22%	12/07/05	21,981,310
Federal Home Loan Bank	3.05%	08/17/05	2,999,902
Certificate of Deposit	3.45%	05/25/06	1,373,684
Solid Waste/Sanitation Fund:			
Federal National Mortgage Association	3.22%	12/07/05	4,399,017
Certificate of Deposit	3.45%	05/02/06	4,020,131
Certificate of Deposit	3.45%	05/02/06	3,122,600
Solid Waste/Sanitation Fund:			
Federal National Mortgage Association	3.37%	05/30/06	<u>499,432</u>
Total enterprise fund investments			<u>\$ 52,288,076</u>

CITY OF CHATTANOOGA, TENNESSEE
 COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE
 Year Ended June 30, 2005

Tax Year (1)	Property Taxes Receivable Balance June 30, 2004	Property Taxes Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2005	Allowance for Uncollectibles	Net Receivable Balance June 30, 2005
2005	\$ -	\$ -	\$ 82,643,218	\$ -	\$ -	\$ 82,643,218	\$ -	\$ 82,643,218
2004	-	83,512,333	-	35,824	79,901,518	3,646,639	343,209	3,303,430
2003	4,008,639	-	-	(6,961)	2,356,679	1,644,999	386,361	1,258,638
2002	1,589,499	-	-	(7,796)	657,575	924,128	377,997	546,131
2001	1,022,099	-	-	84,656	510,263	596,492	494,094	102,398
2000	318,591	-	-	(8,479)	39,439	270,673	260,554	10,119
1999	241,559	-	-	(1,444)	9,880	230,235	230,235	-
1998	229,382	-	-	(133)	3,873	225,376	225,376	-
1997	261,495	-	-	(796)	1,133	259,566	259,566	-
1996	146,947	-	-	2,989	228	149,708	149,708	-
1995	112,626	-	-	3,179	920	114,885	114,885	-
Totals	<u>\$ 7,930,837</u>	<u>\$ 83,512,333</u>	<u>\$ 82,643,218</u>	<u>\$ 101,039</u>	<u>\$ 83,481,508</u>	<u>\$ 90,705,919</u>	<u>\$ 2,841,985</u>	<u>\$ 87,863,934</u>

Note:

- (1) All years prior to 2004 have been turned over to the Clerk and Master for collection.
- (2) Accrual of the anticipated current year levy is required by GASB Statement No. 33.

CITY OF CHATTANOOGA, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2005

	Principal	Interest	Total
GOVERNMENTAL ACTIVITIES			
2006	\$ 7,675,357	\$ 13,060,828	\$ 20,736,185
2007	10,629,678	13,251,015	23,880,693
2008	9,678,802	12,840,967	22,519,769
2009	10,794,362	12,417,456	23,211,818
2010	11,196,272	11,924,828	23,121,100
2011	9,532,861	11,444,401	20,977,262
2012	8,441,777	11,011,096	19,452,873
2013	8,084,995	10,586,513	18,671,508
2014	8,296,426	10,177,886	18,474,312
2015	8,829,529	9,744,313	18,573,842
2016	9,170,852	9,275,661	18,446,513
2017	8,816,457	8,803,666	17,620,123
2018	9,430,341	8,321,843	17,752,184
2019	8,479,406	7,807,304	16,286,710
2020	8,875,776	7,330,779	16,206,555
2021	9,541,894	6,876,143	16,418,037
2022	10,163,007	6,317,751	16,480,758
2023	10,820,424	5,723,610	16,544,034
2024	11,505,542	5,098,498	16,604,040
2025	12,233,484	4,441,222	16,674,706
2026	12,995,986	3,742,508	16,738,494
2027	10,907,627	2,999,804	13,907,431
2028	11,606,391	2,356,134	13,962,525
2029	12,360,579	1,661,389	14,021,968
2030	13,171,492	911,572	14,083,064
2031	4,515,000	112,875	4,627,875
	<u>257,754,317</u>	<u>198,240,062</u>	<u>455,994,379</u>
BUSINESS-TYPE ACTIVITIES			
2006	15,925,241	8,481,220	24,406,461
2007	16,247,222	8,003,316	24,250,538
2008	14,662,435	7,393,135	22,055,570
2009	16,670,862	6,808,246	23,479,108
2010	14,735,628	6,102,358	20,837,986
2011	13,721,707	5,459,695	19,181,402
2012	11,861,095	4,867,255	16,728,350
2013	12,095,282	4,311,058	16,406,340
2014	11,130,545	3,785,068	14,915,613
2015	11,372,123	3,274,700	14,646,823
2016	9,713,555	2,789,943	12,503,498
2017	10,094,902	2,329,897	12,424,799
2018	10,491,126	1,852,556	12,343,682
2019	9,324,388	1,397,245	10,721,633
2020	4,395,910	1,094,306	5,490,216
2021	4,248,715	933,744	5,182,459
2022	4,339,685	760,546	5,100,231
2023	4,432,648	583,035	5,015,683
2024	4,532,666	401,160	4,933,826
2025	4,219,730	216,305	4,436,035
2026	2,218,800	73,420	2,292,220
	<u>206,434,265</u>	<u>70,918,208</u>	<u>277,352,473</u>
	<u>\$ 464,188,582</u>	<u>\$ 269,158,270</u>	<u>\$ 733,346,852</u>

CITY OF CHATTANOOGA, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2005

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
COMPONENT UNITS			
2006	\$ 644,780	\$ 7,617,139	\$ 8,261,919
2007	3,264,101	7,529,275	10,793,376
2008	3,552,822	7,372,131	10,924,953
2009	3,690,000	7,212,661	10,902,661
2010	3,800,000	7,060,716	10,860,716
2011	3,990,000	6,877,059	10,867,059
2012	4,220,000	6,685,417	10,905,417
2013	4,425,000	6,489,795	10,914,795
2014	4,650,000	6,280,109	10,930,109
2015	4,890,000	6,056,338	10,946,338
2016	5,150,000	5,817,792	10,967,792
2017	5,430,000	5,564,453	10,994,453
2018	5,720,000	5,289,574	11,009,574
2019	7,245,000	4,991,649	12,236,649
2020	5,015,000	4,677,534	9,692,534
2021	5,290,000	4,336,531	9,626,531
2022	5,580,000	4,027,144	9,607,144
2023	5,910,000	3,689,625	9,599,625
2024	6,255,000	3,332,278	9,587,278
2025	6,620,000	2,954,075	9,574,075
2026	7,010,000	2,558,075	9,568,075
2027	7,415,000	2,143,356	9,558,356
2028	7,840,000	1,704,775	9,544,775
2029	8,290,000	1,246,219	9,536,219
2030	8,760,000	766,688	9,526,688
2031	9,250,000	260,156	9,510,156
	<u>9,250,000</u>	<u>260,156</u>	<u>9,510,156</u>
Total component units indebtedness	<u>\$ 143,906,703</u>	<u>\$ 122,540,564</u>	<u>\$ 266,447,267</u>

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2005

	Outstanding July 1, 2004	Interest Paid FY 2004-2005	Issued FY 2004-2005	Retired FY 2004-2005	Outstanding June 30, 2005	Maturing FY 2005-2006	Interest Payable FY 2005-2006
GOVERNMENTAL ACTIVITIES							
Serial bonds:							
1998 Public Improvement Refunding	\$ 7,235,600	\$ 389,531	\$ -	\$ 13,200	\$ 7,222,400	\$ 13,200	\$ 388,967
2001 Municipal Public Improvement	36,995,200	1,839,930	-	18,174,000	18,821,200	1,005,000	936,038
2002 Municipal Improvement Refunding	12,588,100	548,787	-	1,876,100	10,712,000	1,963,100	465,291
2002 Series A Refunding	5,303,903	198,561	-	713,547	4,590,356	652,048	171,557
2002 Hotel-Motel Tax Pledge	54,990,000	2,477,538	-	5,285,000	49,705,000	-	2,213,288
2003 Series A General Obligation	11,785,000	417,126	-	425,000	11,360,000	790,000	404,376
2005 Series A Refunding-General	-	-	17,436,521	-	17,436,521	213,720	646,744
2005 Series A Refunding-Hotel/Motel	-	-	5,469,987	-	5,469,987	-	203,643
Total serial bonds	128,897,803	5,871,473	22,906,508	26,486,847	125,317,464	4,637,068	5,429,904
Notes payable:							
Hamilton County Parking Garage	182,343	9,816	-	60,781	121,562	60,781	5,911
1997 Tennessee Municipal Bond Fund	4,990,023	102,750	-	513,000	4,477,023	542,000	179,081
1999 Fire Hall Land Note	35,949	3,316	-	2,322	33,627	2,554	3,085
2003 Fannie Mae American Communities Fund	321,289	9,850	1,213,540	-	1,534,829	500,000	40,155
2003 Tennessee Municipal Bond Fund	1,629,320	38,782	600,451	328,000	1,901,771	339,000	41,459
2004 Tennessee Municipal Bond Fund	-	41,373	5,525,378	-	5,525,378	1,027,000	120,453
Total notes payable	7,158,924	205,887	7,339,369	904,103	13,594,190	2,471,335	390,144
Capital leases payable:							
CDRC Capital Lease	115,925,472	7,198,975	-	-	115,925,472	-	7,198,975
800 MHz Equipment Capital Lease	3,800,000	40,879	-	882,809	2,917,191	566,954	41,805
Total capital leases payable	119,725,472	7,239,854	-	882,809	118,842,663	566,954	7,240,780
Total governmental activities	255,782,199	13,317,214	30,245,877	28,273,759	257,754,317	7,675,357	13,060,828

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2005

(continued from previous page)

	Outstanding July 1, 2004	Interest Paid FY 2004-2005	Issued FY 2004-2005	Retired FY 2004-2005	Outstanding June 30, 2005	Maturing FY 2005-2006	Interest Payable FY 2005-2006
BUSINESS-TYPE ACTIVITIES							
Interceptor Sewer System:							
Serial bonds -							
1998 Municipal Public Improvement	\$ 16,787,209	\$ 806,424	\$ -	\$14,097,209	\$ 2,690,000	\$ 1,315,000	\$ 100,022
1998 Municipal Public Improvement - Refunding	13,389,700	703,487	-	51,800	13,337,900	51,800	701,272
2002 Municipal Public Improvement - Refunding	22,381,986	966,598	-	1,502,644	20,879,342	1,550,191	918,721
2002 Series A Refunding	28,331,097	1,060,626	-	3,811,453	24,519,644	3,482,952	916,381
2003 Series B Sewer and Sewage Refunding	11,140,000	339,625	-	2,090,000	9,050,000	2,185,000	276,925
2005 Series A Refunding	-	-	12,545,129	-	12,545,129	75,971	502,335
Total serial bonds	<u>92,029,992</u>	<u>3,876,760</u>	<u>12,545,129</u>	<u>21,553,106</u>	<u>83,022,015</u>	<u>8,660,914</u>	<u>3,415,656</u>
Notes payable -							
1992 State Revolving Loan	1,439,893	54,738	-	141,972	1,297,921	147,738	48,984
Northwest Georgia Sewer Expansion Project	5,845,918	230,958	63,360	279,702	5,629,576	292,587	220,831
2003 State Revolving Loan	<u>31,879,860</u>	<u>1,044,891</u>	<u>5,561,874</u>	<u>228,876</u>	<u>37,212,858</u>	<u>1,397,355</u>	<u>1,089,960</u>
Total notes payable	<u>39,165,671</u>	<u>1,330,587</u>	<u>5,625,234</u>	<u>650,550</u>	<u>44,140,355</u>	<u>1,837,680</u>	<u>1,359,775</u>
Capital leases payable -							
2001 Capital Lease City of Collegedale	<u>253,304</u>	<u>14,803</u>	<u>-</u>	<u>18,851</u>	<u>234,453</u>	<u>19,891</u>	<u>13,762</u>
Total capital leases payable	<u>253,304</u>	<u>14,803</u>	<u>-</u>	<u>18,851</u>	<u>234,453</u>	<u>19,891</u>	<u>13,762</u>
Total Interceptor Sewer System	<u>131,448,967</u>	<u>5,222,150</u>	<u>18,170,363</u>	<u>22,222,507</u>	<u>127,396,823</u>	<u>10,518,485</u>	<u>4,789,193</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2005

(continued from previous page)

	Outstanding July 1, 2004	Interest Paid FY 2004-2005	Issued FY 2004-2005	Retired FY 2004-2005	Outstanding June 30, 2005	Maturing FY 2005-2006	Interest Payable FY 2005-2006
BUSINESS-TYPE ACTIVITIES (continued)							
Solid Waste/Sanitation Fund:							
Serial bonds -							
1998 Municipal Public Improvement	\$ 9,247,402	\$ 444,227	\$ -	\$ 7,762,402	\$ 1,485,000	\$ 725,000	\$ 55,075
1998 Municipal Public Improvement - Refunding	3,686,100	202,735	-	-	3,686,100	-	202,736
2001 Municipal Public Bond	6,295,100	313,082	-	3,092,500	3,202,600	170,000	159,282
2002 Municipal Public Improvement - Refunding	8,748,764	411,936	-	958,652	7,790,112	1,015,225	365,790
2005 Series A - Refunding	-	-	9,877,292	-	9,877,292	78,230	386,747
	<u>27,977,366</u>	<u>1,371,980</u>	<u>9,877,292</u>	<u>11,813,554</u>	<u>26,041,104</u>	<u>1,988,455</u>	<u>1,169,630</u>
Storm Water Fund:							
Serial bonds -							
1998 Municipal Public Improvement	6,910,389	331,961	-	5,805,389	1,105,000	540,000	41,178
1998 Municipal Public Improvement - Refunding	2,528,600	139,073	-	-	2,528,600	-	139,073
2001 Municipal Public Improvement	1,869,700	92,988	-	918,500	951,200	50,000	47,305
2002 Municipal Public Improvement - Refunding	6,351,151	300,216	-	657,605	5,693,546	696,484	268,559
2005 Series A - Refunding	-	-	6,046,071	-	6,046,071	42,079	239,497
	<u>17,659,840</u>	<u>864,238</u>	<u>6,046,071</u>	<u>7,381,494</u>	<u>16,324,417</u>	<u>1,328,563</u>	<u>735,612</u>
Notes payable -							
1992 State Revolving Loan	1,439,893	54,738	-	141,972	1,297,921	147,738	48,985
	<u>1,439,893</u>	<u>54,738</u>	<u>-</u>	<u>141,972</u>	<u>1,297,921</u>	<u>147,738</u>	<u>48,985</u>
Total notes payable	<u>1,439,893</u>	<u>54,738</u>	<u>-</u>	<u>141,972</u>	<u>1,297,921</u>	<u>147,738</u>	<u>48,985</u>
Total Storm Water Fund	<u>19,099,733</u>	<u>918,976</u>	<u>6,046,071</u>	<u>7,523,466</u>	<u>17,622,338</u>	<u>1,476,301</u>	<u>784,597</u>
Total business-type activities	<u>178,526,066</u>	<u>7,513,106</u>	<u>34,093,726</u>	<u>41,559,527</u>	<u>171,060,265</u>	<u>13,983,241</u>	<u>6,743,420</u>
Total general obligation debt	<u>\$434,308,265</u>	<u>\$20,830,320</u>	<u>\$ 64,339,603</u>	<u>\$69,833,286</u>	<u>\$428,814,582</u>	<u>\$21,658,598</u>	<u>\$19,804,248</u>

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

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF REVENUE BONDS AND OTHER DEBT
June 30, 2005

	<u>Outstanding July 1, 2004</u>	<u>Interest Paid FY 2004-2005</u>	<u>Issued FY 2004-2005</u>	<u>Retired FY 2004-2005</u>	<u>Outstanding June 30, 2005</u>	<u>Maturing FY 2005-2006</u>	<u>Interest Payable FY 2005-2006</u>
PRIMARY GOVERNMENT							
EPB:							
Revenue bonds -							
2000 Electric System Revenue Bonds	\$ 35,200,000	\$ 1,741,000	\$ -	\$ 1,600,000	\$ 33,600,000	\$ 1,600,000	\$ 1,665,000
Total primary government revenue bonds	<u>35,200,000</u>	<u>1,741,000</u>	<u>-</u>	<u>1,600,000</u>	<u>33,600,000</u>	<u>1,600,000</u>	<u>1,665,000</u>
Notes payable -							
February 2005 Equipment Note	-	12,000	805,000	48,000	757,000	149,000	30,000
May 2005 Equipment Note	-	3,000	556,000	7,000	549,000	104,000	23,000
June 2005 Equipment Note	-	-	468,000	-	468,000	89,000	20,000
Total notes payable	<u>-</u>	<u>15,000</u>	<u>1,829,000</u>	<u>55,000</u>	<u>1,774,000</u>	<u>342,000</u>	<u>73,000</u>
Total primary government	<u>\$ 35,200,000</u>	<u>\$ 1,756,000</u>	<u>\$ 1,829,000</u>	<u>\$ 1,655,000</u>	<u>\$ 35,374,000</u>	<u>\$ 1,942,000</u>	<u>\$ 1,738,000</u>
COMPONENT UNITS							
Metropolitan Airport Authority:							
Revenue bonds -							
2002 Airport Revenue Series A Refunding	\$ 12,625,000	\$ 174,010	\$ -	\$ -	\$ 12,625,000	\$ -	\$ 353,872
2002 Airport Revenue Series B	3,045,000	42,682	-	1,150,000	1,895,000	585,000	53,116
Total metropolitan airport revenue bonds	<u>15,670,000</u>	<u>216,692</u>	<u>-</u>	<u>1,150,000</u>	<u>14,520,000</u>	<u>585,000</u>	<u>406,988</u>
Chattanooga Downtown Redevelopment Corporation							
Revenue bonds -							
2000 Chattanooga Lease Rental Revenue Bonds	129,200,000	7,198,975	-	-	129,200,000	-	7,198,975
Total component unit revenue bonds	<u>144,870,000</u>	<u>7,415,667</u>	<u>-</u>	<u>1,150,000</u>	<u>143,720,000</u>	<u>585,000</u>	<u>7,605,963</u>
Chattanooga Downtown Redevelopment Corporation							
Notes payable -							
2005 Republic Parking Equipment Loan	-	-	194,315	7,612	186,703	59,780	11,175
Total component units notes payable	<u>-</u>	<u>-</u>	<u>194,315</u>	<u>7,612</u>	<u>186,703</u>	<u>59,780</u>	<u>11,175</u>
Total component units	<u>\$ 144,870,000</u>	<u>\$ 7,415,667</u>	<u>\$ 194,315</u>	<u>\$ 1,157,612</u>	<u>\$ 143,906,703</u>	<u>\$ 644,780</u>	<u>\$ 7,617,138</u>

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2005

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2006	1998 Public Improvement Refunding	4.300	\$ 13,200	\$ 388,967	\$ 402,167
2007		5.000	208,800	383,463	592,263
2008		5.000	220,000	372,743	592,743
2009		5.500	1,413,900	328,361	1,742,261
2010		5.500	1,501,000	248,201	1,749,201
2011		5.500	1,593,800	163,094	1,756,894
2012		5.250	272,000	112,124	384,124
2013		5.250	288,300	97,416	385,716
2014		5.250	304,600	81,853	386,453
2015		5.250	321,900	65,407	387,307
2016		5.250	341,300	47,998	389,298
2017		5.250	361,600	29,547	391,147
2018		5.250	382,000	10,028	392,028
			<u>7,222,400</u>	<u>2,329,202</u>	<u>9,551,602</u>
2006	Hamilton County - City Portion of Series 1991 General Obligation Bonds	6.450	60,781	5,911	66,692
2007		6.500	60,781	1,975	62,756
			<u>121,562</u>	<u>7,886</u>	<u>129,448</u>
2006	Note Payable - Tennessee Municipal Bond Fund 1997	4.000	542,000	179,081	721,081
2007		4.000	571,000	157,401	728,401
2008		4.000	603,000	134,561	737,561
2009		4.000	636,000	110,441	746,441
2010		4.000	671,000	85,001	756,001
2011		4.000	708,000	58,161	766,161
2012		4.000	746,023	29,841	775,864
			<u>4,477,023</u>	<u>754,487</u>	<u>5,231,510</u>
2006	1999 Fire Hall Land Note	9.500	2,554	3,085	5,639
2007		9.500	2,807	2,832	5,639
2008		9.500	3,086	2,553	5,639
2009		9.500	3,392	2,247	5,639
2010		9.500	3,729	1,910	5,639
2011		9.500	4,099	1,540	5,639
2012		9.500	4,506	1,133	5,639
2013		9.500	4,953	686	5,639
2014		9.500	4,501	198	4,699
				<u>33,627</u>	<u>16,184</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2005

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2006	2001 Municipal Public Improvement Bonds	4.500	\$ 1,005,000	\$ 936,038	\$ 1,941,038
2007		5.000	1,055,000	890,880	1,945,880
2008		5.000	1,100,000	838,245	1,938,245
2009		5.000	1,155,000	783,360	1,938,360
2010		5.000	-	725,606	725,606
2011		5.000	-	725,606	725,606
2012		5.000	-	725,606	725,606
2013		5.000	-	725,606	725,606
2014		5.000	-	725,606	725,606
2015		5.000	-	725,606	725,606
2016		5.000	-	725,606	725,606
2017		5.000	-	725,606	725,606
2018		5.000	-	725,606	725,606
2019		5.000	-	725,606	725,606
2020		5.000	-	725,606	725,606
2021		5.000	2,104,000	725,606	2,829,606
2022		5.000	2,225,000	620,338	2,845,338
2023		5.000	2,345,000	509,133	2,854,133
2024		5.000	2,470,000	391,987	2,861,987
2025		5.000	2,615,000	268,493	2,883,493
2026		5.000		<u>2,747,200</u>	<u>137,830</u>
			<u>18,821,200</u>	<u>14,083,576</u>	<u>32,904,776</u>
2006	2002 Public Improvement Refunding	5.000	1,963,100	465,291	2,428,391
2007		5.000	1,868,900	377,004	2,245,904
2008		4.000	640,000	317,482	957,482
2009		4.000	665,000	291,381	956,381
2010		5.000	695,000	260,706	955,706
2011		5.375	720,000	223,847	943,847
2012		5.375	770,000	183,669	953,669
2013		5.375	805,000	141,341	946,341
2014		5.000	840,000	98,581	938,581
2015		4.375	855,000	58,753	913,753
2016		4.500		<u>890,000</u>	<u>20,025</u>
			<u>10,712,000</u>	<u>2,438,080</u>	<u>13,150,080</u>
2006	2002A Public Improvement Refunding	5.000	652,048	171,557	823,605
2007		5.000	641,010	139,230	780,240
2008		3.000	632,337	113,720	746,057
2009		3.250	625,241	94,075	719,316
2010		4.000	603,953	71,836	675,789
2011		3.600	385,552	52,817	438,369
2012		5.000	371,360	36,593	407,953
2013		4.000	364,264	20,023	384,287
2014		4.000	160,055	9,537	169,592
2015		4.100		<u>154,536</u>	<u>3,168</u>
			<u>4,590,356</u>	<u>712,556</u>	<u>5,302,912</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2005

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2006	2002 Hotel Motel Tax Pledge	3.000	\$ -	\$ 2,213,287	\$ 2,213,287
2007		3.000	720,000	2,202,487	2,922,487
2008		3.000	795,000	2,179,763	2,974,763
2009		3.000	870,000	2,154,788	3,024,788
2010		3.000	950,000	2,127,488	3,077,488
2011		3.125	1,030,000	2,097,144	3,127,144
2012		3.250	1,120,000	2,062,850	3,182,850
2013		5.000	-	2,044,650	2,044,650
2014		3.500	1,330,000	2,021,375	3,351,375
2015		4.000	1,440,000	1,969,300	3,409,300
2016		4.000	1,555,000	1,909,400	3,464,400
2017		4.000	1,680,000	1,844,700	3,524,700
2018		4.000	1,805,000	1,775,000	3,580,000
2019		5.000	-	1,738,900	1,738,900
2020		5.000	-	1,738,900	1,738,900
2021		5.000	2,280,000	1,681,900	3,961,900
2022		5.000	2,465,000	1,563,275	4,028,275
2023		5.000	2,655,000	1,435,275	4,090,275
2024		4.500	2,850,000	1,304,775	4,154,775
2025		4.500	3,045,000	1,172,138	4,217,138
2026		4.500	3,255,000	1,030,388	4,285,388
2027	4.500	3,470,000	879,075	4,349,075	
2028	4.500	3,700,000	717,750	4,417,750	
2029	5.000	3,950,000	535,750	4,485,750	
2030	5.000	4,225,000	331,375	4,556,375	
2031	5.000	4,515,000	112,875	4,627,875	
			<u>49,705,000</u>	<u>40,844,608</u>	<u>90,549,608</u>
2006	2003 Series A General Obligation	3.000	790,000	404,377	1,194,377
2007		2.500	790,000	380,677	1,170,677
2008		3.000	830,000	360,926	1,190,926
2009		3.000	840,000	336,026	1,176,026
2010		3.250	800,000	310,826	1,110,826
2011		3.500	830,000	284,826	1,114,826
2012		3.625	855,000	255,776	1,110,776
2013		3.750	885,000	224,783	1,109,783
2014		3.875	900,000	191,595	1,091,595
2015		4.000	900,000	156,720	1,056,720
2016		4.000	900,000	120,720	1,020,720
2017		4.100	960,000	84,720	1,044,720
2018		4.200	1,080,000	45,360	1,125,360
			<u>11,360,000</u>	<u>3,157,332</u>	<u>14,517,332</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2005

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2006	2003 Note Payable - Tennessee Municipal Bond Fund	3.060	\$ 339,000	\$ 41,459	\$ 380,459
2007		3.060	350,000	34,069	384,069
2008		3.060	361,000	26,438	387,438
2009		3.060	373,000	18,569	391,569
2010		3.060	384,000	10,437	394,437
2011		3.060	94,771	2,066	96,837
			<u>1,901,771</u>	<u>133,038</u>	<u>2,034,809</u>
2006	CDRC Capital Lease	6.380	-	7,198,975	7,198,975
2007		6.380	2,186,735	7,517,990	9,704,725
2008		6.380	2,326,799	7,376,176	9,702,975
2009		6.380	2,474,321	7,225,279	9,699,600
2010		6.380	2,629,536	7,064,814	9,694,350
2011		6.380	2,789,754	6,894,284	9,684,038
2012		6.380	2,986,987	6,713,363	9,700,350
2013		6.380	3,164,158	6,519,651	9,683,809
2014		6.380	3,360,019	6,314,449	9,674,468
2015		6.380	3,570,878	6,096,546	9,667,424
2016		6.380	3,797,017	5,864,967	9,661,984
2017		6.380	4,039,430	5,618,723	9,658,153
2018		6.380	4,287,566	5,356,759	9,644,325
2019		6.380	4,555,404	5,078,702	9,634,106
2020		6.380	4,851,644	4,783,275	9,634,919
2021		6.380	5,157,894	4,468,637	9,626,531
2022		6.380	5,473,007	4,134,137	9,607,144
2023		6.380	5,820,423	3,779,202	9,599,625
2024		6.380	6,185,542	3,401,736	9,587,278
2025		6.380	6,573,483	3,000,592	9,574,075
2026	6.380	6,993,786	2,574,289	9,568,075	
2027	6.380	7,437,627	2,120,729	9,558,356	
2028	6.380	7,906,391	1,638,384	9,544,775	
2029	6.380	8,410,579	1,125,639	9,536,218	
2030	6.380	8,946,492	580,197	9,526,689	
			<u>115,925,472</u>	<u>122,447,495</u>	<u>238,372,967</u>
2006	2003 Fannie Mae American Communities Fund	2.620	500,000	40,155	540,155
2007		2.620	500,000	27,074	527,074
2008		2.620	500,000	13,993	513,993
2009		2.620	34,829	911	35,740
			<u>1,534,829</u>	<u>82,133</u>	<u>1,616,962</u>
2006	800 MHZ Equipment Capital Lease	1.433	566,954	41,805	608,759
2007		1.433	575,079	33,680	608,759
2008		1.433	583,320	25,439	608,759
2009		1.433	591,679	17,080	608,759
2010		1.433	600,159	8,601	608,760
			<u>2,917,191</u>	<u>126,605</u>	<u>3,043,796</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2005

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2006	2004 Note Payable - Tennessee Municipal Bond Fund	2.180	\$ 1,027,000	\$ 120,453	\$ 1,147,453
2007		2.180	1,055,000	98,065	1,153,065
2008		2.180	1,083,000	75,066	1,158,066
2009		2.180	1,112,000	51,456	1,163,456
2010		2.180	1,141,000	27,215	1,168,215
2011		2.180	107,378	2,341	109,719
				<u>5,525,378</u>	<u>374,596</u>
2006	2005 A Hotel - Motel Tax Refunding	2.500	-	203,642	203,642
2007		3.000	20,157	240,853	261,010
2008		3.000	850	240,538	241,388
2009		3.000	-	240,525	240,525
2010		3.500	21,010	240,157	261,167
2011		3.500	24,475	239,361	263,836
2012		4.000	25,000	238,433	263,433
2013		4.000	1,245,000	213,033	1,458,033
2014		3.750	400	188,126	188,526
2015		5.000	393	188,108	188,501
2016		5.000	14,336	187,740	202,076
2017		5.000	16,000	186,982	202,982
2018		5.000	16,500	186,169	202,669
2019		5.000	1,967,390	136,572	2,103,962
2020		4.125	2,118,476	43,694	2,162,170
			<u>5,469,987</u>	<u>2,973,933</u>	<u>8,443,920</u>
2006	2005 A Public Improvement Refunding	2.500	213,720	646,745	860,465
2007		3.000	24,409	763,336	787,745
2008		3.000	410	763,324	763,734
2009		3.000	-	762,958	762,958
2010		3.500	1,195,886	742,030	1,937,916
2011		3.500	1,245,032	699,314	1,944,346
2012		4.000	1,290,902	651,708	1,942,610
2013		4.000	1,328,320	599,323	1,927,643
2014		3.750	1,396,851	546,566	1,943,417
2015		5.000	1,586,822	480,705	2,067,527
2016		5.000	1,673,199	399,204	2,072,403
2017		5.000	1,759,427	313,389	2,072,816
2018		5.000	1,859,275	222,921	2,082,196
2019	5.000	1,956,612	127,524	2,084,136	
2020	4.125	1,905,656	39,304	1,944,960	
			<u>17,436,521</u>	<u>7,758,351</u>	<u>25,194,872</u>
	Total direct indebtedness		<u>257,754,317</u>	<u>198,240,062</u>	<u>455,994,379</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2005

(continued from previous page)

INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2006	1998 General Obligation Bonds	4.750	\$ 1,315,000	\$ 100,022	\$ 1,415,022
2007		5.000	1,375,000	34,398	1,409,398
			<u>2,690,000</u>	<u>134,420</u>	<u>2,824,420</u>
2006	1998 Public Improvement Refunding	4.300	51,800	701,272	753,072
2007		5.000	816,200	679,754	1,495,954
2008		5.000	860,000	637,849	1,497,849
2009		5.500	857,800	592,759	1,450,559
2010		5.500	910,500	544,131	1,454,631
2011		5.500	963,300	492,602	1,455,902
2012		5.250	1,063,000	438,207	1,501,207
2013		5.250	1,126,700	380,727	1,507,427
2014		5.250	1,190,400	319,904	1,510,304
2015		5.250	1,258,100	255,630	1,513,730
2016		5.250	1,333,700	187,596	1,521,296
2017		5.250	1,413,400	115,484	1,528,884
2018		5.250	1,493,000	39,191	1,532,191
			<u>13,337,900</u>	<u>5,385,106</u>	<u>18,723,006</u>
2006	Georgia Environmental Facilities Authority	4.000	292,587	220,831	513,418
2007		4.000	304,468	208,950	513,418
2008		4.000	316,830	196,588	513,418
2009		4.000	329,695	183,723	513,418
2010		4.000	343,082	170,336	513,418
2011		4.000	357,012	156,406	513,418
2012		4.000	371,508	141,910	513,418
2013		4.000	386,593	126,825	513,418
2014		4.000	402,290	111,128	513,418
2015		4.000	418,625	94,793	513,418
2016		4.000	435,623	77,795	513,418
2017		4.000	453,311	60,107	513,418
2018		4.000	471,717	41,701	513,418
2019		4.000	490,871	22,548	513,419
2020		4.000	255,364	3,849	259,213
			<u>5,629,576</u>	<u>1,817,490</u>	<u>7,447,066</u>
2006	General Obligation Sewer Refunding Bonds, Series 2002 Serial Bonds	3.250	1,550,191	918,721	2,468,912
2007		3.500	855,191	878,399	1,733,590
2008		4.000	885,191	845,653	1,730,844
2009		4.000	2,431,007	779,329	3,210,336
2010		4.000	2,532,248	672,128	3,204,376
2011		4.250	2,653,776	547,767	3,201,543
2012		4.250	2,787,948	412,855	3,200,803
2013		4.250	2,932,214	270,995	3,203,209
2014		4.250	3,076,576	125,571	3,202,147
2015	4.500	1,175,000	26,438	1,201,438	
			<u>20,879,342</u>	<u>5,477,856</u>	<u>26,357,198</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2005

(continued from previous page)

INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2006	Municipal Public Improvement Refunding, Series 2002A Serial Bonds	5.000	\$ 3,482,952	\$ 916,381	\$ 4,399,333
2007		5.000	3,423,990	743,707	4,167,697
2008		3.000	3,377,663	607,443	3,985,106
2009		3.250	3,339,759	502,506	3,842,265
2010		4.000	3,226,047	383,714	3,609,761
2011		3.600	2,059,448	282,123	2,341,571
2012		5.000	1,983,640	195,462	2,179,102
2013		4.000	1,945,736	106,957	2,052,693
2014		4.000	854,945	50,943	905,888
2015		4.100	825,464	16,922	842,386
			<u>24,519,644</u>	<u>3,806,158</u>	<u>28,325,802</u>
2006	2003 Series B Sewer Refunding	3.000	2,185,000	276,925	2,461,925
2007		3.000	2,375,000	211,375	2,586,375
2008		3.000	2,320,000	140,125	2,460,125
2009		3.250	2,170,000	70,525	2,240,525
			<u>9,050,000</u>	<u>698,950</u>	<u>9,748,950</u>
2006	2001 Capital Lease City of Collegedale	6.080	19,891	13,762	33,653
2007		6.130	21,019	12,633	33,652
2008		6.190	22,245	11,408	33,653
2009		6.240	23,575	10,078	33,653
2010		6.300	25,018	8,635	33,653
2011		6.360	26,585	7,068	33,653
2012		6.410	28,286	5,366	33,652
2013		6.470	30,133	3,520	33,653
2014		6.520	32,138	1,515	33,653
2015		6.680	5,563	46	5,609
			<u>234,453</u>	<u>74,031</u>	<u>308,484</u>
2006	1992 State Revolving Sewer Loan	3.980	147,738	48,984	196,722
2007		3.980	153,720	42,996	196,716
2008		3.980	159,948	36,762	196,710
2009		3.980	166,434	30,282	196,716
2010		3.980	173,178	23,532	196,710
2011		3.980	180,198	16,512	196,710
2012		3.980	187,500	9,210	196,710
2013		3.980	129,205	1,936	131,141
			<u>1,297,921</u>	<u>210,214</u>	<u>1,508,135</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2005

(continued from previous page)

INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2006	2003 State Revolving Loan	2.980	\$ 1,397,355	\$ 1,089,960	\$ 2,487,315
2007		2.980	1,439,570	1,047,744	2,487,314
2008		2.980	1,483,060	1,004,256	2,487,316
2009		2.980	1,527,864	959,448	2,487,312
2010		2.980	1,574,021	913,296	2,487,317
2011		2.980	1,621,573	865,740	2,487,313
2012		2.980	1,670,562	816,756	2,487,318
2013		2.980	1,721,029	766,284	2,487,313
2014		2.980	1,773,023	714,288	2,487,311
2015		2.980	1,826,587	660,732	2,487,319
2016		2.980	1,881,768	605,544	2,487,312
2017		2.980	1,938,618	548,700	2,487,318
2018		2.980	1,997,184	490,128	2,487,312
2019		2.980	2,057,519	429,792	2,487,311
2020		2.980	2,119,678	367,632	2,487,310
2021		2.980	2,183,715	303,600	2,487,315
2022		2.980	2,249,685	237,636	2,487,321
2023		2.980	2,317,649	169,668	2,487,317
2024		2.980	2,387,667	99,648	2,487,315
2025		2.980	2,044,731	28,048	2,072,779
			<u>37,212,858</u>	<u>12,118,900</u>	<u>49,331,758</u>
2006	1998 Public Improvement Refunding	2.500	75,971	502,335	578,306
2007		3.000	22	594,096	594,118
2008		3.000	1,454,220	572,282	2,026,502
2009		3.000	-	550,468	550,468
2010		3.500	4,581	550,388	554,969
2011		3.500	268	550,303	550,571
2012		4.000	2,038	550,258	552,296
2013		4.000	9,335	550,031	559,366
2014		3.750	7,263	549,708	556,971
2015		5.000	1,993,724	499,729	2,493,453
2016		5.000	2,085,759	397,742	2,483,501
2017		5.000	2,191,790	290,803	2,482,593
2018		5.000	2,302,679	178,441	2,481,120
2019		5.000	2,417,479	60,437	2,477,916
			<u>12,545,129</u>	<u>6,397,021</u>	<u>18,942,150</u>
	Total Interceptor Sewer System indebtedness		<u>127,396,823</u>	<u>36,120,146</u>	<u>163,516,969</u>
<u>SOLID WASTE/SANITATION FUND</u>					
2006	1998 Public Improvement Refunding	4.300	-	202,736	202,736
2007		5.000	-	202,736	202,736
2008		5.000	-	202,736	202,736
2009		5.500	1,155,600	170,956	1,326,556
2010		5.500	1,226,900	105,437	1,332,337
2011		5.500	1,303,600	35,849	1,339,449
				<u>3,686,100</u>	<u>920,450</u>
2006	1998 General Obligation Bonds	4.750	725,000	55,075	780,075
2007		5.000	760,000	18,940	778,940
			<u>1,485,000</u>	<u>74,015</u>	<u>1,559,015</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2005

(continued from previous page)

SOLID WASTE/SANITATION FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2006	2001 General Obligation Bonds	4.500	\$ 170,000	\$ 159,281	\$ 329,281
2007		5.000	180,000	151,597	331,597
2008		5.000	185,000	142,641	327,641
2009		5.000	195,000	133,300	328,300
2010		5.000	-	123,474	123,474
2011		5.000	-	123,474	123,474
2012		5.000	-	123,474	123,474
2013		5.000	-	123,474	123,474
2014		5.000	-	123,474	123,474
2015		5.000	-	123,474	123,474
2016		5.000	-	123,474	123,474
2017		5.000	-	123,474	123,474
2018		5.000	-	123,474	123,474
2019		5.000	-	123,474	123,474
2020		5.000	-	123,474	123,474
2021		5.000	360,000	123,474	483,474
2022		5.000	380,000	105,560	485,560
2023		5.000	395,000	86,637	481,637
2024		5.000	420,000	66,702	486,702
2025		5.000	445,000	45,688	490,688
2026	5.000	472,600	23,454	496,054	
			<u>3,202,600</u>	<u>2,396,548</u>	<u>5,599,148</u>
2006	2002 Municipal Public Improvement Refunding	5.000	1,015,225	365,791	1,381,016
2007		4.000	1,074,073	314,363	1,388,436
2008		4.000	5,614	287,398	293,012
2009		5.000	837,860	270,529	1,108,389
2010		5.375	874,349	231,913	1,106,262
2011		5.375	919,260	185,349	1,104,609
2012		5.375	968,380	134,619	1,102,999
2013		5.000	1,020,308	81,173	1,101,481
2014		4.375	1,075,043	26,876	1,101,919
				<u>7,790,112</u>	<u>1,898,011</u>
2006	2005 A Municipal Public Improvement Refunding Issue	2.500	78,230	386,747	464,977
2007		3.000	4,169	457,129	461,298
2008		3.000	800,804	445,054	1,245,858
2009		3.000	-	433,042	433,042
2010		3.500	206,193	429,434	635,627
2011		3.500	212,187	422,112	634,299
2012		4.000	220,974	413,979	634,953
2013		4.000	231,365	404,933	636,298
2014		3.750	241,895	395,770	637,665
2015		5.000	1,368,050	357,033	1,725,083
2016		5.000	1,433,438	286,996	1,720,434
2017		5.000	1,506,507	213,497	1,720,004
2018	5.000	1,584,570	136,220	1,720,790	
2019	5.000	1,664,360	54,997	1,719,357	
2020	4.125	324,550	6,694	331,244	
			<u>9,877,292</u>	<u>4,843,637</u>	<u>14,720,929</u>
	Total Solid Waste/Sanitation Fund indebtedness		<u>26,041,104</u>	<u>10,132,661</u>	<u>36,173,765</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2005

(continued from previous page)

STORM WATER FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2006	1992 State Revolving Sewer Loan	3.980	\$ 147,738	\$ 48,984	\$ 196,722
2007		3.980	153,720	42,996	196,716
2008		3.980	159,948	36,762	196,710
2009		3.980	166,434	30,282	196,716
2010		3.980	173,178	23,532	196,710
2011		3.980	180,198	16,512	196,710
2012		3.980	187,500	9,210	196,710
2013		3.980	129,205	1,936	131,141
				<u>1,297,921</u>	<u>210,214</u>
2006	1998 Municipal Public Improvement	4.750	540,000	41,178	581,178
2007		5.000	565,000	14,162	579,162
			<u>1,105,000</u>	<u>55,340</u>	<u>1,160,340</u>
2006	2001 General Obligation Bonds	4.500	50,000	47,305	97,305
2007		5.000	50,000	45,022	95,022
2008		5.000	55,000	42,363	97,363
2009		5.000	60,000	39,589	99,589
2010		5.000	-	36,670	36,670
2011		5.000	-	36,670	36,670
2012		5.000	-	36,670	36,670
2013		5.000	-	36,670	36,670
2014		5.000	-	36,670	36,670
2015		5.000	-	36,670	36,670
2016		5.000	-	36,670	36,670
2017		5.000	-	36,670	36,670
2018		5.000	-	36,670	36,670
2019		5.000	-	36,670	36,670
2020		5.000	-	36,670	36,670
2021		5.000	105,000	36,670	141,670
2022		5.000	110,000	31,350	141,350
2023	5.000	120,000	25,730	145,730	
2024	5.000	125,000	19,810	144,810	
2025	5.000	130,000	13,569	143,569	
2026	5.000	146,200	6,966	153,166	
			<u>951,200</u>	<u>711,744</u>	<u>1,662,944</u>
2006	1998 Public Improvement Refunding	4.300	-	139,073	139,073
2007		5.000	-	139,073	139,073
2008		5.000	-	139,073	139,073
2009		5.500	792,700	117,274	909,974
2010		5.500	841,600	72,331	913,931
2011		5.500	894,300	24,593	918,893
			<u>2,528,600</u>	<u>631,417</u>	<u>3,160,017</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2005

(continued from previous page)

STORM WATER FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2006	2002 Public Improvement Refinancing	5.000	\$ 696,484	\$ 268,559	\$ 965,043
2007		4.000	736,836	233,278	970,114
2008		4.000	4,195	214,773	218,968
2009		5.000	626,134	202,166	828,300
2010		5.375	653,402	173,309	826,711
2011		5.375	686,964	138,512	825,476
2012		5.375	723,672	100,601	824,273
2013		5.000	762,478	60,661	823,139
2014		4.375	803,381	20,085	823,466
				<u>5,693,546</u>	<u>1,411,944</u>
2006	2005 A Municipal Public Improvement Refunding Issue	2.500	42,079	239,497	281,576
2007		3.000	1,243	283,168	284,411
2008		3.000	598,716	274,169	872,885
2009		3.000	-	265,188	265,188
2010		3.500	62,330	264,097	326,427
2011		3.500	63,038	261,903	324,941
2012		4.000	66,086	259,478	325,564
2013		4.000	70,981	256,737	327,718
2014		3.750	73,591	253,938	327,529
2015		5.000	901,010	230,033	1,131,043
2016		5.000	943,267	183,926	1,127,193
2017		5.000	991,277	135,562	1,126,839
2018		5.000	1,041,976	84,731	1,126,707
2019		5.000	1,094,159	31,328	1,125,487
2020		4.125	96,318	1,987	98,305
			<u>6,046,071</u>	<u>3,025,742</u>	<u>9,071,813</u>
	Total Storm Water Fund indebtedness		<u>17,622,338</u>	<u>6,046,401</u>	<u>23,668,739</u>
		<u>EPB</u>			
2006	2000 Electric System Revenue Bonds	4.750	1,600,000	1,664,800	3,264,800
2007		4.750	1,600,000	1,588,800	3,188,800
2008		4.500	1,600,000	1,514,800	3,114,800
2009		4.500	1,600,000	1,442,800	3,042,800
2010		4.600	1,600,000	1,370,000	2,970,000
2011		4.630	1,600,000	1,296,200	2,896,200
2012		5.000	1,600,000	1,219,200	2,819,200
2013		5.130	1,600,000	1,138,200	2,738,200
2014		5.250	1,600,000	1,055,200	2,655,200
2015		5.000	1,600,000	973,200	2,573,200
2016		5.380	1,600,000	890,200	2,490,200
2017		5.200	1,600,000	805,600	2,405,600
2018		5.250	1,600,000	722,000	2,322,000
2019		5.250	1,600,000	638,000	2,238,000
2020		5.250	1,600,000	554,000	2,154,000
2021		5.250	1,600,000	470,000	2,070,000
2022		5.250	1,600,000	386,000	1,986,000
2023		5.380	1,600,000	301,000	1,901,000
2024		5.380	1,600,000	215,000	1,815,000
2025		5.380	1,600,000	129,000	1,729,000
2026	5.380	1,600,000	43,000	1,643,000	
			<u>33,600,000</u>	<u>18,417,000</u>	<u>52,017,000</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2005

(continued from previous page)

Fiscal Year Ended June 30	Issue	EPB			Total Interest and Principal
		Interest Rate	Principal	Interest Due	
2006	Equipment Note February 2005	4.400	\$ 149,000	\$ 30,000	\$ 179,000
2007		4.400	156,000	24,000	180,000
2008		4.400	163,000	17,000	180,000
2009		4.400	171,000	9,000	180,000
2010		4.400	118,000	2,000	120,000
			<u>757,000</u>	<u>82,000</u>	<u>839,000</u>
2006	Equipment Note May 2005	4.610	104,000	23,000	127,000
2007		4.610	109,000	18,000	127,000
2008		4.610	114,000	13,000	127,000
2009		4.610	119,000	8,000	127,000
2010		4.610	103,000	2,000	105,000
			<u>549,000</u>	<u>64,000</u>	<u>613,000</u>
2006	Equipment Note June 2005	4.670	89,000	20,000	109,000
2007		4.670	93,000	16,000	109,000
2008		4.670	97,000	11,000	108,000
2009		4.670	101,000	7,000	108,000
2010		4.670	88,000	2,000	90,000
			<u>468,000</u>	<u>56,000</u>	<u>524,000</u>
	Total EPB indebtedness		<u>35,374,000</u>	<u>18,619,000</u>	<u>53,993,000</u>
	Total Primary Government Indebtedness		<u>\$ 464,188,582</u>	<u>\$ 269,158,270</u>	<u>\$ 733,346,852</u>
<u>METROPOLITAN AIRPORT AUTHORITY</u>					
2006	2002 Series A Refunding Revenue Bonds	2.800	\$ -	\$ 353,872	\$ 353,872
2007		2.800	-	353,917	353,917
2008		2.780	-	351,152	351,152
2009		2.760	115,000	347,946	462,946
2010		2.760	850,000	341,366	1,191,366
2011		2.760	825,000	318,021	1,143,021
2012		2.760	865,000	295,067	1,160,067
2013		2.760	910,000	270,986	1,180,986
2014		2.760	960,000	245,640	1,205,640
2015		2.760	1,010,000	218,914	1,228,914
2016		2.760	1,060,000	190,808	1,250,808
2017		2.760	1,115,000	161,299	1,276,299
2018		2.760	1,175,000	130,249	1,305,249
2019		2.760	1,235,000	97,543	1,332,543
2020		2.760	2,505,000	57,615	2,562,615
				<u>12,625,000</u>	<u>3,734,395</u>
2006	2002 Series B Refunding Revenue Bonds	2.800	585,000	53,116	638,116
2007		2.800	630,000	33,780	663,780
2008		2.780	675,000	15,784	690,784
2009		2.760	5,000	115	5,115
			<u>1,895,000</u>	<u>102,795</u>	<u>1,997,795</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2005

(continued from previous page)

CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2006	2000 Lease Revenue Bonds	5.000	\$ -	\$ 7,198,975	\$ 7,198,975
2007		5.000	2,570,000	7,134,725	9,704,725
2008		5.000	2,700,000	7,002,975	9,702,975
2009		5.000	2,835,000	6,864,600	9,699,600
2010		5.000	2,975,000	6,719,350	9,694,350
2011		5.500	3,125,000	6,559,038	9,684,038
2012		5.000	3,310,000	6,390,350	9,700,350
2013		5.130	3,465,000	6,218,809	9,683,809
2014		5.250	3,640,000	6,034,469	9,674,469
2015		5.300	3,830,000	5,837,424	9,667,424
2016		5.400	4,035,000	5,626,984	9,661,984
2017		5.400	4,255,000	5,403,154	9,658,154
2018		5.800	4,485,000	5,159,325	9,644,325
2019		5.800	4,740,000	4,894,106	9,634,106
2020		5.500	5,015,000	4,619,919	9,634,919
2021		5.500	5,290,000	4,336,531	9,626,531
2022		5.900	5,580,000	4,027,144	9,607,144
2023		5.900	5,910,000	3,689,625	9,599,625
2024		5.900	6,255,000	3,332,278	9,587,278
2025		5.900	6,620,000	2,954,075	9,574,075
2026	5.750	7,010,000	2,558,075	9,568,075	
2027	5.750	7,415,000	2,143,356	9,558,356	
2028	5.750	7,840,000	1,704,775	9,544,775	
2029	5.630	8,290,000	1,246,219	9,536,219	
2030	5.630	8,760,000	766,688	9,526,688	
2031	5.630	9,250,000	260,156	9,510,156	
			<u>129,200,000</u>	<u>118,683,125</u>	<u>247,883,125</u>
2006	2005 Republic Parking Equipment Loan	7.000	59,780	11,175	70,955
2007		7.000	64,101	6,854	70,955
2008		7.000	62,822	2,220	65,042
			<u>186,703</u>	<u>20,249</u>	<u>206,952</u>
	Total component unit indebtedness		<u>\$ 143,906,703</u>	<u>\$ 122,540,564</u>	<u>\$ 266,447,267</u>

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

Function/Program	2005	2004	2003	2002
General government	\$ 59,850,789 (4)	\$ 59,111,511	\$ 58,698,292	\$ 50,548,430
Public Safety	63,805,046	62,984,029	60,193,174	56,975,310
Public Works	54,323,539 (5)	50,609,639 (2)	42,983,849 (1)	59,848,473
Parks and Recreation	13,562,609	12,981,174	14,193,439	13,765,543
Social Services	21,530,148	26,058,655 (3)	20,758,129	19,178,170
Interest on long-term debt	6,004,530	6,097,267	4,417,740	3,667,564
Sewer	33,606,869	32,725,763	31,851,449	31,565,003
Solid Waste/Sanitation	4,260,270	4,718,858	5,385,859	6,428,615
Storm Water	4,709,090	4,312,010	4,523,419	4,774,295
Housing Management	1,698,166	1,718,091	1,496,241	930,550
Electric Utility	<u>371,630,000</u>	<u>374,823,000</u>	<u>365,187,000</u>	<u>346,821,000</u>
Total	<u>\$ 634,981,056</u>	<u>\$ 636,139,997</u>	<u>\$ 609,688,591</u>	<u>\$ 594,502,953</u>

- (1) The reduction in FY 2003 is primarily due to a change in the method of accounting for depreciation related to the City's infrastructure.
- (2) During FY 2004, over \$4.8 million in tipping fees were recorded as an expense whereas they were previously recorded as a transfer.
- (3) During FY 2004, \$3.6 million in Community Development loans were written off.
- (4) While there was only a nominal change in FY 2005 General government expense, there was a discontinued Education appropriation of \$8.4 million that was offset by increases to expenses for depreciation (\$2.7 million), SRC Lease (\$1.4 million), Internal Service (\$1.6 million) and the transfer of Animal Services (\$1 million) from Public Safety to General government.
- (5) The increase in FY 2005 is primarily due to \$1.2 million increase related to capital assets, \$458,815 increase allocation of Internal Service loss and \$1.8 million increase in operating costs (includes increases to salary/fringes, on the job injury, new garbage transfer station, asphalt costs and vehicle operating costs).

CITY OF CHATTANOOGA, TENNESSEE

GOVERNMENT-WIDE REVENUES
LAST FOUR FISCAL YEARS

	<u>2005</u>		<u>2004</u>	<u>2003</u>	<u>2002</u>
Program Revenues:					
Charges for services	\$439,752,216	(1)	\$443,760,680	\$421,140,594	\$402,663,146
Operating grants and contributions	27,467,812		28,930,990	27,322,758	27,934,574
Capital grants and contributions	19,637,921		18,713,606	8,002,849	9,355,637
General Revenues:					
Taxes:					
Property taxes	89,490,700		87,092,991	87,063,509	83,178,993
Sales taxes	-	(2)	19,643,028	17,940,768	17,589,729
Other taxes	14,388,090	(1)	9,886,402	8,577,827	7,542,589
Grants and contributions not allocated to specific programs	48,501,241	(3)	34,896,500	35,089,989	34,821,809
Unrestricted investment earnings	3,487,813		1,760,922	3,525,811	5,095,019
Miscellaneous	184,682		11,435	137,987	-
Gain on sale of capital assets	81,638		249,007	-	-
Special items	-		17,096,131	-	-
Total	<u>\$642,992,113</u>		<u>\$662,041,692</u>	<u>\$608,802,092</u>	<u>\$588,181,496</u>

(1) During FY 2005, \$3.6 million of gross receipts were accounted for as other taxes instead of charges for services.

(2) County-wide additional 1/2 cent sales tax superseded the City-only 1/2 cent sales tax.

(3) Includes City's share of county-wide additional 1/2 cent sales tax of \$9.6 million, TDZ tax distribution of \$0.8 million and adjustment for portion of deferred revenue earned entity-wide of \$1.9 million.

CITY OF CHATTANOOGA, TENNESSEE

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Property Taxes	Other Local Taxes	Licenses and Permits	Inter- Governmental	Charges for Services	Fines, Forfeitures and Penalties	Investment Income	Miscellaneous	Total
1996	\$72,147,987	\$ 5,322,460	\$5,059,012	\$ 139,128,935	\$4,460,791	\$ 1,645,901	\$4,022,283	\$ 6,083,666	\$237,871,035
1997	66,725,268	16,505,914	5,315,140	146,431,963	4,686,720	1,760,268	4,178,729	5,828,088	251,432,090
1998	62,837,381	21,956,152	5,482,906	59,384,581	2,364,791	1,805,903	3,086,343	6,416,760	163,334,817
1999	63,927,435	22,938,301	5,593,174	62,245,526	2,640,477	2,143,025	3,258,820	9,660,580	172,407,338
2000	64,262,529	23,912,119	6,102,055	64,081,912	2,700,574	1,895,159	3,533,489	8,038,712	174,526,549
2001	66,868,120	24,131,228	6,133,506	58,682,200	2,744,292	1,825,737	3,217,133	6,326,147	169,928,363
2002	83,310,669	24,456,929	6,276,409	63,597,608	3,174,469	1,733,844	2,378,392	7,469,266	192,397,586
2003	87,247,361	25,658,605	6,649,684	66,535,808	3,250,348	1,427,540	2,289,983	7,579,341	200,638,670
2004	87,196,440	28,227,686	7,168,267	71,604,321	3,289,760	1,112,159	1,523,541	10,479,719	210,601,893
2005	89,684,568	14,194,310 (2)	4,092,969 (3)	84,821,126 (4)	3,916,340	1,410,642	2,209,234	12,165,622	212,494,802

Notes:

- (1) Includes general, special revenue, debt service, permanent, and capital projects funds.
- (2) County-wide additional 1/2 cent sales tax superseded the City-only 1/2 cent sales tax \$18.4 million reduction, gross receipts of \$3.6 million included.
- (3) During FY 2005, \$3.6 million of gross receipts were accounted for as other local taxes instead of licenses and permits.
- (4) Includes City's share of county-wide additional 1/2 cent sales tax of \$9.6 million and additional State and Federal grants of \$4.3 million for the 21st Century Waterfront development.

CITY OF CHATTANOOGA, TENNESSEE

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>General Government</u>	<u>Finance and Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Parks and Recreation</u>	<u>General Services</u>	<u>Education</u>	<u>Debt Services</u>	<u>Capital Outlay</u>	<u>Social Services</u>	<u>Total</u>
1996	\$ 17,578,266	\$ 4,806,407	\$ 38,863,226	\$ 13,587,704	\$ 8,853,506	\$ 10,324,153	\$ 98,716,585	\$ 6,839,092	\$ 23,774,426	\$ 14,969,700	\$ 238,313,065
1997	19,615,441	5,593,165	41,239,008	13,100,104	9,645,826	11,162,219	108,785,421	7,610,454	25,333,133	14,643,491	256,728,262
1998	26,751,553	5,101,425	43,300,303	12,505,996	9,795,435	11,799,661	-	8,175,752	21,513,790	17,109,854	156,053,769
1999	28,400,715	5,347,504	44,099,492	13,013,318	10,854,732	12,596,657	-	7,477,848	21,799,963	17,405,968	160,996,197
2000	28,793,205	5,420,736	49,282,463	16,340,771	12,071,498	12,366,425	-	7,232,436	22,361,690	19,269,739	173,138,963
2001	30,804,003	5,507,500	51,526,079	17,113,740	12,009,878	12,837,433	-	6,522,170	36,392,794	12,970,057	185,683,654
2002	38,339,495	8,231,570	55,079,995	23,365,928	12,710,408	4,804	-	8,393,234	25,285,966	18,823,259	190,234,659
2003	44,821,104	8,227,036	58,099,709	23,537,088	12,519,226	-	-	9,206,817	38,453,691	20,523,649	215,388,320
2004	43,499,604	8,194,419	61,349,815	29,818,717	12,176,589	-	-	10,893,823	43,377,200	25,735,022	235,045,189
2005	39,574,567 (2)	8,466,221	62,237,355	31,623,156	12,707,873	-	-	12,276,077	57,463,455	21,256,937	245,605,639

Notes:

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

(2) While there was only a nominal change in FY 2005 to General Government, there was a discontinued Education appropriation of \$8.4 million that was partially offset by increases in the SRC Lease payment (\$1.4 million), Internal Service (\$1.6 million) and inclusion of Animal Services (\$1 million).

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

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
1996	\$66,277,436	\$63,788,287	96.2%	\$2,273,018	\$66,061,305	99.7%	\$5,924,547	8.9%
1997	61,988,345	58,976,664	95.1%	2,498,964	61,475,628	99.2%	5,757,609	9.3%
1998	58,443,299	55,449,615	94.9%	2,930,520	58,380,135	99.9%	5,423,483	9.3%
1999	60,155,010	57,660,552	95.9%	2,574,338	60,234,890	100.1%	5,126,800	8.5%
2000	60,465,150	57,721,509	95.5%	2,139,956	59,852,775	99.0%	5,848,089	9.7%
2001	63,044,578	59,976,260	95.1%	2,495,293	62,471,553	99.1%	6,075,816	9.6%
2002	80,555,898	75,788,898	94.1%	2,764,167	78,553,065	97.5%	7,864,824	9.8%
2003	82,022,214	77,536,040	94.5%	3,611,273	81,147,313	98.9%	8,188,452	10.0%
2004	81,447,573	77,544,326	95.2%	3,986,961	81,531,287	100.1%	8,050,923	9.9%
2005	83,512,333	79,901,518	95.7%	3,579,990	83,481,508	99.9%	8,062,701	9.7%

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

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

Fiscal Year Ended June 30	Real Property (1)		Personal Property (2)		Public Utilities (3)		Total		Assessed to Total Estimated Actual Value
	Assessed Value (5)	Estimated Actual Value (5)	Assessed Value (5)	Estimated Actual Value (5)	Assessed Value (5)	Estimated Actual Value (5)	Assessed Value (5)	Estimated Actual Value (5)	
1996	\$ 1,764,147,467	\$ 5,421,140,894	\$ 308,318,501	\$ 1,027,728,337	\$ 151,604,715	\$ 275,644,936	\$ 2,224,070,683	\$ 6,724,514,167	33.07%
1997	1,797,441,847	5,523,206,725	344,984,883	1,149,949,610	153,432,945	278,968,991	2,295,859,675	6,952,125,326	33.02%
1998	1,987,416,146	6,147,138,482	381,056,931	1,270,189,770	161,516,615	293,666,573	2,529,989,692	7,710,994,825	32.81%
1999	2,031,602,544	6,284,950,419	407,967,358	1,359,891,193	164,540,123	299,163,860	2,604,110,025	7,944,005,472	32.78%
2000	2,075,650,791	6,420,828,988	382,030,624	1,273,435,413	159,854,460	290,644,473	2,617,535,875	7,984,908,874	32.78%
2001	2,126,364,954	6,569,990,348	406,302,688	1,354,342,293	196,521,415	357,311,664	2,729,189,057	8,281,644,305	32.78%
2002	2,498,277,473	7,779,159,444	482,782,728	1,609,275,760	220,670,376	401,218,865	3,201,730,577	9,789,654,070	32.71%
2003	2,572,574,393	7,998,826,954	459,250,379	1,530,834,597	228,198,584	414,906,516	3,260,023,356	9,944,568,067	32.78%
2004	2,614,130,284	8,166,665,310	421,375,610	1,524,120,058	201,678,042	366,687,349	3,237,183,936	10,057,472,717	32.19%
2005	2,678,934,635	8,389,227,050	429,448,247	1,551,326,377	210,866,286	383,393,247	3,319,249,168	10,323,946,674	32.15%

Notes:

- (1) The real property includes commercial and industrial property assessed at 40% and residential and farms assessed at 25% of the estimated actual value.
- (2) Personal property is assessed at 30% of the estimated actual value.
- (3) The Public Utilities assessments are made by the State of Tennessee for all counties and cities in the state. The Electric Power Board (EPB) and the Tennessee Valley Authority (TVA) are not included in these totals.
- (4) The estimated actual property values have not been adjusted for changes in market value. Amounts shown are calculated based on the known relationship between assessed values and actual values disregarding the fact that market value may have changed.
- (5) All assessments and estimated actual values are based on the initial levy and do not include any adjustments. The reduction in total assessments for FY 2004 is primarily due to a lawsuit by several utilities companies which resulted in a reclassification of underground pipelines from real property to personal property thereby subject to a 15% annual reduction.

CITY OF CHATTANOOGA, TENNESSEE

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

Fiscal Year Ended June 30	Tax Rates Per \$100 Assessed Value			Tax Levies		
	City	County	Total	City	County	Total
1996	\$2.700	\$3.223	\$5.923	\$66,277,436	\$100,264,781	\$166,542,217
1997	2.310	2.932	5.242	61,988,345	118,833,274	180,821,619
1998	2.310	2.932	5.242	58,443,299	121,892,101	180,335,400
1999	2.310	3.519	5.829	60,155,010	126,038,952	186,193,962
2000	2.310	3.519	5.829	60,465,150	127,944,083	188,409,233
2001	2.516	3.061	5.577	63,044,578	155,122,581	218,167,159
2002	2.516	3.061	5.577	80,555,898	160,557,203	241,113,101
2003	2.516	3.061	5.577	82,022,214	163,376,638	245,398,852
2004	2.516	3.061	5.577	81,447,573	165,234,549	246,682,122
2005	2.202	2.894	5.096	83,512,333	168,280,594	251,792,927

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

CITY OF CHATTANOOGA, TENNESSEE

PRINCIPAL TAXPAYERS

June 30, 2005

Taxpayer	2004 Assessment	Percent of Assessed Valuation	City Tax
Electric Power Board (Municipal Electric Utility)	\$124,863,417	3.76%	\$ 3,141,564
Tennessee Valley Authority (Office Leasing/Power)	83,187,958	2.51%	2,093,009
E.I. DuPont de Nemours and Company (Synthetic Yarns)	58,585,118	1.76%	1,474,002
CBL & Associates (Land Development/Leasing)	49,350,945	1.49%	1,241,670
BellSouth (Telecommunications Utility)	49,250,608	1.48%	1,239,145
Unum/Provident (Insurance/Leasing)	40,283,187	1.21%	1,013,525
Tennessee-American Water Company (Water Utility)	36,734,190	1.11%	924,232
Signal Mountain Cement Co. (Cement Manufacturer)	24,560,393	0.74%	617,939
Blue Cross Blue Shield (Insurance/Leasing)	24,197,344	0.73%	608,805
Kenco Group, Incorporated (Warehousing/Leasing)	<u>23,949,655</u>	<u>0.72%</u>	<u>602,573</u>
	<u>\$514,962,815</u>	<u>15.51%</u>	<u>\$12,956,464</u>

Source: City Treasurer

CITY OF CHATTANOOGA, TENNESSEE

HISTORICAL DEBT RATIOS
June 30, 2005

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Estimated population (1)	150,300	148,800	147,500	145,700	155,554	155,992	155,582	155,289	154,853
Appraised property valuation	\$ 6,952,125,326	\$ 7,710,994,825	\$ 7,944,005,472	\$ 7,984,908,874	\$ 8,281,644,305	\$ 9,789,654,070	\$ 9,944,568,067	\$ 10,057,472,717	\$ 10,323,946,674
Assessed property valuation	2,295,859,675	2,529,989,692	2,604,110,025	2,617,535,875	2,729,189,057	3,201,730,577	3,260,023,356	3,237,183,936	3,319,249,168
Gross indebtedness (2)	191,283,521	245,731,165	237,505,962	223,521,569	258,442,849	244,704,834	427,890,091	434,308,264	428,814,582
Less: Self-supporting indebtedness (3)	138,922,708	194,393,764	190,087,672	179,866,956	178,059,226	169,036,886	344,499,352	353,562,826	346,612,744
Debt Service Fund	8,802,830	7,126,274	2,566,687	2,671,606	4,163,307	5,497,083	4,988,142	5,222,704	6,471,929
Net direct indebtedness	43,557,983	44,211,127	44,851,603	40,983,007	76,220,316	70,170,865	78,402,597	75,522,734	75,729,909
Plus: Estimated net overlapping indebtedness	100,669,117	99,208,181	98,505,368	88,150,782	103,117,962	109,591,857	96,147,876	107,821,749	97,486,316
Net direct and overlapping indebtedness	\$ 144,227,100	\$ 143,419,308	\$ 143,356,971	\$ 129,133,789	\$ 179,338,278	\$ 179,762,722	\$ 174,550,473	\$ 183,344,483	\$ 173,216,225
Gross debt per capita	\$1,272.68	\$1,651.42	\$1,610.21	\$1,534.12	\$1,661.43	\$1,568.70	\$2,750.25	\$2,796.77	\$2,769.17
Net direct debt per capita	289.81	297.12	304.08	281.28	489.99	449.84	503.93	486.34	489.04
Net direct and overlapping debt per capita	959.59	963.84	971.91	886.30	1,152.90	1,152.38	1,121.92	1,180.67	1,118.58
Gross debt to appraised valuation	2.75%	3.19%	2.99%	2.80%	3.12%	2.50%	4.30%	4.32%	4.15%
Net direct debt to appraised valuation	.63%	.57%	.56%	.51%	.92%	.72%	.79%	.75%	.73%
Net direct debt and overlapping debt to appraised valuation	2.07%	1.86%	1.80%	1.62%	2.17%	1.84%	1.76%	1.82%	1.68%
Gross debt to assessed valuation	8.33%	9.71%	9.12%	8.54%	9.47%	7.64%	13.13%	13.42%	12.92%
Net direct debt to assessed valuation	1.90%	1.75%	1.72%	1.57%	2.79%	2.19%	2.40%	2.33%	2.28%
Net direct and overlapping debt to assessed valuation	6.28%	5.67%	5.51%	4.93%	6.57%	5.61%	5.35%	5.66%	5.22%

(1) Population figures for all years are estimates.

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

<u>Fiscal Year Ended June 30</u>	<u>Bond Principal</u>	<u>Bond Interest & Fiscal Charges (2)</u>	<u>Total Debt Service Expenditures</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1996	\$4,295,735	\$2,543,357	\$ 6,839,092	\$238,313,065	2.9%
1997	4,719,181	2,891,273	7,610,454	256,728,262	3.0%
1998	5,233,898	2,941,854	8,175,752	156,053,769	5.2%
1999	4,852,826	2,625,022	7,477,848	160,996,197	4.6%
2000	4,750,143	2,482,293	7,232,436	173,138,963	4.2%
2001	4,226,180	2,295,990	6,522,170	185,683,654	3.5%
2002	4,658,954	3,734,280	8,393,234	190,234,659	4.4%
2003	4,753,112	4,404,436	9,157,548	215,388,320	4.3%
2004	4,725,541	6,168,282	10,893,823	235,045,189	4.6%
2005	4,894,551	6,077,360	10,971,911	245,605,641	4.5%

Notes:

- (1) General obligation bonds reported in the Enterprise Funds have been excluded.
- (2) Bond interest includes the interest paid on general obligation bonds and bond anticipation notes.

CITY OF CHATTANOOGA, TENNESSEE

COMPUTATION OF DIRECT AND OVERLAPPING INDEBTEDNESS
Year Ended June 30, 2005

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
Direct:			
City of Chattanooga	\$ 75,729,909	100.0000%	\$ 75,729,909
Overlapping:			
Hamilton County	<u>161,739,881</u>	60.2735%	<u>97,486,316</u>
Total	<u>\$237,469,790</u>		<u>\$173,216,225</u>

CITY OF CHATTANOOGA, TENNESSEE
 COMPUTATION OF DEBT LIMIT AND LEGAL DEBT MARGIN
 Year Ended June 30, 2005

Debt limit (10% of assessed valuation)	<u>\$331,924,917</u>
Gross Indebtedness:	
General obligation bonds outstanding	250,705,000
Notes and Capital Leases Payable	<u>178,109,582</u>
Gross indebtedness	<u>428,814,582</u>
Less self-supporting indebtedness for general obligation bonds:	
CDRC Capital Lease	115,925,472
Interceptor Sewer System	127,396,823
Solid Waste/Sanitation Fund	26,041,104
Storm Water Fund	17,622,338
Hotel/Motel Debt	55,174,987
Fannie Mae Loan (CDBG)	1,534,829
800 MHz Equipment Capital Lease	<u>2,917,191</u>
	<u>346,612,744</u>
Gross direct indebtedness	82,201,838
Less: Debt Service Fund balance	<u>6,471,929</u>
Debt subject to debt limitation	<u>75,729,909</u>
Net legal debt margin	<u><u>\$256,195,008</u></u>
Percentage of direct legal debt exhausted	<u><u>22.82%</u></u>

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

Calendar Year (1)	Commercial Construction (2)		Residential Construction (2)		Property Value (3)		
	Number of Permits	Value	Number of Permits	Value	Commercial	Residential	Public Utilities
1995	749	\$ 152,369,585	1,360	\$ 63,336,445	\$ 2,758,077,658	\$ 2,663,063,236	\$ 275,644,936
1996	789	214,356,906	1,465	75,164,190	2,815,608,289	2,707,598,436	278,968,991
1997	834	151,458,193	1,509	85,398,111	3,041,450,294	3,105,688,188	293,666,573
1998	822	212,851,146	1,516	73,308,479	3,109,414,963	3,175,535,456	299,163,860
1999	762	219,143,098	1,501	84,969,747	3,180,873,852	3,239,955,136	290,644,473
2000	751	180,763,204	1,670	102,825,961	3,268,879,764	3,301,110,584	357,311,664
2001	776	227,505,416	1,667	138,229,339	3,741,924,004	4,037,235,440	401,218,865
2002	699	181,501,415	1,631	106,428,336	3,870,576,614	4,128,250,340	414,906,516
2003	744	178,242,350	1,852	167,286,482	3,924,888,157	4,215,018,920	366,687,349
2004	690	226,955,234	1,810	120,703,243	4,026,000,322	4,313,292,300	383,393,247

Notes:

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

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

Fiscal Year	Gross Revenue (Note A)	Expenses (Note B)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
Primary Government:							
EPB							
1996	\$ 311,940,000	\$ 296,020,000	\$ 15,920,000	\$ -	\$ -	\$ -	\$ -
1997	292,026,000	277,576,000	14,450,000	-	-	-	-
1998	332,613,000	307,581,000	25,032,000	-	-	-	-
1999	336,984,000	314,757,000	22,227,000	-	-	-	-
2000	345,998,000	326,700,000	19,298,000	-	-	-	-
2001	362,105,000	341,852,000	20,253,000	-	1,003,400	1,003,400	20.18
2002	348,852,000	331,164,000	17,688,000	1,600,000	1,966,800	3,566,800	4.96
2003	365,066,000	348,677,000	16,389,000	1,600,000	1,886,800	3,486,800	4.70
2004	378,322,000	358,158,000	20,164,000	1,600,000	1,812,000	3,412,000	5.91
2005	374,595,000	354,995,000	19,600,000	1,600,000	1,740,800	3,340,800	5.87
Component Unit:							
METROPOLITAN AIRPORT AUTHORITY							
1996	5,147,790	3,253,459	1,894,331	212,500	976,646	1,189,146	1.59
1997	5,456,099	3,277,908	2,178,191	225,000	985,062	1,210,062	1.80
1998	5,820,799	3,423,511	2,397,288	237,275	947,711	1,184,986	2.02
1999	6,319,120	4,304,545	2,014,575	252,274	931,391	1,183,665	1.70
2000	6,547,743	4,354,853	2,192,890	268,108	914,051	1,182,159	1.85
2001	8,841,283	4,531,107	4,310,176	268,107	892,086	1,160,193	3.72
2002	12,354,844	4,965,332	7,389,512	11,836,149	104,322	11,940,471	0.62
2003	10,246,713	5,053,938	5,192,775	575,000	253,633	828,633	6.27
2004	11,250,320	4,992,992	6,257,328	505,000	193,453	698,453	8.96
2005	12,150,229	5,235,867	6,914,362	1,150,000	216,692	1,366,692	5.06
CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION							
2001	9,653,532	4,105,053	5,548,479	-	3,599,488	3,599,488	1.54
2002	17,977,555	9,848,050	8,129,505	-	7,198,975	7,198,975	1.13
2003	17,728,790	10,382,510	7,346,280	-	7,198,975	7,198,975	1.02
2004	20,670,173	10,025,003	10,645,170	-	7,198,975	7,198,975	1.48
2005	18,354,880	12,216,807	6,138,073	-	7,198,975	7,198,975	0.85

Note A Includes operating and nonoperating revenue.

Note B Total expenses exclusive of depreciation and bond interest.

CITY OF CHATTANOOGA, TENNESSEE
SALARIES AND FIDELITY BONDS OF PRINCIPAL OFFICIALS
Year Ended June 30, 2005

Official	Description	Annual Salary	Fidelity Bonds
Ronald C. Littlefield	Mayor	\$ 133,849	\$ 10,000
Linda Bennett	Councilwoman, District 1	20,077	10,000
Sally L. Robinson Chairman	Councilwoman, District 2	25,077	10,000
Dan B. Page	Councilman, District 3	20,077	10,000
W. Jack Benson, Sr.	Councilman, District 4	20,077	10,000
John P. Franklin, Jr.	Councilman, District 5	20,077	10,000
Marti Rutherford	Councilwoman, District 6	20,077	10,000
Manuel Rico	Councilman, District 7	20,077	10,000
Leamon Pierce Vice-Chairman	Councilman, District 8	22,577	10,000
Yusuf A. Hakeem	Councilman, District 9	20,077	10,000
Daisy W. Madison	Administrator, City Treasurer, and City Finance Officer	108,489	550,000
Randall L. Nelson	City Attorney	109,134	10,000

CITY OF CHATTANOOGA, TENNESSEE

INSURANCE COVERAGE

Year Ended June 30, 2005

PUBLIC BUILDINGS	
Fire, extended coverage, vandalism, and malicious mischief	\$ 291,291,675
CHATTANOOGA PUBLIC LIBRARIES	
Fire, extended coverage, vandalism, and malicious mischief (80% coinsurance)	31,247,258
Automobile liability	1,000,000
Flood	10,535,900
Earthquake	10,000,000
General liability	1,000,000
Employee dishonesty	125,000
Equipment	494,040
Director and officer	1,000,000
HUMAN SERVICES	
General liability	1,000,000
Fire, extended coverage, vandalism, and malicious mischief (80% coinsurance)	4,551,535
Employee dishonesty	1,100,000
Automobile liability	1,000,000
AIR POLLUTION CONTROL BOARD	
General liability	2,000,000
Property damage (90% coinsurance)	500,000
Automobile liability	1,000,000
Public official and employee liability	1,000,000
Equipment (80% coinsurance)	429,044
Employee dishonesty	100,000
Workers compensation	500,000

CITY OF CHATTANOOGA, TENNESSEE

DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Per Capita Income (1)</u>	<u>Median Age (1)</u>	<u>Unemployment Rate (2)</u>
1995	151,600	\$14,613	37.1	4.9%
1996	150,300	15,366	36.6	4.6%
1997	148,800	15,943	36.9	5.0%
1998	147,500	16,381	38.2	4.0%
1999	145,700	24,622	37.5	3.5%
2000	155,554	26,228	37.4	3.0%
2001	155,992	26,781	37.1	3.2%
2002	155,582	27,213	37.2	3.8%
2003	155,289	27,603	37.1	3.5%
2004	154,853	28,813	36.8	4.4%

(1) Source: U.S. Census Bureau

(2) Source: Tennessee Department of Employment Security

CITY OF CHATTANOOGA, TENNESSEE
 MISCELLANEOUS STATISTICAL DATA
 June 30, 2005

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

Miles of Streets:

	<u>City</u>	<u>County</u>
Paved	1,100	2,389
Unpaved	-	-

Building Permits:

<u>Calendar Year</u>	<u>Number Issued</u>	<u>Value of Permits*</u>
1995	2,109	\$215,706,030
1996	2,254	289,521,096
1997	2,343	236,856,304
1998	2,338	286,159,625
1999	2,263	304,112,845
2000	2,421	283,589,165
2001	2,443	365,734,755
2002	2,330	287,929,751
2003	2,596	345,528,832
2004	2,500	347,658,477

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

Source: City Building Inspection Department

Education**

Public

Elementary	46
Middle	14
Middle thru High	6
Senior High	11
Kindergarten through Twelve	1

Private

Parochial	18
Elementary	11
Preparatory	3

**Source: Hamilton County Department of Education

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

MISCELLANEOUS STATISTICAL DATA

June 30, 2005

(continued from previous page)

Elections (County-Wide):

176,671 registered voters
 132,272 votes cast in last election
 77.70% registered voters voting

Population - Official U.S. Census:

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

Recreation:

Number of parks	50
Public and private golf courses	11
Recreation centers	15
Supervised summer playgrounds	9
Ball fields	55
Public and private tennis courts	74
Public swimming pools	4
Theaters	13
Bowling alleys	3

Libraries:

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

Public Safety:

	<u>Fire</u>	<u>Police</u>
Sworn officers	400	472
Civilians:		
Part-time School Patrol		33
Full-time School Patrol		1
All other	<u>18</u>	<u>162</u>
Total Public Safety	<u>418</u>	<u>668</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

MISCELLANEOUS STATISTICAL DATA

June 30, 2005

(continued from previous page)

Utilities:

	<u>User Class</u>	<u>Number of Customers</u>	<u>Rate Structure</u>
Electric Power Board*	Residential	141,120	\$0.0667 per kilowatt-hour
	Small Commercial and Power	20,267	0.0747 per kilowatt-hour
	Large Commercial and Power	3,234	0.0562 per kilowatt-hour
	Outdoor Lighting	139	0.0877 per kilowatt-hour
Interceptor Sewer System (based on water used)	First 100,000 gallons		\$4.04 per 1,000 gallons
	Next 650,000 gallons		2.99 per 1,000 gallons
	Next 1,250,000 gallons		2.42 per 1,000 gallons
	Next 30,000,000 gallons		1.79 per 1,000 gallons
	Over 32,000,000 gallons		1.56 per 1,000 gallons
Average Income Level:		<u>City</u>	<u>County</u>
Per capita**		\$28,813	\$32,365
Per family***		42,930	49,890

*Source: Electric Power Board.

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

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

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
U.S. DEPARTMENT OF AGRICULTURE							
Passed through Tennessee Department of Agriculture:							
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-04-109318	\$ (7,818)	\$ 35,975	\$ 28,157	\$ -	\$ -
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-05-024495	-	17,718	70,435	-	(52,717)
Total Emergency Food Assistance Program			(7,818)	53,693	98,592	-	(52,717)
Emergency Food Assistance Program (Food Commodities - Noncash)	10.569	N/A	-	243,730	243,730	-	-
Passed through Tennessee Department of Human Services:							
Child and Adult Care Food Program	10.558	03-47-55915-00-8	(42,829)	317,512	314,840	-	(40,157)
Child and Adult Care Food Program	10.558	03-47-56136-00-6	(14,391)	80,742	75,568	-	(9,217)
Child and Adult Care Food Program	10.558	03-47-60076-00-9	(1,136)	8,902	7,766	-	-
Total Child and Adult Care Food Program			(58,356)	407,156	398,174	-	(49,374)
Summer Food Service Program for Children	10.559	DA-04-00069-00	(366,549)	366,549	187,493	187,493	-
Summer Food Service Program for Children	10.559	30-010	-	360,397	628,027	-	(267,630)
Total Summer Food Service Program for Children			(366,549)	726,946	815,520	187,493	(267,630)
Total U.S. Department of Agriculture			(432,723)	1,431,525	1,556,016	187,493	(369,721)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Lower Income Housing Assistance Program	14.156	UPG01TN01437	(122,742)	122,742	-	-	-
Community Development Block Grants/Entitlement Grants	14.218	B02MC47001	(238,121)	205,730	-	32,391	-
Community Development Block Grants/Entitlement Grants	14.218	B03MC47001	-	2,070,485	2,070,485	-	-
Community Development Block Grants/Entitlement Grants	14.218	B04MC47001	-	113,864	325,555	-	(211,691)
Community Development Block Grants/Entitlement Grants	14.218	Program Income	356,417	1,140,227	1,350,557	(146,087)	-
Total Community Development Block Grants/Entitlement Grants			118,296	3,530,306	3,746,597	(113,696)	(211,691)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Emergency Shelter Grants Program (ESG)	14.231	S03MC47003	\$ (900)	\$ 5,700	\$ 4,800	\$ -	\$ -
Emergency Shelter Grants Program (ESG)	14.231	S04MC47003	-	38,356	56,402	-	(18,046)
Total Emergency Shelter Grants Program (ESG)			(900)	44,056	61,202	-	(18,046)
Shelter Plus Care	14.238	TN37C931017	(20,593)	36,519	15,926	-	-
Shelter Plus Care	14.238	TN37C400010	-	-	39,972	-	(39,972)
Total Shelter Plus Care			(20,593)	36,519	55,898	-	(39,972)
Home Investment Partnerships Program	14.239	M03MC470200	(52,293)	235,859	183,666	-	(100)
Home Investment Partnerships Program	14.239	Program Income	230,025	811,399	915,931	(125,493)	-
Total Home Investment Partnerships Program			177,732	1,047,258	1,099,597	(125,493)	(100)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B01SPTN0590	-	-	298,939	-	(298,939)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B02SPTN0685	(54,781)	61,507	222,458	-	(215,732)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B03SPTN0735	-	-	39,013	-	(39,013)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B03SPTN0748	-	-	483,722	-	(483,722)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B04SPTN0755	-	497,050	497,050	-	-
Total Community Development Bock Grants/ Brownfields Economic Development Initiative			(54,781)	558,557	1,541,182	-	(1,037,406)
Fair Housing Initiatives Program	14.408	FH400G03042	(23,834)	80,000	56,166	-	-
Total U.S. Department of Housing and Urban Development			73,178	5,419,438	6,560,642	(239,189)	(1,307,215)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
U.S. DEPARTMENT OF JUSTICE							
State Domestic Preparedness Equipment Support Program	16.007	2003-TE-CX-0003	\$ 169,028	\$ 107,553	\$ 153,719	\$ (166,792)	\$ (43,930)
Passed through Tennessee Department of Finance and Administration:							
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088379-00	(10,149)	50,149	40,000	-	-
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088380-00	(3,021)	9,777	11,134	(1,192)	(5,570)
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088436-00	-	10,634	14,617	-	(3,983)
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088471-00	-	25,383	42,458	-	(17,075)
Total Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program			<u>(13,170)</u>	<u>95,943</u>	<u>108,209</u>	<u>(1,192)</u>	<u>(26,628)</u>
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-0905	159,770	-	159,770	-	-
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0968	218,517	-	147,193	-	71,324
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-1212	-	169,040	84,512	-	84,528
Total Local Law Enforcement Block Grants Program			<u>378,287</u>	<u>169,040</u>	<u>391,475</u>	<u>-</u>	<u>155,852</u>
Public Safety Partnership and Community Policing Grants (COPS)	16.710	2001CKWX0106	(580,229)	911,075	330,846	-	-
Public Safety Partnership and Community Policing Grants (COPS)	16.710	2002CKWX0005	(4,649)	73,484	77,913	-	(9,078)
Total Public Safety Partnership and Community Policing Grants (COPS)			<u>(584,878)</u>	<u>984,559</u>	<u>408,759</u>	<u>-</u>	<u>(9,078)</u>
Total U.S. Department of Justice			<u>(50,733)</u>	<u>1,357,095</u>	<u>1,062,162</u>	<u>(167,984)</u>	<u>76,216</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	STP-EN-9202 (85)	\$ (976,971)	\$ 4,111,598	\$ 4,499,921	\$ -	\$ (1,365,294)
Highway Planning and Construction	20.205	STP-M-9202 (86)	(1,678)	829,302	1,046,081	-	(218,457)
Highway Planning and Construction	20.205	Z-04-019870-00	(55,881)	182,102	126,221	-	-
Highway Planning and Construction	20.205	Z-05-024242-00	-	185,860	315,687	-	(129,827)
Passed through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	PL-0005-00-860	(46,701)	56,457	9,756	-	-
Highway Planning and Construction	20.205	PL-0005-00-995	-	56,906	61,088	-	(4,182)
Total Highway Planning and Construction			<u>(1,081,231)</u>	<u>5,422,225</u>	<u>6,058,754</u>	<u>-</u>	<u>(1,717,760)</u>
Federal Transit: Metropolitan Planning Grants	20.505	GG-04-01692-00	(5,784)	30,867	50,438	-	(25,355)
Federal Transit: Metropolitan Planning Grants	20.505	GG-04-10626-00	(16,730)	60,416	43,686	-	-
Federal Transit: Metropolitan Planning Grants	20.505	GG-05-11659-00	-	39,591	39,591	-	-
Total Federal Transit: Metropolitan Planning Grants			<u>(22,514)</u>	<u>130,874</u>	<u>133,715</u>	<u>-</u>	<u>(25,355)</u>
Passed through Tennessee Department of Transportation:							
State and Community Highway Safety	20.600	Z-05-024125-00	-	71,945	106,632	-	(34,687)
Total U.S. Department of Transportation			<u>(1,103,745)</u>	<u>5,625,044</u>	<u>6,299,101</u>	<u>-</u>	<u>(1,777,802)</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed through Tennessee Libraries and Archives:							
State Library Program	45.310	GG-01-09207-01	-	995	995	-	-
State Library Program	45.310	Z-04-021847.00	-	30,988	30,988	-	-
State Library Program	45.310	Z-04-021059.00	-	35,000	35,000	-	-
State Library Program	45.310	GG-05-11446-00	-	82,125	82,125	-	-
Total Institute of Museum and Library Services			<u>-</u>	<u>149,108</u>	<u>149,108</u>	<u>-</u>	<u>-</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Surveys, Studies, Investigations and Special Purpose Grants	66.606	A00408404-1	\$ -	\$ 316,648	\$ 316,648	\$ -	\$ -
Surveys, Studies, Investigations and Special Purpose Grants	66.606	PM97475803	-	111,475	111,475	-	-
Total Surveys, Studies, Investigations and Special Purpose Grants			-	428,123	428,123	-	-
Total U.S. Environmental Protection Agency			-	428,123	428,123	-	-
U.S. DEPARTMENT OF ENERGY							
Passed through Tennessee Department of Human Services:							
Weatherization Assistance for Low-Income Persons	81.042	Z-04-016057-00	(141,128)	141,128	-	-	-
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-02	-	131,305	194,085	-	(62,780)
Total Weatherization Assistance for Low-Income Persons			(141,128)	272,433	194,085	-	(62,780)
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Emergency Food and Shelter National Board Program	83.523	22-7682-00	(14,327)	14,327	-	-	-
Emergency Food and Shelter National Board Program	83.523	23-7682-00	-	32,347	24,691	-	7,656
Total Federal Emergency Management Agency			(14,327)	46,674	24,691	-	7,656
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Head Start	93.600	04CH0047/27	(391,411)	391,411	-	-	-
Head Start	93.600	04CH0047/28	-	6,895,408	7,324,573	-	(429,165)
Total Head Start			(391,411)	7,286,819	7,324,573	-	(429,165)
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance (LIHEAP)	93.568	Z-04-016035-00	(33,673)	33,673	-	-	-
Low-Income Home Energy Assistance (LIHEAP)	93.568	Z-05-021693-02	-	1,075,007	1,166,064	-	(91,057)
Total Low-Income Home Energy Assistance (LIHEAP)			(33,673)	1,108,680	1,166,064	-	(91,057)
Community Services Block Grant (CSBG)	93.569	Z-04-015764-01	(53,615)	53,615	-	-	-
Community Services Block Grant (CSBG)	93.569	Z-05-020686-01	-	517,139	598,533	-	(81,394)
Total Community Services Block Grant (CSBG)			(53,615)	570,754	598,533	-	(81,394)
Total U.S. Department of Health and Human Services			(478,699)	8,966,253	9,089,170	-	(601,616)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE							
Foster Grandparent Program	94.011	02-SFSTN022	\$ (13,562)	\$ 13,562	\$ -	\$ -	\$ -
Foster Grandparent Program	94.011	04-SFSTN003	-	388,326	422,558	-	(34,232)
Total Corporation for National and Community Services			(13,562)	401,888	422,558	-	(34,232)
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed Through Tennessee Emergency Management Agency							
Public Assistance Grants	97.036	Z-03-017837-00	(51,081)	-	69,596	-	(120,677)
Public Assistance Grants	97.036	Z-05-024714-00	-	528,680	528,680	-	-
Public Assistance Grants	97.036	Z-05-024713-00	-	82,944	88,640	-	(5,696)
Total Public Assistance Grants			(51,081)	611,624	686,916	-	(126,373)
Hazard Mitigation	97.039	GG-05-11612-00	-	-	532,861	-	(532,861)
Total U.S. Department of Homeland Security			(51,081)	611,624	1,219,777	-	(659,234)
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			<u>(2,212,820)</u>	<u>24,709,205</u>	<u>27,005,433</u>	<u>(219,680)</u>	<u>(4,728,728)</u>
Component Units							
Chattanooga Area Regional Transportation Authority (CARTA)							
U.S. DEPARTMENT OF TRANSPORTATION							
Federal Transit Cluster:							
Federal Transit - Capital Investment Grants	20.500	TN-03-0070	-	426,315	426,315	-	-
Passed through Tennessee Department of Transportation:							
Federal Transit - Capital Investment Grants	20.500	TN-03-0067	-	17,312	17,312	-	-
Federal Transit - Capital Investment Grants	20.500	TN-03-0051	-	38,587	38,587	-	-
Total Federal Transit - Capital Investment Grants			-	482,214	482,214	-	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Federal Transit - Formula Grants	20.507	TN-90-X204	\$ -	\$ 404,372	\$ 404,372	\$ -	\$ -
Federal Transit - Formula Grants	20.507	TN-26-0020	-	366,090	366,090	-	-
Federal Transit - Formula Grants	20.507	TN-90-X215	-	1,914,345	1,914,345	-	-
Total Federal Transit - Formula Grants			-	2,684,807	2,684,807	-	-
Total Federal Transit Cluster			-	3,167,021	3,167,021	-	-
Job Access - Reverse Commute	20.516	TN-37-X021	(35,817)	393,687	389,140	-	(31,270)
Job Access - Reverse Commute	20.516	TN-37-X009	(15,585)	15,585	-	-	-
Total Job Access - Reverse Commute			(51,402)	409,272	389,140	-	(31,270)
Total Expenditures of Federal Awards - CARTA			(51,402)	3,576,293	3,556,161	-	(31,270)
Awards Audited by Other Auditors							
Chattanooga Metropolitan Airport Authority							
U.S. DEPARTMENT OF TRANSPORTATION							
Airport Improvement Program	20.106	3-47-0009-22	-	167,879	167,879	-	-
Airport Improvement Program	20.106	3-47-0009-28	(258,097)	1,382,949	1,136,048	-	(11,196)
Airport Improvement Program	20.106	3-47-0009-29	(14,737)	1,374,086	1,438,672	-	(79,323)
Airport Improvement Program	20.106	3-47-0009-30	(161,093)	301,616	140,523	-	-
Airport Improvement Program	20.106	3-47-0009-31	-	284	284	-	-
Airport Improvement Program	20.106	3-47-0009-32	-	527,957	561,836	-	(33,879)
Airport Improvement Program	20.106	3-47-0009-33	(119,906)	354,744	423,542	-	(188,704)
Airport Improvement Program	20.106	3-47-0009-34	-	4,750	4,750	-	-
Airport Improvement Program	20.106	3-47-0009-37	-	-	66,500	-	(66,500)
Total Expenditures of Federal Awards - Component Unit Audited by Other Auditors			(553,833)	4,114,265	3,940,034	-	(379,602)
TOTAL EXPENDITURES OF FEDERAL AWARDS - COMPONENT UNITS			(605,235)	7,690,558	7,496,195	-	(410,872)
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			(2,818,055)	32,399,763	34,501,628	(219,680)	(5,139,600)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
STATE AWARDS							
Tennessee Department of Transportation:							
Transportation Enhancement Program		STP-EN-9202(76)	\$ -	\$ 34,493	\$ 34,493	\$ -	\$ -
University Greenway		STP-EN-3300(42)	-	-	405,987	-	(405,987)
Tennessee Housing Development Agency:							
THDA Entitlement - CNE Project		Program Income	(15,863)	150,830	73,878	162,344	223,433
Tennessee Wildlife Resource Agency:							
Pumpout Station		N/A	-	100,000	170,375	-	(70,375)
Floating Docks		N/A	-	-	35,000	-	(35,000)
Boating Infrastructure		N/A	-	-	92,500	-	(92,500)
Clean Stram Grant		Z-03-014713	-	960	960	-	-
Tennessee Department of Environment and Conservation:							
Household Hazardous Waste		GG-04-10546-00	(85,000)	85,000	-	-	-
Household Hazardous Waste		GG-05-11117-00	-	-	85,000	-	(85,000)
Highland Park Survey		GG-05-11585-00	-	-	5,586	-	(5,586)
Northshore Wetlands Park Education Pavillion		Z-05-022828-00	-	-	79,590	-	(79,590)
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT			<u>(100,863)</u>	<u>371,283</u>	<u>983,369</u>	<u>162,344</u>	<u>(550,605)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Component Units							
Chattanooga Area Regional Transportation Authority (CARTA)							
Tennessee Department of Transportation:							
State funding for TN-26-0020		GG-0310136	\$ (5,063)	\$ 39,485	\$ 45,365	\$ -	\$ (10,943)
State funding for TN-03-0051		GG-0108905	(3,339)	8,132	4,793	-	-
State funding for TN-37-X009		GG-0209299	(70,533)	70,533	-	-	-
State funding for TN-03-0042		GG-0511539	-	172,998	239,293	-	(66,295)
State funding for TN-37-X021		GG-0410492	(1,897)	69,723	93,393	-	(25,567)
State funding for TN-03-0067		GG-0410420	(4,293)	5,767	2,164	-	(690)
State funding for TN-03-0070		GG-0410542	(16,686)	69,975	53,289	-	-
State funding for TN-90-X204		GG-0410426	(65,074)	115,858	50,784	-	-
State Operating		GG-0511491	-	<u>1,516,392</u>	<u>1,816,355</u>	-	<u>(299,963)</u>
Total Expenditures of State Awards - CARTA			<u>(166,885)</u>	<u>2,068,863</u>	<u>2,305,436</u>	-	<u>(403,458)</u>
<u>Awards Audited by Other Auditors</u>							
Chattanooga Metropolitan Airport Authority							
Airport Improvement Program		33-555-0180-04	(3,155)	-	11,146	-	(14,301)
Airport Improvement Program		33-555-0783-04	-	34,313	34,313	-	-
Airport Improvement Program		33-555-0274-04	-	77,004	77,004	-	-
Airport Improvement Program		33-555-0162-04	(161,094)	-	(15,969)	-	(145,125)
Airport Improvement Program		33-555-0173-04	(181,398)	-	70,921	-	(252,319)
Airport Improvement Program		33-555-0767-04	(460)	-	-	-	(460)
Airport Improvement Program		33-555-0179-04	-	-	14,785	-	(14,785)
Airport Improvement Program		N/A	-	-	1,750	-	(1,750)
Airport Improvement Program		N/A	(10,650)	-	79,245	-	(89,895)
Airport Improvement Program		N/A	-	-	15	-	(15)
Airport Improvement Program		N/A	-	-	<u>125</u>	-	<u>(125)</u>
Total Expenditures of State Awards - Component Unit Audited by Other Auditors			<u>(356,757)</u>	<u>111,317</u>	<u>273,335</u>	-	<u>(518,775)</u>
TOTAL EXPENDITURES OF STATE AWARDS - COMPONENT UNITS			<u>(523,642)</u>	<u>2,180,180</u>	<u>2,578,771</u>	-	<u>(922,233)</u>
TOTAL EXPENDITURES OF STATE AWARDS - REPORTING ENTITY			<u>(624,505)</u>	<u>2,551,463</u>	<u>3,562,140</u>	<u>162,344</u>	<u>(1,472,838)</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS - REPORTING ENTITY			<u>\$ (3,442,560)</u>	<u>\$ 34,951,226</u>	<u>\$ 38,063,768</u>	<u>\$ (57,336)</u>	<u>\$ (6,612,438)</u>

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2005

Note 1. Basis of Presentation

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

Note 2. Program Income

Cash receipts for the Community Development Block Grant (CFDA 14.218) and HOME Investment Partnerships Program (CFDA 14.239) include program income of \$1,140,227 and \$811,399, respectively.

Note 3. Accrual Adjustment

The accompanying schedule of expenditures of federal and state awards includes a restatement of beginning accrued/deferred grant revenue of \$7,818 and \$132,506 related to Emergency Food Assistance Program (CFDA 10.568) and Community Development Block Grants/Entitlement Grants (CFDA 14.218). These amounts were not included as ending accrued/deferred grant revenue on the prior year schedule.

Note 4. Other Adjustments

Other adjustments to the schedule of expenditures of federal and state awards include the following:

Summer Food Service Program for Children CFDA 10.559

As reported in Finding 2005-1, the City of Chattanooga Department of Human Services incurred questioned costs related to the 2004 Summer Food Service Program during fiscal year 2005. This amount represents the amount due to Tennessee Department of Human Services (TDHS). This amount is accrued as a liability in the applicable fund at June 30, 2005. This amount was repaid to the TDHS in October, 2005.

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2005

Note 4. Other Adjustments (continued)

Community Development Block Grants/
Entitlement Grants (CDBG) CFDA 14.218

Home Investment Partnership Program (HOME) CFDA 14.239

As reported in Findings 2005-4 and 2005-5, the City of Chattanooga Office of Economic and Community Development recorded large adjustments to both the CDBG and HOME grants in the current year. These adjustments were both related to program income. In addition, an adjustment of \$32,391 was also necessary to correct accruals related to the CDBG grant.

Edward Byrne Memorial State and Local
Law Enforcement Assistance
Discretionary Grants Program CFDA 16.580

Department of Justice monitoring during fiscal year 2005 revealed non-reimbursable expenditures of \$1,192. The City repaid this amount during fiscal year 2005 which required an adjustment to the grant.

State Domestic Preparedness Equipment
Support Program CFDA 16.007

Department of Justice monitoring during fiscal year 2005 revealed grant funds were requested in advance for a reimbursement grant. Funds were returned to the Department of Justice which required an adjustment to the grant.

Tennessee Housing Development Agency State award

During a reconciliation of program income during fiscal year 2005, it was noted that an adjustment was needed to properly reflect deferred grant revenue at June 30, 2005. The City began listing this program income on the grant schedule in fiscal year 2003. This adjustment was related to program income prior to 2003.

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2005

Note 5. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$3,349,122
Emergency Shelter Grants Program	14.231	61,202
Home Investment Partnerships Program	14.239	1,099,597
Community Development Block Grants/ Brownfields Economic Initiative	14.246	39,013

Note 6. Other Cash Receipts

Not included on the accompanying schedule of expenditures of federal and state awards are cash receipts of \$24,371 from the Department of Justice. This amount was reimbursed to the City during fiscal year 2005 for expenditures incurred several years ago.

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With Government Auditing Standards

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

We have audited the financial statements of the City of Chattanooga, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 21, 2005. We did not audit the financial statements of the Chattanooga Metropolitan Airport Authority. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for Chattanooga Metropolitan Airport Authority, was based solely on the work of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Chattanooga's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated October 21, 2005.

Compliance and Other Matters

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

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

Haylett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
October 21, 2005

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

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

Compliance

We have audited the compliance of the City of Chattanooga, Tennessee, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. We did not audit the compliance of the Chattanooga Metropolitan Airport Authority whose federal and state financial assistance is \$4,213,369. The report of the other auditors on compliance with the requirements applicable to major programs has been furnished to us, and our opinion on compliance with those requirements, insofar as it relates to the amounts included for the Chattanooga Metropolitan Airport Authority was based solely on the report of the other auditors. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in Findings 2005-1 and 2005-4 in the accompanying schedule of findings and questioned costs, the City of Chattanooga, Tennessee did not comply with requirements regarding 1) allowable costs that are applicable to the Summer Food Service Program for Children and 2) program income applicable to Community Development Block Grants. Compliance with such requirements is necessary, in our opinion, for the City of Chattanooga, Tennessee to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Chattanooga, Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention that relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Chattanooga's ability to administer a major program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 2005-1, 2005-2, 2005-3, 2005-4 and 2005-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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

Haylett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
October 21, 2005

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Reportable conditions identified that are not considered to be material weaknesses? yes no

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.559	U.S. Department of Agriculture: Summer Food Service Program for Children (SFSP)
14.218	U.S. Department of Housing and Urban Development: Community Development Block Grants/Entitlement Grants Home Investment Partnerships Program
14.239	
14.246	
20.106	U.S. Department of Transportation: Airport Improvement Program
20.205	
20.500	Federal Transit Cluster: Federal Transit - Capital Improvement Grants
20.507	
93.568	U.S. Department of Health and Human Services: Low-Income Home Energy Assistance (LIHEAP)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

Dollar threshold used to distinguish between type A
and type B programs: \$1,035,049

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

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2005-1: Allowable Costs

Federal program: CFDA 10.559 Summer Food Service Program for Children (SFSP)
Federal agency: U.S. Department of Agriculture

Criteria: The *Code of Federal Regulations (CFR), Section 225.9 (d)(5)* requires that each subrecipient report shall certify that the claim is correct and records are available to support this claim.

Condition: The City of Chattanooga Department of Human Services (DHS) contracts with the Hamilton County Department of Education Child Nutrition Department to provide meals for the City's SFSP. An internal audit performed by the Hamilton County Department of Education revealed discrepancies of meals billed to and paid by the City DHS that were never produced by the Child Nutrition Department during the 2004 program year.

Questioned costs: \$187,493

Effect: The City is not in compliance with allowable costs provisions of the SFSP. Additionally, the questioned costs must be repaid to the Tennessee Department of Human Services as a result of the discrepancies.

Cause: Collusion among employees in both the City DHS and the Hamilton County Child Nutrition Department led to inaccurate invoices billed for meals never prepared.

Recommendation: Internal controls over the SFSP should be evaluated. Invoices should be approved by someone in addition to the program director and should be reconciled to delivery tickets to ensure proper accounting for meals.

Management's Response: The City repaid all questioned costs in October 2005. Subsequently, the City recovered \$133,621 from the Hamilton County Child Nutrition Department. The City's Internal Audit department has developed procedures which have been implemented to ensure the accuracy of the meal counts. All meal orders are electronically submitted to a secure mailbox. In addition, delivery tickets are compared to the daily order, the daily lunch count sheet for participants, and the monthly invoice from the vendor to ensure accuracy of meal counts.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

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

Finding 2005-2: Allowable Costs

Federal program: CFDA 10.559 Summer Food Service Program for Children (SFSP)
Federal agency: U.S. Department of Agriculture

Criteria: The *Code of Federal Regulations (CFR), Section 225.9 (d)(5)* requires that each program sponsor shall certify that the reimbursement claim is correct and records are available to support this claim.

Condition: Monitoring visits were performed by Tennessee DHS during September, 2005 to verify the 2005 SFSP claim prior to reimbursement. Per monitoring reports, the City DHS claimed incorrect meals during the 2005 SFSP. Meals were claimed for an unapproved site and an incorrect number of sites in operation were claimed. In addition, the City DHS was notified by Tennessee DHS of six additional ineligible sites that could not be claimed for reimbursement.

Questioned costs: \$27,987

Effect: The City is not in compliance with allowable costs provisions of the SFSP.

Cause: Lack of training and review of daily meal service reports led to discrepancies between the meal service reports and supporting attendance and delivery records. In addition, sites were not properly approved according to program guidelines.

Recommendation: Employees should be properly trained to accurately account for all meals as delivered. All daily meal service reports should be reviewed by a site supervisor and properly reconciled to delivery tickets. Additionally, site eligibility should be verified by management and proof of site eligibility should be maintained.

Management's Response: The state of Tennessee has adjusted the reimbursement claim in the amount of the questioned costs. Site supervisors and other workers were retrained in July, 2005. The training emphasized the importance of daily reconciliation of the delivery tickets and meal service reports. We will monitor site eligibility more closely in the future and maintain proper documentation.

Finding 2005-3: Special Provisions

Federal program: CFDA 10.559 Summer Food Service Program for Children (SFSP)
Federal agency: U.S. Department of Agriculture

Criteria: The *Code of Federal Regulations (CFR), Section 225.15 (d)(1)* requires that each sponsor shall hold program training sessions for its administrative and site personnel and shall allow no site to operate until personnel have attended at least one of these training sessions.

Condition: Monitoring visits were performed by Tennessee DHS during September, 2005 to verify the 2005 SFSP claim prior to reimbursement. Per monitoring reports, the City DHS failed to maintain documentation of required training for site personnel.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

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

Questioned costs: None

Effect: The City is not in compliance with training requirements of the SFSP.

Cause: Proper documentation related to proof of training was not retained by Chattanooga DHS.

Recommendation: Employees should be properly trained to accurately account for all meals as delivered and all daily meal service reports. Evidence of training provided should also be documented and retained.

Management's Response: All site personnel were trained according to the grant requirements; however, the signatures for the sites in question were not on the training log. Signed applications are on hand to verify attendance on the various training dates.

Finding 2005-4: Program Income

Federal program: CFDA 14.218 Community Development Block Grants/Entitlement Grants
Federal agency: U.S. Department of Housing and Urban Development

Criteria: Federal regulations require grantees to accurately account for program income generated from the use of grant funds.

Condition: Large adjustments were made to prior year ending deferred program income in the current year to accurately report current year program income. Additionally, program income as reported in the schedule of expenditures of federal and state awards did not agree to the Integrated Disbursement and Information System (IDIS) reports submitted to the U.S. Department of Housing and Urban Development (HUD) for the fiscal year 2005. HUD's monitoring review determined that program income of \$267,344 in 2005 was not used prior to the City's expenditure of grant funds.

Questioned costs: \$267,344

Effect: The City is not in compliance with program income reporting requirements.

Cause: A lack of communication between the City Office of Economic and Community Development and the City accounting department led to improper amounts being recorded in the prior year. Additionally, proper training has not been received by the City Office of Economic and Community Development on proper use of the IDIS system.

Recommendation: The City Office of Economic and Community Development must review program income received and reconcile these amounts to both IDIS and accounting records on a regular basis. Any discrepancies should be resolved in a timely manner.

Management's Response: Accumulated expenditures are being used for the program income in question prior to making additional draw downs. Program income and expenditures will be reconciled to the City's accounting records on a monthly basis.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

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

Finding 2005-5: Program Income

Federal program: CFDA 14.239 HOME Investment Partnerships Program
Federal agency: U.S. Department of Housing and Urban Development

Criteria: Federal regulations require grantees to accurately account for program income generated from the use of grant funds.

Condition: Large adjustments were made to prior year ending deferred program income in the current year to accurately report current year program income.

Questioned costs: Unknown

Effect: The City is not in compliance with program income reporting requirements.

Cause: A lack of communication between the City Office of Economic and Community Development and the City accounting department led to improper amounts being recorded in the prior year.

Recommendation: The City Office of Economic and Community Development must review program income received and reconcile these amounts to accounting records on a regular basis. Any discrepancies should be resolved in a timely manner.

Management's Response: Program income and expenditures will be reconciled to the City's accounting records on a monthly basis.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2005

None

City of Chattanooga
Department of Finance & Administration
400 City Hall Annex
Chattanooga, TN 37402

423-757-5232

www.chattanooga.gov