

CAFR 2006

CITY OF CHATTANOOGA, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006



ABOUT THE COVER:

The City of Chattanooga was founded in 1815 on the banks of the Tennessee River as a ferry landing and warehouse site.

The river continues as an integral part of the economic and cultural development of the city into the 21st Century.

CITY OF CHATTANOOGA, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2006**

**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	fourteen fifteen
Organization Chart	sixteen
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 Revenues, Expenses and Changes in Net Assets – Component Units	57
Combining Statement of Cash Flows – Component Units	58-59

Budgetary Comparison Schedules

General Fund	60-68
---------------------	-------

Special Revenue Funds

Public Library Fund	69
Downtown Development Fund	70
Human Services Program Fund	71-72
Narcotics Program Fund	73
State Street Aid Fund	74
Community Development Fund	75
Hotel/Motel Tax Fund	76
River Pier Garage Fund	77
Debt Service Fund	78

Financial Schedules

Schedule of Certificates of Deposit by Fund	79
Schedule of Investments by Fund	80
Combined Schedule of Changes in Taxes Receivable	81
Summary Schedule of Debt Service Requirements to Maturity	82-83
Analysis of General Obligation Debt	84-86
Analysis of Revenue Bonds and Other Debt	87
Schedule of Bonds, Notes, and Capital Leases Payable - by Fiscal Year	88-100

STATISTICAL SECTION

Net Assets by Component	101
Changes in Net Assets	102-103
Governmental Activities Tax Revenue by Source	104
Fund Balances of Governmental Funds	105
Changes in Fund Balances of Governmental Funds	106
Assessed and Estimated Actual Value of Taxable Property	107
Property Tax Rates – Direct and Overlapping Governments	108
Principal Property Taxpayers	109
Property Tax Levies and Collections	110
Ratios of Outstanding Debt by Type	111
Ratios of General Bonded Debt Outstanding	112
Direct and Overlapping Governmental Activities Debt	113
Legal Debt Margin Information	114
Historical Debt Ratios (Unaudited)	115
Electric Power Board System Revenue Bonds	116
Demographic and Economic Statistics	117
Principal Employers	118
Full-Time Equivalent City Government Positions	119
Operating Indicators by Function	120
Capital Asset Statistics by Function	121

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal and State Awards	122-132
Notes to Schedule of Expenditures of Federal and State Awards	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	138-140
Schedule of Prior Audit Findings	141-142

MAYOR'S LETTER

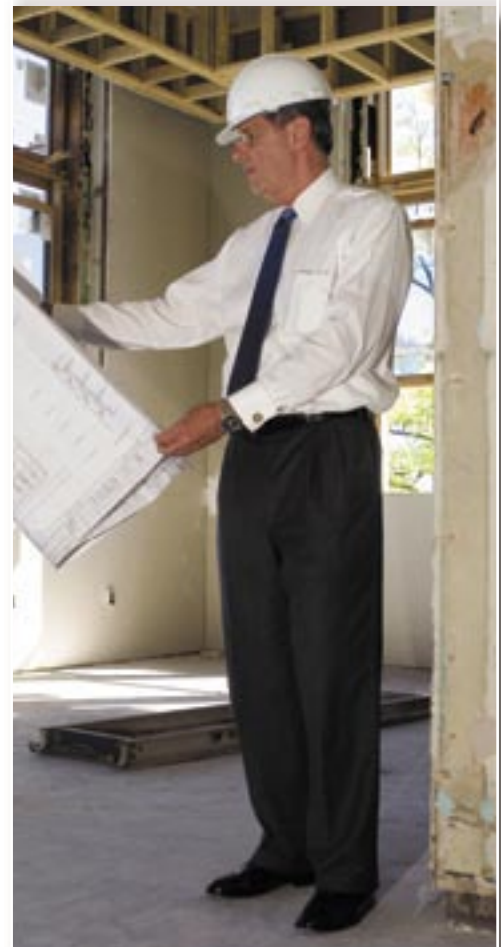
November 29, 2006

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

I am pleased to present to you the annual report of the City of Chattanooga for the fiscal year ended June 30, 2006. This report reflects the City's solid fiscal performance and financial management highlighted by policies for maintaining ample reserves and manageable capital needs. As I move into my third year as Mayor, I continue to focus on economic development, education, high paying jobs, clean safe neighborhoods and efficient delivery of government services.

Economic development, nourishing of our neighborhoods, and engaging the youth of our city in positive and productive activity will be some of our top priorities this year. With your support, I will continue to focus on the recruitment of new business and the expansion of existing business. 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. Our efforts have begun to pay off. Our city is experiencing a one billion dollar development boom. As you look around, notice that the John Ross Bridge and City Hall renovation will be complete this year. The Blue Cross and Blue Shield complex on Cameron Hill will take shape, and the Electric Power Board building has already become a striking gateway into our city. All of these projects continue the transformation of our beautiful city into a progressive and wonderful community.

In addition to our strong focus on economic development, Chattanooga's neighborhoods will continue to get a lot of attention. We have repaired and built new sidewalks in every district in the city. Children walking to school, the elderly and the disabled have safe walkways and curb cuts for easy access. This year we began our neighborhood listening tour – a policy we plan to continue. Thousands of Chattanoogans have met with my administration to voice concerns and give suggestions for improvement. The process has proved to be a valuable tool to identify strengths and weaknesses within our city. Every concern has been logged and tracked through our 311 system



Photos by Med Dement

(Above): Mayor Littlefield inspects progress on the City Hall Renovation;

(Right): Dan Johnson, Chief of Staff



and citizens for the first time in many years are seeing their neighborhood issues addressed.

As we move into mid-term of my administration, we'll do so with a new police chief. With his help, the community's input and my administration and staff, we will begin to focus our efforts on the youth of our city. Our recreation centers are running better and more smoothly than ever before. Our office of faith based initiatives and community partnerships has pulled together caring youth advocates. Our education, arts and culture department is creating opportunities for expression through the arts and our Stop the Madness program is partnering mentors with at risk youth. It's just the beginning of very important work that must be done to make our city stronger and safer.

We have kept a watchful eye on the taxpayer's dollar. We have worked diligently to identify excesses and misuse of monies and in turn have not raised taxes. We have implemented on campus health centers to hold the line on health care spending, implemented a vehicle use policy, and drastically reduced the amount of fuel usage in our public works department. These are efficiencies we can all be proud of. We will continue to seek out and identify areas of waste and replace them with policies that reflect sound financial management.

I am excited about the future of Chattanooga. The best is yet to come for our great city. I look forward to working with the members of City Council and the citizens of Chattanooga to continue to move forward as a creative, progressive and compassionate city.

Sincerely,



Ron Littlefield, Mayor

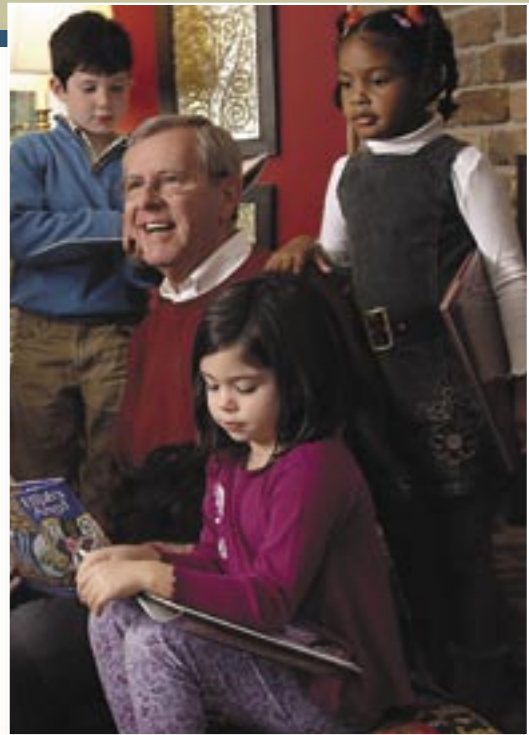


Photo by Wed Demant

(Above): Mayor Ron Littlefield reads to children at Chattanooga Library Board Chair Herb Cohn's home; (Below): Mayor Littlefield and the City of Chattanooga got positive international coverage and attention for premiering The Pursuit Of Happyness with local homeless individuals and service providers in attendance.

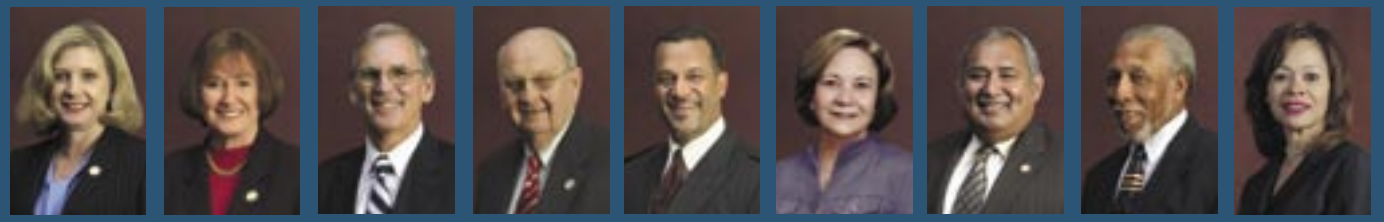


Photo by Jim Myers

CHATTANOOGA CITY COUNCIL



Photos by Med Dement



DISTRICT 1
Linda G. Bennett

DISTRICT 2
Sally L. Robinson

DISTRICT 3
Dan B. Page,
Vice
Chairman

DISTRICT 4
W. Jack
Benson, Sr.

DISTRICT 5
John P.
Franklin, Jr.

DISTRICT 6
Marti P.
Rutherford

DISTRICT 7
Manuel Rico

DISTRICT 8
Leamon
Pierce,
Chairman

DISTRICT 9
Debbie C.
Gaines



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 29, 2006

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, 2006. 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

Photo by Med Dement

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, 2006, 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 154,762. The City is centrally located in relation to other major population centers of the southeast, being within a 150-mile radius of Knoxville and Nashville, Tennessee; Birmingham, Alabama; and Atlanta, Georgia. Over 11 million people live within a 2 to 2 1/2 hour drive of Chattanooga. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also has the power to extend its corporate limits by annexation in accordance with procedures under an "Urban Growth Plan" agreed to between the city and the county.

The City operates under a Mayor/Council form of government. The Mayor is elected at-large and is not a

member of the City Council. The Council is composed of nine members, with each member being elected from one of nine districts within the geographic boundaries of the City. The Mayor and Council are elected for four-year terms. The Mayor is the City's chief executive officer and oversees the operation of all City departments.

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

its residents and for other communities in southeast Tennessee and northwest Georgia.

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

(Below): The Chattanooga Community Resource Center "CCRC" will be designed to assist homeless individuals and families by providing a central location that has all of the supportive services needed and a streamline process that helps them transition out of homelessness and puts them back onto a path of success – a new solution to an old problem that saves money, time and most importantly lives.

Page seven (top to bottom): CCRC Renderings – Carta bus stop; entry to pavillion; pedestrian street (12th Street)



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

in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the basic financial statements for the governmental funds. The budget-to-actual comparisons for the remaining governmental funds with appropriated annual budgets are presented in the governmental fund 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 (23.4%), government (14.4%), manufacturing (14.6%), professional and business services (10.7%), education and health (10.2%), and leisure and hospitality (9.2%) comprise 82.5% 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 enjoys strategic advantages related to its location, strong transportation system, natural

(continued on page ten)

EDUCATION, ARTS & CULTURE – We Connect the Dots!



"Art is the true language of education."

**– Missy Crutchfield
Administrator**

Photo by Med Dement

**EAC Mission:
To effectively utilize
our civic facilities
by developing a broad
base of programs
to give residents of
all ages, incomes and
ethnicity a chance to
connect the dots between
issues and the arts.**

The Department of Education Arts & Culture (EAC), led by Administrator Missy Crutchfield, is the creative office of the Littlefield administration. This department is where ideas flow and creative opportunities flourish for education and outreach. Numerous projects are underway and some of the highlights of 2006 include:

- EAC manages and operates the Tivoli Theatre, Memorial Auditorium, and Community Theatre. EAC's goal is to fully utilize these facilities by soliciting new users and promoters, expand marketing to new audiences, while educating and informing the community of the value and economic impact of the arts.
- This administration values the arts. EAC will use all its available spaces to enhance art, education, and cultural opportunities wherever and whenever possible. Current programming exists in the Glenwood, Brainerd, Carver, Westside and Sheppard Recreation Centers, as well as Heritage House in East Brainerd. EAC also provided summer programs in 2006 for young people at First Centenary United Methodist and Olivet Baptist Churches.
- The North River Civic Center and Eastgate Senior Activity Center provide quality educational, arts and cultural programming for the city's mature population.
- Remember Your Dream initiative and parallel programs were unveiled and continue to inspire young and old alike to follow their dreams.

EAC Administrators discuss Memorial Auditorium production with stage crew.



Photo by Med Dement

- Founded “In the City” Magazine, a free publication that focuses on education, arts and cultural events that are happening in and around Chattanooga. The publication is in partnership with the Chattanooga Times Free Press and Allied Arts. Due to its tremendous success and reception by Chattanooga residents, the publication has grown from quarterly in 2006 to monthly in 2007.
- Produced Connecting the Dots, a summit where arts and social organizations and government entities came together to expose and confront a myriad of issues facing Chattanooga and how these different organizations can rally to conceive solutions. This event, spearheaded by EAC joined together Allied Arts and the United Way for the first time ever.
- Co-founded the Chattanooga and Southeast Tennessee Film Commission which promotes the natural beauty and historic heritage of Chattanooga to attract local, regional and national filmmakers to create movies in our area; thereby, promoting economic development and employment growth. Make no mistake – The Arts Mean Business!

EAC emphasizes mentoring, new approaches to literacy and learning, purpose-driven social networking events, multi-cultural outreach, and gender-specific programs for boys and girls emphasizing healthy relationships and peer-to-peer programs. Our anti-gang initiative emphasizes team building and arts-based career programs. And we’re just beginning! Programs and partnerships for 2007 include:

- Create a “Leadership Think Tank Roundtable” that will bring together a multitude of agencies that will collaborate in ways to enrich our community. This is in collaboration with the Chamber of Commerce’s Leadership Chattanooga program.
- Initiate First Fridays – a safe place where teens can experience and engage in a host of different artistic experiences.

- Begin after school programming at Howard, Barger and East Lake Academy.
- Create a booklet which focuses on preventing and avoiding negative behaviors (bullying, smoking, substance abuse) among the city’s teens. Illustrations will be provided by the city’s youth and a PSA contest will be launched. The PSA chosen will be used in a city-wide cessation campaign.
- Produce the second annual Connecting the Dots summit where issues facing Chattanooga will be explored in greater detail.

EAC is a comprehensive convener and catalyst for youth and community development city-wide. We continue to develop innovative approaches to arts-based literacy distinct from programs offered in the public schools, but in partnership with the schools. Our programs and events are open to the entire community and we’ve ONLY JUST BEGUN! Watch for more exciting programs and events in 2007! *There’s a role for everyone to play!*

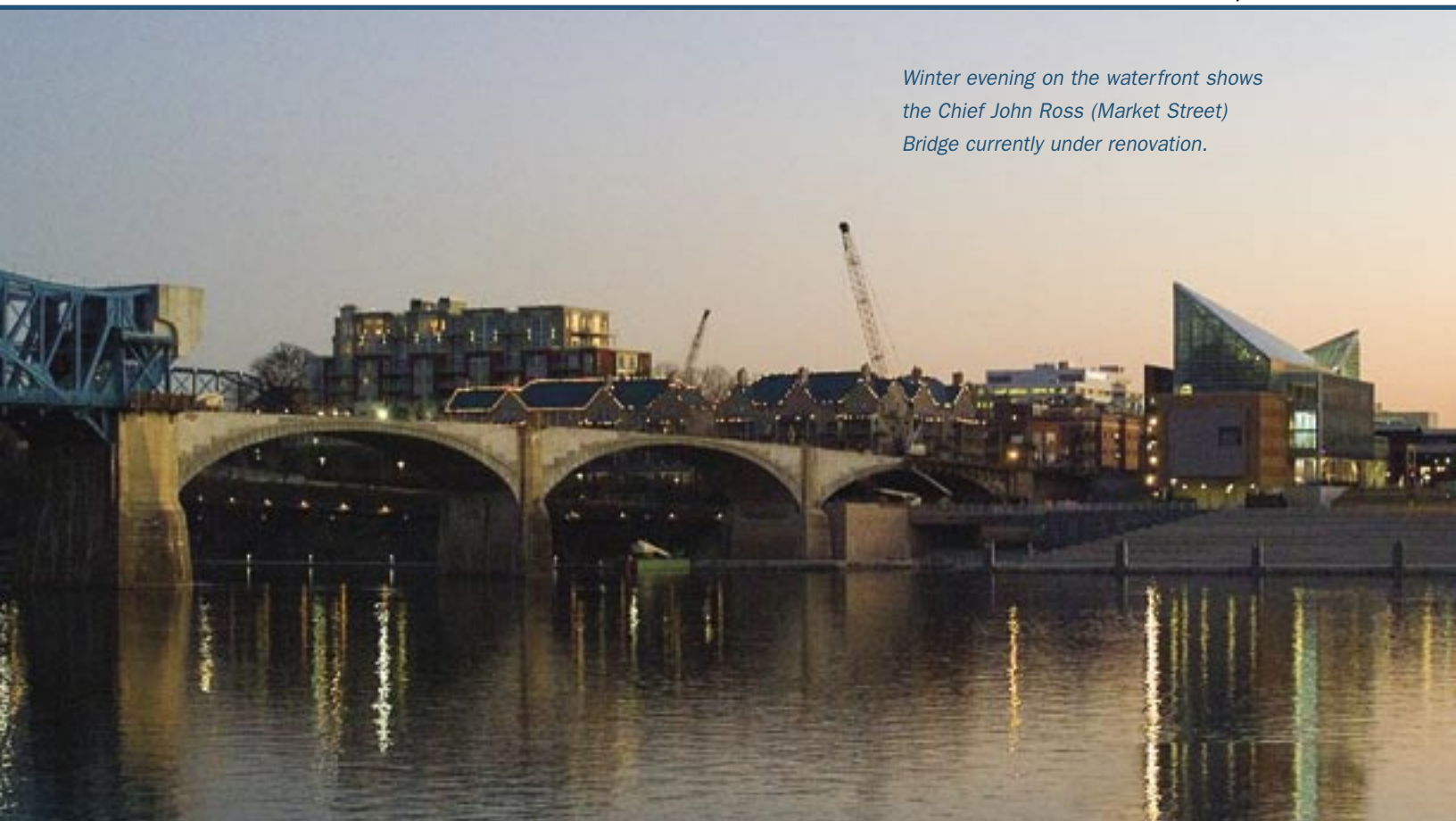
resources and competitive cost of doing business. The local unemployment rate of 3.8% remains significantly below the state average of 4.6 % and the national average of 4.6% as of September, 2006.

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 include public green spaces, and urban wetland, boat docks and a downtown-to river-side pedestrian link with dazzling artwork that evokes American Indian history. Chattanooga's tourism has received a recent boost nationwide with articles in the New York Times, Los Angeles Times, Atlanta Journal-Constitution, and Better Homes and Gardens and Southern Living magazines.

Photo by Med Dement

Winter evening on the waterfront shows the Chief John Ross (Market Street) Bridge currently under renovation.



Enterprise South Industrial Park, a designated TVA Megasite jointly controlled by the City of Chattanooga and Hamilton County, is in a prime location offering access to transportation, technology, research, a skilled labor pool, and a first-rate quality of life which includes an affordable cost of living.



Photo by Med Dement

The \$120 million public-private investment in the waterfront came on the heels of a \$129 million investment in Chattanooga's Southside area which was completed in 2003. The Southside project provided an expanded Convention and Trade Center, parking garage, a Development Resource Center, and The Chattanooga, a premier meeting facility. The new \$26 million Electric Power Board headquarters building opened this year in the central downtown business district between these two major developments. Within the past three months, development projects have been announced which will include \$14.5 million in the Southside area for retail and office, \$27 million north of the central business district for townhouses, and \$60 million on the north shore of the river for retail and condominium. Plans to build a new hotel on the western edge of the downtown business district were announced in August.

The overall health of our existing manufacturing employers is good, with 700 manufacturing jobs being created in the area within the past year. In addition, ten of our local manufacturers have announced expansion plans which will add another 900 to jobs to the area over the next two years, with capital outlay in excess of \$60 million.

Blue Cross Blue Shield of Tennessee is currently in the first phase of a \$300 million office campus just west of the central business district. The project, scheduled for completion in 2009, will house the entire workforce of the company and will provide an estimated 2000 construction jobs during this time. Memorial Hospital has announced a five-year, \$320 million expansion project to its hospital campus which is ultimately expected to create 700 new permanent jobs in the local health care industry.

Transportation is another key to a vibrant economy. The Chattanooga area is served by three interstate highways, six U. S. highways, railways, airlines, bus service, and the Tennessee River system. Direct flights are available to ten major cities. On the Tennessee River, construction has begun on a multi-year \$318 million replacement project for the Chickamauga Lock which will enhance river traffic for years to come.

The crown jewel of opportunity for the Chattanooga area is the Enterprise South Industrial Park. Continuing efforts are underway by the City and County Mayors, the Chamber of Commerce, the State and the region to recruit businesses to the area. The old Volunteer Army Ammunition Plant has been reborn as perhaps the finest

industrial park in the Southeastern United States. This TVA-certified Megasite has been the focus of the City, County, State, and Federal investment. City and County governments have invested over \$31 million to date. Including state and federal dollars, the total investment is a planned \$60 million. The land is located within the corporate limits of Chattanooga and represents the greatest regional development site the City has seen. It is served by a new interstate connection with I-75 as well as by two competing rail lines. Government leaders in Tennessee and Georgia have joined forces in an effort to recruit a large manufacturer to the area, recognizing that a large plant within Chattanooga will have a significant long-term regional impact on our economy and job markets.

The Enterprise Center serves as an umbrella organization overseeing a number of federally funded entities, many of which have a technology focus. From fuel cell development to heavy duty vehicle wind drag studies to electric and Maglev high speed ground transportation alternatives, each of the independently run entities overseen by The Enterprise Center have come together to form a Council of Managers, encompassing the heads of each agency. As a result, The Center has poised itself as a virtual stage where ideas are presented and acted upon for the sake of efficient technology and to ensure the economic future of the area.

Downtown is unquestionably important, but there is more to “the greater city” than downtown. Mayor Littlefield recognizes that nothing is more essential to a healthy city than healthy neighborhoods. Beautiful, clean, safe neighborhoods continues to be a primary focus of this administration as well as ensuring that all

Chattanoogans enjoy the benefits of the City’s renewed downtown and rising economic tide

During the past five years, general fund revenues have grown at a faster pace than expenditures. Revenues and transfers in have increased 7.14% while expenditures and transfers out have increased 3.49%. The City’s two biggest local revenue sources, property tax and sales tax, grew 8.10% and 17.35% respectively during that period. The increase in sales tax revenues is largely attributed to the return of a nine percent cut in state shared revenues and a favorable retail environment. The sales tax increase is net of the portion earmarked for education which is now collected by Hamilton County. Property tax rates were decreased by 31.7 cents (from \$2.519 to \$2.202/\$100 assessed valuation) in 2005 due to a property reappraisal. This favorable revenue trend along with sound management has allowed the City to increase its general fund balance from \$35,967,695 to \$50,042,710 or 39.1% over the past five years. The City’s unreserved fund balance increased from \$28,860,723 to \$45,138,561 or 56.4%. Over \$8 million of these reserves have been appropriated as pay-go-capital for Fiscal Year 2007.

BUDGET HIGHLIGHTS

For the fifth 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 continues its chattanoogaRESULTS and vacancy control programs that began in February 2002. These programs ensure accountability by providing

for regular review and monitoring of departmental performance by the Mayor, the City Finance Officer and other senior City officials. The City published its second 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 information to assess performance in meeting the City's goal of efficient and effective management of resources in providing quality services to the citizens of Chattanooga.

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 920 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

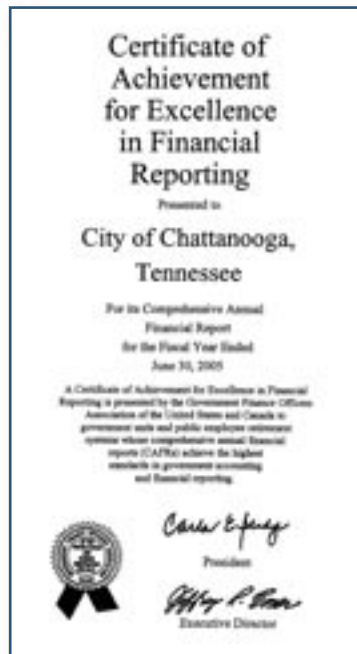
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chattanooga, Tennessee for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the fourteenth 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 ten 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



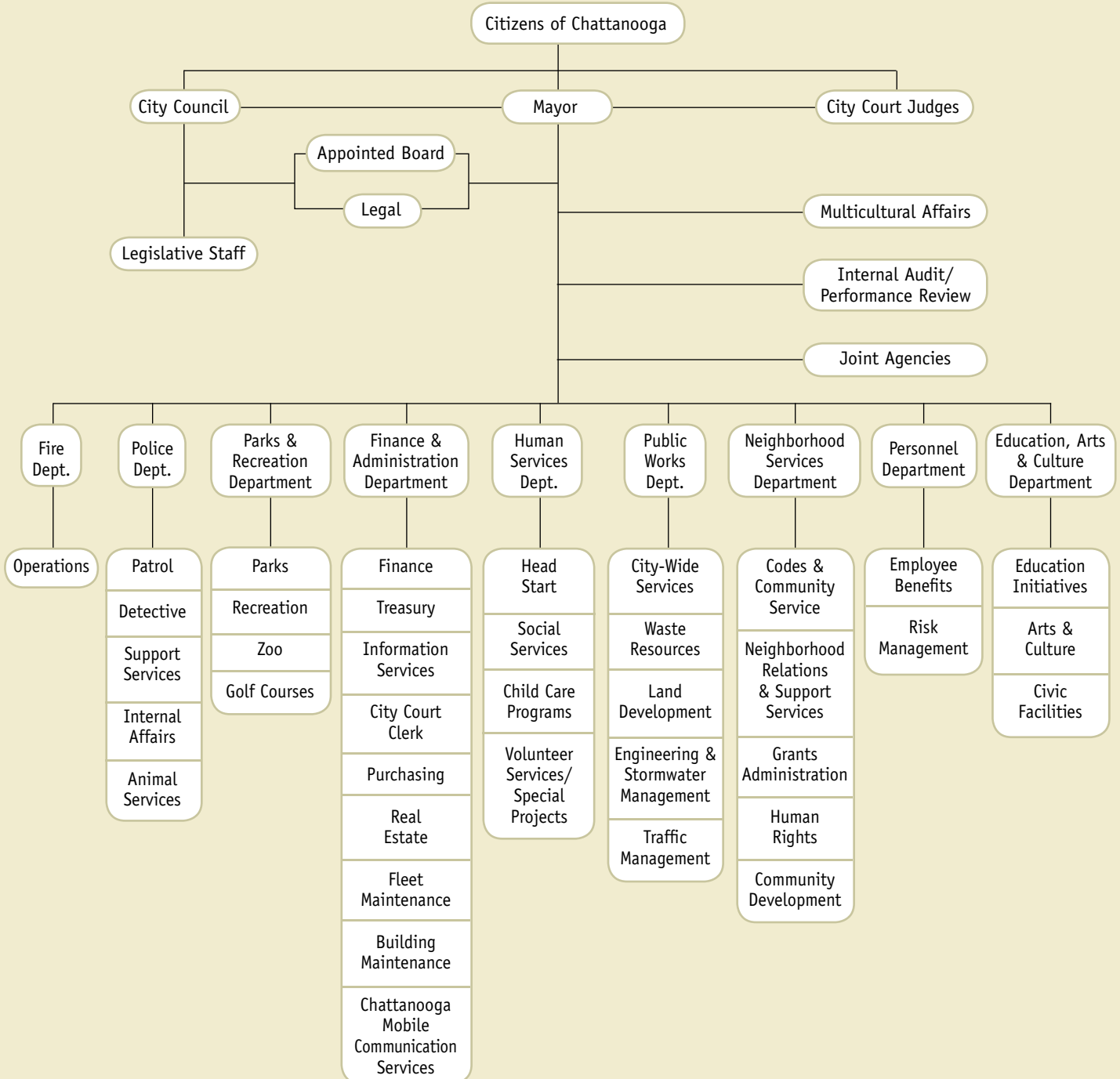
Finance Department staff prepares data for annual financial report

Photo by Jim Myers

ORGANIZATIONAL CHART



CITY OF CHATTANOOGA



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, 2006, 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 and the Chattanooga Area Regional Transit Authority, which represent 42 percent and 64 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit 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 reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee, as of June 30, 2006, 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.

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2006, 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 considered in assessing 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.

Haylett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
October 31, 2006

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, 2006. 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 \$1.87 billion (net assets), an increase of \$22.7 million. Of this amount, \$81.3 million may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets), a \$1.3 million decrease over last year.
- While the net assets of our business-type activities increased \$12.0 million, or 2.5 percent, the net assets of our governmental activities increased \$10.7 million, or .8 percent. During the year, the City generated \$227.4 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 \$36.4 million including \$23.4 million on infrastructure assets alone.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$88.1 million, an increase of \$4.3 million in comparison to last year. This increase is the result of several factors.
 - o Property tax and sales tax revenues were higher than expected reflecting a strong real estate and retail environment and the return of the second half of the a nine percent cut in state shared revenues in 2002. The hotel-motel tax was fully phased-in for the first time. Income from the use of property increased tremendously due to the sale of the old TB Hospital property and rising interest rates.
 - o All areas of government felt the impact of increased cost of fuel, utilities and pension contributions. These rising costs were offset by salaries savings due to vacancy control and a 52.5 percent decrease in capital expenditures due to substantial completion of the 21st Century Waterfront project.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$45.1 million, up \$6.2 million or 15.8 percent over prior year. This represents 26.8 percent of total General Fund expenditures and transfers out.
- The City's primary governmental debt decreased \$12.2 million (2.6 percent) during the current fiscal year. Business-type activity debt decreased from \$206.4 million to \$191.7 million, retiring more debt than was issued while governmental activities debt increased slightly from \$257.8 million to \$260.3 million due to draw down of previously authorized but unissued debt with the Tennessee Municipal League bond fund.

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) The 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. The City maintains two pension trust funds for 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 \$1.87 billion at the close of the most recent fiscal year, an increase of \$22.7 million, or 1.2 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, \$24.3 million or 1.3 percent, represents resources that are restricted in how they may be used. The remaining balance of \$81.3 million may be used to meet the City's ongoing obligations, a \$1.3 million decrease.

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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 223,630	\$ 211,607	\$ 160,667	\$ 165,759	\$ 384,297	\$ 377,366
Capital assets	1,527,771	1,530,278	664,829	647,845	2,192,600	2,178,123
Total assets	1,751,401	1,741,885	825,496	813,604	2,576,897	2,555,489
Long-term debt outstanding	276,855	273,948	193,624	208,376	470,479	482,324
Other liabilities	104,870	109,003	134,717	120,073	239,587	229,076
Total liabilities	381,725	382,951	328,341	328,449	710,066	711,400
Net assets:						
Invested in capital assets, net of debt	1,269,926	1,277,884	491,352	457,613	1,761,278	1,735,497
Restricted	6,313	7,713	17,945	18,301	24,258	26,014
Unrestricted	93,438	73,337	(12,142)	9,241	81,296	82,578
Total net assets	\$ 1,369,677	\$ 1,358,934	\$ 497,155	\$ 485,155	\$ 1,866,832	\$ 1,844,089

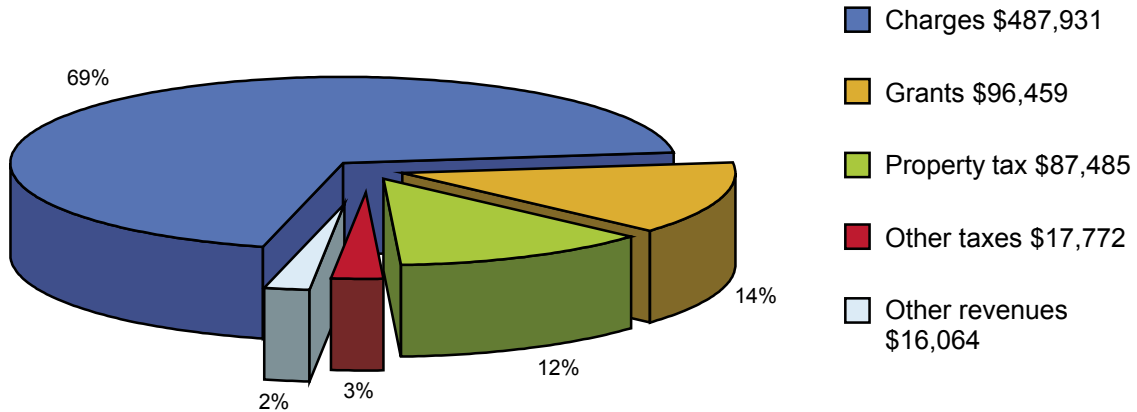
CHANGES IN NET ASSETS. Net assets of the City's governmental activities were \$1.4 billion, a \$10.7 million increase from the prior year. Of that balance \$1.28 billion are either restricted as to how they may be used or are invested in capital assets (buildings, roads, bridges, and so on). Therefore \$93.4 million remains to meet the City's ongoing obligations to citizens and creditors, a \$20.1 million increase.

During the current year the net assets of the business-type activities increased \$12.0 million or 2.5 percent to \$497.2 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 \$705.7 million and total program expenses of \$683.0 million. These graphs combine governmental and business-type information.

City Wide Sources of Revenue

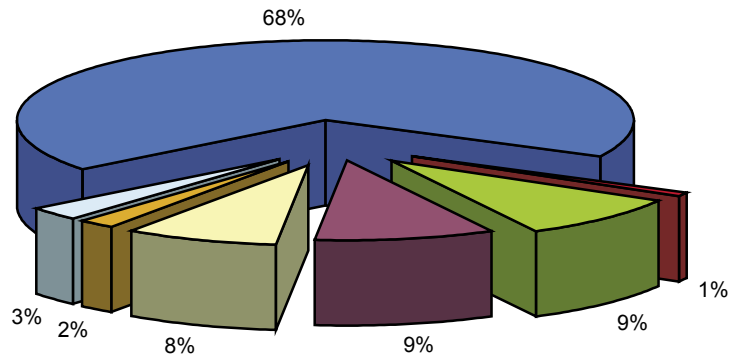
(In thousands)



City Wide Program Expenses

(In thousands)

- General Government \$60,153
- Safety \$64,368
- Public Works \$55,077
- Parks, Rec, Ed, Arts & Culture \$13,785
- Social Services \$19,199
- Business-Type \$463,893
- Govt Activities Interest \$6,493



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 next page.

City of Chattanooga's Changes in Net Assets
(in thousands)

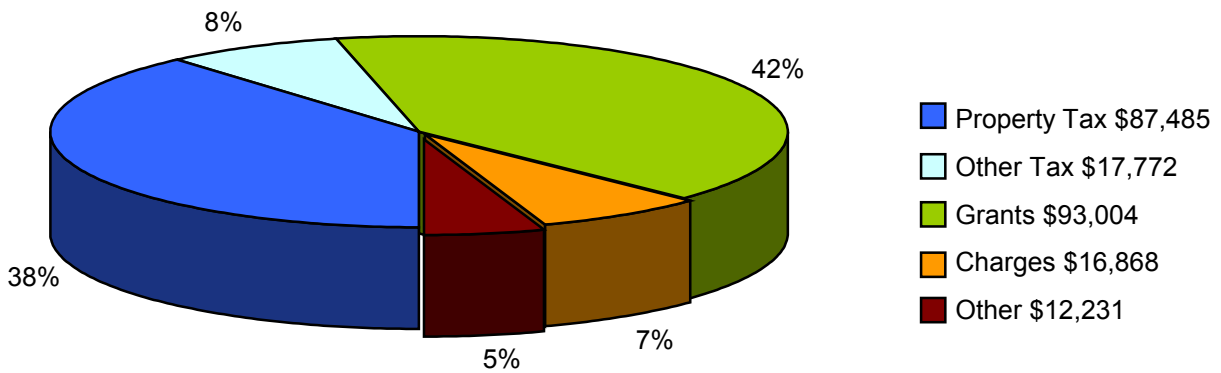
	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	\$ 16,868	\$ 17,545	\$ 471,063	\$ 422,207	\$ 487,931	\$ 439,752
Grants and contributions	43,838	45,129	3,455	1,977	47,293	47,106
General revenues:						
Property taxes	87,485	89,491	-	-	87,485	89,491
Other taxes	17,772	14,388	-	-	17,772	14,388
Investment income	3,441	1,546	3,016	1,942	6,457	3,488
Miscellaneous	-	-	817	185	817	185
Unrestricted grants	49,166	48,501	-	-	49,166	48,501
Change in equity interest	8,790	-	-	-	8,790	-
Gain on sale of assets	-	81	-	-	-	81
Total revenues	227,360	216,681	478,351	426,311	705,711	642,992
Expenses						
Governmental activities:						
General government	60,153	59,851	-	-	60,153	59,851
Public safety	64,368	63,805	-	-	64,368	63,805
Public works	55,077	54,324	-	-	55,077	54,324
Parks and recreation	13,785	13,563	-	-	13,785	13,563
Social services	19,199	21,530	-	-	19,199	21,530
Interest on long-term debt	6,493	6,004	-	-	6,493	6,004
Business-type activities:						
Electric utility	-	-	417,792	371,630	417,792	371,630
Sewer	-	-	35,395	33,607	35,395	33,607
Solid waste	-	-	4,678	4,260	4,678	4,260
Storm water	-	-	4,476	4,709	4,476	4,709
Housing management	-	-	1,552	1,698	1,552	1,698
Total expenses	219,075	219,077	463,893	415,904	682,968	634,981
Excess (deficiency) before special item and transfers	8,285	(2,396)	14,458	10,407	22,743	8,011
Transfers	2,458	(563)	(2,458)	563	-	-
Increase (decrease) in net assets	\$ 10,743	\$ (2,959)	\$ 12,000	\$ 10,970	\$ 22,743	\$ 8,011

GOVERNMENTAL ACTIVITIES. Current fiscal year revenues for the City’s governmental activities were \$227.4 million compared to \$216.7 million last year, up 4.9 percent. Current year expenses were \$219.1 million, approximately the same amount last year with a \$1,500 decrease.

- The single largest source of governmental activity revenue, property taxes and payments in-lieu of tax, increased by \$1.1 million, or 1.2 percent due to a change in the method of accounting for \$3 million in PILOT by the EPB.
- The final payment on bonds to finance the Chattanooga Hamilton County Convention and Trade Center was made during the current fiscal year. Under terms of this joint venture Chattanooga and Hamilton County were to receive an equity interest in the portion of the center financed with these bonds after the debt is paid-in-full. The dollar value is based on the share of debt service paid; the City’s 2/3 equity (\$8.8 million) is added to the governmental activities. See Note 12 of the financial statements.
- Expenses for governmental activities were virtually unchanged from the prior year.

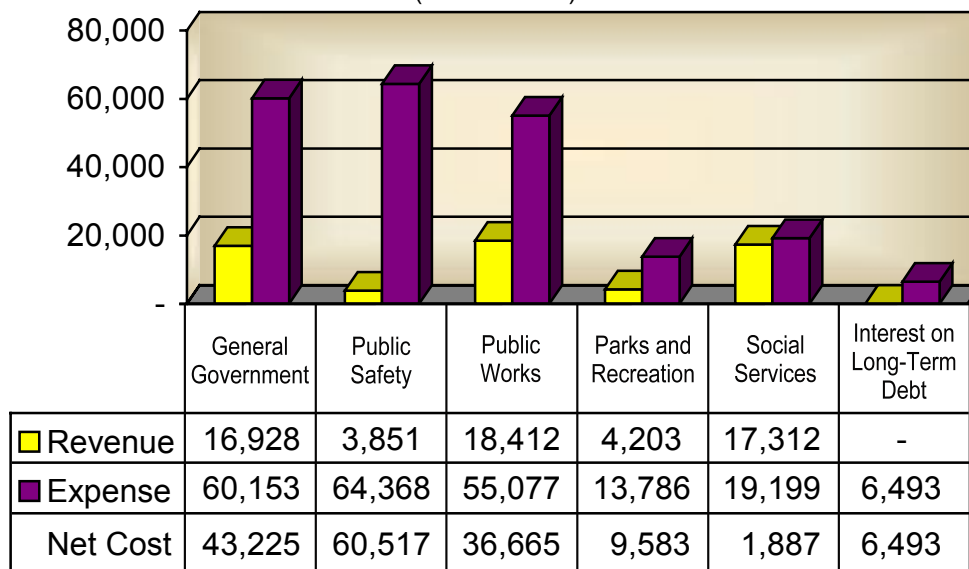
Revenues by Source - Governmental Activities

(In thousands)



Expenses and Program Revenues Governmental Activities

(In thousands)



BUSINESS-TYPE ACTIVITIES. Revenues for the City's business-type activities were \$478.4 million for the year just completed; this is a \$52.0 million increase or 12.2 percent. The increase in revenue was partially offset by a \$48.0 million, 11.5 percent, increase in expenses, to \$463.9 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 customers increased by \$48.7 million, 13.0 percent, due to increased power usage as a result of an increase in cooling days and two rate increases passed on from TVA. This increase in revenue was largely offset by a \$47.9 million increase in operating costs including a \$42.9 million increase in purchased power costs.
- Total net assets of the Electric Power Board increased \$6.1 million to \$245.8 million for fiscal year 2006, an increase of 2.5 percent.
- Net assets invested in capital and restricted for use total \$270.3 million leaving a negative \$24.5 million available to finance day-to-day operations (unrestricted net assets). The negative unrestricted net assets are the result of high infrastructure start-up costs for the telecommunications segment.

Interceptor Sewer System

- Net assets of the Interceptor Sewer System increased \$2.9 million, 1.3 percent, to \$234.1 million.

- Operating revenues rose only \$533,329, 1.5 percent, while operating expenses rose \$2.0 million, 7.2 percent with \$1.4 million of the increase attributable to increased cost of electricity, natural gas and chemicals.
- Unrestricted net assets, those that can be used to finance on-going operations, decreased \$381,433 to \$32.2 million. An additional \$4.6 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 2006 net assets increased by \$1.3 million or 8.2 percent. This follows a \$2.0 million increase in fiscal year 2005.
- To date the City has accrued liabilities of \$4.8 million for a closed landfill and \$5.2 million for a landfill currently in operation, a \$458,000 or 4.8 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 \$4.8 million, 88.5 percent of total tipping fees.

Stormwater Management

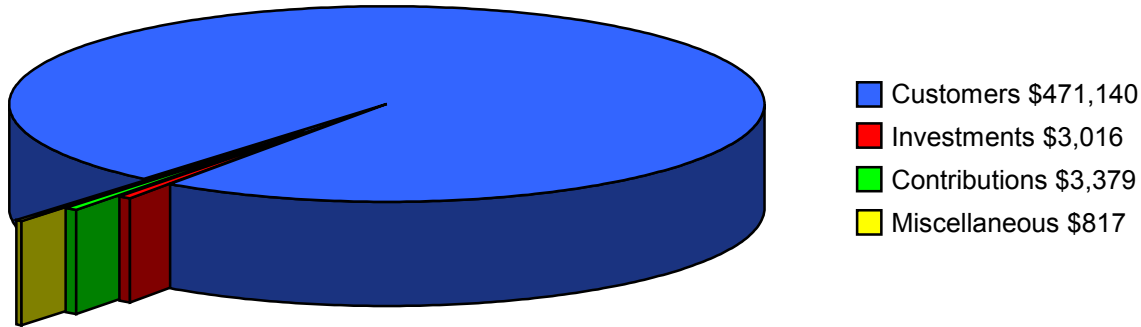
- The Stormwater Fund, established to comply with EPA guidelines, now has \$28.3 million in net assets, an increase of \$2.0 million, 7.4 percent, from last year.
- \$22.6 million of the net assets are invested in capital assets as a result of the aggressive capital campaign designed to continually improve storm water drainage and discharge within the City. This is a \$1.9 million, 9.0 percent increase.
- The amount set aside for capital improvements and the amount available to fund day-to-day operations increased from a combined \$5.6 million to \$6.2 million. Capital improvements are being paid from net assets instead of being funded through debt.

Housing Management

- The Housing Management Fund reported \$1.2 million in rental income, a decrease of 12.0 percent from last year. During the same period operating expenses decreased 17.3 percent to \$1.2 million.
- The fund ended the year with net assets of \$4.0 million, a decrease of \$287,000, or 6.6 percent. All of the net assets are invested in capital leaving a deficit of \$301,800 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	\$ 422,143	\$ 36,510	\$ 5,552	\$ 5,730	\$ 1,204
Expense	413,741	30,386	3,498	3,712	1,220
Operating income (loss)	\$ 8,402	\$ 6,124	\$ 2,054	\$ 2,018	\$ (16)

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 \$88.1 million at the end of the fiscal year. 61.9 percent of this amount (\$54.6 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 increased by 18.1 percent or \$8.6 million to \$56.0 million during the fiscal year. Unreserved fund balance was \$51.7 million, of which \$6.6 million is designated for future spending. During the fiscal year unreserved, undesignated fund balance increased \$6.2 million or 15.8 percent. Key factors are as follows:

- Total revenues increased \$5.3 million from the prior year with most categories of revenue seeing an increase.
 - o During the current fiscal year \$3.1 million of payments in-lieu of tax from EPB, an enterprise fund of the City, were reclassified from tax to transfers. Without the EPB revenue in either year, property tax increased \$1.1 million 1.2 percent over last year.
 - o Licenses and permits were \$179,000 higher, 4.4 percent, primarily due to an increase in construction related permits.
 - o Intergovernmental revenues increased \$4.0 million or 7.7 percent over the prior year with county-wide sales tax being the largest component. County-wide sales tax increased \$1.5 million, 6.3 percent, while state sales tax increased \$981,000 or 10.4 percent. State income tax increased almost 43 percent or \$922,000. These increases are directly related to consumer spending and increased investment returns for Chattanooga investors.
 - o Charges for services increased 4.3 percent or \$162,000. During the year the preservation fees for future renovations of the Memorial Auditorium and Tivoli Theatre were increased resulting in a \$64,000 increase. Certificates of occupancy, phased construction review fees and technology fees for City court also increased.
 - o Fines, Forfeitures and Penalties were up almost \$62,000 or 4.4 percent. The largest change was in parking tickets.
 - o Interest income increased \$1.7 million, 143 percent, due to the improved interest rate environment.
 - o The old childrens hospital building was sold for \$1.1 million to a neighboring health care facility. The sale was the major factor in the increase of miscellaneous revenue.
- Total expenditures decreased almost \$168,000 from the previous year.
 - o Personnel costs rose by approximately \$1.8 million or 2.2 percent over last year. Due to vacancy controls in place, wages rose only \$486,000 or .7 percent. The largest increase was in pension contributions which increased 16.2 percent, \$1.2 million.
 - o General Fund's share of lease payments due under a lease agreement with the Chattanooga Downtown Redevelopment Corporation decreased by almost \$621,000. Although funding from the sales tax generated in the tourist development zone decreased by \$296,800 because of relocation of a car dealership, there was an increase in funding from operations of The Chattanooga.
 - o Other changes include a decrease in injured on duty costs of \$707,000 reflecting a reduction in the number of major cases and a decrease in fire hydrant maintenance costs of \$550,000. These were partially offset by \$600,000 in additional funding for the liability insurance fund. They were also offset by increases in utilities and vehicle fuel costs of \$2.9 million.

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 \$11.5 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 2006 there was a \$5.1 million decrease. Analysis of project income and expenditures follows.

- Cash inflows for the year include \$10.1 million in notes payable, \$3.4 million received from federal, state and county governments, \$6.2 million in transfers from General Fund and \$2.4 combined from the Community Development and Hotel-Motel Tax funds.
- Current year expenditures of \$27.2 million include \$6.2 million for construction of the waterfront development, \$9.2 million for street, traffic light and streetscape improvements, \$2.1 million for park improvements, \$3.5 million for fire and police equipment and \$2.0 million on renovation of City Hall.

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 \$499.1 million.

- There is a shortage of \$10.5 million to meet on-going obligations as a result of the use of EPB net assets for infrastructure construction prior to issuance of bonds as previously discussed. The majority of net assets, \$491.7 million, is invested in capital assets with an additional \$17.9 million restricted for future use.
- Net assets of the enterprise funds rose \$12.0 million, 2.5 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, vehicle maintenance, fleet leasing and by accounting for the City's liability for self-insurance. Fund balance for this fund increased \$1.9 million to address a prior year deficit resulting from accruals for potential liabilities and an adjusted rate structure for fleet management.

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 \$7.6 million surplus for the year with all major revenue categories higher than budget. Property tax collections for fiscal year 2006 exceeded budget expectations; the same is true of county-wide sales tax. As a result, taxes and intergovernmental revenues exceeded budget by \$1.6 million and \$2.0 million, respectively. Investment income was \$2.1 million more than anticipated.

Expenditures were less than budgetary estimates by \$3.7 million. All departments were below budget as a result of the continuation of vacancy control and performance management programs; salaries and benefits were under budget by \$2.7 million. The budget for General Fund anticipated using \$4.1 million of fund balance during the year; instead \$8.6 million was added to fund balance.

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 .66 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	
	2006	2005	2006	2005	2006	2005
Non-depreciable:						
Land & Easements	\$ 989,000	\$ 963,319	\$ 14,072	\$ 14,005	\$1,003,072	\$ 977,324
Work in progress	20,830	69,401	49,534	34,283	70,364	103,684
Depreciable:						
Buildings	111,709	116,161	62,173	52,899	173,882	169,060
Equipment	26,257	27,123	231,387	237,361	257,644	264,484
Improvements	7,987	7,914	-	-	7,987	7,914
Infrastructure	371,988	346,360	307,663	309,297	679,651	655,657
Total	<u>\$1,527,771</u>	<u>\$1,530,278</u>	<u>\$ 664,829</u>	<u>\$ 647,845</u>	<u>\$2,192,600</u>	<u>\$2,178,123</u>

Highlights for this year's major capital asset additions:

- Land purchases include \$475,000 for greenways and purchase of a Civil War landmark.
- The major additions to work-in-progress are \$6.2 million on the 21st Century Waterfront development, \$2.6 million for continued work on the Hope VI project, \$2.0 renovation costs for City Hall and \$640,000 for development of the Enterprise South Industrial Park.
- Equipment purchases include \$1.3 million for fire equipment (breathing apparatus, a rescue truck and a fire truck), \$1.0 for police cars and laptops in the vehicles and \$800,000 for public works equipment.
- Street improvements and street lighting of \$8.4 million were the major additions to infrastructure. An additional \$9.8 million of donated road beds and streets were accepted from contractors.
- The Electric Power Board invested \$44.7 million in plant assets for the year. This includes \$19.3 million in power distribution systems, \$16.2 in building under construction and \$5.5 million for telecommunications improvements.
- \$3.3 million was capitalized as new infrastructure for the Interceptor Sewer System.

The capital budget for fiscal year 2007 anticipates spending over \$30 million for various capital projects including \$4.1 million for expansion and upgrade of the City's parks and park facilities, \$8.6 million for various public works projects such as street improvements, curbs, gutters and sidewalks, \$1.7 million for fire equipment and building improvements, computer software replacement and upgrades of \$2.6 million, \$3.5 million for city vehicles, \$6.9 million for solid waste disposal and recycling and \$1.5 million for various storm water projects. \$12 million in bonds has been approved to help finance a portion of these projects.

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

DEBT ADMINISTRATION. At year-end the City had \$452.0 million in long-term debt outstanding. This is a \$12.2 million decrease (2.6 percent) from last year. Detail is shown in the table and narrative that follow.

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds (backed by the City)	\$ 120,680	\$125,317	\$113,410	\$125,388	\$234,090	\$250,705
Revenue bonds (backed by specific revenues)	-	-	32,000	33,600	32,000	33,600
Notes payable	21,357	13,594	46,070	47,212	67,427	60,806
Capital leases	118,276	118,843	214	234	118,490	119,077
Total	<u>\$ 260,313</u>	<u>\$257,754</u>	<u>\$191,694</u>	<u>\$206,434</u>	<u>\$452,007</u>	<u>\$464,188</u>

- The City of Chattanooga maintains a "AA" rating from both Standard & Poor's and Fitch Investor's Service for general obligation debt and a rating of "1" for the CDRC swaption.
- 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 \$386.0 million. The City's tax-supported debt of \$84.3 million is well within that limit.

During the year the City issued the following new debt:

- Additional draws of \$1.4 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 \$2.5 million is outstanding.
- Additional draws of \$8.7 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 \$14.7 million outstanding.
- \$1.3 million of notes payable for telecommunications equipment. The loan will be paid from revenue from EPB telecommunications operations; EPB is a business-type activity.

- Operations of River Pier Parking Garage were moved from the Chattanooga Downtown Redevelopment Corporation, a component unit of the City, to City governmental activities. This included \$186,703 outstanding on an equipment loan.

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 2007:

- Conservative forecasts are for local and state tax collections to continue improving.
- Interest rates are on the rise with an increased availability of funds to invest.
- The local unemployment rate remains significantly below the state average of 4.6 percent at 3.8 percent and below the national average of 4.6 percent.

Anticipated revenues in the General Fund budget are \$179.0 million, up 5.1 percent from the 2006 budget. Property tax, county-wide and state sales tax collections are projected to grow by 2.4 percent, 6.6 percent and 11.7 percent, respectively, based on an improving economy. Interest earnings are estimated to increase over 100 percent due to increased available funds and rising interest rates. Fines, forfeitures and penalties are expected to increase by 22.2 percent based on current year collections.

Budgeted expenditures are expected to increase 5.1 percent to \$179.0 million from \$170.3 million. Salaries and fringe benefits are expected to increase by 3.6 percent while operations are estimated to increase 7.2 percent. The City will continue the vacancy control policy to manage the costs associated with salaries and benefits. There is an anticipated use of \$8.33 million in fund balance, \$8.0 million for capital with the remainder for the current year Office of Multicultural Affairs study not encumbered during the current fiscal year.

A modest increase in net assets for the City's business-type activities is expected during FY 2007.

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, 2006

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 30,465,124	\$ 50,561,736	\$ 81,026,860	\$ 5,221,303
Investments	51,509,387	32,055,189	83,564,576	679,663
Receivables, net of allowance for uncollectibles	117,475,632	48,689,647	166,165,279	3,847,050
Net investment in capital lease	-	-	-	115,925,472
Internal balances	(15,352)	15,352	-	-
Due from component units	375,000	-	375,000	-
Due from primary government	-	-	-	329,749
Deferred charges	-	2,502,470	2,502,470	1,980,226
Inventories	1,640,943	6,530,332	8,171,275	332,046
Prepaid items	8,000	3,071,642	3,079,642	662,697
Other assets	-	3,979,090	3,979,090	-
Restricted assets:				
Cash and cash equivalents	-	-	-	2,285,570
Investments	1,727,094	13,185,689	14,912,783	13,863,617
Endowment investments	3,232,394	-	3,232,394	-
Receivables	-	75,962	75,962	94,446
Net pension assets	8,421,667	-	8,421,667	46,540
Equity interest in joint venture	8,789,979	-	8,789,979	-
Land and other nondepreciable assets	1,009,829,708	63,605,988	1,073,435,696	20,498,895
Other capital assets, net of accumulated depreciation	517,941,319	601,223,458	1,119,164,777	62,938,566
Total assets	1,751,400,895	825,496,555	2,576,897,450	228,705,840
LIABILITIES				
Accounts payable and accrued liabilities	15,614,913	89,821,167	105,436,080	4,699,975
Customer deposits	-	14,534,000	14,534,000	-
Due to component units	329,749	-	329,749	-
Due to primary government	-	-	-	375,000
Contracts payable	981,206	360,216	1,341,422	1,141,899
Unearned revenue	87,943,740	-	87,943,740	408,090
Accrued closure and post-closure care	-	10,013,509	10,013,509	-
Accrued postretirement benefits	-	9,709,000	9,709,000	-
Other liabilities	-	10,279,566	10,279,566	-
Long-term liabilities:				
Due within one year	11,608,216	16,605,380	28,213,596	3,200,000
Due in more than one year	265,246,117	177,018,769	442,264,886	139,938,920
Total liabilities	381,723,941	328,341,607	710,065,548	149,763,884
NET ASSETS				
Invested in capital assets, net of related debt	1,269,926,195	491,351,965	1,761,278,160	69,587,124
Restricted for:				
Capital projects	1,727,094	-	1,727,094	-
Debt service	1,296,631	-	1,296,631	14,647,529
Renewal and replacement	-	17,944,835	17,944,835	1,105,521
Permanent endowments:				
Expendable	45,786	-	45,786	-
Nonexpendable	3,243,029	-	3,243,029	-
Unrestricted	93,438,219	(12,141,852)	81,296,367	(6,398,218)
Total net assets	\$1,369,676,954	\$497,154,948	\$1,866,831,902	\$ 78,941,956

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

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 60,152,675	\$ 9,279,550	\$ 6,745,695	\$ 902,562
Public safety	64,367,574	1,121,281	920,135	1,809,520
Public works	55,077,404	2,392,789	4,861,437	11,157,855
Parks, recreation, education, arts & culture	13,785,184	2,910,484	721,364	570,856
Social services	19,199,188	1,163,593	16,148,374	-
Interest on long-term debt	6,493,154	-	-	-
Total governmental activities	<u>219,075,179</u>	<u>16,867,697</u>	<u>29,397,005</u>	<u>14,440,793</u>
Business-type activities:				
Electric utility	417,792,000	422,143,000	-	3,377,000
Sewer	35,395,214	36,509,866	-	2,000
Solid waste/sanitation	4,678,270	5,475,554	76,532	-
Storm water	4,475,706	5,730,458	-	-
Housing management	1,552,119	1,204,120	-	-
Total business-type activities	<u>463,893,309</u>	<u>471,062,998</u>	<u>76,532</u>	<u>3,379,000</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 682,968,488</u>	<u>\$ 487,930,695</u>	<u>\$ 29,473,537</u>	<u>\$ 17,819,793</u>
Component units:				
Airport authority	\$ 8,973,892	\$ 5,779,745	\$ 846,920	\$ 7,915,490
Transportation authority	16,817,049	4,347,431	6,084,288	6,191,217
Downtown redevelopment	17,878,134	17,856,241	-	-
TOTAL COMPONENT UNITS	<u>\$ 43,669,075</u>	<u>\$ 27,983,417</u>	<u>\$ 6,931,208</u>	<u>\$ 14,106,707</u>
General revenues: Property taxes Liquor and beer taxes Other taxes Grants and contributions not allocated to specific programs: County-wide sales taxes City allocation of state sales taxes City allocation of state income taxes Tourist Development Zone taxes Unrestricted investment earnings Miscellaneous Gain on equity interest in joint venture Endowment contributions 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			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (43,224,868)	\$ -	\$ (43,224,868)	\$ -
(60,516,638)	-	(60,516,638)	-
(36,665,323)	-	(36,665,323)	-
(9,582,480)	-	(9,582,480)	-
(1,887,221)	-	(1,887,221)	-
(6,493,154)	-	(6,493,154)	-
<u>(158,369,684)</u>	<u>-</u>	<u>(158,369,684)</u>	<u>-</u>
-	7,728,000	7,728,000	-
-	1,116,652	1,116,652	-
-	873,816	873,816	-
-	1,254,752	1,254,752	-
-	(347,999)	(347,999)	-
<u>-</u>	<u>10,625,221</u>	<u>10,625,221</u>	<u>-</u>
<u>(158,369,684)</u>	<u>10,625,221</u>	<u>(147,744,463)</u>	<u>-</u>
-	-	-	5,568,263
-	-	-	(194,113)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,893)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,352,257</u>
87,484,889	-	87,484,889	-
6,393,852	-	6,393,852	-
11,378,543	-	11,378,543	-
35,217,473	-	35,217,473	-
10,379,781	-	10,379,781	-
3,071,346	-	3,071,346	-
497,075	-	497,075	-
3,441,171	3,015,706	6,456,877	692,990
-	817,415	817,415	1,062,439
8,789,979	-	8,789,979	-
500	-	500	-
2,458,048	(2,458,048)	-	-
<u>169,112,657</u>	<u>1,375,073</u>	<u>170,487,730</u>	<u>1,755,429</u>
10,742,973	12,000,294	22,743,267	7,107,686
<u>1,358,933,981</u>	<u>485,154,654</u>	<u>1,844,088,635</u>	<u>71,834,270</u>
<u>\$ 1,369,676,954</u>	<u>\$ 497,154,948</u>	<u>\$ 1,866,831,902</u>	<u>\$ 78,941,956</u>

CITY OF CHATTANOOGA, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,574,610	\$ 7,901,940	\$11,229,186	\$ 25,705,736
Investments	42,613,849	4,320,864	9,534,162	56,468,875
Receivables, net of allowance for uncollectibles:				
Taxes	87,519,452	-	-	87,519,452
Accounts	-	77,344	57,990	135,334
Notes	1,340,112	859,777	-	2,199,889
Other	4,684,618	-	-	4,684,618
Due from other funds	-	385,616	3,947	389,563
Due from component units	375,000	-	-	375,000
Due from other governments	17,697,478	1,906,532	2,919,456	22,523,466
Inventories	851,163	-	-	851,163
Prepaid items	8,000	-	-	8,000
	<u>\$161,664,282</u>	<u>\$15,452,073</u>	<u>\$23,744,741</u>	<u>\$200,861,096</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 5,043,639	\$ 2,148,342	\$ 1,294,954	\$ 8,486,935
Due to other funds	21,228	-	385,616	406,844
Due to other governments	1,071,013	510,101	-	1,581,114
Due to component unit	-	329,749	-	329,749
Deferred revenue	99,485,692	-	1,467,779	100,953,471
Contracts payable	-	981,206	-	981,206
	<u>105,621,572</u>	<u>3,969,398</u>	<u>3,148,349</u>	<u>112,739,319</u>
Fund balances:				
Reserved for:				
Encumbrances	2,147,839	-	64,469	2,212,308
Library endowment	-	-	3,242,029	3,242,029
Public safety awards	-	-	1,000	1,000
Inventories	851,163	-	-	851,163
Prepaid items	8,000	-	-	8,000
Capital improvements	-	11,482,675	-	11,482,675
Notes receivable	1,340,112	-	-	1,340,112
Debt service escrow	-	-	1,296,631	1,296,631
Unreserved, designated for:				
Debt service	-	-	5,842,577	5,842,577
Other long-term liabilities	-	-	718,404	718,404
Subsequent years' expenditures	6,557,035	-	-	6,557,035
Unreserved, undesignated, reported in:				
General fund	45,138,561	-	-	45,138,561
Special revenue	-	-	9,385,496	9,385,496
Permanent funds	-	-	45,786	45,786
	<u>56,042,710</u>	<u>11,482,675</u>	<u>20,596,392</u>	<u>88,121,777</u>
Total liabilities and fund balances	<u>\$161,664,282</u>	<u>\$15,452,073</u>	<u>\$23,744,741</u>	<u>\$200,861,096</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, 2006

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

Fund balances - total governmental funds	\$ 88,121,777
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.	1,527,385,851
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.	13,009,731
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.	8,421,667
The equity interest in the joint venture represents an interest in the capital assets of the joint venture. This interest is not a financial asset and, therefore, is not reported in the funds.	8,789,979
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.	1,977,405
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	\$ (120,680,396)
Less net deferred refunding and original premiums and discounts	667,177
Notes payable	(21,356,582)
Capital leases	(118,275,709)
Compensated absences	(16,712,236)
Accrued interest payable	(1,671,710)
	<u>(278,029,456)</u>
Net assets of governmental activities	<u>\$ 1,369,676,954</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, 2006

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 99,517,097	\$ -	\$ 3,640,518	\$ 103,157,615
Licenses and permits	4,272,090	-	-	4,272,090
Intergovernmental	56,359,718	3,431,378	23,326,335	83,117,431
Charges for services	3,936,968	-	355,739	4,292,707
Fines, forfeitures, and penalties	1,472,402	-	-	1,472,402
Investment income	2,892,000	494,694	562,789	3,949,483
Contributions and donations	74,665	184,325	155,723	414,713
Miscellaneous	5,648,712	957,983	2,284,851	8,891,546
Total revenues	<u>174,173,652</u>	<u>5,068,380</u>	<u>30,325,955</u>	<u>209,567,987</u>
EXPENDITURES				
Current:				
General government	44,267,249	-	19,111,776	63,379,025
Public safety	62,846,034	-	217,256	63,063,290
Public works	28,025,831	-	4,772,020	32,797,851
Parks, recreation, education, arts & culture	13,113,632	-	-	13,113,632
Community development	-	-	3,029,762	3,029,762
Capital outlay/fixed assets	-	27,155,459	1,139,177	28,294,636
Debt service:				
Principal retirement	-	-	7,735,136	7,735,136
Interest and fiscal charges	-	-	6,402,538	6,402,538
Total expenditures	<u>148,252,746</u>	<u>27,155,459</u>	<u>42,407,665</u>	<u>217,815,870</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,920,906</u>	<u>(22,087,079)</u>	<u>(12,081,710)</u>	<u>(8,247,883)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,142,000	8,536,311	16,976,882	28,655,193
Transfers out	(20,470,396)	(1,632,495)	(4,094,254)	(26,197,145)
Issuance of notes payable	-	10,106,804	-	10,106,804
Total other financing sources (uses)	<u>(17,328,396)</u>	<u>17,010,620</u>	<u>12,882,628</u>	<u>12,564,852</u>
Net change in fund balance	8,592,510	(5,076,459)	800,918	4,316,969
FUND BALANCE, beginning	<u>47,450,200</u>	<u>16,559,134</u>	<u>19,795,474</u>	<u>83,804,808</u>
FUND BALANCE, ending	<u>\$ 56,042,710</u>	<u>\$ 11,482,675</u>	<u>\$ 20,596,392</u>	<u>\$ 88,121,777</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, 2006

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	\$ 4,316,969
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.	26,803,524
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(36,280,624)
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.	9,848,077
The net effect of various transactions involving capital assets is to decrease net assets.	(3,045,453)
The gain on equity interest in joint venture is reported in the statement of activities. This gain does not provide current financial resources and is not reflected in the governmental funds.	8,789,979
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.	(2,429,288)
The net revenues of internal service funds are reported with governmental activities.	1,942,329
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.	(679,130)
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>1,476,590</u>
Change in net assets of governmental activities	<u>\$ 10,742,973</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 97,898,265	\$ 97,898,265	\$ 99,517,097	\$ 1,618,832
Licenses and permits	3,922,957	3,922,957	4,272,090	349,133
Intergovernmental	54,372,065	54,372,065	56,359,718	1,987,653
Charges for services	3,867,451	3,867,451	3,936,968	69,517
Fines, forfeitures, and penalties	1,172,500	1,172,500	1,472,402	299,902
Investment income	831,041	831,041	2,892,000	2,060,959
Contributions and donations	120,627	120,627	74,665	(45,962)
Miscellaneous	4,427,626	4,427,626	5,648,712	1,221,086
Total revenues	<u>166,612,532</u>	<u>166,612,532</u>	<u>174,173,652</u>	<u>7,561,120</u>
EXPENDITURES				
General government	37,483,336	37,483,336	36,224,858	(1,258,478)
Finance and Administration	9,451,292	9,451,292	8,409,280	(1,042,012)
Police	39,171,374	39,171,374	38,709,462	(461,912)
Fire	25,670,196	25,670,196	24,967,306	(702,890)
Public Works	28,223,437	28,223,437	28,090,859	(132,578)
Parks, recreation, education, arts & culture	13,307,898	13,307,898	13,206,377	(101,521)
Total expenditures	<u>153,307,533</u>	<u>153,307,533</u>	<u>149,608,142</u>	<u>(3,699,391)</u>
Excess of revenues over expenditures	<u>13,304,999</u>	<u>13,304,999</u>	<u>24,565,510</u>	<u>11,260,511</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	3,141,612	3,141,612	3,142,000	388
Transfers out	(20,500,691)	(20,500,691)	(20,470,396)	30,295
Total other financing sources (uses)	<u>(17,359,079)</u>	<u>(17,359,079)</u>	<u>(17,328,396)</u>	<u>30,683</u>
Net change in fund balance	<u>\$ (4,054,080)</u>	<u>\$ (4,054,080)</u>	7,237,114	<u>\$ 11,291,194</u>
Adjustment for encumbrances			<u>1,355,396</u>	
Net change in fund balance (GAAP basis)			8,592,510	
FUND BALANCE at beginning of year (GAAP basis)			<u>47,450,200</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 56,042,710</u>	
EXPLANATION OF DIFFERENCES:				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 174,173,652	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 174,173,652</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 149,608,142	
Adjustment for encumbrances			<u>(1,355,396)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 148,252,746</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, 2006

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund		
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Storm Water	Housing Management	Total	
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 38,238,000	\$ 1,806,109	\$ 4,538,992	\$ 5,748,079	\$ 230,556	\$ 50,561,736	\$ 4,759,388
Investments	1,899,000	29,637,073	-	519,116	-	32,055,189	-
Receivables:							
Customer service	43,983,000	4,273,198	90,495	708,801	-	49,055,494	226,785
Other	276,000	88,985	-	154	-	365,139	-
Less allowance for doubtful accounts	(564,000)	(500)	(200)	(386,309)	-	(951,009)	-
Inventories	5,982,000	548,332	-	-	-	6,530,332	789,780
Prepaid items	3,062,000	-	-	-	9,642	3,071,642	-
Due from other funds	-	13,330	338	1,684	-	15,352	1,929
Due from other governments	-	-	45,023	-	-	45,023	186,088
Other current assets	554,000	-	-	-	50,090	604,090	-
Total current assets	93,430,000	36,366,527	4,674,648	6,591,525	290,288	141,352,988	5,963,970
NONCURRENT ASSETS							
Restricted assets:							
Investments	-	1,416,523	11,769,166	-	-	13,185,689	-
Accounts receivable	-	-	75,962	-	-	75,962	-
Total restricted assets	-	1,416,523	11,845,128	-	-	13,261,651	-
Capital assets:							
Land	3,491,000	7,992,355	1,517,514	987,330	83,789	14,071,988	-
Buildings	16,871,000	41,303,711	1,717,098	-	8,719,028	68,610,837	589,948
Vehicles and machinery	399,941,000	30,522,189	5,075,045	1,385,875	957	436,925,066	1,212,825
Construction in progress	49,534,000	-	-	-	-	49,534,000	-
Sewer system	-	403,099,719	-	-	-	403,099,719	-
Storm water system	-	-	-	43,773,334	-	43,773,334	-
Telecommunications system	26,739,000	-	-	-	-	26,739,000	-
	496,576,000	482,917,974	8,309,657	46,146,539	8,803,774	1,042,753,944	1,802,773
Less accumulated depreciation	(195,776,000)	(168,118,426)	(5,170,852)	(7,476,456)	(1,382,764)	(377,924,498)	(1,417,597)
Net capital assets	300,800,000	314,799,548	3,138,805	38,670,083	7,421,010	664,829,446	385,176
Other assets:							
Deferred charges	1,018,000	1,119,854	220,028	144,588	-	2,502,470	-
Conservation loans receivable	175,000	-	-	-	-	175,000	-
TVA discounted energy units	3,375,000	-	-	-	-	3,375,000	-
Total other assets	4,568,000	1,119,854	220,028	144,588	-	6,052,470	-
Total noncurrent assets	305,368,000	317,335,925	15,203,961	38,814,671	7,421,010	684,143,567	385,176
Total assets	\$ 398,798,000	\$ 353,702,452	\$ 19,878,609	\$ 45,406,196	\$ 7,711,298	\$ 825,496,555	\$ 6,349,146

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		
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Storm Water	Housing Management	Total	
LIABILITIES							
CURRENT LIABILITIES							
Current maturities of long-term liabilities	\$ 2,245,000	\$ 10,816,712	\$ 2,022,874	\$ 1,520,794	\$ -	\$ 16,605,380	\$ 28,681
Accounts payable and accrued liabilities	83,154,000	2,038,152	481,291	520,016	3,627,708	89,821,167	285,154
Accrued claims	-	-	-	-	-	-	3,590,000
Customer deposits	2,267,000	-	-	-	-	2,267,000	-
Contracts payable	-	360,216	-	-	-	360,216	-
Conservation advances	277,000	-	-	-	-	277,000	-
Due to other governments	-	-	21,477	-	-	21,477	-
Other current liabilities	5,425,000	-	-	-	-	5,425,000	-
Total current liabilities	93,368,000	13,215,080	2,525,642	2,040,810	3,627,708	114,777,240	3,903,835
LONG-TERM LIABILITIES							
Notes and capital leases payable	1,971,000	40,598,461	-	996,464	-	43,565,925	-
Compensated absences	864,000	825,992	72,330	170,686	-	1,933,008	467,906
Customer Deposits	12,267,000	-	-	-	-	12,267,000	-
Accrued closure and post closure care	-	-	10,013,509	-	-	10,013,509	-
Revenue bonds payable	30,400,000	-	-	-	-	30,400,000	-
Original issue discount	(55,000)	-	-	-	-	(55,000)	-
General obligation bonds payable	-	65,515,698	22,034,407	13,642,775	-	101,192,880	-
Deferred refunding	-	(3,305,321)	(812,132)	(518,867)	-	(4,636,320)	-
Original issue premium	-	2,757,553	1,109,671	751,052	-	4,618,276	-
Other noncurrent liabilities	4,506,000	-	-	-	50,089	4,556,089	-
Accrued postretirement benefits	9,709,000	-	-	-	-	9,709,000	-
Total long-term liabilities	59,662,000	106,392,383	32,417,785	15,042,110	50,089	213,564,367	467,906
Total liabilities	153,030,000	119,607,463	34,943,427	17,082,920	3,677,797	328,341,607	4,371,741
NET ASSETS (DEFICIT)							
Invested in capital assets, net of related debt	266,574,000	197,349,122	946,299	22,147,272	4,335,272	491,351,965	385,176
Restricted for renewal and replacement	3,747,000	4,562,505	9,120,806	514,524	-	17,944,835	-
Unrestricted	(24,553,000)	32,183,362	(25,131,923)	5,661,480	(301,771)	(12,141,852)	1,592,229
Total net assets (deficit)	\$ 245,768,000	\$ 234,094,989	\$ (15,064,818)	\$ 28,323,276	\$ 4,033,501	\$ 497,154,948	\$ 1,977,405

CITY OF CHATTANOOGA, TENNESSEE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
Year Ended June 30, 2006

	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	\$ 402,312,000	\$ -	\$ -	\$ -	\$ -	\$ 402,312,000	\$ -
Sewer charges	-	36,509,866	-	-	-	36,509,866	-
Waste charges	-	-	5,475,554	-	-	5,475,554	-
Stormwater fees	-	-	-	5,616,353	-	5,616,353	-
Rent	-	-	-	-	1,182,305	1,182,305	-
Other services	19,831,000	-	-	114,105	21,815	19,966,920	11,516,828
Other	-	-	76,532	-	-	76,532	-
Total operating revenues	<u>422,143,000</u>	<u>36,509,866</u>	<u>5,552,086</u>	<u>5,730,458</u>	<u>1,204,120</u>	<u>471,139,530</u>	<u>11,516,828</u>
OPERATING EXPENSES							
Power purchases	334,867,000	-	-	-	-	334,867,000	-
Sewer plant operations	-	19,044,514	-	-	-	19,044,514	-
Solid waste operations	-	-	2,352,548	-	-	2,352,548	-
Storm water operations	-	-	-	2,764,346	-	2,764,346	-
Pump station operations	-	1,437,279	-	-	-	1,437,279	-
Housing management operations	-	-	-	-	918,286	918,286	-
Municipal garage operations	-	-	-	-	-	-	3,080,463
Maintenance and repairs	13,457,000	-	-	-	-	13,457,000	6,362,103
Depreciation and amortization	16,835,000	9,904,556	581,535	947,875	301,979	28,570,945	71,002
Closure/postclosure costs	-	-	563,734	-	-	563,734	-
Liability insurance	-	-	-	-	-	-	60,931
Other	48,582,000	-	-	-	-	48,582,000	-
Total operating expenses	<u>413,741,000</u>	<u>30,386,349</u>	<u>3,497,817</u>	<u>3,712,221</u>	<u>1,220,265</u>	<u>452,557,652</u>	<u>9,574,499</u>
OPERATING INCOME (LOSS)	<u>8,402,000</u>	<u>6,123,517</u>	<u>2,054,269</u>	<u>2,018,237</u>	<u>(16,145)</u>	<u>18,581,878</u>	<u>1,942,329</u>
NONOPERATING REVENUES (EXPENSES)							
Investment income	1,473,000	1,117,703	405,071	18,386	1,546	3,015,706	-
Interest expense	(491,000)	(5,008,865)	(1,180,453)	(763,485)	(331,854)	(7,775,657)	-
Other income (expense)	(3,560,000)	687,614	70,548	-	59,253	(2,742,585)	-
Total nonoperating revenues (expenses)	<u>(2,578,000)</u>	<u>(3,203,548)</u>	<u>(704,834)</u>	<u>(745,099)</u>	<u>(271,055)</u>	<u>(7,502,536)</u>	<u>-</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>5,824,000</u>	<u>2,919,969</u>	<u>1,349,435</u>	<u>1,273,138</u>	<u>(287,200)</u>	<u>11,079,342</u>	<u>1,942,329</u>
Capital contributions	3,377,000	2,000	-	-	-	3,379,000	-
Transfers in	-	-	-	683,952	-	683,952	-
Transfers out	(3,142,000)	-	-	-	-	(3,142,000)	-
CHANGE IN NET ASSETS	<u>6,059,000</u>	<u>2,921,969</u>	<u>1,349,435</u>	<u>1,957,090</u>	<u>(287,200)</u>	<u>12,000,294</u>	<u>1,942,329</u>
NET ASSETS (DEFICIT), beginning	<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>
NET ASSETS (DEFICIT), ending	<u>\$ 245,768,000</u>	<u>\$ 234,094,989</u>	<u>\$ (15,064,818)</u>	<u>\$ 28,323,276</u>	<u>\$ 4,033,501</u>	<u>\$ 497,154,948</u>	<u>\$ 1,977,405</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, 2006

	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	\$ 413,455,000	\$ 35,999,716	\$ 5,463,401	\$ 5,737,137	\$ 1,204,118	\$ 461,859,372	\$ 647,791
Receipts from interfund services provided	-	-	-	-	-	-	13,665,118
Receipts from operating grants	-	-	32,603	-	-	32,603	-
Payments to suppliers	(353,005,000)	(15,531,165)	(2,010,214)	(1,295,646)	(857,374)	(372,699,399)	(7,919,484)
Payments to employees	(24,019,000)	(5,658,734)	(544,804)	(1,705,690)	-	(31,928,228)	(2,543,486)
Payments in lieu of taxes	(5,731,000)	-	-	-	-	(5,731,000)	-
Net cash provided by operating activities	<u>30,700,000</u>	<u>14,809,817</u>	<u>2,940,986</u>	<u>2,735,801</u>	<u>346,744</u>	<u>51,533,348</u>	<u>3,849,939</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	-	-	-	683,952	-	683,952	-
Transfers out	(3,142,000)	-	-	-	-	(3,142,000)	-
Net cash provided by (used in) noncapital financing activities	<u>(3,142,000)</u>	<u>-</u>	<u>-</u>	<u>683,952</u>	<u>-</u>	<u>(2,458,048)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from capital debt	539,000	-	-	-	-	539,000	-
Principal paid on capital debt	(1,600,000)	(10,518,484)	(1,988,455)	(1,476,301)	(79,183)	(15,662,423)	-
Interest paid on capital debt	(1,939,000)	(4,789,179)	(1,169,629)	(784,586)	(331,854)	(9,014,248)	-
Refunds of capital expenditures	-	539,864	-	-	-	539,864	-
Insurance settlements	-	-	-	-	59,253	59,253	-
Capital grants and contributions	3,377,000	2,000	-	-	-	3,379,000	-
Additions to capital assets	(43,216,000)	(3,978,817)	-	-	-	(47,194,817)	(58,193)
Proceeds from the sale of capital assets	323,000	330,601	-	(1,331,219)	-	(677,618)	-
Net cash flows used in capital and related financing activities	<u>(42,516,000)</u>	<u>(18,414,015)</u>	<u>(3,158,084)</u>	<u>(3,592,106)</u>	<u>(351,784)</u>	<u>(68,031,989)</u>	<u>(58,193)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of investments	(1,100,000)	(214,223,201)	(29,588,838)	(1,036,116)	-	(245,948,155)	-
Proceeds from sales and maturities of investments	13,128,000	209,524,501	29,361,420	1,016,432	-	253,030,353	-
Interest	1,242,000	1,082,791	339,533	19,684	1,547	2,685,555	-
Net cash flows provided by (used in) investing activities	<u>13,270,000</u>	<u>(3,615,909)</u>	<u>112,115</u>	<u>-</u>	<u>1,547</u>	<u>9,767,753</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(1,688,000)	(7,220,107)	(104,983)	(172,353)	(3,493)	(9,188,936)	3,791,746
Cash and cash equivalents, beginning of year	39,926,000	9,026,216	4,643,975	5,920,432	234,049	59,750,672	967,642
Cash and cash equivalents, end of year	<u>\$ 38,238,000</u>	<u>\$ 1,806,109</u>	<u>\$ 4,538,992</u>	<u>\$ 5,748,079</u>	<u>\$ 230,556</u>	<u>\$ 50,561,736</u>	<u>\$ 4,759,388</u>

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		
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Storm Water	Housing Management	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES							
OPERATING INCOME (LOSS)	\$ 8,402,000	\$ 6,123,517	\$ 2,054,269	\$ 2,018,237	\$ (16,145)	\$ 18,581,878	\$ 1,942,329
ADJUSTMENTS NOT AFFECTING CASH							
Depreciation and amortization	17,554,000	9,904,556	581,535	947,875	301,979	29,289,945	71,002
Provision for uncollectible accounts	-	319,226	-	-	-	319,226	-
Provision for obsolete inventory	-	-	-	-	-	-	20,723
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(8,560,000)	(917,021)	(77,691)	3,281	-	(9,551,431)	(87,156)
(Increase) decrease in due from other funds	-	(13,330)	(338)	(1,684)	-	(15,352)	2,946,741
(Increase) decrease in due from other governments	-	-	39,977	-	-	39,977	(62,473)
(Increase) decrease in inventory	(642,000)	18,361	-	-	-	(623,639)	59,165
(Increase) decrease in prepaid items	(1,577,000)	30,398	2,089	8,597	(4,864)	(1,540,780)	-
(Increase) decrease in deferred charges	(115,000)	132,682	25,297	17,332	-	60,311	-
Increase (decrease) in accounts payable	13,871,000	(801,109)	(145,578)	1,767	-	12,926,080	72,357
Increase (decrease) in accrued liabilities	-	2,349	459,306	(174,188)	-	287,467	(1,198,048)
Increase (decrease) in other assets/liabilities	1,804,000	65,447	93,922	(25,935)	65,774	2,003,208	-
Increase (decrease) in compensated absences	(37,000)	32,611	(47,359)	(19,116)	-	(70,864)	86,330
Decrease in due to other funds	-	(87,870)	(65,920)	(40,365)	-	(194,155)	(1,031)
Increase in due to other governments	-	-	21,477	-	-	21,477	-
TOTAL ADJUSTMENTS	22,298,000	8,686,300	886,717	717,564	362,889	32,951,470	1,907,610
Net cash provided by operating activities	\$ 30,700,000	\$ 14,809,817	\$ 2,940,986	\$ 2,735,801	\$ 346,744	\$ 51,533,348	\$ 3,849,939

CITY OF CHATTANOOGA, TENNESSEE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2006

	Pension Trust Funds
ASSETS	
Investments:	
U.S. Government securities	\$ 18,975,661
Municipal bonds	67,214
Corporate bonds	27,865,995
Foreign bonds	1,361,700
Corporate stocks	204,829,069
Mutual funds - equity	116,168,527
Mutual funds - fixed income	44,288,587
Temporary investments	11,999,405
Limited partnerships	26,156,992
Other investments	875,000
Receivables:	
Accrued income	922,477
Contributions	370,768
Due from plan custodian	962,709
	454,844,104
LIABILITIES	
Due to plan custodian	203,223
Accounts payable and accrued expenses	635,879
	839,102
NET ASSETS	
Held in trust for pension benefits	\$ 454,005,002

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, 2006

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 9,844,924
Employee	<u>3,852,736</u>
Total contributions	<u>13,697,660</u>
Investment income:	
Net appreciation in fair market value of investments	39,718,222
Litigation settlement	4,203,305
Interest	3,558,900
Dividends	<u>6,676,310</u>
	54,156,737
Less investment expense	<u>(1,774,791)</u>
Net investment income	<u>52,381,946</u>
Total additions	<u>66,079,606</u>
DEDUCTIONS	
Benefits paid to participants	26,975,208
Administrative expenses	<u>720,877</u>
Total deductions	<u>27,696,085</u>
CHANGE IN NET ASSETS	38,383,521
Net assets, beginning	<u>415,621,481</u>
Net assets, ending	<u><u>\$ 454,005,002</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, 2006

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
ASSETS				
Cash and cash equivalents	\$ 1,842,842	\$ 832,128	\$ 2,546,333	\$ 5,221,303
Investments	24,535	-	655,128	679,663
Accounts receivable	2,662,500	816,717	367,833	3,847,050
Net investment in capital lease	-	-	115,925,472	115,925,472
Due from primary government	-	-	329,749	329,749
Deferred charges	186,450	-	1,793,776	1,980,226
Inventories	-	162,588	169,458	332,046
Prepaid items	268,805	241,682	152,210	662,697
Net pension asset	-	46,540	-	46,540
Restricted assets:				
Cash and cash equivalents	840,570	1,445,000	-	2,285,570
Investments	3,929,413	-	9,934,204	13,863,617
Receivables	94,446	-	-	94,446
Land and other nondepreciable assets	17,401,599	3,097,296	-	20,498,895
Other capital assets, net of accumulated depreciation	<u>36,951,348</u>	<u>25,235,979</u>	<u>751,239</u>	<u>62,938,566</u>
Total assets	<u>64,202,508</u>	<u>31,877,930</u>	<u>132,625,402</u>	<u>228,705,840</u>
LIABILITIES				
Accounts payable and accrued liabilities	569,177	1,223,775	2,907,023	4,699,975
Contracts payable	1,141,899	-	-	1,141,899
Due to primary government	-	375,000	-	375,000
Revenue bonds payable	13,935,000	-	129,200,000	143,135,000
Original issue premium (discount)	(84,663)	-	88,583	3,920
Deferred revenue	<u>8,090</u>	<u>400,000</u>	<u>-</u>	<u>408,090</u>
Total liabilities	<u>15,569,503</u>	<u>1,998,775</u>	<u>132,195,606</u>	<u>149,763,884</u>
NET ASSETS				
Invested in capital assets (net of related debt)	40,502,610	28,333,275	751,239	69,587,124
Restricted for:				
Debt service	4,864,429	-	9,783,100	14,647,529
Renewal and replacement	-	-	1,105,521	1,105,521
Unrestricted	<u>3,265,966</u>	<u>1,545,880</u>	<u>(11,210,064)</u>	<u>(6,398,218)</u>
Total net assets	<u>\$ 48,633,005</u>	<u>\$ 29,879,155</u>	<u>\$ 429,796</u>	<u>\$ 78,941,956</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, 2006

	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	\$ 8,973,892	\$ 5,779,745	\$ 846,920	\$ 7,915,490	\$ 5,568,263	\$ -	\$ -	\$ 5,568,263
CARTA								
CARTA operations	16,817,049	4,347,431	6,084,288	6,191,217	-	(194,113)	-	(194,113)
CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION								
CDRC operations	17,878,134	17,856,241	-	-	-	-	(21,893)	(21,893)
Total component units	<u>\$ 43,669,075</u>	<u>\$ 27,983,417</u>	<u>\$ 6,931,208</u>	<u>\$ 14,106,707</u>	<u>5,568,263</u>	<u>(194,113)</u>	<u>(21,893)</u>	<u>5,352,257</u>
General revenues:								
Investment income					142,059	8,838	542,093	692,990
Miscellaneous					984,868	77,571	-	1,062,439
Total general revenues					<u>1,126,927</u>	<u>86,409</u>	<u>542,093</u>	<u>1,755,429</u>
CHANGE IN NET ASSETS					6,695,190	(107,704)	520,200	7,107,686
Net assets (deficit), beginning					41,937,815	29,986,859	(90,404)	71,834,270
Net assets, ending					<u>\$ 48,633,005</u>	<u>\$ 29,879,155</u>	<u>\$ 429,796</u>	<u>\$ 78,941,956</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, 2006

Index to Notes

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

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

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, 2006. 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 Carter Street Corporation is managing the trade center and parking garage under a management agreement. Additional information regarding the City’s participation in this joint venture is disclosed in Note 12.

Related Organizations – City officials are also responsible for appointing the members of the boards of other related organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The Mayor or the City Council appoints the Board members of the Chattanooga Housing Authority, The Industrial Development Board of the City of Chattanooga, and The Health, Educational, and Housing Facility Board of the City of Chattanooga. During 2006 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. Interfund services provided and used are not eliminated in the government-wide statement of activities. In addition, 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.

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, 2006, 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 activities 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 2005 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 2005, 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, 2006.

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.

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. 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, 2006, 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 \$15,064,818 at June 30, 2006. 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 \$1,349,435 from the prior fiscal year.

NOTE 3. CASH AND INVESTMENTS

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, 2006, 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	0.91	\$36,631,082
Certificates of deposit classified as investments	<u>0.34</u>	<u>16,605,399</u>
Total	<u>0.73</u>	<u>\$53,236,481</u>
Primary Government – Business-Type Activities:		
U.S. Government agency securities	0.74	\$36,063,664
Certificates of deposit classified as investments	<u>0.75</u>	<u>9,177,214</u>
Total	<u>0.75</u>	<u>\$45,240,878</u>
Component Units:		
U.S. Treasury Notes	1.86	\$ 2,576,968
U.S. Government agency securities	2.94	1,376,980
Certificates of deposit classified as investments	0.74	655,128
Cash equivalents classified as investments	<u>0.24</u>	<u>9,934,204</u>
Total	<u>0.80</u>	<u>\$14,543,280</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, 2006, the primary government's investments in U.S. Government agency securities include Federal Home Loan Bank and Federal National Mortgage Association bonds, which were rated AAA by Standard & Poor's Rating Service (S & P) or Moody's Investor Service (Moody's).

Component unit investments in U.S. Government agency securities of \$1,376,980 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 or Moody's.

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	\$ 232,153
Mutual funds - equity	Not rated	1,876,233
Mutual funds - fixed income	Not rated	810,328
Mutual funds - government securities	Not rated	280,025
Cash equivalents classified as investments	Not rated	<u>33,655</u>
		<u>\$3,232,394</u>

	S & P or Moody's Rating	Fair Value
<u>City of Chattanooga General Pension Plan</u>		
Domestic corporate bonds	B	\$ 1,556,723
Domestic corporate bonds	BA	731,463
Domestic corporate bonds	CAA	1,390,928
Domestic corporate bonds	Not rated	963,577
Mutual funds - equity	Not rated	45,187,293
Mutual funds - fixed income	Not rated	44,288,587
Domestic equity securities	Not rated	90,717,897
Limited partnerships	Not rated	26,156,992
Temporary investments	Not rated	4,848,162
		<u>\$215,841,622</u>
<u>Firemen's and Policemen's Insurance and Pension Fund</u>		
U.S. Government securities	AAA	\$ 18,975,661
Domestic corporate bonds	AAA	3,830,846
Domestic corporate bonds	AA	6,243,558
Foreign bonds	AA	57,007
Domestic corporate bonds	A	9,580,119
Foreign bonds	A	548,764
Domestic corporate bonds	BAA	3,335,327
Municipal bonds	BAA	67,214
Foreign bonds	BAA	755,929
Domestic corporate bonds	Not rated	233,454
Mutual funds - equity	Not rated	70,981,234
Domestic equity securities	Not rated	114,111,172
Temporary investments	Not rated	7,151,243
Investment in real estate corporation	Not rated	875,000
		<u>\$236,746,528</u>

NOTE 4. RECEIVABLES

Receivables at June 30, 2006, 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	\$ 90,458,899	\$ -	\$ -	\$ -	\$ 90,458,899
Accounts	-	77,344	57,990	75,962	211,296
Notes	1,340,112	859,777	-	-	2,199,889
Customer service	-	-	-	49,055,494	49,055,494
Other	4,684,618	-	-	365,139	5,049,757
Intergovernmental	<u>17,697,478</u>	<u>1,906,532</u>	<u>2,919,456</u>	<u>45,023</u>	<u>22,568,489</u>
Gross receivables	114,181,107	2,843,653	2,977,446	49,541,618	169,543,824
Less:					
Allowance for uncollectibles	<u>(2,939,447)</u>	<u>-</u>	<u>-</u>	<u>(951,009)</u>	<u>(3,890,456)</u>
Net receivables	<u>\$111,241,660</u>	<u>\$2,843,653</u>	<u>\$2,977,446</u>	<u>\$48,590,609</u>	<u>\$165,653,368</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, 2006.

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables are due to charges between funds that are outstanding as of June 30, 2006, as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects Fund	Nonmajor Governmental Funds (Hotel/Motel)	\$385,616
Nonmajor Governmental Funds	General Fund	
Public Library		143
Human Services		3,713
State Street Aid		91
Major Enterprise Funds		
Interceptor Sewer Fund	General Fund	13,330
Solid Waste/Sanitation Fund	General Fund	338
Storm Water Fund	General Fund	1,684
Internal Service Fund	General Fund	<u>1,929</u>
		<u>\$406,844</u>

NOTE 6. INTERFUND TRANSFERS

	Transfers In:				Total
	General Fund	Capital Projects	Nonmajor Governmental	Storm Water	
Transfers out:					
General Fund	\$ -	\$6,164,000	\$13,622,444	\$683,952	\$20,470,396
Capital Projects Fund	-	-	1,632,495	-	1,632,495
Nonmajor Governmental Funds	-	2,372,311	1,721,943	-	4,094,254
Electric Power Board	<u>3,142,000</u>	-	-	-	<u>3,142,000</u>
Total	<u>\$3,142,000</u>	<u>\$8,536,311</u>	<u>\$16,976,882</u>	<u>\$683,952</u>	<u>\$29,339,145</u>

Transfers are used to 1) move revenues from the General Fund, the Capital Projects Fund, the Community Development Fund, and the Hotel/Motel Tax Fund 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, 3) move unrestricted revenues from the General Fund to other funds for 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, and 4) record payments in lieu of taxes from the Electric Power Board to the General Fund.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 is as follows:

Primary Government

Governmental Activities:

	Beginning Balance	Additions	Deductions	Ending Balance
Non-Depreciable Assets:				
Land and land improvements	\$ 963,318,784	\$ 28,037,378	\$ 2,356,031	\$ 989,000,131
Construction in Progress	<u>69,400,659</u>	<u>15,333,407</u>	<u>63,904,489</u>	<u>20,829,577</u>
Total non-depreciable assets	<u>1,032,719,443</u>	<u>43,370,785</u>	<u>66,260,520</u>	<u>1,009,829,708</u>
Depreciable Assets:				
Buildings	155,490,391	250,084	-	155,740,475
Vehicles and machinery	89,712,014	6,735,904	1,554,173	94,893,745
Improvements other than buildings	21,976,300	783,525	-	22,759,825
Infrastructure	<u>568,601,250</u>	<u>49,002,287</u>	<u>-</u>	<u>617,603,537</u>
Total depreciable assets	<u>835,779,955</u>	<u>56,771,800</u>	<u>1,554,173</u>	<u>890,997,582</u>
Less Accumulated Depreciation for:				
Buildings	39,329,198	4,702,265	-	44,031,463
Vehicles and machinery	62,587,656	7,565,673	1,516,885	68,636,444
Improvements other than buildings	14,063,446	709,099	-	14,772,545
Infrastructure	<u>222,241,222</u>	<u>23,374,589</u>	<u>-</u>	<u>245,615,811</u>
Total accumulated depreciation	<u>338,221,522</u>	<u>36,351,626</u>	<u>1,516,885</u>	<u>373,056,263</u>
Depreciable Assets, net	<u>497,558,433</u>	<u>20,420,174</u>	<u>37,288</u>	<u>517,941,319</u>
Governmental activities capital assets, net	<u>\$1,530,277,876</u>	<u>\$63,790,959</u>	<u>\$66,297,808</u>	<u>\$1,527,771,027</u>
Business-Type Activities:				
Non-Depreciable Assets:				
Land	\$ 14,005,371	\$ 148,617	\$ 82,000	\$ 14,071,988
Construction in Progress	<u>34,283,000</u>	<u>16,243,000</u>	<u>992,000</u>	<u>49,534,000</u>
Total non-depreciable assets	<u>48,288,371</u>	<u>16,391,617</u>	<u>1,074,000</u>	<u>63,605,988</u>
Depreciable Assets:				
Buildings	68,406,837	417,000	213,000	68,610,837
Vehicles and machinery	427,343,390	22,706,241	13,124,565	436,925,066
Sewer system	399,808,197	3,622,122	330,600	403,099,719
Storm water system	42,496,355	1,276,979	-	43,773,334
Telecommunications	<u>22,622,000</u>	<u>5,648,000</u>	<u>1,531,000</u>	<u>26,739,000</u>
Total depreciable assets	<u>960,676,779</u>	<u>33,670,342</u>	<u>15,199,165</u>	<u>979,147,956</u>
Less Accumulated Depreciation for:				
Buildings	15,508,313	2,042,638	11,113,000	6,437,951
Vehicles and machinery	189,981,866	15,645,303	89,564	205,537,605
Sewer system	143,233,586	7,871,780	-	151,105,366
Storm water system	5,450,353	869,223	-	6,319,576
Telecommunications	<u>6,946,000</u>	<u>2,142,000</u>	<u>564,000</u>	<u>8,524,000</u>
Total accumulated depreciation	<u>361,120,118</u>	<u>28,570,944</u>	<u>11,766,564</u>	<u>377,924,498</u>
Depreciable Assets, net	<u>599,556,661</u>	<u>5,099,398</u>	<u>3,432,601</u>	<u>601,223,458</u>
Business-type activities capital assets, net	<u>\$ 647,845,032</u>	<u>\$ 21,491,015</u>	<u>\$ 4,506,601</u>	<u>\$ 664,829,446</u>

Discretely Presented Component Units

	Beginning Balance	Additions	Deductions	Ending Balance
Non-Depreciable Assets:				
Land	\$ 4,380,320	\$ -	\$ -	\$ 4,380,320
Construction in Progress	<u>9,121,687</u>	<u>6,996,888</u>	<u>-</u>	<u>16,118,575</u>
Total non-depreciable assets	<u>13,502,007</u>	<u>6,996,888</u>	<u>-</u>	<u>20,498,895</u>
Depreciable Assets:				
Buildings	48,846,764	64,374	-	48,911,138
Vehicles and machinery	39,985,744	4,226,792	194,315	44,018,221
Improvements other than buildings	<u>33,384,807</u>	<u>1,001,849</u>	<u>-</u>	<u>34,386,656</u>
Total depreciable assets	<u>122,217,315</u>	<u>5,293,015</u>	<u>194,315</u>	<u>127,316,015</u>
Less Accumulated Depreciation for:				
Buildings	27,945,627	2,028,446	-	29,974,073
Vehicles and machinery	25,434,057	3,346,368	13,880	28,766,545
Improvements other than buildings	<u>4,181,900</u>	<u>1,454,931</u>	<u>-</u>	<u>5,636,831</u>
Total accumulated depreciation	<u>57,561,584</u>	<u>6,829,745</u>	<u>13,880</u>	<u>64,377,449</u>
Depreciable Assets, net	<u>64,655,731</u>	<u>(1,536,730)</u>	<u>180,435</u>	<u>62,938,566</u>
Component units capital assets, net	<u>\$ 78,157,738</u>	<u>\$ 5,460,158</u>	<u>\$180,435</u>	<u>\$ 83,437,461</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:	
General government	\$13,509,661
Public Safety	943,161
Public Works	21,156,141
Parks and Recreation	680,968
Social Services	<u>61,695</u>
Total	<u>\$36,351,626</u>
Primary Government – Business-Type Activities:	
Sewer	\$ 9,904,556
Solid Waste/Sanitation	581,536
Storm Water	947,874
Housing Management	301,978
Electric Utility	<u>16,835,000</u>
Total	<u>\$28,570,944</u>
Discretely Presented Component Units:	
Transportation Authority	\$ 3,960,932
Airport Authority	2,755,020
Downtown Redevelopment	<u>113,793</u>
Total	<u>\$ 6,829,745</u>

NOTE 8. LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2006, were as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Primary Government					
GOVERNMENTAL ACTIVITIES					
General obligation serial bonds	\$125,317,464	\$ -	\$ 4,637,068	\$120,680,396	\$ 5,328,276
Notes payable	13,594,190	10,293,507	2,531,115	21,356,582	2,603,689
Capital leases payable	118,842,663	-	566,954	118,275,709	2,761,814
Compensated absences	<u>16,918,571</u>	<u>9,792,080</u>	<u>9,501,828</u>	<u>17,208,823</u>	<u>914,437</u>
Total governmental activities	<u>\$274,672,888</u>	<u>\$20,085,587</u>	<u>\$17,236,965</u>	277,521,510	<u>\$11,608,216</u>
Net deferred refunding and original issue premiums and discounts				<u>(667,177)</u>	
				<u>\$276,854,333</u>	
BUSINESS-TYPE ACTIVITIES					
EPB:					
Revenue bonds	\$ 33,600,000	\$ -	\$ 1,600,000	\$ 32,000,000	\$ 1,600,000
Notes payable	1,774,000	1,347,000	505,000	2,616,000	645,000
Compensated absences	<u>962,000</u>	<u>-</u>	<u>98,000</u>	<u>864,000</u>	<u>-</u>
	<u>36,336,000</u>	<u>1,347,000</u>	<u>2,203,000</u>	<u>35,480,000</u>	<u>2,245,000</u>
Interceptor Sewer System:					
General obligation serial bonds	83,022,015	-	8,660,914	74,361,101	8,845,403
Notes payable	44,140,355	-	1,837,679	42,302,676	1,897,758
Capital leases payable	234,453	-	19,891	214,562	21,019
Compensated absences	<u>845,911</u>	<u>566,074</u>	<u>533,461</u>	<u>878,524</u>	<u>52,532</u>
	<u>128,242,734</u>	<u>566,074</u>	<u>11,051,945</u>	<u>117,756,863</u>	<u>10,816,712</u>
Solid Waste/Sanitation Fund:					
General obligation serial bonds	26,041,104	-	1,988,455	24,052,649	2,018,242
Compensated absences	<u>124,321</u>	<u>5,619</u>	<u>52,978</u>	<u>76,962</u>	<u>4,632</u>
	<u>26,165,425</u>	<u>5,619</u>	<u>2,041,433</u>	<u>24,129,611</u>	<u>2,022,874</u>
Storm Water Fund:					
General obligation serial bonds	16,324,417	-	1,328,563	14,995,854	1,353,079
Notes payable	1,297,921	-	147,738	1,150,183	153,720
Compensated absences	<u>203,797</u>	<u>149,363</u>	<u>168,478</u>	<u>184,682</u>	<u>13,995</u>
	<u>17,826,135</u>	<u>149,363</u>	<u>1,644,779</u>	<u>16,330,719</u>	<u>1,520,794</u>
Total business-type activities	<u>\$208,570,294</u>	<u>\$ 2,068,056</u>	<u>\$16,941,157</u>	193,697,193	<u>\$16,605,380</u>
Net deferred refunding and original issue premiums and discounts				<u>(73,044)</u>	
				<u>\$193,624,149</u>	

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due Within</u> <u>One Year</u>
Discretely Presented Component Units					
Metropolitan Airport Authority:					
Revenue bonds	\$ 14,520,000	\$ -	\$ 585,000	\$ 13,935,000	\$ 630,000
Chattanooga Downtown Redevelopment Corporation:					
Revenue bonds	129,200,000	-	-	129,200,000	2,570,000
Notes payable	<u>186,703</u>	<u>-</u>	<u>186,703</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$143,906,703</u>	<u>\$ -</u>	<u>\$ 771,703</u>	143,135,000	<u>\$ 3,200,000</u>
Original issue premiums and discounts				<u>3,920</u>	
				<u>\$143,138,920</u>	

In prior years, 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, 2006, the liabilities for the bonds refunded were as follows:

<u>Year</u> <u>Refunded</u>	<u>Remaining</u> <u>Liability</u>
1986	\$ 5,600,000
1992	17,570,000
1996	10,000,000
1998	26,715,000
2002	40,480,000
2003	31,930,000
2005	51,510,000

Debt related to governmental activities at June 30, 2006, 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	5.00% - 5.50%	\$ 7,209,200
Municipal Public Improvement, Series 2001	5.00%	17,816,200
Public Improvement Refunding, Series 2002	4.00% - 5.38%	8,748,900
Refunding Bonds, 2002 Series A	3.00% - 5.00%	3,938,308
Hotel-Motel Tax Pledge, Series 2002	3.00% - 5.00%	49,705,000
General Obligation, 2003 Series A	2.50% - 4.20%	10,570,000
General Obligation, 2005 Series A	3.00% - 5.00%	17,222,801
Hotel-Motel Tax Refunding, Series 2005A	3.00% - 5.00%	<u>5,469,987</u>
Total payable from the Debt Service Fund		<u>\$120,680,396</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, 2006, is \$60,781.

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, 2006, is \$3,935,023.

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, 2006, is \$1,683,698.

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, 2006, is \$13,045,464.

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, 2006, is \$31,073.

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% (7.01% at June 30, 2006). The balance at June 30, 2006, is \$2,473,620.

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 \$5,532,337 for the year ended June 30, 2006. The recorded liability under this capital lease at June 30, 2006, is \$115,925,472.

The debt service reserve fund held by the fiscal agent at June 30, 2006 is \$9,934,204. 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, 2006, is \$2,350,237.

Republic Parking Equipment Loan – During 2005 CDRC entered into a loan agreement with the Republic Parking System, Inc. The loan was for the purpose of financing parking garage equipment. The loan will be repaid in monthly installments for 36 months at 7.00% interest. During 2006 the loan and the related equipment were transferred from CDRC (a discretely-presented component unit) to governmental activities in connection with establishing the River Pier Garage Fund (a Special Revenue Fund). This transfer is included in additions to notes payable and capital assets of the primary government's governmental activities and reductions in notes payable and capital assets of discretely presented component units. The balance at June 30, 2006 is \$126,923.

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, 2006, 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%	\$ 32,000,000
Equipment Notes	4.40% - 4.95%	2,616,000
Interceptor Sewer System Fund:		
Municipal Public Improvement, Series 1998	5.00%	1,375,000
Municipal Public Improvement Refunding, Series 1998	5.00% - 5.50%	13,286,100
Municipal Public Improvement Refunding, Series 2002	3.50% - 4.50%	19,329,151
Refunding Bonds, 2002 Series A	3.00% - 5.00%	21,036,692
Refunding Bonds, 2003 Series B	3.00% - 3.25%	6,865,000
Refunding Bonds, 2005 Series A	3.00% - 5.00%	12,469,158
1992 State Revolving Sewer Loan*	3.98%	1,150,184
Northwest Georgia Sewer Expansion Project	4.00%	5,336,989
State Revolving Loan 2003	2.98%	35,815,503
City of Collegedale Capital Lease	Variable	214,562
Solid Waste/Sanitation Fund:		
Municipal Public Improvement, Series 1998	5.00%	760,000
Municipal Public Improvement Refunding, Series 1998	5.00% - 5.50%	3,686,100
Municipal Public Improvement, Series 2001	5.00%	3,032,600
Municipal Public Improvement Refunding, Series 2002	4.00% - 5.38%	6,774,887
Refunding Bonds, 2005 Series A	3.00% - 5.00%	9,799,062
Storm Water Fund:		
Municipal Public Improvement, Series 1998	5.00%	565,000
Municipal Public Improvement Refunding, Series 1998	5.00% - 5.50%	2,528,600
Municipal Public Improvement, Series 2001	5.00%	901,200
Municipal Public Improvement Refunding, Series 2002	4.00% - 5.38%	4,997,062
Refunding Bonds, 2005 Series A	3.00% - 5.00%	6,003,992
1992 State Revolving Sewer Loan*	3.98%	1,150,183
Total payable from business-type activities		<u>\$191,693,025</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, 2006, is \$2,300,367.

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, 2006, is \$5,336,989.

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 2025 at 2.98% interest. The balance at June 30, 2006, is \$35,815,503.

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 2015 at variable rates of interest. The balance on this capital lease at June 30, 2006, is \$214,562.

EPB Equipment Notes – EPB has five installment notes outstanding at June 30, 2006, totaling \$2,616,000. 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 4.95%.

Component Units debt at June 30, 2006, 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%	1,310,000
Chattanooga Downtown Redevelopment Corporation:		
Chattanooga Lease Rental Revenue Bonds, Series 2000	5.00% - 5.625%	<u>129,200,000</u>
Total payable from Component Units		<u>\$143,135,000</u>

Principal and interest requirements to maturity for bonds and notes payable, 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>
2007	\$ 7,931,965	\$ 6,215,604	\$ 16,513,202	\$ 8,040,886
2008	6,831,505	5,924,001	14,942,188	7,418,927
2009	8,193,534	5,629,801	16,965,286	6,819,370
2010	8,466,577	5,265,435	14,987,610	6,099,723
2011	8,402,276	4,921,778	13,965,122	5,452,427
2012-2016	32,289,521	20,313,844	56,076,480	19,017,577
2017-2021	23,389,400	13,880,275	38,555,042	7,608,150
2022-2026	26,672,200	8,433,632	19,743,533	2,034,468
2027-2031	19,860,000	2,576,825	-	-
	<u>\$142,036,978</u>	<u>\$73,161,195</u>	<u>\$191,478,463</u>	<u>\$62,491,528</u>
<u>Year</u>	<u>Component Units</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 3,200,000	\$ 7,843,290	\$ 3,200,000	\$ 7,843,290
2008	3,375,000	7,672,390	3,375,000	7,672,390
2009	2,955,000	7,527,630	2,955,000	7,527,630
2010	3,825,000	7,337,330	3,825,000	7,337,330
2011	3,950,000	7,133,293	3,950,000	7,133,293
2012-2016	23,085,000	32,241,286	23,085,000	32,241,286
2017-2021	29,815,000	25,004,515	29,815,000	25,004,515
2022-2026	31,375,000	16,561,197	31,375,000	16,561,197
2027-2031	41,555,000	6,121,194	41,555,000	6,121,194
	<u>\$143,135,000</u>	<u>\$117,442,125</u>	<u>\$143,135,000</u>	<u>\$117,442,125</u>

Principal and interest requirements to maturity for capital leases are as follows:

Year	Primary Government			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 2,761,814	\$ 7,551,670	\$ 21,019	\$12,633
2008	2,910,119	7,401,615	22,245	11,408
2009	3,066,000	7,242,359	23,575	10,078
2010	3,229,695	7,073,415	25,018	8,635
2011	2,789,754	6,894,284	26,585	7,068
2012-2016	16,879,059	31,508,976	96,120	10,447
2017-2021	22,891,938	25,306,096	-	-
2022-2026	31,046,241	16,889,956	-	-
2027-2031	32,701,089	5,464,949	-	-
	<u>\$118,275,709</u>	<u>\$115,333,320</u>	<u>\$214,562</u>	<u>\$60,269</u>

NOTE 9. 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, 2005	\$13,835,079
Deferrals of compensation	1,636,877
Earnings	1,195,597
Withdrawals	(896,630)
Administrative expenses	<u>(156)</u>
Asset balance at June 30, 2006	<u>\$15,770,767</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, therefore they are not included in the accompanying financial statements. 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 6.67 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 19.6 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, 2006:

<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	760	669
Vested terminated employees	73	4
Active employees	1,534	793
Actuarial update	1-1-2006	1-1-2006

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	12/31/05	\$3,558,187	97.54%	\$(4,255,701)
	12/31/04	2,132,773	118.74%	(4,343,073)
	12/31/03	2,204,619	102.66%	(3,943,428)
Firemen's and Policemen's Fund	12/31/05	6,566,969	97.75%	(4,165,966)
	12/31/04	6,190,284	99.64%	(4,313,641)
	12/31/03	5,719,267	99.36%	(4,336,014)

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	6.67%	19.60%
Contribution rates for plan members	2.00%	8.00%
Annual pension cost	\$3,558,187	\$6,566,969
Contributions made by employer	3,543,256	6,301,668
Contributions made by plan members	1,063,437	2,789,299
Actuarial valuation date for current contributions	January 1, 2006	January 1, 2006
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Dollar	Level Percent
Remaining amortization period	30 Years Open	30 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	4.50-5.50%	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	\$ 3,518,054	\$ 6,454,038
Interest on net pension obligation (asset)	(336,588)	(345,091)
Adjustment to annual required contribution	<u>376,721</u>	<u>458,022</u>
Annual pension cost	3,558,187	6,566,969
Contributions made	<u>(3,470,815)</u>	<u>(6,419,294)</u>
Increase in net pension obligation (asset)	87,372	147,675
Net pension obligation (asset) at beginning of year	<u>(4,343,073)</u>	<u>(4,313,641)</u>
Net pension obligation (asset) at end of year	<u>\$(4,255,701)</u>	<u>\$(4,165,966)</u>

During 2006 the General Pension Plan received a litigation settlement of \$4,203,305. This amount is net of attorneys' fees and other costs. The settlement resolved the Plan's claims against a brokerage firm related to the Plan's investment earnings in prior years.

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	\$ 247,553	\$ 674,924	\$ 922,477
Contributions:			
Employer	285,239	-	285,239
Employee	85,529	-	85,529
Due from plan custodian	<u>-</u>	<u>962,709</u>	<u>962,709</u>
Total receivables	<u>618,321</u>	<u>1,637,633</u>	<u>2,255,954</u>
Investments, at fair value:			
U.S. Government securities	-	18,975,661	18,975,661
Municipal bonds	-	67,214	67,214
Corporate bonds	4,642,691	23,223,304	27,865,995
Foreign bonds	-	1,361,700	1,361,700
Corporate stocks	90,717,897	114,111,172	204,829,069
Mutual funds - equity	45,187,293	70,981,234	116,168,527
Mutual funds - fixed income	44,288,587	-	44,288,587
Temporary investments	4,848,162	7,151,243	11,999,405
Limited Partnerships	26,156,992	-	26,156,992
Other investments	<u>-</u>	<u>875,000</u>	<u>875,000</u>
Total investments	<u>215,841,622</u>	<u>236,746,528</u>	<u>452,588,150</u>
Total assets	<u>216,459,943</u>	<u>238,384,161</u>	<u>454,844,104</u>
LIABILITIES			
Due to plan custodian	-	203,223	203,223
Accrued expenses	<u>215,503</u>	<u>420,376</u>	<u>635,879</u>
Total liabilities	<u>215,503</u>	<u>623,599</u>	<u>839,102</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$216,244,440</u></u>	<u><u>\$237,760,562</u></u>	<u><u>\$454,005,002</u></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	\$ 3,543,256	\$ 6,301,668	\$ 9,844,924
Employee	<u>1,063,437</u>	<u>2,789,299</u>	<u>3,852,736</u>
Total contributions	<u>4,606,693</u>	<u>9,090,967</u>	<u>13,697,660</u>
Investment income:			
Net appreciation in fair market value of investments	21,361,547	18,356,675	39,718,222
Litigation settlement	4,203,305	-	4,203,305
Interest	402,247	3,156,653	3,558,900
Dividends	<u>2,267,657</u>	<u>4,408,653</u>	<u>6,676,310</u>
	28,243,756	25,921,981	54,156,737
Less investment expense	<u>(498,788)</u>	<u>(1,276,003)</u>	<u>(1,774,791)</u>
Net investment income	<u>27,735,968</u>	<u>24,645,978</u>	<u>52,381,946</u>
Total additions	<u>32,342,661</u>	<u>33,736,945</u>	<u>66,079,606</u>
DEDUCTIONS			
Benefits paid to participants	8,779,747	18,195,461	26,975,208
Administrative expenses	<u>224,673</u>	<u>496,204</u>	<u>720,877</u>
Total deductions	<u>9,004,420</u>	<u>18,691,665</u>	<u>27,696,085</u>
NET INCREASE	23,338,241	15,045,280	38,383,521
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
Beginning of year	<u>192,906,199</u>	<u>222,715,282</u>	<u>415,621,481</u>
End of year	<u>\$216,244,440</u>	<u>\$237,760,562</u>	<u>\$454,005,002</u>

(3) 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 9.43% of annual covered payroll.

Annual Pension Cost and Net Pension Obligation:

EPB's annual pension cost of the Plan for the current year was \$2,165,000. 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, 2005, 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 4.0% 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>
6/30/06	\$2,165,000	100%	\$ -
6/30/05	1,988,000	100%	-
6/30/04	1,932,000	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 4.0 percent of an employee's salary. EPB contributions are fully vested and amounted to \$744,000 for the year ended June 30, 2006.

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, 2006. 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>
6/30/06	\$414,422	91%	\$ (46,540)
6/30/05	397,422	89%	(127,952)
6/30/04	397,790	95%	(161,485)

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, 2006, there were 920 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, 2006, the City recognized expenditures of approximately \$6,214,495, which was offset by \$1,527,903 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, 2006, outstanding funds advanced by TVA totaled \$467,000 to be used by EPB for customer loans in connection with TVA's insulation and heat pump conservation programs. At June 30, 2006, the outstanding receivables for loans made from these funds amounted to \$451,000. A total of approximately \$78,417,000 has been loaned to EPB's customers since the programs were begun in 1977.

NOTE 12. JOINT VENTURE

The City has an equity interest in Carter Street Corporation, a nonprofit organization. Carter Street Corporation's board consists of five members. Two members are appointed by the Mayor of the City and two are appointed by the Hamilton County, Tennessee Mayor. The appointment of the fifth member, who serves as chairman, is agreed on by the City Mayor and the County Mayor.

Carter Street Corporation owns and manages a trade center and a parking garage that were financed by bonds issued by the Industrial Development Board of Chattanooga. The City and Hamilton County, Tennessee funded the repayment of the bonds through lease payments to Carter Street Corporation. Pursuant to the lease agreement, the City has a two-thirds equity interest in Carter Street Corporation upon the repayment of the bonds during the year ended June 30, 2006. The City's lease payments from the General Fund to Carter Street Corporation were \$1,415,389 during the year ended June 30, 2006.

The City's two-thirds equity interest in Carter Street Corporation is computed as follows:

Total net assets	<u>\$13,184,969</u>
Multiplied by two-thirds	<u> x 2/3</u>
City's equity interest	<u>\$ 8,789,979</u>

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, 2006, is as follows:

ASSETS

Cash	\$ 698,780
Accounts receivable, net	377,459
Inventories	80,002
Prepaid items	27,931
Capital assets, net	12,208,636
Other assets	<u>19,300</u>
Total assets	<u>\$13,412,108</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 172,973
Accrued interest	-
Advance deposits	54,166
Bonds payable	<u>-</u>
Total liabilities	<u>227,139</u>

NET ASSETS

Invested in capital assets, net of related debt	12,208,636
Unrestricted	<u>976,333</u>
Total net assets	<u>13,184,969</u>
Total liabilities and net assets	<u>\$13,412,108</u>

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Total operating revenues	\$ 5,624,831
Total operating expenses	<u>6,352,996</u>
Loss from operations	(728,165)
Nonoperating revenues	618,178
Nonoperating expenses	<u>21,746</u>
Net loss	(131,733)
Net assets at July 1, 2005	<u>13,316,702</u>
Net assets at June 30, 2006	<u>\$13,184,969</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. City management is not aware of any potential losses from such disallowances and believes that reimbursements, if any, would not be material.

The City has entered into various construction commitments. Such contracts include contracts for improvements to sewer, solid waste, and storm water systems, and acquisition and construction contracts related to general government capital projects. Several of these contracts were in progress but not completed as of June 30, 2006. The total contractual commitments outstanding as of June 30, 2006, aggregated approximately \$20,869,032. The City has sufficient funds available to cover these commitments

NOTE 14. CONDUIT DEBT OBLIGATIONS

From time to time, the Industrial Development Board and the Health, Educational and Housing Facility Board of the City of Chattanooga have issued 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, 2006, 119 series of Industrial Revenue Bonds had been issued. The principal amount of the series issued after July 1, 1995, was \$197,400,000. 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.

The Health, Educational and Housing Facility Board has issued at least thirty-six (36) bond issues since 1985, the original amount of which were \$540,340,000. The Board has no means of determining the outstanding amount of these bonds.

NOTE 15. 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 \$10,013,509 at June 30, 2006, is based on the use of 100 percent of the capacity of the Summit landfill, and 96 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, 2006, are as follows:

Estimated liability, June 30, 2005	\$ 9,555,619
Expenses recognized	563,734
Costs incurred	<u>(105,844)</u>
Estimated liability, June 30, 2006	<u>\$10,013,509</u>

The City will recognize the remaining estimated costs of closure and postclosure care of \$210,349 as the remaining capacity is used. The estimated total current cost of the landfill closure and postclosure care of \$10,223,858 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, 2006. 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 16. 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, 2006, 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). The liability does not include nonincremental claims adjustment expenses. 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, 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	761,398	4,664,000
Incurred claims, including IBNRs/reduction in estimated liabilities	22,413,786	40,764
Claim payments	<u>(22,706,586)</u>	<u>(1,114,764)</u>
Unpaid claims, June 30, 2006	<u>\$ 468,598</u>	<u>\$ 3,590,000</u>

NOTE 17. 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, 2006, the swap had a negative fair value of \$3,743,275, 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, 2006

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, 2006	\$ 214,548,519	\$ 209,643,031	\$ (4,905,488)	102.30%	\$ 54,636,392	-8.98%
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%
Firemen's and Policemen's Insurance and Pension Fund						
January 1, 2006	\$ 230,585,330	\$ 292,658,620	\$ 62,073,320	78.79%	\$ 32,010,229	193.92%
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%
ELECTRIC POWER BOARD						
August 1, 2005	\$ 28,551,000	\$ 28,551,000	\$ -	100.00%	\$ 22,438,000	0.00%
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%

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF REQUIRED SUPPLEMENTAL INFORMATION
 PUBLIC EMPLOYEE RETIREMENT SYSTEMS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 June 30, 2006

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>
2006	\$3,518,054	98.7%	\$6,454,038	99.5%
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%

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	1/1/2006	1/1/2006
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Dollar	Level Percent
Remaining amortization period	30 Years Open	30 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	4.50-5.50%	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.

River Pier Garage Fund accounts for revenues and expenditures of the River Pier Garage near the waterfront area.

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, 2006

	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	River Pier Garage		Total	Library Endowment		Ochs-Oakes Fire and Police Medal
ASSETS													
Cash and cash equivalents	\$ 1,150,328	\$ 17,568	\$ 3,328,014	\$ 2,423,765	\$ 355,924	\$ 823,932	\$ 1,036,856	\$ 23,171	\$ 9,159,558	\$ 2,011,124	\$ 45,260	\$ 13,244	\$ 11,229,186
Investments	-	-	-	-	1,173,684	-	-	-	1,173,684	5,128,084	3,232,394	-	9,534,162
Accounts receivable	1,383	233	44,537	1,148	10,545	-	144	-	57,990	-	-	-	57,990
Due from other funds	143	-	3,713	-	91	-	-	-	3,947	-	-	-	3,947
Due from other governments	5,900	-	626,236	3,613	751,357	872,543	659,807	-	2,919,456	-	-	-	2,919,456
Total assets	\$ 1,157,754	\$ 17,801	\$ 4,002,500	\$ 2,428,526	\$ 2,291,601	\$ 1,696,475	\$ 1,696,807	\$ 23,171	\$ 13,314,635	\$ 7,139,208	\$ 3,277,654	\$ 13,244	\$ 23,744,741
LIABILITIES AND FUND BALANCES													
LIABILITIES													
Accounts payable and accrued liabilities	\$ 108,264	\$ -	\$ 289,138	\$ 599,194	\$ 72,731	\$ 223,544	\$ -	\$ -	\$ 1,292,871	\$ -	\$ 2,083	\$ -	\$ 1,294,954
Deferred revenue	5,864	-	12,364	-	387,250	713,420	348,881	-	1,467,779	-	-	-	1,467,779
Due to other funds	-	-	-	-	-	-	385,616	-	385,616	-	-	-	385,616
Total liabilities	114,128	-	301,502	599,194	459,981	936,964	734,497	-	3,146,266	-	2,083	-	3,148,349
FUND BALANCES													
Reserved for:													
Encumbrances	6,285	-	54,356	3,139	689	-	-	-	64,469	-	-	-	64,469
Library endowment	-	-	-	-	-	-	-	-	-	-	3,242,029	-	3,242,029
Public safety awards	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000
Debt service escrow	-	-	-	-	-	-	-	-	-	1,296,631	-	-	1,296,631
Unreserved, designated for:													
Debt service	-	-	-	-	-	-	-	-	-	5,842,577	-	-	5,842,577
Other long-term liabilities	-	-	718,404	-	-	-	-	-	718,404	-	-	-	718,404
Unreserved - undesignated	1,037,341	17,801	2,928,238	1,826,193	1,830,931	759,511	962,310	23,171	9,385,496	-	33,542	12,244	9,431,282
Total fund balances	1,043,626	17,801	3,700,998	1,829,332	1,831,620	759,511	962,310	23,171	10,168,369	7,139,208	3,275,571	13,244	20,596,392
Total liabilities and fund balances	\$ 1,157,754	\$ 17,801	\$ 4,002,500	\$ 2,428,526	\$ 2,291,601	\$ 1,696,475	\$ 1,696,807	\$ 23,171	\$ 13,314,635	\$ 7,139,208	\$ 3,277,654	\$ 13,244	\$ 23,744,741

CITY OF CHATTANOOGA, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2006

	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	River Pier Garage		Total	Library Endowment		Ochs-Oakes Fire and Police Medal
REVENUES													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,640,518	\$ -	\$ 3,640,518	\$ -	\$ -	\$ -	\$ 3,640,518
Intergovernmental	2,263,958	-	11,729,508	108,773	4,366,625	3,486,029	-	-	21,954,893	1,371,442	-	-	23,326,335
Charges for services	-	-	143,621	-	-	-	-	212,118	355,739	-	-	-	355,739
Investment income	-	-	155,841	27,173	57,315	-	93,278	-	333,607	24,715	203,905	562	562,789
Contributions and donations	81,762	-	73,461	-	-	-	-	-	155,223	-	500	-	155,723
Miscellaneous	289,775	-	14,481	710,253	-	999,800	-	14,120	2,028,429	256,422	-	-	2,284,851
Total revenues	<u>2,635,495</u>	<u>-</u>	<u>12,116,912</u>	<u>846,199</u>	<u>4,423,940</u>	<u>4,485,829</u>	<u>3,733,796</u>	<u>226,238</u>	<u>28,468,409</u>	<u>1,652,579</u>	<u>204,405</u>	<u>562</u>	<u>30,325,955</u>
EXPENDITURES													
General government	5,154,025	16,149	13,598,820	-	-	-	101,890	125,550	18,996,434	-	61,342	54,000	19,111,776
Public safety	-	-	-	216,829	-	-	-	-	216,829	-	-	427	217,256
Public works	-	-	-	-	4,772,020	-	-	-	4,772,020	-	-	-	4,772,020
Community development	-	-	-	-	-	3,029,762	-	-	3,029,762	-	-	-	3,029,762
Debt service	-	-	-	-	-	-	-	-	-	14,137,674	-	-	14,137,674
Capital outlay/fixed assets	53,167	-	108,738	48,485	50,064	872,161	-	6,562	1,139,177	-	-	-	1,139,177
Total expenditures	<u>5,207,192</u>	<u>16,149</u>	<u>13,707,558</u>	<u>265,314</u>	<u>4,822,084</u>	<u>3,901,923</u>	<u>101,890</u>	<u>132,112</u>	<u>28,154,222</u>	<u>14,137,674</u>	<u>61,342</u>	<u>54,427</u>	<u>42,407,665</u>
Excess (deficiency) of revenues over (under) expenditures	(2,571,697)	(16,149)	(1,590,646)	580,885	(398,144)	583,906	3,631,906	94,126	314,187	(12,485,095)	143,063	(53,865)	(12,081,710)
OTHER FINANCING SOURCES (USES)													
Transfers in	2,487,660	-	1,335,877	-	-	-	971	-	3,824,508	13,152,374	-	-	16,976,882
Transfers out	-	-	-	-	-	(1,102,358)	(2,920,941)	(70,955)	(4,094,254)	-	-	-	(4,094,254)
Total other financing sources (uses)	<u>2,487,660</u>	<u>-</u>	<u>1,335,877</u>	<u>-</u>	<u>-</u>	<u>(1,102,358)</u>	<u>(2,919,970)</u>	<u>(70,955)</u>	<u>(269,746)</u>	<u>13,152,374</u>	<u>-</u>	<u>-</u>	<u>12,882,628</u>
Net change in fund balance	<u>(84,037)</u>	<u>(16,149)</u>	<u>(254,769)</u>	<u>580,885</u>	<u>(398,144)</u>	<u>(518,452)</u>	<u>711,936</u>	<u>23,171</u>	<u>44,441</u>	<u>667,279</u>	<u>143,063</u>	<u>(53,865)</u>	<u>800,918</u>
FUND BALANCE, beginning	<u>1,127,663</u>	<u>33,950</u>	<u>3,955,767</u>	<u>1,248,447</u>	<u>2,229,764</u>	<u>1,277,963</u>	<u>250,374</u>	<u>-</u>	<u>10,123,928</u>	<u>6,471,929</u>	<u>3,132,508</u>	<u>67,109</u>	<u>19,795,474</u>
FUND BALANCE, ending	<u>\$ 1,043,626</u>	<u>\$ 17,801</u>	<u>\$ 3,700,998</u>	<u>\$ 1,829,332</u>	<u>\$ 1,831,620</u>	<u>\$ 759,511</u>	<u>\$ 962,310</u>	<u>\$ 23,171</u>	<u>\$ 10,168,369</u>	<u>\$ 7,139,208</u>	<u>\$ 3,275,571</u>	<u>\$ 13,244</u>	<u>\$ 20,596,392</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.

CITY OF CHATTANOOGA, TENNESSEE

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

Year Ended June 30, 2006

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
OPERATING REVENUES				
Charges for services	\$ 5,779,745	\$ 4,347,431	\$ 17,856,241	\$ 27,983,417
Other	-	77,571	-	77,571
Total operating revenues	<u>5,779,745</u>	<u>4,425,002</u>	<u>17,856,241</u>	<u>28,060,988</u>
OPERATING EXPENSES				
Airport operations	5,353,954	-	-	5,353,954
CARTA operations	-	12,856,117	-	12,856,117
CDRC operations	-	-	9,896,763	9,896,763
Management fees	206,631	-	450,204	656,835
Maintenance	151,412	-	-	151,412
Depreciation and amortization	2,774,452	3,960,932	113,795	6,849,179
Total operating expenses	<u>8,486,449</u>	<u>16,817,049</u>	<u>10,460,762</u>	<u>35,764,260</u>
OPERATING INCOME (LOSS)	<u>(2,706,704)</u>	<u>(12,392,047)</u>	<u>7,395,479</u>	<u>(7,703,272)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	-	6,084,288	-	6,084,288
Investment income	142,059	8,838	542,093	692,990
Interest expense	(487,443)	-	(7,267,073)	(7,754,516)
Claims and judgements	-	-	(142,447)	(142,447)
Other income (expense)	1,831,788	-	(7,852)	1,823,936
Total nonoperating revenues (expenses)	<u>1,486,404</u>	<u>6,093,126</u>	<u>(6,875,279)</u>	<u>704,251</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	(1,220,300)	(6,298,921)	520,200	(6,999,021)
Capital contributions	<u>7,915,490</u>	<u>6,191,217</u>	<u>-</u>	<u>14,106,707</u>
CHANGE IN NET ASSETS	6,695,190	(107,704)	520,200	7,107,686
Net assets (deficit), beginning	<u>41,937,815</u>	<u>29,986,859</u>	<u>(90,404)</u>	<u>71,834,270</u>
Net assets, ending	<u>\$ 48,633,005</u>	<u>\$ 29,879,155</u>	<u>\$ 429,796</u>	<u>\$ 78,941,956</u>

CITY OF CHATTANOOGA, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS
Year Ended June 30, 2006

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 6,166,824	\$ 4,218,365	\$ 18,026,439	\$ 28,411,628
Payments to suppliers	(5,959,447)	(3,582,326)	(4,391,821)	(13,933,594)
Payments to employees	-	(8,898,627)	-	(8,898,627)
Cost of services	-	-	(5,970,169)	(5,970,169)
Net cash provided by (used in) operating activities	<u>207,377</u>	<u>(8,262,588)</u>	<u>7,664,449</u>	<u>(390,762)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental payments received	-	<u>6,520,250</u>	-	<u>6,520,250</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>6,520,250</u>	<u>-</u>	<u>6,520,250</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital debt	(585,000)	-	-	(585,000)
Interest paid on capital debt	(475,582)	-	(7,207,782)	(7,683,364)
Capital contributions	7,511,887	6,191,217	-	13,703,104
Additions to capital assets	(7,327,419)	(4,092,497)	(132,966)	(11,552,882)
Arbitrage payment	-	-	(142,447)	(142,447)
Passenger facility charges collected	<u>975,045</u>	<u>-</u>	<u>-</u>	<u>975,045</u>
Net cash flows provided by (used in) capital and related financing activities	<u>98,931</u>	<u>2,098,720</u>	<u>(7,483,195)</u>	<u>(5,285,544)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(77,259)	-	(29,348,181)	(29,425,440)
Proceeds from sales and maturities of investments	-	-	29,181,919	29,181,919
Interest on investments	<u>142,059</u>	<u>8,838</u>	<u>766,007</u>	<u>916,904</u>
Net cash flows provided by investing activities	<u>64,800</u>	<u>8,838</u>	<u>599,745</u>	<u>673,383</u>
Net increase in cash and cash equivalents	371,108	365,220	780,999	1,517,327
Cash and cash equivalents, beginning of year	<u>2,312,304</u>	<u>1,911,908</u>	<u>1,765,334</u>	<u>5,989,546</u>
Cash and cash equivalents, end of year	<u>\$ 2,683,412</u>	<u>\$ 2,277,128</u>	<u>\$ 2,546,333</u>	<u>\$ 7,506,873</u>
CLASSIFIED AS:				
Current assets	\$ 1,842,842	\$ 832,128	\$ 2,546,333	\$ 5,221,303
Restricted assets	<u>840,570</u>	<u>1,445,000</u>	<u>-</u>	<u>2,285,570</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 COMBINING STATEMENT OF CASH FLOWS
 COMPONENT UNITS
 Year Ended June 30, 2006

(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)	\$ (2,706,704)	\$ (12,392,047)	\$ 7,395,479	\$ (7,703,272)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Depreciation and amortization	2,774,452	3,960,932	113,793	6,849,177
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	205,453	(175,794)	181,028	210,687
(Increase) decrease in inventory	-	(18,513)	16,329	(2,184)
(Increase) decrease in prepaid items	(69,596)	87,082	121,763	139,249
Increase (decrease) in accounts payable and accrued liabilities	(65,028)	275,752	(163,943)	46,781
Increase in deferred revenue	3,522	-	-	3,522
Increase in other	65,278	-	-	65,278
TOTAL ADJUSTMENTS	2,914,081	4,129,459	268,970	7,312,510
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 207,377	\$ (8,262,588)	\$ 7,664,449	\$ (390,762)
SIGNIFICANT NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Additions to property and equipment included in contracts payable	\$ 1,141,899	\$ -	\$ -	\$ 1,141,899

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 83,850,402	\$ 83,850,402	\$ 84,630,343	\$ 779,941
Property in lieu of taxes:				
Burner Systems	24,396	24,396	8,699	(15,697)
Chattanooga Housing Authority	29,994	29,994	43,952	13,958
Tennessee Valley Authority	1,161,811	1,161,811	1,173,832	12,021
Jaycee Towers 1 and 2	1,224	1,224	1,224	-
The Bread Factory	1,938	1,938	1,938	-
Good Neighbors	2,808	2,808	2,808	-
Kenco Group	86,137	86,137	78,658	(7,479)
Signal Mountain Cement	428,892	428,892	318,358	(110,534)
Metals USA	40,839	40,839	-	(40,839)
Covenant Transport	23,505	23,505	22,570	(935)
T. B. Woods	7,274	7,274	6,629	(645)
Regis Corporation	44,382	44,382	43,274	(1,108)
JRB Company	41,552	41,552	-	(41,552)
Dev Corp O Knob	476	476	456	(20)
Chattanooga Labeling System	8,928	8,928	7,745	(1,183)
E. I. DuPont	248,760	248,760	-	(248,760)
Messer Griesheim Ind.	66,414	66,414	-	(66,414)
Chattem Inc.	32,006	32,006	15,840	(16,166)
Central Block Corp.	2,700	2,700	2,363	(337)
LJT of Tennessee	14,126	14,126	13,000	(1,126)
Provident Life & Accident Insurance Co.	10,243	10,243	9,782	(461)
South Market LLC	1,762	1,762	1,762	-
Air Liquide	-	-	1,867	1,867
American Plastic Ind.	-	-	68,856	68,856
Custom Banking	-	-	24,300	24,300
Dupont - Sabanci Intl.	-	-	15,681	15,681
Frazier Partners LLC	-	-	636	636
Invista	-	-	36,947	36,947
Corporate excise taxes - intangible property	141,442	141,442	370,000	228,558
Interest and penalty on taxes:				
Current year	67,000	67,000	112,033	45,033
Prior years	450,000	450,000	661,378	211,378
Collection fees - delinquent taxes	188,000	188,000	176,304	(11,696)
Other local taxes:				
Franchise taxes	1,680,000	1,680,000	1,755,878	75,878
Liquor taxes	1,662,014	1,662,014	1,658,004	(4,010)
Beer taxes	4,633,840	4,633,840	4,735,848	102,008
Litigation taxes - City Court	5,400	5,400	5,241	(159)
Gross receipts tax	2,940,000	2,940,000	3,510,891	570,891
Total taxes	<u>97,898,265</u>	<u>97,898,265</u>	<u>99,517,097</u>	<u>1,618,832</u>
Licenses and permits:				
Motor vehicle licenses	425,000	425,000	372,780	(52,220)
Parking meters	450,000	450,000	471,623	21,623
Business licenses (excluding liquor)	120,000	120,000	147,025	27,025
Fees for issuing business licenses	57,000	57,000	57,735	735

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Licenses and permits: (continued)				
Interest and penalty on business licenses	\$ 72,000	\$ 72,000	\$ 5,804	\$ (66,196)
Wrecker permits	5,000	5,000	8,770	3,770
Building permits	975,000	975,000	1,204,762	229,762
Electrical permits	185,000	185,000	194,494	9,494
Plumbing fixtures connection permits	175,000	175,000	238,545	63,545
Street cut-in permits	250,000	250,000	273,624	23,624
Annual electrical contractors licenses	64,000	64,000	66,600	2,600
Penalty-electrical fees & licenses	-	-	688	688
Plumbing examiner fees	25,000	25,000	25,362	362
Electrical examiner fees	25,000	25,000	33,035	8,035
Gas examiner fees	35,000	35,000	30,332	(4,668)
Beer permit application fees	85,000	85,000	95,767	10,767
Mechanical code permits	65,000	65,000	84,776	19,776
Mechanical examiner fees	62,000	62,000	65,100	3,100
Fees for issuing construction, renovation permits	53,790	53,790	61,311	7,521
Liquor by drink licenses	120,000	120,000	122,260	2,260
Liquor by drink, interest and penalty	2,500	2,500	1,450	(1,050)
Hotel permits	2,000	2,000	3,350	1,350
Gas permits	8,000	8,000	6,829	(1,171)
Exhibitor fees	3,500	3,500	2,867	(633)
Sign permits	120,000	120,000	150,614	30,614
Taxicab driver permits	3,700	3,700	3,265	(435)
Temporary use permits	1,500	1,500	2,200	700
Subdivision review/inspection fee	20,000	20,000	59,213	39,213
Miscellaneous licenses and permits	-	-	22,641	22,641
Designated revenues	512,967	512,967	459,268	(53,699)
Total licenses and permits	3,922,957	3,922,957	4,272,090	349,133
Intergovernmental revenues:				
City allocation - state beer tax	81,108	81,108	77,352	(3,756)
City allocation - state income tax	1,990,672	1,990,672	3,071,346	1,080,674
City allocation - state sales tax	9,989,523	9,989,523	10,379,781	390,258
County-wide sales tax	24,529,206	24,529,206	25,063,557	534,351
Mixed drink tax	1,409,234	1,409,234	1,540,706	131,472
State maintenance of streets	100,000	100,000	207,355	107,355
State gas inspection fees	368,798	368,798	346,187	(22,611)
State alcoholic beverage taxes	78,579	78,579	80,419	1,840
State - Department of Transportation	-	-	28,905	28,905
Hamilton County - Ross's Landing	730,662	730,662	715,339	(15,323)
Hamilton County - radio and electronics	156,972	156,972	160,538	3,566
Hamilton County - SWAT reimbursement	-	-	2,500	2,500
State - tax mitigation	-	-	24,489	24,489
State - specialized training	381,750	381,750	350,698	(31,052)
State - telecommunication sales tax	27,271	27,271	26,861	(410)
Department of Justice - bulletproof vest program	-	-	-	-
Designated revenues:				
County-wide sales tax	9,799,000	9,799,000	10,153,916	354,916
TDZ - State	500,000	500,000	427,823	(72,177)
TDZ - County	189,000	189,000	69,252	(119,748)
Other designated revenue	4,040,290	4,040,290	3,632,694	(407,596)
Total intergovernmental revenues	54,372,065	54,372,065	56,359,718	1,987,653

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2006

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Charges for services:				
City court costs	\$ 209,000	\$ 209,000	\$ 220,103	\$ 11,103
State court costs	2,600	2,600	2,534	(66)
City Court Clerk fees	914,200	914,200	935,788	21,588
Charges for financial services, EPB	7,200	7,200	7,200	-
Variance request fees	9,000	9,000	7,550	(1,450)
Fire and ambulance service fees	750	750	268	(482)
Warner/Montague Park ballfield fees	7,500	7,500	6,705	(795)
Champion's Club fees	20,000	20,000	26,344	6,344
Memorial Auditorium credit card fees	24,000	24,000	20,831	(3,169)
Tivoli credit card fees	8,250	8,250	12,224	3,974
Kidz Kamp fees	55,000	55,000	93,280	38,280
Sports program fees	10,000	10,000	3,391	(6,609)
Non-traditional program fees	5,000	5,000	5,054	54
Fitness center fees	30,000	30,000	34,207	4,207
Outventure fees	10,000	10,000	16,136	6,136
Credit card processing fee	23,000	23,000	35,323	12,323
Police reports: accidents, etc., fees	140,000	140,000	123,258	(16,742)
Applicant/Photo/ID card fees	8,000	8,000	4,203	(3,797)
Police records & fingerprinting fee	7,200	7,200	-	(7,200)
Skateboard park fees	8,500	8,500	20,118	11,618
Park event fee	-	-	2,525	2,525
Construction board of appeals	2,500	2,500	1,450	(1,050)
Zoning letter	3,500	3,500	8,100	4,600
Sign board of appeals	3,500	3,500	3,800	300
Certificates of occupancy	1,000	1,000	20,065	19,065
Sewer verification letter	1,000	1,000	700	(300)
Code compliance letter fee	-	-	1,625	1,625
Push cart permit	-	-	225	225
Modular homesite investigation	-	-	50	50
Plan checking fee	170,000	170,000	174,194	4,194
Phased construction plans review	3,500	3,500	22,857	19,357
Cell tower site/location review	4,000	4,000	4,500	500
Arts & culture fees	6,000	6,000	7,142	1,142
Therapeutic Kamp fee	5,000	5,000	3,409	(1,591)
Preservation fee - civic facilities	100,000	100,000	125,390	25,390
Dead animal pick up fee at vet	7,500	7,500	7,117	(383)
General pension administration cost	25,000	25,000	25,000	-
Designated revenues	<u>2,035,751</u>	<u>2,035,751</u>	<u>1,954,302</u>	<u>(81,449)</u>
Total charges for services	<u>3,867,451</u>	<u>3,867,451</u>	<u>3,936,968</u>	<u>69,517</u>
Fines, forfeitures, and penalties:				
City court fines	473,500	473,500	581,586	108,086
Criminal court fines	192,000	192,000	215,973	23,973
Parking tickets	425,000	425,000	555,778	130,778
Delinquent parking tickets	82,000	82,000	108,209	26,209
Air pollution penalties	-	-	7,071	7,071
Miscellaneous forfeitures and penalties	-	-	3,785	3,785
Total fines, forfeitures, and penalties	<u>1,172,500</u>	<u>1,172,500</u>	<u>1,472,402</u>	<u>299,902</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Miscellaneous revenues:				
Interest earned	\$ 831,041	\$ 831,041	\$ 2,892,000	\$ 2,060,959
Contributions and donations	120,627	120,627	74,665	(45,962)
Sale of property	25,000	25,000	1,335,432	1,310,432
Land and building rents	65,000	65,000	87,149	22,149
Dock rental (wharf)	20,000	20,000	12,783	(7,217)
Payroll deduction charges	5,000	5,000	4,865	(135)
Indirect cost	2,685,866	2,685,866	2,485,866	(200,000)
Plans and specification deposits	3,000	3,000	4,036	1,036
Condemnation	41,000	41,000	44,593	3,593
Memorial Auditorium box office	65,000	65,000	89,698	24,698
Memorial Auditorium rents	180,000	180,000	191,321	11,321
Memorial Auditorium concessions	50,000	50,000	32,446	(17,554)
Tivoli box office	30,000	30,000	45,892	15,892
Tivoli rents	130,000	130,000	164,325	34,325
Tivoli concessions	20,000	20,000	22,699	2,699
Swimming pools	25,000	25,000	49,143	24,143
Park concessions	10,000	10,000	9,375	(625)
Recreation center rental	32,000	32,000	50,919	18,919
Carousel ridership	85,000	85,000	70,169	(14,831)
Other miscellaneous revenue	339,530	339,530	378,282	38,752
Designated revenues	311,230	311,230	330,334	19,104
Departmental revenues:				
General Government	305,000	305,000	-	(305,000)
Finance and Administration	-	-	43,858	43,858
Police	-	-	91,644	91,644
Fire	-	-	15,642	15,642
Public Works	-	-	76,276	76,276
Parks and Recreation	-	-	5,914	5,914
Neighborhood Services	-	-	24	24
Education, Arts & Culture	-	-	6,027	6,027
 Total miscellaneous revenues	 5,379,294	 5,379,294	 8,615,377	 3,236,083
 Total revenues	 166,612,532	 166,612,532	 174,173,652	 7,561,120
EXPENDITURES				
General government:				
City Council	693,723	693,723	619,012	(74,711)
Allied Arts Council	250,000	250,000	250,000	-
Association of Visual Artists	15,000	15,000	15,000	-
Tennessee Valley Railroad Museum	-	-	28,904	28,904
Community Foundation scholarships	160,000	160,000	160,000	-
Carcog and Economic Development District	31,111	31,111	31,111	-
Carter Street lease agreement	1,415,389	1,415,389	1,415,389	-
Chattanooga Neighborhood Enterprises	1,500,000	1,500,000	1,500,000	-
City Court (Judicial)	610,682	610,682	596,737	(13,945)
Railroad Authority	20,000	20,000	20,000	-
Enterprise Center	100,000	100,000	100,000	-
Children's Advocacy Center	30,000	30,000	30,000	-
Election Expense	-	-	26,062	26,062
Finley Stadium	25,000	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, 2006

(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	1,027,496	1,027,496	980,859	(46,637)
Contingency fund	515,742	515,742	460,261	(55,481)
Chattanooga Area Urban League	50,000	50,000	50,000	-
Chattanooga Downtown Partnership	140,000	140,000	140,000	-
CARTA	3,415,300	3,415,300	3,415,300	-
Pensions and UIC	50,000	50,000	48,325	(1,675)
Tennessee Riverpark	994,756	994,756	1,037,336	42,580
WTCL - Channel 45	60,000	60,000	60,000	-
Disaster recovery	-	-	8,889	8,889
Disaster recovery - Hurricane Katrina	172,083	172,083	172,078	(5)
Tuition assistance program	20,000	20,000	14,336	(5,664)
Regional Planning Agency	2,485,607	2,485,607	2,493,597	7,990
Renewal and replacement	1,500,000	1,500,000	1,440,314	(59,686)
Economic development and education	7,199,000	7,199,000	6,037,362	(1,161,638)
Downtown design center	21,178	21,178	27,461	6,283
311 call center	441,868	441,868	379,857	(62,011)
Air Pollution Control Bureau	1,347,131	1,347,131	1,315,607	(31,524)
Scenic Cities Beautiful Commission	78,176	78,176	54,060	(24,116)
Enterprise Center	10,387	10,387	10,387	-
Chattanooga Comm. Resource Cntr Homeless	775,952	775,952	775,951	(1)
Audits, dues and surveys	206,757	206,757	138,349	(68,408)
Internal Audit	271,109	271,109	321,271	50,162
Chattanooga Opportunity Fund	-	-	472,213	472,213
Intergovernmental relations	228,850	228,850	341,809	112,959
City storm water fees	70,000	70,000	80,528	10,528
City code revision	-	-	-	-
Government performance report grant	-	-	-	-
African American Chamber of Commerce	150,000	150,000	150,000	-
Chamber of economic development	400,000	400,000	400,000	-
Community education alliance	-	-	-	-
Community & economic development	1,357,837	1,357,837	1,229,275	(128,562)
Business development initiative	86,400	86,400	-	(86,400)
Personnel	6,184,279	6,184,279	6,113,618	(70,661)
Neighborhood services	1,611,023	1,611,023	1,477,100	(133,923)
Liability insurance premiums	1,650,000	1,650,000	1,650,000	-
Total general government	<u>37,483,336</u>	<u>37,483,336</u>	<u>36,224,858</u>	<u>(1,258,478)</u>
Finance and Administration:				
Finance administration	1,858,210	1,858,210	1,721,504	(136,706)
Information Services	2,586,621	2,586,621	2,473,495	(113,126)
Office of City Treasurer	584,131	584,131	582,718	(1,413)
Telecommunication operations	145,744	145,744	139,012	(6,732)
Telephone system	183,600	183,600	190,157	6,557
City Court Clerk's Office	907,611	907,611	838,105	(69,506)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(continued from previous page)				
Finance and Administration (continued)				
Building maintenance	\$ 616,561	\$ 616,561	\$ 546,146	\$ (70,415)
City court technology	24,943	24,943	24,943	-
Mobile communications	426,676	426,676	429,976	3,300
Purchasing	838,193	838,193	874,367	36,174
Real estate - administration	141,098	141,098	115,752	(25,346)
Real estate - property maintenance	41,500	41,500	40,085	(1,415)
DRC building operations	799,239	799,239	164,353	(634,886)
Heritage center maintenance	129,650	129,650	110,636	(19,014)
Animal care trust	42,515	42,515	42,515	-
Court space usage costs	125,000	125,000	115,516	(9,484)
Total Finance and Administration	9,451,292	9,451,292	8,409,280	(1,042,012)
Police:				
Administration	2,102,199	2,102,199	2,093,417	(8,782)
Uniformed Services	24,252,515	24,252,515	23,963,247	(289,268)
Investigative and support services	11,930,890	11,930,890	11,756,354	(174,536)
Law enforcement planning	436,094	436,094	420,791	(15,303)
Special programs	355,354	355,354	435,361	80,007
Reduction part I offenses	94,322	94,322	40,292	(54,030)
Total Police	39,171,374	39,171,374	38,709,462	(461,912)
Fire:				
Operations	25,412,896	25,412,896	24,686,390	(726,506)
Utilities	257,300	257,300	280,916	23,616
Total Fire	25,670,196	25,670,196	24,967,306	(702,890)
Public Works:				
Administration	1,024,997	1,024,997	969,255	(55,742)
Board of Appeals & Variances	10,000	10,000	9,609	(391)
City Engineer	1,701,773	1,701,773	1,742,760	40,987
City-wide services	1,001,264	1,001,264	938,622	(62,642)
Street cleaning	2,016,107	2,016,107	2,124,524	108,417
Emergency	738,180	738,180	738,908	728
Waste resources:				
Sewer construction and maintenance	2,146,631	2,146,631	2,109,612	(37,019)
Codes and inspections:				
Land development	2,459,541	2,459,541	2,652,908	193,367
Board of Examiners	25,870	25,870	32,961	7,091
Utilities	136,312	136,312	159,540	23,228
Interceptor sewer system pump stations	106,530	106,530	55,193	(51,337)
Solid waste subsidy	4,846,415	4,846,415	4,846,415	-
Municipal forestry	521,115	521,115	446,725	(74,390)
Waste pickup	6,109,191	6,109,191	6,155,185	45,994
Technology	214,638	214,638	88,252	(126,386)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Public Works (continued)				
Traffic management:				
Administration	\$ 709,116	\$ 709,116	\$ 685,784	\$ (23,332)
Control	1,732,349	1,732,349	1,611,649	(120,700)
Street lighting	2,723,408	2,723,408	2,722,957	(451)
Total Public Works	28,223,437	28,223,437	28,090,859	(132,578)
Parks and Recreation:				
Administration	966,655	966,655	942,579	(24,076)
Recreation:				
Recreation centers	3,336,918	3,336,918	3,377,086	40,168
Fitness center	253,735	253,735	260,799	7,064
Late Night Programs	47,251	47,251	80,114	32,863
OutVenture	119,870	119,870	99,393	(20,477)
Sports	31,537	31,537	29,043	(2,494)
Champion's Club	214,906	214,906	230,739	15,833
Aquatics	159,731	159,731	164,538	4,807
Therapeutic Recreation	68,639	68,639	67,354	(1,285)
Special programs	68,589	68,589	45,212	(23,377)
Parks maintenance:				
Administration	430,008	430,008	504,627	74,619
Warner Park Zoo	470,050	470,050	464,867	(5,183)
Municipal parks	762,721	762,721	775,521	12,800
Tennessee Riverpark-Downtown	1,310,127	1,310,127	1,077,136	(232,991)
Carousel	96,126	96,126	97,616	1,490
Brainerd Golf Course	831,790	831,790	836,370	4,580
Brown Acres Golf Course	825,692	825,692	827,388	1,696
City-wide security	82,184	82,184	77,733	(4,451)
Landscape	413,270	413,270	360,850	(52,420)
Building and structures	833,581	833,581	855,197	21,616
Athletic facilities	308,577	308,577	368,794	60,217
Total Parks and Recreation	11,631,957	11,631,957	11,542,956	(89,001)
Education, Arts and Culture				
Administration	225,452	225,452	226,999	1,547
Civic facilities:				
Administration	587,280	587,280	567,752	(19,528)
Memorial Auditorium	438,795	438,795	448,501	9,706
Tivoli Theatre	249,370	249,370	307,338	57,968
Special Programs	131,111	131,111	87,601	(43,510)
Concessions	43,933	43,933	25,230	(18,703)
Total Education, Arts and Culture	1,675,941	1,675,941	1,663,421	(12,520)
Total expenditures	153,307,533	153,307,533	149,608,142	(3,699,391)
Excess of revenues over expenditures	13,304,999	13,304,999	24,565,510	11,260,511

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2006

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,141,612	\$ 3,141,612	\$ 3,142,000	\$ 388
Transfers out	<u>(20,500,691)</u>	<u>(20,500,691)</u>	<u>(20,470,396)</u>	<u>30,295</u>
Total other financing sources (uses)	<u>(17,359,079)</u>	<u>(17,359,079)</u>	<u>(17,328,396)</u>	<u>30,683</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - (budgetary basis)	<u>\$ (4,054,080)</u>	<u>\$ (4,054,080)</u>	7,237,114	<u>\$ 11,291,194</u>
Adjustment for encumbrances			<u>1,355,396</u>	
Net change in fund balance (GAAP basis)			8,592,510	
FUND BALANCE at beginning of year (GAAP basis)			<u>47,450,200</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 56,042,710</u>	

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - DESIGNATED REVENUES
Year Ended June 30, 2006

	Final Budget					Actual						Variance - Over (Under)	
	Licenses and Permits	Inter- governmental Revenues	Charges for Services	Contributions and Donations	Miscellaneous Revenues	Total	Licenses and Permits	Inter- governmental Revenues	Charges for Services	Contributions and Donations	Miscellaneous Revenues		Total
Regional Planning Agency	\$ -	\$ 1,481,102	\$ 90,000	\$ -	\$ 97,200	\$ 1,668,302	\$ -	\$ 1,310,976	\$ 104,800	\$ -	\$ 98,986	\$ 1,514,762	\$ (153,540)
Air Pollution Bureau	512,967	563,344	-	-	-	1,076,311	459,268	943,511	-	-	-	1,402,779	326,468
Scenic Cities Beautiful Commission	-	55,288	-	-	-	55,288	-	55,288	-	1,064	-	56,352	1,064
Reduction - Part I offenses	-	16,744	-	-	96,564	113,308	-	16,744	-	-	96,564	113,308	-
Municipal golf courses	-	-	1,657,483	-	-	1,657,483	-	-	1,590,933	-	1,659	1,592,592	(64,891)
Free Public Library	-	-	-	-	-	-	-	-	-	-	-	-	-
Miller Park	-	-	-	-	-	-	-	-	-	-	-	-	-
Law enforcement planning	-	356,643	-	-	14,090	370,733	-	363,063	-	-	14,090	377,153	6,420
Confiscated and unclaimed property	-	-	-	-	-	-	-	-	-	-	-	-	-
Nonprofit request	-	-	-	-	1,050	1,050	-	-	-	-	1,050	1,050	-
Economic Development and Education fund	-	10,488,000	-	-	-	10,488,000	-	10,650,991	-	-	11,858	10,662,849	174,849
Special programs fund	-	1,511,344	288,268	120,627	84,326	2,004,565	-	887,287	258,569	73,601	89,627	1,309,084	(695,481)
African-American Museum	-	55,825	-	-	18,000	73,825	-	55,825	-	-	16,500	72,325	(1,500)
Total designated revenues	\$ 512,967	\$ 14,528,290	\$ 2,035,751	\$ 120,627	\$ 311,230	\$ 17,508,865	\$ 459,268	\$ 14,283,685	\$ 1,954,302	\$ 74,665	\$ 330,334	\$ 17,102,254	\$ (406,611)

CITY OF CHATTANOOGA, TENNESSEE
SPECIAL REVENUE FUND
PUBLIC LIBRARY FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2006

	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	50,000	50,000	50,806	806
State of Tennessee funds	70,125	70,125	48,000	(22,125)
Investment income	56,250	56,250	-	(56,250)
Book sales	55,000	55,000	80,151	25,151
Donations	11,000	11,000	81,762	70,762
Miscellaneous	<u>149,582</u>	<u>149,582</u>	<u>209,624</u>	<u>60,042</u>
Total revenues	<u>2,557,109</u>	<u>2,557,109</u>	<u>2,635,495</u>	<u>78,386</u>
EXPENDITURES				
Central branch and administration	4,161,984	4,161,984	4,026,978	(135,006)
Eastgate branch	355,061	355,061	334,047	(21,014)
Northgate branch	335,104	335,104	319,030	(16,074)
Ooltewah/Collegedale branch	288,871	288,871	287,612	(1,259)
South Chattanooga branch	168,863	168,863	164,194	(4,669)
Capital outlay	65,666	65,666	53,167	(12,499)
Other	<u>5,200</u>	<u>5,200</u>	<u>28,449</u>	<u>23,249</u>
Total expenditures	<u>5,380,749</u>	<u>5,380,749</u>	<u>5,213,477</u>	<u>(167,272)</u>
Deficiency of revenues under expenditures	(2,823,640)	(2,823,640)	(2,577,982)	245,658
OTHER FINANCING SOURCES				
Transfers in	<u>2,487,660</u>	<u>2,487,660</u>	<u>2,487,660</u>	<u>-</u>
Net change in fund balance	<u>\$ (335,980)</u>	<u>\$ (335,980)</u>	(90,322)	<u>\$ 245,658</u>
Adjustment for encumbrances			6,285	
Net change in fund balance (GAAP basis)			(84,037)	
FUND BALANCE at beginning of year (GAAP basis)			<u>1,127,663</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 1,043,626</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 2,635,495	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 2,635,495</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 5,213,477	
Adjustment for encumbrances			(6,285)	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 5,207,192</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

DOWNTOWN DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Downtown development	\$ 16,149	\$ 16,149	\$ 16,149	\$ -
Total expenditures	<u>16,149</u>	<u>16,149</u>	<u>16,149</u>	<u>-</u>
Net change in fund balance	<u>\$ (16,149)</u>	<u>\$ (16,149)</u>	(16,149)	<u>\$ -</u>
Adjustment for encumbrances			-	
Net change in fund balance (GAAP basis)			(16,149)	
FUND BALANCE at beginning of year (GAAP basis)			<u>33,950</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 17,801</u>	
EXPLANATION OF DIFFERENCES				
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 16,149	
Adjustment for encumbrances			-	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 16,149</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

HUMAN SERVICES PROGRAM FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 8,042,639	\$ 8,042,639	\$ 7,983,455	\$ (59,184)
State of Tennessee funds	3,823,148	3,823,148	3,746,053	(77,095)
United Way	2,000	2,000	4,495	2,495
Project Warm Neighbors	22,000	22,000	22,890	890
Day care fees	134,780	134,780	143,621	8,841
Donations	49,000	49,000	46,076	(2,924)
Investment income	35,000	35,000	155,841	120,841
Other	-	-	14,481	14,481
Total revenues	<u>12,108,567</u>	<u>12,108,567</u>	<u>12,116,912</u>	<u>8,345</u>
EXPENDITURES				
Administration	979,434	979,434	1,010,385	30,951
Headstart program	8,030,390	8,030,390	8,035,581	5,191
Day care	754,000	754,000	743,562	(10,438)
Food program	88,448	88,448	100,376	11,928
Weatherization program	373,960	373,960	366,290	(7,670)
Foster grandparent program	497,889	497,889	493,002	(4,887)
Low-income energy assistance	1,469,514	1,469,514	1,464,389	(5,125)
Community services block grant	786,509	786,509	708,544	(77,965)
Title II commodities	100,000	100,000	123,667	23,667
Emergency food and shelter	37,000	37,000	32,267	(4,733)
Summer food service program	-	-	61,876	61,876
Other human services programs	490,285	490,285	468,896	(21,389)
Capital outlay	<u>147,980</u>	<u>147,980</u>	<u>116,663</u>	<u>(31,317)</u>
Total expenditures	<u>13,755,409</u>	<u>13,755,409</u>	<u>13,725,498</u>	<u>(29,911)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SPECIAL REVENUE FUND
HUMAN SERVICES PROGRAM FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2006

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Deficiency of revenues under expenditure:	\$ (1,646,842)	\$ (1,646,842)	\$ (1,608,586)	\$ 38,256
OTHER FINANCING SOURCES				
Transfers in	1,333,477	1,333,477	1,335,877	2,400
Net change in fund balance	\$ (313,365)	\$ (313,365)	(272,709)	\$ 40,656
Adjustment for encumbrances			17,940	
Net change in fund balance (GAAP basis)			(254,769)	
FUND BALANCE at beginning of year (GAAP basis)			3,955,767	
FUND BALANCE at end of year (GAAP basis)			\$ 3,700,998	
 EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 12,116,912	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental fund:			\$ 12,116,912	
 EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 13,725,498	
Adjustment for encumbrances			(17,940)	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental fund:			\$ 13,707,558	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

NARCOTICS PROGRAM FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 30,265	\$ 30,265	\$ 94,892	\$ 64,627
State of Tennessee Funds	-	-	13,881	13,881
Confiscated money, vehicles and equipment	600,448	600,448	617,778	17,330
Investment income	-	-	27,173	27,173
Other	91,852	91,852	92,475	623
Total revenues	<u>722,565</u>	<u>722,565</u>	<u>846,199</u>	<u>123,634</u>
EXPENDITURES				
Narcotics program	640,000	640,000	219,968	(420,032)
Capital outlay	82,565	82,565	48,485	(34,080)
Total expenditures	<u>722,565</u>	<u>722,565</u>	<u>268,453</u>	<u>(454,112)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	577,746	<u>\$ 577,746</u>
Adjustment for encumbrances			<u>3,139</u>	
Net change in fund balance (GAAP basis)			580,885	
FUND BALANCE at beginning of year (GAAP basis)			<u>1,248,447</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 1,829,332</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 846,199	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 846,199</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 268,453	
Adjustment for encumbrances			<u>(3,139)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 265,314</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

STATE STREET AID FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 4,419,289	\$ 4,419,289	\$ 4,366,625	\$ (52,664)
Investment income	<u>35,000</u>	<u>35,000</u>	<u>57,315</u>	<u>22,315</u>
Total revenues	<u>4,454,289</u>	<u>4,454,289</u>	<u>4,423,940</u>	<u>(30,349)</u>
EXPENDITURES				
Salaries and wages	2,888,553	2,888,553	2,650,450	(238,103)
Fringe benefits	789,534	789,534	856,897	67,363
Purchased services	81,989	81,989	41,564	(40,425)
Vehicle operations	579,904	579,904	752,637	172,733
Materials and supplies	437,959	437,959	471,161	33,202
Other services	1,350	1,350	-	(1,350)
Capital outlay	<u>50,064</u>	<u>50,064</u>	<u>50,064</u>	<u>-</u>
Total expenditures	<u>4,829,353</u>	<u>4,829,353</u>	<u>4,822,773</u>	<u>(6,580)</u>
Net change in fund balance	<u>\$ (375,064)</u>	<u>\$ (375,064)</u>	(398,833)	<u>\$ (23,769)</u>
Adjustment for encumbrances			<u>689</u>	
Net change in fund balance (GAAP basis)			(398,144)	
FUND BALANCE at beginning of year (GAAP basis)			<u>2,229,764</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 1,831,620</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,423,940	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,423,940</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,822,773	
Adjustment for encumbrances			<u>(689)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,822,084</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

COMMUNITY DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Intergovernmental	\$ 5,108,263	\$ 5,108,263	\$ 3,486,029	\$ (1,622,234)
Miscellaneous	<u>1,512,411</u>	<u>1,512,411</u>	<u>999,800</u>	<u>(512,611)</u>
Total revenues	<u>6,620,674</u>	<u>6,620,674</u>	<u>4,485,829</u>	<u>(2,134,845)</u>
EXPENDITURES				
Community development projects	5,209,929	5,209,929	2,615,873	(2,594,056)
Administration	444,745	444,745	413,514	(31,231)
Capital outlay	<u>8,000</u>	<u>8,000</u>	<u>872,161</u>	<u>864,161</u>
Total expenditures	<u>5,662,674</u>	<u>5,662,674</u>	<u>3,901,548</u>	<u>(1,761,126)</u>
Excess of revenues over expenditures	958,000	958,000	584,281	(373,719)
OTHER FINANCING USES				
Transfers out	<u>(958,000)</u>	<u>(958,000)</u>	<u>(1,102,358)</u>	<u>(144,358)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(518,077)	<u>\$ (518,077)</u>
Adjustment for encumbrances			<u>(375)</u>	
Net change in fund balance (GAAP basis)			(518,452)	
FUND BALANCE at beginning of year (GAAP basis)			<u>1,277,963</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 759,511</u>	

EXPLANATION OF DIFFERENCES

REVENUES

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 4,485,829
Differences - none	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,485,829</u>

EXPENDITURES

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 3,901,548
Adjustment for encumbrances	<u>375</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,901,923</u>

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

HOTEL/MOTEL TAX FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 3,000,000	\$ 3,000,000	\$ 3,640,518	\$ 640,518
Investment income	-	-	93,278	93,278
Total revenues	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,733,796</u>	<u>733,796</u>
EXPENDITURES				
Contracted services	<u>101,890</u>	<u>101,890</u>	<u>101,890</u>	<u>-</u>
Total expenditures	<u>101,890</u>	<u>101,890</u>	<u>101,890</u>	<u>-</u>
Excess of revenues over expenditures	2,898,110	2,898,110	3,631,906	733,796
OTHER FINANCING USES				
Transfers in	-	-	971	971
Transfers out	<u>(2,920,941)</u>	<u>(2,920,941)</u>	<u>(2,920,941)</u>	<u>-</u>
Net change in fund balance	<u>\$ (22,831)</u>	<u>\$ (22,831)</u>	711,936	<u>\$ 734,767</u>
Adjustment for encumbrances			-	
Net change in fund balance (GAAP basis)			711,936	
FUND BALANCE at beginning of year (GAAP basis)			<u>250,374</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 962,310</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 3,733,796	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 3,733,796</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 101,890	
Adjustment for encumbrances			<u>-</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 101,890</u>	

CITY OF CHATTANOOGA, TENNESSEE
SPECIAL REVENUE FUND
RIVER PIER GARAGE FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
SRC parking garage income	\$ 212,118	\$ 212,118	\$ 212,118	\$ -
Miscellaneous	<u>14,120</u>	<u>14,120</u>	<u>14,120</u>	<u>-</u>
Total revenues	<u>226,238</u>	<u>226,238</u>	<u>226,238</u>	<u>-</u>
EXPENDITURES				
Contracted services	125,550	125,550	125,550	-
Capital outlay	<u>6,562</u>	<u>6,562</u>	<u>6,562</u>	<u>-</u>
Total expenditures	<u>132,112</u>	<u>132,112</u>	<u>132,112</u>	<u>-</u>
Excess of revenues over expenditures	94,126	94,126	94,126	-
OTHER FINANCING USES				
Transfers out	<u>(70,955)</u>	<u>(70,955)</u>	<u>(70,955)</u>	<u>-</u>
Net change in fund balance	<u>\$ 23,171</u>	<u>\$ 23,171</u>	23,171	<u>\$ -</u>
Adjustment for encumbrances			<u>-</u>	
Net change in fund balance (GAAP basis)			23,171	
FUND BALANCE at beginning of year (GAAP basis)			<u>-</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 23,171</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 226,238	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 226,238</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 132,112	
Adjustment for encumbrances			<u>-</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 132,112</u>	

CITY OF CHATTANOOGA, TENNESSEE

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Hamilton County, Tennessee funds	\$ 1,371,442	\$ 1,371,442	\$ 1,371,442	\$ -
Investment income	24,715	24,715	24,715	-
911 contribution	200,000	200,000	256,422	56,422
Total revenues	<u>1,596,157</u>	<u>1,596,157</u>	<u>1,652,579</u>	<u>56,422</u>
EXPENDITURES				
Principal retirement	7,735,136	7,735,136	7,735,136	-
Interest	6,634,664	6,634,664	6,329,621	(305,043)
Fiscal charges	92,319	92,319	72,917	(19,402)
Total expenditures	<u>14,462,119</u>	<u>14,462,119</u>	<u>14,137,674</u>	<u>(324,445)</u>
Deficiency of revenues under expenditures	(12,865,962)	(12,865,962)	(12,485,095)	380,867
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>12,890,677</u>	<u>12,890,677</u>	<u>13,152,374</u>	<u>261,697</u>
Net change in fund balance	<u>\$ 24,715</u>	<u>\$ 24,715</u>	667,279	<u>\$ 642,564</u>
FUND BALANCE at beginning of year			<u>6,471,929</u>	
FUND BALANCE at end of year			<u>\$ 7,139,208</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 1,652,579	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 1,652,579</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 14,137,674	
Differences - none			<u>-</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 14,137,674</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, 2006

	Interest Rate	Maturity Date	Amount
GENERAL FUND			
First Tennessee	4.85%	07/05/06	\$ 3,500,000
First Tennessee	5.10%	07/14/06	1,600,000
First Tennessee	5.10%	07/20/06	2,000,000
First Tennessee	5.16%	07/20/06	1,500,000
First Tennessee	5.18%	08/03/06	1,500,000
SunTrust	5.17%	08/03/06	1,500,000
SPECIAL REVENUE FUNDS			
State Street Aid	5.19%	07/13/06	200,000
First Tennessee			
ENTERPRISE FUNDS			
Interceptor Sewer System			
First Tennessee	5.16%	07/21/06	1,500,000
Total certificates of deposit			\$ 13,300,000

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF INVESTMENTS BY FUND

June 30, 2006

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
GENERAL FUND			
Federal National Mortgage Association	5.01 %	06/01/07	\$ 35,701,051
Certificate of Deposit	4.95 %	08/31/06	4,000,000
Certificate of Deposit	4.82 %	09/11/06	2,500,000
Certificate of Deposit	5.24 %	12/18/06	412,798
CAPITAL PROJECTS			
Federal Home Loan Bank	4.93 %	11/23/06	431,347
Certificate of Deposit	5.32 %	09/28/06	2,134,418
Certificate of Deposit	5.41 %	12/28/06	1,755,099
SPECIAL REVENUE FUND			
State Street Aid			
Federal Home Loan Bank	4.93 %	11/22/06	498,684
Certificate of Deposit	4.70 %	08/03/06	255,000
Certificate of Deposit	5.10 %	03/28/07	420,000
Hotel/Motel Tax			
DEBT SERVICE FUND			
Certificate of Deposit	5.48 %	12/26/06	<u>5,128,084</u>
Total governmental fund investments, excluding permanent funds			<u>\$ 53,236,481</u>
ENTERPRISE FUNDS			
Electric Power Board			
Federal Home Loan Bank	2.10 %	07/24/06	\$ 799,000
Federal Home Loan Bank	4.00 %	01/19/07	1,100,000
Interceptor Sewer Fund			
Federal National Mortgage Association	5.01 %	06/01/07	22,637,049
Federal National Mortgage Association	5.18 %	08/30/06	7,000,015
Certificate of Deposit	5.15 %	04/23/07	1,416,532
Solid Waste/Sanitation Fund			
Federal National Mortgage Association	5.01 %	06/01/07	4,527,600
Certificate of Deposit	5.10 %	03/28/07	4,028,060
Certificate of Deposit	5.10 %	03/28/07	3,213,506
Storm Water Fund			
Certificate of Deposit	5.41 %	12/28/06	<u>519,116</u>
Total enterprise fund investments			<u>\$ 45,240,878</u>

CITY OF CHATTANOOGA, TENNESSEE

COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE
Year Ended June 30, 2006

Tax Year (1)	Property Taxes Receivable Balance June 30, 2005	Property Taxes Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2006	Allowance for Uncollectibles	Net Receivable Balance June 30, 2006
2006	\$ -	-	\$82,581,975	\$ -	\$ -	\$ 82,581,975	\$ -	\$ 82,581,975
2005	-	85,007,191	-	(123,949)	81,194,004	3,689,238	321,674	3,367,564
2004	3,646,639	-	-	(35,854)	2,265,315	1,345,470	297,559	1,047,911
2003	1,644,999	-	-	54,599	976,635	722,963	298,859	424,104
2002	924,128	-	-	33,629	491,768	465,989	390,469	75,520
2001	596,492	-	-	20,598	62,679	554,411	532,033	22,378
2000	270,673	-	-	(6,372)	13,453	250,848	250,848	-
1999	230,235	-	-	(9,126)	5,310	215,799	215,799	-
1998	225,376	-	-	1,038	2,876	223,538	223,538	-
1997	259,566	-	-	753	1,197	259,122	259,122	-
1996	149,708	-	-	765	927	149,546	149,546	-
Totals	<u>\$ 7,947,816</u>	<u>\$85,007,191</u>	<u>\$82,581,975</u>	<u>\$ (63,919)</u>	<u>\$ 85,014,164</u>	<u>\$ 90,458,899</u>	<u>\$ 2,939,447</u>	<u>\$ 87,519,452</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. The accrual is recorded net of the allowance for uncollectible amounts.

CITY OF CHATTANOOGA, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2006

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
2007	\$ 10,693,779	\$ 13,767,274	\$ 24,461,053
2008	9,741,624	13,325,616	23,067,240
2009	11,259,534	12,872,160	24,131,694
2010	11,696,272	12,338,850	24,035,122
2011	11,192,030	11,816,062	23,008,092
2012	9,644,778	11,317,877	20,962,655
2013	9,319,995	10,843,971	20,163,966
2014	9,564,426	10,384,709	19,949,135
2015	10,131,529	9,899,149	20,030,678
2016	10,507,852	9,377,114	19,884,966
2017	9,953,921	8,850,302	18,804,223
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	10,820,423	5,723,610	16,544,033
2024	11,505,542	5,098,498	16,604,040
2025	12,233,483	4,441,222	16,674,705
2026	12,995,986	3,742,507	16,738,493
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>260,312,687</u>	<u>188,494,515</u>	<u>448,807,202</u>
BUSINESS-TYPE ACTIVITIES			
2007	16,534,221	8,053,519	24,587,740
2008	14,964,433	7,430,335	22,394,768
2009	16,988,861	6,829,448	23,818,309
2010	15,012,628	6,108,358	21,120,986
2011	13,721,707	5,459,495	19,181,202
2012	11,861,094	4,867,055	16,728,149
2013	12,095,283	4,310,858	16,406,141
2014	11,130,545	3,784,868	14,915,413
2015	11,372,123	3,275,500	14,647,623
2016	9,713,555	2,789,743	12,503,298
2017	10,094,903	2,330,298	12,425,201
2018	10,491,126	1,852,556	12,343,682
2019	9,324,388	1,397,246	10,721,634
2020	4,395,910	1,094,306	5,490,216
2021	4,248,715	933,744	5,182,459
2022	4,339,685	760,547	5,100,232
2023	4,432,649	583,035	5,015,684
2024	4,532,667	401,161	4,933,828
2025	4,219,732	216,305	4,436,037
2026	2,218,800	73,420	2,292,220
	<u>191,693,025</u>	<u>62,551,797</u>	<u>254,244,822</u>
Total primary government indebtedness	<u>\$ 452,005,712</u>	<u>\$ 251,046,312</u>	<u>\$ 703,052,024</u>

CITY OF CHATTANOOGA, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2006

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
COMPONENT UNITS			
2007	\$ 3,200,000	\$ 7,843,290	\$ 11,043,290
2008	3,375,000	7,672,390	11,047,390
2009	2,955,000	7,527,630	10,482,630
2010	3,825,000	7,337,330	11,162,330
2011	3,950,000	7,133,293	11,083,293
2012	4,175,000	6,918,760	11,093,760
2013	4,375,000	6,698,989	11,073,989
2014	4,600,000	6,463,769	11,063,769
2015	4,840,000	6,213,194	11,053,194
2016	5,095,000	5,946,574	11,041,574
2017	5,370,000	5,663,649	11,033,649
2018	5,660,000	5,357,545	11,017,545
2019	5,975,000	5,026,871	11,001,871
2020	7,520,000	4,619,919	12,139,919
2021	5,290,000	4,336,531	9,626,531
2022	5,580,000	4,027,144	9,607,144
2023	5,910,000	3,689,625	9,599,625
2024	6,255,000	3,332,278	9,587,278
2025	6,620,000	2,954,075	9,574,075
2026	7,010,000	2,558,075	9,568,075
2027	7,415,000	2,143,356	9,558,356
2028	7,840,000	1,704,775	9,544,775
2029	8,290,000	1,246,219	9,536,219
2030	8,760,000	766,688	9,526,688
2031	9,250,000	260,156	9,510,156
	<u>\$143,135,000</u>	<u>\$117,442,125</u>	<u>\$260,577,125</u>
Total component units indebtedness			

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2006

	Outstanding July 1, 2005	Interest Paid FY 2005-2006	Issued FY 2005-2006	Retired FY 2005-2006	Outstanding June 30, 2006	Maturing FY 2006-2007	Interest Payable FY 2006-2007
GOVERNMENTAL ACTIVITIES							
Serial bonds:							
1998 Public Improvement Refunding	\$ 7,222,400	\$ 388,967	\$ -	\$ 13,200	\$ 7,209,200	\$ 208,800	\$ 383,463
2001 Municipal Public Improvement	18,821,200	936,038	-	1,005,000	17,816,200	1,055,000	890,880
2002 Municipal Improvement Refunding	10,712,000	464,891	-	1,963,100	8,748,900	1,868,900	377,004
2002 Series A Refunding	4,590,356	171,557	-	652,048	3,938,308	641,010	139,230
2002 Hotel-Motel Tax Pledge	49,705,000	2,477,538	-	-	49,705,000	720,000	2,202,488
2003 Series A General Obligation	11,360,000	404,376	-	790,000	10,570,000	790,000	380,676
2005 Series A Refunding-General	17,436,521	646,745	-	213,720	17,222,801	24,409	763,336
2005 Series A Refunding-Hotel/Motel	5,469,987	203,642	-	-	5,469,987	20,157	240,853
Total serial bonds	125,317,464	5,693,754	-	4,637,068	120,680,396	5,328,276	5,377,930
Notes payable:							
Hamilton County Parking Garage	121,562	5,911	-	60,781	60,781	60,781	1,975
1997 Tennessee Municipal Bond Fund	4,477,023	132,164	-	542,000	3,935,023	571,000	157,401
1999 Fire Hall Land Note	33,627	3,085	-	2,554	31,073	2,807	2,832
2003 Fannie Mae American Communities Fund	1,534,829	88,516	1,438,791	500,000	2,473,620	500,000	64,716
2003 Tennessee Municipal Bond Fund	1,901,771	58,262	120,927	339,000	1,683,698	350,000	69,032
2004 Tennessee Municipal Bond Fund	5,525,378	283,240	8,547,086	1,027,000	13,045,464	1,055,000	534,864
2005 Republic Parking Equipment Loan	-	11,175	186,703	59,780	126,923	64,101	6,854
Total notes payable	13,594,190	582,353	10,293,507	2,531,115	21,356,582	2,603,689	837,674
Capital leases payable:							
CDRC Capital Lease	115,925,472	7,198,975	-	-	115,925,472	2,186,735	7,517,990
800 MHz Equipment Capital Lease	2,917,191	41,805	-	566,954	2,350,237	575,079	33,680
Total capital leases payable	118,842,663	7,240,780	-	566,954	118,275,709	2,761,814	7,551,670
Total governmental activities	257,754,317	13,516,887	10,293,507	7,735,137	260,312,687	10,693,779	13,767,274

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2006

(continued from previous page)

	Outstanding July 1, 2005	Interest Paid FY 2005-2006	Issued FY 2005-2006	Retired FY 2005-2006	Outstanding June 30, 2006	Maturing FY 2006-2007	Interest Payable FY 2006-2007
BUSINESS-TYPE ACTIVITIES							
Interceptor Sewer System:							
Serial bonds -							
1998 Municipal Public Improvement	\$ 2,690,000	\$ 100,022	\$ -	\$ 1,315,000	\$ 1,375,000	\$ 1,375,000	\$ 34,398
1998 Municipal Public Improvement - Refunding	13,337,900	701,272	-	51,800	13,286,100	816,200	679,754
2002 Municipal Public Improvement - Refunding	20,879,342	918,721	-	1,550,191	19,329,151	855,191	878,399
2002 Series A Refunding	24,519,644	916,381	-	3,482,952	21,036,692	3,423,990	743,707
2003 Series B Sewer and Sewage Refunding	9,050,000	276,925	-	2,185,000	6,865,000	2,375,000	211,375
2005 Series A Refunding	<u>12,545,129</u>	<u>502,335</u>	<u>-</u>	<u>75,971</u>	<u>12,469,158</u>	<u>22</u>	<u>594,096</u>
Total serial bonds	<u>83,022,015</u>	<u>3,415,656</u>	<u>-</u>	<u>8,660,914</u>	<u>74,361,101</u>	<u>8,845,403</u>	<u>3,141,729</u>
Notes payable -							
1992 State Revolving Loan	1,297,921	48,973	-	147,737	1,150,184	153,720	42,996
Northwest Georgia Sewer Expansion Project	5,629,576	220,831	-	292,587	5,336,989	304,468	208,950
2003 State Revolving Loan	<u>37,212,858</u>	<u>1,089,957</u>	<u>-</u>	<u>1,397,355</u>	<u>35,815,503</u>	<u>1,439,570</u>	<u>1,047,744</u>
Total notes payable	<u>44,140,355</u>	<u>1,359,761</u>	<u>-</u>	<u>1,837,679</u>	<u>42,302,676</u>	<u>1,897,758</u>	<u>1,299,690</u>
Capital leases payable -							
2001 Capital Lease City of Collegedale	<u>234,453</u>	<u>13,762</u>	<u>-</u>	<u>19,891</u>	<u>214,562</u>	<u>21,019</u>	<u>12,633</u>
Total capital leases payable	<u>234,453</u>	<u>13,762</u>	<u>-</u>	<u>19,891</u>	<u>214,562</u>	<u>21,019</u>	<u>12,633</u>
Total Interceptor Sewer System	<u>127,396,823</u>	<u>4,789,179</u>	<u>-</u>	<u>10,518,484</u>	<u>116,878,339</u>	<u>10,764,180</u>	<u>4,454,052</u>

(continued on next page)

ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2006

(continued from previous page)

	Outstanding July 1, 2005	Interest Paid FY 2005-2006	Issued FY 2005-2006	Retired FY 2005-2006	Outstanding June 30, 2006	Maturing FY 2006-2007	Interest Payable FY 2006-2007
BUSINESS-TYPE ACTIVITIES (continued)							
Solid Waste/Sanitation Fund:							
Serial bonds -							
1998 Municipal Public Improvement	\$ 1,485,000	\$ 55,075	\$ -	\$ 725,000	\$ 760,000	\$ 760,000	\$ 18,941
1998 Municipal Public Improvement - Refunding	3,686,100	202,736	-	-	3,686,100	-	202,736
2001 Municipal Public Bond	3,202,600	159,282	-	170,000	3,032,600	180,000	151,598
2002 Municipal Public Improvement - Refunding	7,790,112	365,790	-	1,015,225	6,774,887	1,074,073	314,363
2005 Series A - Refunding	<u>9,877,292</u>	<u>386,746</u>	-	<u>78,230</u>	<u>9,799,062</u>	<u>4,169</u>	<u>457,129</u>
Total Solid Waste/Sanitation Fund	<u>26,041,104</u>	<u>1,169,629</u>	-	<u>1,988,455</u>	<u>24,052,649</u>	<u>2,018,242</u>	<u>1,144,767</u>
Storm Water Fund:							
Serial bonds -							
1998 Municipal Public Improvement	1,105,000	41,179	-	540,000	565,000	565,000	14,162
1998 Municipal Public Improvement - Refunding	2,528,600	139,073	-	-	2,528,600	-	139,073
2001 Municipal Public Improvement	951,200	47,305	-	50,000	901,200	50,000	45,023
2002 Municipal Public Improvement - Refunding	5,693,546	268,559	-	696,484	4,997,062	736,836	233,278
2005 Series A - Refunding	<u>6,046,071</u>	<u>239,498</u>	-	<u>42,079</u>	<u>6,003,992</u>	<u>1,243</u>	<u>283,168</u>
Total serial bonds	<u>16,324,417</u>	<u>735,614</u>	-	<u>1,328,563</u>	<u>14,995,854</u>	<u>1,353,079</u>	<u>714,704</u>
Notes payable -							
1992 State Revolving Loan	<u>1,297,921</u>	<u>48,984</u>	-	<u>147,738</u>	<u>1,150,183</u>	<u>153,720</u>	<u>42,996</u>
Total notes payable	<u>1,297,921</u>	<u>48,984</u>	-	<u>147,738</u>	<u>1,150,183</u>	<u>153,720</u>	<u>42,996</u>
Total Storm Water Fund	<u>17,622,338</u>	<u>784,598</u>	-	<u>1,476,301</u>	<u>16,146,037</u>	<u>1,506,799</u>	<u>757,700</u>
Total business-type activities	<u>171,060,265</u>	<u>6,743,406</u>	-	<u>13,983,240</u>	<u>157,077,025</u>	<u>14,289,221</u>	<u>6,356,519</u>
Total general obligation debt	<u>\$428,814,582</u>	<u>\$20,260,293</u>	<u>\$ 10,293,507</u>	<u>\$21,718,377</u>	<u>\$417,389,712</u>	<u>\$24,983,000</u>	<u>\$20,123,793</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, 2006

	Outstanding July 1, 2005	Interest Paid FY 2005-2006	Issued FY 2005-2006	Retired FY 2005-2006	Outstanding June 30, 2006	Maturing FY 2006-2007	Interest Payable FY 2006-2007
PRIMARY GOVERNMENT							
EPB:							
Revenue bonds -							
2000 Electric System Revenue Bonds	\$ 33,600,000	\$ 1,665,000	\$ -	\$ 1,600,000	\$ 32,000,000	\$ 1,600,000	\$ 1,589,000
Total primary government revenue bonds	<u>33,600,000</u>	<u>1,665,000</u>	<u>-</u>	<u>1,600,000</u>	<u>32,000,000</u>	<u>1,600,000</u>	<u>1,589,000</u>
Notes payable -							
February 2005 Equipment Note	757,000	30,000	-	149,000	608,000	156,000	24,000
May 2005 Equipment Note	549,000	23,000	-	104,000	445,000	109,000	18,000
June 2005 Equipment Note	468,000	20,000	-	88,000	380,000	93,000	16,000
October 2005 Equipment Note	-	16,000	506,000	76,000	430,000	105,000	18,000
December 2005 Equipment Note	-	20,000	841,000	88,000	753,000	182,000	32,000
Total notes payable	<u>1,774,000</u>	<u>109,000</u>	<u>1,347,000</u>	<u>505,000</u>	<u>2,616,000</u>	<u>645,000</u>	<u>108,000</u>
Total primary government	<u>\$ 35,374,000</u>	<u>\$ 1,774,000</u>	<u>\$ 1,347,000</u>	<u>\$ 2,105,000</u>	<u>\$ 34,616,000</u>	<u>\$ 2,245,000</u>	<u>\$ 1,697,000</u>
COMPONENT UNITS							
Metropolitan Airport Authority:							
Revenue bonds -							
2002 Airport Revenue Series A Refunding	\$ 12,625,000	\$ 411,731	\$ -	\$ -	\$ 12,625,000	\$ -	\$ 669,125
2002 Airport Revenue Series B	1,895,000	78,788	-	585,000	1,310,000	630,000	39,440
Total metropolitan airport revenue bonds	<u>14,520,000</u>	<u>490,519</u>	<u>-</u>	<u>585,000</u>	<u>13,935,000</u>	<u>630,000</u>	<u>708,565</u>
Chattanooga Downtown Redevelopment Corporation:							
Revenue bonds -							
2000 Chattanooga Lease Rental Revenue Bonds	129,200,000	7,198,975	-	-	129,200,000	2,570,000	7,134,725
Total component units revenue bonds	<u>143,720,000</u>	<u>7,689,494</u>	<u>-</u>	<u>585,000</u>	<u>143,135,000</u>	<u>3,200,000</u>	<u>7,843,290</u>
Chattanooga Downtown Redevelopment Corporation:							
Notes payable -							
2005 Republic Parking Equipment Loan	186,703	-	-	186,703	-	-	-
Total component units notes payable	<u>186,703</u>	<u>-</u>	<u>-</u>	<u>186,703</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 143,906,703</u>	<u>\$ 7,689,494</u>	<u>\$ -</u>	<u>\$ 771,703</u>	<u>\$ 143,135,000</u>	<u>\$ 3,200,000</u>	<u>\$ 7,843,290</u>

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2006

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2007	1998 Public Improvement Refunding	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>7,209,200</u>	<u>1,940,235</u>
2007	Hamilton County - City Portion of Series 1991 General Obligation Bonds	6.500	<u>60,781</u>	<u>1,975</u>	<u>62,756</u>
			<u>60,781</u>	<u>1,975</u>	<u>62,756</u>
2007	Note Payable - Tennessee Municipal Bond Fund 1997	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	<u>746,023</u>	<u>29,841</u>	<u>775,864</u>
			<u>3,935,023</u>	<u>575,406</u>	<u>4,510,429</u>
2007	1999 Fire Hall Land Note	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	<u>4,501</u>	<u>198</u>	<u>4,699</u>
				<u>31,073</u>	<u>13,099</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2006

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2007	2001 Municipal Public Improvement Bonds	5.000	\$ 1,055,000	\$ 890,880	\$ 1,945,880
2008		5.000	1,100,000	838,246	1,938,246
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	620,339	2,845,339
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	2,747,200	137,830	2,885,030	
			<u>17,816,200</u>	<u>13,147,540</u>	<u>30,963,740</u>
2007	2002 Public Improvement Refunding	5.000	1,868,900	377,004	2,245,904
2008		4.000	640,000	317,481	957,481
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	890,000	20,025	910,025
			<u>8,748,900</u>	<u>1,972,788</u>	<u>10,721,688</u>
2007	2002A Public Improvement Refunding	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	154,536	3,168	157,704
			<u>3,938,308</u>	<u>540,999</u>	<u>4,479,307</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2006

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2007	2002 Hotel Motel Tax Pledge	3.000	\$ 720,000	\$ 2,202,488	\$ 2,922,488
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>38,631,322</u>	<u>88,336,322</u>
2007	2003 Series A General Obligation	2.500	790,000	380,676	1,170,676
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>10,570,000</u>	<u>2,752,954</u>	<u>13,322,954</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2006

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2007	2003 Note Payable - Tennessee Municipal Bond Fund	4.100	\$ 350,000	\$ 69,032	\$ 419,032
2008		4.100	361,000	54,682	415,682
2009		4.100	373,000	39,881	412,881
2010		4.100	384,000	24,588	408,588
2011		4.100	215,698	8,844	224,542
			<u>1,683,698</u>	<u>197,027</u>	<u>1,880,725</u>
2007	CDRC Capital Lease	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>115,248,520</u>	<u>231,173,992</u>
2007	2003 Fannie Mae American Communities Fund	6.490	500,000	64,716	564,716
2008		6.490	500,000	51,635	551,635
2009		6.490	500,000	38,554	538,554
2010		6.490	500,000	25,472	525,472
2011		6.490	473,620	12,391	486,011
			<u>2,473,620</u>	<u>192,768</u>	<u>2,666,388</u>
2007	800 MHZ Equipment Capital Lease	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>2,350,237</u>	<u>84,800</u>	<u>2,435,037</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2006

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2007	2004 Note Payable - Tennessee Municipal Bond Fund	4.100	\$ 1,055,000	\$ 534,864	\$ 1,589,864
2008		4.100	1,083,000	491,609	1,574,609
2009		4.100	1,112,000	447,206	1,559,206
2010		4.100	1,141,000	401,614	1,542,614
2011		4.100	1,172,000	354,833	1,526,833
2012		4.100	1,203,000	306,781	1,509,781
2013		4.100	1,235,000	257,458	1,492,458
2014		4.100	1,268,000	206,823	1,474,823
2015		4.100	1,302,000	154,835	1,456,835
2016		4.100	1,337,000	101,453	1,438,453
2017	4.100	1,137,464	46,636	1,184,100	
			<u>13,045,464</u>	<u>3,304,112</u>	<u>16,349,576</u>
2007	2005 A Hotel - Motel Tax Refunding	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>2,770,291</u>	<u>8,240,278</u>
2007	2005 A Public Improvement Refunding	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	313,388	2,072,815
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>17,222,801</u>	<u>7,111,605</u>	<u>24,334,406</u>
2007	2005 Republic Parking Equipment Loan	7.000	64,101	6,854	70,955
2008		7.000	62,822	2,220	65,042
			<u>126,923</u>	<u>9,074</u>	<u>135,997</u>
	Total direct indebtedness		<u>260,312,687</u>	<u>188,494,515</u>	<u>448,807,202</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2006

(continued from previous page)

INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2007	1998 General Obligation Bonds	5.000	\$ 1,375,000	\$ 34,398	\$ 1,409,398
			<u>1,375,000</u>	<u>34,398</u>	<u>1,409,398</u>
2007	1998 Public Improvement Refunding	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>13,286,100</u>	<u>4,683,834</u>	<u>17,969,934</u>
2007	Georgia Environmental Facilities Authority	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	22,547	513,418
2020		4.000	255,364	3,849	259,213
			<u>5,336,989</u>	<u>1,596,658</u>	<u>6,933,647</u>
2007	General Obligation Sewer Refunding Bonds, Series 2002 Serial Bonds	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>19,329,151</u>	<u>4,559,135</u>	<u>23,888,286</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2006

(continued from previous page)

INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2007	Municipal Public Improvement Refunding, Series 2002A Serial Bonds	5.000	\$ 3,423,990	\$ 743,707	\$ 4,167,697
2008		3.000	3,377,663	607,442	3,985,105
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>21,036,692</u>	<u>2,889,776</u>	<u>23,926,468</u>
2007	2003 Series B Sewer Refunding	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>6,865,000</u>	<u>422,025</u>	<u>7,287,025</u>
2007	2001 Capital Lease City of Collegedale	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>214,562</u>	<u>60,269</u>	<u>274,831</u>
2007	1992 State Revolving Sewer Loan	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	129,206	1,936	131,142
			<u>1,150,184</u>	<u>161,230</u>	<u>1,311,414</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2006

(continued from previous page)

INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2007	2003 State Revolving Loan	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>35,815,503</u>	<u>11,028,940</u>
2007	2005 Series A Refunding	3.000	22	594,096	594,118
2008		3.000	1,454,220	572,282	2,026,502
2009		3.500	-	550,468	550,468
2010		3.500	4,581	550,388	554,969
2011		4.000	268	550,303	550,571
2012		4.000	2,038	550,258	552,296
2013		3.750	9,335	550,031	559,366
2014		5.000	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		4.125	2,417,479	60,437	2,477,916
			<u>12,469,158</u>	<u>5,894,686</u>	<u>18,363,844</u>
	Total Interceptor Sewer System indebtedness		<u>116,878,339</u>	<u>31,330,951</u>	<u>148,209,290</u>
<u>SOLID WASTE/SANITATION FUND</u>					
2007	1998 Public Improvement Refunding	5.000	-	202,736	202,736
2008		5.000	-	202,736	202,736
2009		5.500	1,155,600	170,957	1,326,557
2010		5.500	1,226,900	105,438	1,332,338
2011		5.500	1,303,600	35,849	1,339,449
			<u>3,686,100</u>	<u>717,716</u>	<u>4,403,816</u>
2007	1998 General Obligation Bonds	5.000	760,000	18,941	778,941
			<u>760,000</u>	<u>18,941</u>	<u>778,941</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2006

(continued from previous page)

SOLID WASTE/SANITATION FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2007	2001 General Obligation Bonds	5.000	\$ 180,000	\$ 151,598	\$ 331,598
2008		5.000	185,000	142,641	327,641
2009		5.000	195,000	133,301	328,301
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	105,561	485,561
2023		5.000	395,000	86,637	481,637
2024		5.000	420,000	66,703	486,703
2025	5.000	445,000	45,688	490,688	
2026	5.000	472,600	23,454	496,054	
			<u>3,032,600</u>	<u>2,237,271</u>	<u>5,269,871</u>
2007	2002 Municipal Public Improvement Refunding	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	968,381	134,619	1,103,000
2013		5.000	1,020,308	81,173	1,101,481
2014		4.375	1,075,043	26,876	1,101,919
				<u>6,774,887</u>	<u>1,532,220</u>
2007	2005 A Municipal Public Improvement Refunding Issue	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>9,799,062</u>	<u>4,456,890</u>	<u>14,255,952</u>
	Total Solid Waste/Sanitation Fund indebtedness		<u>24,052,649</u>	<u>8,963,038</u>	<u>33,015,687</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2006

(continued from previous page)

STORM WATER FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2007	1992 State Revolving Sewer Loan	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>1,150,183</u>	<u>161,230</u>
2007	1998 Municipal Public Improvement	5.000	<u>565,000</u>	<u>14,162</u>	<u>579,162</u>
			<u>565,000</u>	<u>14,162</u>	<u>579,162</u>
2007	2001 General Obligation Bonds	5.000	50,000	45,023	95,023
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>901,200</u>	<u>664,440</u>	<u>1,565,640</u>
2007	1998 Public Improvement Refunding	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>492,344</u>	<u>3,020,944</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2006

(continued from previous page)

STORM WATER FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2007	2002 Public Improvement Refinancing	4.000	\$ 736,836	\$ 233,278	\$ 970,114
2008		4.000	4,195	214,773	218,968
2009		5.000	626,134	202,167	828,301
2010		5.375	653,402	173,309	826,711
2011		5.375	686,964	138,512	825,476
2012		5.375	723,672	100,601	824,273
2013		5.000	762,478	60,661	823,139
2014		4.375	803,381	20,085	823,466
			<u>4,997,062</u>	<u>1,143,386</u>	<u>6,140,448</u>
2007	2005 A Municipal Public Improvement Refunding Issue	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>6,003,992</u>	<u>2,786,245</u>	<u>8,790,237</u>
	Total Storm Water Fund indebtedness		<u>16,146,037</u>	<u>5,261,807</u>	<u>21,407,844</u>
		<u>EPB</u>			
2007	2000 Electric System Revenue Bonds	4.750	1,600,000	1,589,000	3,189,000
2008		4.500	1,600,000	1,515,000	3,115,000
2009		4.500	1,600,000	1,443,000	3,043,000
2010		4.600	1,600,000	1,370,000	2,970,000
2011		4.625	1,600,000	1,296,000	2,896,000
2012		5.000	1,600,000	1,219,000	2,819,000
2013		5.125	1,600,000	1,138,000	2,738,000
2014		5.250	1,600,000	1,055,000	2,655,000
2015		5.000	1,600,000	974,000	2,574,000
2016		5.375	1,600,000	890,000	2,490,000
2017		5.200	1,600,000	806,000	2,406,000
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		5.375	1,600,000	301,000	1,901,000
2024	5.375	1,600,000	215,000	1,815,000	
2025	5.375	1,600,000	129,000	1,729,000	
2026	5.375	1,600,000	43,000	1,643,000	
			<u>32,000,000</u>	<u>16,753,000</u>	<u>48,753,000</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2006

(continued from previous page)

Fiscal Year Ended June 30	Issue	EPB			Total Interest and Principal
		Interest Rate	Principal	Interest Due	
2007	Equipment Note February 2005	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>608,000</u>	<u>52,000</u>	<u>660,000</u>
2007	Equipment Note May 2005	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>445,000</u>	<u>41,000</u>	<u>486,000</u>
2007	Equipment Note June 2005	4.670	93,000	16,000	109,000
2008		4.670	97,000	11,000	108,000
2009		4.670	102,000	7,000	109,000
2010		4.670	88,000	2,000	90,000
			<u>380,000</u>	<u>36,000</u>	<u>416,000</u>
2007	Equipment Note October 2005	4.610	105,000	18,000	123,000
2008		4.610	110,000	13,000	123,000
2009		4.610	115,000	7,000	122,000
2010		4.610	100,000	2,000	102,000
			<u>430,000</u>	<u>40,000</u>	<u>470,000</u>
2007	Equipment Note December 2005	4.950	182,000	32,000	214,000
2008		4.950	192,000	24,000	216,000
2009		4.950	202,000	14,000	216,000
2010		4.950	177,000	4,000	181,000
			<u>753,000</u>	<u>74,000</u>	<u>827,000</u>
	Total EPB indebtedness		<u>34,616,000</u>	<u>16,996,000</u>	<u>51,612,000</u>
	Total Primary Government Indebtedness		<u>\$ 452,005,712</u>	<u>\$ 251,046,311</u>	<u>\$ 703,052,023</u>
<u>METROPOLITAN AIRPORT AUTHORITY</u>					
2007	2002 Series A Refunding Revenue Bonds	2.803	\$ -	\$ 669,125	\$ 669,125
2008		2.781	-	669,125	669,125
2009		2.760	115,000	663,030	778,030
2010		2.760	850,000	617,980	1,467,980
2011		2.760	825,000	574,255	1,399,255
2012		2.760	865,000	528,410	1,393,410
2013		2.760	910,000	480,180	1,390,180
2014		2.760	960,000	429,300	1,389,300
2015		2.760	1,010,000	375,770	1,385,770
2016		2.760	1,060,000	319,590	1,379,590
2017		2.760	1,115,000	260,495	1,375,495
2018		2.760	1,175,000	198,220	1,373,220
2019		2.760	1,235,000	132,765	1,367,765
2020		2.760	2,505,000	-	2,505,000
				<u>12,625,000</u>	<u>5,918,245</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2006

(continued from previous page)

METROPOLITAN AIRPORT AUTHORITY

2007	2002 Series B Refunding Revenue Bonds	2.800	630,000	39,440	669,440
2008		2.780	675,000	290	675,290
2009		2.760	5,000	-	5,000
			<u>1,310,000</u>	<u>39,730</u>	<u>1,349,730</u>

CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2007	2000 Lease Revenue Bonds	5.000	\$ 2,570,000	\$ 7,134,725	\$ 9,704,725
2008		5.000	2,700,000	7,002,975	9,702,975
2009		5.000	2,835,000	6,864,600	9,699,600
2010		5.000	2,975,000	6,719,350	9,694,350
2011		5.500	3,125,000	6,559,038	9,684,038
2012		5.000	3,310,000	6,390,350	9,700,350
2013		5.125	3,465,000	6,218,809	9,683,809
2014		5.250	3,640,000	6,034,469	9,674,469
2015		5.300	3,830,000	5,837,424	9,667,424
2016		5.400	4,035,000	5,626,984	9,661,984
2017		5.400	4,255,000	5,403,154	9,658,154
2018		5.750	4,485,000	5,159,325	9,644,325
2019		5.750	4,740,000	4,894,106	9,634,106
2020		5.500	5,015,000	4,619,919	9,634,919
2021		5.500	5,290,000	4,336,531	9,626,531
2022		5.875	5,580,000	4,027,144	9,607,144
2023		5.875	5,910,000	3,689,625	9,599,625
2024		5.875	6,255,000	3,332,278	9,587,278
2025		5.875	6,620,000	2,954,075	9,574,075
2026		5.750	7,010,000	2,558,075	9,568,075
2027		5.750	7,415,000	2,143,356	9,558,356
2028		5.750	7,840,000	1,704,775	9,544,775
2029		5.625	8,290,000	1,246,219	9,536,219
2030		5.625	8,760,000	766,688	9,526,688
2031		5.625	9,250,000	260,156	9,510,156
			<u>129,200,000</u>	<u>111,484,150</u>	<u>240,684,150</u>
	Total component unit indebtedness		<u>\$ 143,135,000</u>	<u>\$ 117,442,125</u>	<u>\$ 260,577,125</u>

CITY OF CHATTANOOGA, TENNESSEE

NET ASSETS BY COMPONENT
LAST TWO FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year	
	2006	2005
Governmental activities:		
Invested in capital assets, net of related debt	\$ 1,269,926,195	\$ 1,277,883,814
Restricted	6,312,540	7,713,513
Unrestricted	<u>93,438,219</u>	<u>73,336,654</u>
Total governmental activities net assets	<u>\$ 1,369,676,954</u>	<u>\$ 1,358,933,981</u>
Business-type activities:		
Invested in capital assets, net of related debt	\$ 491,351,965	\$ 457,612,822
Restricted	17,944,835	18,300,530
Unrestricted (1)	<u>(12,141,852)</u>	<u>9,241,302</u>
Total business-type activities net assets	<u>\$ 497,154,948</u>	<u>\$ 485,154,654</u>
Primary government:		
Invested in capital assets, net of related debt	\$ 1,761,278,160	\$ 1,735,496,636
Restricted	24,257,375	26,014,043
Unrestricted	<u>81,296,367</u>	<u>82,577,956</u>
Total primary government net assets	<u>\$ 1,866,831,902</u>	<u>\$ 1,844,088,635</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. However this schedule was not required until fiscal year 2006; there will ultimately be ten years of information provided.

(1) The Solid Waste Fund has a negative, unrestricted net asset balance due to EPA unfunded mandates for an old landfill. EPB also has negative, unrestricted net assets. During fiscal year 2006 unrestricted, net assets for EPB decreased \$20 million; offset by a \$24 million increase in net assets invested in capital. They issued bonds early in fiscal year 2007 which should improve the unrestricted amount.

CITY OF CHATTANOOGA, TENNESSEE

CHANGES IN NET ASSETS
LAST TWO FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year	
	2006	2005
Expenses		
Governmental activities:		
General government	\$ 60,152,675	\$ 59,850,789
Public safety	64,367,574	63,805,046
Public works	55,077,404	54,323,539
Parks and recreation	13,785,184	13,562,609
Social services	19,199,188	21,530,148
Interest on long-term debt	6,493,154	6,004,530
Total governmental activities expenses	<u>219,075,179</u>	<u>219,076,661</u>
Business-type activities:		
Electric utility	417,792,000	371,630,000
Sewer	35,395,214	33,606,869
Solid waste	4,678,270	4,260,270
Storm water	4,475,706	4,709,090
Housing management	1,552,119	1,698,166
Total business-type activities expenses	<u>463,893,309</u>	<u>415,904,395</u>
Total primary government expenses	<u>682,968,488</u>	<u>634,981,056</u>
Program Revenues		
Governmental activities:		
Charges for services -		
General government	9,279,550	8,523,871
Public safety	1,121,281	864,536
Public works	2,392,789	2,390,699
Parks and recreation	2,910,484	2,768,211
Social services	1,163,593	2,997,590
Operating grants and contributions	29,397,005	27,384,160
Capital grants and contributions	14,440,793	17,744,674
Total governmental activities program revenues	<u>60,705,495</u>	<u>62,673,741</u>
Business-type activities:		
Charges for services -		
Electric utility	422,143,000	373,490,000
Sewer	36,509,866	35,976,537
Solid waste	5,475,554	5,881,486
Storm water	5,730,458	5,491,938
Housing management	1,204,120	1,367,348
Operating grants and contributions	76,532	83,652
Capital grants and contributions	3,379,000	1,893,247
Total business-type activities program revenues	<u>474,518,530</u>	<u>424,184,208</u>
Total primary government program revenues	<u>535,224,025</u>	<u>486,857,949</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

CHANGES IN NET ASSETS
LAST TWO FISCAL YEARS
(accrual basis of accounting)

(continued from previous page)

	Fiscal Year	
	2006	2005
Net (expense)/revenue:		
Governmental activities	\$ (158,369,684)	\$ (156,402,920)
Business-type activities	<u>10,625,221</u>	<u>8,279,813</u>
Total primary government net expense	<u>(147,744,463)</u>	<u>(148,123,107)</u>
General Revenues and Other Changes in Net Assets		
Governmental activities:		
Taxes:		
Property taxes	87,484,889	89,490,700
Liquor and beer taxes	6,393,852	6,245,169
Gross receipts tax	3,510,891	3,695,782
Franchise tax	1,755,878	1,664,863
Hotel-motel tax	3,640,518	2,583,318
Other taxes	2,471,256	198,958
Unrestricted investment earnings	3,441,171	1,545,737
Grants not allocated to specific programs	49,165,675	48,501,241
Gain on sale of capital assets	-	81,638
Change in equity interest	8,789,979	-
Endowment contributions	500	-
Transfers	<u>2,458,048</u>	<u>(563,637)</u>
Total governmental activities	<u>169,112,657</u>	<u>153,443,769</u>
Business-type activities:		
Unrestricted investment earnings	3,015,706	1,942,076
Miscellaneous	817,415	184,682
Transfers	<u>(2,458,048)</u>	<u>563,637</u>
Total business-type activities	<u>1,375,073</u>	<u>2,690,395</u>
Total primary government	<u>170,487,730</u>	<u>156,134,164</u>
Change in Net Assets		
Governmental activities	10,742,973	(2,959,151)
Business-type activities	<u>12,000,294</u>	<u>10,970,208</u>
Total primary government	<u>\$ 22,743,267</u>	<u>\$ 8,011,057</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. However this schedule was not required until fiscal year 2006; there will ultimately be ten years of information provided.

CITY OF CHATTANOOGA, TENNESSEE
GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE
LAST TWO FISCAL YEARS
(accrual basis of accounting)

Fiscal Year	Property Tax	Liquor & Beer Tax		Other City-Levied Taxes				Total
		Liquor	Beer	Gross Receipts	Franchise Tax	Hotel-Motel Tax	Other Taxes	
2005	\$ 89,490,700	\$ 1,606,265	\$ 4,638,904	\$ 3,695,782	\$ 1,664,863	\$ 2,583,318	\$ 3,156,626	\$ 106,836,458
2006	87,484,889 (1)	1,658,004	4,735,848	3,510,891	1,755,878	3,640,518	2,471,256 (2)	105,257,284

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. However this schedule was not required until fiscal year 2006; there will ultimately be ten years of information provided.

(1) EPB pays in-lieu of property taxes to the City. In fiscal year 2006 this began to be reported as a transfer.

(2) Change in unearned revenue of \$1,084,849 was included in other taxes in 2005. A similar amount of \$1,476,590 was allocated as program revenue in 2006.

CITY OF CHATTANOOGA, TENNESSEE
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TWO FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year	
	2006	2005
General fund:		
Reserved	\$ 4,347,114	\$ 3,473,740
Unreserved -		
Designated	6,557,035	5,000,477
Undesignated	<u>45,138,561</u>	<u>38,975,983</u>
Total general fund	<u>56,042,710</u>	<u>47,450,200</u>
All other governmental funds:		
Reserved	16,086,804	19,730,102
Unreserved, reported in -		
Special revenue funds	10,103,900	10,079,521
Debt service fund	5,842,577	6,471,929
Permanent funds	<u>45,786</u>	<u>73,056</u>
Total all other governmental funds	<u>32,079,067</u>	<u>36,354,608</u>
Total governmental funds	<u>\$ 88,121,777</u>	<u>\$ 83,804,808</u>

Note: The City implemented GASB Statement 34 in fiscal year 2002 when permanent funds were added as a fund type. However this schedule was not required until fiscal year 2006; there will ultimately be ten years of information provided.

CITY OF CHATTANOOGA, TENNESSEE

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TWO FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year	
	2006	2005
Revenues		
Taxes	\$ 103,157,615	\$ 103,878,878
Licenses and permits	4,272,090	4,092,969
Intergovernmental	83,117,431	84,821,126
Charges for services	4,292,707	3,916,340
Fines, forfeitures and penalties	1,472,402	1,410,642
Investment income	3,949,483	2,209,234
Contributions and donations	414,713	3,761,340
Miscellaneous	8,891,546	8,404,282
Total revenues	<u>209,567,987</u>	<u>212,494,811</u>
Expenditures		
General government	63,379,025	65,458,272
Public safety	63,063,290	62,237,355
Public works	32,797,851	31,623,156
Parks and recreation	13,113,632	12,707,873
Community development	3,029,762	3,839,453
Capital outlay	28,294,636	57,463,455
Debt service:		
Principal	7,735,136	5,777,360
Interest	6,402,538	6,498,717
Total expenditures	<u>217,815,870</u>	<u>245,605,641</u>
Excess of revenues over (under) expenditures	<u>(8,247,883)</u>	<u>(33,110,830)</u>
Other financing sources (uses)		
Transfers in	28,655,193	27,789,202
Transfers out	(26,197,145)	(28,352,839)
Refunding bonds issued	-	22,906,508
Premium on bonds issued	-	1,319,753
Payments to refunded bond escrow agent	-	(23,958,331)
Proceeds of notes payable	10,106,804	7,339,369
Total other financing sources (uses)	<u>12,564,852</u>	<u>7,043,662</u>
Net change in fund balances	<u>\$ 4,316,969</u>	<u>\$ (26,067,168)</u>
Debt service as a percentage of non-capital expenditures	8.06%	6.98%

Note: This format was not required until fiscal year 2006; there will ultimately be ten years of information provided.

CITY OF CHATTANOOGA, TENNESSEE

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TWO FISCAL YEARS

Fiscal Year Ended June 30	Real Property			Personalty	Public Utilities	Original Total Taxable Assessed Value	Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Multi-Use Property						
2005	\$ 1,078,324,365	\$ 1,561,594,535	\$ 39,015,735	\$ 429,448,247	\$ 210,866,286	\$ 3,319,249,168	\$ 2.202	\$ 10,323,946,674	32.15%
2006	1,324,074,615	1,798,350,685	47,481,205	455,264,664	235,281,790	3,860,452,959	2.202	11,955,447,977	32.29%

Source: City Treasurer

Note: This format was not required until fiscal year 2006; there will ultimately be ten years of information provided.

(1) All assessments and estimated actual values are based on initial levy; does not include any adjustments.

(2) All assessments are included in taxable. The Hamilton County Tax Assessor does not maintain assessments for tax exempt properties.

CITY OF CHATTANOOGA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TWO FISCAL YEARS

Fiscal Year Ended June 30	City of Chattanooga Tax Rate	Hamilton County				Total Direct & Overlapping Rates
		General Fund Tax Rate	School Fund Tax Rate	Road Fund Tax Rate	Total Tax Rate	
2005	2.2020	1.3159	1.5655	0.0126	2.8940	5.0960
2006	2.2020	1.3159	1.5655	0.0126	2.8940	5.0960

Source: www.hamiltontn.gov/trustee/

Note: This format was not required until fiscal year 2006; there will ultimately be ten years of information provided.

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Chattanooga.

CITY OF CHATTANOOGA, TENNESSEE

PRINCIPAL PROPERTY TAXPAYERS

June 30

Taxpayer	2006			1997		
	Taxable(1) Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Electric Power Board (2)	\$ 142,675,659	1	3.70%	\$ 83,978,889	1	3.66%
Tennessee Valley Authority	92,508,189	2	2.40%	57,197,602	3	2.49%
CBL & Associates	57,283,814	3	1.49%	32,293,019	6	1.41%
BellSouth	52,335,872	4	1.36%	53,425,175	4	2.33%
Unum/Provident Ins. Co.	42,767,342	5	1.11%	34,344,211	5	1.50%
Tennessee-American Water Co.	41,918,351	6	1.09%	29,028,371	7	1.26%
INVISTA(Dupont)	30,307,487	7	0.79%	65,977,378	2	2.87%
BlueCross BlueShield	28,414,286	8	0.74%	19,007,417	9	0.83%
AGL Resources-Chattanooga Gas	27,751,225	9	0.72%	23,877,870	8	1.04%
Kenco Group, Inc.	27,233,486	10	0.71%	-		0.00%
Parkridge Hospital	-		0.00%	18,204,499	10	0.79%
Totals	<u>\$ 543,195,711</u>		<u>14.11%</u>	<u>\$ 417,334,431</u>		<u>18.18%</u>

Source: The City Treasurer

Notes:

(1) Property taxpayers includes both property taxes and payment in-lieu of taxes.

(2) Beginning in fiscal year 06 EPB payment in-lieu of taxes were reported as a transfer.

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

Fiscal Year Ended June 30	Original Tax Levy(1)	Cumulative Adjustments to Tax Levy(2)	Adjusted Tax Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 83,512,333	\$ 31,155	\$ 83,543,488	\$ 79,901,518	95.6%	\$ 2,265,315	\$ 82,166,833	98.4%
2006	85,007,191	(132,528)	84,874,663	81,194,003	95.7%	-	81,194,003	95.7%

Note: This format was not required until fiscal year 2006; there will ultimately be ten years of information provided.

(1) Total billed amounts from City Treasurer's Office.

(2) Adjusted for errors and releases as well as pickups in each subsequent year.

CITY OF CHATTANOOGA, TENNESSEE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TWO FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities (1)			Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
	General Obligation Bonds	Notes Payable	Capital Leases	General Obligation Bonds	Notes Payable	Capital Leases			
2005	\$ 125,317,464	\$ 13,594,190	\$ 118,842,663	\$ 125,387,536	\$ 45,438,276	\$ 234,453	\$ 428,814,582	9.26%	\$ 2,769
2006	120,680,396	21,356,582	118,275,709	113,409,604	43,452,859	214,562	417,389,712	8.67%	2,697

Note: This format was not required until fiscal year 2006; there will ultimately be ten years of information provided.

(1) The Electric Power Board has \$32 million in revenue bonds and \$2.62 million in equipment notes outstanding as of June 30, 2006. However the Electric Power Board submits separate disclosures to the Securities & Exchange Commission. Therefore its debt is excluded from this schedule.

(2) See the schedule of Demographic and Economic Statistics for income and population data.

CITY OF CHATTANOOGA, TENNESSEE

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TWO FISCAL YEARS

Fiscal Year	General Obligation Bonds	Notes and Capital Leases(1)	Less: General Obligation Debt Paid by Legally Restricted Resources									Net Bonded Debt	Percentage of Estimated Actual Taxable Value of Property(2)	Per Capita (3)
			Hotel-Motel Debt	CDRC Capital Lease	Fannie Mae Loan	Republic Parking Loan	800 MHz Capital Lease	Sewer Debt	Solid Waste Debt	Storm Water Debt	Debt Service Fund Balance			
2005	\$ 250,705,000	\$ 178,109,582	\$ 55,174,987	\$ 115,925,472	\$ 1,534,829	\$ -	\$ 2,917,191	\$ 127,396,823	\$ 26,041,104	\$ 17,622,338	\$ 6,471,929	\$ 75,729,909	0.73%	\$ 489
2006	234,090,000	183,299,712	55,174,987	115,925,472	2,473,620	126,923	2,350,237	116,878,339	24,052,649	16,146,037	7,139,208	77,122,240	0.65%	498

Note: This format was not required until fiscal year 2006; there will ultimately be ten years of information provided.

(1) The Electric Power Board has \$2.62 million in equipment notes outstanding as of June 30, 2006. However the Electric Power Board submits separate disclosures to the Securities & Exchange Commission Therefore its notes are excluded from this schedule.

(2) See the schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

(3) See the schedule of Demographic and Economic Statistics for population data.

CITY OF CHATTANOOGA, TENNESSEE

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2006

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (3)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Hamilton County General Obligation Debt	\$ 125,224,164	61.4856%	\$ 76,994,829
Other debt:			
Hamilton County Notes Payable	17,322,009	61.4856%	<u>10,650,600</u>
Subtotal, overlapping debt (1)			87,645,429
City of Chattanooga net direct debt			<u>77,122,240</u>
Total direct and overlapping debt			<u>\$ 164,767,669</u>

Source: Assess value data used to estimate applicable percentages provided by Hamilton County.

Notes:

- (1) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Chattanooga. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.
- (2) The percentage of overlapping debt is calculated by dividing the City's assessed property values by the total Hamilton County assessments.

CITY OF CHATTANOOGA, TENNESSEE

LEGAL DEBT MARGIN INFORMATION
LAST TWO FISCAL YEARS

	Fiscal Year	
	2006	2005
Debt limit(1)	\$ 386,045,296	\$ 331,924,917
Total net debt applicable to limit(2)	<u>77,122,240</u>	<u>75,729,909</u>
Legal debt margin	<u>\$ 308,923,056</u>	<u>\$ 256,195,008</u>
Total net debt applicable to the limit as a percentage of debt limit	19.98%	22.82%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 3,860,452,959
Debt limit (10% of total assessed value)	386,045,296
Debt applicable to limit:	
General obligation bonds	84,261,448
Less: amount set aside for repayment of general obligation debt	<u>(7,139,208)</u>
Total net debt applicable to limit	<u>77,122,240</u>
Legal debt margin	<u>\$ 308,923,056</u>

Note: This format was not required until fiscal year 2006; there will ultimately be ten years of information provided.

- (1) The City of Chattanooga's outstanding general obligation debt should not exceed 10 percent of total assessed property value.
- (2) General obligation debt may be offset by amounts set aside for repaying general obligation bonds. See "Ratio's of General Bonded Debt Outstanding" for details.

CITY OF CHATTANOOGA, TENNESSEE

HISTORICAL DEBT RATIOS

June 30, 2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Estimated population (1)	150,300	148,800	147,500	145,700	155,554	155,992	155,582	155,289	154,853	154,762
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	\$11,955,447,979
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	3,860,452,959
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	417,389,712
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	333,128,264
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	7,139,208
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	77,122,240
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	87,645,429
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	\$ 164,767,669
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	\$2,696.98
Net direct debt per capita	289.81	297.12	304.08	281.28	489.99	449.84	503.93	486.34	489.04	498.33
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	1,064.65
Gross debt to appraised valuation	2.75%	3.19%	2.99%	2.80%	3.12%	2.50%	4.30%	4.32%	4.15%	3.49%
Net direct debt to appraised valuation	.63%	.57%	.56%	.51%	.92%	.72%	.79%	.75%	.73%	.65%
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%	1.38%
Gross debt to assessed valuation	8.33%	9.71%	9.12%	8.54%	9.47%	7.64%	13.13%	13.42%	12.92%	10.81%
Net direct debt to assessed valuation	1.90%	1.75%	1.72%	1.57%	2.79%	2.19%	2.40%	2.33%	2.28%	2.00%
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%	4.27%

(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, CDRC capital lease, Fannie Mae American Communities fund, 800 MHz Equipment Capital Lease.

CITY OF CHATTANOOGA, TENNESSEE

REVENUE BOND COVERAGE
LAST TWO FISCAL YEARS

Fiscal Year Ended June 30	EPB Revenue Bonds						Times Coverage	
	Total Revenues	(1)	Less: Operating Expenses	(2)	Net Available Revenue	Debt Service		
					Principal	Interest		
2005	\$ 374,595,000		\$ 353,195,000		\$ 21,400,000	\$ 1,600,000	\$ 1,740,800	6.4
2006	423,616,000		396,906,000		26,710,000	1,600,000	1,664,800	8.2

Note: This format was not required until fiscal year 2006; there will ultimately be ten years of information provided.

(1) Total revenues include operating revenues and interest earnings.

(2) Operating expenses are less depreciation expense.

CITY OF CHATTANOOGA, TENNESSEE
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TWO FISCAL YEARS

<u>Calendar Year</u>	<u>Population(1)</u>	<u>Per Capita Income(4)</u>	<u>Median Age(2)</u>	<u>Education Level In Years of Formal Schooling(2)</u>	<u>School Enrollment(2)</u>	<u>Unemployment Rate(3)</u>
2005	154,853	\$ 29,912	38.1	23.5% 4yr. Degree	40,660	4.8%
2006	154,762	31,113	39.1	21.6% 4yr. Degree	40,095	5.3%

Note: This format was not required until fiscal year 2006; there will ultimately be ten years of information provided.

- (1) U.S. Census Bureau
- (2) Chamber of Commerce
- (3) Tennessee Department of Employment Security
- (4) U.S. Department of Commerce Bureau of Economic Analysis

CITY OF CHATTANOOGA, TENNESSEE

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	2006			1997		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Hamilton County Department of Education (1)	5,070	1	3.38%	2,323	8	1.55%
BlueCross BlueShield of Tennessee	3,808	2	2.54%	3,067	3	2.04%
McKee Foods Corp.	3,300	3	2.20%	2,755	4	1.83%
Erlanger Medical Center	3,217	4	2.15%	3,466	2	2.31%
UnumProvident Corp.	2,930	5	1.96%			0.00%
Memorial Hospital	2,615	6	1.75%	2,361	7	1.57%
City of Chattanooga	2,487	7	1.66%	2,519	5	1.68%
CIGNA HealthCare	2,154	8	1.44%			0.00%
Synthetic Industries	1,931	9	1.29%			0.00%
Pilgrim's Pride Corp.	1,610	10	1.07%			0.00%
Tennessee Valley Authority			0.00%	4,995	1	3.33%
University of Tennessee at Chattanooga			0.00%	2,381	6	1.59%
Bi-Lo, Inc.			0.00%	2,175	9	1.45%
Chattanooga Public School (1)			0.00%	2,171	10	1.45%
Total	29,122		19.43%	28,213		18.78%

Source: City Treasurer

Note:

(1) The City and County school systems were combined in 1998.

CITY OF CHATTANOOGA, TENNESSEE
 FULL-TIME EQUIVALENT CITY GOVERNMENT POSITIONS
 BY FUNCTION
 LAST TWO FISCAL YEARS

Function	Full-Time Equivalent Positions as of June 30	
	2006	2005
General Government	266	276
Public Safety		
Police:		
Sworn	472	472
Civilian	206	196
Fire:		
Sworn	400	400
Civilian	18	18
Public Works	339	338
Parks, Recreation, Arts & Culture	217	238
Education, Arts and Culture	24	-
Social Services	339	340
Interceptor Sewer System	115	115
Solid Waste/Sanitation	14	14
Storm Water	49	49
EPB	402	407
Totals	2,861	2,863

Note: This format was not required until fiscal year 2006; there will ultimately be ten years of information provided.

Source: City budget office.

CITY OF CHATTANOOGA, TENNESSEE
 OPERATING INDICATORS BY FUNCTION
 LAST TWO FISCAL YEARS

Function	Fiscal Year	
	2006	2005
General Government:		
311 Service Requests Created	66,710	77,400
% of Current Tax Levy Collected	95.5	95.7
Police:		
Crimes Committed (1)	13,843	14,315
Moving/Parking Violations	78,052	75,826
Citizen Complaints	96	102
Fire:		
Emergency Calls	10,617	9,899
Inspections	2,492	2,586
Public Works:		
Sidewalks Repaired (sq. ft.)	1,660	3,374
Streets Paved (sq. ft.)	632,793	851,511
Parks, Recreation, Arts & Culture:		
Chattanooga Zoo - Attendance	125,293	127,974
Recreation Centers - Attendance	394,660	400,959
Social Services:		
Children Immunized	768	875
Households Assisted	4,119	6,566
Interceptor Sewer System:		
NPDES Violations	5	4
Combined Sewer Overflows	118	119
Solid Waste/Sanitation:		
NPDES Landfill Violations	4	17
Violation Notices to Industry	61	44
Storm Water:		
311 Service Requests Created	1,808	2,559
311 Service Requests Unresolved	53	269

Source: City budget office.

Note: This format was not required until fiscal year 2006; there will ultimately be ten years of information provided.

(1) Crimes committed are reported on the prior calendar year as reported by the Chattanooga Police Dept. ChattResults.

CITY OF CHATTANOOGA, TENNESSEE
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TWO FISCAL YEARS

Function	Fiscal Year	
	2006	2005
General Government:		
City Fleet	1,670	1,663
Properties Returned to Tax Rolls	22	23
Police:		
Stations	3	3
Patrol Units	450	450
Fire:		
Stations	17	17
Ladder Trucks/Fire Engines/Combos	24	23
Public Works:		
Miles of Paved Streets	1,150	1,200
Signalized Intersections	312	303
Garbage Trucks	21	21
Knuckleboom Trucks	21	21
Interceptor Sewer System:		
Miles of Sewer	1,200	1,200
Pump Stations	55	55
Parks, Recreation, Arts & Culture:		
Parks	50	50
Recreation Centers	16	15

Source: City Budget Office

Note: This format was not required until fiscal year 2006; there will ultimately be ten years of information provided.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2006

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-05-024495-02	\$ (52,717)	\$ 72,717	\$ 20,000	\$ -	\$ -
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-06-028668-02	-	70,254	88,236	-	(17,982)
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-06-031152-00	-	5,000	5,000	-	-
Total Emergency Food Assistance Program			(52,717)	147,971	113,236	-	(17,982)
Emergency Food Assistance Program (Food Commodities - Noncash)	10.569	N/A	-	170,593	170,593	-	-
Passed through Tennessee Department of Human Services:							
Child and Adult Care Food Program	10.558	03-47-55915-00-8	(40,157)	330,223	335,056	-	(44,990)
Child and Adult Care Food Program	10.558	03-47-56136-00-6	(9,217)	82,982	89,892	-	(16,127)
Child and Adult Care Food Program	10.558	03-47-60076-00-9	-	5,167	5,968	-	(801)
Total Child and Adult Care Food Program			(49,374)	418,372	430,916	-	(61,918)
Summer Food Service Program for Children	10.559	30-010	(267,630)	259,951	44,577	52,256	-
Total U.S. Department of Agriculture			(369,721)	996,887	759,322	52,256	(79,900)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grants/Entitlement Grants	14.218	B04MC470001	(211,691)	211,691	-	-	-
Community Development Block Grants/Entitlement Grants	14.218	B05MC470001	-	1,972,363	2,437,308	-	(464,945)
Community Development Block Grants/Entitlement Grants	14.218	Program Income	-	734,657	734,657	-	-
Total Community Development Block Grants/Entitlement Grants			(211,691)	2,918,711	3,171,965	-	(464,945)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2006

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	S04MC47003	\$ (18,046)	\$ -	\$ 30,148	\$ -	\$ (48,194)
Emergency Shelter Grants Program (ESG)	14.231	S05MC47003	-	-	58,313	-	(58,313)
Total Emergency Shelter Grants Program (ESG)			<u>(18,046)</u>	<u>-</u>	<u>88,461</u>	<u>-</u>	<u>(106,507)</u>
Shelter Plus Care	14.238	TN37C400010	<u>(39,972)</u>	<u>116,430</u>	<u>114,231</u>	<u>-</u>	<u>(37,773)</u>
Home Investment Partnerships Program	14.239	M03MC470200	(100)	582,810	846,027	-	(263,317)
Home Investment Partnerships Program	14.239	Program Income	-	<u>748,250</u>	<u>485,040</u>	<u>-</u>	<u>263,210</u>
Total Home Investment Partnerships Program			<u>(100)</u>	<u>1,331,060</u>	<u>1,331,067</u>	<u>-</u>	<u>(107)</u>
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B01SPTN0590	(298,939)	391,258	114,709	-	(22,390)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B02SPTN0685	(215,732)	555,127	425,586	-	(86,191)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B03SPTN0735	(39,013)	48,272	10,387	-	(1,128)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B03SPTN0748	<u>(483,722)</u>	<u>864,509</u>	<u>397,780</u>	<u>-</u>	<u>(16,993)</u>
Total Community Development Bock Grants/ Brownfields Economic Development Initiative			<u>(1,037,406)</u>	<u>1,859,166</u>	<u>948,462</u>	<u>-</u>	<u>(126,702)</u>
Total U.S. Department of Housing and Urban Development			<u>(1,307,215)</u>	<u>6,225,367</u>	<u>5,654,186</u>	<u>-</u>	<u>(736,034)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2006

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 THE INTERIOR							
Passed through National Park Service:							
Civil War Battlefield Land Acquisition Grants	15.928	4705CW1405	\$ -	\$ 252,500	\$ 252,500	\$ -	\$ -
Passed through State of Tennessee Historical Commission:							
Historic Preservation Fund Grants - In-Aid	15.904	GG061204600	-	-	1,954	-	(1,954)
Historic Preservation Fund Grants - In-Aid	15.904	GG051158500	(5,586)	12,918	7,332	-	-
Total Historic Preservation Fund Grants - In-Aid			(5,586)	12,918	9,286	-	(1,954)
Total U.S. Department of Interior			(5,586)	265,418	261,786	-	(1,954)
U.S. DEPARTMENT OF JUSTICE							
State Domestic Preparedness Equipment Support Program	16.007	2003-TE-CX-0003	(43,930)	36,466	36,466	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	-	28,741	36,843	-	(8,102)
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088380-00	(5,570)	9,560	4,560	-	(570)
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088436-00	(3,983)	16,384	12,833	-	(432)
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088471-00	(17,075)	47,668	42,270	-	(11,677)
Total Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program			(26,628)	102,353	96,506	-	(20,781)
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0968	71,324	-	71,324	-	-
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-1212	84,528	-	71,229	-	13,299
Total Local Law Enforcement Block Grants Program			155,852	-	142,553	-	13,299

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2006

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)							
Public Safety Partnership and Community Policing Grants (COPS)	16.710	2002CKWX0005	\$ (9,078)	\$ 18,978	\$ 128,810	\$ -	\$ (118,910)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0280	-	340,008	130,317	-	209,691
Total U.S. Department of Justice			<u>76,216</u>	<u>497,805</u>	<u>534,652</u>	<u>43,930</u>	<u>83,299</u>
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	STP-EN-9202 (85)	(1,365,294)	1,362,297	-	2,997	-
Highway Planning and Construction	20.205	STP-M-9202 (86)	(218,457)	145,591	-	-	(72,866)
Highway Planning and Construction	20.205	Z-05-024242-00	(129,827)	186,705	56,878	-	-
Highway Planning and Construction	20.205	Z-06-030928-00	-	144,317	199,282	-	(54,965)
Passed through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	PL-000-0007-00(207)	-	47,317	78,197	-	(30,880)
Highway Planning and Construction	20.205	PL-0005-00-995	(4,182)	17,083	13,663	762	-
Total Highway Planning and Construction			<u>(1,717,760)</u>	<u>1,903,310</u>	<u>348,020</u>	<u>3,759</u>	<u>(158,711)</u>
Federal Transit: Metropolitan Planning Grants	20.505	GG-05-11659-00	(25,355)	38,624	13,269	-	-
Federal Transit: Metropolitan Planning Grants	20.505	GG-06-12294-00	-	48,072	64,954	-	(16,882)
Total Federal Transit: Metropolitan Planning Grants			<u>(25,355)</u>	<u>86,696</u>	<u>78,223</u>	<u>-</u>	<u>(16,882)</u>
Passed through Tennessee Department of Transportation:							
State and Community Highway Safety	20.600	Z-05-024125-00	(34,687)	105,409	70,722	-	-
State and Community Highway Safety	20.600	Z-06-027325-00	-	4,033	10,134	-	(6,101)
Total State and Community Highway Safety			<u>(34,687)</u>	<u>109,442</u>	<u>80,856</u>	<u>-</u>	<u>(6,101)</u>
Total U.S. Department of Transportation			<u>(1,777,802)</u>	<u>2,099,448</u>	<u>507,099</u>	<u>3,759</u>	<u>(181,694)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2006

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)							
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed through Tennessee Libraries and Archives:							
Grants to States	45.310	GG-01-09207-01	\$ -	\$ 770	\$ 770	\$ -	\$ -
Grants to States	45.310	GG-06-12045-00	-	48,000	48,000	-	-
Grants to States	45.310	Z-06-031297-00	-	5,900	5,900	-	-
Grants to States	45.310		-	50,000	44,136	-	5,864
Total Institute of Museum and Library Services			-	104,670	98,806	-	5,864
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Air Pollution Control Program Support	66.001	A00408406-1	-	-	303,043	-	(303,043)
Air Pollution Control Program Support	66.001	A00408405-1	(298,165)	298,165	-	-	-
Air Pollution Control Program Support	66.001	XA-831168501-0	-	100,000	100,000	-	-
Total Air Pollution Control Program Support			(298,165)	398,165	403,043	-	(303,043)
Surveys, Studies, Investigations and Special Purpose Grants	66.606	PM97475803-1	-	53,755	53,755	-	-
Total U.S. Environmental Protection Agency			(298,165)	451,920	456,798	-	(303,043)
U.S. DEPARTMENT OF ENERGY							
Passed through Tennessee Department of Human Services:							
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-02	(62,780)	62,780	-	-	-
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-04	-	282,121	325,000	-	(42,879)
Total Weatherization Assistance for Low-Income Persons			(62,780)	344,901	325,000	-	(42,879)
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Head Start	93.600	04CH0047/28	(429,165)	429,165	-	-	-
Head Start	93.600	04CH0047/29	-	7,166,906	7,524,834	-	(357,928)
Total Head Start			(429,165)	7,596,071	7,524,834	-	(357,928)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2006

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)							
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance (LIHEAP)	93.568	Z-05-021693-02	\$ (91,057)	\$ 91,057	\$ -	\$ -	\$ -
Low-Income Home Energy Assistance (LIHEAP)	93.568	Z-05-021693-04	-	1,423,462	1,431,249	-	(7,787)
Total Low-Income Home Energy Assistance (LIHEAP)			(91,057)	1,514,519	1,431,249	-	(7,787)
Social Services Block Grant	93.667	Z-06-031570	-	238,712	242,112	-	(3,400)
Community Services Block Grant (CSBG)	93.569	Z-05-020686-01	(81,394)	81,394	-	-	-
Community Services Block Grant (CSBG)	93.569	Z-05-020686-02	-	521,716	581,612	-	(59,896)
Total Community Services Block Grant (CSBG)			(81,394)	603,110	581,612	-	(59,896)
Total U.S. Department of Health and Human Services			(601,616)	9,952,412	9,779,807	-	(429,011)
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE							
Foster Grandparent Program	94.011	04-SFSTN003	(34,232)	34,232	-	-	-
Foster Grandparent Program	94.011	05-SFSTN003	-	398,602	426,354	-	(27,752)
Total Corporation for National and Community Services			(34,232)	432,834	426,354	-	(27,752)
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Emergency Food and Shelter National Board Program	97.024	23-7682-00-001	7,656	-	7,656	-	-
Emergency Food and Shelter National Board Program	97.024	24-7682-00-001	-	37,000	24,636	-	12,364
Total Federal Emergency Management Agency			7,656	37,000	32,292	-	12,364
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed Through Tennessee Emergency Management Agency							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z-03-017837-00	(120,677)	-	8,889	-	(129,566)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z-05-024713-00	(5,696)	-	-	-	(5,696)
Total Public Assistance Grants			(126,373)	-	8,889	-	(135,262)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2006

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)							
Hazard Mitigation Grant	97.039	GG-05-11612-00	\$ (532,861)	\$ 601,975	\$ 92,152	\$ -	\$ (23,038)
Assistance to Firefighters Grant	97.044	EMW-2005-FG-07649	-	-	439,846	-	(439,846)
Metropolitan Medical Response System Grant	97.071	EMW-2004-GR-0678	-	30,055	121,307	-	(91,252)
Total U.S. Department of Homeland Security			(659,234)	632,030	662,194	-	(689,398)
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			<u>(5,032,479)</u>	<u>22,040,692</u>	<u>19,498,296</u>	<u>99,945</u>	<u>(2,390,138)</u>
Component Units							
<u>Awards Audited by Other Auditors</u>							
Chattanooga Area Regional Transportation Authority (CARTA)							
U.S. DEPARTMENT OF TRANSPORTATION							
Federal Transit Cluster:							
Federal Transit - Capital Investment Grants	20.500	TN-03-0070	-	10,988	10,988	-	-
Passed through Tennessee Department of Transportation:							
Federal Transit - Capital Investment Grants	20.500	TN-03-0042	-	1,166,847	1,166,847	-	-
Federal Transit - Capital Investment Grants	20.500	TN-03-0060	-	33,122	33,122	-	-
Federal Transit - Capital Investment Grants	20.500	TN-03-0076	-	40,607	41,709	-	(1,102)
Federal Transit - Capital Investment Grants	20.500	TN-03-0067	-	15,860	15,860	-	-
Federal Transit - Capital Investment Grants	20.500	TN-03-0081	-	435,846	435,846	-	-
Total Federal Transit - Capital Investment Grants			-	1,703,270	1,704,372	-	(1,102)
Federal Transit - Formula Grants	20.507	TN-90-X215	-	652,568	667,622	-	(15,054)
Federal Transit - Formula Grants	20.507	TN-26-0020	-	374,422	393,912	-	(19,490)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2006

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-X231	\$ -	\$ 2,218,274	\$ 2,280,786	\$ -	\$ (62,512)
Federal Transit - Formula Grants	20.507	TN-90-X247	-	-	193,230	-	(193,230)
Total Federal Transit - Formula Grants			-	3,245,264	3,535,550	-	(290,286)
Total Federal Transit Cluster			-	4,948,534	5,239,922	-	(291,388)
Job Access - Reverse Commute	20.516	TN-37-X021	(31,270)	286,798	268,545	-	(13,017)
Job Access - Reverse Commute	20.516	TN-37-X027	-	61,468	128,134	-	(66,666)
Total Job Access - Reverse Commute			(31,270)	348,266	396,679	-	(79,683)
Total Expenditures of Federal Awards - CARTA			(31,270)	5,296,800	5,636,601	-	(371,071)
 Chattanooga Metropolitan Airport Authority							
U.S. DEPARTMENT OF TRANSPORTATION							
Airport Improvement Program	20.106	3-47-0009-28	(11,196)	299,772	288,576	-	-
Airport Improvement Program	20.106	3-47-0009-29	(79,323)	340,160	260,837	-	-
Airport Improvement Program	20.106	3-47-0009-32	(33,879)	962,543	928,664	-	-
Airport Improvement Program	20.106	3-47-0009-33	(188,704)	1,599,212	1,440,056	-	(29,548)
Airport Improvement Program	20.106	3-47-0009-34	-	828,192	1,145,639	-	(317,447)
Airport Improvement Program	20.106	3-47-0009-35	-	1,424,706	1,596,521	-	(171,815)
Airport Improvement Program	20.106	3-47-0009-36	-	242,901	783,153	-	(540,252)
Airport Improvement Program	20.106	3-47-0009-37	(66,500)	214,218	148,668	-	(950)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2006

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)							
Airport Improvement Program	20.106	3-47-0009-38	\$ -	\$ -	\$ 32,846	\$ -	\$ (32,846)
Airport Improvement Program	20.106	3-47-0009-39	-	316,350	296,168	-	20,182
Total Expenditures of Federal Awards - Component Unit Audited by Other Auditors			(379,602)	6,228,054	6,921,128	-	(1,072,676)
TOTAL EXPENDITURES OF FEDERAL AWARDS - COMPONENT UNITS			(410,872)	11,524,854	12,557,729	-	(1,443,747)
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			(5,443,351)	33,565,546	32,056,025	99,945	(3,833,885)
STATE AWARDS							
Tennessee Department of Environment & Conservation:							
Household Hazardous Waste		GG-06-12224-00	-	-	45,023	-	(45,023)
Household Hazardous Waste		GG-05-11117-00	(85,000)	83,906	-	1,094	-
Northshore Wetlands Park Education Pavillion		Z-05-022828-00	(79,590)	-	-	79,590	-
Tennessee Department of Transportation:							
University Greenway		STP-EN-3300(42)	(405,987)	405,987	-	-	-
Transportation Enhancement Program (TVRM)		STP-EN-9202(76)	-	-	28,904	-	(28,904)
Tennessee Wildlife Resource Agency:							
Pumpout Station		N/A	(70,375)	70,375	-	-	-
Floating Docks		N/A	(35,000)	35,000	-	-	-
Boating Infrastructure		N/A	(92,500)	-	-	-	(92,500)
Tennessee Film, Entertainment, and Music Commission:							
Film Commission		N/A	-	2,500	-	-	2,500
Tennessee Department of Finance and Administration:							
Tennessee Housing Development Agency THDA Entitlement - CNE Project		Program Income	223,433	226,777	-	-	450,210
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT			(545,019)	824,545	73,927	80,684	286,283

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2006

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							
<u>Awards Audited by Other Auditors</u>							
Chattanooga Area Regional Transportation Authority (CARTA)							
Tennessee Department of Transportation:							
State funding for TN-26-0020		GG-0310136	\$ (10,943)	\$ 57,746	\$ 49,238	\$ -	\$ (2,435)
State funding for TN-03-0042		GG-0410868	-	145,857	145,857	-	-
State funding for TN-03-0060		GG-0310034	-	4,140	4,140	-	-
State funding for TN-90-X215		GG-0511539	(66,295)	145,848	79,553	-	-
State funding for TN-37-X021		GG-0410492	(25,567)	88,128	65,748	-	(3,187)
State funding for TN-03-0067		GG-0410420	(690)	2,673	1,983	-	-
State funding for TN-03-0070		GG-0410542	-	1,374	1,374	-	-
State funding for TN-03-0076		GG-0511471	-	5,075	5,213	-	(138)
State funding for TN-03-0081		GG-0612236	-	44,635	44,635	-	-
State funding for TN-90-X231		GG-0612188	-	302,127	310,720	-	(8,593)
State funding for TN-90-X247			-	-	24,154	-	(24,154)
State funding for TN-37-X027		GG-0410441	-	43,609	64,067	-	(20,458)
State Operating		GG-0612128	-	1,861,764	1,861,764	-	-
State Operating		GG-0511491	(299,963)	299,963	-	-	-
Total Expenditures of State Awards - CARTA			(403,458)	3,002,939	2,658,446	-	(58,965)
Chattanooga Metropolitan Airport Authority							
Airport Improvement Program		33-555-0180-04	(14,301)	-	37,896	-	(52,197)
Airport Improvement Program		33-555-0177-04	(90,576)	-	14,491	-	(105,067)
Airport Improvement Program		33-555-0787-04	-	-	406,564	-	(406,564)
Airport Improvement Program		33-555-0162-04	(145,125)	145,125	-	-	-
Airport Improvement Program		33-555-0173-04	(252,319)	260,508	8,189	-	-
Airport Improvement Program		33-555-0767-04	(460)	-	(460)	-	-
Airport Improvement Program		33-555-0179-04	(14,785)	-	24,439	-	(39,224)
Airport Improvement Program		33-555-0788-04	-	-	48,658	-	(48,658)
Airport Improvement Program		33-555-1002-04	-	-	8,140	-	(8,140)
Airport Improvement Program		33-555-0798-04	-	-	57,756	-	(57,756)
Airport Improvement Program		33-555-0784-04	-	36,603	36,603	-	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2006

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)							
Airport Improvement Program		33-555-0786-04	\$ -	\$ 70,307	\$ 70,307	\$ -	\$ -
Airport Improvement Program		33-555-0789-04	-	18,653	18,653	-	-
Airport Improvement Program		33-555-0790-04	-	69,186	69,186	-	-
Airport Improvement Program		N/A	(125)	-	30,148	-	(30,273)
Airport Improvement Program		N/A	(15)	-	(15)	-	-
Airport Improvement Program		N/A	(1,750)	-	3,912	-	(5,662)
Airport Improvement Program		N/A	-	-	42,014	-	(42,014)
Airport Improvement Program		N/A	-	-	20,609	-	(20,609)
Airport Improvement Program		N/A	-	-	864	-	(864)
Airport Improvement Program		N/A	-	-	7,794	-	(7,794)
Airport Improvement Program		N/A	-	-	37,575	-	(37,575)
Airport Improvement Program		N/A	-	-	51,039	-	(51,039)
Total Expenditures of State Awards - Chattanooga Metropolitan Airport Authority			<u>(519,456)</u>	<u>600,382</u>	<u>994,362</u>	<u>-</u>	<u>(913,436)</u>
TOTAL EXPENDITURES OF STATE AWARDS - COMPONENT UNITS			<u>(922,914)</u>	<u>3,603,321</u>	<u>3,652,808</u>	<u>-</u>	<u>(972,401)</u>
TOTAL EXPENDITURES OF STATE AWARDS - REPORTING ENTITY			<u>(1,467,933)</u>	<u>4,427,866</u>	<u>3,726,735</u>	<u>80,684</u>	<u>(686,118)</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS - REPORTING ENTITY			<u>\$ (6,911,284)</u>	<u>\$ 37,993,412</u>	<u>\$ 35,782,760</u>	<u>\$ 180,629</u>	<u>\$ (4,520,003)</u>

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2006

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 \$734,657 and \$748,250, respectively.

Note 3. Accrual Adjustment

The accompanying schedule of expenditures of federal and state awards includes a restatement of beginning accrued/deferred grant revenue \$298,165 related to Air Pollution Control Program Support (CFDA 66.001). This amount was 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 reflect adjustments to prior year ending accrued revenues that will not be received.

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	\$2,765,877
Emergency Shelter Grants Program	14.231	84,324
Home Investment Partnerships Program	14.239	1,331,157
Community Development Block Grants/ Brownfields Economic Initiative	14.246	10,387

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, 2006, and have issued our report thereon dated October 31, 2006. We did not audit the financial statements of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit 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 31, 2006.

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.

Haggett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
October 31, 2006

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, 2006. We did not audit the compliance of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority whose federal and state financial assistance is \$6,921,128. The reports of the other auditors on compliance with the requirements applicable to major programs have 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 and the Chattanooga Area Regional Transit Authority was based solely on the reports 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 reports of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Chattanooga, Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures and the reports of the other auditors disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying schedule of findings and questioned costs as Findings 2006-1 and 2006-2.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants 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. We noted no matters and the reports of the other auditors did not disclose any matters involving the internal control over compliance and its operation that we consider to be 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.

Haslett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
October 31, 2006

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

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:

Unqualified

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>
14.218	U.S. Department of Housing and Urban Development: Community Development Block Grants/Entitlement Grants Home Investment Partnerships Program
14.239	
20.106	U.S. Department of Transportation: Airport Improvement Program Federal Transit Cluster: Federal Transit – Capital Improvement Grants Federal Transit – Formula Grants
20.500	
20.507	
93.568	U.S. Department of Health and Human Services: Low-Income Home Energy Assistance (LIHEAP) Head Start
93.600	

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Dollar threshold used to distinguish between type A
and type B programs: \$961,681

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2006-1

Federal program: CFDA 20.106 Airport Improvement Project
Federal agency: Federal Aviation Administration

Criteria: According to the grant agreement with the Federal Aviation Administration (FAA), the Airport Authority is reimbursed by the FAA up to 95% for approved expenditures on Airport Improvement Projects (AIP). The grant also specifies a maximum amount of funding for each project.

Condition: The Airport Authority inadvertently requested and received reimbursement in the amount of \$23,513 from AIP #3-47-0009-39 for costs to be reimbursed by State Project #33-555-0788-04.

Effect: The Airport Authority is not in compliance with the grant requirements of AIP #3-47-0009-39.

Cause: These two contracts are related to the same project and the Airport Authority inadvertently requested reimbursement under the wrong contract.

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

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

Finding 2006-2

Federal program: CFDA 20.500 Federal Transit-Capital Investment Grants
CFDA 20.507 Federal Transit-Formula Grants
Federal agency: United States Department of Transportation

Condition: Regulations require that ECHO draw downs be disbursed within three business days after receipt of the funds. The audit disclosed eight instances of ECHO draw downs by CARTA not being disbursed within three business days.

Questioned Costs: A sample of 35 expenditures was tested totaling \$4,205,180. Eight expenditures with costs totaling \$2,278,205 were found to have been disbursed after three days.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Effect: The questioned costs may be subject to interest owed for the time period of noncompliance to the FTA.

Cause: CARTA is requesting draw downs on the assets which are received subject to testing and approval by CARTA. Payments to vendors are not made until assets are deemed to meet acceptable standards. The testing and approval process often exceeds three business days.

Recommendation: We recommend that CARTA request draw downs from ECHO only after assets are deemed to meet organizational standards.

Management's Response: CARTA management is reviewing these requirements to determine that draw downs are disbursed timely.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2006

Finding 2005-1 from June 30, 2005

Federal program: CFDA 10.559 Summer Food Service Program for Children (SFSP)

Condition: The City of Chattanooga Department of Human Services (DHS) contracted 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.

Current status: The program was not administered by the City for the 2006 program year.

Finding 2005-2 from June 30, 2005

Federal program: CFDA 10.559 Summer Food Service Program for Children (SFSP)

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.

Current status: The program was not administered by the City for the 2006 program year.

Finding 2005-3 from June 30, 2005

Federal program: CFDA 10.559 Summer Food Service Program for Children (SFSP)

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.

Current status: The program was not administered by the City for the 2006 program year.

Finding 2005-4 from June 30, 2005

Federal program: CFDA 14.218 Community Development Block Grants/Entitlement Grants

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.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2006

Current status: Corrective action has been taken.

Finding 2005-5 from June 30, 2005

Federal program: CFDA 14.239 HOME Investment Partnerships Program

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

Current status: Corrective action has been taken.

CITY OF CHATTANOOGA

DEPARTMENT OF FINANCE & ADMINISTRATION

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