

# **CAFR 2008**

**City of Chattanooga, Tennessee  
Comprehensive Annual Financial Report  
for the year ended June 30, 2008**

## **About the Cover:**

**Coolidge Park**, located on Chattanooga's riverfront in downtown Chattanooga, is a part of the Tennessee Riverpark System featuring Tennessee Riverpark, Renaissance Park, Ross's Landing, and the Walnut Street Bridge. The 10-acre public park includes a riverside stage, a restored historic carousel, an interactive water feature, a multi-purpose pavilion, a canoe/kayak launch, a floating restaurant, tour boat, curving walkways, green meadows and river overlooks.

*Cover photo by Dottie Swasey*

**CITY OF CHATTANOOGA, TENNESSEE**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008**

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

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## City of Chattanooga

Office of the Mayor

City Hall 101 East 11th Street  
Chattanooga, Tennessee 37402  
(423) 757-5152

Ron Littlefield  
Mayor

December 15, 2008

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

It is my pleasure to present my third annual financial report to the City of Chattanooga for the fiscal year ended June 30, 2008. Chattanooga continues to grow and is maintaining a strong standing in these turbulent economic times. With the recent announcement of over \$3 billion in new and expanding facilities by Volkswagen, Alstom Power, Watts Bar Nuclear Plant, and others, Chattanooga and the surrounding region are poised for unprecedented growth.

Chattanooga's housing market is fairing better and our local economy is more stable than most cities. The infusion of nearly \$3 billion over the next two years will continue to energize the area allowing us to weather the current economic downturn. The city's bond rating was recently upgraded to AA+ by Standard & Poor's and affirmed at AA by Fitch. Rating analysts cited the city's diverse and strong economic base, robust fiscal position and sound management practices as major factors.

While economic development is a primary focus of this administration, we continue to improve neighborhoods and efficiently deliver government services. Our monthly neighborhood meetings have proven to be a valuable resource for the citizens and the administration in addressing important community issues. Major strides have been made in making our neighborhoods cleaner and safer. A citizen recently credited the City codes enforcement with transforming her neighborhood. She stated "Now, it's (her neighborhood) restored to the peaceful place she moved into 40 years ago."



Mayor Ron Littlefield  
Photo by Lawson Whitaker



Dan Johnson, Chief of Staff  
Photo by Lawson Whitaker



*Mayor Littlefield at the grand re-opening of Warner Park*  
*Photo by Lawson Whitaker*

We continue to emphasize sustainability and a clean environment through projects such as the Green Initiative, the Take Root Initiative, and promoting Leadership in Energy and Environmental Design (LEED). The changes made in our recycling program have resulted in an increase in materials diverted from the landfill.

The McKamey Animal Care and Adoption Center opened in July, 2008. Go!Fest continues to be a successful celebration of our citizens with all abilities. The Warner Park and Summit of Softball complexes are major recreational facilities for our local use as well as a major attraction for national events, such as the Amateur Softball Association national girls' tournament scheduled for 2010.

With the help of the City Council, we implemented a new pay plan that provides a mechanism that allows the city to successfully attract and maintain a professional and competent workforce. This, along with the introduction of the on-site pharmacy component to the city's Wellness Program, is an indication of the commitment to our most valuable resource – our employees.

We have much to be proud of in this community, however, the future brings with it many challenges and opportunities. Like the state and the nation, the city is facing revenue shortfalls, increased unemployment, and declining market conditions. My management team is already beginning to develop plans to address these changing times with minimal impact on service delivery. I am confident that with your continued support and cooperation, we will make the necessary adjustments to ensure that Chattanooga continues as one of the best places in the nation to live, work and play.

Sincerely,

Ron Littlefield

A handwritten signature in blue ink, appearing to read "Ron Littlefield", written over a horizontal line.

Mayor



# Chattanooga City Council



Photos by Lawson Whitaker



**District 1**  
Linda Bennett  
Chairman



**District 2**  
Sally L. Robinson



**District 3**  
Dan B. Page



**District 4**  
W. Jack Benson, Sr.  
Vice Chairman



**District 5**  
Luther Shockley



**District 6**  
Carol B. Berz



**District 7**  
Manuel Rico



**District 8**  
Leamon Pierce



**District 9**  
Debbie Gaines



**City of Chattanooga**

Office of the Mayor

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Chattanooga, Tennessee 37402

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Ron Littlefield  
Mayor

Daisy W. Madison, CPA  
City Finance Officer

December 15, 2008

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



*Daisy W. Madison, City Finance Officer*

*Photo by Lawson Whitaker*

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, 2008. These ordinances and statutes require that the City of Chattanooga issue annually a report on its financial position and activities, and that an independent firm of certified public accountants audit this report.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management of the City of Chattanooga has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Chattanooga's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this report is complete and reliable in all material respects.

The City of Chattanooga's financial statements have been audited by Hazlett, Lewis & Bieter, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Chattanooga's financial statements for the fiscal year ended June 30, 2008, 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. The official 2000 Census showed the city with a population of 155,554. The census estimate for 2007 shows the city has grown to a population of 169,884. Chattanooga 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 2½ 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 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 and recycling; 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 water quality maintenance program and a sewer and sewage facility system for its residents and for other communities in southeast Tennessee and northwest Georgia.

The annual budget serves as the foundation for the City's financial planning and control. The City Finance Officer obtains information from all City departments and agencies for which appropriations are made and/or revenues are collected and compiles the operating budget for submission to the Mayor. During the months of April, May and June, advertised public hearings are held by the council whereby budget requests from the departments and agencies are presented and taxpayers are given the opportunity to comment 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 is authorized to make intrafund transfers

if necessary. Budgetary comparison schedules are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

## 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.



*Site preparation for the Volkswagen plant at Enterprise South*

**The City's Economic Future:** Employment in the Chattanooga area is diverse. The top employment sectors of trades, transportation, and utilities (22.8%), government (14%), manufacturing (14%), professional and business services (10.1%), education and health (11.8%), and leisure and hospitality (9.4%) comprise 82.1% 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 22 million visitors a year. A 76,000 square foot headquarter building was recently completed on site.

Chattanooga enjoys strategic advantages related to its location, strong transportation system, natural resources and competitive cost of doing business. The local unemployment rate of 6.3% remains significantly below the state average of 7.2% and is comparable to the

national average of 6.1% as of September, 2008.

The recent announcement that Volkswagen AG will locate its new U.S. manufacturing headquarters here along with others such as Alstom Power's \$280 million expansion could not have come at a better time for Chattanooga. Site preparation at Enterprise South for the VW manufacturing facility is well under way and bids for construction are under review. This \$1 billion capital investment brings a total permanent direct workforce of 2,000 jobs worth \$100 million in annual payroll. Additional investment by support industries is expected to bring and additional \$500 million investment and 12,000 jobs. In total, a \$600 million annual economic benefit to the area is expected. Volkswagen is Europe's largest carmaker and the third largest in the world. Annual production of 150,000 cars is expected to begin in 2011. Plant expansion could begin shortly after production startup.

The Enterprise South Industrial Park continues to be a prize asset for additional growth. 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. In addition to the portion dedicated for Volkswagen, another 1400 acres will be ready for industrial use within the next two years. The park was recently granted Foreign Trade Zone status. Including federal, state, and local dollars, the total investment leading up to the VW announcement was \$85 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. Continuing efforts are underway by the City and County Mayors, the Chamber of Commerce, the states of Tennessee and Georgia and other regional entities to recruit additional businesses and manufacturers to the area. The City has achieved the EPA clean air standard for five of the past six years, Local officials are committed to maintaining a sustainable community and a clean environment as demonstrated by projects such as the Green Initiative and promotion of construction projects that conform to the Leadership in Energy and Environmental Design certification.

Economic news outside the industrial park continues to be good as well. Alstom Power chose Chattanooga as the location for its new

steam turbine manufacturing facility. This is a \$280 million expansion at their current location, bringing with it an additional 350 new jobs without any negative environmental impact. Westinghouse Electric Co. has announced a \$9.5 million expansion in Chattanooga citing the city's central location.

A solid foundation has been laid for Chattanooga's future through two major recent initiatives within the heart of the city. The opening of the 21st Century Waterfront in April 2005 marked 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 \$120 million development on the waterfront, the connection was completed twenty years to the month from the publication of the Tennessee Riverpark Master Plan. 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. The 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.

Fiscally, the City of Chattanooga is well positioned to weather the current economic downturn. We have a history of strong fiscal discipline, healthy reserves, and constant review of operations, being ever vigilant to find new efficiencies and cost reduction measures. Further, as construction of the \$300 million Blue Cross Blue Shield campus comes to a close in 2009, the \$1 billion WV plant project has begun. Residential construction for single family homes remains strong during the first quarter of the new fiscal year compared to fiscal year 2008, having retracted by only 4% in the number of permits issued. Hotel tax receipts rose 5.4% during fiscal year 2008 compared to



*New Summit Ballfield to open Spring 2009*

the prior year, indicating that tourism remains strong. We have in place a vibrant engine for the growth of our tax base.

The overall health of our existing employers is good. Since the Chattanooga Chamber of Commerce announced its goal of producing more than 20,000 new jobs in the MSA over a 4 year period, there has been more than 132 projects with an investment of over \$1.4 billion and 17,500 new jobs announced. The second phase of an initiative to market Chattanooga, referred to as 'Chattanooga Can Do', will last from July 2007 to June 2011. The Chamber goals include the following benchmarks (with progress as of July 2008 in parentheses):

- Increase regional employment by 15,573 (9448 jobs have been created)
- Increase private investment by \$500 million (\$1.351 billion has been announced)
- Create \$526.8 million in new payroll income (\$437.4 million has been achieved)
- Increase disposable income by \$421.5 million (\$349.9 million has been achieved)
- Increase net personal consumption by \$390.1 million (\$323.9 million has been achieved)

Quality education is also the centerpiece of a successful community. Chattanooga State Technical Community College, the Chattanooga Manufacturer's Association and others are working together to establish a Center for Advanced Manufacturing Training. The center will help support existing industry and will serve to attract new manufacturing and technical jobs to the area. The University of Tennessee at Chattanooga's MBA program continues to gain national exposure, appearing on the list

## At Your Leisure!



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

*Reflections on the water at the canoe/kayak launch at Sterchi Farms Outventure*

*Photo by Lawson Whitaker*

The City of Chattanooga Department of Parks and Recreation strives to provide an excellent variety of leisure opportunities to enhance the individual's quality of life through exceptional programs in attractive, safe and well maintained parks and facilities.

Parks and Recreation oversees seven operational divisions: Administration, Parks, Recreation, Golf, Chattanooga Zoo, Outdoor Chattanooga, and Public Art. A staff of 187 employees, maintains a facility inventory of 65 city parks consisting of over 750 acres of city and neighborhood park plus 2800 acres of the Enterprise South Nature Park, 16 recreation centers, 74 ball fields, 83 tennis courts, 2 football fields, and 40 miles of greenway and trails. Under the leadership of administrator Larry Zehnder, a field certified professional, the department offers diverse recreation and leisure opportunities for all ages and abilities in a fun and safe environment. The management and staff work to build relationships, create partnerships, and accommodate the overall interests and needs of the community. Here are just a few of the outstanding programs available to the City of Chattanooga community:

**Recreation Centers Programs** 4-H Teen, Virtual Class Room, Arts Builds Communities, Centered on Seniors, Money Management 101, and In the Swim are offered at recreation facilities through out the City. Recreation centers work with local organizations to provide a variety of art, educational, and fitness activities that can be enjoyed by the entire community.

**Go! Fest** is an annual festival to raise awareness of the services and resources available locally for young people with physical or mental disabilities. The focus of the event is to celebrate "life without limitations" and provides opportunities for companies, groups, and organization to display and present therapeutic equipment, services and programs.

**Public Art Program** is a partnership with the Benwood Foundation, Lyndhurst Foundation, and Allied Arts of Greater Chattanooga, with the mission of creating aesthetic sophistication and

spontaneity throughout the city including the riverfront, the central business district, and the revitalization of city's south side quarter. The Public Art Committee, comprised of talented leaders in the arts community, provides the expertise to attract world class artists and works of art that reflect the character of the area and enhance the civic environment.

**First Tee Golf** uses the game of golf to help children from all economic and racial backgrounds assimilate valuable life skills, leadership characteristics, as well as First Tees' nine core values; integrity, sportsmanship, respect, confidence, responsibility, perseverance, courtesy, judgment, and honesty.

**OutVenture** the programming office for Outdoor Chattanooga Division, offers hiking, mountain biking, canoeing, camping and white water paddling trips for both the general public and private groups.

Environmental conservation and the security of natural resources are an important focus of Parks and Recreation. Several recent projects have been completed demonstrating the City's dedication to the recreational use, education, and stewardship of the region's natural resources. These world class facilities confirm the City's commitment to ecological preservation and environmental stewardship and provide significant economic impact by attracting national/regional events to the city.

**Warner Park Renovation** completed this summer, marked the first phase of renovations to one of the city's oldest parks. Today the excitement and grandeur of the past returns in the Chattanooga Zoo's \$3.9 million dollar new entrance and welcome center. The \$2.8 million restoration of the park's softball facilities now offers state of the art accommodations for local and regional/national programs and tournaments. Scheduled to be completed by the summer of 2009 is the construction of an exciting new "sprayground" which guarantees cool refreshing fun for all ages. This attraction will be located adjacent to the existing swimming pool and will feature playground style equipment that spurt, shoot, and squirt water. It is anticipated that the new park will create an annual economic impact of almost \$3.5 million.

**The Summit of Softball**, formally an abandoned landfill, has been transformed into an 83 acre sports complex featuring 8 ASA/NSA certified softball fields, concessions and restroom facilities, a playground, picnic area,



The new facade of Warner Park

Photo by Dottie Swasey



Kayakers launch at Outventure

amphitheater and passive park space. National competition for men's, women's, and youth softball will create an economic impact of \$10 million annually.

**Renaissance Park and Outdoor Green Roof Pavilion** was the 2007 recipient of the Tennessee Governor's Environmental Stewardship Award, recognized for the restoration of a past industrial area to a model of ecologic conservation. This 23 acre urban park collects polluted water from urban runoff, naturally filters this water using native plants and other natural systems, and releases improved quality water back into the ecological system that flows into the Tennessee River. The 5,000 square foot Outdoor Pavilion showcases several "new-age" design features and provides an educational community meeting space. The Pavilion is the first public building in the city to have a "green" living roof, waterless urinals, and other energy efficient features.

**South Chickamauga Creek Greenway Trail and Canoe/Kayak Launches** project will be funded by the City, Federal Highway Enhancement dollars, and funds pledged by local foundations. The trail meanders for two miles along the South Chickamauga Creek near the Sterchi Farm/Waterhaven subdivision and features picnic tables and benches. The canoe/kayak launches, located at Sterchi Farm and River Point (near the Chattanooga Riverwalk) feature parking, picnic area w/tables, benches and grills, and ADA accessible restrooms.

**Enterprise South Nature Park** This 2800 acre natural wildlife park featuring 33 miles of trail is currently under development in partnership with the Hamilton County Parks and Recreation Department and opened to the public, on a limited basis, in the fall of 2008.

*View of downtown  
Chattanooga from  
Renaissance Park*



*Photo by Dottie Swasey*

of Princeton Review's Best Business School guidebook for the second year.

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 \$349 million replacement project for the Chickamauga Lock which will enhance river traffic for years to come. A coffer dam, the second phase of the project, is expected to be completed by the end of 2009. The entire replacement is expected by the end of 2013.

Another major asset which has been highlighted by the extreme regional drought is the Tennessee River which flows through the heart of the city. In addition to providing the backdrop for the waterfront development projects, it is an invaluable source of clean water for consumption, recreation, transportation, and industrial use. The estimated annual economic impact for waterfront events is several million dollars per year. The river is also critical for electric power generation in the area and for other industries heavily dependent on water.

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 Chattanoogaans enjoy the benefits of the City's renewed downtown and rising economic tide. Recreation also continues to be an important aspect of our community. The Parks and Recreation Department plans to complete a \$10.5 million softball complex in the eastern portion of the city to open in 2009.

During the past five years, general fund revenues have grown at a slower pace than expenditures. This is primarily due to use of reserves to fund a large portion of the capital budget. Revenues and transfers in have increased 14.4% while expenditures and transfers out have increased 19.6%. Increase in expenditures and transfers out excluding capital funding from the general fund increased by 14.1%. The City's two biggest local revenue sources, property tax and sales tax, grew 5.5% and 24.1% respectively during that period. 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 \$40,677,980 to \$52,094,869 or 28.1% over the past five years. The City's unreserved fund balance increased from \$30,784,700 to \$40,746,518 or 32.4%. Over \$10.8 million of these reserves have been appropriated as pay-go-capital for Fiscal Year 2009.



## Budget Highlights

For the sixth 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 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 has published two annual performance reports 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 idled during the year is invested in commercial bank certificates of deposit as well as various instruments guaranteed by the United States Government. These instruments generally 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



*Coolidge Park*

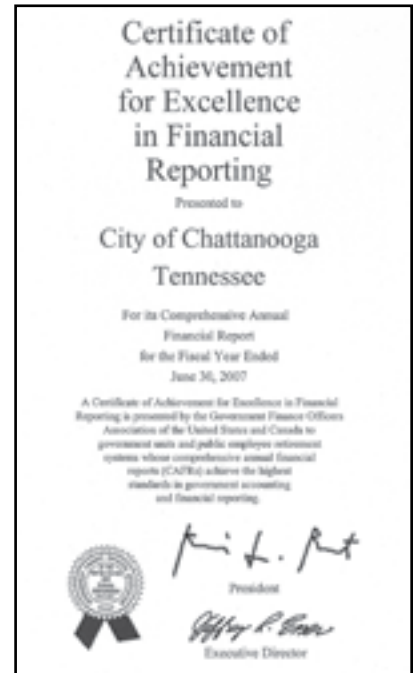
tort claims. Reserves are accumulated in the General Fund to meet potential losses for all other exposures. Additional information on the City's risk management activity can be found in the notes to the financial statements.

## 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.

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 1,014 retired employees receiving these benefits, which have been traditionally funded on a pay-as-you-go basis. Effective this fiscal year, a trust was established to provide for advance funding of this obligation in the future. Total contributions to the trust to date are \$4.5 million. Additional information on the City's pension and other and postemployment benefits can be found in the notes to the financial statements.

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, 2007. This was the sixteenth 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 thirteen 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



Vickie C. Haley,  
Deputy City Finance Officer

*Photo by Lawson Whitaker*



Staff members of the City Court Clerk's Office

*Photo by Lawson Whitaker*



**Ron Littlefield, Mayor**

L. Dan Johnson, Chief of Staff

**CITY COUNCIL:**

Linda G. Bennett, Chairperson.....District 1

W. Jack Benson, Sr., Vice Chairperson . District 4	Carol B. Berz ..... District 6
Sally L. Robinson..... District 2	Manual Rico..... District 7
Dan B. Page ..... District 3	Leamon Pierce..... District 8
Luther Shockley..... District 5	Deborah C. Gaines..... District 9

**COURTS:**

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

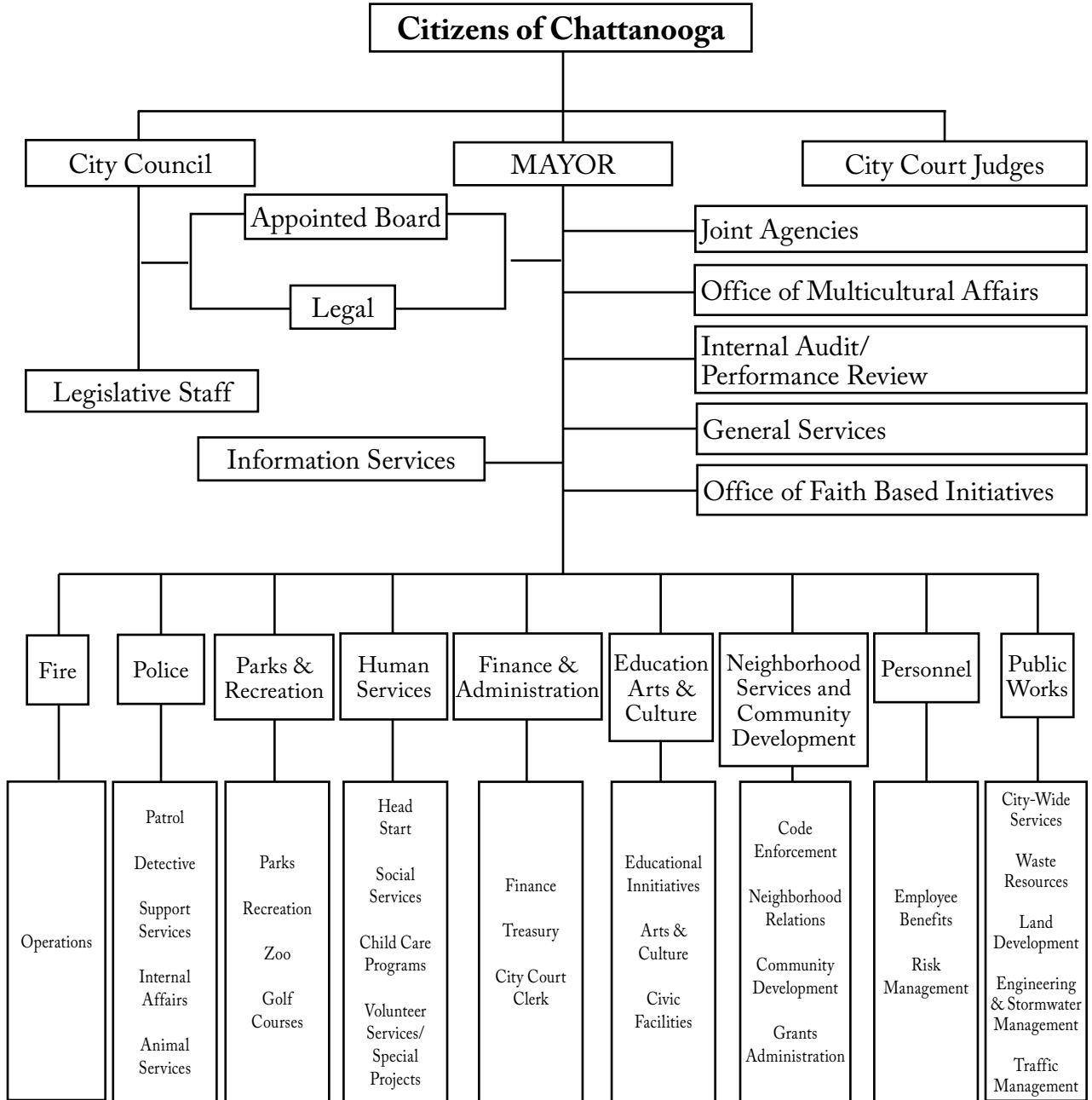
**DEPARTMENT ADMINISTRATORS AND DIRECTORS:**

Legal .....	Randall Nelson .....	City Attorney
Legislative .....	Carol O’Neal .....	Clerk of the Council
Finance and Administration.....	Daisy W. Madison .....	Administrator
.....	Vickie C. Haley.....	Deputy Administrator
Education, Arts & Culture .....	Missy N. Crutchfield .....	Administrator
Fire.....	Chief Wendell G. Rowe.....	Administrator
Human Services .....	Bernadine Turner .....	Administrator
.....	Tommie Pruitt .....	Deputy Administrator
Neighborhood Services and .....	Beverly P. Johnson .....	Administrator
Community Development .....	Anthony Sammons.....	Deputy Administrator
Parks and Recreation.....	Lawrence A. Zehnder.....	Administrator
Personnel .....	Donna Kelley.....	Administrator
Police.....	Chief Freeman Cooper, Jr.....	Administrator
Public Works.....	Steven C. Leach .....	Administrator
.....	D. Lee Norris .....	Deputy Administrator

---

Brian Smart.....	Manager, Financial Operations
Fredia F. Kitchen .....	Budget Officer
Gayle P. Keown.....	Treasurer
Mark J. Keil.....	Director, Information Services
Gene D. Settles.....	Purchasing Agent
Paul R. Page .....	Director of General Services
Stanley L. Sewell .....	Director of Internal Audit
Jeffrey E. Claxton .....	Risk Manager
Sandra Gober .....	Manager, Community Development
Gary B. Hilbert.....	Director, Land Development
James H. Templeton .....	Director, City Wide Services
Jerry W. Stewart.....	Director, Waste Resources
William C. Payne .....	City Engineer
John Van Winkle .....	City Traffic Engineer
Harold E. DePriest.....	President and CEO, Electric Power Board
David F. Clapp .....	Director, Chattanooga-Hamilton County Bicentennial Library
Micheal J. Landguth.....	President and CEO, Metropolitan Airport Authority
Barry M. Bennett .....	Director, Regional Planning Agency
Robert H. Colby .....	Director, Air Pollution Control Board
(Vacant).....	Director, Scenic Cities Beautiful Commission

# Organizational Chart





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, 2008, 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 45 percent and 66 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 opinions.

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, 2008, 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 December 12, 2008, 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 xvii of the Financial Section and the required supplementary information on pages 54-55 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, the financial schedules, and the schedule of expenditures of federal and state awards 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.

*Haggett, Lewis & Bister, PLLC*

Chattanooga, Tennessee  
December 12, 2008

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, 2008. 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 \$1.9 billion (net assets), an increase of \$26.1 million. Of this amount, \$88.4 million may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets), a \$10.8 million decrease over last year.
- While the net assets of our business-type activities increased \$21.1 million, or 4.1 percent, the net assets of our governmental activities increased \$5.1 million, or 0.4 percent. During the year, the City generated \$247.9 million in taxes and other revenues for governmental programs. This compares with \$247.2 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 governmental activities recognized depreciation expense of \$39.8 million including \$25.2 million on infrastructure assets alone.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$92.6 million, a decrease of \$5.7 million from last year. This decrease is the result of several factors.
  - o Fund balance in General Fund decreased \$3.0 million due to use of reserves to fund capital projects through operations.
  - o Capital projects fund balance decreased \$3.2 million because capital expenditures exceeded new debt issuance, capital contributions and transfers in during the year.
  - o Fund balance in other governmental funds increased approximately \$500,000 primarily due to proceeds from a loan entered into through Community Development, a special revenue fund.
  - o Property tax revenues were \$1.9 million higher than expected reflecting strong real estate values while county-wide and state sales taxes combined were \$1.2 million higher than expected reflecting a strong retail environment.
  - o The City's automated traffic enforcement program was initiated this year generating over \$800,000 in new revenue.
  - o As discussed in more detail in the governmental fund analysis, expenditures also increased led by personnel costs which rose approximately 4.6 percent for employee raises resulting from implementation of a new pay plan.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$40.7 million, down \$4.3 million or 9.5 percent from prior year. This represents 20.8 percent of total General Fund expenditures and transfers out. The City's Debt Management Policy prescribes this to remain above 15 percent.
- Long-term liabilities for the City's Primary Government increased \$211.2 million, 40.3 percent, during the current fiscal year because of the issuance of \$219.8 million in revenue bonds by EPB, an enterprise fund of the City. As a result business-type activity debt increased \$204.4 million from \$225.9 million to \$430.3 million. Governmental activities debt decreased \$3.2 million from \$279.2 million to \$276.0 million with minimal draw downs on previously authorized but unissued debt with the Tennessee Municipal Bond Fund, pay-off of the Fannie Mae Loan and issuance of \$4.6 million in a new HUD Section 108 loan.

# 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, recreation, education, arts & culture and social services. The business-type activities include the City's electric, sewer and water quality 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, 101 East 11th Street, Suite 101, 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 one permanent fund as governmental funds. Information is presented separately in the governmental statements for the General Fund and the capital projects fund since both of these are considered major funds. Data for the other funds is combined into a single column with individual fund data for each of these nonmajor governmental funds provided in the 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, Water Quality 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 funds provide services for other City activities. The City of Chattanooga accounts for maintenance of City vehicles and risk financing (including health costs) 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 and one OPEB trust fund 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 and OPEB benefits to its employees.
- **Other supplementary information** – This includes the combining statements for nonmajor governmental 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 beginning on page 53.

## 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 \$1.9 billion at the close of the most recent fiscal year, an increase of \$26.1 million, or 1.4 percent, from last year.

By far the largest portion of the City's net assets, 81.7 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, \$259.8 million or 13.6 percent, represents resources that are restricted in how they may be used including \$219.8 million in EPB revenue bond proceeds. The remaining balance of \$88.4 million may be used to meet the City's ongoing obligations, a \$10.8 million decrease; the decrease in unrestricted net assets reflects the use of fund balance for capital projects in the other enterprise funds.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and						
other assets	\$ 252,658	\$ 247,219	\$ 418,237	\$ 188,262	\$ 670,895	\$ 435,481
Capital assets	1,546,363	1,535,711	698,474	678,702	2,244,837	2,214,413
Total assets	<u>1,799,021</u>	<u>1,782,930</u>	<u>1,116,711</u>	<u>866,964</u>	<u>2,915,732</u>	<u>2,649,894</u>
Long-term debt						
outstanding	294,097	296,747	441,044	227,236	735,141	523,983
Other liabilities	128,874	115,204	145,130	130,267	274,004	245,471
Total liabilities	<u>422,971</u>	<u>411,951</u>	<u>586,174</u>	<u>357,503</u>	<u>1,009,145</u>	<u>769,454</u>
Net assets:						
Invested in capital assets, net of debt	1,276,307	1,267,303	282,079	478,367	1,558,386	1,745,670
Restricted	12,296	16,780	247,477	18,789	259,773	35,569
Unrestricted	87,447	86,896	981	12,305	88,428	99,201
Total net assets	<u>\$ 1,376,050</u>	<u>\$ 1,370,979</u>	<u>\$ 530,537</u>	<u>\$ 509,461</u>	<u>\$ 1,906,587</u>	<u>\$ 1,880,440</u>

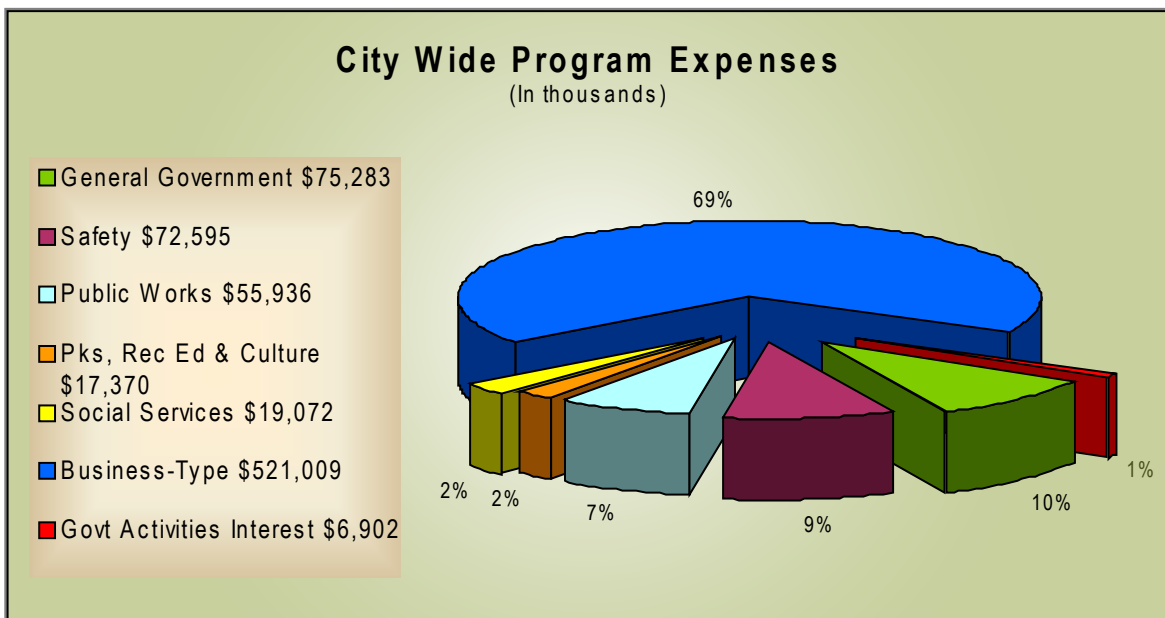
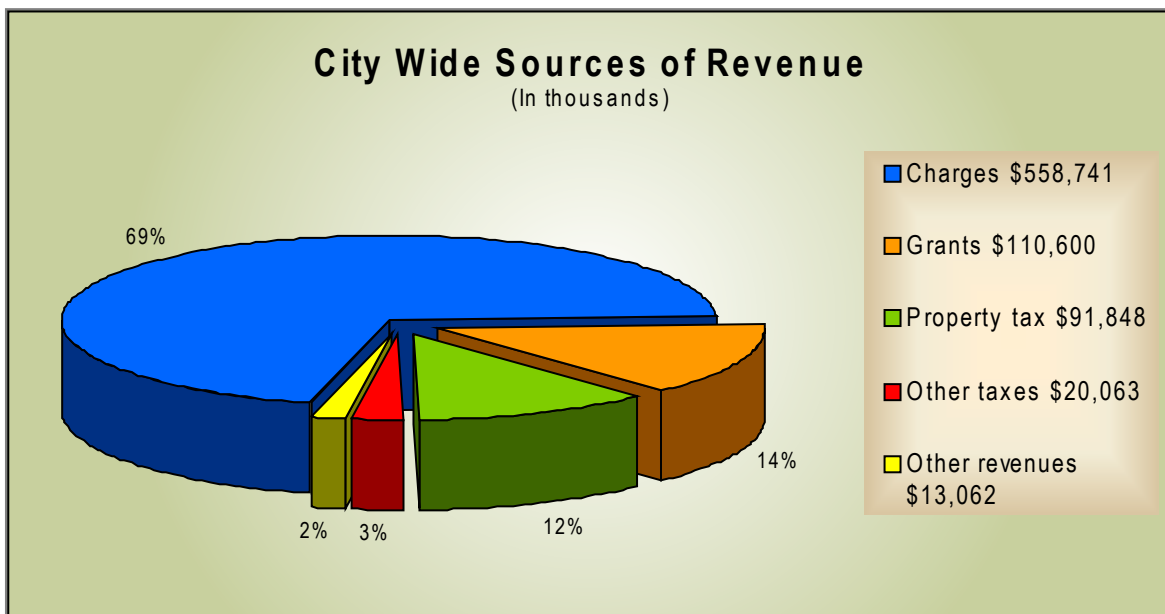
At the end of the fiscal year, the City of Chattanooga is able to report a positive net asset balance for the government as a whole, as well as for its governmental and business-type activities.

### Changes in Net Assets

Net assets of the City's governmental activities were \$1.4 billion, a \$5.1 million increase from the prior year. Of that balance \$1.3 billion are either restricted as to how they may be used or are invested in capital assets (buildings, roads, bridges, etc.). Therefore \$87.4 million remains to meet the City's ongoing obligations to citizens and creditors, a \$550,000 increase.

During the current year the net assets of the business-type activities increased \$21.1 million or 4.1 percent to \$530.5 million. These net assets are dedicated solely to finance the continuing operations of the electric, sewer, and water quality systems, solid waste disposal and housing management operations.

The following graphs summarize the sources of the City's total revenues of \$794.3 million and total program expenses of \$768.2 million. These graphs combine governmental and business-type information.



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 following table.

City of Chattanooga's Changes in Net Assets						
(in thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 20,259	\$ 17,596	\$ 538,481	\$ 493,380	\$ 558,740	\$ 510,976
Grants and contributions	55,275	47,300	1,858	2,029	57,133	49,329
General revenues:						
Property taxes	91,848	89,935	-	-	91,848	89,935
Other taxes	20,063	18,417	-	-	20,063	18,417
Investment income	4,104	5,193	5,250	5,002	9,354	10,195
Miscellaneous	2,893	17	817	108	3,710	125
Unrestricted grants	53,466	52,074	-	-	53,466	52,074
Total revenues	247,908	230,532	546,406	500,519	794,314	731,051
<b>Expenses</b>						
Governmental activities:						
General government	75,283	61,461	-	-	75,283	61,461
Public safety	72,595	68,559	-	-	72,595	68,559
Public works	55,936	55,076	-	-	55,936	55,076
Parks, rec, ed & culture	17,370	15,264	-	-	17,370	15,264
Social services	19,072	22,080	-	-	19,072	22,080
Interest on long-term debt	6,902	6,835	-	-	6,902	6,835
Business-type activities:						
Electric utility	-	-	472,114	441,556	472,114	441,556
Sewer	-	-	37,859	35,308	37,859	35,308
Solid waste	-	-	4,974	4,956	4,974	4,956
Water quality	-	-	5,059	4,938	5,059	4,938
Housing management	-	-	1,003	1,410	1,003	1,410
Total expenses	247,158	229,275	521,009	488,168	768,167	717,443
Excess (deficiency) before special item and transfers	750	1,257	25,397	12,351	26,147	13,608
Transfers	4,321	45	(4,321)	(45)	-	-
Increase (decrease) in net assets	5,071	1,302	21,076	12,306	26,147	13,608
Net assets, beginning	1,370,979	1,369,677	509,461	497,155	1,880,440	1,866,832
Net assets, ending	\$ 1,376,050	\$ 1,370,979	\$ 530,537	\$ 509,461	\$ 1,906,587	\$ 1,880,440

## Governmental Activities

Current fiscal year revenues for the City's governmental activities were \$247.9 million compared to \$230.5 million last year, up 7.5 percent. Current year expenses were \$247.2 million compared to \$229.3 million last year, a 7.8 percent increase.

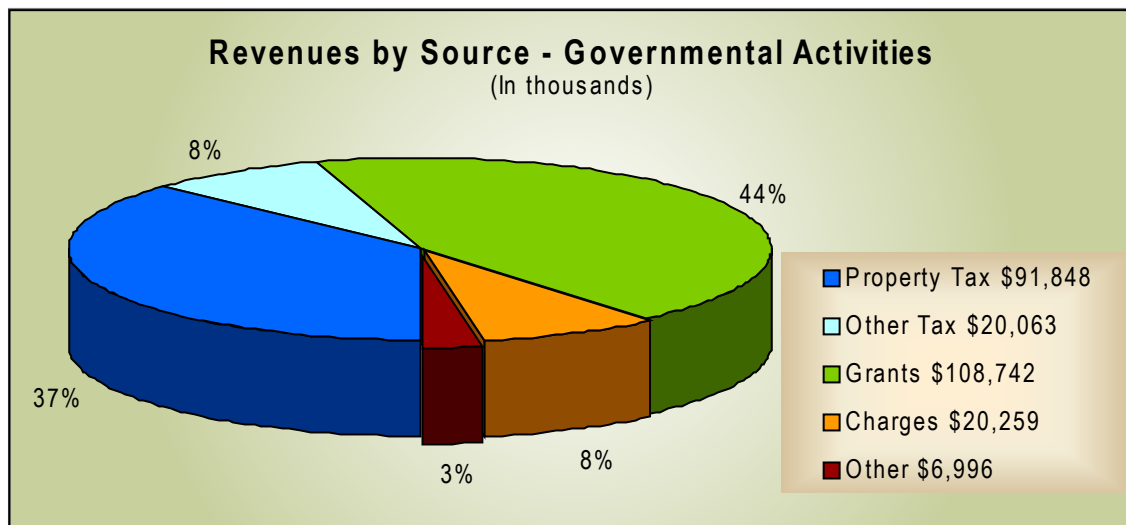
The areas of general revenue experiencing the largest increase for the year were property tax, other taxes, state income taxes, County-wide sales tax and miscellaneous. Investment earnings were lower for the year. Each is discussed below.

- The single largest source of governmental activity revenue, property taxes, increased by \$1.9 million, or 2.1 percent resulting from higher property tax assessments reflecting an increase in property values throughout the City.
- Other taxes increased \$1.3 million, or 10.9 percent primarily due to an extra quarterly franchise tax payment and increased hotel/motel tax collections for the year.
- The City's portion of State income taxes increased \$783,500 or 19.0 percent resulting from strong dividend and money market returns.
- County-wide sales tax increased \$650,000, or 1.8 percent as a result of strong consumer spending.
- There was a one-time \$3.3 million accrual of EPB payment-in-lieu of tax to accrue tax year 2008 revenues that did not meet accrual terms in the funds. This amount will be adjusted in following years.
- Investment income decreased \$1.1 million or 21.0 percent reflecting lower short-term interest rates and fewer dollars available to invest.

All program revenues had significant changes for the year.

- Charges for services increased \$2.7 million or 15.1 percent. The changes were due to new parking meters of \$754,100, the first year of the automated camera enforcement fines of \$820,730 and change in accounting treatment of zoo revenues of \$472,450. Zoo revenues are offset by including the same amount in expenses as discussed in expense changes for Parks, recreation, education, arts & culture.
- Operating grants and contributions decreased \$5.6 million or 17.6 percent. \$3.2 million of this decrease is a result of fewer Federal funds received for the home investment and community development programs. The remainder is due to unearned revenue adjustments.
- Capital grants and contributions increased \$13.6 million or 87.8 percent due increased donations of streets. During the fiscal year a single, new sub-division contributed \$10.3 million in streets.

The graph below shows the source of governmental activities revenue.



General government, Public safety and Parks, recreation, education, arts & culture experienced the largest increases in expenses while Social services decreased for the year.

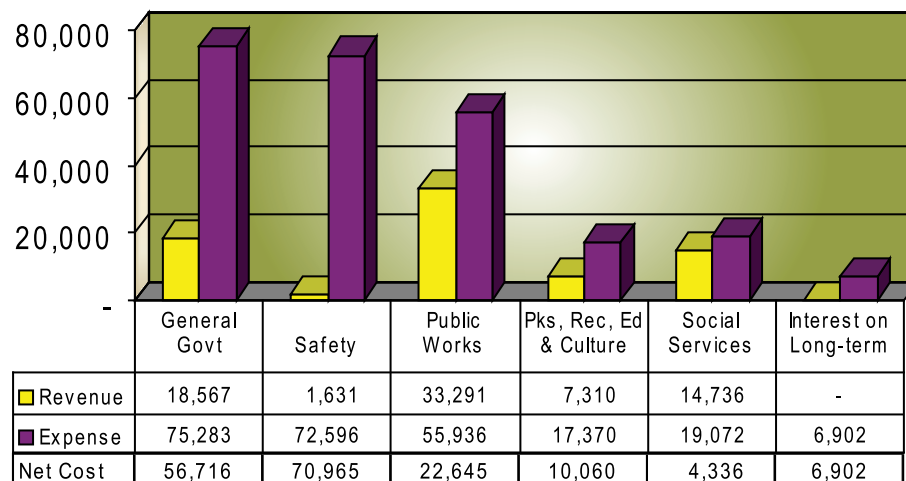
- General government expenses increased \$13.8 million or 22.5 percent. \$9.5 million is attributable to net OPEB expenses as the City partially funded the trust for other post-employment benefits. The remainder is primarily due to loss on sale of assets of \$2.2 million and \$1.7 million new depreciation including accelerated depreciation on new ERP software.
- Public safety costs increased \$4.0 million or 5.9 percent. The largest portion is a 6.3 percent or \$3.6 million increase in personnel costs which include \$1.4 million additional City contributions to the fire and police pension fund.
- Parks, recreation, education, arts & culture expenses increased \$2.1 million or 13.8 percent. Almost half of this, \$1.0 million, is attributable to personnel costs. In addition there was a change in accounting treatment for zoo admissions and gift shop revenue. The change resulted in recording \$472,450 in charges for services and paying out the same amount as an expense to Friends of the Zoo. This had previously been accounted for as a liability payment.
- Social service costs decreased \$3.0 million or 13.6 percent. Most of the decrease is attributable to fewer grant dollars received by Community Development.

The graph below provides the program revenue and expenses for each governmental activity. It also provides the net cost that must be provided from general revenues.

### Expenses and Program Revenues

#### Governmental Activities

(In thousands)



### Business-Type Activities

Revenues for the City's business-type activities were \$546.4 million for the year just completed; this is a \$44.6 million or 8.9 percent increase. The increase in revenue was offset by a \$33.0 million, 6.8 percent, increase in expenses, to \$521.2 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 \$42.6 million, 9.6 percent, due mainly to the impact of rate increases passed on from TVA and fuel cost adjustments. This increase in revenue was offset by a \$29.0 million, 6.7 percent, increase in operating costs including a \$22.4 million increase in purchased power costs.

- Total net assets of the Electric Power Board increased \$13.5 million to \$262.1 million for fiscal year 2008, an increase of 5.4 percent.
- Net assets invested in capital and restricted for use total \$261.9 million leaving \$200,000 available to finance day-to-day operations (unrestricted net assets). Net assets invested in capital, net of related debt decreased and restricted net assets increased from prior year due to a \$219.8 million revenue bond issue to finance the new Smart Grid.

### Interceptor Sewer System

- Net assets of the Interceptor Sewer System increased \$6.3 million, 2.6 percent, to \$246.0 million.
- Operating revenues rose \$3.3 million or 8.4 percent primarily as a result of rate increases, while operating expenses rose \$2.9 million or 9.4 percent. Rates were adjusted October 1 from 4.55 to 4.69 and adjusted April 1 to 4.83. In addition to higher personnel and utility costs, during fiscal year 2008 a wireless network was added and sewer lining (previously capitalized) was included in operations.
- Unrestricted net assets, those that can be used to finance on-going operations, decreased \$9.4 million to \$27.7 million. An additional \$12.0 million is restricted for future capital spending. A \$9.5 million increase in commitments explains the decrease in unrestricted net assets.

### Solid Waste

- 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 2008 net assets increased by \$900,000. This follows a \$1.3 million increase in fiscal year 2006 and a \$2.7 million increase in fiscal year 2007.
- To date the City has accrued liabilities of \$4.5 million for a closed landfill and \$5.7 million for a landfill currently in operation, virtually unchanged from 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 \$4.6 million, 90.1 percent of total tipping fees.

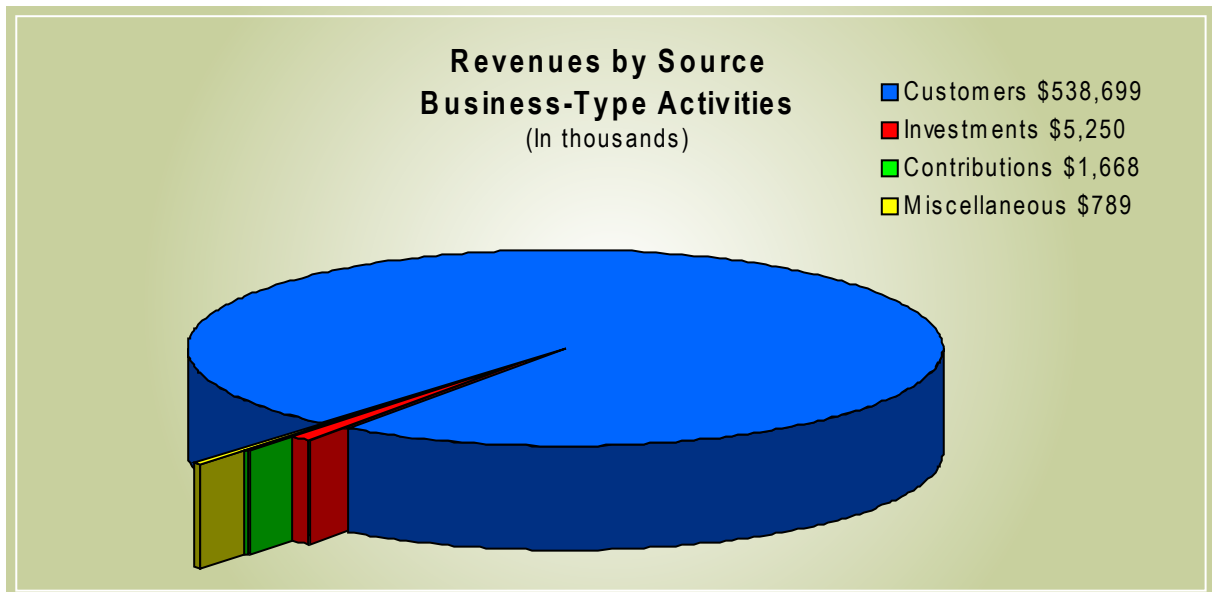
### Water Quality Management

- The Water Quality Fund, established to comply with EPA guidelines, now has \$31.1 million in net assets, an increase of \$1.4 million, 4.6 percent, from last year.
- \$26.2 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, 7.9 percent increase.
- Net assets available to fund day-to-day operations decreased from \$4.9 million to \$3.6 million due to capital improvements funded from net assets.

### Housing Management

- The Housing Management Fund reported \$750,000 in rental income, a decrease of 35.7 percent from last year. During the same period operating expenses decreased 15.3 percent to \$959,000.
- The fund ended the year with net assets of \$2.8 million, a decrease of \$1.0 million, or 26.6 percent. Almost all of the net assets are invested in capital leaving \$40,000 in assets available to meet on-going operations.
- At the beginning of fiscal year 2008 one of the two remaining apartment buildings was sold resulting in a net gain of \$775,000. Cash from operations of that complex and the one sold in fiscal year 2007 was transferred to the General Fund.

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.



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

	Electric	Sewer	Solid Waste	Water Quality	Housing
Revenue	\$ 484,458	\$ 42,500	\$ 5,239	\$ 5,749	\$ 751
Expense	464,146	33,490	3,665	4,414	959
Operating income (loss)	<u>\$ 20,312</u>	<u>\$ 9,010</u>	<u>\$ 1,574</u>	<u>\$ 1,335</u>	<u>\$ (208)</u>

## Financial Analysis of the City's Funds

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

### Governmental Funds

Governmental funds focus on providing information on the near-term flow of resources. The City's governmental funds reported a combined fund balance of \$92.6 million at the end of the fiscal year. 55.1 percent of this amount (\$51.1 million) is available for day-to-day operations (unreserved, undesignated fund balance). All of the governmental funds reported a positive ending fund balance. Information about the major governmental funds is presented below.

### General Fund

This is the chief operating fund of the City of Chattanooga. Total fund balance of the City's General Fund decreased by 5.5 percent or \$3.0 million to \$52.1 million during the fiscal year. Unreserved fund balance was \$48.6 million, of which \$7.8 million is designated for future spending. During the fiscal year unreserved, undesignated fund balance decreased \$4.3 million. Key factors are as follows:



- Total revenues increased \$6.1 million, 3.3 percent, from the prior year with most categories of revenue seeing an increase.
  - o During the current fiscal year property tax increased \$1.9 million, 2.1 percent over last year as a result of increasing property values.
  - o Licenses and permits were \$120,000 lower, 2.5 percent, primarily due to a decrease in building permits but partially offset by new parking meter revenue.
  - o Intergovernmental revenues increased \$1.6 million or 2.7 percent over the prior year with state income tax being the largest growth component. State income tax increased \$784,000, 19.0 percent, while County-wide sales tax increased \$450,000 or 1.7 percent. The one-half cent County-wide sales tax increased 1.9 percent or \$201,000. These increases are directly related to consumer spending and increased dividends and money market returns for Chattanooga investors.
  - o Charges for services increased 10.1 percent or \$451,000. During the year City court fees increased \$371,000 or 30.7 percent due to stepped up police enforcement. Revenue from the City's golf courses increased \$150,000, 8.3 percent, as a result of a competing course becoming a private course.
  - o Fines, Forfeitures and Penalties up \$1.1 million or 75.1 percent as a result of high volume of fines processed at City court but predominately by \$821,000 of fines from the new automated traffic cameras.
  - o Interest income decreased \$595,000, 13.1 percent, due to the stressed interest rate environment.
  - o Miscellaneous revenue increased \$450,000 or 9.2 percent due to various small programs that vary from year to year. Another factor was a change in accounting for zoo admissions and gift shop revenue from a liability to revenue.
- Total expenditures increased \$6.4 million, 4.0 percent, from the previous year.
  - o Salary costs rose by \$2.2 million or 3.0 percent over last year due to a new pay plan and salary increases. Fringe benefit costs increased as well, increasing \$3.0 million or 12.2 percent. This included increased health insurance costs and an increase in Fire & Police contributions. The pension contribution increase was an additional \$1.4 million, 20.4 percent.
  - o Costs for vehicles rose during the year. Fuel increased 25.6 percent, \$665,000, while the new fleet leasing program cost an additional \$1.6 million. The leasing program, which includes a replacement component which is accumulating the purchase price to buy new vehicles as old program vehicles are retired.
  - o Electricity for buildings and street lights rose 8.8 percent of \$349,000.
  - o These increased costs were partially offset by a \$1.9 million decrease in Southside capital lease payments. This is due to increased funding provided by The Chattanooga for debt service payments.
  - o For the second year, General Fund paid \$2.0 million to help partially fund the OPEB trust. See Note 10 for additional information regarding the City's compliance with the Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions".

### 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 \$17.0 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 2008 there was a \$3.2 million decrease. Analysis of project income and expenditures follows.

- Cash inflows for the year include \$3.9 million in notes payable proceeds, \$2.4 million in contributions, \$1.1 million in sale of property and \$14.9 million in transfers from General Fund.
- Current year expenditures of \$23.3 million include \$8.9 million for park facilities (including Warner Park and Chattanooga Zoo improvements and construction-in-progress for Summit of Softball), \$4.5 million for equipment and software, \$4.4 million for street improvements and a \$2.0 million toward the completion of the McKamey Animal Care and Adoption Center. An additional \$2.6 million was transferred to the internal service fund as additional start-up costs for the vehicle lease program.

## 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 \$545.0 million.

- \$9.1 million is available to meet on-going obligations with \$288.4 million invested in capital assets. An additional \$247.5 million restricted for future use.
- Net assets of the enterprise funds rose \$21.1 million, 4.1 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 self-insurance. Fund balance for this fund increased \$7.1 million primarily as a result of the fleet leasing program adding \$4.9 million to capital assets for future vehicle purchases.
- Because the internal service fund primarily serves the governmental funds, its information is included in governmental activities in the government-wide financial statements.

## 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 by the City Finance Officer within the General Fund are authorized in the budget ordinance.

- When comparing final budgeted revenues to actual, there was a \$4.7 million surplus for the year with all major revenue categories higher than budget. Property tax collections for fiscal year 2008 exceeded budget expectations; the same is true of the city allocation of the state income tax. As a result, taxes and intergovernmental revenues exceeded budget by \$1.6 million and \$1.0 million, respectively. Investment income was \$906,000 more than anticipated. The City employs conservative estimates when developing budget.
- Expenditures were less than budgetary estimates by \$3.5 million. All departments were below budget as a result of the city's performance management program. Salaries and benefits were under budget by \$1.8 million; even after a \$2.0 million unbudgeted accrued contribution to the OPEB trust as a result of vacancies.
- The General Fund budget anticipated use of \$13.5 million of fund balance during the year; instead only \$3.0 was used. This surplus will be used for capital.

## 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 \$30.4 million or 1.4 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.

<b>City of Chattanooga's Capital Assets</b>						
(net of depreciation, in thousands of dollars)						
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Non-depreciable:</b>						
Land & Easements	\$ 1,023,642	\$ 999,522	\$ 15,332	\$ 14,722	\$ 1,038,974	\$ 1,014,244
Work in progress	15,136	9,868	31,096	19,726	46,232	29,594
<b>Depreciable:</b>						
Buildings & Improvement	120,874	126,031	70,222	74,207	191,096	200,238
Vehicles & Machinery	28,654	28,680	38,337	38,110	66,991	66,790
Infrastructure	358,056	371,610	543,487	531,938	901,543	903,548
<b>Total</b>	<b>\$ 1,546,362</b>	<b>\$ 1,535,711</b>	<b>\$ 698,474</b>	<b>\$ 678,703</b>	<b>\$ 2,244,836</b>	<b>\$ 2,214,414</b>

Highlights for this year's major capital asset additions:

- Land purchases include \$16.9 million for the donated roadbeds plus land for road widening projects.
- The major additions to work-in-progress are \$700,000 for continued work on the Hope VI project, \$2.0 million for McKamey Animal Care and Adoption Center and \$1.8 million for improvements at the Chattanooga Zoo
- Equipment purchases include \$3.1 million for fleet replacement.
- Street improvements of \$2.6 million were the major additions to infrastructure. An additional \$9.1 million of donated streets were accepted from contractors.
- The Electric Power Board invested \$30.6 million in plant assets for the year. This includes \$26.2 million in power distribution systems and \$4.4 million for communications improvements.
- \$4.4 million was capitalized as new infrastructure for the Interceptor Sewer System.
- The City Landfill capitalized \$2.0 million in infrastructure for lining the expansion of the landfill.
- \$2.1 was capitalized as new infrastructure for the Water Quality System.

The capital budget for fiscal year 2009 anticipates spending \$33.8 million for various capital projects including \$6.4 million for expansion and upgrade of the City's parks and park facilities; \$11.3 million for various public works projects such as paving, street improvement, curbs, gutters and sidewalks, and equipment replacement; \$980,000 for fire equipment and building improvements; \$852,000 for Police projects; \$3.5 million for CARTA for North Shore Parking garage and parking meters; computer software replacement and upgrades \$3.6 million, \$315,000 improvements for the Memorial Auditorium and Tivoli Theatre, \$300,000 for solid waste disposal and recycling, \$775,000 million for various Storm Water projects and \$2.9 million for building and waterfront upgrades. \$15.0 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 Note 7 to the financial statements.

## Debt Administration

At year-end the City had \$706.3 million in long-term debt outstanding. This is a \$201.2 million increase, 39.8 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	
	2008	2007	2008	2007	2008	2007
General obligation bonds (backed by the City)	\$ 130,844	\$ 136,099	\$ 96,052	\$ 106,881	\$ 226,896	\$ 242,980
Revenue bonds (backed by specific revenues)	-	-	289,660	71,430	289,660	71,430
Notes payable	32,593	27,592	44,406	47,392	76,999	74,984
Capital leases	112,604	115,514	171	194	112,775	115,708
Total	\$ 276,041	\$ 279,205	\$ 430,289	\$ 225,897	\$ 706,330	\$ 505,102

- The City of Chattanooga maintains an “AA+” rating from both Standard & Poor’s which was recently upgraded and an “AA” rating from Fitch Investor’s Service which was recently affirmed for general obligation debt.
- City Charter limits the amount of net 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 \$404.9 million. The City’s general obligation debt, net of self-supporting debt of \$96.3 million is well within that limit.

During the year the City issued the following new debt:

- The EPB issued \$219.8 million in revenue bonds to finance the Smart Grid. The bonds will be repaid by operations of EPB, a business-type activity.
- The City obtained a HUD Section 108 loan in the amount of \$4.6 million. The loan paid off the \$2.3 million balance on the Fannie Mae loan; the remaining \$2.3 million will be used for public infrastructure projects in the Brownfields area. The loan, a governmental activity, will be repaid by Community Development Block Grant program revenue. Currently \$4.6 million is outstanding.
- Additional draws of \$3.8 million were made on two state revolving loan funds, both for governmental activities capital. At year-end there was \$26.7 million outstanding.
- Two property loans were entered into, both are for governmental activities. The first is a \$1 million, four-year agreement. The second is a \$556,000, five-year agreement swapping parking revenue for loan payment.
- There was no new debt issued for business-type activities Interceptor Sewer, Solid Waste or Water Quality. All projects during fiscal year 2008 were financed through fund balance.

More detailed information about the City’s long-term liabilities is presented in the Note 8 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 2009:

- The City uses Conservative forecasts for budgeting purposes. The primary source of funds remains property taxes which are budgeted at 95 percent of the tax levy. For the 2009 budget this results in an increase in property taxes.
- Sales tax revenue is expected to reflect the weakening economy for 2009 which is reflected in lower budget estimates for both the City allocation of the State sales tax and the County-wide sales tax.

- Interest revenues are expected to decline.
- Competitive pay for employees, employee health care, retiree benefits and other post-employment benefits as well as uncertain fuel and energy costs present a continuing challenge.

Anticipated revenues in the General Fund budget are \$199.9 million, up 7.46 percent from the 2008 budget. Property taxes are projected to grow by 2.7 percent or \$2.4 million. The City allocation of State sales tax and County-wide sales tax collections are projected to decline by 0.5 percent and 0.7 percent, respectively, based on a weakening economy. Interest earnings are estimated to decrease 44.6 percent due to a decrease in available funds and low interest rates.

Budgeted expenditures are expected to increase by 7.46 percent from \$186.1 million to \$199.9 million. Salaries and fringe benefits are expected to increase by 5.0 percent primarily due to the new pay plan. The City will continue the vacancy control policy to manage the costs associated with salaries and benefits.

A modest increase in net assets for the City's business-type activities is expected during FY 2009.

The City is developing a contingency plan to address the decline in estimated/budgeted revenues resulting from the current economic recession.

## 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 assets it receives. If you have questions about this report or need additional financial information, contact:

City of Chattanooga Finance Department  
101 East 11th Street; Suite 101  
Chattanooga, Tennessee 37402  
(423) 757-5232  
[www.chattanooga.gov](http://www.chattanooga.gov)

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET ASSETS  
June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 52,921,490	\$ 137,121,088	\$ 190,042,578	\$ 9,666,377
Investments	42,608,684	199,660,810	242,269,494	724,048
Receivables, net of allowance for uncollectibles	123,884,479	56,890,837	180,775,316	5,617,571
Net investment in capital lease	-	-	-	111,411,938
Internal balances	3,469,000	(3,469,000)	-	-
Due from component units	376,745	-	376,745	-
Deferred charges	1,404,800	4,182,789	5,587,589	2,162,271
Inventories	1,728,609	9,209,672	10,938,281	304,803
Prepaid items	8,000	1,488,260	1,496,260	645,576
Other assets	-	5,386,000	5,386,000	-
Restricted assets:				
Cash and cash equivalents	325,213	34,284	359,497	836,978
Investments	6,687,509	7,582,531	14,270,040	13,969,778
Endowment investments	3,297,545	-	3,297,545	-
Receivables	-	149,658	149,658	104,011
Net pension assets	7,589,584	-	7,589,584	-
Equity interest in joint venture	8,357,000	-	8,357,000	-
Land and other nondepreciable assets	1,038,778,484	46,427,858	1,085,206,342	34,955,647
Other capital assets, net of accumulated depreciation	507,584,137	652,046,389	1,159,630,526	56,442,723
<b>Total assets</b>	<u>1,799,021,279</u>	<u>1,116,711,176</u>	<u>2,915,732,455</u>	<u>236,841,721</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	27,344,356	96,417,714	123,762,070	5,669,141
Customer deposits	-	16,321,000	16,321,000	-
Due to primary government	-	-	-	376,745
Contracts payable	585,644	1,305,347	1,890,991	1,472,142
Unearned revenue	91,423,374	-	91,423,374	3,780
Accrued closure and post-closure care	-	10,200,052	10,200,052	-
Net pension obligations	-	3,259,000	3,259,000	156,490
Accrued postemployment benefits	9,521,039	9,121,000	18,642,039	-
Other liabilities	-	8,506,628	8,506,628	-
Long-term liabilities:				
Due within one year	17,664,058	17,926,750	35,590,808	3,025,000
Due in more than one year	276,432,524	423,116,817	699,549,341	133,631,455
<b>Total liabilities</b>	<u>422,970,995</u>	<u>586,174,308</u>	<u>1,009,145,303</u>	<u>144,334,753</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,276,307,361	282,079,374	1,558,386,735	78,828,031
Restricted for:				
Capital projects	7,012,722	-	7,012,722	-
Debt service	1,892,047	-	1,892,047	14,629,498
Renewal and replacement	-	247,476,571	247,476,571	766,225
Permanent endowments:				
Expendable	52,324	-	52,324	-
Nonexpendable	3,338,539	-	3,338,539	-
Unrestricted	87,447,291	980,923	88,428,214	(1,716,786)
<b>Total net assets</b>	<u>\$1,376,050,284</u>	<u>\$ 530,536,868</u>	<u>\$1,906,587,152</u>	<u>\$ 92,506,968</u>

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

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental activities:				
General government	\$ 75,282,935	\$ 11,592,555	\$ 6,363,647	\$ 610,348
Public safety	72,595,048	807,649	654,230	168,744
Public works	55,935,906	2,523,650	4,621,854	26,145,460
Parks, recreation, education, arts & culture	17,370,233	4,132,026	1,080,957	2,097,224
Social services	19,072,003	1,203,478	13,532,885	-
Interest on long-term debt	6,902,290	-	-	-
Total governmental activities	<u>247,158,415</u>	<u>20,259,358</u>	<u>26,253,573</u>	<u>29,021,776</u>
Business-type activities:				
Electric utility, including communications	472,115,000	484,458,000	-	1,668,000
Sewer	37,859,312	42,473,352	-	-
Solid waste/sanitation	4,973,585	5,171,586	68,052	-
Water quality management	5,058,524	5,627,095	121,921	-
Housing management	1,003,096	751,350	-	-
Total business-type activities	<u>521,009,517</u>	<u>538,481,383</u>	<u>189,973</u>	<u>1,668,000</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 768,167,932</u>	<u>\$ 558,740,741</u>	<u>\$ 26,443,546</u>	<u>\$ 30,689,776</u>
Component units:				
Airport authority	\$ 9,450,068	\$ 7,560,415	\$ -	\$ 7,722,922
Transportation authority	19,908,715	5,648,198	6,512,783	6,120,997
Downtown redevelopment	17,546,537	17,966,823	-	-
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 46,905,320</u>	<u>\$ 31,175,436</u>	<u>\$ 6,512,783</u>	<u>\$ 13,843,919</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	
			Unrestricted investment earnings	
			Miscellaneous	
			Loss 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	
\$ (56,716,385)	\$ -	\$ (56,716,385)	\$ -
(70,964,425)	-	(70,964,425)	-
(22,644,942)	-	(22,644,942)	-
(10,060,026)	-	(10,060,026)	-
(4,335,640)	-	(4,335,640)	-
(6,902,290)	-	(6,902,290)	-
<u>(171,623,708)</u>	<u>-</u>	<u>(171,623,708)</u>	<u>-</u>
-	14,011,000	14,011,000	-
-	4,614,040	4,614,040	-
-	266,053	266,053	-
-	690,492	690,492	-
-	(251,746)	(251,746)	-
<u>-</u>	<u>19,329,839</u>	<u>19,329,839</u>	<u>-</u>
<u>(171,623,708)</u>	<u>19,329,839</u>	<u>(152,293,869)</u>	<u>-</u>
-	-	-	5,833,269
-	-	-	(1,626,737)
-	-	-	420,286
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,626,818</u>
91,847,883	-	91,847,883	-
6,951,057	-	6,951,057	-
13,111,906	-	13,111,906	-
37,371,342	-	37,371,342	-
11,185,750	-	11,185,750	-
4,909,130	-	4,909,130	-
4,104,441	5,249,845	9,354,286	809,346
3,312,122	816,803	4,128,925	1,387,010
(439,341)	-	(439,341)	-
19,306	-	19,306	-
4,321,107	(4,321,107)	-	-
<u>176,694,703</u>	<u>1,745,541</u>	<u>178,440,244</u>	<u>2,196,356</u>
5,070,995	21,075,380	26,146,375	6,823,174
<u>1,370,979,289</u>	<u>509,461,488</u>	<u>1,880,440,777</u>	<u>85,683,794</u>
<u>\$ 1,376,050,284</u>	<u>\$ 530,536,868</u>	<u>\$ 1,906,587,152</u>	<u>\$ 92,506,968</u>



CITY OF CHATTANOOGA, TENNESSEE

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,645,111	\$ 9,703,036	\$15,306,518	\$ 38,654,665
Investments	39,751,735	8,096,275	4,745,728	52,593,738
Receivables, net of allowance for uncollectibles				
Taxes	91,242,269	-	-	91,242,269
Accounts	-	71,746	91,335	163,081
Notes	1,249,261	3,038,669	-	4,287,930
Other	4,608,007	33,161	-	4,641,168
Due from other funds	-	-	3,177,810	3,177,810
Due from component units	375,000	-	-	375,000
Due from other governments	19,196,344	293,236	3,854,549	23,344,129
Inventories	785,099	-	-	785,099
Prepaid items	8,000	-	-	8,000
	<u>\$170,860,826</u>	<u>\$21,236,123</u>	<u>\$27,175,940</u>	<u>\$219,272,889</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities:	\$ 11,786,896	\$ 3,056,423	\$ 2,283,004	\$ 17,126,323
Due to other funds	2,618,879	558,931	-	3,177,810
Due to other governments	1,326,618	40,086	-	1,366,704
Deferred revenue	103,033,564	-	1,401,010	104,434,574
Contracts payable	-	585,644	-	585,644
	<u>118,765,957</u>	<u>4,241,084</u>	<u>3,684,014</u>	<u>126,691,055</u>
<b>Fund balances:</b>				
Reserved for:				
Encumbrances	1,493,313	-	263,039	1,756,352
Library endowment	-	-	3,338,539	3,338,539
Inventories	785,099	-	-	785,099
Prepaid items	8,000	-	-	8,000
Capital improvements	-	16,995,039	-	16,995,039
Notes receivable	1,249,261	-	-	1,249,261
Debt service escrow	-	-	1,892,047	1,892,047
Unreserved, designated for:				
Debt service	-	-	7,032,956	7,032,956
Special revenue	-	-	683,661	683,661
Subsequent years' expenditures	7,812,678	-	-	7,812,678
Unreserved, undesignated, reported in:				
General fund	40,746,518	-	-	40,746,518
Special revenue	-	-	10,229,360	10,229,360
Permanent funds	-	-	52,324	52,324
	<u>52,094,869</u>	<u>16,995,039</u>	<u>23,491,926</u>	<u>92,581,834</u>
Total liabilities and fund balances	<u>\$170,860,826</u>	<u>\$21,236,123</u>	<u>\$27,175,940</u>	<u>\$219,272,889</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, 2008

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

Fund balances - total governmental funds	\$ 92,581,834
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.	1,540,000,110
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.	13,011,200
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	3,469,000
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.	7,589,584
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.	8,357,000
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.	14,430,022
The Other Postemployment Benefits Plan has not been funded to meet annual requirement contributions, creating an accrued postemployment benefits liability. This liability is not due and payable in the current period and, therefore, is not reported in the funds.	(9,521,039)
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	\$(130,843,479)
Add net deferred refunding and original premiums and discounts	(1,027,304)
Less deferred charges	1,404,800
Notes payable	(32,593,423)
Capital leases	(112,603,776)
Compensated absences	(16,566,635)
Accrued interest payable	(1,637,610)
	<u>(293,867,427)</u>
Net assets of governmental activities	<u>\$1,376,050,284</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, 2008

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$105,484,765	\$ -	\$ 4,067,597	\$109,552,362
Licenses and permits	4,633,755	-	-	4,633,755
Intergovernmental	61,140,654	146,722	22,522,750	83,810,126
Charges for services	4,929,419	-	298,345	5,227,764
Fines, forfeitures, and penalties	2,493,879	-	-	2,493,879
Investment income	3,936,266	422,938	177,015	4,536,219
Contributions and donations	97,766	2,351,045	120,018	2,568,829
Miscellaneous	5,359,967	1,156,402	1,815,463	8,331,832
<b>Total revenues</b>	<b>188,076,471</b>	<b>4,077,107</b>	<b>29,001,188</b>	<b>221,154,766</b>
<b>EXPENDITURES</b>				
Current:				
General government	46,368,522	-	18,783,583	65,152,105
Public safety	72,346,019	-	314,861	72,660,880
Public works	30,373,073	-	4,836,014	35,209,087
Parks, recreation, education, arts & culture	16,617,304	-	-	16,617,304
Community development	-	-	3,288,257	3,288,257
Capital outlay/capital assets	-	23,230,600	1,122,378	24,352,978
Debt service:				
Principal retirement	-	-	10,839,021	10,839,021
Interest and fiscal charges	-	34,165	6,973,728	7,007,893
<b>Total expenditures</b>	<b>165,704,918</b>	<b>23,264,765</b>	<b>46,157,842</b>	<b>235,127,525</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>22,371,553</b>	<b>(19,187,658)</b>	<b>(17,156,654)</b>	<b>(13,972,759)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,973,059	15,829,203	20,193,259	40,995,521
Transfers out	(30,380,092)	(3,677,942)	(7,083,245)	(41,141,279)
Issuance of notes	-	3,869,635	4,576,000	8,445,635
<b>Total other financing sources (uses)</b>	<b>(25,407,033)</b>	<b>16,020,896</b>	<b>17,686,014</b>	<b>8,299,877</b>
<b>Net change in fund balance</b>	<b>(3,035,480)</b>	<b>(3,166,762)</b>	<b>529,360</b>	<b>(5,672,882)</b>
<b>FUND BALANCE, beginning</b>	<b>55,130,349</b>	<b>20,161,801</b>	<b>22,962,566</b>	<b>98,254,716</b>
<b>FUND BALANCE, ending</b>	<b>\$ 52,094,869</b>	<b>\$ 16,995,039</b>	<b>\$ 23,491,926</b>	<b>\$ 92,581,834</b>

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, 2008

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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	\$ (5,672,882)
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.	22,026,873
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(38,839,866)
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.	25,954,500
The net effect of various transactions involving capital assets is to decrease net assets.	(2,155,944)
The loss on equity interest in joint venture is reported in the statement of activities. This loss does not provide current financial resources and is not reflected in the governmental funds.	(439,341)
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.	4,674,223
The net revenues of internal service funds are reported with governmental activities.	7,086,369
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.	(10,065,404)
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>2,502,467</u>
Change in net assets of governmental activities	<u>\$ 5,070,995</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$103,895,409	\$103,895,409	\$105,484,765	\$ 1,589,356
Licenses and permits	4,614,045	4,614,045	4,633,755	19,710
Intergovernmental	60,163,909	60,163,909	61,140,654	976,745
Charges for services	4,401,118	4,401,118	4,929,419	528,301
Fines, forfeitures, and penalties	2,236,429	2,236,429	2,493,879	257,450
Investment income	3,030,513	3,030,513	3,936,266	905,753
Contributions and donations	105,376	105,376	97,766	(7,610)
Miscellaneous	4,905,991	4,905,991	5,359,967	453,976
Total revenues	<u>183,352,790</u>	<u>183,352,790</u>	<u>188,076,471</u>	<u>4,723,681</u>
<b>EXPENDITURES</b>				
General government	45,868,616	45,868,616	42,908,116	(2,960,500)
Finance and Administration	4,004,990	4,004,990	3,963,069	(41,921)
Police	44,495,660	44,495,660	44,349,085	(146,575)
Fire	28,296,812	28,296,812	28,118,976	(177,836)
Public Works	30,546,099	30,546,099	30,389,049	(157,050)
Parks, recreation, education, arts & culture	16,642,311	16,642,311	16,578,526	(63,785)
Total expenditures	<u>169,854,488</u>	<u>169,854,488</u>	<u>166,306,821</u>	<u>(3,547,667)</u>
Excess of revenues over expenditures	<u>13,498,302</u>	<u>13,498,302</u>	<u>21,769,650</u>	<u>8,271,348</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	3,437,122	3,437,122	4,973,059	1,535,937
Transfers out	(30,410,388)	(30,410,388)	(30,380,092)	30,296
Total other financing sources (uses)	<u>(26,973,266)</u>	<u>(26,973,266)</u>	<u>(25,407,033)</u>	<u>1,566,233</u>
Net change in fund balance	<u>\$ (13,474,964)</u>	<u>\$ (13,474,964)</u>	(3,637,383)	<u>\$ 9,837,581</u>
Adjustment for encumbrances			601,903	
Net change in fund balance (GAAP basis)			(3,035,480)	
FUND BALANCE at beginning of year (GAAP basis)			<u>55,130,349</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 52,094,869</u>	
<b>EXPLANATION OF DIFFERENCES:</b>				
<b>REVENUES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$188,076,471	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$188,076,471</u>	
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$166,306,821	
Adjustment for encumbrances			<u>(601,903)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$165,704,918</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, 2008

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund	Total	
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Water Quality Management	Housing Management		
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	\$ 121,202,000	\$ 2,422,129	\$ 8,353,418	\$ 5,060,687	\$ 82,854	\$ 137,121,088	\$ 14,592,038
Investments	165,046,000	34,614,810	-	-	-	199,660,810	-
Receivables:							
Customer service	52,337,000	4,414,437	63,281	776,877	-	57,591,595	153,734
Other	168,000	197,432	-	-	34,274	399,706	-
Less allowance for doubtful accounts	(748,000)	(350)	(75)	(402,030)	-	(1,150,455)	-
Inventories	8,566,000	643,672	-	-	-	9,209,672	943,510
Prepaid items	1,486,000	-	-	-	2,260	1,488,260	-
Due from component units	-	-	-	-	-	-	1,745
Due from other governments	-	-	49,991	-	-	49,991	52,168
Other current assets	3,011,000	-	-	-	-	3,011,000	-
<b>Total current assets</b>	<b>351,068,000</b>	<b>42,292,130</b>	<b>8,466,615</b>	<b>5,435,534</b>	<b>119,388</b>	<b>407,381,667</b>	<b>15,743,195</b>
<b>NONCURRENT ASSETS</b>							
Restricted assets:							
Cash and cash equivalents	-	-	-	-	34,284	34,284	-
Investments	-	1,548,391	6,034,140	-	-	7,582,531	-
Accounts receivable	-	-	149,658	-	-	149,658	-
<b>Total restricted assets</b>	<b>-</b>	<b>1,548,391</b>	<b>6,183,798</b>	<b>-</b>	<b>34,284</b>	<b>7,766,473</b>	<b>-</b>
Capital assets:							
Land	4,080,000	7,992,355	1,517,514	1,714,989	27,000	15,331,858	-
Buildings and improvements	47,703,000	41,477,362	1,826,887	-	6,804,461	97,811,710	598,800
Vehicles and machinery	28,573,000	31,597,365	5,483,899	1,613,993	9,420	67,277,677	8,540,987
Construction in progress	31,096,000	-	-	-	-	31,096,000	-
Electric system	399,442,000	-	-	-	-	399,442,000	-
Solid waste system	-	-	9,250,985	-	-	9,250,985	-
Sewer system	-	411,426,758	-	-	-	411,426,758	-
Water quality system	-	-	-	46,526,642	-	46,526,642	-
Communications system	31,819,000	-	-	-	-	31,819,000	-
	542,713,000	492,493,840	18,079,285	49,855,624	6,840,881	1,109,982,630	9,139,787
Less accumulated depreciation	(207,371,000)	(187,256,971)	(5,858,404)	(9,452,794)	(1,569,214)	(411,508,383)	(2,777,276)
<b>Net capital assets</b>	<b>335,342,000</b>	<b>305,236,869</b>	<b>12,220,881</b>	<b>40,402,830</b>	<b>5,271,667</b>	<b>698,474,247</b>	<b>6,362,511</b>
Other assets:							
Deferred charges	2,851,000	879,842	313,985	137,962	-	4,182,789	-
TVA discounted energy units	2,375,000	-	-	-	-	2,375,000	-
<b>Total other assets</b>	<b>5,226,000</b>	<b>879,842</b>	<b>313,985</b>	<b>137,962</b>	<b>-</b>	<b>6,557,789</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>340,568,000</b>	<b>307,665,102</b>	<b>18,718,664</b>	<b>40,540,792</b>	<b>5,305,951</b>	<b>712,798,509</b>	<b>6,362,511</b>
<b>Total assets</b>	<b>\$ 691,636,000</b>	<b>\$ 349,957,232</b>	<b>\$ 27,185,279</b>	<b>\$ 45,976,326</b>	<b>\$ 5,425,339</b>	<b>\$ 1,120,180,176</b>	<b>\$ 22,105,706</b>

(continued on next page)

(continued from previous page)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund	Total	
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Water Quality Management	Housing Management		
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Current maturities of long-term liabilities	\$ 2,309,000	\$ 11,312,900	\$ 2,556,972	\$ 1,747,878	\$ -	\$ 17,926,750	\$ 159,541
Accounts payable and accrued liabilities	95,558,000	3,716,510	679,364	585,964	2,605,876	103,145,714	1,435,214
Accrued claims	-	-	-	-	-	-	5,778,505
Customer deposits	1,808,000	-	-	-	-	1,808,000	-
Contracts payable	-	1,305,347	-	-	-	1,305,347	-
Conservation advances	178,000	-	-	-	-	178,000	-
Other current liabilities	5,946,000	-	-	-	-	5,946,000	-
Total current liabilities	<u>105,799,000</u>	<u>16,334,757</u>	<u>3,236,336</u>	<u>2,333,842</u>	<u>2,605,876</u>	<u>130,309,811</u>	<u>7,373,260</u>
<b>LONG-TERM LIABILITIES</b>							
Notes and capital leases payable	586,000	39,352,319	850,696	670,083	-	41,459,098	-
Compensated absences	741,000	575,606	48,550	131,040	-	1,496,196	302,424
Customer deposits	14,513,000	-	-	-	-	14,513,000	-
Accrued closure and post closure care	-	-	10,200,052	-	-	10,200,052	-
Revenue bonds payable	288,060,000	-	-	-	-	288,060,000	-
Original issue premium	9,004,000	-	-	-	-	9,004,000	-
Deferred refunding	(590,000)	-	-	-	-	(590,000)	-
General obligation bonds payable	-	47,820,059	23,962,413	11,519,829	-	83,302,301	-
Deferred refunding	-	(2,330,305)	(737,780)	(456,983)	-	(3,525,068)	-
Original issue premium	-	2,161,789	1,105,855	642,646	-	3,910,290	-
Other noncurrent liabilities	2,349,000	-	-	-	33,628	2,382,628	-
Accrued postemployment benefits	9,121,000	-	-	-	-	9,121,000	-
Total long-term liabilities	<u>323,784,000</u>	<u>87,579,468</u>	<u>35,429,786</u>	<u>12,506,615</u>	<u>33,628</u>	<u>459,333,497</u>	<u>302,424</u>
Total liabilities	<u>429,583,000</u>	<u>103,914,225</u>	<u>38,666,122</u>	<u>14,840,457</u>	<u>2,639,504</u>	<u>589,643,308</u>	<u>7,675,684</u>
<b>NET ASSETS (DEFICIT)</b>							
Invested in capital assets, net of related debt	38,716,000	206,371,433	8,002,351	26,244,026	2,745,564	282,079,374	6,356,512
Restricted for renewal and replacement	223,155,000	11,970,041	11,015,585	1,335,945	-	247,476,571	-
Unrestricted	182,000	27,701,533	(30,498,779)	3,555,898	40,271	980,923	8,073,510
Total net assets (deficit)	<u>\$262,053,000</u>	<u>\$246,043,007</u>	<u>\$(11,480,843)</u>	<u>\$31,135,869</u>	<u>\$2,785,835</u>	<u>\$530,536,868</u>	<u>\$ 14,430,022</u>

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

CITY OF CHATTANOOGA, TENNESSEE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET ASSETS  
Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund	Total	
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Water Quality Management	Housing Management		
<b>OPERATING REVENUES</b>							
Charges for sales and services:							
Electric sales	\$ 460,193,000	\$ -	\$ -	\$ -	\$ -	\$ 460,193,000	\$ -
Communications revenues	15,513,000	-	-	-	-	15,513,000	-
Sewer charges	-	42,473,352	-	-	-	42,473,352	-
Waste charges	-	-	5,171,586	-	-	5,171,586	-
Water quality management fees	-	-	-	5,627,095	-	5,627,095	-
Rent	-	-	-	-	730,040	730,040	-
Other services	8,752,000	-	-	-	21,310	8,773,310	40,081,751
Other	-	-	68,052	121,921	-	189,973	-
Total operating revenues	<u>484,458,000</u>	<u>42,473,352</u>	<u>5,239,638</u>	<u>5,749,016</u>	<u>751,350</u>	<u>538,671,356</u>	<u>40,081,751</u>
<b>OPERATING EXPENSES</b>							
Power purchases	375,092,000	-	-	-	-	375,092,000	-
Other electric operations	37,967,000	-	-	-	-	37,967,000	-
Communications operations	9,753,000	-	-	-	-	9,753,000	-
Sewer plant operations	-	21,438,602	-	-	-	21,438,602	-
Solid waste operations	-	-	2,836,263	-	-	2,836,263	-
Water quality management operations	-	-	-	3,408,004	-	3,408,004	-
Pump station operations	-	2,401,054	-	-	-	2,401,054	-
Housing management operations	-	-	-	-	715,753	715,753	-
Municipal garage operations	-	-	-	-	-	-	4,267,715
Maintenance and repairs	13,571,000	-	-	-	-	13,571,000	6,484,130
Depreciation and amortization	20,423,000	9,652,569	608,631	1,006,177	243,752	31,934,129	979,222
Closure/postclosure costs	-	-	220,391	-	-	220,391	-
Liability insurance	-	-	-	-	-	-	718,507
On-site medical services	-	-	-	-	-	-	24,855,673
Other	7,340,000	-	-	-	-	7,340,000	-
Total operating expenses	<u>464,146,000</u>	<u>33,492,225</u>	<u>3,665,285</u>	<u>4,414,181</u>	<u>959,505</u>	<u>506,677,196</u>	<u>37,305,247</u>
<b>OPERATING INCOME (LOSS)</b>	<u>20,312,000</u>	<u>8,981,127</u>	<u>1,574,353</u>	<u>1,334,835</u>	<u>(208,155)</u>	<u>31,994,160</u>	<u>2,776,504</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Investment income	2,984,000	1,630,150	631,159	2,436	2,100	5,249,845	-
Interest expense	(5,279,000)	(4,367,087)	(1,308,300)	(644,343)	(43,591)	(11,642,321)	-
Other income (expense)	(2,847,000)	27,410	12,016	-	777,377	(2,030,197)	-
Total nonoperating revenues (expenses)	<u>(5,142,000)</u>	<u>(2,709,527)</u>	<u>(665,125)</u>	<u>(641,907)</u>	<u>735,886</u>	<u>(8,422,673)</u>	<u>-</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>15,170,000</u>	<u>6,271,600</u>	<u>909,228</u>	<u>692,928</u>	<u>527,731</u>	<u>23,571,487</u>	<u>2,776,504</u>
Capital contributions	1,668,000	-	-	-	-	1,668,000	-
Transfers in	-	-	-	683,952	-	683,952	4,309,865
Transfers out	(3,312,000)	-	-	-	(1,536,059)	(4,848,059)	-
<b>CHANGE IN NET ASSETS</b>	<u>13,526,000</u>	<u>6,271,600</u>	<u>909,228</u>	<u>1,376,880</u>	<u>(1,008,328)</u>	<u>21,075,380</u>	<u>7,086,369</u>
<b>NET ASSETS (DEFICIT), beginning</b>	<u>248,527,000</u>	<u>239,771,407</u>	<u>(12,390,071)</u>	<u>29,758,989</u>	<u>3,794,163</u>	<u>509,461,488</u>	<u>7,343,653</u>
<b>NET ASSETS (DEFICIT), ending</b>	<u>\$ 262,053,000</u>	<u>\$ 246,043,007</u>	<u>\$ (11,480,843)</u>	<u>\$ 31,135,869</u>	<u>\$ 2,785,835</u>	<u>\$ 530,536,868</u>	<u>\$ 14,430,022</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, 2008

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund	Total	
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Water Quality Management	Housing Management		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers and users	\$ 479,661,000	\$ 42,739,607	\$ 5,190,154	\$ 5,826,292	\$ 785,634	\$ 534,202,687	\$ 5,997,020
Receipts from interfund services provided	-	-	-	-	-	-	34,428,517
Receipts from operating grants	-	-	68,052	-	-	68,052	-
Payments to suppliers	(404,621,000)	(14,627,910)	(4,069,270)	(1,331,392)	(1,874,148)	(426,523,720)	(30,368,969)
Payments to employees	(21,785,000)	(5,973,058)	(616,767)	(2,012,850)	-	(30,387,675)	(2,708,752)
Payments in lieu of taxes	(6,355,000)	-	-	-	-	(6,355,000)	-
Net cash provided by operating activities	<u>46,900,000</u>	<u>22,138,639</u>	<u>572,169</u>	<u>2,482,050</u>	<u>(1,088,514)</u>	<u>71,004,344</u>	<u>7,347,816</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in	-	-	-	683,952	-	683,952	4,309,865
Transfers out	(3,312,000)	-	-	-	(1,536,059)	(4,848,059)	-
Net cash provided by (used in) noncapital financing activities	<u>(3,312,000)</u>	<u>-</u>	<u>-</u>	<u>683,952</u>	<u>(1,536,059)</u>	<u>(4,164,107)</u>	<u>4,309,865</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Principal paid on capital debt	(2,275,000)	(11,010,782)	(1,333,536)	(817,860)	(385,270)	(15,822,448)	-
Interest paid on capital debt	(3,176,000)	(4,141,485)	(1,312,945)	(701,649)	(43,591)	(9,375,670)	-
Line of credit	203,000	-	-	-	-	203,000	-
Receipts from bond issue	228,776,000	-	-	-	-	228,776,000	-
Bond issuance cost	(2,017,000)	-	-	-	-	(2,017,000)	-
Capital grants and contributions	1,668,000	-	-	-	-	1,668,000	-
Additions to capital assets	(46,043,000)	(4,898,305)	(2,663,763)	(2,074,782)	(9,420)	(55,689,270)	(3,089,290)
Proceeds from the sale of capital assets	-	146	-	-	2,890,000	2,890,146	-
Net cash flows used in capital and related financing activities	<u>177,136,000</u>	<u>(20,050,426)</u>	<u>(5,310,244)</u>	<u>(3,594,291)</u>	<u>2,451,719</u>	<u>150,632,758</u>	<u>(3,089,290)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchases of investments	(164,976,000)	(143,350,798)	(31,075,464)	(547,467)	-	(339,949,729)	-
Proceeds from sales and maturities of investments	-	132,492,215	39,752,449	1,087,436	-	173,332,100	-
Interest	2,524,000	1,546,647	713,723	9,856	2,100	4,796,326	-
Net cash flows provided by (used in) investing activities	<u>(162,452,000)</u>	<u>(9,311,936)</u>	<u>9,390,708</u>	<u>549,825</u>	<u>2,100</u>	<u>(161,821,303)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	58,272,000	(7,223,723)	4,652,633	121,536	(170,754)	55,651,692	8,568,391
Cash and cash equivalents, beginning of year	<u>62,930,000</u>	<u>9,645,852</u>	<u>3,700,785</u>	<u>4,939,151</u>	<u>287,892</u>	<u>81,503,680</u>	<u>6,023,647</u>
Cash and cash equivalents, end of year	<u>\$ 121,202,000</u>	<u>\$ 2,422,129</u>	<u>\$ 8,353,418</u>	<u>\$ 5,060,687</u>	<u>\$ 117,138</u>	<u>\$ 137,155,372</u>	<u>\$ 14,592,038</u>
<b>CLASSIFIED AS:</b>							
Current assets	\$ 121,202,000	\$ 2,422,129	\$ 8,353,418	\$ 5,060,687	\$ 82,854	\$ 137,121,088	\$ 14,592,038
Restricted assets	-	-	-	-	34,284	34,284	-

(continued on next page)

(continued from previous page)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund	Total	
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Water Quality Management	Housing Management		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>							
OPERATING INCOME (LOSS)	\$ 20,312,000	\$ 8,981,127	\$ 1,574,353	\$ 1,334,835	\$ (208,155)	\$ 31,994,160	\$ 2,776,504
ADJUSTMENTS NOT AFFECTING CASH							
Depreciation and amortization	20,423,000	9,652,569	608,631	1,006,177	243,752	31,934,129	979,222
Miscellaneous nonoperating expenses, net	(2,095,000)	-	-	-	(922,253)	(3,017,253)	-
Provision for uncollectible accounts	-	344,700	20	59,994	-	404,714	-
Provision for obsolete inventory	-	-	-	-	-	-	9,846
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(5,673,000)	(105,855)	(16,421)	(132,477)	24,818	(5,902,935)	(82,183)
(Increase) decrease in due from other funds	-	-	-	-	-	-	391,255
(Increase) decrease in due from other governments	-	-	35,010	-	-	35,010	34,714
(Increase) decrease in inventory	(1,593,000)	(84,294)	-	-	-	(1,677,294)	(33,626)
(Increase) decrease in prepaid items	(968,000)	-	-	-	-	(968,000)	-
(Increase) decrease in deferred charges	(31,000)	120,006	25,358	13,056	-	127,420	-
Increase (decrease) in accounts payable	13,521,000	3,024,544	(1,178,527)	30,294	(279,607)	15,117,704	1,075,797
Increase (decrease) in accrued liabilities	640,000	(73,053)	(361,538)	142,308	-	347,717	(58,699)
Increase (decrease) in accrued claims	-	-	-	-	-	-	2,261,505
Increase (decrease) in other assets/liabilities	1,983,000	192,666	(27,098)	(22,087)	52,931	2,179,412	-
Increase (decrease) in compensated absences	381,000	86,229	(2,292)	59,223	-	524,160	(6,519)
Increase (decrease) in due to other funds	-	-	(85,327)	(9,273)	-	(94,600)	-
<b>TOTAL ADJUSTMENTS</b>	<u>26,588,000</u>	<u>13,157,512</u>	<u>(1,002,184)</u>	<u>1,147,215</u>	<u>(880,359)</u>	<u>39,010,184</u>	<u>4,571,312</u>
Net cash provided by operating activities	\$ <u>46,900,000</u>	\$ <u>22,138,639</u>	\$ <u>572,169</u>	\$ <u>2,482,050</u>	\$ <u>(1,088,514)</u>	\$ <u>71,004,344</u>	\$ <u>7,347,816</u>

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

CITY OF CHATTANOOGA, TENNESSEE  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET ASSETS  
 June 30, 2008

	Other Postemployment Benefits Trust Fund	Pension Trust Funds
<b>ASSETS</b>		
Investments:		
U.S. Government securities	\$ -	\$ 22,652,344
Corporate bonds	-	23,558,884
Foreign bonds	-	778,966
Corporate stocks	-	200,003,057
Mutual funds - equity	-	124,183,632
Mutual funds - fixed income	-	45,662,525
Temporary investments	2,191,473	20,966,690
Limited partnerships	-	38,708,750
Other investments	-	950,000
Receivables:		
Accrued income	3,523	830,974
Due from plan custodian	2,344,444	-
Total assets	4,539,440	478,295,822
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	-	672,521
Total liabilities	-	672,521
<b>NET ASSETS</b>		
Held in trust for pension and other postemployment benefits	\$ 4,539,440	\$ 477,623,301

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, 2008

	Other Postemployment Benefits Trust Fund	Pension Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 4,481,337	\$ 11,782,162
Employee	-	3,812,430
	4,481,337	15,594,592
Investment income:		
Net appreciation in fair market value of investments	-	(30,317,489)
Interest	58,568	3,316,922
Dividends	-	6,961,957
	58,568	(20,038,610)
Less investment expense	(465)	(1,704,879)
Net investment income	58,103	(21,743,489)
Total additions	4,539,440	(6,148,897)
<b>DEDUCTIONS</b>		
Benefits paid to participants	-	30,085,623
Administrative expenses	-	690,546
	-	30,776,169
<b>CHANGE IN NET ASSETS</b>	4,539,440	(36,925,066)
Net assets, beginning	-	514,548,367
Net assets, ending	\$ 4,539,440	\$ 477,623,301

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, 2008

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,996,693	\$ 645,119	\$ 4,024,565	\$ 9,666,377
Investments	-	-	724,048	724,048
Accounts receivable	3,406,108	1,434,934	776,529	5,617,571
Net investment in capital lease	-	-	111,411,938	111,411,938
Deferred charges	159,720	-	2,002,551	2,162,271
Inventories	-	166,826	137,977	304,803
Prepaid items	253,108	263,733	128,735	645,576
Restricted assets:				
Cash and cash equivalents	581,678	255,300	-	836,978
Investments	4,160,543	-	9,809,235	13,969,778
Receivables	104,011	-	-	104,011
Land and other nondepreciable assets	31,652,041	3,258,047	45,559	34,955,647
Other capital assets, net of accumulated depreciation	<u>31,851,539</u>	<u>22,979,493</u>	<u>1,611,691</u>	<u>56,442,723</u>
<b>Total assets</b>	<u>77,165,441</u>	<u>29,003,452</u>	<u>130,672,828</u>	<u>236,841,721</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	838,021	1,918,656	2,912,464	5,669,141
Deferred revenue	3,780	-	-	3,780
Contracts payable	1,472,142	-	-	1,472,142
Due to primary government	1,745	375,000	-	376,745
Net pension obligations	-	156,490	-	156,490
Revenue bonds payable	12,625,000	-	124,700,000	137,325,000
Original issue premium (discount)	(54,661)	-	1,989,048	1,934,387
Deferred refunding	<u>-</u>	<u>-</u>	<u>(2,602,932)</u>	<u>(2,602,932)</u>
<b>Total liabilities</b>	<u>14,886,027</u>	<u>2,450,146</u>	<u>126,998,580</u>	<u>144,334,753</u>
<b>NET ASSETS</b>				
Invested in capital assets (net of related debt)	50,933,241	26,237,540	1,657,250	78,828,031
Restricted for:				
Debt service	4,846,232	-	9,783,266	14,629,498
Renewal and replacement	-	-	766,225	766,225
Unrestricted	<u>6,499,941</u>	<u>315,766</u>	<u>(8,532,493)</u>	<u>(1,716,786)</u>
<b>Total net assets</b>	<u>\$ 62,279,414</u>	<u>\$ 26,553,306</u>	<u>\$ 3,674,248</u>	<u>\$ 92,506,968</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, 2008

	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	\$ 9,450,068	\$ 7,560,415	\$ -	\$ 7,722,922	\$ 5,833,269	\$ -	\$ -	\$ 5,833,269
CARTA CARTA operations	19,908,715	5,648,198	6,512,783	6,120,997	-	(1,626,737)	-	(1,626,737)
CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION CDRC operations	<u>17,546,537</u>	<u>17,966,823</u>	-	-	-	-	420,286	420,286
Total component units	<u>\$ 46,905,320</u>	<u>\$ 31,175,436</u>	<u>\$ 6,512,783</u>	<u>\$ 13,843,919</u>	<u>5,833,269</u>	<u>(1,626,737)</u>	<u>420,286</u>	<u>4,626,818</u>
General revenues:								
Investment income					312,533	3,737	493,076	809,346
Miscellaneous					<u>1,322,999</u>	<u>64,011</u>	-	<u>1,387,010</u>
Total general revenues					<u>1,635,532</u>	<u>67,748</u>	<u>493,076</u>	<u>2,196,356</u>
CHANGE IN NET ASSETS					7,468,801	(1,558,989)	913,362	6,823,174
Net assets, beginning					<u>54,810,613</u>	<u>28,112,295</u>	<u>2,760,886</u>	<u>85,683,794</u>
Net assets, ending					<u>\$ 62,279,414</u>	<u>\$ 26,553,306</u>	<u>\$ 3,674,248</u>	<u>\$ 92,506,968</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, 2008

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CITY OF CHATTANOOGA, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

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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, 2008. 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  
1001 Airport Road, Suite 14  
Chattanooga, TN 37421

CARTA  
1617 Wilcox Boulevard  
Chattanooga, TN 37406

Chattanooga Downtown Redevelopment Corporation  
101 City Hall, 101 E. 11th Street  
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 2007 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 is 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.

**Water Quality Management Fund** – The Water Quality Management Fund accounts for costs associated with the City’s water quality 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 Fund** – 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.

**Other Postemployment Benefits Trust Fund** - The Other Postemployment Benefits Trust Fund accounts for resources held in trust for a defined benefit postemployment health and medical care plan for City retirees and their dependents. This fund is accounted for in the same manner as business enterprises providing similar services.

**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 compile 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, 2008, 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
Solid waste system	30 years
Water quality management system	50 years
Communications system	5 – 30 years
Electric system	10 – 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.

#### **6) 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.

#### **7) 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.

#### **8) 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 2007 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 2007, 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, 2008.

### 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 twenty (20) days for library employees and one hundred fifty (150) days for all other employees hired on or before March 27, 1990, and one hundred (100) days for all other employees hired thereafter. Compensated absences are reported in governmental funds only if they have matured (i.e., accrued leave outstanding following an employee's resignation or retirement). The liability for compensated absences attributable to the City's governmental activities 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.

### (I) Library Endowments

The library endowment consists of nine separate endowments established by various individuals and estates. The endowment corpus is restricted and the earnings are used to support the Chattanooga-Hamilton County Bicentennial Library. Realized and unrealized gains are added to the corpus, in accordance with state law. The endowments are tracked by benefactor in order to track compliance with restrictions set forth by the benefactor at the time of the gift or settlement of the benefactor’s estate.

The Library Endowment Board Investment Committee has established investment objectives as follows:

- To maximize the return on assets while maintaining an appropriate level of risk for each account.
- To provide long term financial support for each account in accordance with its specific purpose.

The investment committee has a fiduciary responsibility to manage the assets with the assistance of an investment consultant. The committee establishes the general investment guidelines to include the types of acceptable and unacceptable investments, diversification, and asset allocation. The committee is also responsible for monitoring the performance of each investment.

## NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### 1) Compliance with Finance Related Legal and Contractual Provisions

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

### 2) Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2008, the City had no material excess of expenditures over appropriations in individual funds.

#### Net Assets/Fund Balance Deficit

The River Pier Garage Fund has a deficit in fund balance of \$13,614 at June 30, 2008. This deficit resulted from significant costs incurred in prior years. These costs may be covered by future garage revenues, taxpayers, or both.

The Solid Waste/Sanitation Fund has a deficit in net assets of \$11,480,843 at June 30, 2008. 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 \$909,228 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, 2008, investments of the primary government (except for Permanent, Pension Trust and Other Postemployment Benefits 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	0.81	\$ 39,296,148
Certificates of deposit classified as investments	<u>0.31</u>	<u>10,000,045</u>
Total	<u>0.70</u>	<u>\$ 49,296,193</u>
Primary Government – Business-Type Activities:		
U.S. Government agency securities	1.94	\$130,979,950
Certificates of deposit classified as investments	<u>0.78</u>	<u>76,263,391</u>
Total	<u>1.52</u>	<u>\$207,243,341</u>
Component Units:		
U.S. Treasury Notes	3.59	\$ 3,985,174
U.S. Government agency securities	0.26	9,984,604
Certificates of deposit classified as investments	<u>0.76</u>	<u>724,048</u>
Total	<u>1.18</u>	<u>\$ 14,693,826</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 for the primary government 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. The City's investment policy includes specific policies involving credit risk. At June 30, 2008, 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 \$9,984,604 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, Pension Trust Funds and Other Postemployment Benefit Trust Fund - The Permanent, Pension Trust Funds and Other Postemployment Benefit Trust Fund are managed with long-term objectives that include maximizing total investment earnings. State statutes and City policies allow the Permanent, Pension Trust and Other Postemployment Benefit 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, Pension Trust and Other Postemployment Benefit Trust Funds is summarized as follows:

	<u>S &amp; P or Moody's Rating</u>	<u>Fair Value</u>
<u>Permanent Funds</u>		
Mutual funds - equity	Not rated	\$ 2,262,338
Mutual funds - fixed income	Not rated	764,442
Cash equivalents classified as investments	Not rated	<u>270,765</u>
		<u>\$ 3,297,545</u>

	<u>S &amp; P or Moody's Rating</u>	<u>Fair Value</u>
<u>City of Chattanooga General Pension Plan</u>		
Domestic corporate bonds	B	\$ 1,942,952
Domestic corporate bonds	BA	268,231
Domestic corporate bonds	CAA	1,196,593
Domestic corporate bonds	Withdrawn	32,190
Domestic corporate bonds	Not rated	306,511
Mutual funds - equity	Not rated	48,453,932
Mutual funds - fixed income	Not rated	45,662,525
Domestic equity securities	Not rated	83,683,313
Limited partnerships	Not rated	38,708,750
Temporary investments	Not rated	<u>10,121,951</u>
		<u>\$230,376,948</u>
<u>Firemen's and Policemen's Insurance and Pension Fund</u>		
U.S. Government securities	AAA	\$ 12,231,774
Domestic corporate bonds	AAA	4,086,592
Domestic corporate bonds	AA	4,390,490
Domestic corporate bonds	A	5,941,956
Foreign bonds	A	160,867
U.S. Government securities	A	44,110
Domestic corporate bonds	BAA	3,656,083
Foreign bonds	BAA	394,785
Mutual funds - equity	BAA	59,117
U.S. Government securities	Not rated	10,376,460
Domestic corporate bonds	Not rated	1,882,113
Foreign bonds	Not rated	78,487
Mutual funds - equity	Not rated	75,670,583
Domestic equity securities	Not rated	116,319,744
Temporary investments	Not rated	10,844,739
Investment in real estate corporation	Not rated	<u>950,000</u>
		<u>\$247,087,900</u>
<u>Other Postemployment Benefit Trust Fund</u>		
Temporary investments	Not rated	<u>\$ 2,191,473</u>

At June 30, 2008, the fair values of the City of Chattanooga General Pension Plan investments totaling \$127,055,707 are based on valuations for which a readily determinable fair value does not exist. These investments are not listed on national exchanges or over-the-counter markets, and quoted market prices are not available. These investments include limited partnerships, private equity funds, and other types of non-traditional investments. Management estimates the fair values of these investments based on a review of all available information provided by fund managers and general partners. These fair value estimates are evaluated on a regular basis by management and are susceptible to revisions as more information becomes available. Because of these factors, it is reasonably possible that the estimated fair values of these investments may change materially in the near term.

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios, particularly portfolios with equity investments. As a result, the investments in the Permanent and Pension Trust Funds have likely continued to decline in fair value since June 30, 2008.

NOTE 4. RECEIVABLES

Receivables at June 30, 2008, consist of the following:

	Governmental Activities Funds			Business-Type Activities	Total
	General	Capital Projects	Other Governmental		
<b>Primary Government</b>					
Receivables:					
Taxes	\$ 94,777,239	\$ -	\$ -	\$ -	\$ 94,777,239
Accounts	-	71,746	91,335	149,658	312,739
Notes	1,249,261	3,038,669	-	-	4,287,930
Customer service	-	-	-	57,591,595	57,591,595
Other	4,608,007	33,161	-	399,706	5,040,874
Intergovernmental	<u>19,196,344</u>	<u>293,236</u>	<u>3,854,545</u>	<u>49,991</u>	<u>23,394,116</u>
Gross receivables	119,830,851	3,436,812	3,945,880	58,190,950	185,404,493
Less:					
Allowance for uncollectibles	<u>(3,534,970)</u>	<u>-</u>	<u>-</u>	<u>(1,150,455)</u>	<u>(4,685,425)</u>
Net receivables	<u>\$116,295,881</u>	<u>\$3,436,812</u>	<u>\$3,945,880</u>	<u>\$57,040,495</u>	<u>\$180,719,068</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, 2008.

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables are due to charges between funds that are outstanding as of June 30, 2008, as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds (Debt Service)	General Fund	\$2,618,879
Nonmajor Governmental Funds (Debt Service)	Capital Projects	<u>558,931</u>
		<u>\$3,177,810</u>

NOTE 6. INTERFUND TRANSFERS

	Transfers In:					Total
	General Fund	Capital Projects	Nonmajor Governmental	Water Quality Management	Internal Service	
Transfers out:						
General Fund	\$ -	\$14,903,840	\$13,217,311	\$683,952	\$1,574,989	\$30,380,092
Capital Projects Fund	125,000	-	818,066	-	2,734,876	3,677,942
Nonmajor Governmental Funds	-	925,363	6,157,882	-	-	7,083,245
Electric Power Board	3,312,000	-	-	-	-	3,312,000
Housing Management	<u>1,536,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,536,059</u>
Total	<u>\$4,973,059</u>	<u>\$15,829,203</u>	<u>\$20,193,259</u>	<u>\$683,952</u>	<u>\$4,309,865</u>	<u>\$45,989,338</u>

Transfers are used to 1) move revenues from the General Fund, the Capital Projects Fund, the Narcotics Program 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, 2008, is as follows:

### Primary Government

#### Governmental Activities:

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Non-Depreciable Assets:</b>				
Land and land improvements	\$ 999,521,444	\$ 25,821,494	\$ 1,700,512	\$1,023,642,426
Construction in Progress	9,868,400	5,412,323	144,665	15,136,058
Total non-depreciable assets	<u>1,009,389,844</u>	<u>31,233,817</u>	<u>1,845,177</u>	<u>1,038,778,484</u>
<b>Depreciable Assets:</b>				
Buildings and improvements	188,762,950	385,189	138,098	189,010,041
Vehicles and machinery	104,536,830	9,159,758	2,653,788	111,042,800
Infrastructure	642,943,307	11,829,754	-	654,773,061
Total depreciable assets	<u>936,243,087</u>	<u>21,374,701</u>	<u>2,791,886</u>	<u>954,825,902</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and improvements	62,732,401	5,541,743	138,098	68,136,046
Vehicles and machinery	75,856,673	8,893,053	2,361,153	82,388,573
Infrastructure	271,332,854	25,384,292	-	296,717,146
Total accumulated depreciation	<u>409,921,928</u>	<u>39,819,088</u>	<u>2,499,251</u>	<u>447,241,765</u>
Depreciable Assets, net	<u>526,321,159</u>	<u>(18,444,387)</u>	<u>292,635</u>	<u>507,584,137</u>
Governmental activities capital assets, net	<u>\$1,535,711,003</u>	<u>\$ 12,789,430</u>	<u>\$ 2,137,812</u>	<u>\$1,546,362,621</u>

#### Business-Type Activities:

<b>Non-Depreciable Assets:</b>				
Land	\$ 14,721,688	\$ 652,659	\$ 42,489	\$ 15,331,858
Construction in Progress	19,725,534	19,562,000	8,191,534	31,096,000
Total non-depreciable assets	<u>34,447,222</u>	<u>20,214,659</u>	<u>8,234,023</u>	<u>46,427,858</u>
<b>Depreciable Assets:</b>				
Buildings and improvements	99,416,299	284,616	1,889,205	97,811,710
Vehicles and machinery	68,750,482	4,809,295	6,282,100	67,277,677
Sewer system	407,328,615	4,098,289	146	411,426,758
Solid waste system	-	9,250,985	-	9,250,985
Water quality management system	45,332,636	1,194,006	-	46,526,642
Electric system	387,877,000	19,939,000	8,374,000	399,442,000
Communications system	28,880,000	3,129,000	190,000	31,819,000
Total depreciable assets	<u>1,037,585,032</u>	<u>42,705,191</u>	<u>16,735,451</u>	<u>1,063,554,772</u>

	Beginning Balance	Additions	Deductions	Ending Balance
Less Accumulated Depreciation for:				
Buildings and improvements	\$ 25,209,073	\$ 2,901,040	\$ 520,197	\$ 27,589,916
Vehicles and machinery	30,639,525	4,329,897	6,028,099	28,941,323
Sewer system	151,068,418	8,099,307	-	159,167,725
Solid waste system	-	154,183	-	154,183
Water quality management system	7,215,534	930,702	-	8,146,236
Electric system	169,245,000	12,833,000	7,167,000	174,911,000
Communications system	9,952,000	2,686,000	40,000	12,598,000
Total accumulated depreciation	<u>393,329,550</u>	<u>31,934,129</u>	<u>13,755,296</u>	<u>411,508,383</u>
Depreciable Assets, net	<u>644,255,482</u>	<u>10,771,062</u>	<u>2,980,155</u>	<u>652,046,389</u>
Business-type activities capital assets, net	<u>\$ 678,702,704</u>	<u>\$ 30,985,721</u>	<u>\$ 11,214,178</u>	<u>\$ 698,474,247</u>

#### Discretely Presented Component Units

	Beginning Balance	Additions	Deductions	Ending Balance
Non-Depreciable Assets:				
Land	\$ 4,541,071	\$ -	\$ -	\$ 4,541,071
Construction in Progress	<u>22,620,301</u>	<u>7,794,275</u>	-	<u>30,414,576</u>
Total non-depreciable assets	<u>27,161,372</u>	<u>7,794,275</u>	-	<u>34,955,647</u>
Depreciable Assets:				
Buildings	82,624,971	618,189	-	83,243,160
Vehicles and machinery	<u>46,900,301</u>	<u>4,555,489</u>	-	<u>51,455,790</u>
Total depreciable assets	<u>129,525,272</u>	<u>5,173,678</u>	-	<u>134,698,950</u>
Less Accumulated Depreciation for:				
Buildings	38,059,990	3,951,429	-	42,011,419
Vehicles and machinery	<u>32,092,769</u>	<u>4,152,039</u>	-	<u>36,244,808</u>
Total accumulated depreciation	<u>70,152,759</u>	<u>8,103,468</u>	-	<u>78,256,227</u>
Depreciable Assets, net	<u>59,372,513</u>	<u>(2,929,790)</u>	-	<u>56,442,723</u>
Component units capital assets, net	<u>\$ 86,533,885</u>	<u>\$ 4,864,485</u>	<u>\$ -</u>	<u>\$ 91,398,370</u>

The City is in the process of preparing to change capital assets records systems. As a result, reclassifications have been made to the beginning balances among asset classes.

#### Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:	
General government	\$17,386,532
Public Safety	468,873
Public Works	21,272,661
Parks and Recreation	638,989
Social Services	<u>52,033</u>
Total	<u>\$39,819,088</u>



Primary Government – Business-Type Activities:

Sewer	\$ 9,652,569
Solid Waste/Sanitation	608,631
Water Quality Management	1,006,177
Housing Management	243,752
Electric Utility	<u>20,423,000</u>

Total \$31,934,129

Discretely Presented Component Units:

Transportation Authority	\$ 4,651,399
Airport Authority	3,191,672
Downtown Redevelopment	<u>260,397</u>

Total \$ 8,103,468

NOTE 8. LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2008, were as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due Within</u> <u>One Year</u>
<b>Primary Government</b>					
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation serial bonds	\$136,098,716	\$ -	\$ 5,255,237	\$130,843,479	\$ 6,605,781
Notes payable	27,592,266	10,001,622	5,000,465	32,593,423	2,425,043
Capital leases payable	115,513,895	-	2,910,119	112,603,776	3,066,000
Compensated absences	<u>16,474,950</u>	<u>8,826,443</u>	<u>8,272,793</u>	<u>17,028,600</u>	<u>5,567,234</u>
Total governmental activities	<u>\$295,679,827</u>	<u>\$18,828,065</u>	<u>\$21,438,614</u>	293,069,278	<u>\$17,664,058</u>
Net deferred refunding and original issue premiums and discounts				<u>1,027,304</u>	
				<u>\$294,096,582</u>	
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>EPB:</b>					
Revenue bonds	\$ 71,430,000	\$219,830,000	\$ 1,600,000	\$289,660,000	\$ 1,600,000
Notes payable	1,970,000	-	675,000	1,295,000	709,000
Compensated absences	<u>762,000</u>	<u>-</u>	<u>21,000</u>	<u>741,000</u>	<u>-</u>
	<u>74,162,000</u>	<u>219,830,000</u>	<u>2,296,000</u>	<u>291,696,000</u>	<u>2,309,000</u>
<b>Interceptor Sewer System:</b>					
General obligation serial bonds	65,515,699	-	8,897,074	56,618,625	8,798,566
Notes payable	43,455,652	-	2,091,463	41,364,189	2,159,593
Capital leases payable	193,543	-	22,245	171,298	23,575
Compensated absences	<u>820,543</u>	<u>107,927</u>	<u>21,698</u>	<u>906,772</u>	<u>331,166</u>
	<u>109,985,437</u>	<u>107,927</u>	<u>11,032,480</u>	<u>99,060,884</u>	<u>11,312,900</u>
<b>Solid Waste/Sanitation Fund:</b>					
General obligation serial bonds	27,709,011	-	1,274,778	26,434,233	2,471,820
Notes payable	970,000	-	58,758	911,242	60,546
Compensated absences	<u>75,446</u>	<u>34,786</u>	<u>37,076</u>	<u>73,156</u>	<u>24,606</u>
	<u>28,754,457</u>	<u>34,786</u>	<u>1,370,612</u>	<u>27,418,631</u>	<u>2,556,972</u>

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due Within</u> <u>One Year</u>
<b>Water Quality Management Fund:</b>					
General obligation serial bonds	\$ 13,656,575	\$ -	\$ 657,911	\$ 12,998,664	\$ 1,478,835
Notes payable	996,465	-	159,949	836,516	166,433
Compensated absences	<u>174,429</u>	<u>242,182</u>	<u>182,961</u>	<u>233,650</u>	<u>102,610</u>
	<u>14,827,469</u>	<u>242,182</u>	<u>1,000,821</u>	<u>14,068,830</u>	<u>1,747,878</u>
Total business-type activities	<u>\$227,729,363</u>	<u>\$220,214,895</u>	<u>\$15,699,913</u>	432,244,345	<u>\$17,926,750</u>
Net deferred refunding and original issue premiums and discounts				<u>8,799,222</u>	
				<u>\$441,043,567</u>	
<b>Discretely Presented Component Units</b>					
Metropolitan Airport Authority:					
Revenue bonds	\$ 13,305,000	\$ -	\$ 680,000	\$ 12,625,000	\$ 115,000
Chattanooga Downtown Redevelopment Corporation:					
Revenue bonds	<u>127,400,000</u>	<u>-</u>	<u>2,700,000</u>	<u>124,700,000</u>	<u>2,910,000</u>
Total component units	<u>\$140,705,000</u>	<u>\$ -</u>	<u>\$ 3,380,000</u>	137,325,000	<u>\$3,025,000</u>
Net deferred refunding and original issue premiums and discounts				<u>(668,545)</u>	
				<u>\$136,656,455</u>	

Total reductions in Long-Term Liabilities for Governmental Activities above are different than principal retirement expenditures in Governmental Funds. The difference is due to the principal portion of capital lease payments of \$2,326,799 to Chattanooga Downtown Redevelopment Corporation (CDRC), which is budgeted in general government expenditures.

In prior years, the City refunded certain general obligation, sewage facility and other 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, 2008, the remaining liabilities for the bonds refunded were as follows:

<u>Year</u> <u>Refunded</u>	<u>Primary</u> <u>Government</u>	<u>Component</u> <u>Units</u>
1986	\$ 2,825,000	\$ -
1992	13,510,000	-
1996	6,000,000	-
1998	20,490,000	-
2002	31,570,000	-
2003	19,635,000	-
2005	48,675,000	-
2007	17,715,000	55,340,000

Debt related to governmental activities at June 30, 2008, 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	5.25% - 5.50%	\$ 6,780,400
Municipal Public Improvement, Series 2001	5.00%	1,155,000
Public Improvement Refunding, Series 2002	4.00% - 5.38%	6,240,000
Refunding Bonds, 2002 Series A	3.25% - 5.00%	2,664,961
Hotel-Motel Tax Pledge, Series 2002	3.00% - 5.00%	48,190,000
General Obligation, 2003 Series A	3.00% - 4.20%	8,950,000
General Obligation, 2005 Series A	3.00% - 5.00%	17,197,982
Hotel-Motel Tax Refunding, Series 2005A	3.00% - 5.00%	5,448,980
Municipal Public Improvement, Series 2006A	4.00% - 5.00%	19,696,156
Public Improvement Refunding, Series 2007A	4.30% - 5.00%	<u>14,520,000</u>
Total payable from the Debt Service Fund		<u>\$130,843,479</u>

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, 2008, is \$2,761,023.

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, 2008, is \$3,912,240.

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, 2008, is \$20,019,576.

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, 2008, is \$25,180.

Hennen Land Note – In December 2007, the City purchased the Narrow Bridge Property from Jenkins Road, LLC (Tim Hennen). Hennen will be paid for the land from the parking revenue generated by Hennen Restaurant employees and customers. The note carries fixed parking prices for five years beginning January 2008. The balance at June 30, 2008, is \$549,404.

Petros Note Payable – In 2007, the City purchased property from John and Voula Petros to build a city park on Jenkins Road. The City executed a note payable to the former owners. The City incurred expenses of \$4,054 which were paid at closing. The note will be paid in equal installments over four years beginning in March 2008. The balance at June 30, 2008, is \$750,000.

HUD Section 108 Loan – On June 12, 2008, the City received a loan from the U.S. Department of Housing and Urban Development. A significant portion of the money was authorized to be used for repayment of the 2003 Fannie Mae Loan, with the remaining balance to be used for the Brownfields/Community Development Loan Fund and public infrastructure projects. The note will be amortized over 15 years, with a variable interest rate. The balance at June 30, 2008, is \$4,576,000.

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 for the year ended June 30, 2008, was \$6,772,702, of which \$2,326,799 was a reduction of principal. The recorded liability under this capital lease at June 30, 2008, is \$111,411,938.

The debt service reserve fund held by the fiscal agent at June 30, 2008, is \$9,809,235. 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, 2008, is \$1,191,838.

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, 2008, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
EPB:		
Electric System Revenue Bonds, Series 2000	4.50% - 5.00%	\$ 6,400,000
Electric System Revenue Bonds, Series 2006A	4.00% - 5.00%	40,000,000
Electric System Refunding Revenue Bonds, Series 2006B	4.00% - 4.25%	23,430,000
Electric System Revenue Bonds, Series 2008A	3.00% - 5.00%	219,830,000
Equipment Notes	4.40% - 4.95%	1,295,000
Interceptor Sewer System Fund:		
Municipal Public Improvement Refunding, Series 1998	5.25% - 5.50%	11,609,900
Municipal Public Improvement Refunding, Series 2002 Refunding Bonds, 2002 Series A	4.00% - 4.50%	17,588,770
Refunding Bonds, 2003 Series B	3.25% - 5.00%	14,235,039
Refunding Bonds, 2005 Series A	3.25%	2,170,000
1992 State Revolving Sewer Loan*	3.50% - 5.00%	11,014,916
Northwest Georgia Sewer Expansion Project	3.98%	836,516
State Revolving Loan 2003	4.00%	4,715,691
City of Collegedale Capital Lease	2.98%	35,811,982
	Variable	171,298
Solid Waste/Sanitation Fund:		
Municipal Public Improvement Refunding, Series 1998	5.50%	3,686,100
Municipal Public Improvement, Series 2001	5.00%	195,000
Municipal Public Improvement Refunding, Series 2002 Refunding Bonds, 2005 Series A	4.38% - 5.38%	5,695,200
Municipal Public Improvement, Series 2006A	3.00% - 5.00%	8,994,089
Public Improvement Refunding, Series 2007A	4.00% - 5.00%	5,383,844
2003 Tennessee Municipal Bond Fund Loan	4.30% - 5.00%	2,480,000
2004 Tennessee Municipal Bond Fund Loan	1.54%	396,760
	1.54%	514,482
Water Quality Management Fund:		
Municipal Public Improvement Refunding, Series 1998	5.50%	2,528,600
Municipal Public Improvement, Series 2001	5.00%	60,000
Municipal Public Improvement Refunding, Series 2002 Refunding Bonds, 2005 Series A	4.38% - 5.38%	4,256,031
Public Improvement Refunding, Series 2007A	3.00% - 5.00%	5,404,033
1992 State Revolving Sewer Loan*	4.30% - 5.00%	750,000
	3.98%	836,516
Total payable from business-type activities		<u>\$430,289,767</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 1.54%. The remaining balance at June 30, 2008, is \$1,673,032.

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, 2008, is \$4,715,691.

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, 2008, is \$35,811,982.

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, 2008, is \$171,298.

EPB Equipment Notes – EPB has five installment notes outstanding at June 30, 2008, totaling \$1,295,000. 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, 2008, 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%	\$ 12,625,000
Chattanooga Downtown Redevelopment Corporation: Chattanooga Lease Rental Revenue Bonds, Series 2000	5.00% - 5.88%	68,590,000
Chattanooga Lease Rental Refunding Revenue Bonds, Series 2007	4.00% - 5.00%	<u>56,110,000</u>
Total payable from Component Units		<u>\$137,325,000</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>
2009	\$ 9,030,824	\$ 6,624,298	\$ 17,444,793	\$ 17,670,936
2010	9,607,171	6,321,383	16,542,900	18,648,225
2011	9,748,625	5,963,635	15,296,557	17,940,702
2012	8,453,624	5,623,573	13,480,427	17,287,541
2013	7,956,137	5,298,423	13,934,200	16,672,038
2014-2018	40,838,300	21,724,895	87,633,686	72,862,440
2019-2023	36,208,504	13,943,489	77,177,815	54,246,315
2024-2028	28,903,717	6,208,155	78,323,091	36,619,125
2029-2033	12,690,000	980,000	89,615,000	16,690,000
2034	-	-	20,670,000	517,000
	<u>\$163,436,902</u>	<u>\$72,687,851</u>	<u>\$430,118,469</u>	<u>\$269,154,322</u>
<u>Year</u>	<u>Component Units</u>			
	<u>Principal</u>	<u>Interest</u>		
2009	\$ 3,025,000	\$ 7,123,836		
2010	3,900,000	6,930,536		
2011	4,030,000	6,723,399		
2012	4,260,000	6,505,141		
2013	4,465,000	6,283,161		
2014-2018	26,045,000	27,518,767		
2019-2023	30,850,000	19,467,366		
2024-2028	35,035,000	10,769,912		
2029-2033	25,715,000	1,970,625		
2034	-	-		
	<u>\$137,325,000</u>	<u>\$ 93,292,743</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
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	2,986,987	6,713,363	28,286	5,366
2013	3,164,158	6,519,651	30,133	3,520
2014-2018	19,054,910	29,251,444	37,701	1,561
2019-2023	25,858,372	22,243,953	-	-
2024-2028	35,096,829	12,735,730	-	-
2029-2033	17,357,071	1,705,836	-	-
	<u>\$112,603,776</u>	<u>\$100,380,035</u>	<u>\$171,298</u>	<u>\$36,228</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, 2007	\$17,641,643
Deferrals of compensation	1,490,517
Earnings (losses)	(5,553)
Withdrawals	(1,259,670)
Administrative expenses	<u>(15)</u>
Asset balance at June 30, 2008	<u>\$17,866,922</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) and an other postemployment benefit plan. All employees are eligible to participate in one of these retirement benefit pension 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 also acts as Trustee for the Other Postemployment Benefits Trust, which is included in the accompanying financial statements as an other postemployment benefits trust fund. 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 and Other Postemployment Benefit Plans

### **Significant Accounting Policies:**

#### Basis of Accounting

The financial statements of the General Pension Plan, the Firemen's and Policemen's Insurance and Pension Fund and Other Postemployment Benefits Trust 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 6.36 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 23.56 percent of the total covered payroll of the participants, which is the minimum requirement as noted by the most recent actuarial report. Members of the Plan are not covered under OASDI through their City of Chattanooga employment. 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.

(3) Other Postemployment Benefits

During the fiscal year ending June 30, 2008, the City implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions (OPEB)." These requirements were implemented prospectively.

The City maintains a single-employer defined benefit postemployment health and medical care plan for retirees and their dependents in accordance with City ordinance. Substantially all of the City's employees may become eligible for benefits if they reach normal retirement age or certain service requirements while working for the City. Retired plan members and beneficiaries are required to contribute specified amounts monthly toward the cost of health insurance premiums. Employees who retired prior to 2002 contribute an amount equal to the amount paid by active employees. Employees who retire after 2002 with 25 years of service or a job-related disability contribute an amount equal to 1.5 times that paid by active employees. Employees who retire after 2002 with less than 25 years of service or a non-job-related disability contribute an amount increased on a pro rata year's basis. The City pays the remainder of the costs of medical coverage. The City is currently contributing 14.2 percent of the total covered payroll of the participants.

The City previously financed postemployment benefits on a pay-as-you-go approach. All the associated costs were allocated to the various City funds where the retirees were located during active employment with the City. During 2008, the City established an Other Postemployment Benefits Trust (the Trust). Upon establishment of the Trust and implementation of GASB Statement No. 45, the City began partially pre-funding benefits. For fiscal year 2008, the City contributed \$4,481,337 to the Trust to prefund benefits, of which \$2,000,000 was accrued in fiscal year 2007. Only the prefunded portion of the OPEB cost is included in the OPEB trust. The pay-as-you-go component is funded and accounted for in the City's Internal Service Fund.

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Current membership in each of these plans was comprised of the following as of June 30, 2008:

<u>Group</u>	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>	<u>Other Postemployment Benefits</u>
Retirees and beneficiaries currently receiving benefits	779	682	1,014
Vested terminated employees	83	4	0
Active employees	1534	795	2,044
Actuarial update	1-1-2008	1-1-2008	7-1-2006

**Trend Information:**

	<u>Year Ended</u>	<u>Annual Pension/OPEB Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension/OPEB Obligation (Asset)</u>
General Pension Plan	12/31/07	\$ 3,540,962	98.90%	\$(4,177,414)
	12/31/06	3,825,453	98.97%	(4,216,376)
	12/31/05	3,558,187	97.54%	(4,255,701)
Firemen's and Policemen's Fund	12/31/07	7,437,283	99.88%	(3,412,170)
	12/31/06	7,454,348	90.00%	(3,420,846)
	12/31/05	6,566,969	97.75%	(4,165,966)
Other Post-employment Benefits	6/30/08	20,360,866	53.24%	9,521,039

**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>	<u>Other Postemployment Benefits</u>
Contribution rates for employer	6.36%	23.56%	N/A
Contribution rates for plan members	2.00%	8.00%	Varies
Annual pension/OPEB cost	\$3,540,962	\$7,437,283	\$20,360,866
Contributions made by employer	3,629,436	8,152,726	10,839,827
Contributions made by plan members	1,129,937	2,682,493	-
Actuarial valuation date for current contributions	January 1, 2008	January 1, 2008	July 1, 2006
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level Dollar	Level Percent	Level Dollar
Remaining amortization period	30 Years Open	28 Years Closed	30 Years Open
Asset valuation method	Market Value,	5-Year Average As Adjusted	N/A
Actuarial assumptions:			
Investment rate of return	7.75%	8.00%	5.00%
Projected salary increases	4.50%-5.50%	3.25%	4.50%-5.50%
Inflation rate	3.00%	3.00%	3.00%

The City's annual pension/OPEB cost and net pension/OPEB 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>	<u>Other Postemployment Benefits</u>
Annual required contribution	\$ 3,502,000	\$ 7,504,469	\$ 20,360,866
Interest on net pension/OPEB obligation (asset)	(326,769)	(273,668)	-
Adjustment to annual required contribution	<u>365,731</u>	<u>206,482</u>	<u>-</u>
Annual pension/OPEB cost	3,540,962	7,437,283	20,360,866
Contributions made	<u>(3,502,000)</u>	<u>(7,428,607)</u>	<u>(10,839,827)</u>
Increase in net pension/OPEB obligation (asset)	38,962	8,676	9,521,039
Net pension/OPEB obligation (asset) at beginning of year	<u>(4,216,376)</u>	<u>(3,420,846)</u>	<u>-</u>
Net pension/OPEB obligation (asset) at end of year	<u><u>\$(4,177,414)</u></u>	<u><u>\$(3,412,170)</u></u>	<u><u>\$ 9,521,039</u></u>

### Financial Reports:

The City of Chattanooga General Pension Plan does not issue stand-alone financial reports and is not included in the report of a public employee retirement system or a report of another entity. A financial report that includes financial statements and required supplementary information for the City of Chattanooga Firemen's and Policemen's Insurance and Pension Fund may be obtained by writing to the City of Chattanooga Firemen's and Policemen's Insurance and Pension Fund, 6009 John Douglas Drive, Chattanooga, Tennessee 37421. The plan financial statements are as follows:

### Combining Statement of Pension Trust Net Assets:

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Receivables:			
Accrued income	\$ 300,097	\$ 530,877	\$ 830,974
Total receivables	<u>300,097</u>	<u>530,877</u>	<u>830,974</u>
Investments, at fair value:			
U.S. Government securities	-	22,652,344	22,652,344
Corporate bonds	3,746,477	19,812,407	23,558,884
Foreign bonds	-	778,966	778,966
Corporate stocks	83,683,313	116,319,744	200,003,057
Mutual funds - equity	48,453,932	75,729,700	124,183,632
Mutual funds – fixed income	45,662,525	-	45,662,525
Temporary investments	10,121,951	10,844,739	20,966,690
Limited Partnerships	38,708,750	-	38,708,750
Other investments	-	950,000	950,000
Total investments	<u>230,376,948</u>	<u>247,087,900</u>	<u>477,464,848</u>
Total assets	<u>230,677,045</u>	<u>247,618,777</u>	<u>478,295,822</u>
<b>LIABILITIES</b>			
Accrued expenses	<u>121,925</u>	<u>550,596</u>	<u>672,521</u>
Total liabilities	<u>121,925</u>	<u>550,596</u>	<u>672,521</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$230,555,120</u>	<u>\$247,068,181</u>	<u>\$477,623,301</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>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 3,629,436	\$ 8,152,726	\$ 11,782,162
Employee	<u>1,129,937</u>	<u>2,682,493</u>	<u>3,812,430</u>
Total contributions	<u>4,759,373</u>	<u>10,835,219</u>	<u>15,594,592</u>

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>	<u>Total</u>
Investment income:			
Net appreciation in fair market value of investments	\$ (9,412,537)	\$ (20,904,952)	\$ (30,317,489)
Interest	483,051	2,833,871	3,316,922
Dividends	<u>2,293,813</u>	<u>4,668,144</u>	<u>6,961,957</u>
	(6,635,673)	(13,402,937)	(20,038,610)
Less investment expense	<u>(465,363)</u>	<u>(1,239,516)</u>	<u>(1,704,879)</u>
Net investment income	<u>(7,101,036)</u>	<u>(14,642,453)</u>	<u>(21,743,489)</u>
Total additions	<u>(2,341,663)</u>	<u>(3,807,234)</u>	<u>(6,148,897)</u>
DEDUCTIONS			
Benefits paid to participants	10,025,903	20,059,720	30,085,623
Administrative expenses	<u>130,221</u>	<u>560,325</u>	<u>690,546</u>
Total deductions	<u>10,156,124</u>	<u>20,620,045</u>	<u>30,776,169</u>
NET DECREASE	(12,497,787)	(24,427,279)	(36,925,066)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
Beginning of year	<u>243,052,907</u>	<u>271,495,460</u>	<u>514,548,367</u>
End of year	<u>\$230,555,120</u>	<u>\$247,068,181</u>	<u>\$477,623,301</u>

(4) EPB

EPB Pension Plan

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.

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 8.45% of annual covered payroll.

EPB's annual pension cost of the Plan for the current year was \$2,000,000. 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, 2006, using the aggregate cost method. The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used in the valuation included (a) a rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 4.0% per year compounded annually, (c) no postretirement benefit increases, and (d) a discount rate of 8.5%.

**Trend Information:**

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/08	\$2,000,000	100%	\$3,259,000
6/30/07	2,132,000	100%	-
6/30/06	2,165,000	100%	-

EPB Other Postemployment Benefits

The Electric Power Board of Chattanooga Post Retirement Health and Welfare Benefit Plan (“Plan) is a single-employer defined benefit healthcare and welfare plan administered by an individual designated by EPB. The plan provides health and life insurance benefits. A stand-alone Financial Report is not issued for this plan.

The contribution requirements of plan members and EPB are established and may be amended by EPB. Plan members receiving benefits contribute based on retiree’s age, retirement date, and years of service.

The required contribution is based on Pay-as-you-go financing requirements. For fiscal year 2008, EPB contributed approximately \$2.0 million for current claims.

The EPB’s annual other post employment benefit (OPEB) cast is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years.

In the July 1, 2007, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 7% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduce by decrements of .25% per year to an ultimate rate of 6% in 2015. The actuarial value of assets was determined using techniques that spread the effect of short-term volatility in the market value of investments over a three year period. The UAAL is being amortized as a level dollar. The remaining amortization period at July 1, 2007, was twenty years.

EPB’s annual OPEB cost and net OPEB obligation (asset) for the current year were as follows:

Annual required contribution	\$1,655,000
Interest on net OPEB obligation (asset)	-
Adjustment to annual required contribution	<u>4,000</u>
Annual OPEB cost	1,659,000
Contributions made	<u>2,006,000</u>
Decrease in net OPEB obligation	(347,000)
Net OPEB obligation at beginning of year	<u>9,468,000</u>
Net OPEB obligation at end of year	<u><u>\$9,121,000</u></u>

### 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 \$889,000 for the year ended June 30, 2008.

### (5) 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. Condensed disclosures for CARTA's defined benefit pension plans are as follows:

<u>Year Ended</u>	<u>Annual Required Contribution(ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
Disability and Retirement Plan:			
6/30/08	\$512,089	100.0%	\$ -
6/30/07	328,586	100.0%	-
6/30/06	325,973	100.0%	-
Defined Benefit Plan:			
6/30/08	\$203,137	0.0%	\$156,490
6/30/07	2,453	0.0%	(46,647)
6/30/06	88,449	0.0%	(46,540)

### NOTE 11. CONSERVATION PROGRAMS

EPB is a fiscal intermediary for the Tennessee Valley Authority's (TVA) conservation programs. As of June 30, 2008, outstanding funds advanced by TVA totaled \$178,000 to be used by EPB for customer loans in connection with TVA's insulation and heat pump conservation programs. At June 30, 2008, the outstanding receivables for loans made from these funds amounted to \$168,000. A total of approximately \$78,400,000 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 prior years. The City's two-thirds equity interest in Carter Street Corporation is computed as follows:

Total net assets	\$12,535,500
Multiplied by two-thirds	<u>          x      2/3</u>
City's equity interest	<u>\$ 8,357,000</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, 2008, is as follows:

ASSETS

Cash	\$ 743,931
Accounts receivable, net	317,246
Inventories	104,548
Prepaid items	61,920
Capital assets, net	11,525,940
Other assets	<u>14,500</u>
Total assets	<u>\$12,768,085</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 170,703
Deferred revenues	10,000
Advance deposits	<u>51,882</u>
Total liabilities	<u>232,585</u>

NET ASSETS

Invested in capital assets, net of related debt	11,525,940
Unrestricted	<u>1,009,560</u>
Total net assets	<u>12,535,500</u>
Total liabilities and net assets	<u>\$12,768,085</u>

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Total operating revenues	\$ 6,176,061
Total operating expenses	7,096,042
Loss from operations	(919,981)
Nonoperating revenues	<u>260,970</u>
Net decrease	(659,011)
Net assets at July 1, 2007	<u>13,194,511</u>
Net assets at June 30, 2008	<u>\$12,535,500</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 w 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, 2008. The total contractual commitments outstanding as of June 30, 2008, aggregated approximately \$32,161,089. 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, 2008, 121 series of Industrial Revenue Bonds had been issued. The principal amount of the series issued after July 1, 1995, was \$210,400,000 as of August 15, 2008. The aggregate principal amounts payable for the 106 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 forty-one (41) bond issues since 1985, the original amount of which were \$591,180,000. 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 the City landfill and landfills closed in prior years (Summit and 36<sup>th</sup> 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 \$10,200,052 at June 30, 2008, is based on the use of 100 percent of the capacity of the City landfill. Changes in the estimated liability for landfill closure and postclosure care costs for the year ended June 30, 2008, are as follows:

Estimated liability, June 30, 2007	\$10,211,072
Expenses recognized	220,391
Costs incurred	<u>(231,411)</u>
Estimated liability, June 30, 2008	<u>\$10,200,052</u>
Due within one year	<u>\$ 488,699</u>

The phase of the City landfill currently in use is nearly at capacity. The City plans to begin a new phase of the landfill during the 2009 fiscal year. The estimated total current cost of the landfill closure and postclosure care of \$10,200,052 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, 2008. 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. Prior to fiscal year 2008, the General Fund accounted for all exposures, except for torts, which were accounted for in the Internal Service Fund. Beginning in fiscal year 2008, the Internal Service Fund accounted for all exposures. 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, 2008, 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.

The City has a self-funded medical benefits plan that is administered by Blue Cross/Blue Shield of Tennessee. The City's exposure is limited by a stop-loss policy with High Mark Life Insurance Company.

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 fiscal year 2007 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.

At June 30, 2008, the Internal Service Fund liability consists of \$3,501,000 related to torts and \$2,277,505 related to medical benefits.

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:

	<u>General Fund</u>	<u>Internal Service Fund</u>
Unpaid claims, June 30, 2006	\$ 468,598	\$ 3,590,000
Incurred claims, including IBNRs/reduction in estimated liabilities	22,410,304	1,942,697
Claim payments	<u>(22,400,633)</u>	<u>(2,015,697)</u>
Unpaid claims, June 30, 2007	478,269	3,517,000
Incurred claims, including IBNRs/reduction in estimated liabilities	6,989,239	19,738,820
Claim payments	<u>(7,106,003)</u>	<u>(17,477,315)</u>
Unpaid claims, June 30, 2008	<u>\$ 361,505</u>	<u>\$ 5,778,505</u>
Due within one year	<u>\$ 361,505</u>	<u>\$ 5,778,505</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, 2008, the swap had a negative fair value of \$6,542,797, 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, 2008

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
<b>CITY OF CHATTANOOGA ADMINISTERED PLANS</b>						
<b>General Pension Plan</b>						
January 1, 2008	\$ 241,197,693	\$ 231,841,794	\$ (9,355,899)	104.00%	\$ 56,581,858	-16.54%
January 1, 2007	227,026,979	219,030,651	(7,996,328)	103.70%	54,545,300	-14.66%
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%
<b>Firemen's and Policemen's Insurance and Pension Fund</b>						
January 1, 2008	\$ 256,179,955	\$ 316,806,281	\$ 60,626,326	80.86%	\$ 33,237,063	182.41%
January 1, 2007	242,325,471	304,151,880	61,826,409	79.67%	31,983,375	193.31%
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%
<b>Other Postemployment Benefits</b>						
July 1, 2006	\$ -	\$ 228,471,342	\$ 228,471,342	0.00%	\$ 80,882,959	282.47%
<b>ELECTRIC POWER BOARD</b>						
<b>Pension Plan</b>						
August 1, 2007	\$ 30,421,000	\$ 33,680,000	\$ 3,259,000	90.30%	\$ 24,234,000	13.50%
August 1, 2006	25,580,000	25,580,000	-	100.00%	22,743,000	0.00%
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%
<b>Other Postemployment Benefits</b>						
July 1, 2007	\$ 14,721,000	\$ 24,857,000	\$ 10,136,000	59.20%	\$ 24,234,000	41.80%
July 1, 2006	12,684,000	28,838,000	16,154,000	44.00%	22,743,000	71.00%
July 1, 2005	11,500,000	26,470,000	14,970,000	43.40%	22,438,000	66.70%

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF REQUIRED SUPPLEMENTAL INFORMATION  
 PUBLIC EMPLOYEE RETIREMENT SYSTEMS  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 June 30, 2008

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>Other Postemployment Benefits</u>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$3,502,000	100.0%	\$7,504,469	99.0%	\$20,360,866	53.24%
2007	3,786,128	100.0%	7,540,220	89.0%	N/A	N/A
2006	3,518,054	98.7%	6,454,038	99.5%	N/A	N/A
2005	2,096,333	120.8%	6,073,138	101.6%	N/A	N/A
2004	2,168,721	104.4%	5,636,207	100.8%	N/A	N/A
2003	974,113	41.5%	4,440,048	102.3%	N/A	N/A

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>	<u>Other Postemployment Benefits</u>
Valuation date	1/1/2008	1/1/2008	7/1/2006
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level Dollar	Level Percent	Level Dollar
Remaining amortization period	30 Years Open	28 Years Closed	30 Years Open
Asset valuation method	Market value, as adjusted	5-Year Average	N/A
Actuarial assumptions:			
Investment rate of return	7.75%	8.00%	4.50%
Projected salary increases	4.50% - 5.50%	3.25%	4.50% - 5.50%
Includes inflation at	3.00%	3.00%	3.00%
Cost-of-living adjustments	3.00%	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 FUND

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.

CITY OF CHATTANOOGA, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2008

	Special Revenue								Debt Service	Permanent Library Endowment	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
<b>ASSETS</b>												
Cash and cash equivalents	\$ 1,314,546	\$ 13,682	\$ 2,046,183	\$ 2,045,146	\$ 129,101	\$ 3,475,002	\$ 465,301	\$ (22,484)	\$ 9,466,477	\$ 5,746,723	\$ 93,318	\$ 15,306,518
Investments	-	-	-	-	1,201,031	-	247,152	-	1,448,183	-	3,297,545	4,745,728
Accounts receivable	5,120	233	5,232	727	5,947	62,890	1,846	8,870	90,865	470	-	91,335
Due from other funds	-	-	-	-	-	-	-	-	-	3,177,810	-	3,177,810
Due from other governments	5	-	1,449,706	730	730,770	940,136	733,202	-	3,854,549	-	-	3,854,549
<b>Total assets</b>	<b>\$ 1,319,671</b>	<b>\$ 13,915</b>	<b>\$ 3,501,121</b>	<b>\$ 2,046,603</b>	<b>\$ 2,066,849</b>	<b>\$ 4,478,028</b>	<b>\$ 1,447,501</b>	<b>\$ (13,614)</b>	<b>\$ 14,860,074</b>	<b>\$ 8,925,003</b>	<b>\$ 3,390,863</b>	<b>\$ 27,175,940</b>
<b>LIABILITIES AND FUND BALANCES</b>												
<b>LIABILITIES</b>												
Accounts payable and accrued liabilities	\$ 128,190	\$ -	\$ 714,875	\$ 752,094	\$ 312,734	\$ 375,111	\$ -	\$ -	\$ 2,283,004	\$ -	\$ -	\$ 2,283,004
Contracts payable	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	7,586	-	-	-	354,401	666,942	372,081	-	1,401,010	-	-	1,401,010
<b>Total liabilities</b>	<b>135,776</b>	<b>-</b>	<b>714,875</b>	<b>752,094</b>	<b>667,135</b>	<b>1,042,053</b>	<b>372,081</b>	<b>-</b>	<b>3,684,014</b>	<b>-</b>	<b>-</b>	<b>3,684,014</b>
<b>FUND BALANCES</b>												
Reserved for:												
Encumbrances	43,068	1,360	46,880	150,824	466	20,441	-	-	263,039	-	-	263,039
Library endowment	-	-	-	-	-	-	-	-	-	-	3,338,539	3,338,539
Debt service escrow	-	-	-	-	-	-	-	-	-	1,892,047	-	1,892,047
Unreserved, designated for:												
Debt service	-	-	-	-	-	-	-	-	-	7,032,956	-	7,032,956
Other long-term liabilities	-	-	683,661	-	-	-	-	-	683,661	-	-	683,661
Unreserved - undesignated	1,140,827	12,555	2,055,705	1,143,685	1,399,248	3,415,534	1,075,420	(13,614)	10,229,360	-	52,324	10,281,684
<b>Total fund balances (deficits)</b>	<b>1,183,895</b>	<b>13,915</b>	<b>2,786,246</b>	<b>1,294,509</b>	<b>1,399,714</b>	<b>3,435,975</b>	<b>1,075,420</b>	<b>(13,614)</b>	<b>11,176,060</b>	<b>8,925,003</b>	<b>3,390,863</b>	<b>23,491,926</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,319,671</b>	<b>\$ 13,915</b>	<b>\$ 3,501,121</b>	<b>\$ 2,046,603</b>	<b>\$ 2,066,849</b>	<b>\$ 4,478,028</b>	<b>\$ 1,447,501</b>	<b>\$ (13,614)</b>	<b>\$ 14,860,074</b>	<b>\$ 8,925,003</b>	<b>\$ 3,390,863</b>	<b>\$ 27,175,940</b>

CITY OF CHATTANOOGA, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2008

	Special Revenue								Debt Service	Permanent Library Endowment	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
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,067,597	\$ -	\$ 4,067,597	\$ -	\$ -	\$ 4,067,597
Intergovernmental	2,590,306	-	11,167,721	33,070	4,433,367	2,828,546	-	-	21,053,010	1,469,740	-	22,522,750
Charges for services	-	-	85,853	-	-	-	-	212,492	298,345	-	-	298,345
Investment income	59,482	-	59,465	17,831	55,861	2,842	87,495	-	282,976	19,244	(125,205)	177,015
Contributions and donations	30,568	-	70,144	-	-	-	-	-	100,712	-	19,306	120,018
Miscellaneous	352,934	-	5,370	338,082	-	1,107,845	-	-	1,804,231	11,232	-	1,815,463
Total revenues	3,033,290	-	11,388,553	388,983	4,489,228	3,939,233	4,155,092	212,492	27,606,871	1,500,216	(105,899)	29,001,188
EXPENDITURES												
General government	5,344,990	2,749	13,066,364	-	-	-	110,475	162,688	18,687,266	-	96,317	18,783,583
Public safety	-	-	-	314,861	-	-	-	-	314,861	-	-	314,861
Public works	-	-	-	-	4,836,014	-	-	-	4,836,014	-	-	4,836,014
Community development	-	-	-	-	-	3,288,257	-	-	3,288,257	-	-	3,288,257
Debt service	-	-	-	-	-	-	-	-	-	17,812,749	-	17,812,749
Capital outlay/fixed assets	186,525	1,137	262,961	629,767	40,825	1,163	-	-	1,122,378	-	-	1,122,378
Total expenditures	5,531,515	3,886	13,329,325	944,628	4,876,839	3,289,420	110,475	162,688	28,248,776	17,812,749	96,317	46,157,842
Excess (deficiency) of revenues over (under) expenditures	(2,498,225)	(3,886)	(1,940,772)	(555,645)	(387,611)	649,813	4,044,617	49,804	(641,905)	(16,312,533)	(202,216)	(17,156,654)
OTHER FINANCING SOURCES (USES)												
Transfers in	2,491,660	-	1,335,627	-	-	-	-	-	3,827,287	16,365,972	-	20,193,259
Transfers out	-	-	-	(250,145)	-	(2,991,950)	(3,841,150)	-	(7,083,245)	-	-	(7,083,245)
Issuance of notes	-	-	-	-	-	4,576,000	-	-	4,576,000	-	-	4,576,000
Total other financing sources (uses)	2,491,660	-	1,335,627	(250,145)	-	1,584,050	(3,841,150)	-	1,320,042	16,365,972	-	17,686,014
Net change in fund balance	(6,565)	(3,886)	(605,145)	(805,790)	(387,611)	2,233,863	203,467	49,804	678,137	53,439	(202,216)	529,360
FUND BALANCE, beginning	1,190,460	17,801	3,391,391	2,100,299	1,787,325	1,202,112	871,953	(63,418)	10,497,923	8,871,564	3,593,079	22,962,566
FUND BALANCE (DEFICIT), ending	\$ 1,183,895	\$ 13,915	\$ 2,786,246	\$ 1,294,509	\$ 1,399,714	\$ 3,435,975	\$ 1,075,420	\$ (13,614)	\$ 11,176,060	\$ 8,925,003	\$ 3,390,863	\$ 23,491,926



## 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, 2008

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 7,560,415	\$ 5,648,198	\$ 17,966,823	\$ 31,175,436
Other	-	64,011	-	64,011
Total operating revenues	<u>7,560,415</u>	<u>5,712,209</u>	<u>17,966,823</u>	<u>31,239,447</u>
<b>OPERATING EXPENSES</b>				
Airport operations	5,143,023	-	-	5,143,023
CARTA operations	-	15,257,316	-	15,257,316
CDRC operations	-	-	10,212,404	10,212,404
Management fees	267,035	-	438,065	705,100
Maintenance	269,761	-	-	269,761
Depreciation and amortization	3,228,967	4,651,399	260,397	8,140,763
Total operating expenses	<u>8,908,786</u>	<u>19,908,715</u>	<u>10,910,866</u>	<u>39,728,367</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,348,371)</u>	<u>(14,196,506)</u>	<u>7,055,957</u>	<u>(8,488,920)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	-	6,512,783	-	6,512,783
Investment income	312,533	3,737	493,076	809,346
Interest expense	(541,282)	-	(6,635,671)	(7,176,953)
Other income (expense)	1,322,999	-	-	1,322,999
Total nonoperating revenues (expenses)	<u>1,094,250</u>	<u>6,516,520</u>	<u>(6,142,595)</u>	<u>1,468,175</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<u>(254,121)</u>	<u>(7,679,986)</u>	<u>913,362</u>	<u>(7,020,745)</u>
Capital contributions	<u>7,722,922</u>	<u>6,120,997</u>	<u>-</u>	<u>13,843,919</u>
<b>CHANGE IN NET ASSETS</b>	<u>7,468,801</u>	<u>(1,558,989)</u>	<u>913,362</u>	<u>6,823,174</u>
Net assets, beginning	<u>54,810,613</u>	<u>28,112,295</u>	<u>2,760,886</u>	<u>85,683,794</u>
Net assets, ending	<u>\$ 62,279,414</u>	<u>\$ 26,553,306</u>	<u>\$ 3,674,248</u>	<u>\$ 92,506,968</u>

CITY OF CHATTANOOGA, TENNESSEE  
COMBINING STATEMENT OF CASH FLOWS

COMPONENT UNITS  
Year Ended June 30, 2008

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 7,575,413	\$ 5,720,137	\$ 20,012,415	\$ 33,307,965
Payments to suppliers	(5,459,664)	(4,875,012)	(4,875,079)	(15,209,755)
Payments to employees	-	(10,187,942)	-	(10,187,942)
Cost of services	-	-	(6,030,655)	(6,030,655)
Net cash provided by (used in) operating activities	<u>2,115,749</u>	<u>(9,342,817)</u>	<u>9,106,681</u>	<u>1,879,613</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental payments received	-	<u>6,512,783</u>	-	<u>6,512,783</u>
Net cash provided by noncapital financing activities	-	<u>6,512,783</u>	-	<u>6,512,783</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceed from capital debt	-	-	-	-
Principal paid on capital debt	(680,000)	-	(2,700,000)	(3,380,000)
Principal received on capital lease	-	-	-	-
Payments made to escrow agent	-	-	-	-
Interest paid on capital debt	(545,353)	-	(6,480,809)	(7,026,162)
Capital contributions	7,065,640	5,454,387	-	12,520,027
Additions to capital assets	(7,995,263)	(3,321,712)	(535,030)	(11,852,005)
Passenger facility charges collected	<u>1,335,105</u>	-	-	<u>1,335,105</u>
Net cash flows provided by (used in) capital and related financing activities	<u>(819,871)</u>	<u>2,132,675</u>	<u>(9,715,839)</u>	<u>(8,403,035)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of investments	(63,464)	-	(38,982,613)	(39,046,077)
Proceeds from sales and maturities of investments	-	-	39,008,997	39,008,997
Interest on investments	<u>312,533</u>	<u>3,737</u>	<u>499,445</u>	<u>815,715</u>
Net cash flows provided by investing activities	<u>249,069</u>	<u>3,737</u>	<u>525,829</u>	<u>778,635</u>
Net increase (decrease) in cash and cash equivalents	1,544,947	(693,622)	(83,329)	767,996
Cash and cash equivalents, beginning of year	<u>4,033,424</u>	<u>1,594,041</u>	<u>4,107,894</u>	<u>9,735,359</u>
Cash and cash equivalents, end of year	<u>\$ 5,578,371</u>	<u>\$ 900,419</u>	<u>\$ 4,024,565</u>	<u>\$ 10,503,355</u>
<b>CLASSIFIED AS:</b>				
Current assets	\$ 4,996,693	\$ 645,119	\$ 4,024,565	\$ 9,666,377
Restricted assets	<u>581,678</u>	<u>255,300</u>	-	<u>836,978</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
COMBINING STATEMENT OF CASH FLOWS  
COMPONENT UNITS  
Year Ended June 30, 2008

(continued from previous page)

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
OPERATING INCOME (LOSS)	\$ (1,348,371)	\$ (14,196,506)	\$ 7,055,957	\$ (8,488,920)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Depreciation and amortization	3,228,967	4,651,399	260,397	8,140,763
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	11,218	7,928	2,045,591	2,064,737
(Increase) decrease in inventory	-	2,575	32,243	34,818
(Increase) decrease in prepaid items	(10,370)	(38,019)	-	(48,389)
(Increase) decrease in other assets	-	-	80,302	80,302
Increase (decrease) in accounts payable and accrued liabilities	183,047	229,806	(367,809)	45,044
Increase in deferred revenue	3,780	-	-	3,780
Increase in other	47,478	-	-	47,478
TOTAL ADJUSTMENTS	<u>3,464,120</u>	<u>4,853,689</u>	<u>2,050,724</u>	<u>10,368,533</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 2,115,749</u>	<u>\$ (9,342,817)</u>	<u>\$ 9,106,681</u>	<u>\$ 1,879,613</u>
SIGNIFICANT NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Additions to property and equipment included in contracts payable	<u>\$ 1,472,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,472,142</u>

## CITY OF CHATTANOOGA, TENNESSEE

## GENERAL FUND

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 88,300,000	\$ 88,300,000	\$ 88,845,185	\$ 545,185
Property in lieu of taxes:				
Burner Systems	22,229	22,229	3,482	(18,747)
Chattanooga Housing Authority	25,000	25,000	30,160	5,160
Tennessee Valley Authority	1,353,877	1,353,877	1,487,106	133,229
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	78,909	78,909	58,281	(20,628)
Signal Mountain Cement	233,905	233,905	145,289	(88,616)
Covenant Transport	22,571	22,571	22,110	(461)
T. B. Woods	6,629	6,629	-	(6,629)
Regis Corporation	52,639	52,639	52,375	(264)
Dev Corp O Knob	456	456	433	(23)
Chattanooga Labeling System	7,745	7,745	7,745	-
Wheland Foundation	-	-	234	234
Refunds	-	-	(17)	(17)
Chattem Inc.	15,840	15,840	15,840	-
Central Block Corp.	2,363	2,363	2,363	-
LJT of Tennessee	13,000	13,000	4,674	(8,326)
Provident Life & Accident Insurance Co.	9,775	9,775	9,770	(5)
South Market LLC	1,762	1,762	1,762	-
Air Liquide	1,813	1,813	-	(1,813)
American Plastic Ind.	57,650	57,650	54,682	(2,968)
Custom Banking	36,904	36,904	25,824	(11,080)
Dupont - Sabanci Intl.	34,819	34,819	29,553	(5,266)
Frazier Partners LLC	618	618	618	-
Invista	28,521	28,521	27,120	(1,401)
Advanced Tech Ceramic	3,364	3,364	5,600	2,236
United Enertach Corp	-	-	2,363	2,363
Aerisyn, Inc	-	-	26,652	26,652
TAG Manufacturing	-	-	18,339	18,339
Corporate excise taxes - intangible property	250,000	250,000	242,690	(7,310)
Interest and penalty on taxes:				
Current year	100,000	100,000	103,301	3,301
Prior years	550,000	550,000	681,400	131,400
Collection fees - delinquent taxes	160,000	160,000	179,589	19,589
Other local taxes:				
Franchise taxes	1,988,550	1,988,550	2,507,204	518,654
Liquor taxes	1,797,500	1,797,500	1,860,775	63,275
Beer taxes	4,855,000	4,855,000	5,090,283	235,283
Litigation taxes - City Court	6,000	6,000	4,605	(1,395)
Gross receipts tax	3,872,000	3,872,000	3,931,405	59,405
Total taxes	<u>103,895,409</u>	<u>103,895,409</u>	<u>105,484,765</u>	<u>1,589,356</u>
Licenses and permits:				
Motor vehicle licenses	350,000	350,000	346,400	(3,600)
Parking meters	754,129	754,129	754,129	-
Business licenses (excluding liquor)	145,000	145,000	153,130	8,130
Fees for issuing business licenses	57,000	57,000	59,615	2,615

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

(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	\$ 5,800	\$ 5,800	\$ 6,181	\$ 381
Wrecker permits	8,500	8,500	6,650	(1,850)
Building permits	1,200,000	1,200,000	1,272,471	72,471
Electrical permits	190,000	190,000	216,979	26,979
Plumbing fixtures connection permits	225,000	225,000	203,322	(21,678)
Street cut-in permits	285,000	285,000	333,036	48,036
Annual electrical contractors licenses	64,000	64,000	61,250	(2,750)
Penalty-electrical fees & licenses	500	500	425	(75)
Plumbing examiner fees	35,000	35,000	39,555	4,555
Electrical examiner fees	35,000	35,000	31,600	(3,400)
Gas examiner fees	45,000	45,000	41,930	(3,070)
Beer permit application fees	95,000	95,000	91,317	(3,683)
Mechanical code permits	70,000	70,000	88,703	18,703
Mechanical examiner fees	62,000	62,000	74,819	12,819
Fees for issuing construction, renovation permits	57,000	57,000	51,380	(5,620)
Liquor by drink licenses	120,000	120,000	124,520	4,520
Liquor by drink, interest and penalty	1,200	1,200	1,446	246
Hotel permits	2,000	2,000	1,975	(25)
Gas permits	7,000	7,000	5,615	(1,385)
Exhibitor fees	2,000	2,000	1,586	(414)
Sign permits	150,000	150,000	154,207	4,207
Taxicab driver permits	3,700	3,700	6,582	2,882
Temporary use permits	3,000	3,000	4,000	1,000
Subdivision review/inspection fee	30,000	30,000	26,310	(3,690)
Miscellaneous licenses and permits	16,000	16,000	16,914	914
Designated revenues	595,216	595,216	457,708	(137,508)
<b>Total licenses and permits</b>	<b>4,614,045</b>	<b>4,614,045</b>	<b>4,633,755</b>	<b>19,710</b>
Intergovernmental revenues:				
City allocation - state beer tax	85,000	85,000	85,084	84
City allocation - state income tax	2,700,000	2,700,000	4,909,130	2,209,130
City allocation - state sales tax	11,500,000	11,500,000	11,185,750	(314,250)
County-wide sales tax	27,432,000	27,432,000	26,604,258	(827,742)
Mixed drink tax	1,765,800	1,765,800	1,818,211	52,411
State maintenance of streets	200,000	200,000	370,195	170,195
State gas inspection fees	350,000	350,000	339,382	(10,618)
State alcoholic beverage taxes	85,000	85,000	93,368	8,368
TEMA	-	-	198,678	198,678
Hamilton County - Ross's Landing	846,378	846,378	916,154	69,776
Hamilton County - radio and electronics	148,794	148,794	217,501	68,707
State - specialized training	379,500	379,500	469,800	90,300
State - telecommunication sales tax	26,366	26,366	20,041	(6,325)
State Funds	-	-	2,317	2,317
Other Hamilton County Revenue	185,880	185,880	53,865	(132,015)
Other Local Governments	-	-	13,601	13,601
Designated revenues:				
County-wide sales tax	10,935,000	10,935,000	10,767,083	(167,917)
Other designated revenue	3,524,191	3,524,191	3,076,236	(447,955)
<b>Total intergovernmental revenues</b>	<b>60,163,909</b>	<b>60,163,909</b>	<b>61,140,654</b>	<b>976,745</b>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Charges for services:				
City court costs	\$ 218,000	\$ 218,000	\$ 309,968	\$ 91,968
State court costs	3,000	3,000	2,102	(898)
City Court Clerk fees	949,500	949,500	1,268,854	319,354
Charges for financial services, EPB	7,200	7,200	7,200	-
Variance request fees	8,000	8,000	6,225	(1,775)
Fire and ambulance service fees	300	300	248	(52)
Warner/Montague Park ballfield fees	4,000	4,000	6,750	2,750
Champion's Club fees	25,000	25,000	42,210	17,210
Memorial Auditorium credit card fees	25,000	25,000	45,356	20,356
Tivoli credit card fees	12,000	12,000	19,467	7,467
Kidz Kamp fees	85,000	85,000	68,895	(16,105)
Sports program fees	4,825	4,825	5,510	685
Non-traditional program fees	5,000	5,000	7,026	2,026
Fitness center fees	35,000	35,000	44,337	9,337
Outventure fees	18,000	18,000	19,282	1,282
Credit card processing fee	40,000	40,000	54,437	14,437
Police reports: accidents, etc., fees	120,000	120,000	117,369	(2,631)
Applicant/Photo/ID card fees	4,000	4,000	3,125	(875)
Police records & fingerprinting fee	-	-	360	360
Skateboard park fees	65,000	65,000	78,512	13,512
Construction board of appeals	1,500	1,500	1,500	-
Zoning letter	8,000	8,000	9,000	1,000
Sign board of appeals	4,000	4,000	3,900	(100)
Certificates of occupancy	20,000	20,000	17,385	(2,615)
Sewer verification letter	500	500	450	(50)
Code compliance letter fee	-	-	835	835
Push cart permits	-	-	300	300
Modular homesite investigation	-	-	100	100
Plan checking fee	225,000	225,000	240,775	15,775
Phased construction plans review	9,000	9,000	7,521	(1,479)
Cell tower site/location review	5,000	5,000	3,000	(2,000)
Arts & culture fees	8,000	8,000	8,656	656
Therapeutic Kamp fee	6,400	6,400	5,515	(885)
Preservation fee - civic facilities	125,000	125,000	173,057	48,057
Dead animal pick up fee at vet	7,000	7,000	6,656	(344)
General pension administration cost	25,000	25,000	26,000	1,000
Designated revenues	<u>2,327,893</u>	<u>2,327,893</u>	<u>2,317,536</u>	<u>(10,357)</u>
Total charges for services	<u>4,401,118</u>	<u>4,401,118</u>	<u>4,929,419</u>	<u>528,301</u>
Fines, forfeitures, and penalties:				
City court fines	530,000	530,000	756,189	226,189
Criminal court fines	220,000	220,000	187,690	(32,310)
Parking tickets	550,000	550,000	597,880	47,880
Delinquent parking tickets	100,000	100,000	126,671	26,671
Air pollution penalties	6,000	6,000	2,434	(3,566)
Automated fines	826,429	826,429	820,728	(5,701)
Miscellaneous forfeitures and penalties	<u>4,000</u>	<u>4,000</u>	<u>2,287</u>	<u>(1,713)</u>
Total fines, forfeitures, and penalties	<u>2,236,429</u>	<u>2,236,429</u>	<u>2,493,879</u>	<u>257,450</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Miscellaneous revenues:				
Interest earned	\$ 3,030,513	\$ 3,030,513	\$ 3,936,267	\$ 905,754
Contributions and donations	105,376	105,376	97,766	(7,610)
Sale of property	80,000	80,000	47,988	(32,012)
Land and building rents	87,000	87,000	201,909	114,909
Dock rental (wharf)	16,000	16,000	26,887	10,887
Payroll deduction charges	5,000	5,000	4,339	(661)
Indirect cost	2,485,866	2,485,866	2,485,866	-
Plans and specification deposits	4,000	4,000	9,040	5,040
Municipal Liens	45,000	45,000	84,443	39,443
Memorial Auditorium box office	105,000	105,000	185,283	80,283
Memorial Auditorium rents	190,000	190,000	190,541	541
Memorial Auditorium concessions	35,000	35,000	53,890	18,890
Tivoli box office	50,000	50,000	95,434	45,434
Tivoli rents	160,000	160,000	157,468	(2,532)
Tivoli concessions	23,000	23,000	32,693	9,693
Swimming pools	55,000	55,000	70,416	15,416
Park concessions	5,000	5,000	7,387	2,387
Recreation center rental	50,000	50,000	79,702	29,702
Carousel ridership	70,000	70,000	106,430	36,430
Other miscellaneous revenue	421,969	421,969	497,828	75,859
Designated revenues	931,156	931,156	902,356	(28,800)
Departmental revenues:				
General Government	87,000	87,000	(119)	(87,119)
Finance and Administration	-	-	1,456	1,456
Police	-	-	13,475	13,475
Fire	-	-	10,081	10,081
Public Works	-	-	89,341	89,341
Parks and Recreation	-	-	3,287	3,287
Personnel	-	-	2,545	2,545
Total miscellaneous revenues	8,041,880	8,041,880	9,393,999	1,352,119
Total revenues	183,352,790	183,352,790	188,076,471	4,723,681
EXPENDITURES				
General government:				
City Council	708,603	708,603	687,196	(21,407)
Allied Arts Council	255,000	255,000	255,000	-
Community Impact Fund	300,000	300,000	300,000	-
Stop the Madness	100,000	100,000	100,000	-
Front Porch Alliance	32,000	32,000	32,000	-
Choose Chattanooga	25,000	25,000	25,000	-
Connecting the Dots w/ Technology	-	-	39,316	39,316
Community Foundation scholarships	160,000	160,000	160,000	-
Carcog and Economic Development District	31,111	31,111	31,038	(73)
Carter Street lease agreement	200,000	200,000	200,000	-
Chattanooga Neighborhood Enterprises	1,000,000	1,000,000	1,000,000	-
City Court (Judicial)	690,498	690,498	679,958	(10,540)
Railroad Authority	20,000	20,000	74,960	54,960
Enterprise Center	268,034	268,034	230,475	(37,559)
Children's Advocacy Center	30,000	30,000	30,000	-
Election Expense	-	-	8,516	8,516
CARTA parking meters	754,129	754,129	754,129	-
Design Center	(14,273)	(14,273)	-	14,273
M.L. King Plan	14,273	14,273	4,730	(9,543)
Information Services	2,885,025	2,885,025	2,852,836	(32,189)
Telephone Systems	180,900	180,900	206,363	25,463
Homeless Health Care Centers	17,500	17,500	17,500	-

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CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2008

(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	1,108,441	1,108,441	1,057,642	(50,799)
Contingency fund	326,238	326,238	351,460	25,222
Chattanooga Area Urban League	50,000	50,000	50,000	-
Chattanooga Downtown Partnership	100,000	100,000	100,000	-
CARTA	3,738,606	3,738,606	3,738,606	-
Pensions and UIC	50,000	50,000	40,847	(9,153)
Tennessee Riverpark	1,229,321	1,229,321	1,175,386	(53,935)
WTCI - Channel 45	60,000	60,000	60,000	-
Interceptor sewer - Hurricane Ivar	9,419	9,419	9,419	-
Tuition assistance program	20,000	20,000	17,110	(2,890)
Regional Planning Agency	2,774,417	2,774,417	2,751,412	(23,005)
Renewal and replacement	1,200,000	1,200,000	1,108,701	(91,299)
Economic development and education	8,580,663	8,580,663	6,772,702	(1,807,961)
311 call center	496,279	496,279	438,808	(57,471)
Air Pollution Control Bureau	1,403,314	1,403,314	1,369,179	(34,135)
Scenic Cities Beautiful Commission	106,049	106,049	58,330	(47,719)
Chattanooga Comm. Resource Cntr Homeless	-	-	48,750	48,750
Audits, dues and surveys	206,757	206,757	203,981	(2,776)
Internal Audit	491,256	491,256	468,415	(22,841)
Chattanooga Opportunity Fund	-	-	169,398	169,398
Intergovernmental relations	327,000	327,000	261,892	(65,108)
City water quality management fees	73,000	73,000	82,679	9,679
Automated Speed	432,710	432,710	432,015	(695)
TN Multicultural Chamber of Commerce	150,000	150,000	150,000	-
Chamber of economic development	450,000	450,000	450,000	-
Community & economic development	1,649,242	1,649,242	1,474,629	(174,613)
Enterprise Center - EDI grant	31,073	31,073	31,073	-
Personnel	6,674,459	6,674,459	6,608,847	(65,612)
Neighborhood services	2,011,191	2,011,191	1,989,886	(21,305)
Telecommunication Operations	151,159	151,159	157,613	6,454
GS Administration	417,955	417,955	287,371	(130,584)
Purchasing	752,948	752,948	732,775	(20,173)
Building Maintenance	700,752	700,752	781,626	80,874
Chatt Mobile Communication	454,623	454,623	469,315	14,692
Real Estate	31,500	31,500	40,100	8,600
Property Maintenance	43,300	43,300	48,376	5,076
Chattanooga Community Resource Center Operations	4,100	4,100	14,074	9,974
Heritage Center Maintenance	146,446	146,446	146,446	-
DRC Building Operations	864,598	864,598	176,236	(688,362)
Liability insurance premiums	800,000	800,000	800,000	-
<b>Total general government</b>	<b>45,868,616</b>	<b>45,868,616</b>	<b>42,908,116</b>	<b>(2,960,500)</b>
Finance and Administration:				
Finance administration	2,064,542	2,064,542	1,959,594	(104,948)
Office of City Treasurer	697,618	697,618	701,627	4,009
Clerk's Office Operations	983,733	983,733	1,044,096	60,363
City Court Technology	134,097	134,097	127,031	(7,066)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2008

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Finance and Administration (continued)				
Court space usage costs	\$ 125,000	\$ 125,000	\$ 130,721	\$ 5,721
Total Finance and Administration	<u>4,004,990</u>	<u>4,004,990</u>	<u>3,963,069</u>	<u>(41,921)</u>
Police:				
Administration	1,993,701	1,993,701	2,299,167	305,466
Uniformed Services	19,757,449	19,757,449	20,268,741	511,292
Investigative and support services	21,632,831	21,632,831	20,847,277	(785,554)
Law enforcement planning	393,998	393,998	377,713	(16,285)
Special programs	504,374	504,374	533,172	28,798
Reduction part I offenses	213,307	213,307	23,015	(190,292)
Total Police	<u>44,495,660</u>	<u>44,495,660</u>	<u>44,349,085</u>	<u>(146,575)</u>
Fire:				
Operations	27,995,812	27,995,812	28,086,328	90,516
Utilities	301,000	301,000	32,648	(268,352)
Total Fire	<u>28,296,812</u>	<u>28,296,812</u>	<u>28,118,976</u>	<u>(177,836)</u>
Public Works:				
Administration	923,648	923,648	968,012	44,364
Board of Appeals & Variances	12,700	12,700	9,165	(3,535)
City Engineer	2,031,890	2,031,890	1,920,459	(111,431)
City-wide services	889,321	889,321	968,502	79,181
Street cleaning	2,521,188	2,521,188	2,550,974	29,786
Emergency	712,261	712,261	712,261	-
Waste resources:				
Sewer construction and maintenance	2,221,159	2,221,159	2,202,952	(18,207)
Codes and inspections:				
Land development	2,782,769	2,782,769	2,928,585	145,816
Board of Examiners	33,400	33,400	30,190	(3,210)
Utilities	155,500	155,500	144,501	(10,999)
Interceptor sewer system pump stations	112,500	112,500	51,855	(60,645)
Solid waste subsidy	4,622,810	4,622,810	4,622,810	-
Municipal forestry	682,181	682,181	626,137	(56,044)
Waste pickup	7,096,581	7,096,581	7,009,644	(86,937)
Technology	354,593	354,593	141,672	(212,921)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2008

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Public Works (continued)				
Traffic management:				
Administration	\$ 734,348	\$ 734,348	\$ 749,426	\$ 15,078
Control	1,853,009	1,853,009	1,907,019	54,010
Street lighting	2,806,241	2,806,241	2,795,290	(10,951)
Summer Work Program	-	-	49,595	49,595
Total Public Works	<u>30,546,099</u>	<u>30,546,099</u>	<u>30,389,049</u>	<u>(157,050)</u>
Parks and Recreation:				
Administration	1,132,079	1,132,079	1,073,582	(58,497)
Recreation:				
Recreation centers	3,655,417	3,655,417	3,607,140	(48,277)
Fitness center	222,798	222,798	222,780	(18)
OutVenture	130,324	130,324	134,583	4,259
Sports	194,243	194,243	194,243	-
Champion's Club	239,419	239,419	254,592	15,173
Kidz Kamp Program	169,466	169,466	173,690	4,224
Aquatics	178,499	178,499	188,843	10,344
Therapeutic Recreation	40,049	40,049	109,243	69,194
Special programs	554,296	554,296	555,670	1,374
Parks maintenance:				
Administration	763,548	763,548	779,075	15,527
Warner Park Zoo	544,651	544,651	544,650	(1)
Municipal parks	41,585	41,585	408,323	366,738
Tennessee Riverpark-Downtown	1,406,844	1,406,844	1,161,739	(245,105)
Carousel	98,765	98,765	133,330	34,565
Brainerd Golf Course	864,780	864,780	842,454	(22,326)
Brown Acres Golf Course	944,477	944,477	1,031,104	86,627
City-wide security	332,418	332,418	285,865	(46,553)
Landscape	462,514	462,514	460,447	(2,067)
Public Arts	149,000	149,000	54,624	(94,376)
Building and structures	951,239	951,239	951,239	-
Athletic facilities	1,239,523	1,239,523	1,120,013	(119,510)
Total Parks and Recreation	<u>14,315,934</u>	<u>14,315,934</u>	<u>14,287,229</u>	<u>(28,705)</u>
Education, Arts and Culture				
Administration	379,978	379,978	374,578	(5,400)
Civic facilities:				
Administration	724,597	724,597	687,672	(36,925)
Memorial Auditorium	478,187	478,187	511,481	33,294
Tivoli Theatre	318,022	318,022	297,583	(20,439)
Special Programs	376,545	376,545	360,582	(15,963)
Concessions	49,048	49,048	59,401	10,353
Total Education, Arts and Culture	<u>2,326,377</u>	<u>2,326,377</u>	<u>2,291,297</u>	<u>(35,080)</u>
Total expenditures	<u>169,854,488</u>	<u>169,854,488</u>	<u>166,306,821</u>	<u>(3,547,667)</u>
Excess of revenues over expenditures	<u>13,498,302</u>	<u>13,498,302</u>	<u>21,769,650</u>	<u>8,271,348</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,437,122	\$ 3,437,122	\$ 4,973,059	\$ 1,535,937
Transfers out	<u>(30,410,388)</u>	<u>(30,410,388)</u>	<u>(30,380,092)</u>	<u>30,296</u>
Total other financing sources (uses)	<u>(26,973,266)</u>	<u>(26,973,266)</u>	<u>(25,407,033)</u>	<u>1,566,233</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - (budgetary basis)	<u>\$ (13,474,964)</u>	<u>\$ (13,474,964)</u>	(3,637,383)	<u>\$ 9,837,581</u>
Adjustment for encumbrances			<u>601,903</u>	
Net change in fund balance (GAAP basis)			(3,035,480)	
FUND BALANCE at beginning of year (GAAP basis)			<u>55,130,349</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 52,094,869</u>	

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - DESIGNATED REVENUES  
Year Ended June 30, 2008

	Final Budget					Total	Actual					Total	Variance - Over (Under)
	Licenses and Permits	Inter- governmental Revenues	Charges for Services	Fines, Forfeitures, & Penalties	Miscellaneous Revenues		Licenses and Permits	Inter- governmental Revenues	Charges for Services	Fines, Forfeitures, & Penalties	Miscellaneous Revenues		
Regional Planning Agency	\$ -	\$ 1,649,600	\$ 90,000	\$ -	\$ 92,000	\$ 1,831,600	\$ -	\$ 1,479,873	\$ 84,600	\$ -	\$ 67,063	\$ 1,631,536	\$ (200,064)
Air Pollution Bureau	595,216	488,560	-	-	-	1,083,776	457,708	593,674	-	-	-	1,051,382	(32,394)
Scenic Cities Beautiful Commission	-	55,488	-	-	-	55,488	-	55,488	-	-	5,165	60,653	5,165
Reduction - Part I offenses	-	165,577	-	-	48,827	214,404	-	165,577	-	-	48,827	214,404	-
Municipal golf courses	-	-	1,809,257	-	-	1,809,257	-	-	1,941,710	-	482	1,942,192	132,935
Free Public Library	-	-	-	-	21,673	21,673	-	-	-	-	21,674	21,674	1
Law enforcement planning	-	350,339	-	-	21,812	372,151	-	138,109	-	-	21,811	159,920	(212,231)
Confiscated and unclaimed property	-	-	-	-	-	-	-	-	-	-	-	-	-
Nonprofit request	-	-	-	-	1,750	1,750	-	-	-	-	1,750	1,750	-
Economic Development and Education fund	-	10,935,000	-	-	-	10,935,000	-	10,767,083	-	-	296,452	11,063,535	128,535
Special programs fund	754,129	943,489	431,861	826,429	866,887	3,822,795	754,129	586,498	288,375	820,729	834,107	3,283,838	(538,957)
African-American Museum	-	57,019	-	-	18,000	75,019	-	57,018	-	-	18,000	75,018	(1)
<b>Total designated revenues</b>	<b>\$ 1,349,345</b>	<b>\$ 14,645,072</b>	<b>\$ 2,331,118</b>	<b>\$ 826,429</b>	<b>\$ 1,070,949</b>	<b>\$ 20,222,913</b>	<b>\$ 1,211,837</b>	<b>\$ 13,843,320</b>	<b>\$ 2,314,685</b>	<b>\$ 820,729</b>	<b>\$ 1,315,331</b>	<b>\$ 19,505,902</b>	<b>\$ (717,011)</b>

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

PUBLIC LIBRARY FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Hamilton County, Tennessee funds	\$ 2,487,660	\$ 2,487,660	\$ 2,487,660	\$ -
Federal funds	-	-	1,263	1,263
State of Tennessee funds	50,000	50,000	101,383	51,383
Investment income	102,000	102,000	59,482	(42,518)
Book sales	111,000	111,000	119,513	8,513
Donations	15,000	15,000	30,568	15,568
Miscellaneous	176,300	176,300	233,421	57,121
<b>Total revenues</b>	<b>2,941,960</b>	<b>2,941,960</b>	<b>3,033,290</b>	<b>91,330</b>
<b>EXPENDITURES</b>				
Central branch and administration	4,357,367	4,357,367	4,305,404	(51,963)
Eastgate branch	333,039	333,039	323,284	(9,755)
Northgate branch	281,434	281,434	282,324	890
Ooltewah/Collegedale branch	311,601	311,601	290,042	(21,559)
South Chattanooga branch	129,504	129,504	147,062	17,558
Capital outlay	105,108	105,108	101,573	(3,535)
Other	7,000	7,000	31,308	24,308
<b>Total expenditures</b>	<b>5,525,053</b>	<b>5,525,053</b>	<b>5,480,997</b>	<b>(44,056)</b>
Deficiency of revenues under expenditures	(2,583,093)	(2,583,093)	(2,447,707)	47,274
<b>OTHER FINANCING SOURCES</b>				
Transfers in	2,491,660	2,491,660	2,491,660	-
Net change in fund balance	\$ (91,433)	\$ (91,433)	43,953	\$ 47,274
Adjustment for encumbrances			(50,518)	
Net change in fund balance (GAAP basis)			(6,565)	
FUND BALANCE at beginning of year (GAAP basis)			1,190,460	
FUND BALANCE at end of year (GAAP basis)			\$ 1,183,895	
<b>EXPLANATION OF DIFFERENCES</b>				
<b>REVENUES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 3,033,290	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			\$ 3,033,290	
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 5,480,997	
Adjustment for encumbrances			50,518	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			\$ 5,531,515	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

DOWNTOWN DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
Downtown development	\$ -	\$ -	\$ 2,749	\$ 2,749
Capital outlay	-	-	<u>2,497</u>	<u>2,497</u>
Total expenditures	-	-	<u>5,246</u>	<u>5,246</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(5,246)	<u>\$ (5,246)</u>
Adjustment for encumbrances			<u>1,360</u>	
Net change in fund balance (GAAP basis)			(3,886)	
FUND BALANCE at beginning of year (GAAP basis)			<u>17,801</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 13,915</u>	
<b>EXPLANATION OF DIFFERENCES</b>				
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 5,246	
Adjustment for encumbrances			<u>(1,360)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 3,886</u>	

CITY OF CHATTANOOGA, TENNESSEE  
SPECIAL REVENUE FUND  
HUMAN SERVICES PROGRAM FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal funds	\$ 7,941,123	\$ 7,941,123	\$ 7,858,945	\$ (82,178)
State of Tennessee funds	3,394,432	3,394,432	3,308,776	(85,656)
United Way	3,000	3,000	2,750	(250)
Project Warm Neighbors	22,000	22,000	22,344	344
Day care fees	86,653	86,653	85,853	(800)
Donations	48,000	48,000	45,050	(2,950)
Investment income	50,000	50,000	59,465	9,465
Other	<u>-</u>	<u>-</u>	<u>5,370</u>	<u>5,370</u>
Total revenues	<u>11,545,208</u>	<u>11,545,208</u>	<u>11,388,553</u>	<u>(156,655)</u>
<b>EXPENDITURES</b>				
Administration	829,440	829,440	1,043,843	214,403
Headstart program	7,927,647	7,927,647	7,742,065	(185,582)
Day care	703,786	703,786	772,377	68,591
Food program	97,440	97,440	113,695	16,255
Weatherization program	340,427	340,427	336,774	(3,653)
Foster grandparent program	509,780	509,780	503,315	(6,465)
Low-income energy assistance	1,422,421	1,422,421	1,367,657	(54,764)
Community services block grant	810,366	810,366	792,572	(17,794)
Title II commodities	110,000	110,000	160,019	50,019
Emergency food and shelter	37,130	37,130	35,553	(1,577)
Other human services programs	148,018	148,018	148,430	412
Capital outlay	<u>30,849</u>	<u>30,849</u>	<u>126,412</u>	<u>95,563</u>
Total expenditures	<u>12,967,304</u>	<u>12,967,304</u>	<u>13,142,712</u>	<u>175,408</u>

(continued on next page)



CITY OF CHATTANOOGA, TENNESSEE  
SPECIAL REVENUE FUND  
HUMAN SERVICES PROGRAM FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2008

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Deficiency of revenues under expenditures	\$ (1,422,096)	\$ (1,422,096)	\$ (1,754,159)	\$ (332,063)
OTHER FINANCING SOURCES				
Transfers in	<u>1,335,627</u>	<u>1,335,627</u>	<u>1,335,627</u>	<u>-</u>
Net change in fund balance	<u>\$ (86,469)</u>	<u>\$ (86,469)</u>	(418,532)	<u>\$ (332,063)</u>
Adjustment for encumbrances			<u>(186,613)</u>	
Net change in fund balance (GAAP basis)			(605,145)	
FUND BALANCE at beginning of year (GAAP basis)			<u>3,391,391</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 2,786,246</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 11,388,553	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 11,388,553</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 13,142,712	
Adjustment for encumbrances			<u>186,613</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 13,329,325</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

NARCOTICS PROGRAM FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ 4,270	\$ 4,270	\$ 4,271	\$ 1
State of Tennessee funds	28,799	28,799	28,799	-
Confiscated money, vehicles and equipment	239,669	239,669	267,981	28,312
Investment income	17,831	17,831	17,831	-
Other	70,101	70,101	70,101	-
Total revenues	<u>360,670</u>	<u>360,670</u>	<u>388,983</u>	<u>28,313</u>
<b>EXPENDITURES</b>				
Narcotics program	246,351	246,351	303,725	57,374
Capital outlay	114,319	114,319	752,593	638,274
Total expenditures	<u>360,670</u>	<u>360,670</u>	<u>1,056,318</u>	<u>695,648</u>
Excess of revenues over expenditures	-	-	(667,335)	(667,335)
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(250,145)</u>	<u>249,855</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(917,480)	<u>\$ (667,335)</u>
Adjustment for encumbrances			<u>111,690</u>	
Net change in fund balance (GAAP basis)			(805,790)	
FUND BALANCE at beginning of year (GAAP basis)			<u>2,100,299</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 1,294,509</u>	
<b>EXPLANATION OF DIFFERENCES</b>				
<b>REVENUES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 388,983	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 388,983</u>	
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 1,056,318	
Adjustment for encumbrances			<u>(111,690)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 944,628</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

STATE STREET AID FUND

BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
State of Tennessee funds	\$ 4,435,000	\$ 4,435,000	\$ 4,433,367	\$ (1,633)
Investment income	<u>50,000</u>	<u>50,000</u>	<u>55,861</u>	<u>5,861</u>
Total revenues	<u>4,485,000</u>	<u>4,485,000</u>	<u>4,489,228</u>	<u>4,228</u>
<b>EXPENDITURES</b>				
Salaries and wages	2,619,855	2,619,855	2,490,736	(129,119)
Fringe benefits	958,835	958,835	939,232	(19,603)
Purchased services	51,756	51,756	85,009	33,253
Vehicle operations	651,789	651,789	705,070	53,281
Materials and supplies	456,515	456,515	602,744	146,229
Other services	1,350	1,350	1,299	(51)
Capital outlay	<u>44,900</u>	<u>44,900</u>	<u>40,825</u>	<u>(4,075)</u>
Total expenditures	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,864,915</u>	<u>79,915</u>
Net change in fund balance	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	(375,687)	<u>\$ (75,687)</u>
Adjustment for encumbrances			<u>(11,924)</u>	
Net change in fund balance (GAAP basis)			(387,611)	
FUND BALANCE at beginning of year (GAAP basis)			<u>1,787,325</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 1,399,714</u>	
<b>EXPLANATION OF DIFFERENCES</b>				
<b>REVENUES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,489,228	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,489,228</u>	
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,864,915	
Adjustment for encumbrances			<u>11,924</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,876,839</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

COMMUNITY DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 4,334,590	\$ 4,334,590	\$ 2,828,546	\$ (1,506,044)
Investment income	-	-	2,842	2,842
Miscellaneous	<u>1,335,000</u>	<u>1,335,000</u>	<u>1,107,845</u>	<u>(227,155)</u>
Total revenues	<u>5,669,590</u>	<u>5,669,590</u>	<u>3,939,233</u>	<u>(1,730,357)</u>
<b>EXPENDITURES</b>				
Community development projects	4,577,610	4,577,610	2,789,934	(1,787,676)
Administration	501,930	501,930	513,269	11,339
Capital outlay	<u>2,500</u>	<u>2,500</u>	-	<u>(2,500)</u>
Total expenditures	<u>5,082,040</u>	<u>5,082,040</u>	<u>3,303,203</u>	<u>(1,778,837)</u>
Excess of revenues over expenditures	587,550	587,550	636,030	48,480
<b>OTHER FINANCING USES</b>				
Issuance of notes	-	-	4,576,000	4,576,000
Transfers out	<u>(2,941,733)</u>	<u>(2,941,733)</u>	<u>(2,991,950)</u>	<u>(50,217)</u>
Net change in fund balance	<u>\$ (2,354,183)</u>	<u>\$ (2,354,183)</u>	2,220,080	<u>\$ (1,737)</u>
Adjustment for encumbrances			<u>13,783</u>	
Net change in fund balance (GAAP basis)			2,233,863	
FUND BALANCE at beginning of year (GAAP basis)			<u>1,202,112</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 3,435,975</u>	
<b>EXPLANATION OF DIFFERENCES</b>				
<b>REVENUES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 3,939,233	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 3,939,233</u>	
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 3,303,203	
Adjustment for encumbrances			<u>(13,783)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 3,289,420</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

HOTEL/MOTEL TAX FUND

BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 3,750,000	\$ 3,750,000	\$ 4,067,597	\$ 317,597
Investment income	-	-	87,495	87,495
Total revenues	<u>3,750,000</u>	<u>3,750,000</u>	<u>4,155,092</u>	<u>405,092</u>
EXPENDITURES				
Contracted services	<u>105,000</u>	<u>105,000</u>	<u>110,475</u>	<u>5,475</u>
Total expenditures	<u>105,000</u>	<u>105,000</u>	<u>110,475</u>	<u>5,475</u>
Excess of revenues over expenditures	3,645,000	3,645,000	4,044,617	399,617
OTHER FINANCING USES				
Transfers out	<u>(3,841,151)</u>	<u>(3,841,151)</u>	<u>(3,841,150)</u>	<u>1</u>
Net change in fund balance	<u>\$ (196,151)</u>	<u>\$ (196,151)</u>	203,467	<u>\$ 399,618</u>
Adjustment for encumbrances			-	
Net change in fund balance (GAAP basis)			203,467	
FUND BALANCE at beginning of year (GAAP basis)			<u>871,953</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 1,075,420</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,155,092	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,155,092</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 110,475	
Adjustment for encumbrances			-	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 110,475</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

RIVER PIER GARAGE FUND

BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
SRC parking garage income	\$ 180,000	\$ 180,000	\$ 212,492	\$ 32,492
Total revenues	180,000	180,000	212,492	32,492
<b>EXPENDITURES</b>				
Contracted services	146,000	146,000	162,688	16,688
Total expenditures	146,000	146,000	162,688	16,688
Net change in fund balance	\$ 34,000	\$ 34,000	49,804	\$ 15,804
Adjustment for encumbrances			-	
Net change in fund balance (GAAP basis)			49,804	
FUND BALANCE at beginning of year (GAAP basis)			(63,418)	
FUND BALANCE at end of year (GAAP basis)			\$ (13,614)	
<b>EXPLANATION OF DIFFERENCES</b>				
<b>REVENUES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 212,492	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			\$ 212,492	
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 162,688	
Adjustment for encumbrances			-	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			\$ 162,688	

CITY OF CHATTANOOGA, TENNESSEE

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Hamilton County, Tennessee funds	\$ 1,269,740	\$ 1,269,740	\$ 1,269,740	\$ -
Investment income	-	-	19,244	19,244
911 reimbursement	200,000	200,000	200,000	-
Miscellaneous	-	-	11,232	11,232
Total revenues	<u>1,469,740</u>	<u>1,469,740</u>	<u>1,500,216</u>	<u>30,476</u>
<b>EXPENDITURES</b>				
Principal retirement	8,383,643	8,383,643	10,839,021	2,455,378
Interest	6,845,340	6,845,340	6,873,641	28,301
Fiscal charges	70,000	70,000	100,087	30,087
Total expenditures	<u>15,298,983</u>	<u>15,298,983</u>	<u>17,812,749</u>	<u>2,513,766</u>
Deficiency of revenues under expenditures	(13,829,243)	(13,829,243)	(16,312,533)	(2,483,290)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>16,369,060</u>	<u>16,369,060</u>	<u>16,365,972</u>	<u>(3,088)</u>
Net change in fund balance	<u>\$ 2,539,817</u>	<u>\$ 2,539,817</u>	53,439	<u>\$ (2,486,378)</u>
FUND BALANCE at beginning of year			<u>8,871,564</u>	
FUND BALANCE at end of year			<u>\$ 8,925,003</u>	
<b>EXPLANATION OF DIFFERENCES</b>				
<b>REVENUES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 1,500,216	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 1,500,216</u>	
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 17,812,749	
Differences - none			<u>-</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 17,812,749</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, 2008

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	Interest Rate	Maturity Date	Amount
<b>GENERAL FUND</b>			
First Tennessee	2.30%	07/07/08	\$ 2,370,000
<b>SPECIAL REVENUE FUNDS</b>			
First Tennessee	2.40%	07/03/08	2,285,877
First Tennessee	2.30%	07/07/08	51,099
First Tennessee	2.30%	07/28/08	436,000
<b>ENTERPRISE FUNDS</b>			
Electric Power Board			
First Tennessee	2.62%	07/30/08	3,000,000
First Tennessee	2.80%	09/01/08	1,200,000
First Tennessee	2.60%	09/30/08	1,000,000
First Tennessee	2.80%	08/31/08	3,006,000
Suntrust	2.43%	07/14/08	2,000,000
Suntrust	2.45%	08/29/08	10,000,000
Solid Waste/Sanitation Fund			
First Tennessee	2.60%	07/01/08	5,529,235
Total certificates of deposit			\$30,878,211

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF INVESTMENTS BY FUND  
June 30, 2008

	Interest Rate	Maturity Date	Amount
<b>GENERAL FUND</b>			
Federal Home Loan Bank	2.19%	04/20/09	\$ 39,296,148
Certificate of Deposit	2.70%	04/07/09	455,587
<b>CAPITAL PROJECTS</b>			
Certificate of Deposit	2.50%	07/03/08	1,506,048
Certificate of Deposit	2.70%	07/10/08	3,499,902
Certificate of Deposit	2.65%	11/05/08	479,679
Certificate of Deposit	2.85%	12/16/08	1,028,638
Certificate of Deposit	3.15%	05/26/09	1,582,008
<b>SPECIAL REVENUE FUNDS</b>			
State Street Aid			
Certificate of Deposit	2.50%	07/03/08	522,031
Certificate of Deposit	2.80%	04/02/09	379,000
Certificate of Deposit	2.90%	05/28/09	300,000
Hotel/Motel Tax			
Certificate of Deposit	2.45%	07/03/08	247,152
Total governmental fund investments, excluding permanent funds			<u>\$ 49,296,193</u>
<b>ENTERPRISE FUNDS</b>			
Electric Power Board			
Federal Home Loan Bank	4.25%	06/11/10	\$ 5,836,000
Federal Home Loan Bank	4.38%	10/22/10	5,854,000
Federal Home Loan Mortgage Corp.	7.00%	03/15/10	6,097,000
Federal Home Loan Mortgage Corp.	2.38%	05/28/10	5,641,000
Federal Home Loan Mortgage Corp.	5.13%	08/23/10	5,942,000
Federal Home Loan Mortgage Corp.	6.88%	09/15/10	6,153,000
Federal Home Loan Mortgage Corp.	4.75%	01/18/11	5,909,000
Federal Home Loan Mortgage Corp.	3.25%	02/25/11	5,695,000
Federal Home Loan Mortgage Corp.	5.63%	03/15/11	6,033,000
Federal Home Loan Mortgage Corp.	6.00%	06/15/11	6,083,000
Federal National Mortgage Association	3.25%	02/10/10	5,316,000
Federal National Mortgage Association	2.50%	04/09/10	5,666,000
Federal National Mortgage Association	3.00%	07/12/10	5,700,000
Federal National Mortgage Association	6.63%	11/15/10	6,149,000
Federal National Mortgage Association	4.75%	12/15/10	5,906,000
Federal National Mortgage Association	5.13%	04/15/11	5,954,000
Federal National Mortgage Association	6.00%	05/15/11	6,097,000
Certificate of Deposit	2.65%	08/29/08	3,000,000
Certificate of Deposit	2.68%	09/28/08	3,000,000
Certificate of Deposit	2.70%	10/28/08	3,000,000
Certificate of Deposit	2.72%	11/27/08	3,000,000
Certificate of Deposit	2.73%	12/27/08	3,000,000
Certificate of Deposit	2.75%	01/26/09	3,000,000
Certificate of Deposit	2.77%	02/25/09	3,000,000
Certificate of Deposit	2.79%	04/01/09	3,000,000
Certificate of Deposit	2.85%	05/01/09	3,015,000
Certificate of Deposit	3.43%	06/12/09	6,000,000
Certificate of Deposit	3.39%	07/20/09	5,000,000
Certificate of Deposit	3.43%	08/20/09	5,000,000
Certificate of Deposit	3.53%	09/12/09	6,000,000
Certificate of Deposit	3.49%	10/20/09	5,000,000
Certificate of Deposit	3.53%	11/20/09	5,000,000
Certificate of Deposit	3.63%	12/12/09	6,000,000
Interceptor Sewer Fund			
Federal Home Loan Bank	2.19%	04/20/09	24,914,810
Certificate of Deposit	2.50%	07/03/08	1,548,391
Certificate of Deposit	2.70%	07/10/08	7,000,000
Certificate of Deposit	2.50%	07/10/08	2,700,000
Solid Waste/Sanitation Fund			
Federal Home Loan Bank	2.19%	04/20/09	4,730,871
Federal Home Loan Bank	4.95%	07/21/08	514,829
Federal Home Loan Bank	4.95%	09/10/08	154,175
Federal National Mortgage Association	4.95%	08/15/08	634,265
Total enterprise fund investments			<u>\$ 207,243,341</u>

CITY OF CHATTANOOGA, TENNESSEE

COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE  
Year Ended June 30, 2008

Tax Year (1)	Property Taxes Receivable Balance June 30, 2007	Property Taxes Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2008	Allowance for Uncollectibles	Net Receivable Balance June 30, 2008
2008	\$ -	\$ -	\$86,479,119	\$ -	\$ -	\$ 86,479,119	\$ -	\$ 86,479,119
2007	-	89,153,731	-	(23,094)	85,019,277	4,111,361	678,031	3,433,330
2006	3,554,707	-	-	128,366	2,379,407	1,303,666	409,782	893,884
2005	1,394,626	-	-	(1,959)	551,220	841,447	456,951	384,496
2004	785,908	-	-	(45,646)	419,948	320,314	277,046	43,268
2003	290,516	-	-	(8,465)	42,931	239,120	230,948	8,172
2002	364,624	-	-	(9,754)	32,572	322,298	322,298	-
2001	511,130	-	-	(3,451)	17,134	490,545	490,545	-
2000	238,867	-	-	(1,017)	2,206	235,644	235,644	-
1999	214,404	-	-	(126)	1,310	212,968	212,968	-
1998	222,134	-	-	-	1,377	220,757	220,757	-
Totals	<u>\$ 7,576,916</u>	<u>\$89,153,731</u>	<u>\$86,479,119</u>	<u>\$ 34,854</u>	<u>\$88,467,382</u>	<u>\$ 94,777,239</u>	<u>\$ 3,534,970</u>	<u>\$ 91,242,269</u>

Note:

- (1) All years prior to 2006 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, 2008

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>GOVERNMENTAL ACTIVITIES</b>			
2009	\$ 12,096,824	\$ 13,866,657	\$ 25,963,481
2010	12,836,866	13,394,798	26,231,664
2011	12,538,379	12,857,919	25,396,298
2012	11,440,611	12,336,936	23,777,547
2013	11,120,295	11,818,074	22,938,369
2014	11,272,043	11,313,152	22,585,195
2015	11,851,056	10,781,583	22,632,639
2016	12,239,265	10,208,007	22,447,272
2017	11,933,641	9,629,306	21,562,947
2018	12,597,205	9,044,292	21,641,497
2019	11,233,951	8,425,006	19,658,957
2020	11,668,402	7,853,747	19,522,149
2021	12,388,601	7,301,535	19,690,136
2022	13,043,748	6,642,883	19,686,631
2023	13,732,175	5,964,271	19,696,446
2024	13,159,340	5,239,433	18,398,773
2025	13,260,123	4,530,518	17,790,641
2026	14,030,426	3,797,262	17,827,688
2027	11,944,267	3,020,537	14,964,804
2028	11,606,391	2,356,134	13,962,525
2029	12,360,579	1,661,389	14,021,968
2030	13,171,490	911,572	14,083,062
2031	4,515,000	112,875	4,627,875
	<u>276,040,678</u>	<u>173,067,886</u>	<u>449,108,564</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
2009	\$ 17,468,368	\$ 17,681,014	\$ 35,149,382
2010	16,567,918	18,656,860	35,224,778
2011	15,323,142	17,947,770	33,270,912
2012	13,508,713	17,292,907	30,801,620
2013	13,964,333	16,675,558	30,639,891
2014	16,041,274	16,047,867	32,089,141
2015	17,329,696	15,347,039	32,676,735
2016	16,713,146	14,594,641	31,307,787
2017	18,416,769	13,837,389	32,254,158
2018	19,170,502	13,037,065	32,207,567
2019	18,389,436	12,194,940	30,584,376
2020	13,942,399	11,467,049	25,409,448
2021	14,311,805	10,855,988	25,167,793
2022	14,939,591	10,204,656	25,144,247
2023	15,594,584	9,523,682	25,118,266
2024	16,296,821	8,807,100	25,103,921
2025	16,524,550	8,061,381	24,585,931
2026	14,973,360	7,327,977	22,301,337
2027	15,043,360	6,585,667	21,629,027
2028	15,485,000	5,837,000	21,322,000
2029	16,245,000	5,059,000	21,304,000
2030	17,045,000	4,242,000	21,287,000
2031	17,880,000	3,383,000	21,263,000
2032	18,760,000	2,480,000	21,240,000
2033	19,685,000	1,526,000	21,211,000
2034	20,670,000	517,000	21,187,000
	<u>430,289,767</u>	<u>269,190,550</u>	<u>699,480,317</u>
Total primary government indebtedness	<u>\$ 706,330,445</u>	<u>\$ 442,258,436</u>	<u>\$1,148,588,881</u>

CITY OF CHATTANOOGA, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2008

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	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
COMPONENT UNITS			
2009	\$ 3,025,000	\$ 7,123,836	\$ 10,148,836
2010	3,900,000	6,930,536	10,830,536
2011	4,030,000	6,723,399	10,753,399
2012	4,260,000	6,505,141	10,765,141
2013	4,465,000	6,283,161	10,748,161
2014	4,690,000	6,046,056	10,736,056
2015	4,930,000	5,791,881	10,721,881
2016	5,190,000	5,521,561	10,711,561
2017	5,470,000	5,234,736	10,704,736
2018	5,765,000	4,924,533	10,689,533
2019	6,080,000	4,589,659	10,669,659
2020	7,630,000	4,178,338	11,808,338
2021	5,405,000	3,890,266	9,295,266
2022	5,700,000	3,575,914	9,275,914
2023	6,035,000	3,233,189	9,268,189
2024	6,385,000	2,870,391	9,255,391
2025	6,755,000	2,486,490	9,241,490
2026	7,155,000	2,132,609	9,287,609
2027	7,465,000	1,812,797	9,277,797
2028	7,275,000	1,467,625	8,742,625
2029	8,155,000	1,081,875	9,236,875
2030	8,565,000	663,875	9,228,875
2031	<u>8,995,000</u>	<u>224,875</u>	<u>9,219,875</u>
Total component units indebtedness	<u>\$137,325,000</u>	<u>\$ 93,292,743</u>	<u>\$230,617,743</u>

CITY OF CHATTANOOGA, TENNESSEE  
ANALYSIS OF GENERAL OBLIGATION DEBT  
June 30, 2008

	Outstanding July 1, 2007	Interest Paid FY 2007-2008	Issued FY 2007-2008	Retired FY 2007-2008	Outstanding June 30, 2008	Maturing FY 2008-2009	Interest Payable FY 2008-2009
<b>GOVERNMENTAL ACTIVITIES</b>							
Serial bonds:							
1998 Public Improvement Refunding	\$ 7,000,400	\$ 372,743	\$ -	\$ 220,000	\$ 6,780,400	\$ 1,413,900	\$ 328,361
2001 Municipal Public Improvement	2,255,000	112,250	-	1,100,000	1,155,000	1,155,000	57,750
2002 Municipal Improvement Refunding	6,880,000	316,963	-	640,000	6,240,000	665,000	291,381
2002 Series A Refunding	3,297,298	113,720	-	632,337	2,664,961	625,241	94,075
2002 Hotel-Motel Tax Pledge	48,985,000	2,179,763	-	795,000	48,190,000	870,000	2,154,788
2003 Series A General Obligation	9,780,000	360,926	-	830,000	8,950,000	840,000	336,026
2005 Series A Refunding-General	17,198,392	762,964	-	410	17,197,982	-	762,958
2005 Series A Refunding-Hotel/Motel	5,449,830	240,538	-	850	5,448,980	-	240,525
2006 Series A Municipal Public Improvement	20,732,796	825,424	-	1,036,640	19,696,156	1,036,640	783,959
2007 Series A Municipal Public Refunding	14,520,000	602,516	-	-	14,520,000	-	690,805
Total serial bonds	<u>136,098,716</u>	<u>5,887,807</u>	<u>-</u>	<u>5,255,237</u>	<u>130,843,479</u>	<u>6,605,781</u>	<u>5,740,628</u>
Notes payable:							
1997 Tennessee Municipal Bond Fund	3,364,023	104,573	-	603,000	2,761,023	636,000	110,441
1999 Fire Hall Land Note	28,266	2,553	-	3,086	25,180	3,392	2,247
2003 Fannie Mae American Communities Fund	2,752,555	183,546	-	2,752,555	-	-	-
2003 Tennessee Municipal Bond Fund	3,801,905	117,644	438,095	327,760	3,912,240	338,655	105,630
2004 Tennessee Municipal Bond Fund	17,645,517	552,080	3,431,541	1,057,482	20,019,576	1,085,799	540,529
2008 Hennen Land Note	-	-	555,986	6,582	549,404	111,197	-
2008 Petros Land Note	-	-	1,000,000	250,000	750,000	250,000	-
2008 HUD Section 108 Loan Program	-	-	4,576,000	-	4,576,000	-	124,823
Total notes payable	<u>27,592,266</u>	<u>960,396</u>	<u>10,001,622</u>	<u>5,000,465</u>	<u>32,593,423</u>	<u>2,425,043</u>	<u>883,670</u>
Capital leases payable:							
CDRC Capital Lease	113,738,737	7,376,176	-	2,326,799	111,411,938	2,474,321	7,225,279
800 MHz Equipment Capital Lease	1,775,158	25,439	-	583,320	1,191,838	591,679	17,080
Total capital leases payable	<u>115,513,895</u>	<u>7,401,615</u>	<u>-</u>	<u>2,910,119</u>	<u>112,603,776</u>	<u>3,066,000</u>	<u>7,242,359</u>
Total governmental activities	<u>279,204,877</u>	<u>14,249,818</u>	<u>10,001,622</u>	<u>13,165,821</u>	<u>276,040,678</u>	<u>12,096,824</u>	<u>13,866,657</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
ANALYSIS OF GENERAL OBLIGATION DEBT  
June 30, 2008

(continued from previous page)

	Outstanding July 1, 2007	Interest Paid FY 2007-2008	Issued FY 2007-2008	Retired FY 2007-2008	Outstanding June 30, 2008	Maturing FY 2008-2009	Interest Payable FY 2008-2009
<b>BUSINESS-TYPE ACTIVITIES</b>							
<b>Interceptor Sewer System:</b>							
Serial bonds -							
1998 Municipal Public Improvement - Refunding	\$ 12,469,900	\$ 637,849	\$ -	\$ 860,000	\$ 11,609,900	\$ 857,800	\$ 592,759
2002 Municipal Public Improvement - Refunding	18,473,961	845,653	-	885,191	17,588,770	2,431,007	779,329
2002 Series A Refunding	17,612,702	607,442	-	3,377,663	14,235,039	3,339,759	502,506
2003 Series B Sewer and Sewage Refunding	4,490,000	140,425	-	2,320,000	2,170,000	2,170,000	70,525
2005 Series A Refunding	<u>12,469,136</u>	<u>572,282</u>	<u>-</u>	<u>1,454,220</u>	<u>11,014,916</u>	<u>-</u>	<u>550,468</u>
Total serial bonds	<u>65,515,699</u>	<u>2,803,651</u>	<u>-</u>	<u>8,897,074</u>	<u>56,618,625</u>	<u>8,798,566</u>	<u>2,495,587</u>
Notes payable -							
1992 State Revolving Loan	996,465	36,761	-	159,949	836,516	166,434	30,282
Northwest Georgia Sewer Expansion Project	5,032,521	196,588	-	316,830	4,715,691	329,695	183,723
2003 State Revolving Loan	<u>37,426,666</u>	<u>1,093,368</u>	<u>-</u>	<u>1,614,684</u>	<u>35,811,982</u>	<u>1,663,464</u>	<u>1,044,588</u>
Total notes payable	<u>43,455,652</u>	<u>1,326,717</u>	<u>-</u>	<u>2,091,463</u>	<u>41,364,189</u>	<u>2,159,593</u>	<u>1,258,593</u>
Capital leases payable -							
2001 Capital Lease City of Collegedale	<u>193,543</u>	<u>11,417</u>	<u>-</u>	<u>22,245</u>	<u>171,298</u>	<u>23,575</u>	<u>10,078</u>
Total capital leases payable	<u>193,543</u>	<u>11,417</u>	<u>-</u>	<u>22,245</u>	<u>171,298</u>	<u>23,575</u>	<u>10,078</u>
Total Interceptor Sewer System	<u>109,164,894</u>	<u>4,141,785</u>	<u>-</u>	<u>11,010,782</u>	<u>98,154,112</u>	<u>10,981,734</u>	<u>3,764,258</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
ANALYSIS OF GENERAL OBLIGATION DEBT  
June 30, 2008

(continued from previous page)

	Outstanding July 1, 2007	Interest Paid FY 2007-2008	Issued FY 2007-2008	Retired FY 2007-2008	Outstanding June 30, 2008	Maturing FY 2008-2009	Interest Payable FY 2008-2009
BUSINESS-TYPE ACTIVITIES (continued)							
Solid Waste/Sanitation Fund:							
Serial bonds -							
1998 Municipal Public Improvement - Refunding	\$ 3,686,100	\$ 202,736	\$ -	\$ -	\$ 3,686,100	\$ 1,155,600	\$ 170,957
2001 Municipal Public Bond	380,000	19,500	-	185,000	195,000	195,000	9,750
2002 Municipal Public Improvement - Refunding	5,700,814	287,398	-	5,614	5,695,200	837,860	270,529
2005 Series A - Refunding	9,794,893	445,054	-	800,804	8,994,089	-	433,042
2006 Series A Municipal Public Improvement	5,667,204	225,626	-	283,360	5,383,844	283,360	214,291
2007 Series A Municipal Public Refunding	2,480,000	102,914	-	-	2,480,000	-	117,990
Total serial bonds	<u>27,709,011</u>	<u>1,283,228</u>	<u>-</u>	<u>1,274,778</u>	<u>26,434,233</u>	<u>2,471,820</u>	<u>1,216,559</u>
Notes payable -							
2003 Tennessee Municipal Bond Fund	430,000	13,136	-	33,240	396,760	34,345	10,713
2004 Tennessee Municipal Bond Fund	540,000	16,581	-	25,518	514,482	26,201	13,891
Total notes payable	<u>970,000</u>	<u>29,717</u>	<u>-</u>	<u>58,758</u>	<u>911,242</u>	<u>60,546</u>	<u>24,604</u>
Total Solid Waste/Sanitation Fund	<u>28,679,011</u>	<u>1,312,945</u>	<u>-</u>	<u>1,333,536</u>	<u>27,345,475</u>	<u>2,532,366</u>	<u>1,241,163</u>
Water Quality Management Fund:							
Serial bonds -							
1998 Municipal Public Improvement - Refunding	2,528,600	139,073	-	-	2,528,600	792,700	117,274
2001 Municipal Public Improvement	115,000	5,750	-	55,000	60,000	60,000	3,000
2002 Municipal Public Improvement - Refunding	4,260,226	214,773	-	4,195	4,256,031	626,135	202,167
2005 Series A - Refunding	6,002,749	274,169	-	598,716	5,404,033	-	265,188
2007 Series A Municipal Public Refunding	750,000	31,123	-	-	750,000	-	35,682
Total serial bonds	<u>13,656,575</u>	<u>664,888</u>	<u>-</u>	<u>657,911</u>	<u>12,998,664</u>	<u>1,478,835</u>	<u>623,311</u>
Notes payable -							
1992 State Revolving Loan	996,465	36,761	-	159,949	836,516	166,433	30,282
Total notes payable	<u>996,465</u>	<u>36,761</u>	<u>-</u>	<u>159,949</u>	<u>836,516</u>	<u>166,433</u>	<u>30,282</u>
Total Water Quality Management Fund	<u>14,653,040</u>	<u>701,649</u>	<u>-</u>	<u>817,860</u>	<u>13,835,180</u>	<u>1,645,268</u>	<u>653,593</u>
Total business-type activities	<u>152,496,945</u>	<u>6,156,379</u>	<u>-</u>	<u>13,162,178</u>	<u>139,334,767</u>	<u>15,159,368</u>	<u>5,659,014</u>
Total general obligation debt	<u>\$431,701,822</u>	<u>\$20,406,197</u>	<u>\$10,001,622</u>	<u>\$26,327,999</u>	<u>\$ 415,375,445</u>	<u>\$27,256,192</u>	<u>\$19,525,671</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, 2008

	Outstanding July 1, 2007	Interest Paid FY 2007-2008	Issued FY 2007-2008	Retired FY 2007-2008	Outstanding June 30, 2008	Maturing FY 2008-2009	Interest Payable FY 2008-2009
<b>PRIMARY GOVERNMENT</b>							
EPB:							
Revenue bonds -							
2000 Electric System Revenue Bonds	\$ 8,000,000	\$ 336,000	\$ -	\$ 1,600,000	\$ 6,400,000	\$ 1,600,000	\$ 264,000
2006A Electric System Refunding Revenue Bonds	40,000,000	1,725,000	-	-	40,000,000	-	1,725,000
2006B Electric System Revenue Bonds	23,430,000	958,000	-	-	23,430,000	-	958,000
2008A Electric System Revenue Bonds	-	-	219,830,000	-	219,830,000	-	9,030,000
Total primary government revenue bonds	<u>71,430,000</u>	<u>3,019,000</u>	<u>219,830,000</u>	<u>1,600,000</u>	<u>289,660,000</u>	<u>1,600,000</u>	<u>11,977,000</u>
Notes payable -							
February 2005 Equipment Note	452,000	17,000	-	162,000	290,000	171,000	8,000
May 2005 Equipment Note	336,000	13,000	-	114,000	222,000	119,000	8,000
June 2005 Equipment Note	287,000	11,000	-	97,000	190,000	102,000	7,000
October 2005 Equipment Note	325,000	13,000	-	110,000	215,000	115,000	8,000
December 2005 Equipment Note	570,000	24,000	-	192,000	378,000	202,000	14,000
Total notes payable	<u>1,970,000</u>	<u>78,000</u>	<u>-</u>	<u>675,000</u>	<u>1,295,000</u>	<u>709,000</u>	<u>45,000</u>
Total primary government	<u>\$ 73,400,000</u>	<u>\$ 3,097,000</u>	<u>\$ 219,830,000</u>	<u>\$ 2,275,000</u>	<u>\$ 290,955,000</u>	<u>\$ 2,309,000</u>	<u>\$ 12,022,000</u>
<b>COMPONENT UNITS</b>							
Metropolitan Airport Authority:							
Revenue bonds -							
2002 Airport Revenue Series A Refunding	\$ 12,625,000	\$ 509,118	\$ -	\$ -	\$ 12,625,000	\$ 115,000	\$ 663,030
2002 Airport Revenue Series B	680,000	28,346	-	680,000	-	-	-
Total metropolitan airport revenue bonds	<u>13,305,000</u>	<u>537,464</u>	<u>-</u>	<u>680,000</u>	<u>12,625,000</u>	<u>115,000</u>	<u>663,030</u>
Chattanooga Downtown Redevelopment Corporation:							
Revenue bonds -							
2000 Chattanooga Lease Rental Revenue Bonds	71,290,000	3,900,427	-	2,700,000	68,590,000	2,835,000	3,761,906
2007 Chattanooga Lease Rental Revenue Refunding Bonds	56,110,000	2,540,382	-	-	56,110,000	75,000	2,698,900
Total Chattanooga Downtown Redevelopment bonds	<u>127,400,000</u>	<u>6,440,809</u>	<u>-</u>	<u>2,700,000</u>	<u>124,700,000</u>	<u>2,910,000</u>	<u>6,460,806</u>
Total component units revenue bonds	<u>\$ 140,705,000</u>	<u>\$ 6,978,273</u>	<u>\$ -</u>	<u>\$ 3,380,000</u>	<u>\$ 137,325,000</u>	<u>\$ 3,025,000</u>	<u>\$ 7,123,836</u>

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2009	1998 Public Improvement Refunding	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>6,780,400</u>	<u>1,184,029</u>	<u>7,964,429</u>
2009	Note Payable - Tennessee Municipal Bond Fund 1997	4.000	636,000	110,441	746,441
2010		4.000	671,000	85,001	756,001
2011		4.000	708,000	58,161	766,161
2012		4.000	746,023	29,841	775,864
			<u>2,761,023</u>	<u>283,444</u>	<u>3,044,467</u>
2009	1999 Fire Hall Land Note	9.500	3,392	2,247	5,639
2010		9.500	3,729	1,910	5,639
2011		9.500	4,099	1,540	5,639
2012		9.500	4,506	1,133	5,639
2013		9.500	4,953	686	5,639
2014		9.500	4,501	198	4,699
			<u>25,180</u>	<u>7,714</u>	<u>32,894</u>
2009	2001 Municipal Public Improvement Bonds	5.000	1,155,000	57,750	1,212,750
			<u>1,155,000</u>	<u>57,750</u>	<u>1,212,750</u>
2009	2002 Public Improvement Refunding	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>6,240,000</u>	<u>1,278,303</u>	<u>7,518,303</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2009	2002A Public Improvement Refunding	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>2,664,961</u>	<u>288,049</u>	<u>2,953,010</u>
2009	2002 Hotel Motel Tax Pledge	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>48,190,000</u>	<u>34,249,071</u>	<u>82,439,071</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2009	2003 Series A General Obligation	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>8,950,000</u>	<u>2,011,352</u>	<u>10,961,352</u>
2009	2003 Note Payable - Tennessee Municipal Bond Fund	2.700	338,655	105,630	444,285
2010		2.700	348,642	96,487	445,129
2011		2.700	360,445	87,073	447,518
2012		2.700	371,341	77,341	448,682
2013		2.700	383,144	67,315	450,459
2014		2.700	395,854	56,970	452,824
2015		2.700	408,565	46,282	454,847
2016		2.700	421,276	35,251	456,527
2017		2.700	434,895	23,877	458,772
2018		2.700	449,423	12,134	461,557
			<u>3,912,240</u>	<u>608,360</u>	<u>4,520,600</u>
2009	CDRC Capital Lease	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>111,411,938</u>	<u>100,354,354</u>	<u>211,766,292</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2009	800 MHZ Equipment Capital Lease	1.433	591,679	17,080	608,759
2010		1.433	600,159	8,601	608,760
			<u>1,191,838</u>	<u>25,681</u>	<u>1,217,519</u>
2009	2004 Note Payable - Tennessee Municipal Bond Fund	2.700	1,085,799	540,529	1,626,328
2010		2.700	1,114,115	511,212	1,625,327
2011		2.700	1,144,385	481,131	1,625,516
2012		2.700	1,174,655	450,232	1,624,887
2013		2.700	1,205,901	418,517	1,624,418
2014		2.700	1,238,123	385,957	1,624,080
2015		2.700	1,271,322	352,528	1,623,850
2016		2.700	1,305,497	318,202	1,623,699
2017		2.700	1,340,649	282,954	1,623,603
2018		2.700	1,375,801	246,757	1,622,558
2019		2.700	1,412,905	209,610	1,622,515
2020		2.700	1,450,986	171,461	1,622,447
2021		2.700	1,489,067	132,285	1,621,352
2022	2.700	1,529,101	92,080	1,621,181	
2023	2.700	1,570,112	50,794	1,620,906	
2024	2.700	311,158	8,401	319,559	
			<u>20,019,576</u>	<u>4,652,650</u>	<u>24,672,226</u>
2009	2005 A Hotel - Motel Tax Refunding	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>5,448,980</u>	<u>2,288,900</u>	<u>7,737,880</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2009	2005 A Public Improvement Refunding	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>17,197,982</u>	<u>5,584,945</u>	<u>22,782,927</u>
2009	2006 A Public Improvement	4.000	1,036,640	783,959	1,820,599
2010		4.000	1,036,640	742,493	1,779,133
2011		4.000	1,036,640	701,028	1,737,668
2012		4.000	1,036,640	659,562	1,696,202
2013		4.000	1,036,640	618,096	1,654,736
2014		4.000	1,036,640	576,631	1,613,271
2015		5.000	1,036,640	535,165	1,571,805
2016		4.000	1,036,640	488,516	1,525,156
2017		4.000	1,036,640	441,868	1,478,508
2018		4.000	1,036,640	400,402	1,437,042
2019		4.125	1,036,640	358,937	1,395,577
2020		4.250	1,036,640	316,823	1,353,463
2021		4.250	1,036,640	273,414	1,310,054
2022		4.000	1,036,640	229,357	1,265,997
2023		4.000	1,036,640	186,595	1,223,235
2024		4.000	1,036,640	145,130	1,181,770
2025		4.000	1,036,640	103,663	1,140,303
2026	4.000	1,036,640	62,198	1,098,838	
2027	4.000	1,036,636	20,733	1,057,369	
			<u>19,696,156</u>	<u>7,644,570</u>	<u>27,340,726</u>
2009	2007 A Public Improvement Refunding	5.000	-	690,805	690,805
2010		5.000	-	690,805	690,805
2011		5.000	-	690,805	690,805
2012		5.000	-	690,805	690,805
2013		5.000	-	690,805	690,805
2014		5.000	-	690,805	690,805
2015		5.000	-	690,805	690,805
2016		5.000	-	690,805	690,805
2017		5.000	-	690,805	690,805
2018		5.000	-	690,805	690,805
2019		5.000	-	690,805	690,805
2020		5.000	-	690,805	690,805
2021		5.000	2,120,000	690,805	2,810,805
2022		4.300	2,235,000	584,805	2,819,805
2023	5.000	2,345,000	488,700	2,833,700	
2024	4.750	2,470,000	371,450	2,841,450	
2025	4.750	2,605,000	254,125	2,859,125	
2026	4.750	2,745,000	130,388	2,875,388	
			<u>14,520,000</u>	<u>10,809,933</u>	<u>25,329,933</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

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**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2009	2008 Hennen Notes Payable	0.000	\$ 111,197	\$ -	\$ 111,197
2010		0.000	111,197	-	111,197
2011		0.000	111,197	-	111,197
2012		0.000	111,197	-	111,197
2013		0.000	<u>104,616</u>	<u>-</u>	<u>104,616</u>
			<u>549,404</u>	<u>-</u>	<u>549,404</u>
2009	2008 Petros Notes Payable	0.000	250,000	-	250,000
2010		0.000	250,000	-	250,000
2011		0.000	<u>250,000</u>	<u>-</u>	<u>250,000</u>
			<u>750,000</u>	<u>-</u>	<u>750,000</u>
2009	2008 Section 108 HUD Loan	4.290	-	124,823	124,823
2010		4.410	305,000	192,233	497,233
2011		4.510	305,000	183,494	488,494
2012		4.600	305,000	173,505	478,505
2013		4.670	305,000	162,434	467,434
2014		4.730	305,000	150,508	455,508
2015		4.800	305,000	138,095	443,095
2016		4.860	305,000	125,178	430,178
2017		4.910	305,000	111,743	416,743
2018		4.970	305,000	97,957	402,957
2019		5.040	305,000	83,957	388,957
2020		5.080	305,000	69,485	374,485
2021		5.120	305,000	54,494	359,494
2022		5.160	305,000	39,229	344,229
2023	5.190	305,000	23,705	328,705	
2024	5.190	<u>306,000</u>	<u>7,941</u>	<u>313,941</u>	
			<u>4,576,000</u>	<u>1,738,781</u>	<u>6,314,781</u>
	Total direct indebtedness		<u>276,040,678</u>	<u>173,067,886</u>	<u>449,108,564</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

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**INTERCEPTOR SEWER SYSTEM**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2009	1998 Public Improvement Refunding	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>11,609,900</u>	<u>3,366,231</u>	<u>14,976,131</u>
2009	Georgia Environmental Facilities Authority	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>4,715,691</u>	<u>1,191,120</u>	<u>5,906,811</u>
2009	General Obligation Sewer Refunding Bonds, Series 2002 Serial Bonds	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	3,076,577	125,571	3,202,148
2015	4.500	1,175,000	26,438	1,201,438	
			<u>17,588,770</u>	<u>2,835,083</u>	<u>20,423,853</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

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**INTERCEPTOR SEWER SYSTEM**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2009	Municipal Public Improvement Refunding, Series 2002A Serial Bonds	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>14,235,039</u>	<u>1,538,627</u>	<u>15,773,666</u>
2009	2003 Series B Sewer Refunding	3.250	2,170,000	70,525	2,240,525
			<u>2,170,000</u>	<u>70,525</u>	<u>2,240,525</u>
2009	2001 Capital Lease City of Collegedale	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>171,298</u>	<u>36,228</u>	<u>207,526</u>
2009	1992 State Revolving Sewer Loan	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>836,516</u>	<u>81,472</u>	<u>917,988</u>
2009	2003 State Revolving Loan	2.980	1,663,464	1,044,588	2,708,052
2010		2.980	1,713,708	994,344	2,708,052
2011		2.980	1,765,476	942,576	2,708,052
2012		2.980	1,818,816	889,236	2,708,052
2013		2.980	1,873,764	834,288	2,708,052
2014		2.980	1,930,368	777,684	2,708,052
2015		2.980	1,988,688	719,364	2,708,052
2016		2.980	2,048,772	659,280	2,708,052
2017		2.980	2,110,668	597,384	2,708,052
2018		2.980	2,174,424	533,628	2,708,052
2019		2.980	2,240,112	467,940	2,708,052
2020		2.980	2,307,792	400,260	2,708,052
2021		2.980	2,377,512	330,540	2,708,052
2022		2.980	2,449,332	258,720	2,708,052
2023	2.980	2,523,336	184,716	2,708,052	
2024	2.980	2,599,560	108,492	2,708,052	
2025	2.980	2,226,190	30,520	2,256,710	
			<u>35,811,982</u>	<u>9,773,560</u>	<u>45,585,542</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

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**INTERCEPTOR SEWER SYSTEM**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2009	2005 Series A Refunding	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>11,014,916</u>	<u>4,728,308</u>	<u>15,743,224</u>
	Total Interceptor Sewer System indebtedness		<u>98,154,112</u>	<u>23,621,154</u>	<u>121,775,266</u>
<b><u>SOLID WASTE/SANITATION FUND</u></b>					
2009	1998 Public Improvement Refunding	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>312,244</u>	<u>3,998,344</u>
2009	2001 General Obligation Bonds	5.000	195,000	9,750	204,750
				<u>195,000</u>	<u>9,750</u>
2009	2002 Municipal Public Improvement Refunding	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>5,695,200</u>	<u>930,459</u>	<u>6,625,659</u>
2009	2005 A Municipal Public Improvement Refunding Issue	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>8,994,089</u>	<u>3,554,707</u>	<u>12,548,796</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

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**SOLID WASTE/SANITATION FUND**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2009	2006 A Public Improvement	4.000	\$ 283,360	\$ 214,291	\$ 497,651
2010		4.000	283,360	202,957	486,317
2011		4.000	283,360	191,622	474,982
2012		4.000	283,360	180,288	463,648
2013		4.000	283,360	168,954	452,314
2014		4.000	283,360	157,619	440,979
2015		5.000	283,360	146,285	429,645
2016		4.000	283,360	133,533	416,893
2017		4.000	283,360	120,782	404,142
2018		4.000	283,360	109,448	392,808
2019		4.125	283,360	98,113	381,473
2020		4.250	283,360	86,602	369,962
2021		4.250	283,360	74,736	358,096
2022		4.000	283,360	62,693	346,053
2023		4.000	283,360	51,005	334,365
2024		4.000	283,360	39,670	323,030
2025		4.000	283,360	28,336	311,696
2026		4.000	283,360	17,002	300,362
2027		4.000	283,364	5,667	289,031
			<u>5,383,844</u>	<u>2,089,603</u>	<u>7,473,447</u>
2009	2007 A Public Improvement	5.000	-	117,990	117,990
2010		5.000	-	117,990	117,990
2011		5.000	-	117,990	117,990
2012		5.000	-	117,990	117,990
2013		5.000	-	117,990	117,990
2014		5.000	-	117,990	117,990
2015		5.000	-	117,990	117,990
2016		5.000	-	117,990	117,990
2017		5.000	-	117,990	117,990
2018		5.000	-	117,990	117,990
2019		5.000	-	117,990	117,990
2020		5.000	-	117,990	117,990
2021		5.000	360,000	117,990	477,990
2022	4.300	380,000	99,990	479,990	
2023	5.000	400,000	83,650	483,650	
2024	4.750	425,000	63,650	488,650	
2025	4.750	445,000	43,462	488,462	
2026	4.750	470,000	22,325	492,325	
			<u>2,480,000</u>	<u>1,846,947</u>	<u>4,326,947</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

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**SOLID WASTE/SANITATION FUND**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2009	2003 Note Payable - Tennessee Municipal Bond Fund	1.540	\$ 34,345	\$ 10,713	\$ 45,058
2010		1.540	35,358	9,785	45,143
2011		1.540	36,555	8,831	45,386
2012		1.540	37,659	7,844	45,503
2013		1.540	38,856	6,827	45,683
2014		1.540	40,146	5,778	45,924
2015		1.540	41,435	4,694	46,129
2016		1.540	42,724	3,575	46,299
2017		1.540	44,105	2,421	46,526
2018		1.540	45,577	1,231	46,808
			<u>396,760</u>	<u>61,699</u>	<u>458,459</u>
2009	2004 Note Payable - Tennessee Municipal Bond Fund	1.540	26,201	13,891	40,092
2010		1.540	26,885	13,184	40,069
2011		1.540	27,615	12,458	40,073
2012		1.540	28,345	11,712	40,057
2013		1.540	29,099	10,947	40,046
2014		1.540	29,875	10,161	40,036
2015		1.540	30,678	9,354	40,032
2016		1.540	31,503	8,526	40,029
2017		1.540	32,351	7,676	40,027
2018		1.540	33,199	6,802	40,001
2019		1.540	34,095	5,906	40,001
2020		1.540	35,014	4,985	39,999
2021		1.540	35,933	4,040	39,973
2022		1.540	36,899	3,070	39,969
2023		1.540	37,888	2,073	39,961
2024	1.540	38,902	1,050	39,952	
			<u>514,482</u>	<u>125,835</u>	<u>640,317</u>
	Total Solid Waste/Sanitation Fund indebtedness		<u>27,345,475</u>	<u>8,931,244</u>	<u>36,276,719</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

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**WATER QUALITY MANAGEMENT FUND**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2009	1992 State Revolving Sewer Loan	3.980	\$ 166,433	\$ 30,282	\$ 196,715
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	129,207	1,936	131,143
			<u>836,516</u>	<u>81,472</u>	<u>917,988</u>
2009	2001 General Obligation Bonds	5.000	<u>60,000</u>	<u>3,000</u>	<u>63,000</u>
			<u>60,000</u>	<u>3,000</u>	<u>63,000</u>
2009	1998 Public Improvement Refunding	5.500	792,700	117,274	909,974
2010		5.500	841,600	72,331	913,931
2011		5.500	<u>894,300</u>	<u>24,593</u>	<u>918,893</u>
			<u>2,528,600</u>	<u>214,198</u>	<u>2,742,798</u>
2009	2002 Public Improvement Refinancing	5.000	626,136	202,167	828,303
2010		5.375	653,401	173,309	826,710
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	<u>803,380</u>	<u>20,085</u>	<u>823,465</u>
			<u>4,256,031</u>	<u>695,335</u>	<u>4,951,366</u>
2009	2005 A Municipal Public Improvement Refunding Issue	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	135,563	1,126,840
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	<u>96,318</u>	<u>1,987</u>	<u>98,305</u>	
			<u>5,404,033</u>	<u>2,228,909</u>	<u>7,632,942</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

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**WATER QUALITY MANAGEMENT FUND**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2009	2007 A Public Improvement	5.000	\$ -	\$ 35,682	\$ 35,682
2010		5.000	-	35,682	35,682
2011		5.000	-	35,682	35,682
2012		5.000	-	35,682	35,682
2013		5.000	-	35,682	35,682
2014		5.000	-	35,682	35,682
2015		5.000	-	35,682	35,682
2016		5.000	-	35,682	35,682
2017		5.000	-	35,682	35,682
2018		5.000	-	35,682	35,682
2019		5.000	-	35,682	35,682
2020		5.000	-	35,682	35,682
2021		5.000	110,000	35,682	145,682
2022		4.300	115,000	30,183	145,183
2023		5.000	120,000	25,238	145,238
2024		4.750	130,000	19,238	149,238
2025		4.750	135,000	13,063	148,063
2026		4.750	140,000	6,650	146,650
			<u>750,000</u>	<u>558,238</u>	<u>1,308,238</u>
	Total Water Quality Management Fund indebtedness		<u>13,835,180</u>	<u>3,781,152</u>	<u>17,616,332</u>
		<b><u>EPB</u></b>			
2009	2000 Electric System Revenue Bonds	4.500	1,600,000	264,000	1,864,000
2010		4.600	1,600,000	191,000	1,791,000
2011		4.625	1,600,000	117,000	1,717,000
2012		5.000	1,600,000	40,000	1,640,000
			<u>6,400,000</u>	<u>612,000</u>	<u>7,012,000</u>
2009	2006 A Electric System Revenue Bonds	4.000	-	1,725,000	1,725,000
2010		4.000	1,070,000	1,704,000	2,774,000
2011		4.000	1,110,000	1,661,000	2,771,000
2012		4.000	1,150,000	1,616,000	2,766,000
2013		4.000	1,195,000	1,569,000	2,764,000
2014		5.000	1,245,000	1,514,000	2,759,000
2015		4.125	1,295,000	1,456,000	2,751,000
2016		4.125	1,345,000	1,401,000	2,746,000
2017		4.125	1,400,000	1,345,000	2,745,000
2018		4.125	1,460,000	1,286,000	2,746,000
2019		4.125	1,520,000	1,224,000	2,744,000
2020		4.250	1,585,000	1,159,000	2,744,000
2021		4.250	1,655,000	1,090,000	2,745,000
2022		4.375	1,730,000	1,017,000	2,747,000
2023		4.500	1,805,000	939,000	2,744,000
2024		4.250	1,885,000	858,000	2,743,000
2025		4.375	1,970,000	775,000	2,745,000
2026		4.375	2,060,000	687,000	2,747,000
2027		4.375	2,155,000	595,000	2,750,000
2028		4.375	2,250,000	498,000	2,748,000
2029		4.375	2,355,000	398,000	2,753,000
2030		4.375	2,470,000	292,000	2,762,000
2031		4.500	2,585,000	180,000	2,765,000
2032		4.500	2,705,000	61,000	2,766,000
			<u>40,000,000</u>	<u>25,050,000</u>	<u>65,050,000</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

(continued from previous page)

Fiscal Year Ended June 30	Issue	<b>EPB</b>			Total Interest and Principal
		Interest Rate	Principal	Interest Due	
2009	2006 B Electric System Refunding Revenue Bonds	4.000	\$ -	\$ 958,000	\$ 958,000
2010		4.000	-	958,000	958,000
2011		4.000	-	958,000	958,000
2012		4.000	-	958,000	958,000
2013		4.000	1,770,000	922,000	2,692,000
2014		4.000	1,755,000	852,000	2,607,000
2015		4.000	1,745,000	782,000	2,527,000
2016		4.125	1,730,000	711,000	2,441,000
2017		4.125	1,715,000	640,000	2,355,000
2018		4.125	1,705,000	569,000	2,274,000
2019		4.000	1,690,000	501,000	2,191,000
2020		4.000	1,670,000	433,000	2,103,000
2021		4.000	1,655,000	367,000	2,022,000
2022		4.125	1,635,000	300,000	1,935,000
2023		4.125	1,620,000	233,000	1,853,000
2024		4.125	1,600,000	166,000	1,766,000
2025	4.250	1,580,000	100,000	1,680,000	
2026	4.250	1,560,000	33,000	1,593,000	
			<u>23,430,000</u>	<u>10,441,000</u>	<u>33,871,000</u>
2009	Equipment Note February 2005	4.400	171,000	8,000	179,000
2010		4.400	119,000	2,000	121,000
			<u>290,000</u>	<u>10,000</u>	<u>300,000</u>
2009	Equipment Note May 2005	4.610	119,000	8,000	127,000
2010		4.610	103,000	2,000	105,000
			<u>222,000</u>	<u>10,000</u>	<u>232,000</u>
2009	Equipment Note June 2005	4.670	102,000	7,000	109,000
2010		4.670	88,000	2,000	90,000
			<u>190,000</u>	<u>9,000</u>	<u>199,000</u>
2009	Equipment Note October 2005	4.610	115,000	8,000	123,000
2010		4.610	100,000	2,000	102,000
			<u>215,000</u>	<u>10,000</u>	<u>225,000</u>
2009	Equipment Note December 2005	4.950	202,000	14,000	216,000
2010		4.950	176,000	4,000	180,000
			<u>378,000</u>	<u>18,000</u>	<u>396,000</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

(continued from previous page)

Fiscal Year Ended June 30	Issue	<b>EPB</b>			Total Interest and Principal
		Interest Rate	Principal	Interest Due	
2009	2008 A Electric System Revenue Bonds		\$ -	\$ 9,030,000	\$ 9,030,000
2010			-	10,765,000	10,765,000
2011			-	10,765,000	10,765,000
2012			-	10,765,000	10,765,000
2013			-	10,765,000	10,765,000
2014		3.000	3,000,000	10,720,000	13,720,000
2015		4.000	4,000,000	10,595,000	14,595,000
2016		5.000	5,000,000	10,390,000	15,390,000
2017		3.500	6,275,000	10,155,000	16,430,000
2018		4.500	6,575,000	9,897,000	16,472,000
2019		5.000	6,955,000	9,575,000	16,530,000
2020		5.000	7,385,000	9,217,000	16,602,000
2021		5.000	7,835,000	8,836,000	16,671,000
2022		5.000	8,310,000	8,433,000	16,743,000
2023		5.000	8,805,000	8,005,000	16,810,000
2024		5.000	9,335,000	7,551,000	16,886,000
2025		5.000	9,885,000	7,071,000	16,956,000
2026		5.000	10,460,000	6,562,000	17,022,000
2027		5.000	12,605,000	5,985,000	18,590,000
2028		5.000	13,235,000	5,339,000	18,574,000
2029	5.000	13,890,000	4,661,000	18,551,000	
2030	5.000	14,575,000	3,950,000	18,525,000	
2031	5.000	15,295,000	3,203,000	18,498,000	
2032	5.000	16,055,000	2,419,000	18,474,000	
2033	5.000	19,685,000	1,526,000	21,211,000	
2034	5.000	20,670,000	517,000	21,187,000	
			<u>219,830,000</u>	<u>196,697,000</u>	<u>416,527,000</u>
	Total EPB indebtedness		<u>290,955,000</u>	<u>232,857,000</u>	<u>523,812,000</u>
	Total Primary Government Indebtedness		<u>\$706,330,445</u>	<u>\$442,258,436</u>	<u>\$1,148,588,881</u>

(continued on following page)



CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2008

(continued from previous page)

<b>METROPOLITAN AIRPORT AUTHORITY</b>					
Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2009	2002 Series A Refunding Revenue Bonds	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>4,579,995</u>	<u>17,204,995</u>
<b>CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION</b>					
2009	2000 Lease Revenue Bonds	5.000	2,835,000	3,761,906	6,596,906
2010		5.000	2,975,000	3,616,656	6,591,656
2011		5.500	3,125,000	3,456,344	6,581,344
2012		5.000	-	3,370,406	3,370,406
2013		5.125	-	3,370,406	3,370,406
2014		5.250	3,640,000	3,274,856	6,914,856
2015		5.300	3,830,000	3,077,811	6,907,811
2016		5.400	4,035,000	2,867,371	6,902,371
2017		5.400	4,255,000	2,643,541	6,898,541
2018		5.750	4,485,000	2,399,713	6,884,713
2019		5.750	4,740,000	2,134,494	6,874,494
2020		5.500	5,015,000	1,860,306	6,875,306
2021		5.500	5,290,000	1,576,919	6,866,919
2022		5.875	5,580,000	1,267,531	6,847,531
2023		5.875	5,910,000	930,013	6,840,013
2024		5.875	6,255,000	572,666	6,827,666
2025		5.875	6,620,000	194,463	6,814,463
			<u>68,590,000</u>	<u>40,375,402</u>	<u>108,965,402</u>
2009	2007 Lease Revenue Refunding Bonds	4.000	75,000	2,698,900	2,773,900
2010		4.000	75,000	2,695,900	2,770,900
2011		5.000	80,000	2,692,800	2,772,800
2012		5.000	3,395,000	2,606,325	6,001,325
2013		4.000	3,555,000	2,432,575	5,987,575
2014		4.000	90,000	2,341,900	2,431,900
2015		4.000	90,000	2,338,300	2,428,300
2016		4.000	95,000	2,334,600	2,429,600
2017		4.000	100,000	2,330,700	2,430,700
2018		4.000	105,000	2,326,600	2,431,600
2019		4.125	105,000	2,322,400	2,427,400
2020		4.200	110,000	2,318,031	2,428,031
2021		4.250	115,000	2,313,347	2,428,347
2022		4.250	120,000	2,308,383	2,428,383
2023		4.300	125,000	2,303,176	2,428,176
2024		4.300	130,000	2,297,725	2,427,725
2025		4.375	135,000	2,292,028	2,427,028
2026		4.375	7,155,000	2,132,609	9,287,609
2027		5.000	7,465,000	1,812,797	9,277,797
2028		5.000	7,275,000	1,467,625	8,742,625
2029		5.000	8,155,000	1,081,875	9,236,875
2030		5.000	8,565,000	663,875	9,228,875
2031		5.000	8,995,000	224,875	9,219,875
			<u>56,110,000</u>	<u>48,337,346</u>	<u>104,447,346</u>
	Total component unit indebtedness		<u>\$ 137,325,000</u>	<u>\$ 93,292,743</u>	<u>\$ 230,617,743</u>

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CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year			
	2008	2007	2006	2005
<b>Expenses</b>				
Governmental activities:				
General government	\$ 75,282,935	\$ 61,461,251	\$ 60,152,675	\$ 59,850,789
Public safety	72,595,048	68,559,200	64,367,574	63,805,046
Public works	55,935,906	55,075,495	55,077,404	54,323,539
Parks and recreation	17,370,233	15,263,490	13,785,184	13,562,609
Social services	19,072,003	22,080,281	19,199,188	21,530,148
Interest on long-term debt	6,902,290	6,835,471	6,493,154	6,004,530
Total governmental activities expenses	<u>247,158,415</u>	<u>229,275,188</u>	<u>219,075,179</u>	<u>219,076,661</u>
Business-type activities:				
Electric utility	472,115,000	441,556,000	417,792,000	371,630,000
Sewer	37,859,312	35,307,852	35,395,214	33,606,869
Solid waste	4,973,585	4,956,281	4,678,270	4,260,270
Water quality management	5,058,524	4,937,896	4,475,706	4,709,090
Housing management	1,003,096	1,410,217	1,552,119	1,698,166
Total business-type activities expenses	<u>521,009,517</u>	<u>488,168,246</u>	<u>463,893,309</u>	<u>415,904,395</u>
Total primary government expenses	<u>768,167,932</u>	<u>717,443,434</u>	<u>682,968,488</u>	<u>634,981,056</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services -				
General government	11,592,555	11,913,650	9,279,550	8,523,871
Public safety	807,649	298,434	1,121,281	864,536
Public works	2,523,650	1,901,136	2,392,789	2,390,699
Parks and recreation	4,132,026	3,366,016	2,910,484	2,768,211
Social services	1,203,478	117,114	1,163,593	2,997,590
Operating grants and contributions	26,253,573	31,846,034	29,397,005	27,384,160
Capital grants and contributions	29,021,776	15,453,667	14,440,793	17,744,674
Total governmental activities program revenues	<u>75,534,707</u>	<u>64,896,051</u>	<u>60,705,495</u>	<u>62,673,741</u>
Business-type activities:				
Charges for services -				
Electric utility	484,458,000	441,881,000	422,143,000	373,490,000
Sewer	42,473,352	39,217,346	36,509,866	35,976,537
Solid waste	5,171,586	5,563,236	5,475,554	5,881,486
Water quality management	5,627,095	5,549,732	5,730,458	5,491,938
Housing management	751,350	1,168,471	1,204,120	1,367,348
Operating grants and contributions	189,973	175,675	76,532	83,652
Capital grants and contributions	1,668,000	1,853,750	3,379,000	1,893,247
Total business-type activities program revenues	<u>540,339,356</u>	<u>495,409,210</u>	<u>474,518,530</u>	<u>424,184,208</u>
Total primary government program revenues	<u>615,874,063</u>	<u>560,305,261</u>	<u>535,224,025</u>	<u>486,857,949</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

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

(continued from previous page)

	Fiscal Year			
	2008	2007	2006	2005
<b>Net (expense)/revenue:</b>				
Governmental activities	\$ (171,623,708)	\$ (164,379,137)	\$ (158,369,684)	\$ (156,402,920)
Business-type activities	<u>19,329,839</u>	<u>7,240,964</u>	<u>10,625,221</u>	<u>8,279,813</u>
Total primary government net expense	<u>(152,293,869)</u>	<u>(157,138,173)</u>	<u>(147,744,463)</u>	<u>148,123,107</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes:				
Property taxes	91,847,883	89,934,837	87,484,889	89,490,700
Liquor and beer taxes	6,951,057	6,589,468	6,393,852	6,245,169
Gross receipts tax	3,931,405	3,773,166	3,510,891	3,695,782
Franchise tax	2,507,204	1,764,684	1,755,878	1,664,863
Hotel-motel tax	4,067,597	3,747,137	3,640,518	2,583,318
Other taxes	2,605,700	2,542,465	2,471,256	198,958
Unrestricted investment earnings	4,104,441	5,192,979	3,441,171	1,545,737
Grants not allocated to specific programs	53,466,222	52,074,331	49,165,675	48,501,241
Gain on sale of capital assets	-	-	-	81,638
Miscellaneous	3,312,122	-	-	-
Change in equity interest	(439,341)	6,362	8,789,979	-
Endowment contributions	19,306	11,044	500	-
Transfers	<u>4,321,107</u>	<u>44,999</u>	<u>2,458,048</u>	<u>(563,637)</u>
Total governmental activities	<u>176,694,703</u>	<u>165,681,472</u>	<u>169,112,657</u>	<u>153,443,769</u>
Business-type activities:				
Unrestricted investment earnings	5,249,845	5,001,647	3,015,706	1,942,076
Miscellaneous	816,803	108,928	817,415	184,682
Transfers	<u>(4,321,107)</u>	<u>(44,999)</u>	<u>(2,458,048)</u>	<u>563,637</u>
Total business-type activities	<u>1,745,541</u>	<u>5,065,576</u>	<u>1,375,073</u>	<u>2,690,395</u>
Total primary government	<u>178,440,244</u>	<u>170,747,048</u>	<u>170,487,730</u>	<u>156,134,164</u>
<b>Change in Net Assets</b>				
Governmental activities	5,070,995	1,302,335	10,742,973	(2,959,151)
Business-type activities	<u>21,075,380</u>	<u>12,306,540</u>	<u>12,000,294</u>	<u>10,970,208</u>
Total primary government	<u>\$ 26,146,375</u>	<u>\$ 13,608,875</u>	<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

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

	Fiscal Year			
	2008	2007	2006	2005
Governmental activities:				
Invested in capital assets, net of related debt	\$ 1,276,307,361	\$ 1,267,302,733	\$ 1,269,926,195	\$ 1,277,883,814
Restricted	12,295,632	16,780,377	6,312,540	7,713,513
Unrestricted	<u>87,447,291</u>	<u>86,896,179</u>	<u>93,438,219</u>	<u>73,336,654</u>
Total governmental activities net assets	<u>\$ 1,376,050,284</u>	<u>\$ 1,370,979,289</u>	<u>\$ 1,369,676,954</u>	<u>\$ 1,358,933,981</u>
Business-type activities:				
Invested in capital assets, net of related debt (2)	\$ 282,079,374	\$ 478,366,634	\$ 491,351,965	\$ 457,612,822
Restricted	27,646,571	18,789,364	17,944,835	18,300,530
Unrestricted (1)	<u>220,810,923</u>	<u>12,305,490</u>	<u>(12,141,852)</u>	<u>9,241,302</u>
Total business-type activities net assets	<u>\$ 530,536,868</u>	<u>\$ 509,461,488</u>	<u>\$ 497,154,948</u>	<u>\$ 485,154,654</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 1,558,386,735	\$ 1,745,669,367	\$ 1,761,278,160	\$ 1,735,496,636
Restricted	39,942,203	35,569,741	24,257,375	26,014,043
Unrestricted	<u>308,258,214</u>	<u>99,201,669</u>	<u>81,296,367</u>	<u>82,577,956</u>
Total primary government net assets	<u>\$ 1,906,587,152</u>	<u>\$ 1,880,440,777</u>	<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) In 2006, the Solid Waste Fund had a negative, unrestricted net asset balance due to EPA unfunded mandates for an old landfill. EPB also had 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 contributed to the increase in the unrestricted amount in fiscal year 2007.
- (2) In fiscal year 2008, EPB issued \$219,830,000 of revenue bonds which reclassified a large portion of net assets from invested in capital assets net of related debt to unrestricted.

CITY OF CHATTANOOGA, TENNESSEE

GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE  
 LAST FOUR FISCAL YEARS  
 (accrual basis of accounting)

Fiscal Year	Property Tax	Liquor & Beer Tax		Gross Receipts	Other City-Levied Taxes			Total
		Liquor	Beer		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
2007	89,934,837 (1)	1,748,944	4,840,524	3,773,166	1,764,684	3,747,137	2,542,465 (2)	108,351,757
2008	91,847,883 (1)	1,860,774	5,090,283	3,931,405	2,507,204	4,067,597	2,605,700 (2)	111,910,846

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 is included in other taxes. Amounts are as follows: \$(966,533) in 2008, \$968,002 in 2007, \$1,476,590 in 2006, \$1,084,849 in 2005.

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

	Fiscal Year			
	2008	2007	2006	2005
General fund:				
Reserved	\$ 3,535,673	\$ 3,593,931	\$ 4,347,114	\$ 3,473,740
Unreserved -				
Designated	7,812,678	6,509,160	6,557,035	5,000,477
Undesignated	<u>40,746,518</u>	<u>45,027,258</u>	<u>45,138,561</u>	<u>38,975,983</u>
Total general fund	<u>52,094,869</u>	<u>55,130,349</u>	<u>56,042,710</u>	<u>47,450,200</u>
All other governmental funds:				
Reserved	22,488,664	25,499,173	16,086,804	19,730,102
Unreserved, reported in -				
Special revenue funds	10,913,021	10,029,363	10,103,900	10,079,521
Debt service fund	7,032,956	7,548,761	5,842,577	6,471,929
Permanent funds	<u>52,324</u>	<u>47,070</u>	<u>45,786</u>	<u>73,056</u>
Total all other governmental funds	<u>40,486,965</u>	<u>43,124,367</u>	<u>32,079,067</u>	<u>36,354,608</u>
Total governmental funds	<u>\$ 92,581,834</u>	<u>\$ 98,254,716</u>	<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 FOUR FISCAL YEARS  
(modified accrual basis of accounting)

	Fiscal Year			
	2008	2007	2006	2005
<b>Revenues</b>				
Taxes	\$ 109,552,362	\$ 106,062,416	\$ 103,157,615	\$ 103,878,878
Licenses and permits	4,633,755	4,754,390	4,272,090	4,092,969
Intergovernmental	83,610,126	87,768,854	83,117,431	84,821,126
Charges for services	5,227,764	4,760,080	4,292,707	3,916,340
Fines, forfeitures and penalties	2,493,879	1,424,431	1,472,402	1,410,642
Investment income	4,536,219	5,899,679	3,949,483	2,209,234
Contributions and donations	2,568,829	644,561	414,713	3,761,340
Miscellaneous	8,531,832	7,663,218	8,891,546	8,404,282
Total revenues	<u>221,154,766</u>	<u>218,977,629</u>	<u>209,567,987</u>	<u>212,494,811</u>
<b>Expenditures</b>				
General government	65,152,105	65,854,933	63,379,025	65,458,272
Public safety	72,660,880	69,319,262	63,063,290	62,237,355
Public works	35,209,087	33,619,639	32,797,851	31,623,156
Parks and recreation	16,617,304	14,735,418	13,113,632	12,707,873
Community development	3,288,257	5,405,373	3,029,762	3,839,453
Capital outlay	24,352,978	31,430,746	28,294,636	57,463,455
Debt service:				
Principal	10,839,021	8,453,319	7,735,136	5,777,360
Interest	7,007,893	7,215,084	6,402,538	6,498,717
Total expenditures	<u>235,127,525</u>	<u>236,033,774</u>	<u>217,815,870</u>	<u>245,605,641</u>
Excess of revenues over (under) expenditures	<u>(13,972,759)</u>	<u>(17,056,145)</u>	<u>(8,247,883)</u>	<u>(33,110,830)</u>
<b>Other financing sources (uses)</b>				
Transfers in	40,995,521	37,882,821	28,655,193	27,789,202
Transfers out	(41,141,279)	(40,911,869)	(26,197,145)	(28,352,839)
Refunding bonds issued	-	14,520,000	-	22,906,508
Bond Issue	-	20,732,796	-	-
Premium on bonds issued	-	969,489	-	1,319,753
Payments to refunded bond escrow agent	-	(14,906,348)	-	(23,958,331)
Issuance of notes payable	8,445,635	8,902,195	10,106,804	7,339,369
Total other financing sources (uses)	<u>8,299,877</u>	<u>27,189,084</u>	<u>12,564,852</u>	<u>7,043,662</u>
Net change in fund balances	<u>\$ (5,672,882)</u>	<u>\$ 10,132,939</u>	<u>\$ 4,316,969</u>	<u>\$ (26,067,168)</u>
Debt service as a percentage of non-capital expenditures	9.14%	8.24%	7.99%	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 FOUR FISCAL YEARS

Fiscal Year Ended June 30	Real Property			Personalty	Public Utilities	Original Total Taxable Assessed Value(1)(2)	Direct Tax Rate	Estimated Actual Taxable Value(1)	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%
2007	1,362,719,845	1,847,946,530	46,096,515	480,080,854	231,313,627	3,968,157,371	2.202	12,310,849,619	32.23%
2008	1,421,354,257	1,910,417,410	48,320,830	456,098,873	212,569,505	4,048,760,875	2.202	12,906,102,564	31.37%

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 TEN FISCAL YEARS

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Fiscal Year Ended June 30	City of Chattanooga Tax Rate	Hamilton County			Total Tax Rate	Total Direct & Overlapping Rates(1)
		General Fund Tax Rate	School Fund Tax Rate	Road Fund Tax Rate		
1999	2.3100	1.5290	1.3860	0.0170	2.9320	5.2420
2000	2.3100	1.6960	1.8060	0.0170	3.5190	5.8290
2001	2.3100	1.6960	1.8060	0.0170	3.5190	5.8290
2002	2.5160	1.4128	1.6334	0.0148	3.0610	5.5770
2003	2.5160	1.4128	1.6334	0.0148	3.0610	5.5770
2004	2.5160	1.4128	1.6334	0.0148	3.0610	5.5770
2005	2.2020	1.4128	1.6334	0.0148	3.0610	5.2630
2006	2.2020	1.3159	1.5655	0.0126	2.8940	5.0960
2007	2.2020	1.3159	1.5655	0.0126	2.8940	5.0960
2008	2.2020	1.5655	1.5759	0.0126	3.1540	5.3560

Source: [www.hamiltontn.gov/trustee/](http://www.hamiltontn.gov/trustee/)

(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, 2008

Taxpayer	2008			1999		
	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)	\$ 157,529,299	1	3.89%	\$ 98,403,815	1	3.78%
CBL & Associates	61,814,667	2	1.53%	41,870,682	5	1.61%
BellSouth	45,360,488	3	1.12%	54,018,335	3	2.07%
Tennessee-American Water Co.	42,557,330	4	1.05%	32,661,039	6	1.25%
Tennessee Valley Authority (Computer Center)	39,200,680	5	0.97%	43,869,440	4	1.68%
Unum/Provident Ins. Co.	35,113,793	6	0.87%	16,563,470	10	0.64%
BlueCross BlueShield	32,771,073	7	0.81%	20,924,172	8	0.80%
Kenco Group, INC	26,786,416	8	0.66%	-	-	0.00%
Wal Mart	25,757,813	9	0.64%	-	-	0.00%
AGL Resources-Chattanooga Gas	25,737,143	10	0.64%	22,752,217	7	0.87%
Parkridge Medical Center	25,162,493	11	0.62%	-	-	0.00%
INVISTA (Dupont)	24,726,542	12	0.61%	68,073,096	2	2.61%
Covenant Transport	20,436,122	13	0.50%	-	-	0.00%
Tallan Holdings Co.	16,513,680	14	0.40%	-	-	0.00%
Komatsu	16,077,133	15	0.40%	-	-	0.00%
Totals	<u>\$ 595,544,672</u>		<u>14.71%</u>	<u>\$ 399,136,266</u>		<u>15.31%</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 FOUR 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	\$ 29,918	\$ 83,542,251	\$ 79,901,518	95.6%	\$ 3,326,257	\$ 83,227,775	99.6%
2006	85,007,191	(250,265)	84,756,926	81,194,003	95.8%	3,061,502	84,255,505	99.4%
2007	87,378,841	21,164	87,400,005	83,848,154	95.9%	2,379,407	86,227,561	98.7%
2008	89,153,730	(25,857)	89,127,873	85,019,277	95.4%	-	85,019,277	95.4%

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  
GENERAL FUND INTERGOVERNMENTAL REVENUE  
LAST FOUR FISCAL YEARS

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Fiscal Year	County-Wide Sales Tax	City Allocation State Sales Tax	County-Wide Designated Sales Tax	City Allocation State Income Tax	Mixed Drink Tax	Other Revenue	Total
2005	\$ 23,585,866	\$ 9,398,986	\$ 9,615,776	\$ 2,149,036	\$ 1,347,872	\$ 6,256,823	\$ 52,354,359
2006	25,063,557	10,379,781	10,153,916	3,071,346	1,540,706	6,150,412	\$ 56,359,718
2007	26,154,704	11,180,175	10,566,227	4,125,590	1,748,548	5,744,627	59,519,871
2008	26,604,258	11,185,750	10,767,083	4,909,130	1,818,211	5,856,223	61,140,655

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

PROPERTY VALUE AND CONSTRUCTION PERMITS  
LAST FOUR CALENDAR YEARS

Calendar Year (1)	Commercial Construction (2)		Residential Construction (2)		Property Value (3)		
	Number of Permits	Value	Number of Permits	Value	Commercial	Residential	Public Utilities
2004	690	\$226,955,234	1,810	\$ 120,703,243	\$4,026,000,322	\$4,313,292,300	\$383,393,247
2005	808	226,421,856	1,870	162,002,991	4,713,822,750	5,296,293,120	427,785,073
2006	907	234,192,365	1,760	181,022,954	4,839,133,200	5,450,878,720	420,570,231
2007	735	489,134,625	1,652	(4) 184,475,058	5,004,087,050	5,685,416,370	580,059,970

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) Latest information available for the calendar year.
- (2) Source: City of Chattanooga Building Inspection Department. The values are based on the current industry averages as published by the Southern Building Code Congress International (SBCCI).
- (3) Estimated actual values from Property Tax Assessor's Office records.
- (4) The value of the 2007 permits increased while the number of permits decreased as a result of construction of a number of large condominium complexes and the Blue Cross Blue Shield campus.

CITY OF CHATTANOOGA, TENNESSEE

EPB UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS  
LAST TEN FISCAL YEARS

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Fiscal Year Ended June 30	Residential Customers	Cents per KWH	Small Commercial Customers	Cents per KWH	Large Commercial Customers	Cents per KWH	Outdoor Lighting Customers	Cents per KWH	Total Customers	Cents per KWH
1999	133,929	6.41	17,169	7.12	3,007	5.09	148	7.70	154,253	5.70
2000	134,958	6.42	17,703	7.13	3,021	5.06	142	7.76	155,824	5.68
2001	135,988	6.39	18,042	7.14	3,157	5.16	141	7.84	157,328	5.74
2002	136,070	6.43	19,092	7.16	3,159	5.15	141	8.38	158,462	5.75
2003	137,477	6.39	19,307	7.15	3,190	5.28	143	8.12	160,117	5.84
2004	139,126	6.67	19,222	7.45	3,196	5.46	142	8.40	161,686	6.06
2005	140,549	6.81	20,125	7.60	3,204	5.50	139	8.66	164,017	6.15
2006	141,839	7.16	20,331	8.04	3,289	6.09	142	9.21	165,601	6.65
2007	144,288	7.56	19,630	8.46	3,363	6.39	143	9.37	167,424	7.00
2008	145,941	8.14	19,450	9.06	3,438	6.99	141	9.97	168,970	7.59

Source: EPB Financial Reports

Note: Number of customers and rate are the average for the year.

CITY OF CHATTANOOGA, TENNESSEE  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST FOUR 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
2007	136,098,716	27,592,266	115,513,895	106,881,287	45,422,117	193,543	431,701,824	7.89%	2,565
2008	130,843,479	32,593,423	112,603,776	96,051,522	43,111,947	171,298	415,375,445	7.41%	2,445

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 \$289.7 million in revenue bonds and \$1.3 million in equipment notes outstanding as of June 30, 2008. 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 FOUR FISCAL YEARS

Fiscal Year	General Obligation Bonds	Notes and Capital Leases(1)	Less: General Obligation Debt Paid by Legally Restricted Resources									Less: Debt Service Fund Balance	Net Bonded Debt	Percentage of Estimated Actual Taxable Value of Property(2)	Per Capita (3)
			Hotel-Motel Debt	CDRC Capital Lease	Fannie Mae Loan	HUD Sec. 108 Notes	Republic Parking Loan	800 MHz Capital Lease	Sewer Debt	Solid Waste Debt	Water Quality Debt				
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
2007	242,980,000	188,721,819	54,434,830	113,738,737	2,752,555	-	-	1,775,158	109,164,894	28,679,013	14,653,040	8,871,564	97,632,028	0.79%	580
2008	226,895,000	188,480,445	53,638,980	111,411,938	-	4,576,000	-	1,191,838	98,154,112	27,345,475	13,835,180	8,925,003	96,296,919	0.75%	567

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 \$1.3 million in equipment notes outstanding as of June 30, 2008. 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, 2008

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Hamilton County General Obligation Debt	\$ 188,020,662	60.3925%	\$ 113,550,378
Other debt:			
Hamilton County Notes Payable	37,649,201	60.3925%	<u>22,737,308</u>
Subtotal, overlapping debt (1)			136,287,686
City of Chattanooga net direct debt			<u>96,296,919</u>
Total direct and overlapping debt			<u>\$ 232,584,605</u>

Source: Assessed 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 FOUR FISCAL YEARS

	Fiscal Year			
	2008	2007	2006	2005
Debt limit(1)	\$ 404,876,088	\$ 396,815,737	\$ 386,045,296	\$ 331,924,917
Total net debt applicable to limit(2)	<u>96,296,919</u>	<u>97,632,033</u>	<u>77,122,240</u>	<u>75,729,909</u>
Legal debt margin	<u>\$ 308,579,169</u>	<u>\$ 299,183,704</u>	<u>\$ 308,923,056</u>	<u>\$ 256,195,008</u>
Total net debt applicable to the limit as a percentage of debt limit	23.78%	24.60%	19.98%	22.82%
<u>Legal Debt Margin Calculation for Fiscal Year 2008</u>				
Assessed value	\$ 4,048,760,875	\$ 3,968,157,371	\$ 3,860,452,959	\$ 3,319,249,168
Debt limit (10% of total assessed value)	404,876,088	396,815,737	386,045,296	331,924,917
Debt applicable to limit:				
General obligation bonds	105,221,922	106,503,597	84,261,448	82,201,838
Less: amount set aside for repayment of general obligation debt	<u>(8,925,003)</u>	<u>(8,871,564)</u>	<u>(7,139,208)</u>	<u>(6,471,929)</u>
Total net debt applicable to limit	<u>96,296,919</u>	<u>97,632,033</u>	<u>77,122,240</u>	<u>75,729,909</u>
Legal debt margin	<u>\$ 308,579,169</u>	<u>\$ 299,183,704</u>	<u>\$ 308,923,056</u>	<u>\$ 256,195,008</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, 2008

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Estimated population (1)	147,500	145,700	155,554	155,992	155,582	155,289	154,853	154,762	168,293	169,884
Appraised property valuation	\$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	\$12,310,849,619	\$12,906,102,564
Assessed property valuation	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	3,968,157,371	4,048,760,875
Gross indebtedness (2)	237,505,962	223,521,569	258,442,849	244,704,834	427,890,091	434,308,264	428,814,582	417,389,712	431,701,818	415,375,442
Less: Self-supporting indebtedness (3)	190,087,672	179,866,956	178,059,226	169,036,886	344,499,352	353,562,826	346,612,744	333,128,264	325,198,221	310,153,520
Debt Service Fund	<u>2,566,687</u>	<u>2,671,606</u>	<u>4,163,307</u>	<u>5,497,083</u>	<u>4,988,142</u>	<u>5,222,704</u>	<u>6,471,929</u>	<u>7,139,208</u>	<u>8,871,564</u>	<u>8,925,003</u>
Net direct indebtedness	44,851,603	40,983,007	76,220,316	70,170,865	78,402,597	75,522,734	75,729,909	77,122,240	97,632,033	96,296,919
Plus: Estimated net overlapping indebtedness	<u>98,505,368</u>	<u>88,150,782</u>	<u>103,117,962</u>	<u>109,591,857</u>	<u>96,147,876</u>	<u>107,821,749</u>	<u>97,486,316</u>	<u>87,645,429</u>	<u>89,393,466</u>	<u>136,287,686</u>
Net direct and overlapping indebtedness	<u>\$ 143,356,971</u>	<u>\$ 129,133,789</u>	<u>\$ 179,338,278</u>	<u>\$ 179,762,722</u>	<u>\$ 174,550,473</u>	<u>\$ 183,344,483</u>	<u>\$ 173,216,225</u>	<u>\$ 164,767,669</u>	<u>\$ 187,025,499</u>	<u>\$ 232,584,605</u>
Gross debt per capita	\$1,610.21	\$1,534.12	\$1,661.43	\$1,568.70	\$2,750.25	\$2,796.77	\$2,769.17	\$2,696.98	\$2,565.18	\$2,445.05
Net direct debt per capita	304.08	281.28	489.99	449.84	503.93	486.34	489.04	498.33	580.13	566.84
Net direct and overlapping debt per capita	971.91	886.30	1,152.90	1,152.38	1,121.92	1,180.67	1,118.58	1,064.65	1,111.31	1,369.08
Gross debt to appraised valuation	2.99%	2.80%	3.12%	2.50%	4.30%	4.32%	4.15%	3.49%	3.51%	3.22%
Net direct debt to appraised valuation	.56%	.51%	.92%	.72%	.79%	.75%	.73%	.65%	.79%	.75%
Net direct debt and overlapping debt to appraised valuation	1.80%	1.62%	2.17%	1.84%	1.76%	1.82%	1.68%	1.38%	1.52%	1.80%
Gross debt to assessed valuation	9.12%	8.54%	9.47%	7.64%	13.13%	13.42%	12.92%	10.81%	10.88%	10.26%
Net direct debt to assessed valuation	1.72%	1.57%	2.79%	2.19%	2.40%	2.33%	2.28%	2.00%	2.46%	2.38%
Net direct and overlapping debt to assessed valuation	5.51%	4.93%	6.57%	5.61%	5.35%	5.66%	5.22%	4.27%	4.71%	5.74%

(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, HUD Sec. 108 Notes, 800 MHz Equipment Capital Lease

CITY OF CHATTANOOGA, TENNESSEE

REVENUE BOND COVERAGE  
LAST FOUR FISCAL YEARS

Fiscal Year Ended June 30	EPB Revenue Bonds						Times Coverage	
	Total Revenues	(1)	Less:	(2)	Net Available Revenue	Debt Service		
			Operating Expenses			Principal(3)		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
2007	444,347,000		416,580,000		27,767,000	1,600,000	1,658,761	8.5
2008	487,442,000		443,723,000		43,719,000	1,600,000	3,018,881	9.5

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.
- (3) Retired \$1,600,000; refunded \$22,400,000; issued \$63,430,000.

CITY OF CHATTANOOGA, TENNESSEE

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST THREE CALENDAR YEARS

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Calendar Year	Population(1)	Personal	Per Capita	Education Level			Unemployment Rate (3)	
		Income (in thousands)	Income (4)	Median Age (2)	In Years of Formal Schooling (2)	School Enrollment (2)		
2005	154,853	\$ 4,631,963	\$ 29,912	38.1	23.5 %	4 yr. Degree	40,660	4.8%
2006	154,762	4,815,110	31,113	39.1	21.6 %	4 yr. Degree	40,095	5.3%
2007	168,293	5,469,354	32,499	38.8	17.4 %	4 yr. Degree	39,020	4.7%

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) Chattanooga 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	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
BlueCross BlueShield of Tennessee	4,801	1	3.05%	3,622	2	2.54%
Hamilton County Department of Education	4,296	2	2.73%	5,755	1	4.04%
Erlanger Health System	3,621	3	2.30%	3,376	3	2.37%
Memorial Health Care System	3,609	4	2.29%	2,487	7	1.74%
Tennessee Valley Authority	3,500	5	2.22%	3,053	5	2.14%
McKee Foods Corporation	3,200	6	2.03%	3,200	4	2.24%
Unum Group	2,800	7	1.78%	2,195	8	1.54%
Maytag Cleveland Cooking Products	2,500	8	1.59%			
City of Chattanooga	2,317	9	1.47%	2,594	6	1.82%
CIGNA HealthCare	1,850	10	1.18%	1,878	9	1.32%
Parkridge Medical Center				1,624	10	1.14%
<b>Total</b>	<b>32,494</b>		<b>20.62%</b>	<b>29,784</b>		<b>20.88%</b>

Source: Chattanooga Chamber of Commerce and Bureau of Labor Statistics

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

Function	Full-Time Equivalent Positions as of June 30			
	2008	2007	2006	2005
General Government	277	275	266	276
Public Safety				
Police:				
Sworn	472	471	472	472
Civilian	213	212	206	196
Fire:				
Sworn	400	400	400	400
Civilian	17	17	18	18
Public Works	331	333	339	338
Neighborhood Services	36	36	36	-
Parks, Recreation, Arts & Culture	229	226	217	238
Education, Arts and Culture	26	26	24	-
Social Services	289	294	339	340
Interceptor Sewer System	132	124	115	115
Solid Waste/Sanitation	14	13	14	14
Water Quality Management	47	50	49	49
EPB	<u>389</u>	<u>394</u>	<u>402</u>	<u>407</u>
Totals	<u>2,872</u>	<u>2,871</u>	<u>2,897</u>	<u>2,863</u>

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

OPERATING INDICATORS BY FUNCTION  
LAST FOUR FISCAL YEARS

Function	Fiscal Year			
	2008	2007	2006	2005
<b>General Government:</b>				
311 Service Requests Created	72,663	76,101	66,710	77,400
% of Current Tax Levy Collected	95.4	96.0	95.5	95.7
<b>Police:</b>				
Crimes Committed (1)	14,219	13,999	13,843	14,315
Moving/Parking Violations	64,928	98,984	78,052	75,826
Citizen Complaints	35	33	96	102
<b>Fire:</b>				
Emergency Calls	11,849	11,385	10,617	9,899
Inspections	5,978	3,774	2,492	2,586
<b>Public Works:</b>				
Sidewalks Repaired (sq. ft.)	80	335	1,660	3,374
Streets Paved (sq. ft.)	520,896	516,146	632,793	851,511
<b>Parks, Recreation, Arts &amp; Culture:</b>				
Chattanooga Zoo - Attendance	174,093	149,582	125,293	127,974
Recreation Centers - Attendance	567,444	458,331	394,660	400,959
<b>Social Services:</b>				
Children Immunized	897	871	768	875
Households Assisted	4,950	3,268	4,119	6,566
<b>Interceptor Sewer System:</b>				
NPDES Violations	7	5	5	4
Combined Sewer Overflows	100	83	118	119
<b>Solid Waste/Sanitation:</b>				
NPDES Landfill Violations	4	0	4	17
Violation Notices to Industry	59	96	61	44
<b>Water Quality Management:</b>				
311 Service Requests Created	1,798	1,586	1,808	2,559
311 Service Requests Unresolved	52	34	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 FOUR FISCAL YEARS

Function	Fiscal Year			
	2008	2007	2006	2005
General Government:				
City Fleet	1,769	1,709	1,670	1,663
Properties Returned to Tax Rolls	26	0	22	23
Police:				
Stations	3	3	3	3
Patrol Units	450	450	450	450
Fire:				
Stations	17	17	17	17
Ladder Trucks/Fire Engines/Combos	24	24	24	23
Public Works:				
Miles of Paved Streets	1,159	1,154	1,150	1,200
Signalized Intersections	315	314	312	303
Garbage Trucks	21	21	21	21
Knuckleboom Trucks	21	21	21	21
Interceptor Sewer System:				
Miles of Sewer	1,239	1,200	1,200	1,200
Pump Stations	67	67	55	55
Parks, Recreation, Arts & Culture:				
Parks	50	50	50	50
Recreation Centers	16	16	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, 2008

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-07-037085-00	\$ (74,112)	\$ 94,565	\$ 20,453	\$ -	\$ -
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-08-200141-01	-	80,296	110,000	-	(29,704)
Total Emergency Food Assistance Program (Administrative Costs)			(74,112)	174,861	130,453	-	(29,704)
Emergency Food Assistance Program (Food Commodities - Noncash)	10.569	N/A	-	239,401	239,401	-	-
Passed through Tennessee Department of Human Services:							
Child and Adult Care Food Program	10.558	03-47-55915-00-8	(39,593)	362,864	361,909	-	(38,638)
Child and Adult Care Food Program	10.558	03-47-56136-00-6	(17,579)	93,394	91,946	-	(16,131)
Child and Adult Care Food Program	10.558	03-47-60076-00-9	(852)	9,231	9,963	-	(1,584)
Child and Adult Care Food Program	10.558	Program Income	-	26,305	26,305	-	-
Total Child and Adult Care Food Program			(58,024)	491,794	490,123	-	(56,353)
Total U.S. Department of Agriculture			(132,136)	906,056	859,977	-	(86,057)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grants/Entitlement Grants	14.218	B-05-MC-47-0001	(217)	-	-	217	-
Community Development Block Grants/Entitlement Grants	14.218	B-06-MC-47-0001	(877,788)	796,562	123,689	-	(204,915)
Community Development Block Grants/Entitlement Grants	14.218	B-07-MC-47-0001	-	1,409,401	1,907,429	-	(498,028)
Community Development Block Grants/Entitlement Grants	14.218	Program Income	-	545,391	545,391	-	-
Total Community Development Block Grants/Entitlement Grants			(878,005)	2,751,354	2,576,509	217	(702,943)
Emergency Shelter Grants Program	14.231	S-06-MC-47-003	(49,127)	58,176	4,910	(4,139)	-
Emergency Shelter Grants Program	14.231	S-07-MC-47-003	-	71,612	84,675	-	(13,063)
Total Emergency Shelter Grants Program			(49,127)	129,788	89,585	(4,139)	(13,063)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2008

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)							
Shelter Plus Care	14.238	TN37C400010	\$ (77,108)	\$ 96,368	\$ 19,487	\$ -	\$ (227)
Shelter Plus Care	14.238	TN37C600011	-	111,441	133,683	-	(22,242)
Total Shelter Plus Care			<u>(77,108)</u>	<u>207,809</u>	<u>153,170</u>	<u>-</u>	<u>(22,469)</u>
Home Investment Partnerships Program	14.239	M-06-MC-47-0200	(336,378)	336,378	-	-	-
Home Investment Partnerships Program	14.239	M-07-MC-47-0200	-	348,873	550,534	-	(201,661)
Home Investment Partnerships Program	14.239	Program Income	-	557,870	557,870	-	-
Total Home Investment Partnerships Program			<u>(336,378)</u>	<u>1,243,121</u>	<u>1,108,404</u>	<u>-</u>	<u>(201,661)</u>
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-03-SP-TN-0735	-	31,073	31,073	-	-
Total U.S. Department of Housing and Urban Development			<u>(1,340,618)</u>	<u>4,363,145</u>	<u>3,958,741</u>	<u>(3,922)</u>	<u>(940,136)</u>
U.S. DEPARTMENT OF JUSTICE							
Passed through Tennessee Department of Finance and Administration:							
Edward Byrne Memorial Formula Grant Program	16.579	Z-99-088379-00	(6,572)	6,572	-	-	-
Edward Byrne Memorial Formula Grant Program	16.579	Z-99-088436-00	(11,397)	11,397	-	-	-
Edward Byrne Memorial Formula Grant Program	16.579	Z-06-027515-00	-	1,611	9,104	-	(7,493)
Edward Byrne Memorial Formula Grant Program	16.579	Z-06-027513-00	-	39,648	61,212	-	(21,564)
Edward Byrne Memorial Formula Grant Program	16.579	Z-06-027514-00	-	9,462	14,648	-	(5,186)
Edward Byrne Memorial Formula Grant Program	16.579	Z-06-027537-00	-	26,395	45,810	-	(19,415)
Edward Byrne Memorial Formula Grant Program	16.579	Z-099088471	(9,183)	9,183	-	-	-
Total Edward Byrne Memorial Formula Grant Program			<u>(27,152)</u>	<u>104,268</u>	<u>130,774</u>	<u>-</u>	<u>(53,658)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2008

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)							
Edward Byrne Memorial Formula Grant Program	16.579	2006-DJ-BX-0943	\$ 186,506	\$ -	\$ 186,506	\$ -	\$ -
Public Safety Partnership and Community Policing Grants	16.710	2002-CK-WX-0005	(70,768)	70,768	-	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0479	-	-	7,336	-	(7,336)
Total U.S. Department of Justice			<u>88,586</u>	<u>175,036</u>	<u>324,616</u>	<u>-</u>	<u>(60,994)</u>
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	PL-000-0007-00(207)	(3,129)	3,129	-	-	-
Highway Planning and Construction	20.205	PL-000-0007-00(980)	(16,192)	39,141	22,949	-	-
Highway Planning and Construction	20.205	PL-000-0008-00(502)	-	-	64,743	-	(64,743)
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	STP-M-9202(86)	(72,866)	-	-	-	(72,866)
Highway Planning and Construction	20.205	STP-M-9202(55)	(110,187)	108,377	-	1,810	-
Highway Planning and Construction	20.205	Z-07-036291-00	-	184,743	230,485	-	(45,742)
Highway Planning and Construction	20.205	Z-07-036291-00	(78,345)	181,018	102,673	-	-
Highway Planning and Construction	20.205	Z-05-021693-00	(10,814)	10,814	-	-	-
Total Highway Planning and Construction			<u>(291,533)</u>	<u>527,222</u>	<u>420,850</u>	<u>1,810</u>	<u>(183,351)</u>
Passed through Tennessee Department of Transportation:							
Federal Transit: Metropolitan Planning Grants	20.505	GG-06-12418-00	(714)	4,900	4,186	-	-
Federal Transit: Metropolitan Planning Grants	20.505	GG-07-20565-00	(18,383)	67,455	49,072	-	-
Federal Transit: Metropolitan Planning Grants	20.505	Not Available	-	-	45,671	-	(45,671)
Federal Transit: Metropolitan Planning Grants	20.505	GG-06-12294-01	(102)	102	-	-	-
Total Federal Transit: Metropolitan Planning Grants			<u>(19,199)</u>	<u>72,457</u>	<u>98,929</u>	<u>-</u>	<u>(45,671)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2008

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)							
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	Z-08-023691-00	\$ -	\$ 83,813	\$ 128,401	\$ -	\$ (44,588)
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	Z-08-024031-00	-	6,785	13,251	-	(6,466)
Total State and Community Highway Safety			-	90,598	141,652	-	(51,054)
Recreational Trails Program	20.219	Z-07-036638-00	-	-	12,000	-	(12,000)
Total Recreational Trails Program			-	-	12,000	-	(12,000)
Total U.S. Department of Transportation			(310,732)	690,277	673,431	1,810	(292,076)
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed through Tennessee Libraries and Archives:							
Grants to States	45.310	Z-07-20133-00	7,808	-	7,808	-	-
Grants to States	45.310	Z-08-21219-00	-	7,000	1,645	-	5,355
Grants to States	45.310	GG-07-12776-00	-	1,433	1,433	-	-
Grants to States	45.310	GG-08-22649-00	-	48,000	48,005	-	(5)
Grants to States	45.310	Z-06-034108-00	3,494	-	1,263	-	2,231
Grants to States	45.310	Z-07-20433-00	12,828	-	12,828	-	-
Grants to States	45.310	Z-07-20434-00	29,664	-	29,664	-	-
Grants to States	45.310	Program Income	-	3,798	3,798	-	-
Total Institute of Museum and Library Services			53,794	60,231	106,444	-	7,581
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Air Pollution Control Program Support	66.001	A00408407-1	-	305,126	305,126	-	-
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96146106	(3,736)	33,113	33,520	-	(4,143)
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	PM96437605-0	-	100,000	100,000	-	-
Total U.S. Environmental Protection Agency			(3,736)	438,239	438,646	-	(4,143)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2008

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 ENERGY							
Passed through Tennessee Department of Human Services:							
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-05	\$ (62,394)	\$ 62,394	\$ -	\$ -	\$ -
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-07	-	268,154	292,227	-	(24,073)
Total U.S. Department of Energy			(62,394)	330,548	292,227	-	(24,073)
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Head Start	93.600	04CH0047/30	(1,146,808)	1,146,808	-	-	-
Head Start	93.600	04CH0047/31	-	6,381,543	7,390,634	-	(1,009,091)
Total Head Start			(1,146,808)	7,528,351	7,390,634	-	(1,009,091)
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance	93.568	Z-05-021693-05	(265,864)	265,864	-	-	-
Low-Income Home Energy Assistance	93.568	Z-05-021693-08	-	1,268,771	1,334,657	-	(65,886)
Total Low-Income Home Energy Assistance			(265,864)	1,534,635	1,334,657	-	(65,886)
Community Services Block Grant	93.569	Z-05-020686-03	(88,963)	88,963	-	-	-
Community Services Block Grant	93.569	Z-05-020686-04	-	515,442	619,766	-	(104,324)
Total Community Services Block Grant			(88,963)	604,405	619,766	-	(104,324)
Total U.S. Department of Health and Human Services			(1,501,635)	9,667,391	9,345,057	-	(1,179,301)
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE							
Foster Grandparent Program	94.011	05-SFSTN003	(23,903)	23,700	-	203	-
Foster Grandparent Program	94.011	07-SFSTN005	-	365,029	426,354	-	(61,325)
Total Corporation for National and Community Services			(23,903)	388,729	426,354	203	(61,325)
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Emergency Food and Shelter National Board Program	97.024	25-7682-00-001	-	18,565	37,130	-	(18,565)
Emergency Food and Shelter National Board Program	97.024	25-7682-00-001	(14,625)	19,452	4,827	-	-
Total Federal Emergency Management Agency			(14,625)	38,017	41,957	-	(18,565)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2008

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 HOMELAND SECURITY							
Passed Through Tennessee Emergency Management Agency:							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z-03-017837-00	\$ (129,566)	\$ 410,335	\$ -	\$ (280,769)	\$ -
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z-05-024713-00	(5,696)	-	-	(13,990)	(19,686)
Total Public Assistance Grants			(135,262)	410,335	-	(294,759)	(19,686)
Hazard Mitigation Grant	97.039	GG-05-11612-00	-	17,024	-	(17,024)	-
State Domestic Preparedness Equipment Support Program	97.004	GG-07-20667-00	(100,857)	121,960	21,103	-	-
Assistance to Firefighters Grant	97.044	EMW-2006-FG-10982	(17,682)	-	-	17,682	-
Buffer Zone Protection Program (BZPP)	97.078	GG-07-22824-00	-	-	101,876	-	(101,876)
Buffer Zone Protection Program (BZPP)	97.078	Z-04-022527-00	-	99,289	1,132	-	98,157
Total U.S. Department of Homeland Security			(253,801)	648,608	124,111	(294,101)	(23,405)
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			(3,501,200)	17,706,277	16,591,561	(296,010)	(2,682,494)

(continued on next page)



CITY OF CHATTANOOGA, TENNESSEE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 Year Ended June 30, 2008

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)							
<b>Component Units</b>							
<u>Awards Audited by Other Auditors</u>							
<b>Chattanooga Area Regional Transportation Authority (CARTA)</b>							
U.S. DEPARTMENT OF TRANSPORTATION							
Federal Transit Cluster:							
Federal Transit - Capital Investment Grants	20.500	TN-03-0070	\$ -	\$ 202,834	\$ 202,834	\$ -	\$ -
Passed through Tennessee Department of Transportation:							
Federal Transit - Capital Investment Grants	20.500	TN-03-0051	-	10,874	10,874	-	-
Federal Transit - Capital Investment Grants	20.500	TN-05-0029	-	99,360	99,360	-	-
Federal Transit - Capital Investment Grants	20.500	TN-05-0031	-	45,141	48,034	-	(2,893)
Federal Transit - Capital Investment Grants	20.500	TN-03-0081	-	127,097	127,097	-	-
Federal Transit - Capital Investment Grants	20.500	TN-03-0060	-	992,783	992,783	-	-
Total Federal Transit - Capital Investment Grants			-	1,478,089	1,480,982	-	(2,893)
Highway Planning and Construction Grants	20.205	TN-26-0021	-	223,318	329,320	-	(106,002)
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	TN-16-X002	-	-	147,026	-	(147,026)
Federal Transit - Formula Grants	20.507	TN-26-0020	-	419,228	419,228	-	-
Federal Transit - Formula Grants	20.507	TN-90-X261	(440,221)	2,816,537	2,376,316	-	-
Federal Transit - Formula Grants	20.507	TN-90-X271	-	-	610,768	-	(610,768)
Federal Transit - Formula Grants	20.507	TN-90-X247	-	102,791	102,791	-	-
Total Federal Transit - Formula Grants			(440,221)	3,338,556	3,509,103	-	(610,768)
Total Federal Transit Cluster			(440,221)	5,039,963	5,466,431	-	(866,689)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2008

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)							
Job Access - Reverse Commute	20.516	TN-37-X042	\$ (4,285)	\$ 331,814	\$ 438,247	\$ -	\$ (110,718)
Job Access - Reverse Commute	20.516	TN-37-X027	(24,603)	24,603	-	-	-
Total Job Access - Reverse Commute			(28,888)	356,417	438,247	-	(110,718)
Total Expenditures of Federal Awards - CARTA			(469,109)	5,396,380	5,904,678	-	(977,407)
<b>Chattanooga Metropolitan Airport Authority (CMAA)</b>							
U.S. DEPARTMENT OF TRANSPORTATION							
Airport Improvement Program	20.106	3-47-0009-35	(243,825)	770,802	526,977	-	-
Airport Improvement Program	20.106	3-47-0009-36	(40,074)	46,358	6,284	-	-
Airport Improvement Program	20.106	3-47-0009-38	(386,493)	1,137,640	762,935	-	(11,788)
Airport Improvement Program	20.106	3-47-0009-39	(6,041)	7,713	1,672	-	-
Airport Improvement Program	20.106	3-47-0009-40	(140,330)	140,330	-	-	-
Airport Improvement Program	20.106	3-47-0009-41	-	390,729	405,343	-	(14,614)
Airport Improvement Program	20.106	3-47-0009-42	-	1,312,885	2,211,030	-	(898,145)
Airport Improvement Program	20.106	3-47-0009-43	-	1,513,944	1,528,437	-	(14,493)
Airport Improvement Program	20.106	3-47-0009-44	-	-	5,110	-	(5,110)
Total Expenditures of Federal Awards - CMAA			(816,763)	5,320,401	5,447,788	-	(944,150)
TOTAL EXPENDITURES OF FEDERAL AWARDS - COMPONENT UNITS			(1,285,872)	10,716,781	11,352,466	-	(1,921,557)
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			(4,787,072)	28,423,058	27,944,027	(296,010)	(4,604,051)
STATE AWARDS							
Tennessee Department of Environment & Conservation:							
Household Hazardous Waste		GG-07-12682-00	(85,000)	81,223	-	3,777	-
Household Hazardous Waste		GG-08-23097-00	-	-	49,991	-	(49,991)
Northshore Wetlands Park Education Pavilion		GG-07-12980-00	(32,401)	53,025	20,624	-	-
Northshore Wetlands Park Education Pavilion		Z-05-022828-00	(300,000)	300,000	-	-	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 Year Ended June 30, 2008

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)							
Tennessee Department of Agriculture:							
Urban Forestry Grant		Z-07-033316-00	\$ (4,450)	\$ 8,150	\$ 3,700	\$ -	\$ -
Tennessee Department of Economic and Community Development:							
Advanced Manufacturing Project FDIP		GG-07-20542-00	(35,595)	35,595	9,492	-	(9,492)
Tennessee Department of Transportation:							
University Greenway		STP-EN-3300(42)	(4,055)	-	-	4,055	-
Tennessee Secretary of State							
After School Programming at Howard & Brainerd High School			-	6,000	5,437	-	563
Community Enhancement for Heritage House			-	25,000	-	-	25,000
Arts Sploration Program			-	2,900	2,900	-	-
Omnibus Community Enhancement Grant Program			-	12,000	-	-	12,000
Omnibus Community Enhancement Grant Program			-	30,000	-	-	30,000
Omnibus Community Enhancement Grant Program			-	10,000	9,860	-	140
Omnibus Community Enhancement Grant Program			-	12,000	9,999	-	2,001
Omnibus Community Enhancement Grant Program			-	12,000	-	-	12,000
Tennessee Film, Entertainment, and Music Commission:							
Art/History Project at Heritage House		4/-08A	-	800	800	-	-
Tennessee Department of Finance and Administration:							
Tennessee Housing Development Agency THDA Entitlement - CNE Project		Program Income	<u>549,598</u>	<u>117,344</u>	<u>-</u>	<u>-</u>	<u>666,942</u>
<b>TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT</b>			<u>88,097</u>	<u>706,037</u>	<u>112,803</u>	<u>7,832</u>	<u>689,163</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 Year Ended June 30, 2008

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)							
<b>Component Units</b>							
<u>Awards Audited by Other Auditors</u>							
<b>Chattanooga Area Regional Transportation Authority (CARTA)</b>							
Tennessee Department of Transportation:							
State CTAP		GG-08-22318	\$ -	\$ 35,629	\$ 35,629	\$ -	\$ -
State Funding for TN-03-0051		GG-07-12890	(5,750)	7,109	1,359	-	-
State Funding for TN-03-0060		GG-07-23736	-	124,098	124,098	-	-
State Funding for TN-03-0070		GG-04-10542	(418)	418	-	-	-
State Funding for TN-03-0070		GG-08-23668	-	25,354	25,354	-	-
State Funding for TN-03-0078		GG-06-12227	(9,109)	9,109	-	-	-
State Funding for TN-03-0081		GG-06-12236	-	15,983	15,983	-	-
State Funding for TN-05-0027		GG-07-12889	(11,162)	11,162	-	-	-
State Funding for TN-05-0029		GG-07-23733	-	12,420	12,420	-	-
State Funding for TN-05-0031		GG-08-25178	-	-	6,004	-	(6,004)
State Funding for TN-16-X002 - Total Expenditures		Z-07-038201	-	-	165,404	-	(165,404)
State Funding for TN-16-X002 - Federal Portion		Z-07-038201	-	-	(147,026)	-	147,026
State Funding for TN-26-0020		GG-03-10136	(8,041)	8,041	-	-	-
State Funding for TN-26-0020		GG-08-23667	-	52,134	52,134	-	-
State Funding For TN-37-X027		GG-07-12962	(49,045)	49,606	561	-	-
State Funding for TN-37-X042		GG-05-11337	-	44,718	44,718	-	-
State Funding for TN-37-X042		GG-08-24317	-	118,606	173,845	-	(55,239)
State Funding for TN-90-X247		GG-07-12818	(61,332)	74,181	12,849	-	-
State Funding for TN-90-X261		GG-07-23735	-	204,883	295,854	-	(90,971)
State Funding for TN-90-X271		GG-08-26123	-	-	76,346	-	(76,346)
State Operating		Z-08-21335	-	2,013,498	2,013,498	-	-
Total Expenditures of State Awards - CARTA			(144,857)	2,806,949	2,909,030	-	(246,938)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2008

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)							
<b>Chattanooga Metropolitan Airport Authority (CMAA)</b>							
Airport Improvement Program		Z-06-02-9470-00	\$ (54,369)	\$ 54,369	\$ -	\$ -	\$ -
Airport Improvement Program		Z-07-03-7572-00	(95,285)	95,285	-	-	-
Airport Improvement Program		Z-08-20-0655-00	-	-	10,667	-	(10,667)
Airport Improvement Program		Z-08-20-0654-00	-	-	58,185	-	(58,185)
Airport Improvement Program		Z-08-20-0651-00	-	-	40,222	-	(40,222)
Airport Improvement Program		Pending	-	-	134	-	(134)
Airport Improvement Program		Z-08-20-0646-00	-	-	3,204	-	(3,204)
Airport Improvement Program		Z-07-03-7626-00	(38,326)	38,326	-	-	-
Airport Improvement Program		Z-06-02-9515-00	(12,582)	-	-	-	(12,582)
Airport Improvement Program		Z-06-02-9515-00	(651,793)	1,279,581	1,574,570	-	(946,782)
Airport Improvement Program		Z-07-03-7574-00	(8,164)	8,164	-	-	-
Airport Improvement Program		Z-07-03-7625-00	(78,084)	-	13,868	-	(91,952)
Airport Improvement Program		Z-07-03-7627-00	(40,791)	40,659	(132)	-	-
Airport Improvement Program		Z-07-03-7620-00	(35,906)	-	16,725	-	(52,631)
Airport Improvement Program		Z-07-03-7627-00	(27,803)	-	43	-	(27,846)
Airport Improvement Program		Pending	(66,600)	-	(66,600)	-	-
Airport Improvement Program		Z-07-03-7619-00	(7,772)	-	-	-	(7,772)
Airport Improvement Program		Z-07-03-7618-00	(26,253)	-	-	-	(26,253)
Airport Improvement Program		Z-07-03-7617-00	(7,762)	-	(7,762)	-	-
Airport Improvement Program		Z-07-03-7612-00	(11,612)	-	-	-	(11,612)
Airport Improvement Program		Z-07-03-7613-00	(27,900)	-	-	-	(27,900)
Airport Improvement Program		Z-08-20-0649-00	-	-	13,475	-	(13,475)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2008

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		Z-08-20-0656-00	\$ -	\$ -	\$ 47,462	\$ -	\$ (47,462)
Airport Improvement Program		Z-08-20-0644-00	-	-	85,277	-	(85,277)
Airport Improvement Program		Z-08-20-0657-00	-	20,790	22,540	-	(1,750)
Airport Improvement Program		Z-08-20-0661-00	-	-	53,307	-	(53,307)
Airport Improvement Program		Z-08-20-0662-00	-	-	13,757	-	(13,757)
Airport Improvement Program		Z-08-20-0695-00	-	-	25,990	-	(25,990)
Airport Improvement Program		Z-08-20-0716-00	-	-	27,514	-	(27,514)
Airport Improvement Program		Z-08-20-0739-00	-	-	22,500	-	(22,500)
Airport Improvement Program		Z-08-20-0645-00	-	-	89,793	-	(89,793)
Airport Improvement Program		Z-08-20-0658-00	-	5,489	5,489	-	-
Airport Improvement Program		Z-08-20-0659-00	-	21,841	21,841	-	-
Airport Improvement Program		Z-07-03-7615-00	-	80,847	80,847	-	-
Airport Improvement Program		Z-08-20-0647-00	-	7,152	7,152	-	-
Airport Improvement Program		Z-08-20-0660-00	-	6,300	6,300	-	-
Airport Improvement Program		Z-07-03-7614-00	-	18,720	18,720	-	-
Airport Improvement Program		Z-07-03-7616-00	-	4,986	4,986	-	-
Airport Improvement Program		Z-07-03-7707-00	-	62,730	62,730	-	-
Airport Improvement Program		Z-07-03-7629-00	(7,470)	-	12,430	-	(19,900)
Airport Improvement Program		Z-07-03-7669-00	-	-	9,900	-	(9,900)
Total Expenditures of State Awards - CMAA			<u>(1,198,472)</u>	<u>1,745,239</u>	<u>2,275,134</u>	<u>-</u>	<u>(1,728,367)</u>
TOTAL EXPENDITURES OF STATE AWARDS - COMPONENT UNITS			<u>(1,343,329)</u>	<u>4,552,188</u>	<u>5,184,164</u>	<u>-</u>	<u>(1,975,305)</u>
TOTAL EXPENDITURES OF STATE AWARDS - REPORTING ENTITY			<u>(1,255,232)</u>	<u>5,258,225</u>	<u>5,296,967</u>	<u>7,832</u>	<u>(1,286,142)</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS - REPORTING ENTITY			<u>\$ (6,042,304)</u>	<u>\$ 33,681,283</u>	<u>\$ 33,240,994</u>	<u>\$ (288,178)</u>	<u>\$ (5,890,193)</u>

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
June 30, 2008

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 \$545,391 and \$557,871, respectively.

Note 3. 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 or adjustments to record accruals not recorded in prior years.

Note 4. 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	\$1,537,043
Emergency Shelter Grants Program	14.231	85,338
Home Investment Partnerships Program	14.239	1,105,589
Community Development Block Grants/ Brownfields Economic Initiative	14.246	31,073

Independent Auditor's 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 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 (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 12, 2008. 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 opinions 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### 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, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Haggett, Lewis & Bister, PLLC*

Chattanooga, Tennessee  
December 12, 2008

Independent Auditor's Report on Compliance With Requirements

Applicable to Each Major Program and Internal Control Over

Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Chattanooga, Tennessee (the City), 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, 2008. 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 \$16,536,630. 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, 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, 2008.

#### Internal Control Over Compliance

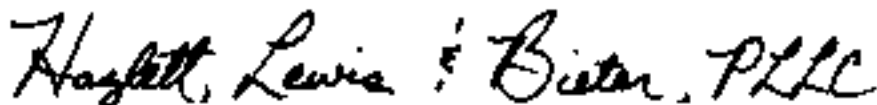
The management of the City of Chattanooga, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's 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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Handwritten signature in black ink that reads "Hazlett, Lewis & Bister, PLLC". The signature is written in a cursive, flowing style.

Chattanooga, Tennessee  
December 12, 2008

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008

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

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008

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Dollar threshold used to distinguish between type A  
and type B programs: \$838,321

Auditee qualified as low-risk auditee?                           yes      X   no

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2008

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Finding 2007-1 from June 30, 2007

Condition: Under current professional standards, the City is responsible for the internal control process which includes preparation of year-end financial statements in accordance with generally accepted accounting principles. During the audit process numerous adjustments and corrections were made to the governmental fund and government-wide financial statements. The amounts involved were material to the financial statements.

Current status: Corrective action was taken.

Finding 2007-2 from June 30, 2007

Federal program: All programs

Condition: Audit testing determined that major revisions were required to the City's schedule of expenditures of federal awards.

Current status: Corrective action was taken.

Finding 2007-3 from June 30, 2007

Federal program: CFDA 20.500 Federal Transit-Capital Investment Grants  
CFDA 20.507 Federal Transit-Formula Grants

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

Current status: Corrective action was taken.



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