

Resurgence



CAFR 2009



City of Chattanooga, Tennessee
Comprehensive Annual Financial Report for the year ended June 30, 2009

ABOUT THE COVER:

The cover depicts Chattanooga's resurgence to a vibrant city with a diverse economy and a strong manufacturing base. National and international corporations are investing major capital resources in new and expanding facilities which will generate significant job growth. At the top left corner is the \$1 billion Volkswagen facility construction site at the Enterprise South Industrial Park. The recently completed 950,000 sq. ft. BlueCross BlueShield complex is pictured at the top right corner. These investments along with many others represent the dawn of a new era for the City. Chattanooga can look forward to an even brighter future.

*Enterprise South Industrial Park photos courtesy of Volkswagen Group of America, Inc.
BlueCross BlueShield photo by Warren McLelland.*

CITY OF CHATTANOOGA, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

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

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Mayor's Letter



City of Chattanooga
Office of the Mayor

City Hall • 101 East 11th Street • Chattanooga, Tennessee 37402

December 28, 2009

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

As Mayor, I am charged with the responsibility of ensuring the City's financial resources are used wisely and effectively. I have the distinct pleasure to once again present the City's annual financial report for the fiscal year ended June 30, 2009. This report documents our sound financial position and operations for the year.

This has been an extraordinary year for Chattanooga. While we are experiencing the "Great Recession" on a global scale, Chattanooga has continued to thrive in spite of the economy. It is a good time to be in Chattanooga and I am absolutely certain the best is yet to come.

In the last 25 years we have become the most transformed city in America. In the last year, we have received blessings that - previously - we could only dream of - and we have obtained a foothold on the ladder of progress that we might not have imagined only a short time ago.

There is an often quoted line that can be taken as either a blessing or a curse and it has never been more applicable than it is today: "May you live in interesting times." In these interesting times the state of the City is good, but we have only reached a benchmark beyond which we can progress - a foundation for a new and more prosperous and hopeful city.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ron Littlefield".

Mayor Ron Littlefield



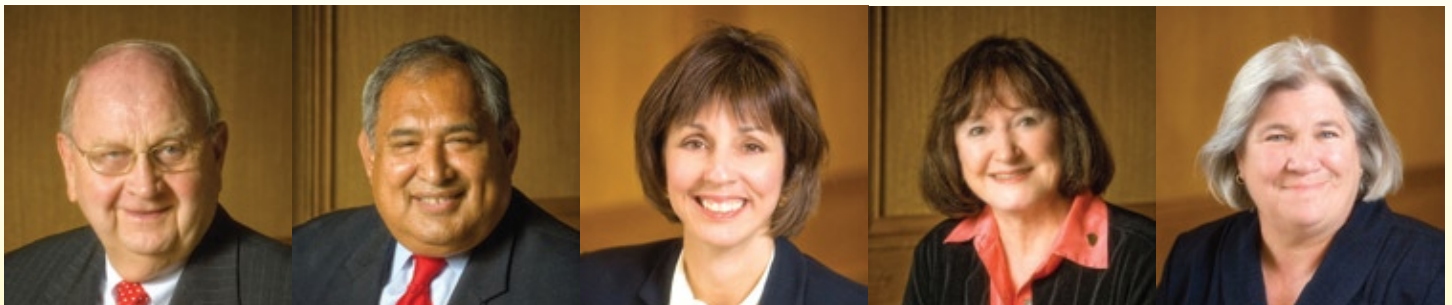
Mayor Ron Littlefield



Dan Johnson, Chief of Staff

Photos by Lawson Whitaker

City Council



Jack Benson
Chairman
District 4

Manuel Rico
Vice- Chair
District 7

Deborah Scott
District 1

Sally Robinson
District 2

Pam Ladd
District 3



Russell Gilbert
District 5

Carol Berz
District 6

Andraé McGary
District 8

Peter Murphy
District 9

Letter of Transmittal



City of Chattanooga
Department of Finance and Administration
City Hall
101 East 11th Street, Suite 101
Chattanooga, Tennessee 37402

December 28, 2009

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

In compliance with state and local statutes, I am submitting the Comprehensive Annual Financial Report (CAFR) of the City of Chattanooga for the fiscal year ended June 30, 2009. 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



Daisy W. Madison, City Finance Officer

Photo by Lawson Whitaker

basis for rendering an unqualified opinion that the City of Chattanooga's financial statements for the fiscal year ended June 30, 2009, 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



Photo courtesy of Chattanooga Visitors Bureau

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 145.02 square miles. The official 2000 Census showed the city with a population of 155,554. The census estimate for 2008 shows the city has grown to a population of 171,240. This includes the City's recent annexation of



Photo courtesy of the Planning and Design Studio

.86 square miles with a population of 360. 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.



Photo courtesy of the Planning and Design Studio

FACTORS AFFECTING FINANCIAL CONDITION

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

The Local Economy: Employment in the Chattanooga area is diverse. The top employment sectors of trades, transportation, and utilities (22.3%), government (14.3%), manufacturing (13.5%), professional and business services (10.4%), education and health (12.2%), and leisure and hospitality (9.5%) comprise 82.2% 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.

Chattanooga enjoys strategic advantages related to its location, strong transportation system, natural resources and competitive cost of doing business. The local unemployment rate of 9.0% remains significantly below the state average of 10.5% and the national average of 9.8% as of September, 2009. 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.

Over the past 3 years there has been more than 75 publicly announced new expansion projects bringing over 5,860 new jobs and saving over 630 existing jobs with a total investment of over \$2.2 billion. The Enterprise South Industrial Park (ESIP), the new home to Volkswagen AG's U.S. manufacturing headquarters, 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, earning designation as a TVA-certified Megasite and being granted Foreign Trade Zone status. In addition to the portion dedicated for Volkswagen, another 1024 acres will be ready for industrial use within the next two years. ESIP is served by a new interstate connection with I-75 as well as by two competing rail lines. Rail service to the park is undergoing a \$17 million improvement. 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

seven years. Local officials are committed to maintaining a sustainable community and a clean environment as demonstrated by projects such as the Green Initiative, establishment of an office of sustainability and promotion of construction projects that conform to the Leadership in Energy and Environmental Design certification.

The announcement in 2008 by Volkswagen AG to locate its new U.S. manufacturing headquarters here could not have come at a better time for Chattanooga. The VW manufacturing facility is well under way toward completion. This \$1 billion capital investment, named by Southern Business & Development Magazine as the “deal of the year”, will bring a total permanent direct workforce of 2,000 jobs worth \$100 million in annual payroll. The completed plant will cover approximately 2.5 million square feet. Volkswagen is Europe’s largest carmaker and is working toward their goal to become the largest in the world. To date, the company has already hired over 200 full time salaried employees locally. Annual production of 150,000 cars, some of which are expected to be exported, will begin in 2011. Expansion plans to double the plant size could begin shortly after production startup, depending on economic conditions.

Support industries are expected to bring an additional \$500 million investment and 12,000 jobs. In total, a

\$600 million annual economic benefit to the area is expected. VW has already announced a supplier park, to be located on 85 acres adjacent to the plant, which will hold approximately 10 companies to be located in buildings totaling 400,000 square feet in size. Gestamp Corporation, a supplier of stamped parts for VW, broke ground on a \$90 million facility on a 49 acre tract of land it purchased within the industrial park. A total of 230 jobs will be created within three years.

Chattanooga’s 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 360 new jobs without any negative environmental impact. Westinghouse Electric Co. has just completed its \$25 million 65,000 square foot training facility in Chattanooga at the Centre South Riverport. This facility is a boiling water reactor training center and welding institute which could employ up to 100 additional workers. The company also announced a new \$3.6 million, 25,000 square foot office building to be built adjacent to their local plant. Chattem, Inc., one of Chattanooga’s oldest manufacturers, is expanding its local manufacturing with an initial investment of \$18 million and up to 70 jobs. Dixie Industries announced



Photo courtesy of AerialInnovations of Tennessee, Inc.

a \$5.5 million expansion which will bring an additional 120 jobs over the next three years. Schaaf Industrie AG recently purchased the Airisyn wind turbine tower maker, bringing with this \$3 million investment the possibility of 115 new jobs over the coming months. Arcade Marketing is investing \$10 million and adding 50 new jobs. Arch Plastics is completing a \$1 million expansion at its Chattanooga plant, bringing an additional 50 jobs. These successes and many more are the result of strong leadership among all the various civic leaders and elected officials. This includes the "Chattanooga Can Do" campaign, being conducted from 2007 - 2011. The Chamber goals through 2011 include the following benchmarks (with progress as of July 2009 in parentheses):

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 of Princeton Review's Best Business School guidebook for the third 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 eight major cities. On the Tennessee



Photo courtesy of City of Chattanooga Parks and Recreation Department

- Increase regional employment by 15,573 (10,858 jobs have been created)
- Increase private investment by \$500 million (\$1.515 billion has been announced)
- Create \$526.8 million in new payroll income (\$494.8 million has been achieved)
- Increase disposable income by \$421.5 million (\$395.8 million has been achieved)
- Increase net personal consumption by \$390.1 million (\$366.4 million has been achieved)

Quality education is also the centerpiece of a successful community. Chattanooga State Technical

River, construction has begun on a multi-year \$375 million replacement project for the Chickamauga Lock which will enhance river traffic for years to come. The entire replacement is expected by the end of 2013.

The Tennessee River which flows through the heart of the city, has provided the backdrop for the waterfront development projects and is an invaluable source of clean water for consumption, recreation, transportation, and industrial use. 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 and included major expansions to the Tennessee Aquarium, the Creative Discovery Museum and the Hunter Museum, as well as many new attractions, public green spaces, and urban wetlands. 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.

Chattanooga is in a new era. A movement called "Stand" is underway to take the City in a new direction. In his state of the city address, Mayor Littlefield refers to it as "a recap of Chattanooga Venture and Vision 2000 updated and fitted out with new ways, new media for gathering ideas and impressions – new ways to debate and seek consensus on how to go about the process of raising a brave and beautiful city."

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

Downtown is unquestionably important, but there is more to "the greater city" than downtown. Mayor Littlefield recognizes that nothing is more essential to a healthy city than healthy neighborhoods. Beautiful, clean, safe neighborhoods continues to be a primary focus of this administration as well as ensuring that all Chattanoogans enjoy the benefits of the City's renewed downtown and rising economic tide. Recreation also continues to be an important aspect of our community. The Parks and Recreation Department completed a



Photo courtesy of Take Root

\$10.5 million softball complex, 83 acres in size, in the eastern portion of the city in 2009. In July 2010, the complex will host its first Amateur Softball Association tournament, which will feature 50 teams having and estimated \$1 million economic impact.

The fiscal health of Chattanooga City Government remains strong. The City's bond rating was recently upgraded by Standard and Poor's from AA to AA+. Fitch Ratings affirmed their AA rating and gave the City a stable fiscal outlook. Additionally, the City's AA2 rating was affirmed by Moody's.

Long-term financial planning: Due to sound financial management, the City continues to provide quality services to the citizens with no tax increase for the seventh consecutive year. The City takes a long range approach to capital spending by the adoption of a five year capital plan.

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 officials. An annual performance report to the citizens of Chattanooga 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.

Relevant financial policies: The City Council has adopted a Debt Management Policy which is intended to guide current and future decisions related to debt issued by the City. Performance is measured against benchmarks set forth and changes are made as needed to meet the desired goals.

Major initiatives: The City has embarked on two major initiatives. A series of annexations has begun which will set the stage for a stronger base for the municipal government. The annexation largely follows the Master Interlocal Agreement and Growth Boundaries adopted a decade ago as provided for under state law. The second major initiative is the adoption of increases to the fees to pay for the Water Quality Management Program. This program is in response to EPA mandates. The Mayor has just established a new Office of Sustainability to address the Water Quality mandates and other green initiatives.

Awards And Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chattanooga, Tennessee for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the seventeenth 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.

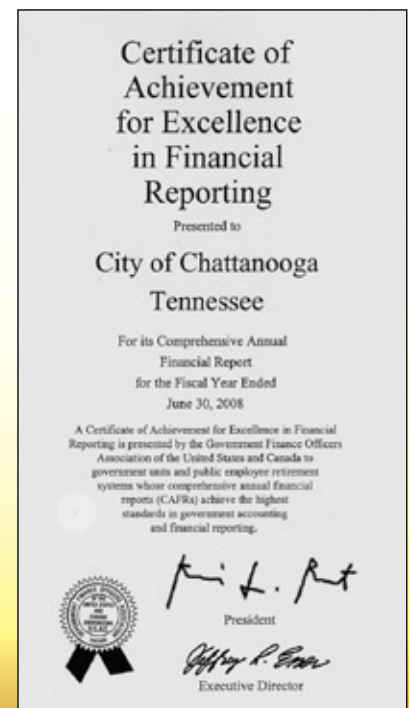
The City also received the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget for each of the fourteen fiscal years for which it applied. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several 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



City Officials as of June 30, 2009

L. Dan Johnson, Chief of Staff



Ron Littlefield, Mayor

CITY COUNCIL:

	W. Jack Benson, Sr., Chairperson	District 4	
Deborah S. Scott.....	District 1	Carol B. Berz	District 6
Sally L. Robinson.....	District 2	Manual Rico, Vice Chairman.....	District 7
Pam J. Ladd	District 3	Andrae McGary	District 8
Russell J. Gilbert, Sr.....	District 5	Peter B. Murphy	District 9

COURTS:

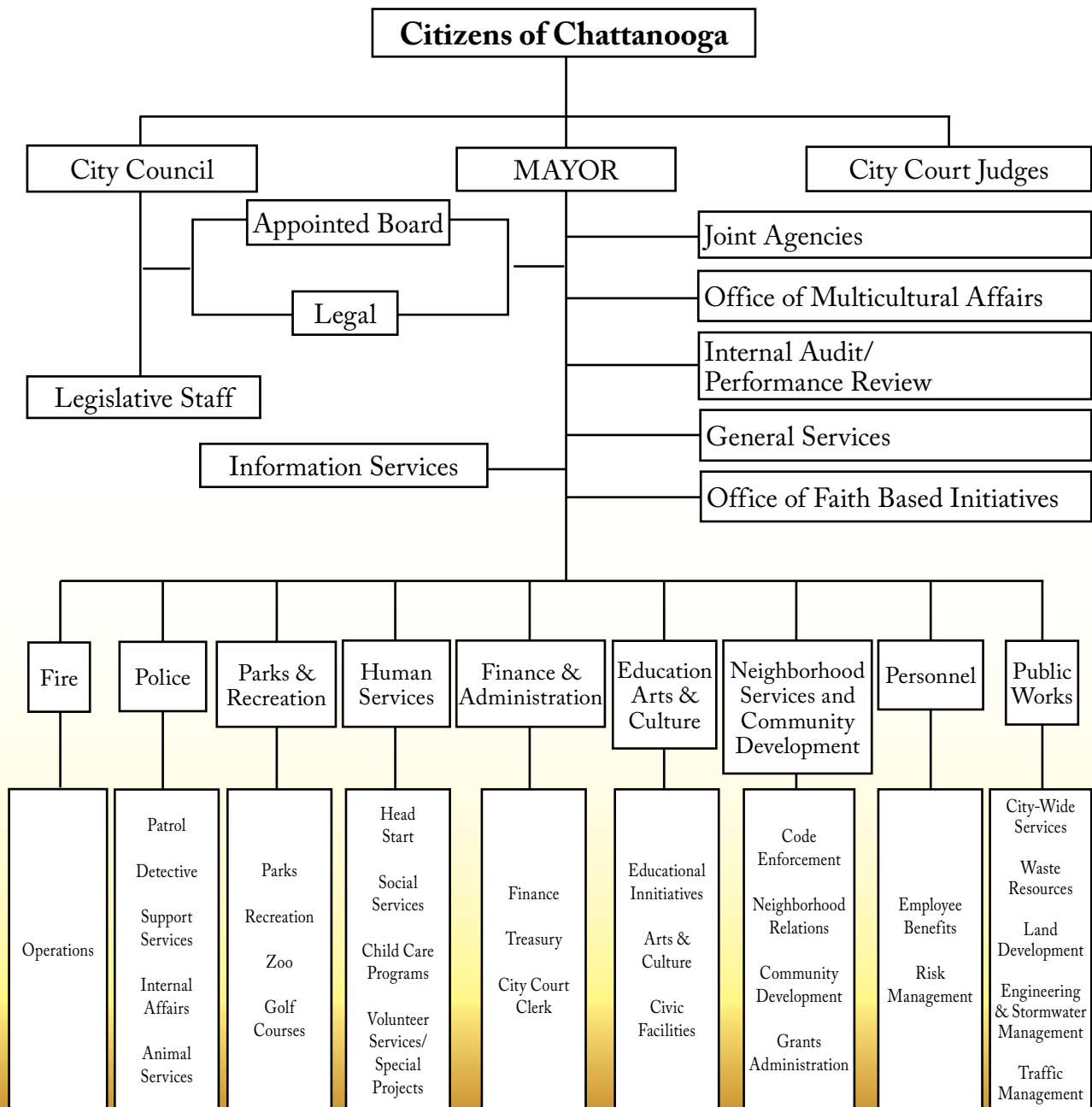
Sherry B. Paty.....	City Court Judge	Russell J. Bean	City Court Judge
Jan M. Turner.....	City Court Clerk (interim)		

DEPARTMENT ADMINISTRATORS AND DIRECTORS:

Legal	Michael McMahan.....	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 Randall L Parker	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	Director, Management and Budget Analysis
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
Madeline W. Green.....	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, 2009, 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 47 percent and 72 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, 2009, 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 16, 2009, 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 57-58 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.

Haslett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
December 16, 2009

Management's Discussion and Analysis

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, 2009. 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 \$1.89 billion (net assets), a decrease of \$17.6 million. Of this amount, \$21.0 million may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets), a \$5.9 million decrease over last year.
- While the net assets of our business-type activities increased \$17.2 million, or 3.2 percent, the net assets of our governmental activities decreased \$34.8 million, or 2.5 percent. During the year, the City generated \$235.3 million in taxes and other revenues for governmental programs. This compares with \$264.3 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 \$40.8 million including \$26.2 million on infrastructure assets alone.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$97.3 million, an increase of \$4.7 million from last year. This increase is the result of several factors.
 - Fund balance in General Fund decreased \$8.3 million due to use of \$8.9 million of reserves. This includes \$3.9 million for city capital projects and \$5.0 million as an appropriation to the Industrial Development Board (IDB) to fund a portion of the City's commitment to the Volkswagen facility.
 - Capital projects fund balance increased \$15.9 million due to new debt issuance.
 - Fund balance in other governmental funds decreased \$2.9 million primarily due to the transfer of \$2.0 million from the Hotel-Motel Tax Fund (a special revenue fund) to the capital projects fund for improvements at the waterfront.
 - Property tax revenues were \$2.4 million higher than prior year reflecting stable real estate values in the area. State shared income tax decreased \$1.3 million or 26.1 percent and state shared sales tax decreased \$931,000 or 8.3 percent reflecting the economic challenges facing the nation. Local shared sales tax decreased \$1.3 million which was only a 3.4 percent decrease highlighting the relative economic stability of the Chattanooga area.
 - Both revenues and expenditures increased in the General Fund by \$10.8 million due to draw downs of a Federal grant to enhance public safety communications in the region.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$31.5 million, down \$9.2 million or 22.6 percent from prior year. This represents 15.1 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 \$30.4 million, 4.3 percent, during the current fiscal year. This includes \$45.4 million of bonds issued within governmental activities.

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 a pension trust fund, an OPEB trust fund and an agency fund as 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 statement of fiduciary net assets and statement of changes in fiduciary net assets are reported 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 may be found following the notes to the financial statements beginning on page 57.

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, a decrease of \$17.6 million, or 0.9 percent, from last year.

By far the largest portion of the City's net assets, 96.3 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, \$48.7 million or 2.6 percent, represents resources that are restricted in how they may be used. The remaining balance of \$21.0 million may be used to meet the City's ongoing obligations, a \$5.9 million decrease.

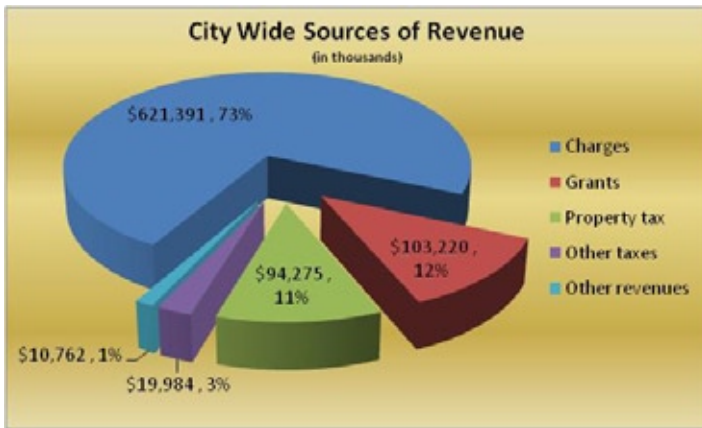
At the end of the fiscal year, the City of Chattanooga is able to report a positive net asset balance for the government as a whole, as well as for its governmental and business-type activities.

City of Chattanooga's Net Assets						
(in thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Current and						
other assets	\$ 263,143	\$ 252,658	\$ 376,655	\$ 418,237	\$ 639,798	\$ 670,895
Capital assets	1,550,391	1,546,363	762,783	698,474	2,313,174	2,244,837
Total assets	1,813,534	1,799,021	1,139,438	1,116,711	2,952,972	2,915,732
Long-term debt						
outstanding	328,777	294,097	437,509	441,044	766,286	735,141
Other liabilities	143,521	128,874	154,217	145,130	297,738	274,004
Total liabilities	472,298	422,971	591,726	586,174	1,064,024	1,009,145
Net assets:						
Invested in						
capital assets,						
net of debt	1,259,406	1,276,307	559,872	563,418	1,819,278	1,839,725
Restricted	24,162	12,296	24,501	27,647	48,663	39,943
Unrestricted	57,668	87,447	(36,661)	(60,528)	21,007	26,919
Total net assets	\$ 1,341,236	\$ 1,376,050	\$ 547,712	\$ 530,537	\$ 1,888,948	\$ 1,906,587

Changes in Net Assets: Net assets of the City's governmental activities were \$1.34 billion, a \$34.8 million decrease from the prior year. Of that balance \$1.28 billion are either restricted as to how they may be used or are invested in capital assets (buildings, roads, bridges, etc.). Therefore \$57.7 million remains to meet the City's ongoing obligations to citizens and creditors, a \$29.8 million decrease.

During the current year the net assets of the business-type activities increased \$17.2 million or 3.2 percent to \$547.7 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 \$849.6 million and total program expenses of \$858.4 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 Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	\$ 19,532	\$ 20,259	\$ 601,859	\$ 538,481	\$ 621,391	\$ 558,740
Grants and contributions	50,577	55,275	2,654	1,858	53,231	57,133
General revenues:						
Property taxes	94,275	91,848	-	-	94,275	91,848
Other taxes	19,984	20,063	-	-	19,984	20,063
Investment income	1,420	4,104	8,992	5,250	10,412	9,354
Miscellaneous	(458)	2,893	808	817	350	3,710
Unrestricted grants	49,989	53,466	-	-	49,989	53,466
Total revenues	235,319	247,908	614,313	546,406	849,632	794,314
Expenses						
Governmental activities:						
General government	88,029	75,283	-	-	88,029	75,283
Public safety	70,745	72,595	-	-	70,745	72,595
Public works	61,148	55,936	-	-	61,148	55,936
Parks, rec, ed & culture	17,223	17,370	-	-	17,223	17,370
Social services	20,440	19,072	-	-	20,440	19,072
Interest on long-term debt	6,694	6,902	-	-	6,694	6,902
Business-type activities:						
Electric utility	-	-	542,811	472,114	542,811	472,114
Sewer	-	-	40,311	37,859	40,311	37,859
Solid waste	-	-	4,373	4,974	4,373	4,974
Water quality	-	-	5,639	5,059	5,639	5,059
Housing management	-	-	942	1,003	942	1,003
Total expenses	264,279	247,158	594,076	521,009	858,355	768,167
Excess (deficiency) before special item and transfers						
	(28,960)	750	20,237	25,397	(8,723)	26,147
Special item	(8,916)	-	-	-	(8,916)	-
Transfers	3,062	4,321	(3,062)	(4,321)	-	-
Increase (decrease) in net assets						
	(34,814)	5,071	17,175	21,076	(17,639)	26,147
Net assets, beginning	1,376,050	1,370,979	530,537	509,461	1,906,587	1,880,440
Net assets, ending	\$ 1,341,236	\$ 1,376,050	\$ 547,712	\$ 530,537	\$ 1,888,948	\$ 1,906,587

Governmental Activities: Current fiscal year revenues for the City’s governmental activities were \$235.3 million compared to \$247.9 million last year, down 5.1 percent. Current year expenses were \$264.3 million compared to \$247.2 million last year, a 6.9 percent increase.

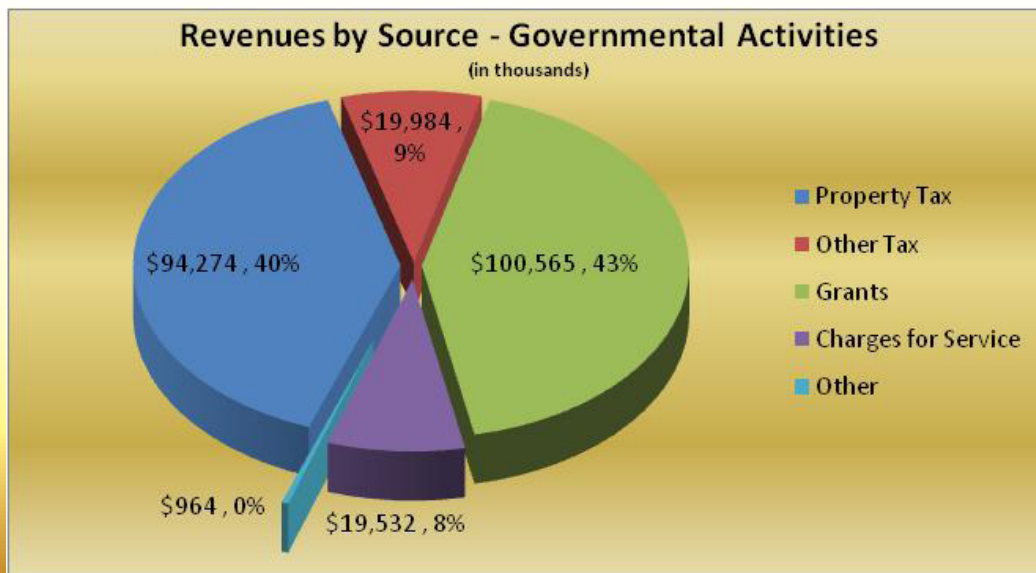
Most areas of general revenue experienced a major change for the year; each is discussed below.

- The single largest source of governmental activity revenue, property taxes, increased by \$2.4 million, or 2.6 percent resulting from higher property tax assessments reflecting relatively strong property values throughout the City.
- Liquor and beer taxes were up \$443,500 or 6.4 percent while other taxes decreased \$522,900 or 4.0 percent primarily from franchise taxes and hotel-motel tax. In FY08 an additional quarterly franchise tax payment was received, otherwise there would have been a slight increase in FY09. Hotel-Motel tax decreased \$173,600 or 4.3 percent as a result of reduced tourism and business travel during this recession.
- The City’s portion of State income taxes decreased \$1.3 million or 26.1 percent resulting from weak dividend and money market returns.
- State allocated sales tax decreased \$931,000 or 8.3 percent while local sales tax decreased \$1.3 million or 3.4 percent.
- Investment income decreased \$2.7 million or 65.4 percent reflecting historically low short-term interest rates.
- Miscellaneous revenue was down \$3.3 million revenue due to a change in the method of accounting for the EPB payment in lieu of tax in 2008.

Program revenues, especially the grants, had significant changes for the year.

- Charges for services decreased 3.6 percent or \$726,900 from a mixture of increases and decreases. Automated camera enforcement revenue increased \$516,700 while building related permits, low-income rehab paybacks and city court fees and fines were down \$615,600, \$327,100 and \$308,600 respectively.
- Operating grants and contributions increased \$13.3 million or 50.7 percent. \$10.8 million results from draw downs on the Public Safety Interoperable Communications (PSIC) grant. An additional \$1.3 million is an increase in the Low Income Energy Assistance Program (LIEAP).
- Capital grants and contributions decreased \$18.0 million or 62.1 percent primarily as a result of a decline in donations of streets. During FY08 a single, new sub-division contributed \$10.3 million in streets; with the economic down-turn this was not repeated in FY09.

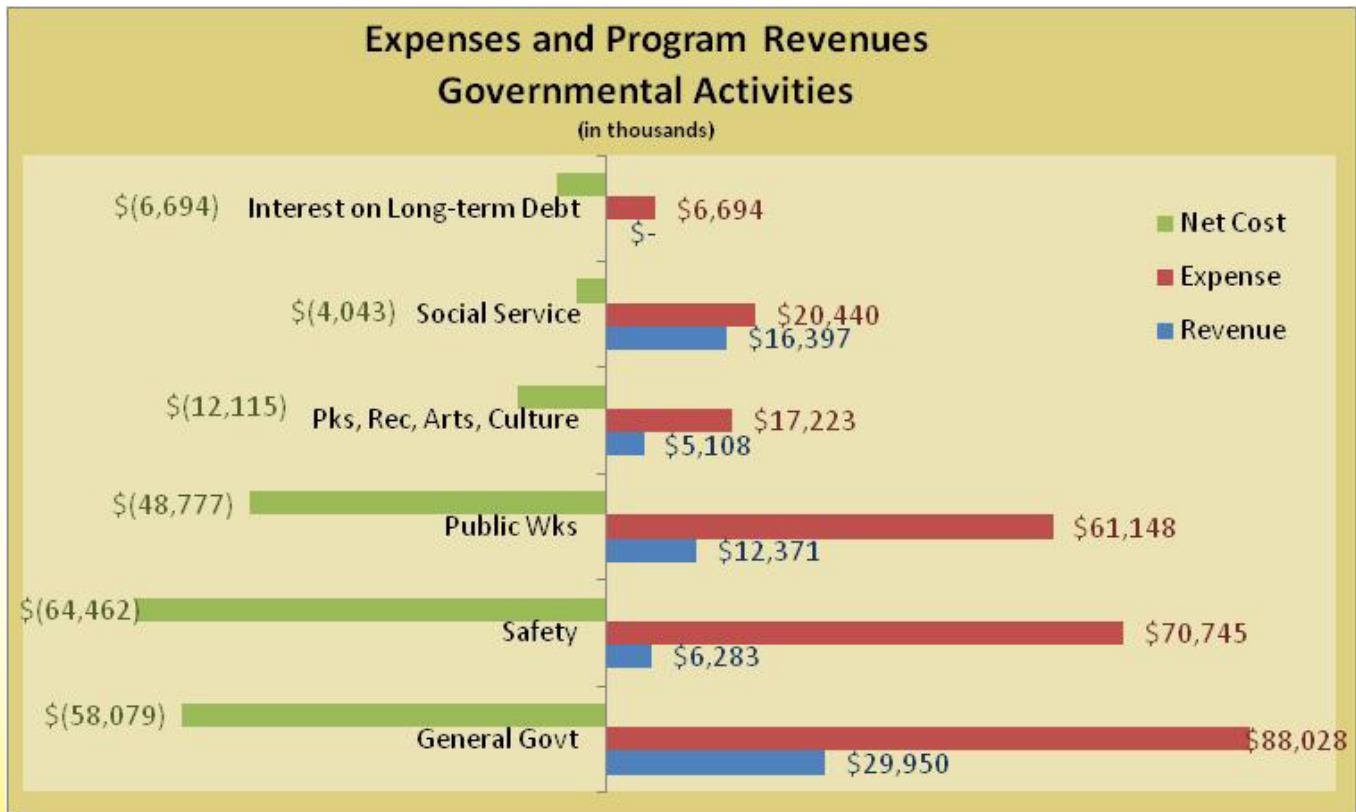
The graph below shows the source of governmental activities revenue.



While revenues were down in 2009, expenses for governmental activities were up. General Government, Public Works and Social Services experienced increases while Public Safety, Parks, Recreation, Arts & Culture and Debt Service decreased for the year.

- General government expenses increased \$12.7 million or 16.9 percent. \$7.8 million is attributable to an appropriation to the IDB to finance a portion of the City’s commitment to construction of the Volkswagen facility at Enterprise South Industrial Park (ESIP). An additional \$3.6 million was appropriated to CARTA to build a parking garage in the North Shore area and the liability insurance premium increased approximately \$900,000.
- Public Works expenses increased 9.3 percent or \$5.2 million. As with General Government, the largest single contributor was an appropriation to the IDB; Public Work’s contribution was \$2.8 million. The next largest increase was \$1.6 million for landfill fees paid to the Solid Waste Fund. Other increases include \$741,000 in vehicle costs (both for parts and labor on older vehicles and city-lease program costs for newer vehicles) and \$429,000 increased costs for street lighting.
- Social Services expenses increased \$1.4 million or 7.2 percent with the increase driven by increased grant funding.
- Public Safety experienced a \$1.8 million or 2.5 percent decrease in expense. The largest component was a \$717,000 adjustment resulting from a 9.4 percent excess contribution over the actuarially computed annual required contribution (ARC). Other decreases include \$374,000 for gasoline for police cars due to reduction in gas prices from an all-time high in 2008 and \$315,000 less paid out in leave because of fewer retirements.

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.



Business-type Activities: Revenues for the City’s business-type activities were \$614.3 million for the year just completed; this is a \$67.9 million or 12.4 percent increase. The increase in revenue was offset by a \$73.2 million, 14.0 percent, increase in expenses, to \$594.4 million.

The following chart provides a summary for each business-type activity. Each is briefly covered following the table.

Expenses and Program Revenues - Business-type Activities						
(in thousands)						
	Electric	Sewer	Solid Waste	Water Quality	Housing	Total
Expenses	\$ 543,102	\$ 40,312	\$ 4,373	\$ 5,639	\$ 942	\$ 594,368
Program Revenues	555,502	44,739	7,234	6,032	807	614,314
Transfers	(3,469)	(14)	-	712	-	(2,771)
Change in net assets	\$ 8,931	\$ 4,413	\$ 2,861	\$ 1,105	\$ (135)	\$ 17,175

Electric Power Board

The largest source of business-type activity revenue is generated from the Electric Power Board. Operating revenue from customers increased by \$60.2 million, 12.4 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 \$65.9 million, 14.2 percent, increase in operating costs including a \$59.7 million increase in purchased power costs.

Total net assets of the Electric Power Board increased \$8.9 million to \$271.0 million for fiscal year 2009, an increase of 3.4 percent.

Net assets invested in capital and restricted for use total \$318.6 million leaving a deficit of \$47.6 million available to finance day-to-day operations (unrestricted net assets). This negative, unrestricted net assets results from the heavy investment in infrastructure for the Smart Grid reallocating net assets between invested in capital and unrestricted.

Interceptor Sewer System

Net assets of the Interceptor Sewer System increased \$4.4 million, 1.8 percent, to \$250.5 million.

Operating revenues rose \$1.3 million or 3.0 percent primarily as a result of rate increases, while operating expenses rose \$2.8 million or 8.4 percent. Rates were adjusted October 1 from 4.83 to 4.98 and adjusted April 1 to 5.12. Costs for electricity were up due to higher rates and significant increase in chemical costs during the year.

Unrestricted net assets, those that can be used to finance on-going operations, increased \$1.5 million or 5.5 percent to \$29.2 million. An additional \$12.3 million is restricted for future capital spending. All categories of net assets increased.

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 post-closure 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 2009 net assets increased \$2.9 million following a continual trend of improvement.

To date the City has accrued liabilities of \$4.3 million for a closed landfill and \$5.5 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 \$6.3 million, 91.8 percent of total tipping fees.

Water Quality Management

The Water Quality Fund, established to comply with EPA guidelines, now has \$32.2 million in net assets, an increase of \$1.1 million, 3.5 percent, from last year.

\$27.9 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 \$1.6 million, 6.1 percent increase.

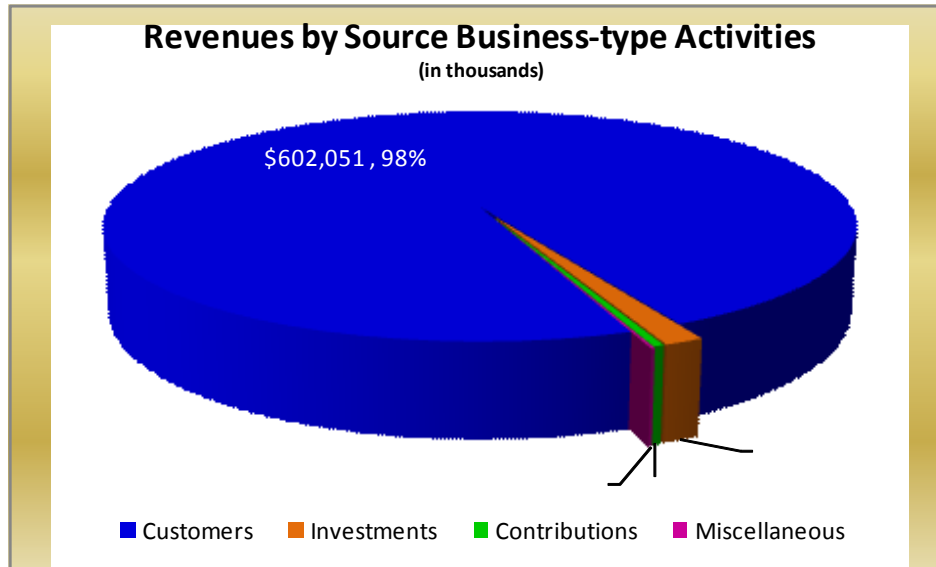
Net assets available to fund day-to-day operations increased from \$3.6 million to \$3.9 million.

Housing Management

The Housing Management Fund reported \$807,000 in rental income, an increase of 7.4 percent from last year. During the same period operating expenses decreased 5.6 percent to \$905,000.

The fund ended the year with net assets of \$2.7 million, a decrease of \$135,000, or 4.8 percent primarily as a result of building depreciation. Almost all of the net assets are invested in capital leaving \$123,000 in net assets available to meet on-going operations.

The following graph presents the major sources of revenue for business-type activities.



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 \$97.3 million at the end of the fiscal year. 40.5 percent, of this amount, or \$39.4 million, is available for day-to-day operations (unreserved, undesignated fund balance). All of the governmental funds, except for the Hotel-Motel Tax Fund, reported a positive ending fund balance. \$2 million was allocated and transferred to capital for waterfront repairs during 2009 with a portion funded from existing reserves and a portion to be funded from 2010 reserves. 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 16.0 percent or \$8.3 million to \$43.7 million during the fiscal year. Unreserved fund balance was \$35.1 million, of which \$3.6 million is designated for future spending. During the fiscal year unreserved, undesignated fund balance decreased \$9.2 million. Key factors are as follows:

- \$8.9 million of fund balance was appropriated for capital projects; \$4.99 million of which was appropriated to IDB to partially fund the City's commitment under a Memorandum of Understanding between the State, City of Chattanooga, Hamilton County and Volkswagen of America.

- Total revenues increased \$8.2 million, 4.3 percent, from the prior year with a mix of increases and decreased as discussed below.
 - During the current fiscal year property tax increased \$2.4 million, 2.6 percent over last year. This is a result of stable property values without any increase in tax rate or property re-appraisal.
 - Licenses and permits were \$198,000 lower, 4.3 percent, primarily due to a \$616,000 decrease in building permits which was partially offset by \$272,000 additional parking meter revenue.
 - Intergovernmental revenues increased \$8.4 million or 13.7 percent over the prior year. The driving force behind this increase is \$10.8 million of revenue received under a new PSIC grant for inter-operative communications in the Southeast. State shared revenues including income and sales tax were down, \$1.3 million, or 26.1 percent, and \$0.9 million, or 8.3 percent, respectively. County-wide sales taxes were down but not as drastically at \$1.3 million or 3.4 percent. The remainder is an increase in several, miscellaneous grants that fluctuate from year to year.
 - Charges for services increased 1.8 percent or \$86,700. This increase is primarily a reclassification of zoo revenues from miscellaneous revenue to charges for services. Zoo revenues were up \$181,000 while court costs were down \$125,000 as discussed below. Golf course revenues were down \$212,000 as a result of the economy and a very rainy springtime.
 - Fines, Forfeitures and Penalties were up \$341,000 or 13.7 percent. This is a result of increased automated enforcement efforts which increased \$522,000. Court related fines decreased \$184,000 because of fewer fines assessed due to use of the automated enforcement program.
 - Interest income decreased \$2.3 million, 57.6 percent, due to the stressed interest rate environment.
 - Miscellaneous revenue decreased \$781,000 or 14.6 percent. Prior year included a one-time fire settlement and current year zoo revenues moved to charges for services. Attendance at civic venues has decreased accounting for the remainder of the change.
- Total expenditures increased \$20.2 million, 12.2 percent, from the previous year.
 - The largest change was in General Government for the new inter-operative communications grant. Expenditures of \$10.8 million were equal to grant revenues.
 - \$5.0 million was included as a new appropriation in General Government to the Industrial Development Board to be used as a portion of the City's local match toward work at the Volkswagen site located at Enterprise South Industrial Park.
 - Salaries and fringe benefits decreased \$2.2 million or 2.1 percent mainly in the area of Safety. The animal services division of the Police Department was turned over to a non-profit organization at the beginning of the year. Mid-way through the year payroll for 911 Communications was turned over to the new unified 911 District in an effort to improve effectiveness throughout Hamilton County.
 - Public Works waste disposal costs increased \$1.6 million or 35.4 percent due to increased landfill costs paid to the Solid Waste Fund.
 - Electricity costs increase \$684,000 or 15.9 percent. Over 60 percent of the increased cost impacted Public Works through street lighting costs.

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 \$32.9 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 2009 there was a \$15.9 million increase. Analysis of project income and expenditures follows.

- Project income for the year of \$58.4 million includes \$46.4 million in general obligation debt proceeds and premiums, \$1.6 million in intergovernmental revenue and various small amounts in contributions, interest, note proceeds and sale of property. Transfers include \$3.96 million of General Fund appropriation, \$2.9 million of economic development money and \$2.7 million transferred from special revenue funds.

- Current year expenditures and transfers of \$42.5 million include \$10.5 million for street improvements, \$7.9 million for Summit of Softball complex, \$6.0 appropriation to the Industrial Development Board for the Volkswagen project, \$5.0 for roads at ESIP, \$4.0 million appropriation to CARTA, \$1.7 for software, \$1.1 for fire station construction, \$1.0 for fire equipment, \$1.0 for police equipment and various other project including completion of the Outdoor Chattanooga office, work on Greenways, The Passage and bridge improvements.

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 \$564.8 million.

- \$567.7 million is invested in capital assets with an additional \$24.5 million restricted for future use, leaving a deficit of \$27.4 million available to meet on-going obligations. As previously stated, EPB is heavily investing in infrastructure resulting in a reallocation of net assets from unrestricted to invested in capital.
- Total net assets of the enterprise funds rose \$17.2 million, 3.2 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 program. Fund balance for this fund increased \$2.7 million, 18.5 percent, primarily because medical insurance premiums paid to the fund were in excess of claims paid during the year by \$1.6 million.
- 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 \$8.8 million deficit for the year.
 - Total tax collections for fiscal year 2009 exceeded budget expectations by \$1.0 million or 1.0 percent. Property tax and liquor/beer taxes were \$604,000 and \$395,000 above budget, respectively.
 - Licenses and permits were down \$663,000, primarily due to building related permits.
 - The largest variance is in intergovernmental revenue, which was \$8.4 million less than budget. The city allocation of state sales tax was under budget \$1.2 million, or 10.3 percent, compared to the city allocation of the county-wide sales tax was under \$2.7 million, or 6.7 percent, under budget. These were partially offset by the city allocation of the state income tax being over expectations by \$929,000. At first glance it is concerning that special programs were under budget \$5.7 million; however this is due to \$16.8 million in grant revenue being budgeted for the PSIC grant while only \$10.8 was drawn down and recognized during the year.
 - Charges for services were \$443,000 under budget. An unusually wet spring resulted in fewer rounds of golf during peak months for the city's golf courses. Other areas impacted were fees for city court with fewer fines assessed due to the automated enforcement program and plans checking fees relating to construction.
 - As previously mentioned, fewer court fees and fines were assessed. This is the primarily reason for fines, forfeitures and penalties being \$122,000 under budget.
 - Investment income and contributions were slightly over expectations while miscellaneous revenue, which fluctuates from year to year, was \$245,000 below budget.
- Expenditures were less than budgetary estimates by \$5.7 million which includes salaries and benefits under budget by \$6.1 million. All departments were below budget as a result of the city's intensive contingency planning measures.
- The General Fund budget anticipated use of \$13.4 million of fund balance during the year. This included planned use of \$10.4 million for capital with the remainder used in special programs that cross fiscal years. For 2009 the actual use of fund balance was \$5.1 million less than anticipated.

Capital Asset and Debt Administration

Capital Assets: At the end of this year, the City had \$2.3 billion (net of accumulated depreciation) invested in capital assets, an increase of \$68.4 million or 3.0 percent. This investment includes land, buildings, utility system improvements, machinery and equipment, park facilities and infrastructure. The following table shows the investment in capital assets by both governmental activities and business-type activities.

City of Chattanooga's Capital Assets						
(net of depreciation, in thousands of dollars)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Non-depreciable:						
Land & Easements	\$1,023,977	\$1,023,642	\$ 16,842	\$ 15,332	\$1,040,819	\$1,038,974
Work in progress	25,332	15,136	52,728	31,096	78,060	46,232
Depreciable:						
Buildings & Improvements	119,455	120,874	73,244	70,222	192,699	191,096
Vehicles & Machinery	28,160	28,654	45,564	38,337	73,724	66,991
Infrastructure	353,467	358,056	574,405	543,487	927,872	901,543
Total	\$1,550,391	\$1,546,362	\$762,783	\$ 698,474	\$ 2,313,174	\$ 2,244,836

Highlights for this year's major capital asset changes:

- Land includes the addition of \$5.6 million in donated roadbeds and \$5.2 million transferred from the City to the IDB for the Volkswagen facility.
- The major additions to work-in-progress are \$10.5 million for communication system associated with the PSIC grant, \$2.1 million North Point Blvd. extension, \$1.2 million for a new HVAC system at the Development Resource Center and work on Fire Station # 4 of \$1.1 million. \$2.0 million for the McKamey Animal Care and Adoption Center was transferred to buildings and \$3.7 million was transferred from the City to the IDB for the Volkswagen facility.
- Street improvements of \$8.7 million and \$7.8 million for the Summit of Softball complex were the major additions to infrastructure. An additional \$3.0 million of donated streets were accepted from contractors.
- The Electric Power Board investment in plant assets increased \$64.1 million for the year. This includes \$45.2 million in the electric system and \$18.9 million for fiber optics.
- \$10.5 million was capitalized as new infrastructure for the Interceptor Sewer System. The Water Quality System capitalized \$712,000 as new infrastructure.

The capital budget for fiscal year 2010 anticipates spending \$59.7 million for various capital projects including \$750,000 for expansion and upgrade of the City's parks and park facilities; \$20.7 million for various public works projects such as paving, street improvement, curbs, gutters and sidewalks, and equipment replacement; \$4.9 million for fire service expansion, equipment and new stations; \$252,000 for Police radios; \$262,000 for CARTA for match for Federal Grants; computer software replacement and upgrades \$3.6 million; \$12.3 million for Industrial Development Board for infrastructure improvements at Enterprise South Industrial Park; and \$10.8 million for various interceptor sewer upgrades. \$13.5 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 8 to the financial statements.

Debt Administration: At year-end the City had \$736.7 million in long-term debt outstanding. This is a \$30.4 million increase, 4.3 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	
	2009	2008	2009	2008	2009	2008
General obligation bonds (backed by the City)	\$ 169,653	\$ 130,844	\$ 83,302	\$ 96,052	\$ 252,955	\$ 226,896
Revenue bonds (backed by specific revenues)	-	-	288,060	289,660	288,060	289,660
Notes payable and other	30,655	32,593	55,105	44,406	85,760	76,999
Capital leases	109,822	112,604	148	171	109,970	112,775
Total	\$ 310,130	\$ 276,041	\$ 426,615	\$ 430,289	\$ 736,745	\$ 706,330

- 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 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 \$416.7 million. The City’s general obligation debt, net of self-supporting debt of \$134.0 million is well within that limit.
- During the year the City issued the following new debt:
 - The City issued \$45.4 million in general obligation bonds to fund capital projects including Summit of Softball sports complex, improvements at Warner Park, road improvements, fire station replacement and purchase of fire apparatus.
 - Various small notes and capital leases were entered into including: (a) an additional \$319,000 draw on a state revolving loan with \$19.3 million outstanding at year-end; (b) \$98,000 obligated to pay Foreign-Trade Zone fees for Volkswagen and (c) \$323,000 for a capital lease for golf course equipment. All of these are governmental activities.
 - The Interceptor Sewer System drew down \$11.3 million on a new state revolving loan for sewer system improvements. This is a business-type activity.

More detailed information about the City’s long-term liabilities is presented in the Note 9 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 2010:

- 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 2010 budget this should result in an increase in property taxes.
- Sales tax revenue is budgeted lower than 2009 based on actual experience from prior year reflecting the continued weak economy for the near future. The lower estimates apply to both the City allocation of the State sales tax and the County-wide sales tax.
- Interest revenues are expected to decline.
- The 2010 budget is reflective of the tough economic times we are facing on a local and national scale. The challenge to avoid employee layoffs and to maintain a high quality medical benefits program for employees and

retirees has been met while continuing to focus on providing quality services to the citizens of our community.

Anticipated revenues in the General Fund budget are \$194.0 million, down 2.98 percent from the 2009 budget. Property taxes are projected to grow by 2.1 percent or \$1.9 million. The City allocation of State sales tax and County-wide sales tax collections are projected to decline by 9.9 percent and 6.0 percent, respectively. Interest earnings are estimated to decrease 65.9 percent due to a decrease in available funds and historically low interest rates.

Budgeted expenditures are expected to decrease by 2.9 percent from \$200.0 million to \$194.0 million. Salaries and fringe benefits are expected to decrease by 7.3 percent primarily due to freezing of many vacant positions.

A modest increase in net assets for the City's business-type activities is expected during FY 2010.

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

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET ASSETS
June 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 42,310,483	\$ 141,084,783	\$ 183,395,266	\$ 10,103,244
Investments	44,388,360	142,056,253	186,444,613	742,341
Receivables, net of allowance for uncollectibles	128,381,539	61,591,287	189,972,826	7,259,894
Net investment in capital lease	-	-	-	108,937,617
Internal balances	3,760,000	(3,760,000)	-	-
Due from component units	819,187	-	819,187	-
Deferred charges	1,715,526	3,915,039	5,630,565	1,936,536
Inventories	1,955,396	10,825,149	12,780,545	257,073
Prepaid items	129,217	3,968,000	4,097,217	454,244
Other assets	-	3,962,000	3,962,000	-
Restricted assets:				
Cash and cash equivalents	3,457,021	754,335	4,211,356	508,397
Investments	17,241,331	12,239,553	29,480,884	9,933,897
Endowment investments	2,818,085	-	2,818,085	-
Receivables	-	17,774	17,774	202,824
Net pension assets	8,267,901	-	8,267,901	-
Equity interest in joint venture	7,899,411	-	7,899,411	-
Land and other nondepreciable assets	1,049,308,958	69,569,855	1,118,878,813	16,741,629
Other capital assets, net of accumulated depreciation	501,081,693	693,213,573	1,194,295,266	84,180,995
Total assets	<u>1,813,534,108</u>	<u>1,139,437,601</u>	<u>2,952,971,709</u>	<u>241,258,691</u>
LIABILITIES				
Accounts payable and accrued liabilities	27,676,230	103,608,353	131,284,583	6,601,929
Customer deposits	-	18,255,000	18,255,000	-
Due to primary government	-	-	-	819,187
Contracts payable	975,795	1,508,142	2,483,937	1,943,082
Unearned revenue	95,434,809	-	95,434,809	23,720
Accrued closure and post-closure care	-	9,793,507	9,793,507	-
Net pension obligations	-	-	-	103,163
Accrued postemployment benefits	19,434,217	9,141,000	28,575,217	-
Other liabilities	-	11,911,176	11,911,176	-
Long-term liabilities:				
Due within one year	21,230,892	17,773,202	39,004,094	3,342,268
Due in more than one year	307,545,920	419,735,432	727,281,352	124,424,293
Total liabilities	<u>472,297,863</u>	<u>591,725,812</u>	<u>1,064,023,675</u>	<u>137,257,642</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,259,405,543	559,872,034	1,819,277,577	93,546,268
Restricted for:				
Capital projects	20,698,352	-	20,698,352	-
Debt service	550,000	-	550,000	10,022,839
Renewal and replacement	-	24,501,372	24,501,372	741,597
Permanent endowments:				
Expendable	36,705	-	36,705	-
Nonexpendable	2,877,108	-	2,877,108	-
Unrestricted	57,668,537	(36,661,617)	21,006,920	(309,655)
Total net assets	<u>\$1,341,236,245</u>	<u>\$ 547,711,789</u>	<u>\$1,888,948,034</u>	<u>\$104,001,049</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, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 88,028,404	\$ 12,239,326	\$ 17,286,864	\$ 423,711
Public safety	70,745,129	630,281	5,330,777	322,101
Public works	61,147,976	1,893,443	299,207	10,178,684
Parks, recreation, education, arts & culture	17,223,313	4,069,218	950,787	88,000
Social services	20,440,264	700,179	15,697,275	-
Interest on long-term debt	6,693,847	-	-	-
Total governmental activities	<u>264,278,933</u>	<u>19,532,447</u>	<u>39,564,910</u>	<u>11,012,496</u>
Business-type activities:				
Electric utility, including communications	542,811,000	544,635,000	-	2,268,000
Sewer	40,311,413	43,749,143	-	18,551
Solid waste/sanitation	4,373,161	6,871,844	132,140	-
Water quality management	5,638,936	5,796,188	59,435	176,000
Housing management	941,834	807,058	-	-
Total business-type activities	<u>594,076,344</u>	<u>601,859,233</u>	<u>191,575</u>	<u>2,462,551</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 858,355,277</u>	<u>\$ 621,391,680</u>	<u>\$ 39,756,485</u>	<u>\$ 13,475,047</u>
Component units:				
Airport authority	\$ 9,189,838	\$ 7,319,562	\$ -	\$ 8,492,531
Transportation authority	20,829,026	6,289,314	6,777,677	11,407,525
Downtown redevelopment	16,821,192	15,544,319	-	-
TOTAL COMPONENT UNITS	<u>\$ 46,840,056</u>	<u>\$ 29,153,195</u>	<u>\$ 6,777,677</u>	<u>\$ 19,900,056</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 Special item - transfer of land for VW facility 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	
\$ (58,078,503)	\$ -	\$ (58,078,503)	\$ -
(64,461,970)	-	(64,461,970)	-
(48,776,642)	-	(48,776,642)	-
(12,115,308)	-	(12,115,308)	-
(4,042,810)	-	(4,042,810)	-
(6,693,847)	-	(6,693,847)	-
<u>(194,169,080)</u>	<u>-</u>	<u>(194,169,080)</u>	<u>-</u>
-	4,092,000	4,092,000	-
-	3,456,281	3,456,281	-
-	2,630,823	2,630,823	-
-	392,687	392,687	-
<u>-</u>	<u>(134,776)</u>	<u>(134,776)</u>	<u>-</u>
<u>-</u>	<u>10,437,015</u>	<u>10,437,015</u>	<u>-</u>
<u>(194,169,080)</u>	<u>10,437,015</u>	<u>(183,732,065)</u>	<u>-</u>
-	-	-	6,622,255
-	-	-	3,645,490
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,276,873)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>8,990,872</u>
94,274,504	-	94,274,504	-
7,394,591	-	7,394,591	-
12,588,985	-	12,588,985	-
36,104,934	-	36,104,934	-
10,254,407	-	10,254,407	-
3,629,181	-	3,629,181	-
1,420,375	8,991,904	10,412,279	905,307
-	808,000	808,000	1,597,902
(457,589)	-	(457,589)	-
(8,916,345)	-	(8,916,345)	-
3,061,998	(3,061,998)	-	-
<u>159,355,041</u>	<u>6,737,906</u>	<u>166,092,947</u>	<u>2,503,209</u>
(34,814,039)	17,174,921	(17,639,118)	11,494,081
<u>1,376,050,284</u>	<u>530,536,868</u>	<u>1,906,587,152</u>	<u>92,506,968</u>
<u>\$ 1,341,236,245</u>	<u>\$ 547,711,789</u>	<u>\$ 1,888,948,034</u>	<u>\$ 104,001,049</u>

CITY OF CHATTANOOGA, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,841,410	\$ 14,909,088	\$ 13,689,048	\$ 30,439,546
Investments	40,334,123	17,241,331	6,872,322	64,447,776
Receivables, net of allowance for uncollectibles:				
Taxes	94,501,070	-	-	94,501,070
Accounts	-	154,440	74,134	228,574
Notes	1,196,665	2,584,218	-	3,780,883
Other	4,820,812	33,161	-	4,853,973
Due from other funds	5,126	1,520,829	507,807	2,033,762
Due from component units	359,556	459,631	-	819,187
Due from other governments	19,023,181	1,258,203	4,390,364	24,671,748
Inventories	637,594	-	-	637,594
Prepaid items	129,217	-	-	129,217
	<u>\$162,848,754</u>	<u>\$38,160,901</u>	<u>\$25,533,675</u>	<u>\$ 226,543,330</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 10,202,311	\$ 3,577,382	\$ 1,934,094	\$ 15,713,787
Due to other funds	-	507,807	1,525,955	2,033,762
Due to other governments	2,403,064	176,687	297	2,580,048
Deferred revenue	106,496,380	-	1,471,604	107,967,984
Contracts payable	-	975,795	-	975,795
	<u>119,101,755</u>	<u>5,237,671</u>	<u>4,931,950</u>	<u>129,271,376</u>
Fund balances:				
Reserved for:				
Encumbrances	6,653,954	-	308,774	6,962,728
Library endowment	-	-	2,877,108	2,877,108
Inventories	637,594	-	-	637,594
Prepaid items	129,217	-	-	129,217
Capital improvements	-	32,923,230	-	32,923,230
Notes receivable	1,196,665	-	-	1,196,665
Debt service escrow	-	-	550,000	550,000
Unreserved, designated for:				
Debt service	-	-	8,375,003	8,375,003
Subsequent years' expenditures	3,608,909	-	562,100	4,171,009
Unreserved, undesignated, reported in:				
General fund	31,520,660	-	-	31,520,660
Special revenue	-	-	7,892,035	7,892,035
Permanent funds	-	-	36,705	36,705
	<u>43,746,999</u>	<u>32,923,230</u>	<u>20,601,725</u>	<u>97,271,954</u>
Total liabilities and fund balances	<u>\$162,848,754</u>	<u>\$38,160,901</u>	<u>\$25,533,675</u>	<u>\$ 226,543,330</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, 2009

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

Fund balances - total governmental funds		\$ 97,271,954
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.		1,542,526,928
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.		12,533,175
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		3,760,000
The City's Pension Plans have been funded in excess of annual required contributions, creating a net pension asset. This asset is not a currently available financial resource and is not reported in the funds.		8,267,901
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.		7,899,411
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.		17,100,022
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.		(19,434,217)
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	\$(169,652,698)	
Add net deferred refunding and original premiums and discounts	(1,651,900)	
Less deferred charges	1,715,526	
Notes payable	(30,654,836)	
Capital leases	(109,822,026)	
Compensated absences	(16,579,911)	
Accrued interest payable	(2,043,084)	
	(328,688,929)	
Net assets of governmental activities		\$1,341,236,245

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, 2009

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$108,065,249	\$ -	\$ 3,893,990	\$111,959,239
Licenses and permits	4,435,320	-	-	4,435,320
Intergovernmental	69,532,447	1,565,325	23,916,644	95,014,416
Charges for services	5,016,133	-	286,728	5,302,861
Fines, forfeitures, and penalties	2,835,260	-	-	2,835,260
Investment income	1,667,951	350,453	(241,060)	1,777,344
Contributions and donations	101,296	384,601	104,017	589,914
Miscellaneous	4,578,309	141,815	1,250,760	5,970,884
Total revenues	<u>196,231,965</u>	<u>2,442,194</u>	<u>29,211,079</u>	<u>227,885,238</u>
EXPENDITURES				
Current:				
General government	64,029,282	-	5,906,521	69,935,803
Public safety	72,440,836	-	175,993	72,616,829
Public works	32,664,046	-	4,521,953	37,185,999
Parks, recreation, education, arts & culture	16,809,777	-	-	16,809,777
Social services	-	-	17,712,991	17,712,991
Capital outlay/capital assets	-	42,127,765	401,016	42,528,781
Debt service:				
Principal retirement	-	-	9,591,682	9,591,682
Interest and fiscal charges	-	-	6,333,051	6,333,051
Total expenditures	<u>185,943,941</u>	<u>42,127,765</u>	<u>44,643,207</u>	<u>272,714,913</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,288,024</u>	<u>(39,685,571)</u>	<u>(15,432,128)</u>	<u>(44,829,675)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,589,000	9,550,712	18,610,893	31,750,605
Transfers out	(22,547,922)	(353,043)	(6,068,966)	(28,969,931)
Issuance of debt	323,028	45,733,857	-	46,056,885
Premium on bonds issued	-	682,236	-	682,236
Total other financing sources (uses)	<u>(18,635,894)</u>	<u>55,613,762</u>	<u>12,541,927</u>	<u>49,519,795</u>
Net change in fund balance	<u>(8,347,870)</u>	<u>15,928,191</u>	<u>(2,890,201)</u>	<u>4,690,120</u>
FUND BALANCE, beginning	<u>52,094,869</u>	<u>16,995,039</u>	<u>23,491,926</u>	<u>92,581,834</u>
FUND BALANCE, ending	<u>\$ 43,746,999</u>	<u>\$32,923,230</u>	<u>\$20,601,725</u>	<u>\$ 97,271,954</u>

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

CITY OF CHATTANOOGA, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2009

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

Net change in fund balances - total governmental funds	\$ 4,690,120
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.	31,050,239
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(39,273,354)
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.	8,617,700
The net effect of various transactions involving capital assets is to decrease net assets.	1,809,205
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.	(457,589)
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.	(34,079,724)
The net revenues of internal service funds are reported with governmental activities.	2,670,000
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.	(9,653,611)
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>(187,025)</u>
Change in net assets of governmental activities	<u><u>\$ (34,814,039)</u></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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$107,037,728	\$107,037,728	\$108,065,249	\$ 1,027,521
Licenses and permits	5,098,057	5,098,057	4,435,320	(662,737)
Intergovernmental	77,884,079	77,884,079	69,532,447	(8,351,632)
Charges for services	5,459,509	5,459,509	5,016,133	(443,376)
Fines, forfeitures, and penalties	2,957,665	2,957,665	2,835,260	(122,405)
Investment income	1,642,889	1,642,889	1,667,951	25,062
Contributions and donations	92,826	92,826	101,296	8,470
Miscellaneous	4,823,193	4,823,193	4,578,309	(244,884)
Total revenues	<u>204,995,946</u>	<u>204,995,946</u>	<u>196,231,965</u>	<u>(8,763,981)</u>
EXPENDITURES				
General government	71,332,773	71,332,773	66,652,273	(4,680,500)
Finance and Administration	4,200,081	4,200,081	3,840,362	(359,719)
Police	44,403,204	44,403,204	44,315,485	(87,719)
Fire	28,350,881	28,350,881	28,295,578	(55,303)
Public Works	32,774,414	32,774,414	32,686,580	(87,834)
Parks, recreation, education, arts & culture	16,997,806	16,997,806	16,528,590	(469,216)
Total expenditures	<u>198,059,159</u>	<u>198,059,159</u>	<u>192,318,868</u>	<u>(5,740,291)</u>
Excess of revenues over expenditure:	<u>6,936,787</u>	<u>6,936,787</u>	<u>3,913,097</u>	<u>(3,023,690)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	3,589,000	3,589,000	3,589,000	-
Transfers out	(23,938,584)	(23,938,584)	(22,547,922)	1,390,662
Total other financing sources (uses)	<u>(20,349,584)</u>	<u>(20,349,584)</u>	<u>(18,958,922)</u>	<u>1,390,662</u>
Net change in fund balance	<u>\$ (13,412,797)</u>	<u>\$ (13,412,797)</u>	(15,045,825)	<u>\$ (1,633,028)</u>
Adjustment for encumbrances			6,697,955	
Net change in fund balance (GAAP basis)			(8,347,870)	
FUND BALANCE at beginning of year (GAAP basis)			<u>52,094,869</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 43,746,999</u>	
EXPLANATION OF DIFFERENCES:				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$196,231,965	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental fund			<u>\$196,231,965</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$192,318,868	
Adjustment for encumbrances			(6,697,955)	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental fund			<u>\$185,620,913</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, 2009

	Business-type Activities - Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Major Funds			Other Fund			
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Water Quality Management	Housing Management		
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 128,168,000	\$ 4,584,152	\$ 3,574,071	\$ 4,598,899	\$ 159,661	\$ 141,084,783	\$ 15,327,958
Investments	109,234,000	32,822,253	-	-	-	142,056,253	-
Receivables:							
Customer service	53,413,000	6,277,924	60,843	771,346	-	60,523,113	296,048
Other	90,000	122,409	-	-	16,894	229,303	-
Less allowance for doubtful accounts	(824,000)	(450)	(1,630)	(358,845)	-	(1,184,925)	-
Inventories	10,265,000	560,149	-	-	-	10,825,149	1,317,802
Prepaid items	3,968,000	-	-	-	-	3,968,000	-
Due from other governments	-	1,942,625	81,171	-	-	2,023,796	49,243
Other current assets	2,087,000	-	-	-	-	2,087,000	-
Total current assets	306,401,000	46,309,062	3,714,455	5,011,400	176,555	361,612,472	16,991,051
NONCURRENT ASSETS							
Restricted assets:							
Cash and cash equivalents	-	-	721,254	-	33,081	754,335	-
Investments	-	1,603,152	10,636,401	-	-	12,239,553	-
Accounts receivable	-	-	17,774	-	-	17,774	-
Total restricted assets	-	1,603,152	11,375,429	-	33,081	13,011,662	-
Capital assets:							
Land	5,439,000	7,992,355	1,517,514	1,865,986	27,000	16,841,855	-
Buildings and improvements	53,538,000	41,407,727	1,826,887	-	6,804,461	103,577,075	604,415
Vehicles and machinery	37,057,000	32,370,959	5,519,776	1,626,217	9,420	76,583,372	11,527,939
Construction in progress	52,728,000	-	-	-	-	52,728,000	-
Electric system	413,952,000	-	-	-	-	413,952,000	-
Solid waste system	-	-	9,250,985	-	-	9,250,985	-
Sewer system	-	421,842,851	-	-	-	421,842,851	-
Water quality system	-	-	-	47,087,619	-	47,087,619	-
Fiber optics system	53,956,000	-	-	-	-	53,956,000	-
	616,670,000	503,613,892	18,115,162	50,579,822	6,840,881	1,195,819,757	12,132,354
Less accumulated depreciation	(217,155,000)	(197,057,431)	(6,514,361)	(10,494,922)	(1,814,615)	(433,036,329)	(4,268,631)
Net capital assets	399,515,000	306,556,461	11,600,801	40,084,900	5,026,266	762,783,428	7,863,723
Other assets:							
Deferred charges	2,713,000	788,505	288,627	124,907	-	3,915,039	-
TVA discounted energy units	1,875,000	-	-	-	-	1,875,000	-
Total other assets	4,588,000	788,505	288,627	124,907	-	5,790,039	-
Total noncurrent assets	404,103,000	308,948,118	23,264,857	40,209,807	5,059,347	781,585,129	7,863,723
Total assets	\$ 710,504,000	\$ 355,257,180	\$ 26,979,312	\$ 45,221,207	\$ 5,235,902	\$ 1,143,197,601	\$ 24,854,774

(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		
LIABILITIES							
CURRENT LIABILITIES							
Current maturities of long-term liabilities	\$ 3,256,000	\$ 9,962,916	\$ 2,687,236	\$ 1,846,650	\$ 20,400	\$ 17,773,202	\$ 161,508
Accounts payable and accrued liabilities	102,514,000	3,844,601	588,868	367,325	53,559	107,368,353	960,927
Accrued claims	-	-	-	-	-	-	6,378,384
Customer deposits	1,927,000	-	-	-	-	1,927,000	-
Contracts payable	-	1,508,142	-	-	-	1,508,142	-
Conservation advances	92,000	-	-	-	-	92,000	-
Other current liabilities	10,313,000	-	-	-	-	10,313,000	-
Total current liabilities	<u>118,102,000</u>	<u>15,315,659</u>	<u>3,276,104</u>	<u>2,213,975</u>	<u>73,959</u>	<u>138,981,697</u>	<u>7,500,819</u>
LONG-TERM LIABILITIES							
Notes, capital leases and other obligations	-	47,743,184	788,453	496,905	2,477,708	51,506,250	-
Compensated absences	761,000	616,552	32,611	143,707	-	1,553,870	253,933
Customer deposits	16,328,000	-	-	-	-	16,328,000	-
Accrued closure and post closure care	-	-	9,793,507	-	-	9,793,507	-
Revenue bonds payable	285,390,000	-	-	-	-	285,390,000	-
Original issue premium	8,643,000	-	-	-	-	8,643,000	-
Deferred refunding	(318,000)	-	-	-	-	(318,000)	-
General obligation bonds payable	-	41,146,683	21,371,612	9,962,497	-	72,480,792	-
Deferred refunding	-	(1,897,652)	(662,534)	(408,531)	-	(2,968,717)	-
Original issue premium	-	1,876,394	999,747	572,096	-	3,448,237	-
Other noncurrent liabilities	1,473,000	-	-	-	33,176	1,506,176	-
Accrued postemployment benefits	9,141,000	-	-	-	-	9,141,000	-
Total long-term liabilities	<u>321,418,000</u>	<u>89,485,161</u>	<u>32,323,396</u>	<u>10,766,674</u>	<u>2,510,884</u>	<u>456,504,115</u>	<u>253,933</u>
Total liabilities	<u>439,520,000</u>	<u>104,800,820</u>	<u>35,599,500</u>	<u>12,980,649</u>	<u>2,584,843</u>	<u>595,485,812</u>	<u>7,754,752</u>
NET ASSETS (DEFICIT)							
Invested in capital assets, net of related debt	318,029,000	208,897,724	2,560,823	27,856,329	2,528,158	559,872,034	7,863,723
Restricted for renewal and replacement	586,000	12,327,153	11,129,020	459,199	-	24,501,372	-
Unrestricted	(47,631,000)	29,231,483	(22,310,031)	3,925,030	122,901	(36,661,617)	9,236,299
Total net assets (deficit)	<u>\$ 270,984,000</u>	<u>\$ 250,456,360</u>	<u>\$ (8,620,188)</u>	<u>\$ 32,240,558</u>	<u>\$ 2,651,059</u>	<u>\$ 547,711,789</u>	<u>\$ 17,100,022</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, 2009

	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		
OPERATING REVENUES							
Charges for sales and services:							
Electric sales	\$ 518,109,000	\$ -	\$ -	\$ -	\$ -	\$ 518,109,000	\$ -
Fiber optics revenues	17,235,000	-	-	-	-	17,235,000	-
Sewer charges	-	43,749,143	-	-	-	43,749,143	-
Waste charges	-	-	6,871,844	-	-	6,871,844	-
Water quality management fees	-	-	-	5,796,188	-	5,796,188	-
Rent	-	-	-	-	786,153	786,153	-
Other services	9,291,000	-	-	-	20,905	9,311,905	42,897,241
Other	-	-	132,140	59,435	-	191,575	-
Total operating revenues	<u>544,635,000</u>	<u>43,749,143</u>	<u>7,003,984</u>	<u>5,855,623</u>	<u>807,058</u>	<u>602,050,808</u>	<u>42,897,241</u>
OPERATING EXPENSES							
Power purchases	434,749,000	-	-	-	-	434,749,000	-
Other electric operations	38,941,000	-	-	-	-	38,941,000	-
Fiber optics operations	10,997,000	-	-	-	-	10,997,000	-
Sewer plant operations	-	23,919,458	-	-	-	23,919,458	-
Solid waste operations	-	-	2,737,807	-	-	2,737,807	-
Water quality management operations	-	-	-	3,990,248	-	3,990,248	-
Pump station operations	-	2,556,690	-	-	-	2,556,690	-
Housing management operations	-	-	-	-	660,023	660,023	-
Municipal garage operations	-	-	-	-	-	-	4,032,327
Maintenance and repairs	15,615,000	-	-	-	-	15,615,000	6,220,908
Depreciation and amortization	21,699,000	9,819,457	636,960	1,042,128	245,401	33,442,946	1,491,354
Closure/postclosure costs	-	-	(186,674)	-	-	(186,674)	-
Liability insurance	-	-	-	-	-	-	2,314,722
On-site medical services	-	-	-	-	-	-	26,158,254
Other	8,173,000	-	-	-	-	8,173,000	-
Total operating expenses	<u>530,174,000</u>	<u>36,295,605</u>	<u>3,188,093</u>	<u>5,032,376</u>	<u>905,424</u>	<u>575,595,498</u>	<u>40,217,565</u>
OPERATING INCOME (LOSS)	<u>14,461,000</u>	<u>7,453,538</u>	<u>3,815,891</u>	<u>823,247</u>	<u>(98,366)</u>	<u>26,455,310</u>	<u>2,679,676</u>
NONOPERATING REVENUES (EXPENSES)							
Investment income	7,791,000	971,072	229,832	-	-	8,991,904	-
Interest expense	(12,928,000)	(4,015,808)	(1,185,068)	(606,560)	(36,410)	(18,771,846)	-
Other income (expense)	808,000	-	-	-	-	808,000	-
Total nonoperating revenues (expenses)	<u>(4,329,000)</u>	<u>(3,044,736)</u>	<u>(955,236)</u>	<u>(606,560)</u>	<u>(36,410)</u>	<u>(8,971,942)</u>	<u>-</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>10,132,000</u>	<u>4,408,802</u>	<u>2,860,655</u>	<u>216,687</u>	<u>(134,776)</u>	<u>17,483,368</u>	<u>2,679,676</u>
Capital contributions	2,268,000	18,551	-	176,000	-	2,462,551	-
Transfers in	-	-	-	712,002	-	712,002	(9,676)
Transfers out	(3,469,000)	(14,000)	-	-	-	(3,483,000)	-
CHANGE IN NET ASSETS	<u>8,931,000</u>	<u>4,413,353</u>	<u>2,860,655</u>	<u>1,104,689</u>	<u>(134,776)</u>	<u>17,174,921</u>	<u>2,670,000</u>
NET ASSETS (DEFICIT), beginning	<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>
NET ASSETS (DEFICIT), ending	<u>\$ 270,984,000</u>	<u>\$ 250,456,360</u>	<u>\$ (8,620,188)</u>	<u>\$ 32,240,558</u>	<u>\$ 2,651,059</u>	<u>\$ 547,711,789</u>	<u>\$ 17,100,022</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, 2009

	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		
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ 546,143,000	\$ 39,924,531	\$ 6,902,762	\$ 5,817,970	\$ 824,438	\$ 599,612,701	\$ 6,482,824
Receipts from interfund services provided	-	-	-	-	-	-	36,276,773
Receipts from operating grants	-	-	74,034	-	-	74,034	-
Payments to suppliers	(470,720,000)	(18,881,747)	(2,368,144)	(1,756,599)	(684,429)	(494,410,919)	(36,219,450)
Payments to employees	(21,842,000)	(7,010,137)	(648,771)	(2,402,025)	-	(31,902,933)	(2,801,984)
Payments in lieu of taxes	(7,165,000)	-	-	-	-	(7,165,000)	-
Net cash provided by operating activities	<u>46,416,000</u>	<u>14,032,647</u>	<u>3,959,881</u>	<u>1,659,346</u>	<u>140,009</u>	<u>66,207,883</u>	<u>3,738,163</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	-	-	-	712,002	-	712,002	-
Transfers out	(3,469,000)	(14,000)	-	-	-	(3,483,000)	(9,676)
Net cash provided by (used in) noncapital financing activities	<u>(3,469,000)</u>	<u>(14,000)</u>	<u>-</u>	<u>712,002</u>	<u>-</u>	<u>(2,770,998)</u>	<u>(9,676)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Principal paid on capital debt	(2,309,000)	(10,988,409)	(2,532,365)	(1,645,269)	(27,995)	(17,503,038)	-
Interest paid on capital debt	(12,061,000)	(3,853,005)	(1,228,184)	(653,590)	(36,410)	(17,832,189)	-
Line of credit	(2,030,000)	-	-	-	-	(2,030,000)	-
Receipts from bond issue	-	11,302,798	-	-	-	11,302,798	-
Bond issuance cost	-	-	-	-	-	-	-
Capital grants and contributions	2,268,000	18,551	-	176,000	-	2,462,551	-
Additions to capital assets	(88,928,000)	(11,139,049)	(16,880)	(710,277)	-	(100,794,206)	(2,992,567)
Proceeds from the sale of capital assets	-	-	-	-	-	-	-
Net cash flows used in capital and related financing activities	<u>(103,060,000)</u>	<u>(14,659,114)</u>	<u>(3,777,429)</u>	<u>(2,833,136)</u>	<u>(64,405)</u>	<u>(124,394,084)</u>	<u>(2,992,567)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of investments	(44,171,000)	(117,575,351)	(27,972,010)	-	-	(189,718,361)	-
Proceeds from sales and maturities of investments	103,303,000	119,313,146	23,369,749	-	-	245,985,895	-
Interest	7,947,000	1,064,695	361,716	-	-	9,373,411	-
Net cash flows provided by (used in) investing activities	<u>67,079,000</u>	<u>2,802,490</u>	<u>(4,240,545)</u>	<u>-</u>	<u>-</u>	<u>65,640,945</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	6,966,000	2,162,023	(4,058,093)	(461,788)	75,604	4,683,746	735,920
Cash and cash equivalents, beginning 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>
Cash and cash equivalents, end of year	<u>\$ 128,168,000</u>	<u>\$ 4,584,152</u>	<u>\$ 4,295,325</u>	<u>\$ 4,598,899</u>	<u>\$ 192,742</u>	<u>\$ 141,839,118</u>	<u>\$ 15,327,958</u>
CLASSIFIED AS:							
Current assets	\$ 128,168,000	\$ 4,584,152	\$ 3,574,071	\$ 4,598,899	\$ 159,661	\$ 141,084,783	\$ 15,327,958
Restricted assets	-	-	721,254	-	33,081	754,335	-

(continued on next page)

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	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		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES							
OPERATING INCOME (LOSS)	\$ 14,461,000	\$ 7,453,538	\$ 3,815,891	\$ 823,247	\$ (98,366)	\$ 26,455,310	\$ 2,679,676
ADJUSTMENTS NOT AFFECTING CASH							
Depreciation and amortization	21,699,000	9,819,457	636,960	1,042,128	245,401	33,442,946	1,491,354
Miscellaneous nonoperating expenses, net	1,037,000	-	-	-	-	1,037,000	-
Provision for uncollectible accounts	-	527,749	1,555	(22,796)	-	506,508	-
Provision for obsolete inventory	-	-	-	-	-	-	-
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(1,008,000)	(4,352,361)	2,438	(14,858)	17,380	(5,355,401)	(142,314)
(Increase) decrease in due from other funds	-	-	-	-	-	-	1,745
(Increase) decrease in due from other governments	-	-	(31,181)	-	-	(31,181)	2,925
(Increase) decrease in inventory	(1,699,000)	83,523	-	-	-	(1,615,477)	(374,292)
(Increase) decrease in prepaid items	(1,610,000)	-	-	-	-	(1,610,000)	-
(Increase) decrease in deferred charges	7,000	91,337	25,358	-	-	123,695	-
Increase (decrease) in accounts payable	6,268,000	486,742	(59,700)	(175,646)	(26,666)	6,492,730	(488,162)
Increase (decrease) in accrued liabilities	1,028,000	(318,660)	(30,796)	(18,926)	-	659,618	13,876
Increase (decrease) in accrued claims	-	-	-	-	-	-	599,879
Increase (decrease) in other assets/liabilities	7,089,000	147,259	(394,291)	-	2,260	6,844,228	-
Increase (decrease) in compensated absences	(856,000)	94,063	(6,353)	26,197	-	(742,093)	(46,524)
Increase (decrease) in due to other funds	-	-	-	-	-	-	-
TOTAL ADJUSTMENTS	<u>31,955,000</u>	<u>6,579,109</u>	<u>143,990</u>	<u>836,099</u>	<u>238,375</u>	<u>39,752,573</u>	<u>1,058,487</u>
Net cash provided by operating activities	<u>\$ 46,416,000</u>	<u>\$ 14,032,647</u>	<u>\$ 3,959,881</u>	<u>\$ 1,659,346</u>	<u>\$ 140,009</u>	<u>\$ 66,207,883</u>	<u>\$ 3,738,163</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, 2009

	Other Postemployment Benefits Trust Fund	Pension Trust Funds	Agency Fund
ASSETS			
Cash	\$ -	\$ -	\$ (1,200,496)
Investments:			
U.S. Government securities	-	12,749,614	-
Corporate bonds	-	24,504,622	-
Foreign bonds	-	706,926	-
Corporate stocks	463,018	151,615,426	-
Pooled, common, & collective funds	-	12,000,000	-
Mutual funds - equity	830,631	40,710,217	-
Mutual funds - fixed income	-	71,919,627	-
Temporary investments	2,246,749	8,175,082	-
Limited partnerships	-	29,244,229	-
Other investments	1,048,405	950,000	-
Receivables:			
Accrued income	678	781,170	-
Due from others	-	-	1,200,496
Due from plan custodian	561,006	698,367	-
Total assets	<u>5,150,487</u>	<u>354,055,280</u>	<u>-</u>
LIABILITIES			
Due to plan custodian	-	189,862	-
Accounts payable and accrued expenses	-	820,330	-
Total liabilities	<u>-</u>	<u>1,010,192</u>	<u>-</u>
NET ASSETS			
Held in trust for pension and other postemployment benefits	<u>\$ 5,150,487</u>	<u>\$ 353,045,088</u>	<u>\$ -</u>

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, 2009

	<u>Other Postemployment Benefits Trust Fund</u>	<u>Pension Trust Funds</u>
ADDITIONS		
Contributions:		
Employer	\$ 850,357	\$ 11,982,349
Employee	<u>-</u>	<u>3,997,558</u>
Total contributions	<u>850,357</u>	<u>15,979,907</u>
Investment income:		
Net depreciation in fair market value of investments	(259,562)	(116,380,927)
Interest	24,841	2,911,453
Dividends	<u>-</u>	<u>5,881,636</u>
	(234,721)	(107,587,838)
Less investment expense	<u>(4,589)</u>	<u>(1,123,653)</u>
Net investment income (loss)	<u>(239,310)</u>	<u>(108,711,491)</u>
Total additions	<u>611,047</u>	<u>(92,731,584)</u>
DEDUCTIONS		
Benefits paid to participants	-	31,137,275
Administrative expenses	<u>-</u>	<u>709,354</u>
Total deductions	<u>-</u>	<u>31,846,629</u>
CHANGE IN NET ASSETS	611,047	(124,578,213)
Net assets, beginning	<u>4,539,440</u>	<u>477,623,301</u>
Net assets, ending	<u>\$ 5,150,487</u>	<u>\$ 353,045,088</u>

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

CITY OF CHATTANOOGA, TENNESSEE
 COMPONENT UNITS
 STATEMENT OF NET ASSETS
 June 30, 2009

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
ASSETS				
Cash and cash equivalents	\$ 5,414,903	\$ 1,728,024	\$ 2,960,317	\$ 10,103,244
Investments	-	-	742,341	742,341
Accounts receivable	4,578,151	2,270,345	411,398	7,259,894
Net investment in capital lease	-	-	108,937,617	108,937,617
Deferred charges	29,311	-	1,907,225	1,936,536
Inventories	-	138,113	118,960	257,073
Prepaid items	122,915	212,423	118,906	454,244
Restricted assets:				
Cash and cash equivalents	349,397	159,000	-	508,397
Investments	-	-	9,933,897	9,933,897
Receivables	202,824	-	-	202,824
Land and other nondepreciable assets	13,195,040	3,258,047	288,542	16,741,629
Other capital assets, net of accumulated depreciation	<u>55,729,256</u>	<u>26,753,464</u>	<u>1,698,275</u>	<u>84,180,995</u>
Total assets	<u>79,621,797</u>	<u>34,519,416</u>	<u>127,117,478</u>	<u>241,258,691</u>
LIABILITIES				
Accounts payable and accrued liabilities	596,436	3,168,678	2,836,815	6,601,929
Deferred revenue	11,650	12,070	-	23,720
Contracts payable	1,943,082	-	-	1,943,082
Due to primary government	-	819,187	-	819,187
Net pension obligations	-	103,163	-	103,163
Revenue bonds payable	6,557,169	-	121,790,000	128,347,169
Original issue premium (discount)	-	-	1,883,501	1,883,501
Deferred refunding	-	-	(2,464,109)	(2,464,109)
Total liabilities	<u>9,108,337</u>	<u>4,103,098</u>	<u>124,046,207</u>	<u>137,257,642</u>
NET ASSETS				
Invested in capital assets (net of related debt)	62,367,127	29,192,324	1,986,817	93,546,268
Restricted for:				
Debt service	552,221	-	9,470,618	10,022,839
Renewal and replacement	-	-	741,597	741,597
Unrestricted	<u>7,594,112</u>	<u>1,223,994</u>	<u>(9,127,761)</u>	<u>(309,655)</u>
Total net assets	<u>\$ 70,513,460</u>	<u>\$ 30,416,318</u>	<u>\$ 3,071,271</u>	<u>\$ 104,001,049</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, 2009

	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	\$ 9,189,838	\$ 7,319,562	\$ -	\$ 8,492,531	\$ 6,622,255	\$ -	\$ -	\$ 6,622,255
CARTA CARTA operations	20,829,026	6,289,314	6,777,677	11,407,525	-	3,645,490	-	3,645,490
CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION CDRC operations	16,821,192	15,544,319	-	-	-	-	(1,276,873)	(1,276,873)
Total component units	<u>\$ 46,840,056</u>	<u>\$ 29,153,195</u>	<u>\$ 6,777,677</u>	<u>\$ 19,900,056</u>	<u>6,622,255</u>	<u>3,645,490</u>	<u>(1,276,873)</u>	<u>8,990,872</u>
General revenues:								
Investment income					228,137	3,274	673,896	905,307
Miscellaneous					1,383,654	214,248	-	1,597,902
Total general revenues					<u>1,611,791</u>	<u>217,522</u>	<u>673,896</u>	<u>2,503,209</u>
CHANGE IN NET ASSETS					8,234,046	3,863,012	(602,977)	11,494,081
Net assets, beginning					<u>62,279,414</u>	<u>26,553,306</u>	<u>3,674,248</u>	<u>92,506,968</u>
Net assets, ending					<u>\$ 70,513,460</u>	<u>\$ 30,416,318</u>	<u>\$ 3,071,271</u>	<u>\$ 104,001,049</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, 2009

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CITY OF CHATTANOOGA, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

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, 2009. 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 13.

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.

(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 pharmaceutical services, 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.

Agency Fund - The Agency Fund accounts for resources held by the City as an agent for others. The Agency Fund is custodial in nature and does not involve the measurement of results of operations.

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, 2009, 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 2008 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 2008, 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, 2009.

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.

(J) Pollution Remediation Obligations

The City recognizes pollution remediation obligations when an obligating event is identified and a monetary estimate can be determined. No pollution remediation obligations are recorded at June 30, 2009.

(K) Reclassification

The Housing Management Fund previously reported a liability related to acquisition of certain capital assets as an account payable. During the current year, the terms of the obligation were renegotiated and the liability is now presented as a long-term obligation.

(L) Subsequent Events

Management performed an evaluation of subsequent events through December 16, 2009, the date these financial statements were issued.

NOTE 2. VOLKSWAGEN GROUP OF AMERICA, INC.

During the fiscal year ended June 30, 2009, Volkswagen Group of America, Inc. (VW) announced its decision to build a \$1 billion automotive production facility in Chattanooga, Tennessee. The announcement was the culmination of years of extensive economic development efforts by the project team, led by:

- Tennessee Governor Phil Bredesen
- Commissioner Matt Kisber, Tennessee Department of Economic and Community Development
- Commissioner Reagan Farr, Tennessee Department of Revenue
- City of Chattanooga Mayor Ron Littlefield and the City Council
- Hamilton County, Tennessee Mayor Claude Ramsey and the County Commission
- U.S. Senator Bob Corker
- U.S. Senator Lamar Alexander
- U.S. Congressman Zach Wamp
- Vice President of Economic Development Trevor Hamilton, Chattanooga Chamber of Commerce

The VW facility is expected to contribute to the economic expansion of the City and the surrounding region for years to come. The VW facility is under construction at the date these financial statements are issued.

The City and Hamilton County, Tennessee are working jointly to support the development of the VW facility. The Industrial Development Board of the City of Chattanooga (IDB) and The Health, Educational, and Housing Facility Board of the City of Chattanooga (HEB) were awarded grants and appropriations in excess of \$200 million by various Tennessee state agencies and departments for the development of the VW facility. The City acts as custodial agent for IDB and HEB grant funds to ensure that proper purchasing policies and procedures are followed. The City's role in the VW facility is reflected in the accompanying financial statements in several areas, the most significant of which are as follows:

- Transfer of land valued at \$8,916,345 to IDB for the VW facility
- Capital projects expenditures of \$5,985,000
- General Fund appropriations to IDB of \$4,989,473
- Establishing an Agency Fund for funds held on behalf of IDB and HEB

NOTE 3. 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, 2009, the City had no material excess of expenditures over appropriations in individual funds.

Net Assets/Fund Balance Deficit

The Solid Waste/Sanitation Fund has a deficit in net assets of \$8,620,188 at June 30, 2009. This deficit resulted from the recognition of cumulative landfill closure and postclosure care costs from prior years. These costs may be covered by charges to future landfill users, taxpayers, or both. The deficit decreased by \$2,860,655 from the prior fiscal year.

The Hotel/Motel Tax Fund has a deficit of \$354,464 at June 30, 2009. This deficit resulted from a slight decline in tax revenues. The deficit may be covered by future tax revenues.

NOTE 4. 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, 2009, 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	0.64	\$ 43,074,400
Certificates of deposit classified as investments	<u>0.47</u>	<u>18,555,291</u>
Total	<u>0.59</u>	<u>\$ 61,629,691</u>
Primary Government – Business-Type Activities:		
U.S. Government agency securities	1.27	\$ 97,146,870
Certificates of deposit classified as investments	<u>0.40</u>	<u>57,148,936</u>
Total	<u>0.95</u>	<u>\$154,295,806</u>
Component Units:		
U.S. Treasury Notes	0.25	\$ 151,464
U.S. Government agency securities	0.23	9,782,433
Certificates of deposit classified as investments	<u>0.76</u>	<u>742,341</u>
Total	<u>0.27</u>	<u>\$ 10,676,238</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, 2009, the primary government's investments in U.S. Government agency securities include Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association bonds, which were rated AAA by Standard & Poor's Rating Service (S & P) or Moody's Investor Service (Moody's).

Component unit investments in U.S. Government agency securities of \$9,782,433 were securities of the Federal Home Loan Mortgage Corporation which was 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 & P or Moody's Rating</u>	<u>Fair Value</u>
<u>Permanent Funds</u>		
Mutual funds - equity	Not rated	\$ 1,944,380
Mutual funds - fixed income	Not rated	789,978
Temporary investments	Not rated	<u>83,727</u>
		<u>\$ 2,818,085</u>

	<u>S & P or Moody's Rating</u>	<u>Fair Value</u>
<u>City of Chattanooga General Pension Plan</u>		
Domestic corporate bonds	B	\$ 980,525
Domestic corporate bonds	BA	143,498
Domestic corporate bonds	BAA	105,999
Domestic corporate bonds	CA	707,387
Domestic corporate bonds	CAA	1,206,275
Domestic corporate bonds	Withdrawn	148,645
Domestic corporate bonds	Not rated	334,083
Mutual funds - equity	Not rated	21,259,672
Mutual funds - fixed income	Not rated	52,846,514
Domestic equity securities	Not rated	63,088,686
Limited partnerships	Not rated	29,244,229
Temporary investments	Not rated	2,478,667
		<u>\$172,544,180</u>
<u>Firemen's and Policemen's Insurance and Pension Fund</u>		
U.S. Government securities	AAA	\$ 6,619,395
Domestic corporate bonds	AAA	1,683,661
Domestic corporate bonds	AA	4,405,081
Foreign bonds	AA	122,825
Domestic corporate bonds	A	9,620,114
Foreign bonds	A	119,176
Mutual funds - equity	A	109,007
Domestic corporate bonds	BAA	4,948,126
Foreign bonds	BAA	464,925
Mutual funds - equity	BAA	59,603
U.S. Government securities	Not rated	6,130,220
Domestic corporate bonds	Not rated	221,227
Mutual funds - fixed income	Not rated	19,073,113
Mutual funds - equity	Not rated	19,281,935
Domestic equity securities	Not rated	88,526,740
Pooled, common, & collective funds	Not rated	12,000,000
Temporary investments	Not rated	5,696,415
Investment in real estate corporation	Not rated	950,000
		<u>\$180,031,563</u>
<u>Other Postemployment Benefit Trust Fund</u>		
Domestic equity securities	A+	\$ 53,636
Domestic equity securities	A	43,379
Domestic equity securities	A-	41,861
Domestic equity securities	B+	129,994
Domestic equity securities	B	55,852
Foreign equity securities	B	6,753
Domestic equity securities	B-	26,061
Domestic equity securities	C	7,654
Domestic equity securities	Not rated	59,205
Foreign equity securities	Not rated	38,623
Mutual funds - equity	Not rated	830,631
Other assets	Not rated	1,048,405
Temporary investments	Not rated	2,246,749
		<u>\$ 4,588,803</u>

At June 30, 2009, the fair values of the City of Chattanooga General Pension Plan investments totaling \$103,350,415 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.

NOTE 5. RECEIVABLES

Receivables at June 30, 2009, consist of the following:

	Governmental Activities Funds			Business-Type Activities	Total
	General	Capital Projects	Other Governmental		
Primary Government					
Receivables:					
Taxes	\$ 98,113,248	\$ -	\$ -	\$ -	\$ 98,113,248
Accounts	-	154,440	74,134	17,774	246,348
Notes	1,196,665	2,584,218	-	-	3,780,883
Customer service	-	-	-	60,523,113	60,523,113
Other	4,833,557	33,161	-	229,303	5,096,021
Intergovernmental	<u>19,023,181</u>	<u>1,258,203</u>	<u>4,390,364</u>	<u>2,023,796</u>	<u>26,695,544</u>
Gross receivables	123,166,651	4,030,022	4,464,498	62,793,986	194,455,157
Less:					
Allowance for uncollectibles	<u>(3,624,923)</u>	<u>-</u>	<u>-</u>	<u>(1,184,925)</u>	<u>(4,809,848)</u>
Net receivables	<u>\$119,541,728</u>	<u>\$4,030,022</u>	<u>\$4,464,498</u>	<u>\$61,609,061</u>	<u>\$189,645,309</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, 2009.

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables are due to charges between funds that are outstanding as of June 30, 2009, as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds (Community Development)	\$ 5,126
Nonmajor Governmental Funds (Debt Service)	Capital Projects Fund	507,807
Capital Projects Fund	Nonmajor Governmental Funds (Hotel/ Motel Tax)	<u>1,520,829</u>
		<u>\$2,033,762</u>

NOTE 7. INTERFUND TRANSFERS

	Transfers In:					Total
	General Fund	Capital Projects	Nonmajor Governmental	Water Quality Management	Internal Service	
Transfers out:						
General Fund	\$ -	\$6,885,932	\$14,978,038	\$683,952	\$ -	\$22,547,922
Capital Projects Fund	120,000	-	242,719	-	(9,676)	353,043
Nonmajor Governmental Funds	-	2,664,780	3,390,136	14,050	-	6,068,966
Electric Power Board	3,469,000	-	-	-	-	3,469,000
Interceptor Sewer System	-	-	-	14,000	-	14,000
Total	<u>\$3,589,000</u>	<u>\$9,550,712</u>	<u>\$18,610,893</u>	<u>\$712,002</u>	<u>\$(9,676)</u>	<u>\$32,452,931</u>

Transfers are used to 1) move revenues from the General Fund, the Capital Projects Fund, the Community Development Fund, and the Hotel/Motel Tax Fund to the Debt Service Fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the Capital Projects Fund and the Debt Service Fund as required, 3) move unrestricted revenues from the General Fund to other funds for various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, and 4) record payments in lieu of taxes from the Electric Power Board to the General Fund.

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, is as follows:

Primary Government

Governmental Activities:

	Beginning Balance	Additions	Deductions	Ending Balance
Non-Depreciable Assets:				
Land and land improvements	\$1,023,642,426	\$ 5,889,207	\$ 5,554,296	\$1,023,977,337
Construction in Progress	<u>15,136,058</u>	<u>17,687,209</u>	<u>7,491,646</u>	<u>25,331,621</u>
Total non-depreciable assets	<u>1,038,778,484</u>	<u>23,576,416</u>	<u>13,045,942</u>	<u>1,049,308,958</u>
Depreciable Assets:				
Buildings and improvements	189,010,042	4,251,316	-	193,261,358
Vehicles and machinery	111,042,800	8,385,715	1,431,998	117,996,517
Infrastructure	<u>654,773,061</u>	<u>21,633,409</u>	<u>-</u>	<u>676,406,470</u>
Total depreciable assets	<u>954,825,903</u>	<u>34,270,440</u>	<u>1,431,998</u>	<u>987,664,345</u>
Less Accumulated Depreciation for:				
Buildings and improvements	68,136,046	5,670,323	-	73,806,369
Vehicles and machinery	82,388,573	8,869,295	1,420,786	89,837,082
Infrastructure	<u>296,717,146</u>	<u>26,225,090</u>	<u>3,035</u>	<u>322,939,201</u>
Total accumulated depreciation	<u>447,241,765</u>	<u>40,764,708</u>	<u>1,423,821</u>	<u>486,582,652</u>
Depreciable Assets, net	<u>507,584,138</u>	<u>(6,494,268)</u>	<u>8,177</u>	<u>501,081,693</u>
Governmental activities capital assets, net	<u>\$1,546,362,622</u>	<u>\$17,082,148</u>	<u>\$13,054,119</u>	<u>\$1,550,390,651</u>

	Beginning Balance	Additions	Deductions	Ending Balance
Business-Type Activities:				
Non-Depreciable Assets:				
Land	\$ 15,331,858	\$ 1,509,997	\$ -	\$ 16,841,855
Construction in Progress	<u>31,096,000</u>	<u>21,918,000</u>	<u>286,000</u>	<u>52,728,000</u>
Total non-depreciable assets	<u>46,427,858</u>	<u>23,427,997</u>	<u>286,000</u>	<u>69,569,855</u>
Depreciable Assets:				
Buildings and improvements	97,811,710	6,023,000	257,635	103,577,075
Vehicles and machinery	67,277,677	11,351,695	2,046,000	76,583,372
Sewer system	411,426,758	10,416,093	-	421,842,851
Solid waste system	9,250,985	-	-	9,250,985
Water quality management system	46,526,642	560,977	-	47,087,619
Electric system	399,442,000	26,790,000	12,280,000	413,952,000
Communications system	<u>31,819,000</u>	<u>22,306,000</u>	<u>169,000</u>	<u>53,956,000</u>
Total depreciable assets	<u>1,063,554,772</u>	<u>77,447,765</u>	<u>14,752,635</u>	<u>1,126,249,902</u>
Less Accumulated Depreciation for:				
Buildings and improvements	27,589,916	2,846,929	104,000	30,332,845
Vehicles and machinery	28,941,323	3,865,427	1,788,000	31,018,750
Sewer system	159,167,725	8,257,828	-	167,425,553
Solid waste system	154,183	308,366	-	462,549
Water quality management system	8,146,236	961,396	-	9,107,632
Electric system	174,911,000	14,142,000	9,875,000	179,178,000
Communications system	<u>12,598,000</u>	<u>3,061,000</u>	<u>148,000</u>	<u>15,511,000</u>
Total accumulated depreciation	<u>411,508,383</u>	<u>33,442,946</u>	<u>11,915,000</u>	<u>433,036,329</u>
Depreciable Assets, net	<u>652,046,389</u>	<u>44,004,819</u>	<u>2,837,635</u>	<u>693,213,573</u>
Business-type activities capital assets, net	<u>\$ 698,474,247</u>	<u>\$67,432,816</u>	<u>\$ 3,123,635</u>	<u>\$ 762,783,428</u>
Discretely Presented Component Units				
Non-Depreciable Assets:				
Land	\$ 4,823,508	\$ -	\$ -	\$ 4,823,508
Construction in Progress	<u>18,148,169</u>	<u>7,085,048</u>	<u>13,315,096</u>	<u>11,918,121</u>
Total non-depreciable assets	<u>22,971,677</u>	<u>7,085,048</u>	<u>13,315,096</u>	<u>16,741,629</u>
Depreciable Assets:				
Buildings	95,130,968	17,171,736	49,838	112,252,866
Vehicles and machinery	<u>51,551,952</u>	<u>8,045,613</u>	<u>-</u>	<u>59,597,565</u>
Total depreciable assets	<u>146,682,920</u>	<u>25,217,349</u>	<u>49,838</u>	<u>171,850,431</u>
Less Accumulated Depreciation for:				
Buildings	42,110,677	3,604,293	135	45,714,835
Vehicles and machinery	<u>36,145,550</u>	<u>5,809,051</u>	<u>-</u>	<u>41,954,601</u>
Total accumulated depreciation	<u>78,256,227</u>	<u>9,413,344</u>	<u>135</u>	<u>87,669,436</u>
Depreciable Assets, net	<u>68,426,693</u>	<u>15,804,005</u>	<u>49,703</u>	<u>84,180,995</u>
Component units capital assets, net	<u>\$ 91,398,370</u>	<u>\$22,889,053</u>	<u>\$13,364,799</u>	<u>\$ 100,922,624</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	\$19,322,253
Public Safety	264,921
Public Works	20,506,019
Parks and Recreation	592,550
Social Services	<u>78,965</u>
Total	<u>\$40,764,708</u>
Primary Government – Business-Type Activities:	
Sewer	\$ 9,819,457
Solid Waste/Sanitation	636,960
Water Quality Management	1,042,128
Housing Management	245,401
Electric Utility	<u>21,699,000</u>
Total	<u>\$33,442,946</u>
Discretely Presented Component Units:	
Transportation Authority	\$ 5,674,181
Airport Authority	3,409,282
Downtown Redevelopment	<u>329,881</u>
Total	<u>\$ 9,413,344</u>

NOTE 9. LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2009, were as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
GOVERNMENTAL ACTIVITIES					
General obligation serial bonds	\$130,843,479	\$45,415,000	\$ 6,605,781	\$169,652,698	\$ 9,078,489
Notes payable	32,593,423	416,857	2,355,444	30,654,836	2,865,683
Capital leases payable	112,603,776	323,028	3,104,778	109,822,026	3,290,207
Compensated absences	<u>17,028,600</u>	<u>9,237,588</u>	<u>9,270,836</u>	<u>16,995,352</u>	<u>5,996,513</u>
Total governmental activities	<u>\$293,069,278</u>	<u>\$55,392,473</u>	<u>\$21,336,839</u>	327,124,912	<u>\$21,230,892</u>
Net deferred refunding and original issue premiums and discounts				<u>1,651,900</u>	
				<u>\$328,776,812</u>	

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
BUSINESS-TYPE ACTIVITIES					
EPB:					
Revenue bonds	\$289,660,000	\$ -	\$ 1,600,000	\$288,060,000	\$ 2,670,000
Notes payable	1,295,000	-	709,000	586,000	586,000
Compensated absences	741,000	20,000	-	761,000	-
	<u>291,696,000</u>	<u>20,000</u>	<u>2,309,000</u>	<u>289,407,000</u>	<u>3,256,000</u>
Interceptor Sewer System:					
General obligation serial bonds	56,618,625	-	8,798,566	47,820,059	6,673,376
Notes payable	41,364,189	11,302,798	2,166,269	50,500,718	2,880,239
Capital leases payable	171,298	-	23,575	147,723	25,018
Compensated absences	906,772	717,860	623,797	1,000,835	384,283
	<u>99,060,884</u>	<u>12,020,658</u>	<u>11,612,207</u>	<u>99,469,335</u>	<u>9,962,916</u>
Solid Waste/Sanitation Fund:					
General obligation serial bonds	26,434,233	-	2,471,819	23,962,414	2,590,802
Notes payable	911,242	-	60,546	850,696	62,243
Compensated absences	73,156	63,686	70,040	66,802	34,191
	<u>27,418,631</u>	<u>63,686</u>	<u>2,602,405</u>	<u>24,879,912</u>	<u>2,687,236</u>
Water Quality Management Fund:					
General obligation serial bonds	12,998,664	\$ -	1,478,836	11,519,828	1,557,331
Notes payable	836,516	-	166,433	670,083	173,178
Compensated absences	233,650	236,203	210,005	259,848	116,141
	<u>14,068,830</u>	<u>236,203</u>	<u>1,855,274</u>	<u>12,449,759</u>	<u>1,846,650</u>
Housing Management Fund:					
Other obligation	2,534,655	-	36,547	2,498,108	20,400
Total business-type activities	<u>\$434,779,000</u>	<u>\$12,340,547</u>	<u>\$18,415,433</u>	428,704,114	<u>\$17,773,202</u>
Net deferred refunding and original issue premiums and discounts				<u>8,804,520</u>	
				<u>\$437,508,634</u>	
Discretely Presented Component Units					
Metropolitan Airport Authority:					
Revenue bonds	\$ 12,625,000	\$ 6,600,000	\$12,667,831	\$ 6,557,169	\$ 292,268
Chattanooga Downtown Redevelopment Corporation:					
Revenue bonds	<u>124,700,000</u>	<u>-</u>	<u>2,910,000</u>	<u>121,790,000</u>	<u>3,050,000</u>
Total component units	<u>\$137,325,000</u>	<u>\$ 6,600,000</u>	<u>\$15,577,831</u>	128,347,169	<u>\$ 3,342,268</u>
Net deferred refunding and original issue premiums and discounts				<u>(580,608)</u>	
				<u>\$127,766,561</u>	

Total additions to Long-Term Liabilities for Governmental Activities above are different than issuance of debt in Governmental Funds. The difference is due to a \$98,000 long-term obligation incurred in 2009 related to the VW facility that did not provide current financial resources.

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 \$2,474,321 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, 2009, the remaining liabilities for the bonds refunded were as follows:

<u>Year Refunded</u>	<u>Primary Government</u>	<u>Component Units</u>
1986	\$ 1,425,000	\$ -
1992	11,380,000	-
1996	4,000,000	-
1998	17,120,000	-
2002	29,975,000	-
2003	13,575,000	-
2005	48,675,000	-
2007	17,715,000	55,340,000

Debt related to governmental activities at June 30, 2009 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%	\$ 5,366,500
Public Improvement Refunding, Series 2002	4.38% - 5.38%	5,575,000
Refunding Bonds, 2002 Series A	3.60% - 5.00%	2,039,720
Hotel-Motel Tax Pledge, Series 2002	3.00% - 5.00%	47,320,000
General Obligation, 2003 Series A	3.25% - 4.20%	8,110,000
General Obligation, 2005 Series A	3.50% - 5.00%	17,197,982
Hotel-Motel Tax Refunding, Series 2005A	3.50% - 5.00%	5,448,980
Municipal Public Improvement, Series 2006A	4.00% - 5.00%	18,659,516
Public Improvement Refunding, Series 2007A	4.30% - 5.00%	14,520,000
General Obligation, 2009 Series A	3.00% - 4.63%	45,415,000
Total payable from the Debt Service Fund		<u>\$169,652,698</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, 2009, is \$2,125,023.

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, 2009, is \$3,573,585.

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, 2009, is \$19,252,634.

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, 2009, is \$21,788.

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's Restaurant employees and customers. The note carries fixed parking prices for five years beginning January 2008. The balance at June 30, 2009, is \$507,806.

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 provides for annual installments over four years which began in March 2008. The balance at June 30, 2009, is \$500,000.

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, 2009, is \$4,576,000.

IDB Foreign Trade Zone Note Payable - In July 2008, the City entered into an agreement with Volkswagen Group of America, Inc. to cover the cost, jointly with Hamilton County, of application, activation, and annual fees required for Volkswagen to make use of the existing Foreign-Trade Zone designation. The balance at June 30, 2009, is \$98,000.

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, 2009, was \$6,863,320, of which \$2,474,321 was a reduction of principal. The recorded liability under this capital lease at June 30, 2009, is \$108,937,617.

The debt service reserve fund held by the fiscal agent at June 30, 2009, is \$9,933,897. 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, 2009, is \$600,159.

Golf Course Capital Lease - In December 2008, the City entered into an equipment lease-purchase agreement to finance golf carts at the Brainerd and Brown Acres Golf Courses totaling \$323,028. The lease term is five years and provides for monthly payments which began December 1, 2008. The recorded liability under this capital lease at June 30, 2009, is \$284,250.

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, 2009, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
EPB:		
Electric System Revenue Bonds, Series 2000	4.60% - 5.00%	\$ 4,800,000
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%	586,000

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Interceptor Sewer System Fund:		
Municipal Public Improvement Refunding, Series 1998	5.25% - 5.50%	\$ 10,752,100
Municipal Public Improvement Refunding, Series 2002	4.00% - 4.50%	15,157,763
Refunding Bonds, 2002 Series A	3.60% - 5.00%	10,895,280
Refunding Bonds, 2005 Series A	3.50% - 5.00%	11,014,916
1992 State Revolving Sewer Loan*	3.98%	670,082
Georgia Environmental Facilities Authority	4.00%	4,379,320
State Revolving Loan 2003	2.98%	34,148,518
State Revolving Loan 2007	2.79%	11,302,798
City of Collegedale Capital Lease	6.30% - 6.68%	147,723
Solid Waste/Sanitation Fund:		
Municipal Public Improvement Refunding, Series 1998	5.50%	2,530,500
Municipal Public Improvement Refunding, Series 2002	4.38% - 5.38%	4,857,341
Refunding Bonds, 2005 Series A	3.50% - 5.00%	8,994,089
Municipal Public Improvement, Series 2006A	4.00% - 5.00%	5,100,484
Public Improvement Refunding, Series 2007A	4.30% - 5.00%	2,480,000
2003 Tennessee Municipal Bond Fund Loan	1.10%	362,415
2004 Tennessee Municipal Bond Fund Loan	1.10%	488,281
Water Quality Management Fund:		
Municipal Public Improvement Refunding, Series 1998	5.50%	1,735,900
Municipal Public Improvement Refunding, Series 2002	4.38% - 5.38%	3,629,895
Refunding Bonds, 2005 Series A	3.50% - 5.00%	5,404,033
Public Improvement Refunding, Series 2007A	4.30% - 5.00%	750,000
1992 State Revolving Sewer Loan*	3.98%	670,083
Housing Management Fund:		
Other obligation	3.69%	<u>2,498,108</u>
Total payable from business-type activities		<u>\$426,615,629</u>

*1992 State Revolving Loan Fund - The City entered into an agreement with the Tennessee Department of Health and Environment to secure a loan for the purpose of constructing a Combined Sewer Overflow Facility located at Ross's Landing. The loan will be repaid in monthly installments through 2013 with interest at 3.98%. The remaining balance at June 30, 2009, is \$1,340,165.

Georgia Environmental Facilities Authority - 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, 2009, is \$4,379,320.

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, 2009, is \$34,148,518.

State Revolving Loan 2007 – 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 2027 at 2.79% interest. The balance at June 30, 2009, is \$11,302,798.

Capital Lease – 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, 2009, is \$147,723.

EPB Equipment Notes – EPB has five installment notes outstanding at June 30, 2009, totaling \$586,000. 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%.

Housing Management obligation – The City entered into a management agreement in which it is obligated to the previous owner for certain property acquired by the City. The obligation will be repaid in monthly payments of \$1,700 plus interest. The balance at June 30, 2009, is \$2,498,108.

Component Units debt at June 30, 2009, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Metropolitan Airport Authority:		
Taxable Refunding Revenue Bonds, Series 2009	5.41%	\$ 6,557,169
Chattanooga Downtown Redevelopment Corporation:		
Chattanooga Lease Rental Revenue Bonds, Series 2000	5.00% - 5.88%	65,755,000
Chattanooga Lease Rental Refunding Revenue Bonds, Series 2007	4.00% - 5.00%	<u>56,035,000</u>
Total payable from Component Units		<u>\$128,347,169</u>

Principal and interest requirements to maturity for bonds, notes and other obligations 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>
2010	\$ 11,944,172	\$ 8,055,528	\$ 17,213,569	\$ 18,953,093
2011	12,035,625	7,162,913	15,967,237	18,228,373
2012	10,740,624	6,785,184	14,151,121	17,558,047
2013	10,307,737	6,435,435	14,604,908	16,926,970
2014	10,182,024	6,093,055	16,679,853	16,281,104
2015-2019	50,954,823	24,915,963	93,367,780	69,939,936
2020-2024	48,172,613	15,855,741	78,427,258	51,358,155
2025-2029	37,229,916	6,188,761	79,926,072	32,972,325
2030-2034	8,740,000	444,250	94,142,000	12,178,385
2035-2039	-	-	1,988,108	29,332
	<u>\$200,307,534</u>	<u>\$81,936,830</u>	<u>\$426,467,906</u>	<u>\$254,425,720</u>

Year	Component Units	
	Principal	Interest
2010	\$ 3,342,268	\$ 6,665,176
2011	3,513,912	6,485,121
2012	3,721,289	6,295,331
2013	3,899,643	6,103,227
2014	4,094,030	5,897,615
2015-2019	26,761,027	25,822,689
2020-2024	28,650,000	17,748,098
2025-2029	36,805,000	8,981,397
2030-2034	17,560,000	888,750
	<u>\$128,347,169</u>	<u>\$84,887,404</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
2010	\$ 3,290,207	\$ 7,085,611	\$ 25,018	\$ 8,635
2011	2,853,204	6,903,542	26,585	7,068
2012	3,053,517	6,719,541	28,286	5,366
2013	3,233,918	6,522,599	30,133	3,520
2014	3,384,017	6,314,687	32,138	1,515
2015-2019	20,250,295	28,015,697	5,563	46
2020-2024	27,488,510	20,566,987	-	-
2025-2029	37,321,866	10,459,633	-	-
2030-2033	8,946,492	580,197	-	-
	<u>\$109,822,026</u>	<u>\$93,168,494</u>	<u>\$147,723</u>	<u>\$26,150</u>

NOTE 10. DEFERRED COMPENSATION PLAN

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

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

Asset balance at July 1, 2008	\$17,866,922
Deferrals of compensation	1,156,118
Earnings (losses)	(2,380,135)
Withdrawals	(1,434,355)
Administrative expenses	<u>(781)</u>
Asset balance at June 30, 2009	<u>\$15,207,769</u>

NOTE 11. 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 6.31 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 23.13 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.

A deferred retirement option plan (DROP) provides alternative benefits for credit service to eligible members who have a minimum of 25 years to a maximum of 30 years of credited service, based on a formula using participant's monthly service retirement benefit from the three-year period of service yielding the highest arithmetic average of the participant's entire salary history, plus the average of the employee's last 36 monthly contributions, with 7 percent interest applied for the DROP period. Effective September 2, 2008, the DROP formula was changed by City ordinance. Participants who were active on this date could elect

to contribute an additional 1 percent of base salary to continue eligibility in the original DROP plan. The election period to remain in the original DROP plan was closed as of December 31, 2008, for current plan members and February 27, 2009, for cadets. Active participants who did not elect to contribute the additional 1 percent are eligible for a new DROP plan based on a formula using the three-year period of service yielding the highest arithmetic average of the participant's salary history at the beginning of the DROP period, plus the average of the employee's last 36 monthly contribution, with interest applied at Actuarial Assumed Rate of Return minus 3 percent. Plan participants who did not elect to remain in the original DROP plan by their respective deadline will be eligible for a "cost-neutral" DROP.

(3) Other Postemployment Benefits

The City follows provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions (OPEB)."

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 8.27 percent of the total covered payroll of the participants.

During 2008, the City established an Other Postemployment Benefits Trust (the Trust). Upon establishment of the Trust, the City began partially pre-funding benefits. For fiscal year 2009, the City contributed \$850,357 to the Trust to prefund benefits. 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.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the terms of the plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

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.

Current membership in each of these plans was comprised of the following as of June 30, 2009:

<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	792	684	1,046
Vested terminated employees	96	5	0
Active employees	1532	808	2,015
Actuarial update	1-1-2009	1-1-2009	7-1-2008

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	12/31/08	\$ 3,635,302	92.18 %	\$(4,138,811)
	12/31/07	3,540,962	98.90 %	(4,177,414)
	12/31/06	3,825,453	98.97 %	(4,216,376)
Firemen's and Policemen's Fund	12/31/08	7,623,063	109.40 %	(4,129,090)
	12/31/07	7,437,283	99.88 %	(3,412,170)
	12/31/06	7,454,348	90.00 %	(3,420,846)
Other Postemployment Benefits	6/30/09	17,790,129	44.28 %	19,434,217
	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	6.31 %	23.13 %	N/A
Contribution rates for plan members	2.00 %	8.00 %-9.00 %	Varies
Annual pension/OPEB cost	\$3,635,302	\$7,623,063	\$17,790,129
Contributions made by employer	3,591,842	8,390,507	6,463,540
Contributions made by plan members	1,134,956	3,820,210	-
Actuarial valuation date for current contributions	January 1, 2009	January 1, 2009	July 1, 2008
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level Dollar	Level Percent	Level Dollar
Remaining amortization period	30 Years Open	30 Years Remaining	30 Years Open
Asset valuation method	Market Value, As Adjusted	Market Value, As Adjusted	Market Value

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>	<u>Other Postemployment Benefits</u>
Actuarial assumptions:			
Investment rate of return	7.75%	8.00%	5.50%
Projected salary increases	4.50%-5.50%	3.25%-8.25%	3.00%-8.50%
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	\$ 3,600,000	\$ 7,686,489	\$17,921,571
Interest on net pension/OPEB obligation (asset)	(323,750)	(272,974)	523,657
Adjustment to annual required contribution	<u>362,353</u>	<u>209,548</u>	<u>(655,099)</u>
Annual pension/OPEB cost	3,638,603	7,623,063	17,790,129
Contributions made	<u>(3,600,000)</u>	<u>(8,339,983)</u>	<u>(7,876,951)</u>
Increase in net pension/OPEB obligation (asset)	38,603	(716,920)	9,913,178
Net pension/OPEB obligation (asset) at beginning of year	<u>(4,177,414)</u>	<u>(3,412,170)</u>	<u>9,521,039</u>
Net pension/OPEB obligation (asset) at end of year	<u><u>\$(4,138,811)</u></u>	<u><u>\$(4,129,090)</u></u>	<u><u>\$19,434,217</u></u>

Financial Reports:

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

Combining Statement of Pension Trust Net Assets:

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>	<u>Total</u>
ASSETS			
Receivables:			
Due from plan custodian			
For securities sold	\$ -	\$ 698,367	\$ 698,367
Accrued income	<u>298,630</u>	<u>482,540</u>	<u>781,170</u>
Total receivables	<u>298,630</u>	<u>1,180,907</u>	<u>1,479,537</u>

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>	<u>Total</u>
ASSETS			
Investments, at fair value:			
U.S. Government securities	\$ -	\$ 12,749,614	\$ 12,749,614
Corporate bonds	3,626,412	20,878,210	24,504,622
Foreign bonds	-	706,926	706,926
Pooled, common, & collective funds	-	12,000,000	12,000,000
Corporate stocks	63,088,686	88,526,740	151,615,426
Mutual funds - equity	21,259,672	19,450,545	40,710,217
Mutual funds - fixed income	52,846,514	19,073,113	71,919,627
Temporary investments	2,478,667	5,696,415	8,175,082
Limited Partnerships	29,244,229	-	29,244,229
Other investments	-	950,000	950,000
	<u>172,544,180</u>	<u>180,031,563</u>	<u>352,575,743</u>
Total investments			
	<u>172,842,810</u>	<u>181,212,470</u>	<u>354,055,280</u>
Total assets			
LIABILITIES			
Due to plan custodian			
For securities purchased	-	189,862	189,862
Accrued expenses	151,404	668,926	820,330
	<u>151,404</u>	<u>858,788</u>	<u>1,010,192</u>
Total liabilities			
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
	<u>\$172,691,406</u>	<u>\$180,353,682</u>	<u>\$353,045,088</u>

Combining Statement of Changes in Plan Net Assets:

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Employer	\$ 3,591,842	\$ 8,390,507	\$ 11,982,349
Employee	1,134,956	2,862,602	3,997,558
	<u>4,726,798</u>	<u>11,253,109</u>	<u>15,979,907</u>
Total contributions			

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>	<u>Total</u>
ADDITIONS			
Investment income:			
Net depreciation in fair market value of investments	\$(54,002,044)	\$(62,378,883)	\$(116,380,927)
Interest	424,197	2,487,256	2,911,453
Dividends	<u>2,061,426</u>	<u>3,820,210</u>	<u>5,881,636</u>
	(51,516,421)	(56,071,417)	(107,587,838)
Less investment expense	<u>(307,537)</u>	<u>(816,116)</u>	<u>(1,123,653)</u>
Net investment income (loss)	<u>(51,823,958)</u>	<u>(56,887,533)</u>	<u>(108,711,491)</u>
Total additions	<u>(47,097,160)</u>	<u>(45,634,424)</u>	<u>(92,731,584)</u>
DEDUCTIONS			
Benefits paid to participants	10,574,558	20,562,717	31,137,275
Administrative expenses	<u>191,996</u>	<u>517,358</u>	<u>709,354</u>
Total deductions	<u>10,766,554</u>	<u>21,080,075</u>	<u>31,846,629</u>
NET DECREASE	(57,863,714)	(66,714,499)	(124,578,213)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
Beginning of year	<u>230,555,120</u>	<u>247,068,181</u>	<u>477,623,301</u>
End of year	<u>\$172,691,406</u>	<u>\$180,353,682</u>	<u>\$353,045,088</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 the Plan assigns the authority to establish and amend benefit provisions to EPB.

Contribution requirements of Plan members and EPB are established and can be amended by EPB. The Plan does not require Plan members to make a contribution. The EPB is required to contribute at an actuarially determined rate; the current rate is 9.91% of annual covered payroll.

EPB's annual pension cost of the Plan for the current year was approximately \$2,500,000. EPB has no net pension obligation at June 30, 2009, as calculated by actuarial valuation. The annual required contribution was determined as part of an actuarial valuation performed as of August 1, 2008, using the aggregate cost method. The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used in the valuation included (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.0% per year compounded annually, (c) no postretirement benefit increases, and (d) a discount rate of 8.0%.

Trend Information:

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$2,500,000	100%	\$ -
6/30/08	2,000,000	100%	-
6/30/07	2,132,000	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 2009, EPB contributed approximately \$1.8 million for current claims.

The EPB’s annual other post employment benefit (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 (or funding excess) over a period not to exceed twenty years.

In the July 1, 2008, 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 2016. 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, 2008, was twenty years.

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

Annual required contribution	\$1,864,000
Interest on net OPEB obligation (asset)	-
Adjustment to annual required contribution	-
Annual OPEB cost	1,864,000
Contributions made	<u>1,844,000</u>
Increase in net OPEB obligation	20,000
Net OPEB obligation at beginning of year	<u>9,121,000</u>
Net OPEB obligation at end of year	<u>\$9,141,000</u>

EPB 401(k) Plan

EPB also has a 401(k) plan which permits employees to invest up to 15 percent of salary in a tax-deferred savings plan. EPB contributes up to 4.0 percent of an employee's salary after one year of employment. EPB contributions are immediately fully vested and amounted to \$889,000 for the year ended June 30, 2009.

(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:			
6/30/09	\$325,203	100.0%	\$ -
6/30/08	512,089	100.0%	-
6/30/07	328,586	100.0%	-
Defined Benefit Plan:			
6/30/09	\$112,405	66.7%	\$103,163
6/30/08	203,137	0.0%	156,490
6/30/07	2,453	0.0%	(46,647)

NOTE 12. CONSERVATION PROGRAMS

EPB is a fiscal intermediary for the Tennessee Valley Authority's (TVA) conservation programs. As of June 30, 2009, outstanding funds advanced by TVA totaled \$92,000 to be used by EPB for customer loans in connection with TVA's insulation and heat pump conservation programs. At June 30, 2009, the outstanding receivables for loans made from these funds amounted to \$90,000. A total of approximately \$78,400,000 has been loaned to EPB's customers since the programs were begun in 1977.

NOTE 13. 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	\$11,849,117
Multiplied by two-thirds	<u> x 2/3</u>
City's equity interest	<u>\$ 7,899,411</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, 2009, is as follows:

ASSETS

Cash	\$ 617,326
Accounts receivable, net	249,749
Inventories	75,102
Prepaid items	62,797
Capital assets, net	11,164,547
Other assets	<u>12,100</u>
Total assets	<u>\$12,181,621</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 216,845
Advance deposits	63,219
Notes payable	<u>52,440</u>
Total liabilities	<u>332,504</u>

NET ASSETS

Invested in capital assets, net of related debt	11,112,107
Unrestricted	<u>737,010</u>
Total net assets	<u>11,849,117</u>
Total liabilities and net assets	<u>\$12,181,621</u>

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Total operating revenues	\$ 6,068,561
Total operating expenses	<u>7,073,708</u>
Loss from operations	(1,005,147)
Nonoperating revenues	<u>318,764</u>
Net decrease	(686,383)
Net assets at July 1, 2008	<u>12,535,500</u>
Net assets at June 30, 2009	<u>\$11,849,117</u>

NOTE 14. 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 water quality 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, 2009. The total contractual commitments outstanding as of June 30, 2009, aggregated approximately \$22,022,978. The City has sufficient funds available to cover these commitments

NOTE 15. 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, 2009, 122 series of Industrial Revenue Bonds had been issued. The principal amount of the 16 series issued after July 1, 1995, was \$210,400,000 as of August 1, 2009. 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-two (42) bond issues since 1985, the original amount of which were \$596,880,000. The Board has no means of determining the outstanding amount of these bonds.

NOTE 16. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Solid Waste/Sanitation Fund accounts for the operations of the City landfill, as well as the closure and postclosure care costs of the City landfill and landfills closed in prior years (Summit and 36th Street). State and federal regulations require the City to place a final cover on all landfills after closure, and the City must perform certain maintenance and monitoring functions for 30 years thereafter. The City recognizes landfill closure and postclosure care costs based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs of \$9,793,507 at June 30, 2009, is based on the use of 100 percent of the capacity of the Summitt landfill, and 95 percent of the capacity of the City landfill. The estimated remaining life of the City landfill is 1.4 years. Changes in the estimated liability for landfill closure and postclosure care costs for the year ended June 30, 2009, are as follows:

Estimated liability, June 30, 2008	\$10,200,052
Expenses recognized	(186,675)
Costs incurred	<u>(219,870)</u>
Estimated liability, June 30, 2009	<u>\$ 9,793,507</u>
Due within one year	<u>\$ 91,630</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 2011 fiscal year. A reduction in costs was recorded in the current year to properly reflect the estimated liability at June 30, 2009. The City will recognize the remaining estimated costs of closure and postclosure care of \$301,278 as the remaining capacity is used. The estimated total current cost of the landfill closure and postclosure care of \$10,094,785 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, 2009. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs and additional costs that might arise from changes in postclosure requirements may need to be covered by charges to future landfill users, taxpayers, or both.

NOTE 17. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; medical benefits; unemployment compensation; injuries to employees; errors and omissions; and natural disasters. The City retains the risk of loss related to torts, certain retiree medical benefits, unemployment compensation, and injuries to employees. The Internal Service Fund accounts for all exposures, except on-the-job-injury claims. 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, 2009, 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.

At June 30, 2009, the Internal Service Fund liability consists of \$4,025,000 related to torts and \$2,353,384 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, 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	361,505	5,778,505
Incurred claims, including IBNRs/reduction in estimated liabilities	7,648,914	21,978,476
Claim payments	<u>(7,588,057)</u>	<u>(21,378,597)</u>
Unpaid claims, June 30, 2009	<u>\$ 422,362</u>	<u>\$ 6,378,384</u>
Due within one year	<u>\$ 422,362</u>	<u>\$ 6,378,384</u>

NOTE 18. COMPONENT UNIT SWAPTION

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

Objective:

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

Terms:

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

Fair value:

At June 30, 2009, the swap had a negative fair value of \$8,465,148, 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, 2009

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
CITY OF CHATTANOOGA ADMINISTERED PLANS						
General Pension Plan						
January 1, 2009	\$ 220,035,854	\$ 255,973,845	\$ 35,937,991	86.00%	\$ 59,645,747	60.25%
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%
Firemen's and Policemen's Insurance and Pension Fund						
January 1, 2009	\$ 250,144,973	\$ 327,638,030	\$ 77,493,057	76.35%	\$ 34,715,838	223.22%
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%
Other Postemployment Benefits						
July 1, 2008	\$ 4,539,440	\$ 192,053,979	\$ 187,514,539	2.36%	\$ 78,155,219	239.93%
July 1, 2006	-	228,471,342	228,471,342	0.00%	80,882,959	282.47%
ELECTRIC POWER BOARD						
Pension Plan						
August 1, 2008	\$ 30,645,000	\$ 36,740,000	\$ 6,095,000	83.40%	\$ 24,276,000	25.10%
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%
Other Postemployment Benefits						
July 1, 2008	\$ 14,675,000	\$ 26,264,000	\$ 11,589,000	55.80%	\$ 24,325,000	47.60%
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%

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF REQUIRED SUPPLEMENTAL INFORMATION
 PUBLIC EMPLOYEE RETIREMENT SYSTEMS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 June 30, 2009

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>
2009	3,351,000	100.0%	7,686,489	108.5%	\$17,921,571	44.28%
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	1/1/2009	1/1/2009	7/1/2008
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level Dollar	Level Percent	Level Dollar
Remaining amortization period	30 Years Open	30 Years Remaining	30 Years Open
Asset valuation method	Market value, as adjusted	Market value, as adjusted	Market value
Actuarial assumptions:			
Investment rate of return	7.75%	8.00%	5.50%
Projected salary increases	4.50% - 5.50%	3.25%	3.00% - 8.50%
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, 2009

	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
ASSETS												
Cash and cash equivalents	\$ 1,332,595	\$ 11,780	\$ 1,090,476	\$ 1,769,732	\$ 364,456	\$ 1,138,705	\$ (32,536)	\$ 50,894	\$ 5,726,102	\$ 7,867,218	\$ 95,728	\$ 13,689,048
Investments	54,960	-	-	-	379,000	2,191,905	880,000	-	3,505,865	548,372	2,818,085	6,872,322
Accounts receivable	2,079	-	47,552	2,247	1,458	829	36	18,327	72,528	1,606	-	74,134
Due from other funds	-	-	-	-	-	-	-	-	-	507,807	-	507,807
Due from other governments	-	-	1,961,148	-	756,894	992,884	679,438	-	4,390,364	-	-	4,390,364
Total assets	\$ 1,389,634	\$ 11,780	\$ 3,099,176	\$ 1,771,979	\$ 1,501,808	\$ 4,324,323	\$ 1,526,938	\$ 69,221	\$ 13,694,859	\$ 8,925,003	\$ 2,913,813	\$ 25,533,675
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts payable and accrued liabilities	\$ 120,982	\$ -	\$ 678,805	\$ 849,848	\$ 127,467	\$ 156,992	\$ -	\$ -	\$ 1,934,094	\$ -	\$ -	\$ 1,934,094
Deferred revenue	2,232	-	9,921	-	366,146	732,732	360,573	-	1,471,604	-	-	1,471,604
Due to other governments	297	-	-	-	-	-	-	-	297	-	-	297
Due to other funds	-	-	-	-	-	5,126	1,520,829	-	1,525,955	-	-	1,525,955
Total liabilities	123,511	-	688,726	849,848	493,613	894,850	1,881,402	-	4,931,950	-	-	4,931,950
FUND BALANCES												
Reserved for:												
Encumbrances	6,120	-	181,971	39,523	-	81,160	-	-	308,774	-	-	308,774
Library endowment	-	-	-	-	-	-	-	-	-	-	2,877,108	2,877,108
Debt service escrow	-	-	-	-	-	-	-	-	-	550,000	-	550,000
Unreserved, designated for:												
Debt service	-	-	-	-	-	-	-	-	-	8,375,003	-	8,375,003
Other long-term liabilities	-	-	562,100	-	-	-	-	-	562,100	-	-	562,100
Unreserved - undesignated	1,260,003	11,780	1,666,379	882,608	1,008,195	3,348,313	(354,464)	69,221	7,892,035	-	36,705	7,928,740
Total fund balances (deficits)	1,266,123	11,780	2,410,450	922,131	1,008,195	3,429,473	(354,464)	69,221	8,762,909	8,925,003	2,913,813	20,601,725
Total liabilities and fund balances	\$ 1,389,634	\$ 11,780	\$ 3,099,176	\$ 1,771,979	\$ 1,501,808	\$ 4,324,323	\$ 1,526,938	\$ 69,221	\$ 13,694,859	\$ 8,925,003	\$ 2,913,813	\$ 25,533,675

CITY OF CHATTANOOGA, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2009

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,893,990	\$ -	\$ 3,893,990	\$ -	\$ -	\$ 3,893,990
Intergovernmental	2,649,264	-	12,296,621	78,335	4,114,584	3,490,890	-	-	22,629,694	1,286,950	-	23,916,644
Charges for services	-	-	46,484	-	-	-	-	240,244	286,728	-	-	286,728
Investment income	39,493	-	4,264	4,409	23,715	19,429	47,220	-	138,530	367	(379,957)	(241,060)
Contributions and donations	24,142	-	75,875	1,000	3,000	-	-	-	104,017	-	-	104,017
Miscellaneous	328,661	-	8,869	289,304	-	623,926	-	-	1,250,760	-	-	1,250,760
Total revenues	<u>3,041,560</u>	<u>-</u>	<u>12,432,113</u>	<u>373,048</u>	<u>4,141,299</u>	<u>4,134,245</u>	<u>3,941,210</u>	<u>240,244</u>	<u>28,303,719</u>	<u>1,287,317</u>	<u>(379,957)</u>	<u>29,211,079</u>
EXPENDITURES												
General government	5,544,103	2,135	-	-	-	-	105,781	157,409	5,809,428	-	97,093	5,906,521
Public safety	-	-	-	175,993	-	-	-	-	175,993	-	-	175,993
Public works	-	-	-	-	4,521,953	-	-	-	4,521,953	-	-	4,521,953
Social services	-	-	14,095,542	-	-	3,617,449	-	-	17,712,991	-	-	17,712,991
Debt service	-	-	-	-	-	-	-	-	-	15,924,733	-	15,924,733
Capital outlay/fixed assets	55,229	-	45,844	288,768	10,865	310	-	-	401,016	-	-	401,016
Total expenditures	<u>5,599,332</u>	<u>2,135</u>	<u>14,141,386</u>	<u>464,761</u>	<u>4,532,818</u>	<u>3,617,759</u>	<u>105,781</u>	<u>157,409</u>	<u>28,621,381</u>	<u>15,924,733</u>	<u>97,093</u>	<u>44,643,207</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,557,772)</u>	<u>(2,135)</u>	<u>(1,709,273)</u>	<u>(91,713)</u>	<u>(391,519)</u>	<u>516,486</u>	<u>3,835,429</u>	<u>82,835</u>	<u>(317,662)</u>	<u>(14,637,416)</u>	<u>(477,050)</u>	<u>(15,432,128)</u>
OTHER FINANCING SOURCES (USES)												
Transfers in	2,640,000	-	1,333,477	-	-	-	-	-	3,973,477	14,637,416	-	18,610,893
Transfers out	-	-	-	(280,665)	-	(522,988)	(5,265,313)	-	(6,068,966)	-	-	(6,068,966)
Total other financing sources (uses)	<u>2,640,000</u>	<u>-</u>	<u>1,333,477</u>	<u>(280,665)</u>	<u>-</u>	<u>(522,988)</u>	<u>(5,265,313)</u>	<u>-</u>	<u>(2,095,489)</u>	<u>14,637,416</u>	<u>-</u>	<u>12,541,927</u>
Net change in fund balance	<u>82,228</u>	<u>(2,135)</u>	<u>(375,796)</u>	<u>(372,378)</u>	<u>(391,519)</u>	<u>(6,502)</u>	<u>(1,429,884)</u>	<u>82,835</u>	<u>(2,413,151)</u>	<u>-</u>	<u>(477,050)</u>	<u>(2,890,201)</u>
FUND BALANCE, beginning	<u>1,183,895</u>	<u>13,915</u>	<u>2,786,246</u>	<u>1,294,509</u>	<u>1,399,714</u>	<u>3,435,975</u>	<u>1,075,420</u>	<u>(13,614)</u>	<u>11,176,060</u>	<u>8,925,003</u>	<u>3,390,863</u>	<u>23,491,926</u>
FUND BALANCE (DEFICIT), ending	<u>\$ 1,266,123</u>	<u>\$ 11,780</u>	<u>\$ 2,410,450</u>	<u>\$ 922,131</u>	<u>\$ 1,008,195</u>	<u>\$ 3,429,473</u>	<u>\$ (354,464)</u>	<u>\$ 69,221</u>	<u>\$ 8,762,909</u>	<u>\$ 8,925,003</u>	<u>\$ 2,913,813</u>	<u>\$ 20,601,725</u>

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

CITY OF CHATTANOOGA, TENNESSEE

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Year Ended June 30, 2009

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
OPERATING REVENUES				
Charges for services	\$ 7,319,562	\$ 6,289,314	\$ 15,544,319	\$ 29,153,195
Other	-	214,248	-	214,248
Total operating revenues	<u>7,319,562</u>	<u>6,503,562</u>	<u>15,544,319</u>	<u>29,367,443</u>
OPERATING EXPENSES				
Airport operations	4,870,349	-	-	4,870,349
CARTA operations	-	15,138,052	-	15,138,052
CDRC operations	-	-	9,532,070	9,532,070
Management fees	233,453	-	406,020	639,473
Maintenance	168,547	-	-	168,547
Depreciation and amortization	<u>3,425,959</u>	<u>5,674,181</u>	<u>329,881</u>	<u>9,430,021</u>
Total operating expenses	<u>8,698,308</u>	<u>20,812,233</u>	<u>10,267,971</u>	<u>39,778,512</u>
OPERATING INCOME (LOSS)	<u>(1,378,746)</u>	<u>(14,308,671)</u>	<u>5,276,348</u>	<u>(10,411,069)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	-	6,777,677	-	6,777,677
Investment income	228,137	3,274	673,896	905,307
Interest expense	(491,530)	(16,793)	(6,553,221)	(7,061,544)
Other income (expense)	<u>1,383,654</u>	<u>-</u>	<u>-</u>	<u>1,383,654</u>
Total nonoperating revenues (expenses)	<u>1,120,261</u>	<u>6,764,158</u>	<u>(5,879,325)</u>	<u>2,005,094</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(258,485)</u>	<u>(7,544,513)</u>	<u>(602,977)</u>	<u>(8,405,975)</u>
Capital contributions	<u>8,492,531</u>	<u>11,407,525</u>	<u>-</u>	<u>19,900,056</u>
CHANGE IN NET ASSETS	<u>8,234,046</u>	<u>3,863,012</u>	<u>(602,977)</u>	<u>11,494,081</u>
Net assets, beginning	<u>62,279,414</u>	<u>26,553,306</u>	<u>3,674,248</u>	<u>92,506,968</u>
Net assets, ending	<u>\$ 70,513,460</u>	<u>\$ 30,416,318</u>	<u>\$ 3,071,271</u>	<u>\$ 104,001,049</u>

CITY OF CHATTANOOGA, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS
Year Ended June 30, 2009

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 7,357,860	\$ 6,377,254	\$ 15,934,419	\$ 29,669,533
Payments to suppliers	(5,167,703)	(4,508,739)	(4,539,647)	(14,216,089)
Payments to employees	-	(10,471,559)	-	(10,471,559)
Cost of services	-	-	(5,433,689)	(5,433,689)
Net cash provided by (used in) operating activities	<u>2,190,157</u>	<u>(8,603,044)</u>	<u>5,961,083</u>	<u>(451,804)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental payments received	-	6,777,677	-	6,777,677
Net cash provided by noncapital financing activities	<u>-</u>	<u>6,777,677</u>	<u>-</u>	<u>6,777,677</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceed from capital debt	6,600,000	-	-	6,600,000
Principal paid on capital debt	(12,667,831)	-	(2,910,000)	(15,577,831)
Payments to primary government	-	(51,895)	-	(51,895)
Principal received on capital lease	-	-	2,474,321	2,474,321
Payments of bond issuance costs	(29,557)	-	-	(29,557)
Interest paid on capital debt	(501,769)	-	(6,460,806)	(6,962,575)
Capital contributions	7,280,332	10,710,492	-	17,990,824
Additions to capital assets	(8,360,393)	(7,849,899)	(659,449)	(16,869,741)
Proceeds from sale of equipment	1,470	-	-	1,470
Passenger facility charges collected	1,284,841	-	-	1,284,841
Net cash flows provided by (used in) capital and related financing activities	<u>(6,392,907)</u>	<u>2,808,698</u>	<u>(7,555,934)</u>	<u>(11,140,143)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(140,522)	-	(56,255,039)	(56,395,561)
Proceeds from sales and maturities of investments	4,301,064	-	56,112,084	60,413,148
Interest on investments	228,137	3,274	673,558	904,969
Net cash flows provided by investing activities	<u>4,388,679</u>	<u>3,274</u>	<u>530,603</u>	<u>4,922,556</u>
Net increase (decrease) in cash and cash equivalents	185,929	986,605	(1,064,248)	108,286
Cash and cash equivalents, beginning of year	<u>5,578,371</u>	<u>900,419</u>	<u>4,024,565</u>	<u>10,503,355</u>
Cash and cash equivalents, end of year	<u>\$ 5,764,300</u>	<u>\$ 1,887,024</u>	<u>\$ 2,960,317</u>	<u>\$ 10,611,641</u>
CLASSIFIED AS:				
Current assets	\$ 5,414,903	\$ 1,728,024	\$ 2,960,317	\$ 10,103,244
Restricted assets	<u>349,397</u>	<u>159,000</u>	<u>-</u>	<u>508,397</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 COMBINING STATEMENT OF CASH FLOWS
 COMPONENT UNITS
 Year Ended June 30, 2009

(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)	\$ (1,378,746)	\$ (14,308,671)	\$ 5,276,348	\$ (10,411,069)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Depreciation and amortization	3,425,959	5,674,181	329,881	9,430,021
Change in assets and liabilities:				
Decrease in accounts receivable	30,428	(138,378)	390,099	282,149
Decrease in inventory	-	28,713	19,017	47,730
Decrease in prepaid items	130,193	51,310	-	181,503
Decrease in other assets	-	-	105,155	105,155
Decrease in accounts payable and accrued liabilities	(233,091)	89,801	-	89,801
Increase in deferred revenue	7,870	-	-	7,870
Increase in other	207,544	-	-	207,544
TOTAL ADJUSTMENTS	3,568,903	5,705,627	684,735	9,959,265
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 2,190,157</u>	<u>\$ (8,603,044)</u>	<u>\$ 5,961,083</u>	<u>\$ (451,804)</u>
SIGNIFICANT NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Additions to property and equipment included in contracts payable	<u>\$ 1,943,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,943,082</u>

CITY OF CHATTANOOGA, TENNESSEE

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
June 30, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
ASSETS				
Cash	\$ -	\$ 67,300,326	\$ 68,500,822	\$ (1,200,496)
Due from others	<u>-</u>	<u>68,500,822</u>	<u>67,300,326</u>	<u>1,200,496</u>
Total assets	<u>\$ -</u>	<u>\$ 135,801,148</u>	<u>\$ 135,801,148</u>	<u>\$ -</u>
LIABILITIES				
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CHATTANOOGA, TENNESSEE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 90,500,000	\$ 90,500,000	\$ 90,624,326	\$ 124,326
Property in lieu of taxes:				
Burner Systems	3,482	3,482	1,789	(1,693)
Chattanooga Housing Authority	25,000	25,000	50,509	25,509
Tennessee Valley Authority	1,600,000	1,600,000	1,534,726	(65,274)
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	58,281	58,281	56,426	(1,855)
Signal Mountain Cement	145,289	145,289	91,877	(53,412)
Covenant Transport	22,110	22,110	22,673	563
T. B. Woods	6,629	6,629	-	(6,629)
Regis Corporation	52,375	52,375	10,265	(42,110)
Dev Corp O Knob	434	434	434	-
Chattanooga Labeling System	7,745	7,745	7,745	-
Wheland Foundation	233	233	131	(102)
Refunds	-	-	(29,423)	(29,423)
Chattem Inc.	15,840	15,840	15,840	-
Central Block Corp.	2,363	2,363	2,363	-
LJT of Tennessee	4,674	4,674	26,098	21,424
Provident Life & Accident Insurance Co.	9,770	9,770	9,764	(6)
South Market LLC	1,762	1,762	1,762	-
Air Liquide	1,813	1,813	-	(1,813)
American Plastic Ind.	54,682	54,682	50,783	(3,899)
Custom Baking	25,824	25,824	19,374	(6,450)
Dupont - Sabanci Intl.	29,553	29,553	22,594	(6,959)
Frazier Partners LLC	618	618	618	-
Invista	27,120	27,120	24,966	(2,154)
Advanced Tech Ceramic	5,600	5,600	7,943	2,343
United Ewertach Corp	2,363	2,363	7,336	4,973
Aerisyn, Inc	26,652	26,652	31,502	4,850
TAG Manufacturing	18,339	18,339	33,051	14,712
Wm Wrigley Jr Co	-	-	39,792	39,792
Astec Industries	-	-	19,897	19,897
Blue Cross Blue Shield	-	-	454,454	454,454
East Tech Co	-	-	5,420	5,420
Heatec, Inc	-	-	2,262	2,262
Modern Industries	-	-	6,055	6,055
Roadtec	-	-	11,733	11,733
Sphere One Inc	-	-	5,767	5,767
Steel Warehouse of TN	-	-	9,489	9,489
U.S. Xpress Inc	-	-	47,640	47,640
United Packers of Chattanooga	-	-	17,757	17,757
MK LLC	-	-	6,517	6,517
Corporate excise taxes - intangible property	225,000	225,000	275,637	50,637
Interest and penalty on taxes:				
Current year	120,000	120,000	116,718	(3,282)
Prior years	650,000	650,000	724,611	74,611
Collection fees - delinquent taxes	178,000	178,000	174,967	(3,033)
Other local taxes:				
Franchise taxes	2,185,000	2,185,000	2,210,697	25,697
Liquor taxes	1,900,000	1,900,000	1,957,073	57,073
Beer taxes	5,100,000	5,100,000	5,437,519	337,519
Litigation taxes - City Court	4,600	4,600	3,889	(711)
Gross receipts tax	4,020,607	4,020,607	3,905,913	(114,694)
Total taxes	<u>107,037,728</u>	<u>107,037,728</u>	<u>108,065,249</u>	<u>1,027,521</u>
Licenses and permits:				
Motor vehicle licenses	380,000	380,000	425,620	45,620
Business licenses (excluding liquor)	150,000	150,000	147,820	(2,180)
Fees for issuing business licenses	57,000	57,000	57,760	760

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

(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	\$ 6,000	\$ 6,000	\$ 6,402	\$ 402
Wrecker permits	8,000	8,000	6,520	(1,480)
Building permits	1,300,000	1,300,000	823,983	(476,017)
Electrical permits	220,000	220,000	126,503	(93,497)
Plumbing fixtures connection permits	215,000	215,000	126,693	(88,307)
Street cut-in permits	300,000	300,000	376,612	76,612
Annual electrical contractors licenses	64,000	64,000	71,950	7,950
Penalty-electrical fees & licenses	300	300	888	588
Plumbing examiner fees	35,000	35,000	39,835	4,835
Electrical examiner fees	25,000	25,000	33,675	8,675
Gas examiner fees	38,000	38,000	37,970	(30)
Beer permit application fees	95,000	95,000	88,350	(6,650)
Mechanical code permits	95,000	95,000	68,743	(26,257)
Mechanical examiner fees	64,000	64,000	57,092	(6,908)
Fees for issuing construction, renovation permits	52,000	52,000	45,257	(6,743)
Liquor by drink licenses	125,000	125,000	142,330	17,330
Liquor by drink, interest and penalty	1,500	1,500	1,562	62
Hotel permits	2,000	2,000	2,825	825
Gas permits	6,000	6,000	3,895	(2,105)
Exhibitor fees	2,000	2,000	1,133	(867)
Sign permits	150,000	150,000	135,665	(14,335)
Taxicab driver permits	6,000	6,000	7,765	1,765
Temporary use permits	4,000	4,000	3,990	(10)
Subdivision review/inspection fee	27,000	27,000	16,625	(10,375)
Miscellaneous licenses and permits	16,000	16,000	14,731	(1,269)
Designated revenues:				
Parking meters	1,026,450	1,026,450	1,026,450	-
Air pollution	627,807	627,807	536,676	(91,131)
Total licenses and permits	<u>5,098,057</u>	<u>5,098,057</u>	<u>4,435,320</u>	<u>(662,737)</u>
Intergovernmental revenues:				
City allocation - state beer tax	87,355	87,355	81,138	(6,217)
City allocation - state income tax	2,700,000	2,700,000	3,629,181	929,181
City allocation - state sales tax	11,437,590	11,437,590	10,254,407	(1,183,183)
County-wide sales tax	27,249,319	27,249,319	25,710,248	(1,539,071)
Mixed drink tax	1,870,399	1,870,399	1,763,451	(106,948)
State maintenance of streets	350,000	350,000	303,031	(46,969)
State gas inspection fees	340,000	340,000	334,218	(5,782)
State alcoholic beverage taxes	91,835	91,835	96,760	4,925
Hamilton County - Ross's Landing	905,771	905,771	942,561	36,790
Hamilton County - radio and electronics	170,614	170,614	151,108	(19,506)
State - specialized training	469,800	469,800	474,600	4,800
State - telecommunication sales tax	20,000	20,000	18,901	(1,099)
State Funds	7,477	7,477	4,391	(3,086)
Other Hamilton County revenue	-	-	53,496	53,496
Federal Funds	1,068	1,068	3,000	1,932
Other local governments	157,973	157,973	278,922	120,949
Designated revenues:				
County-wide sales tax	11,465,273	11,465,273	10,394,686	(1,070,587)
Other designated revenue	<u>20,559,605</u>	<u>20,559,605</u>	<u>15,038,348</u>	<u>(5,521,257)</u>
Total intergovernmental revenues	<u>77,884,079</u>	<u>77,884,079</u>	<u>69,532,447</u>	<u>(8,351,632)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Charges for services:				
City court costs	\$ 284,000	\$ 284,000	\$ 290,010	\$ 6,010
State court costs	2,000	2,000	2,764	764
City Court Clerk fees	1,236,400	1,236,400	1,163,429	(72,971)
Charges for financial services, EPB	7,200	7,200	7,200	-
Variance request fees	6,000	6,000	5,375	(625)
Fire and ambulance service fees	200	200	208	8
Warner/Montague Park ballfield fees	6,000	6,000	2,425	(3,575)
Champion's Club fees	30,000	30,000	50,113	20,113
Memorial Auditorium credit card fees	40,000	40,000	17,976	(22,024)
Tivoli credit card fees	20,000	20,000	9,829	(10,171)
Kidz Kamp fees	60,000	60,000	73,092	13,092
Sports program fees	3,600	3,600	2,307	(1,293)
Non-traditional program fees	6,000	6,000	6,733	733
Fitness center fees	40,000	40,000	55,778	15,778
Outventure fees	16,000	16,000	28,876	12,876
Credit card processing fee	50,000	50,000	33,088	(16,912)
Police reports: accidents, etc., fees	115,000	115,000	81,351	(33,649)
Applicant/Photo/ID card fees	3,000	3,000	2,313	(687)
Skateboard park fees	80,000	80,000	63,896	(16,104)
Construction board of appeals	1,600	1,600	1,800	200
Zoning letter	9,600	9,600	6,425	(3,175)
Sign board of appeals	3,200	3,200	3,450	250
Certificates of occupancy	18,000	18,000	17,510	(490)
Sewer verification letter	300	300	300	-
Code compliance letter fee	1,000	1,000	700	(300)
Push cart permits	-	-	225	225
Teen Social Club fee	-	-	50	50
Park event fee	6,000	6,000	8,950	2,950
Contractor-Plans-Pre Bid award	-	-	3,415	3,415
Modular homesite investigation	-	-	75	75
Plan checking fee	240,000	240,000	171,940	(68,060)
Phased construction plans review	7,200	7,200	8,025	825
Cell tower site/location review	4,000	4,000	-	(4,000)
Arts & culture fees	7,000	7,000	14,749	7,749
Therapeutic Kamp fee	2,000	2,000	2,025	25
Preservation fee - civic facilities	160,000	160,000	128,697	(31,303)
Dead animal pick up fee at vet	6,000	6,000	7,280	1,280
General pension administration cost	25,000	25,000	40,000	15,000
Designated revenues	<u>2,963,209</u>	<u>2,963,209</u>	<u>2,703,754</u>	<u>(259,455)</u>
 Total charges for services	 <u>5,459,509</u>	 <u>5,459,509</u>	 <u>5,016,133</u>	 <u>(443,376)</u>
Fines, forfeitures, and penalties:				
City court fines	715,000	715,000	697,891	(17,109)
Criminal court fines	200,000	200,000	135,632	(64,368)
Parking tickets	575,000	575,000	532,987	(42,013)
Delinquent parking tickets	120,000	120,000	117,950	(2,050)
Air pollution penalties	3,000	3,000	6,077	3,077
Miscellaneous forfeitures and penalties	1,600	1,600	1,658	58
Designated revenues	<u>1,343,065</u>	<u>1,343,065</u>	<u>1,343,065</u>	<u>-</u>
 Total fines, forfeitures, and penalties	 <u>2,957,665</u>	 <u>2,957,665</u>	 <u>2,835,260</u>	 <u>(122,405)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Miscellaneous revenues:				
Interest earned	\$ 1,625,000	\$ 1,625,000	\$ 1,498,259	\$ (126,741)
Contributions and donations	-	-	100	100
Sale of property	80,000	80,000	4,278	(75,722)
Land and building rents	225,000	225,000	223,199	(1,801)
Dock rental (wharf)	25,000	25,000	96,475	71,475
Payroll deduction charges	4,000	4,000	3,956	(44)
Indirect cost	2,585,866	2,585,866	2,585,866	-
Plans and specification deposits	7,000	7,000	9,990	2,990
Municipal Liens	75,000	75,000	23,444	(51,556)
Memorial Auditorium box office	175,000	175,000	118,724	(56,276)
Memorial Auditorium rents	190,000	190,000	134,210	(55,790)
Memorial Auditorium concessions	50,000	50,000	41,779	(8,221)
Tivoli box office	95,000	95,000	62,127	(32,873)
Tivoli rents	160,000	160,000	136,395	(23,605)
Tivoli concessions	30,000	30,000	30,024	24
Swimming pools	70,000	70,000	68,039	(1,961)
Park concessions	10,000	10,000	25,070	15,070
Recreation center rental	75,000	75,000	81,610	6,610
Carousel ridership	95,000	95,000	110,791	15,791
Other miscellaneous revenue	482,503	482,503	217,850	(264,653)
Over/under collections	-	-	687	687
Designated revenues:				
Interest	17,889	17,889	169,692	151,803
Contributions and donations	92,826	92,826	101,196	8,370
Other	298,824	298,824	484,970	186,146
Departmental revenues:				
General Government	90,000	90,000	25	(89,975)
Finance and Administration	-	-	444	444
Police	-	-	23,598	23,598
Fire	-	-	91,982	91,982
Public Works	-	-	2,746	2,746
Parks and Recreation	-	-	30	30
Total miscellaneous revenues	<u>6,558,908</u>	<u>6,558,908</u>	<u>6,347,556</u>	<u>(211,352)</u>
Total revenues	<u>204,995,946</u>	<u>204,995,946</u>	<u>196,231,965</u>	<u>(8,763,981)</u>
EXPENDITURES				
General government:				
City Council	741,598	741,598	664,205	(77,393)
Allied Arts Council	255,000	255,000	255,000	-
Community Impact Fund	300,000	300,000	300,000	-
Front Porch Alliance	30,000	30,000	30,000	-
Finley Stadium	60,000	60,000	60,000	-
Choose Chattanooga	25,000	25,000	25,000	-
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)	706,699	706,699	672,216	(34,483)
Railroad Authority	55,794	55,794	55,794	-
Industrial Development Board	4,989,473	4,989,473	4,989,473	-
Enterprise Center	100,000	100,000	100,000	-
Enterprise South Nature Park	190,150	190,150	121,513	(68,637)
Children's Advocacy Center	30,000	30,000	30,000	-
Election Expense	120,000	120,000	174,098	54,098
CARTA parking meters	1,026,450	1,026,450	1,026,450	-
M.L. King Plan	-	-	6,880	6,880
Information Services	2,971,519	2,971,519	2,825,426	(146,093)
Telephone Systems	146,750	146,750	174,109	27,359
Homeless Health Care Centers	17,500	17,500	17,500	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

(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	1,134,824	1,134,824	1,011,385	(123,439)
Contingency fund	221,846	221,846	53,230	(168,616)
Chattanooga Area Urban League	50,000	50,000	50,000	-
Chattanooga Downtown Partnership	100,000	100,000	100,000	-
CARTA	3,851,000	3,851,000	3,851,000	-
Pensions and UIC	50,000	50,000	62,541	12,541
Tennessee Riverpark	1,258,632	1,258,632	1,146,481	(112,151)
WTCI - Channel 45	60,000	60,000	60,000	-
Tuition assistance program	20,000	20,000	22,187	2,187
Regional Planning Agency	3,106,075	3,106,075	3,033,189	(72,886)
Renewal and replacement	700,000	700,000	528,918	(171,082)
Economic development and education	9,370,806	9,370,806	6,863,320	(2,507,486)
311 call center	520,341	520,341	466,925	(53,416)
Air Pollution Control Bureau	1,408,175	1,408,175	1,401,066	(7,109)
Scenic Cities Beautiful Commission	107,595	107,595	53,330	(54,265)
Audits, dues and surveys	206,757	206,757	164,788	(41,969)
Internal Audit	499,419	499,419	467,182	(32,237)
Chattanooga Opportunity Fund	-	-	116,259	116,259
Intergovernmental relations	327,000	327,000	450,543	123,543
City water quality management fees	77,000	77,000	81,165	4,165
Automated Speed	1,240,169	1,240,169	648,818	(591,351)
TN Multicultural Chamber of Commerce	150,000	150,000	150,000	-
Chamber of economic development	450,000	450,000	450,000	-
Chamber of Commerce Mktg-Enterprise South	75,000	75,000	75,000	-
Community & economic development	1,797,325	1,797,325	1,435,870	(361,455)
Personnel	6,623,967	6,623,967	6,580,625	(43,342)
Neighborhood services	2,011,412	2,011,412	2,004,733	(6,679)
Telecommunication Operations	153,751	153,751	151,845	(1,906)
GS Administration	308,378	308,378	345,316	36,938
Purchasing	726,448	726,448	742,805	16,357
Building Maintenance	806,665	806,665	918,662	111,997
Chatt Mobile Communication	465,584	465,584	420,362	(45,222)
Real Estate	28,946	28,946	34,372	5,426
Property Maintenance	33,700	33,700	17,825	(15,875)
Chattanooga Community Resource Center Operations	3,750	3,750	13,993	10,243
Heritage Center Maintenance	138,464	138,464	138,464	-
DRC Building Operations	2,807,326	2,807,326	623,260	(2,184,066)
ESIP Security Services	-	-	19,180	19,180
City Code revision	-	-	6,428	6,428
PSIC Planning/ Training	100,000	100,000	39,171	(60,829)
PSIC Capital acquisition	16,680,000	16,680,000	17,139,333	459,333
Free Public Library	11,374	11,374	-	(11,374)
Liability insurance premiums	400,000	400,000	1,700,000	1,300,000
Total general government	71,332,773	71,332,773	66,652,273	(4,680,500)
Finance and Administration:				
Finance administration	2,177,519	2,177,519	2,017,246	(160,273)
Office of City Treasurer	768,711	768,711	725,720	(42,991)
Clerk's Office Operations	1,005,520	1,005,520	920,927	(84,593)
City Court Technology	123,273	123,273	49,086	(74,187)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Finance and Administration (continued)				
Animal Care Trust	58	58	-	(58)
Court space usage costs	\$ 125,000	\$ 125,000	\$ 127,383	\$ 2,383
Total Finance and Administration	4,200,081	4,200,081	3,840,362	(359,719)
Police:				
Administration	2,314,701	2,314,701	2,213,492	(101,209)
Uniformed Services	20,265,322	20,265,322	20,998,530	733,208
Investigative and support services	20,795,221	20,795,221	20,193,491	(601,730)
Law enforcement planning	284,568	284,568	282,662	(1,906)
Special programs	708,077	708,077	590,837	(117,240)
Reduction part I offenses	35,315	35,315	36,473	1,158
Total Police	44,403,204	44,403,204	44,315,485	(87,719)
Fire:				
Operations	28,350,881	28,350,881	28,295,578	(55,303)
Total Fire	28,350,881	28,350,881	28,295,578	(55,303)
Public Works:				
Administration	1,107,840	1,107,840	1,187,946	80,106
Board of Appeals & Variances	12,700	12,700	8,765	(3,935)
City Engineer	2,159,277	2,159,277	2,267,860	108,583
City-wide services	1,059,574	1,059,574	1,014,389	(45,185)
Street cleaning	2,578,926	2,578,926	2,492,809	(86,117)
ESIP	-	-	7,771	7,771
Emergency	1,058,558	1,058,558	779,287	(279,271)
Waste resources:				
Sewer construction and maintenance	2,270,100	2,270,100	2,158,983	(111,117)
Codes and inspections:				
Land development	2,681,766	2,681,766	2,635,826	(45,940)
Board of Examiners	34,600	34,600	33,394	(1,206)
Utilities	140,775	140,775	163,155	22,380
Interceptor sewer system pump stations	110,600	110,600	67,673	(42,927)
Solid waste subsidy	6,275,560	6,275,560	6,275,560	-
Municipal forestry	659,503	659,503	622,851	(36,652)
Tree commission	27,020	27,020	27,020	-
Waste pickup	6,919,565	6,919,565	7,119,624	200,059
Technology	135,730	135,730	43,642	(92,088)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Public Works (continued)				
Traffic management:				
Administration	\$ 758,440	\$ 758,440	\$ 834,545	\$ 76,105
Control	1,897,859	1,897,859	1,849,187	(48,672)
Street lighting	2,886,021	2,886,021	3,062,517	176,496
Summer Work Program	-	-	33,776	33,776
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Public Works	<u>32,774,414</u>	<u>32,774,414</u>	<u>32,686,580</u>	<u>(87,834)</u>
Parks and Recreation:				
Administration	1,093,192	1,093,192	1,080,249	(12,943)
Recreation:				
Recreation centers	3,635,651	3,635,651	3,483,812	(151,839)
Fitness center	220,740	220,740	209,510	(11,230)
OutVenture	136,577	136,577	138,677	2,100
Sports	214,496	214,496	193,753	(20,743)
Champion's Club	238,912	238,912	261,432	22,520
Kidz Kamp Program	214,101	214,101	187,541	(26,560)
Aquatics	169,678	169,678	168,700	(978)
Therapeutic Recreation	112,123	112,123	112,722	599
Summit of Softball	-	-	1,473	1,473
Special programs	712,143	712,143	724,628	12,485
Parks maintenance:				
Administration	793,577	793,577	783,621	(9,956)
Warner Park Zoo	528,501	528,501	591,245	62,744
Municipal parks	255,293	255,293	353,226	97,933
Tennessee Riverpark-Downtown	1,203,902	1,203,902	1,249,238	45,336
Carousel	92,123	92,123	126,259	34,136
Brainerd Golf Course	906,330	906,330	799,050	(107,280)
Brown Acres Golf Course	1,057,608	1,057,608	970,746	(86,862)
City-wide security	326,817	326,817	307,831	(18,986)
Landscape	479,606	479,606	508,864	29,258
Public Arts	147,510	147,510	80,511	(66,999)
Building and structures	943,351	943,351	942,231	(1,120)
Athletic facilities	1,150,093	1,150,093	1,108,376	(41,717)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Parks and Recreation	<u>14,632,324</u>	<u>14,632,324</u>	<u>14,383,695</u>	<u>(248,629)</u>
Education, Arts and Culture				
Administration	356,338	356,338	325,260	(31,078)
Civic facilities:				
Administration	803,500	803,500	642,391	(161,109)
Memorial Auditorium	461,143	461,143	467,129	5,986
Tivoli Theatre	324,990	324,990	296,530	(28,460)
Special Programs	376,268	376,268	362,635	(13,633)
Concessions	43,243	43,243	50,950	7,707
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Education, Arts and Culture	<u>2,365,482</u>	<u>2,365,482</u>	<u>2,144,895</u>	<u>(220,587)</u>
Total expenditures	<u>198,059,159</u>	<u>198,059,159</u>	<u>192,318,868</u>	<u>(5,740,291)</u>
Excess of revenues over expenditures	<u>6,936,787</u>	<u>6,936,787</u>	<u>3,913,097</u>	<u>(3,023,690)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,589,000	\$ 3,589,000	\$ 3,589,000	\$ -
Transfers out	<u>(23,938,584)</u>	<u>(23,938,584)</u>	<u>(22,547,922)</u>	<u>1,390,662</u>
Total other financing sources (uses)	<u>(20,349,584)</u>	<u>(20,349,584)</u>	<u>(18,958,922)</u>	<u>1,390,662</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - (budgetary basis)	<u>\$ (13,412,797)</u>	<u>\$ (13,412,797)</u>	(15,045,825)	<u>\$ (1,633,028)</u>
Adjustment for encumbrances			<u>6,697,955</u>	
Net change in fund balance (GAAP basis)			(8,347,870)	
FUND BALANCE at beginning of year (GAAP basis)			<u>52,094,869</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 43,746,999</u>	

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - DESIGNATED REVENUES
Year Ended June 30, 2009

	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	\$ -	\$ 1,841,068	\$ 90,000	\$ -	\$ 72,000	\$ 2,003,068	\$ -	\$ 1,966,019	\$ 60,750	\$ -	\$ 53,212	\$ 2,079,981	\$ 76,913
Air Pollution Bureau	627,807	488,548	-	-	-	1,116,355	536,676	652,606	-	-	-	1,189,282	72,927
Scenic Cities Beautiful Commission	-	61,188	-	-	-	61,188	-	61,188	-	-	1,227	62,415	1,227
Reduction - Part I offenses	-	1,273	-	-	32,815	34,088	-	1,273	-	-	32,815	34,088	-
Municipal golf courses	-	-	1,963,938	-	-	1,963,938	-	-	1,730,466	-	130,831	1,861,297	(102,641)
Free Public Library	-	-	-	-	11,374	11,374	-	-	-	-	11,374	11,374	-
Law enforcement planning	-	238,279	-	-	21,017	259,296	-	238,279	-	-	21,016	259,295	(1)
Confiscated and unclaimed property	-	-	-	-	-	-	-	-	-	-	-	-	-
Nonprofit request	-	-	-	-	-	-	-	-	-	-	1,500	1,500	1,500
Economic Development and Education	-	11,465,273	-	-	-	11,465,273	-	10,394,686	-	-	153,693	10,548,379	(916,894)
Special programs	1,026,450	17,872,230	909,271	1,343,065	254,333	21,405,349	1,026,450	12,061,964	912,538	1,343,065	333,690	15,677,707	(5,727,642)
African-American Museum	-	57,019	-	-	18,000	75,019	-	57,019	-	-	16,500	73,519	(1,500)
Total designated revenues	<u>\$ 1,654,257</u>	<u>\$ 32,024,878</u>	<u>\$ 2,963,209</u>	<u>\$ 1,343,065</u>	<u>\$ 409,539</u>	<u>\$ 38,394,948</u>	<u>\$ 1,563,126</u>	<u>\$ 25,433,034</u>	<u>\$ 2,703,754</u>	<u>\$ 1,343,065</u>	<u>\$ 755,858</u>	<u>\$ 31,798,837</u>	<u>\$ (6,596,111)</u>

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

PUBLIC LIBRARY FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Hamilton County, Tennessee funds	\$ 2,640,000	\$ 2,640,000	\$ 2,640,000	\$ -
State of Tennessee funds	-	-	9,264	9,264
Investment income	105,000	105,000	39,493	(65,507)
Book sales	112,750	112,750	94,546	(18,204)
Donations	17,000	17,000	24,142	7,142
Miscellaneous	179,373	179,373	234,115	54,742
Total revenues	3,054,123	3,054,123	3,041,560	(12,563)
EXPENDITURES				
Central branch and administration	4,689,447	4,689,447	4,499,668	(189,779)
Eastgate branch	326,787	326,787	311,690	(15,097)
Northgate branch	280,776	280,776	277,366	(3,410)
Ooltewah/Collegedale branch	280,479	280,479	276,289	(4,190)
South Chattanooga branch	136,827	136,827	133,191	(3,636)
Capital outlay	57,000	57,000	55,229	(1,771)
Other	32,255	32,255	46,157	13,902
Total expenditures	5,803,571	5,803,571	5,599,590	(203,981)
Deficiency of revenues under expenditure:	(2,749,448)	(2,749,448)	(2,558,030)	(216,544)
OTHER FINANCING SOURCES				
Transfers in	2,640,000	2,640,000	2,640,000	-
Net change in fund balance	\$ (109,448)	\$ (109,448)	81,970	\$ (216,544)
Adjustment for encumbrances			258	
Net change in fund balance (GAAP basis)			82,228	
FUND BALANCE at beginning of year (GAAP basis)			1,183,895	
FUND BALANCE at end of year (GAAP basis)			\$ 1,266,123	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 3,041,560	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental fund:			\$ 3,041,560	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 5,599,590	
Adjustment for encumbrances			(258)	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental fund:			\$ 5,599,332	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

DOWNTOWN DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Downtown development	\$ 2,165	\$ 2,165	\$ 2,135	\$ (30)
Total expenditures	<u>2,165</u>	<u>2,165</u>	<u>2,135</u>	<u>(30)</u>
Net change in fund balance	<u>\$ (2,165)</u>	<u>\$ (2,165)</u>	(2,135)	<u>\$ 30</u>
Adjustment for encumbrances			-	
Net change in fund balance (GAAP basis)			(2,135)	
FUND BALANCE at beginning of year (GAAP basis)			<u>13,915</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 11,780</u>	
EXPLANATION OF DIFFERENCES				
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 2,135	
Adjustment for encumbrances			-	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 2,135</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

HUMAN SERVICES PROGRAM FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 7,727,893	\$ 7,727,893	\$ 7,664,383	\$ (63,510)
State of Tennessee funds	4,426,031	4,426,031	4,632,238	206,207
United Way	3,000	3,000	1,625	(1,375)
Project Warm Neighbors	22,000	22,000	26,850	4,850
Day care fees	59,074	59,074	46,484	(12,590)
Donations	58,688	58,688	47,400	(11,288)
Investment income	109,465	109,465	4,264	(105,201)
Other	8,550	8,550	8,869	319
Total revenues	<u>12,414,701</u>	<u>12,414,701</u>	<u>12,432,113</u>	<u>17,412</u>
EXPENDITURES				
Administration	931,956	931,956	956,189	24,233
Headstart program	7,660,333	7,660,333	7,601,940	(58,393)
Day care	703,786	703,786	762,448	58,662
Food program	97,440	97,440	96,619	(821)
Weatherization program	803,350	803,350	474,817	(328,533)
Foster grandparent program	519,833	519,833	524,764	4,931
Low-income energy assistance	3,014,229	3,014,229	2,620,237	(393,992)
Community services block grant	784,334	784,334	757,506	(26,828)
Title II commodities	40,500	40,500	168,241	127,741
Emergency food and shelter	73,743	73,743	56,247	(17,496)
Other human services programs	168,068	168,068	191,563	23,495
Capital outlay	14,645	14,645	99,098	84,453
Total expenditures	<u>14,812,217</u>	<u>14,812,217</u>	<u>14,309,669</u>	<u>(502,548)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SPECIAL REVENUE FUND
HUMAN SERVICES PROGRAM FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Deficiency of revenues under expenditures	\$ (2,397,516)	\$ (2,397,516)	\$ (1,877,556)	\$ 519,960
OTHER FINANCING SOURCES				
Transfers in	<u>1,406,077</u>	<u>1,406,077</u>	<u>1,333,477</u>	<u>(72,600)</u>
Net change in fund balance	<u>\$ (991,439)</u>	<u>\$ (991,439)</u>	(544,079)	<u>\$ 447,360</u>
Adjustment for encumbrances			<u>168,283</u>	
Net change in fund balance (GAAP basis)			(375,796)	
FUND BALANCE at beginning of year (GAAP basis)			<u>2,786,246</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 2,410,450</u>	

EXPLANATION OF DIFFERENCES

REVENUES

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 12,432,113
Differences - none	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 12,432,113</u>

EXPENDITURES

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 14,309,669
Adjustment for encumbrances	<u>(168,283)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 14,141,386</u>

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

NARCOTICS PROGRAM FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 82,808	\$ 82,808	\$ 60,232	\$ (22,576)
State of Tennessee funds	8,100	8,100	18,103	10,003
Confiscated money, vehicles and equipment	170,250	170,250	240,374	70,124
Donations	-	-	1,000	1,000
Investment income	-	-	4,409	4,409
Other	100,000	100,000	48,930	(51,070)
Total revenues	<u>361,158</u>	<u>361,158</u>	<u>373,048</u>	<u>11,890</u>
EXPENDITURES				
Narcotics program	220,308	220,308	172,526	(47,782)
Capital outlay	140,850	140,850	183,331	42,481
Total expenditures	<u>361,158</u>	<u>361,158</u>	<u>355,857</u>	<u>(5,301)</u>
Excess of revenues over expenditures	-	-	17,191	17,191
OTHER FINANCING USES				
Transfers out	<u>(280,665)</u>	<u>(280,665)</u>	<u>(280,665)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(263,474)	<u>\$ 17,191</u>
Adjustment for encumbrances			<u>(108,904)</u>	
Net change in fund balance (GAAP basis)			(372,378)	
FUND BALANCE at beginning of year (GAAP basis)			<u>1,294,509</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 922,131</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 373,048	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 373,048</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 355,857	
Adjustment for encumbrances			<u>108,904</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 464,761</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

STATE STREET AID FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 4,370,290	\$ 4,370,290	\$ 4,114,584	\$ (255,706)
Donations	-	-	3,000	3,000
Investment income	50,000	50,000	23,715	(26,285)
Total revenues	<u>4,420,290</u>	<u>4,420,290</u>	<u>4,141,299</u>	<u>(278,991)</u>
EXPENDITURES				
Salaries and wages	2,431,964	2,431,964	2,398,438	(33,526)
Fringe benefits	1,027,691	1,027,691	909,278	(118,413)
Purchased services	63,160	63,160	87,043	23,883
Vehicle operations	689,125	689,125	611,301	(77,824)
Materials and supplies	507,000	507,000	515,427	8,427
Other services	1,350	1,350	-	(1,350)
Capital outlay	-	-	10,865	10,865
Total expenditures	<u>4,720,290</u>	<u>4,720,290</u>	<u>4,532,352</u>	<u>(187,938)</u>
Net change in fund balance	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	(391,053)	<u>\$ (91,053)</u>
Adjustment for encumbrances			(466)	
Net change in fund balance (GAAP basis)			(391,519)	
FUND BALANCE at beginning of year (GAAP basis)			<u>1,399,714</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 1,008,195</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,141,299	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,141,299</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,532,352	
Adjustment for encumbrances			466	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,532,818</u>	

CITY OF CHATTANOOGA, TENNESSEE
SPECIAL REVENUE FUND
COMMUNITY DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 4,814,800	\$ 4,814,800	\$ 3,490,890	\$ (1,323,910)
Investment income	-	-	19,429	19,429
Miscellaneous	<u>1,283,900</u>	<u>1,283,900</u>	<u>623,926</u>	<u>(659,974)</u>
Total revenues	<u>6,098,700</u>	<u>6,098,700</u>	<u>4,134,245</u>	<u>(1,964,455)</u>
EXPENDITURES				
Community development projects	4,734,664	4,734,664	3,192,487	(1,542,177)
Administration	507,140	507,140	503,902	(3,238)
Capital outlay	<u>3,000</u>	<u>3,000</u>	<u>310</u>	<u>(2,690)</u>
Total expenditures	<u>5,244,804</u>	<u>5,244,804</u>	<u>3,696,699</u>	<u>(1,548,105)</u>
Excess of revenues over expenditures	853,896	853,896	437,546	(416,350)
OTHER FINANCING USES				
Transfers out	<u>(853,896)</u>	<u>(853,896)</u>	<u>(522,988)</u>	<u>330,908</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(85,442)	<u>\$ (85,442)</u>
Adjustment for encumbrances			<u>78,940</u>	
Net change in fund balance (GAAP basis)			(6,502)	
FUND BALANCE at beginning of year (GAAP basis)			<u>3,435,975</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 3,429,473</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,134,245	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,134,245</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 3,696,699	
Adjustment for encumbrances			<u>(78,940)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 3,617,759</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

HOTEL/MOTEL TAX FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 4,112,640	\$ 4,112,640	\$ 3,893,990	\$ (218,650)
Investment income	-	-	47,220	47,220
Total revenues	<u>4,112,640</u>	<u>4,112,640</u>	<u>3,941,210</u>	<u>(171,430)</u>
EXPENDITURES				
Contracted services	<u>113,250</u>	<u>113,250</u>	<u>105,781</u>	<u>(7,469)</u>
Total expenditures	<u>113,250</u>	<u>113,250</u>	<u>105,781</u>	<u>(7,469)</u>
Excess of revenues over expenditures	3,999,390	3,999,390	3,835,429	(163,961)
OTHER FINANCING USES				
Transfers out	<u>(5,265,313)</u>	<u>(5,265,313)</u>	<u>(5,265,313)</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,265,923)</u>	<u>\$ (1,265,923)</u>	(1,429,884)	<u>\$ (163,961)</u>
Adjustment for encumbrances			-	
Net change in fund balance (GAAP basis)			(1,429,884)	
FUND BALANCE at beginning of year (GAAP basis)			<u>1,075,420</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ (354,464)</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 3,941,210	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 3,941,210</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 105,781	
Adjustment for encumbrances			-	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 105,781</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

RIVER PIER GARAGE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
SRC parking garage income	\$ 240,244	\$ 240,244	\$ 240,244	\$ -
Total revenues	<u>240,244</u>	<u>240,244</u>	<u>240,244</u>	<u>-</u>
EXPENDITURES				
Contracted services	<u>240,244</u>	<u>240,244</u>	<u>157,409</u>	<u>(82,835)</u>
Total expenditures	<u>240,244</u>	<u>240,244</u>	<u>157,409</u>	<u>(82,835)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	82,835	<u>\$ 82,835</u>
Adjustment for encumbrances			-	
Net change in fund balance (GAAP basis)			82,835	
FUND BALANCE at beginning of year (GAAP basis)			<u>(13,614)</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 69,221</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 240,244	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 240,244</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 157,409	
Adjustment for encumbrances			<u>-</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 157,409</u>	

CITY OF CHATTANOOGA, TENNESSEE

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Hamilton County, Tennessee funds	\$ 1,086,950	\$ 1,086,950	\$ 1,086,950	\$ -
Investment income	-	-	367	367
911 reimbursement	200,000	200,000	200,000	-
Total revenues	<u>1,286,950</u>	<u>1,286,950</u>	<u>1,287,317</u>	<u>367</u>
EXPENDITURES				
Principal retirement	10,006,306	10,697,111	9,591,682	(1,105,429)
Interest	7,552,336	7,552,336	6,236,744	(1,315,592)
Fiscal charges	70,000	70,000	96,307	26,307
Total expenditures	<u>17,628,642</u>	<u>18,319,447</u>	<u>15,924,733</u>	<u>(2,394,714)</u>
Deficiency of revenues under expenditures	(16,341,692)	(17,032,497)	(14,637,416)	2,395,081
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>16,390,164</u>	<u>16,390,164</u>	<u>14,637,416</u>	<u>(1,752,748)</u>
Net change in fund balance	<u>\$ 48,472</u>	<u>\$ (642,333)</u>	-	<u>\$ 642,333</u>
FUND BALANCE at beginning of year			<u>8,925,003</u>	
FUND BALANCE at end of year			<u>\$ 8,925,003</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 1,287,317	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 1,287,317</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 15,924,733	
Differences - none			<u>-</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 15,924,733</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, 2009

	Interest Rate	Maturity Date	Amount
GENERAL FUND			
First Tennessee Bank	1.41 %	07/01/09	\$ 4,000,000
First Tennessee Bank	1.60 %	07/15/09	4,000,000
First Tennessee Bank	1.02 %	07/29/09	4,000,000
First Tennessee Bank	1.25 %	08/13/09	4,000,000
First Tennessee Bank	1.25 %	08/27/09	4,000,000
First Tennessee Bank	0.51 %	09/10/09	3,000,000
First Tennessee Bank	1.25 %	10/29/09	3,000,000
First Tennessee Bank	1.80 %	03/03/10	466,688
First Tennessee Bank	1.50 %	06/30/10	2,400,000
CAPITAL PROJECTS			
First Tennessee Bank	0.21 %	07/29/09	2,034,764
First Tennessee Bank	0.31 %	08/31/09	629,348
ENTERPRISE FUNDS			
Interceptor Sewer System			
First Tennessee Bank	0.35 %	08/24/09	5,500,000
Solid Waste/Sanitation Fund			
First Tennessee Bank	0.90 %	07/29/09	721,254
Total certificates of deposit			\$37,752,054

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF INVESTMENTS BY FUND
June 30, 2009

	Interest Rate	Maturity Date	Amount
GENERAL FUND			
Federal Home Loan Bank	0.93 %	02/25/10	\$ 40,334,123
CAPITAL PROJECTS			
Certificate of Deposit	1.58 %	08/25/09	1,842,000
Certificate of Deposit	1.64 %	09/24/09	2,639,664
Certificate of Deposit	1.69 %	10/26/09	1,417,981
Certificate of Deposit	1.73 %	11/23/09	2,000,000
Certificate of Deposit	1.08 %	12/16/09	876,123
Certificate of Deposit	1.77 %	12/23/09	1,199,285
Certificate of Deposit	1.82 %	01/22/10	2,091,854
Certificate of Deposit	1.90 %	02/21/10	5,174,424
SPECIAL REVENUE FUNDS			
Community Development			
Federal Home Loan Bank	1.88 %	11/16/09	2,191,905
State Street Aid			
Certificate of Deposit	1.56 %	09/29/09	379,000
Public Library			
Certificate of Deposit	1.71 %	09/08/09	52,060
Certificate of Deposit	1.80 %	02/09/10	2,900
Hotel/Motel Tax			
Certificate of Deposit	1.50 %	06/30/10	880,000
DEBT SERVICE FUND			
Federal Home Loan Bank	0.21 %	12/28/09	<u>548,372</u>
Total governmental fund investments, excluding permanent funds			<u>\$ 61,629,691</u>
ENTERPRISE FUNDS			
Electric Power Board			
Federal Home Loan Bank	4.38 %	10/22/10	\$ 5,988,000
Federal Home Loan Mortgage Corp.	5.13 %	08/23/10	6,018,000
Federal Home Loan Mortgage Corp.	6.88 %	09/15/10	6,128,000
Federal Home Loan Mortgage Corp.	4.75 %	01/18/11	6,060,000
Federal Home Loan Mortgage Corp.	3.25 %	02/25/11	5,920,000
Federal Home Loan Mortgage Corp.	5.63 %	03/15/11	6,160,000
Federal Home Loan Mortgage Corp.	6.00 %	06/15/11	6,213,000
Federal National Mortgage Association	6.63 %	11/15/10	6,179,000
Federal National Mortgage Association	4.75 %	12/15/10	6,056,000
Federal National Mortgage Association	5.13 %	04/15/11	6,131,000
Federal National Mortgage Association	6.00 %	05/15/11	6,222,000
Certificate of Deposit	3.39 %	07/20/09	5,175,000
Certificate of Deposit	3.43 %	08/20/09	5,177,000
Certificate of Deposit	3.89 %	08/31/09	4,000,000
Certificate of Deposit	3.53 %	09/12/09	6,219,000
Certificate of Deposit	3.49 %	10/20/09	5,181,000
Certificate of Deposit	3.53 %	11/20/09	5,182,000
Certificate of Deposit	3.63 %	12/12/09	6,225,000
Certificate of Deposit	1.55 %	04/29/10	5,000,000
Interceptor Sewer Fund			
Federal Home Loan Bank	0.93 %	02/25/10	25,572,253
Certificate of Deposit	1.39 %	07/20/09	750,000
Certificate of Deposit	1.58 %	10/05/09	3,000,000
Certificate of Deposit	1.10 %	11/28/09	1,603,152
Certificate of Deposit	1.05 %	12/15/09	2,500,000
Certificate of Deposit	1.50 %	06/30/10	1,000,000
Solid Waste/Sanitation Fund			
Federal Home Loan Bank	0.75 %	01/21/10	4,499,617
Certificate of Deposit	1.08 %	12/16/09	408,031
Certificate of Deposit	1.50 %	06/25/10	<u>5,728,753</u>
Total enterprise fund investments			<u>\$154,295,806</u>

CITY OF CHATTANOOGA, TENNESSEE

COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE
Year Ended June 30, 2009

Tax Year (1)	Property Taxes Receivable Balance June 30, 2008	Property Taxes Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2009	Allowance for Uncollectibles	Net Receivable Balance June 30, 2009
2009	\$ -	\$ -	\$89,008,123	\$ -	\$ -	\$89,008,123	\$ -	\$89,008,123
2008	-	91,760,952	-	51,287	87,144,122	4,668,117	721,224	3,946,893
2007	4,110,318	-	-	139,247	2,628,679	1,620,886	483,024	1,137,862
2006	1,303,413	-	-	5,604	607,025	701,992	367,843	334,149
2005	839,112	-	-	(2,076)	438,020	399,016	338,286	60,730
2004	323,945	-	-	(2,426)	43,583	277,936	264,623	13,313
2003	239,120	-	-	(2,514)	31,894	204,712	204,712	-
2002	322,298	-	-	(396)	20,902	301,000	301,000	-
2001	490,545	-	-	(198)	6,947	483,400	483,400	-
2000	235,644	-	-	(166)	90	235,388	235,388	-
1999	212,968	-	-	(166)	124	212,678	212,678	-
Totals	<u>\$ 8,077,363</u>	<u>\$91,760,952</u>	<u>\$89,008,123</u>	<u>\$ 188,196</u>	<u>\$90,921,386</u>	<u>\$98,113,248</u>	<u>\$ 3,612,178</u>	<u>\$94,501,070</u>

Note:

- (1) All years prior to 2007 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, 2009

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
2010	\$ 15,234,379	\$ 15,141,139	\$ 30,375,518
2011	14,888,829	14,066,455	28,955,284
2012	13,794,141	13,504,725	27,298,866
2013	13,541,655	12,958,034	26,499,689
2014	13,566,041	12,407,742	25,973,783
2015	14,121,056	11,833,995	25,955,051
2016	14,509,265	11,219,214	25,728,479
2017	14,203,641	10,600,060	24,803,701
2018	14,867,205	9,972,533	24,839,738
2019	13,503,951	9,305,858	22,809,809
2020	13,938,402	8,672,094	22,610,496
2021	14,658,601	8,052,312	22,710,913
2022	15,313,748	7,326,700	22,640,448
2023	16,002,175	6,581,769	22,583,944
2024	15,748,197	5,789,853	21,538,050
2025	15,530,123	4,987,357	20,517,480
2026	16,300,426	4,156,207	20,456,633
2027	14,214,263	3,278,750	17,493,013
2028	13,876,391	2,512,197	16,388,588
2029	14,630,579	1,713,883	16,344,462
2030	13,171,492	911,572	14,083,064
2031	4,515,000	112,875	4,627,875
Total governmental activities	<u>310,129,560</u>	<u>175,105,324</u>	<u>485,234,884</u>
BUSINESS-TYPE ACTIVITIES			
2010	\$ 17,238,587	\$ 18,961,728	\$ 36,200,315
2011	15,993,822	18,235,441	34,229,263
2012	14,179,407	17,563,413	31,742,820
2013	14,635,041	16,930,490	31,565,531
2014	16,711,991	16,282,619	32,994,610
2015	18,000,428	15,566,189	33,566,617
2016	17,383,890	14,797,800	32,181,690
2017	19,087,527	14,023,544	33,111,071
2018	19,841,275	13,206,252	33,047,527
2019	19,060,223	12,346,197	31,406,420
2020	14,602,858	11,601,850	26,204,708
2021	14,982,205	10,973,361	25,955,566
2022	15,609,991	10,304,416	25,914,407
2023	16,264,984	9,605,846	25,870,830
2024	16,967,220	8,872,682	25,839,902
2025	17,194,950	8,108,399	25,303,349
2026	15,643,760	7,356,797	23,000,557
2027	15,316,562	6,598,136	21,914,698
2028	15,505,400	5,843,528	21,348,928
2029	16,265,400	5,065,465	21,330,865
2030	17,065,400	4,248,403	21,313,803
2031	17,900,400	3,389,340	21,289,740
2032	18,780,400	2,486,277	21,266,677
2033	19,705,400	1,532,214	21,237,614
2034	20,690,400	522,151	21,212,551
2035	20,400	6,089	26,489
2036	20,400	6,026	26,426
2037	20,400	5,963	26,363
2038	20,400	5,900	26,300
2039	1,906,508	5,354	1,911,862
Total business-type activities	<u>426,615,629</u>	<u>254,451,870</u>	<u>681,067,499</u>
Total primary government indebtedness	<u>\$736,745,189</u>	<u>\$429,557,194</u>	<u>\$1,166,302,383</u>

CITY OF CHATTANOOGA, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2009

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
COMPONENT UNITS			
2010	\$ 3,342,268	\$ 6,665,176	\$ 10,007,444
2011	3,513,912	6,485,121	9,999,033
2012	3,721,289	6,295,331	10,016,620
2013	3,899,643	6,103,227	10,002,870
2014	4,094,030	5,897,615	9,991,645
2015	4,304,507	5,676,493	9,981,000
2016	4,536,136	5,440,724	9,976,860
2017	4,783,982	5,190,148	9,974,130
2018	5,043,113	4,918,089	9,961,202
2019	8,093,289	4,597,235	12,690,524
2020	5,125,000	4,178,337	9,303,337
2021	5,405,000	3,890,267	9,295,267
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	2,486,491	9,241,491
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	8,995,000	224,875	9,219,875
Total component units indebtedness	<u>\$128,347,169</u>	<u>\$84,887,404</u>	<u>\$213,234,573</u>

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2009

	Outstanding July 1, 2008	Interest Paid FY 2008-2009	Issued FY 2008-2009	Retired FY 2008-2009	Outstanding June 30, 2009	Maturing FY 2009-2010	Interest Payable FY 2009-2010
GOVERNMENTAL ACTIVITIES							
Serial bonds:							
1998 Public Improvement Refunding	\$ 6,780,400	\$ 328,361	\$ -	\$ 1,413,900	\$ 5,366,500	\$ 1,501,000	\$ 248,201
2001 Municipal Public Improvement	1,155,000	57,500	-	1,155,000	-	-	-
2002 Municipal Improvement Refunding	6,240,000	290,863	-	665,000	5,575,000	695,000	260,706
2002 Series A Refunding	2,664,961	94,075	-	625,241	2,039,720	603,953	71,836
2002 Hotel-Motel Tax Pledge	48,190,000	2,154,788	-	870,000	47,320,000	950,000	2,127,488
2003 Series A General Obligation	8,950,000	336,026	-	840,000	8,110,000	800,000	310,826
2005 Series A Refunding-General	17,197,982	762,958	-	-	17,197,982	1,195,886	742,030
2005 Series A Refunding-Hotel/Motel	5,448,980	240,525	-	-	5,448,980	21,010	240,157
2006 Series A Municipal Public Improvement	19,696,156	783,959	-	1,036,640	18,659,516	1,036,640	742,493
2007 Series A Municipal Public Refunding	14,520,000	690,783	-	-	14,520,000	-	690,805
2009 Series A General Obligation	-	-	45,415,000	-	45,415,000	2,275,000	2,144,603
Total serial bonds	<u>130,843,479</u>	<u>5,739,838</u>	<u>45,415,000</u>	<u>6,605,781</u>	<u>169,652,698</u>	<u>9,078,489</u>	<u>7,579,145</u>
Notes payable:							
1997 Tennessee Municipal Bond Fund	2,761,023	44,001	-	636,000	2,125,023	671,000	31,380
1999 Fire Hall Land Note	25,180	2,247	-	3,392	21,788	3,729	1,910
2003 Tennessee Municipal Bond Fund	3,912,240	48,714	-	338,655	3,573,585	348,642	39,274
2004 Tennessee Municipal Bond Fund	20,019,576	250,346	318,857	1,085,799	19,252,634	1,114,115	211,586
2008 Hennen Land Note	549,404	-	-	41,598	507,806	111,197	-
2008 Petros Land Note	750,000	-	-	250,000	500,000	250,000	-
2008 HUD Section 108 Loan Program	4,576,000	124,823	-	-	4,576,000	305,000	192,233
2009 IDB Foreign-Trade Zone	-	-	98,000	-	98,000	62,000	-
Total notes payable	<u>32,593,423</u>	<u>470,131</u>	<u>416,857</u>	<u>2,355,444</u>	<u>30,654,836</u>	<u>2,865,683</u>	<u>476,383</u>
Capital leases payable:							
CDRC Capital Lease	111,411,938	7,225,279	-	2,474,321	108,937,617	2,629,536	7,064,814
800 MHz Equipment Capital Lease	1,191,838	17,080	-	591,679	600,159	600,159	8,601
2009 Golf Course Capital Lease	-	9,695	323,028	38,778	284,250	60,512	12,196
Total capital leases payable	<u>112,603,776</u>	<u>7,252,054</u>	<u>323,028</u>	<u>3,104,778</u>	<u>109,822,026</u>	<u>3,290,207</u>	<u>7,085,611</u>
Total governmental activities	<u>276,040,678</u>	<u>13,462,023</u>	<u>46,154,885</u>	<u>12,066,003</u>	<u>310,129,560</u>	<u>15,234,379</u>	<u>15,141,139</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2009

(continued from previous page)

	Outstanding July 1, 2008	Interest Paid FY 2008-2009	Issued FY 2008-2009	Retired FY 2008-2009	Outstanding June 30, 2009	Maturing FY 2009-2010	Interest Payable FY 2009-2010
BUSINESS-TYPE ACTIVITIES							
Interceptor Sewer System:							
Serial bonds -							
1998 Municipal Public Improvement - Refunding	\$ 11,609,900	\$ 592,759	\$ -	\$ 857,800	\$ 10,752,100	\$ 910,500	\$ 544,131
2002 Municipal Public Improvement - Refunding	17,588,770	779,329	-	2,431,007	15,157,763	2,532,248	672,128
2002 Series A Refunding	14,235,039	502,506	-	3,339,759	10,895,280	3,226,047	383,714
2003 Series B Sewer and Sewage Refunding	2,170,000	70,525	-	2,170,000	-	-	-
2005 Series A Refunding	11,014,916	550,469	-	-	11,014,916	4,581	550,388
Total serial bonds	<u>56,618,625</u>	<u>2,495,588</u>	<u>-</u>	<u>8,798,566</u>	<u>47,820,059</u>	<u>6,673,376</u>	<u>2,150,361</u>
Notes payable -							
1992 State Revolving Loan	836,516	30,278	-	166,434	670,082	173,178	23,532
Georgia Environmental Facilities Authority	4,715,691	177,047	-	336,371	4,379,320	343,353	170,065
2003 State Revolving Loan	35,811,982	1,044,588	-	1,663,464	34,148,518	1,713,708	994,344
2007 State Revolving Loan	-	95,427	11,302,798	-	11,302,798	650,000	312,326
Total notes payable	<u>41,364,189</u>	<u>1,347,340</u>	<u>11,302,798</u>	<u>2,166,269</u>	<u>50,500,718</u>	<u>2,880,239</u>	<u>1,500,267</u>
Capital leases payable -							
2001 Capital Lease City of Collegedale	171,298	10,078	-	23,575	147,723	25,018	8,635
Total capital leases payable	<u>171,298</u>	<u>10,078</u>	<u>-</u>	<u>23,575</u>	<u>147,723</u>	<u>25,018</u>	<u>8,635</u>
Total Interceptor Sewer System	<u>98,154,112</u>	<u>3,853,006</u>	<u>11,302,798</u>	<u>10,988,410</u>	<u>98,468,500</u>	<u>9,578,633</u>	<u>3,659,263</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2009

(continued from previous page)

	Outstanding July 1, 2008	Interest Paid FY 2008-2009	Issued FY 2008-2009	Retired FY 2008-2009	Outstanding June 30, 2009	Maturing FY 2009-2010	Interest Payable FY 2009-2010
BUSINESS-TYPE ACTIVITIES (continued)							
Solid Waste/Sanitation Fund:							
Serial bonds -							
1998 Municipal Public Improvement - Refunding	\$ 3,686,100	\$ 170,957	\$ -	\$ 1,155,600	\$ 2,530,500	\$ 1,226,900	\$ 105,438
2001 Municipal Public Bond	195,000	10,000	-	195,000	-	-	-
2002 Municipal Public Improvement - Refunding	5,695,200	270,529	-	837,859	4,857,341	874,349	231,913
2005 Series A - Refunding	8,994,089	433,042	-	-	8,994,089	206,193	429,434
2006 Series A Municipal Public Improvement	5,383,844	214,291	-	283,360	5,100,484	283,360	202,957
2007 Series A Municipal Public Refunding	2,480,000	117,990	-	-	2,480,000	-	117,990
Total serial bonds	<u>26,434,233</u>	<u>1,216,809</u>	<u>-</u>	<u>2,471,819</u>	<u>23,962,414</u>	<u>2,590,802</u>	<u>1,087,732</u>
Notes payable -							
2003 Tennessee Municipal Bond Fund	396,760	4,942	-	34,345	362,415	35,358	3,887
2004 Tennessee Municipal Bond Fund	514,482	6,433	-	26,201	488,281	26,885	5,237
Total notes payable	<u>911,242</u>	<u>11,375</u>	<u>-</u>	<u>60,546</u>	<u>850,696</u>	<u>62,243</u>	<u>9,124</u>
Total Solid Waste/Sanitation Fund	<u>27,345,475</u>	<u>1,228,184</u>	<u>-</u>	<u>2,532,365</u>	<u>24,813,110</u>	<u>2,653,045</u>	<u>1,096,856</u>
Water Quality Management Fund:							
Serial bonds -							
1998 Municipal Public Improvement - Refunding	2,528,600	117,274	-	792,700	1,735,900	841,600	72,331
2001 Municipal Public Improvement	60,000	3,000	-	60,000	-	-	-
2002 Municipal Public Improvement - Refunding	4,256,031	202,167	-	626,136	3,629,895	653,401	173,309
2005 Series A - Refunding	5,404,033	265,188	-	-	5,404,033	62,330	264,097
2007 Series A Municipal Public Refunding	750,000	35,683	-	-	750,000	-	35,682
Total serial bonds	<u>12,998,664</u>	<u>623,312</u>	<u>-</u>	<u>1,478,836</u>	<u>11,519,828</u>	<u>1,557,331</u>	<u>545,419</u>
Notes payable -							
1992 State Revolving Loan	836,516	30,278	-	166,433	670,083	173,178	23,532
Total notes payable	<u>836,516</u>	<u>30,278</u>	<u>-</u>	<u>166,433</u>	<u>670,083</u>	<u>173,178</u>	<u>23,532</u>
Total Water Quality Management Fund	<u>13,835,180</u>	<u>653,590</u>	<u>-</u>	<u>1,645,269</u>	<u>12,189,911</u>	<u>1,730,509</u>	<u>568,951</u>
Total business-type activities	<u>139,334,767</u>	<u>5,734,780</u>	<u>11,302,798</u>	<u>15,166,044</u>	<u>135,471,521</u>	<u>13,962,187</u>	<u>5,325,070</u>
Total general obligation debt	<u>\$ 415,375,445</u>	<u>\$ 19,196,803</u>	<u>\$ 57,457,683</u>	<u>\$ 27,232,047</u>	<u>\$ 445,601,081</u>	<u>\$ 29,196,566</u>	<u>\$ 20,466,209</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, 2009

	Outstanding July 1, 2008	Interest Paid FY 2008-2009	Issued FY 2008-2009	Retired FY 2008-2009	Outstanding June 30, 2009	Maturing FY 2009-2010	Interest Payable FY 2009-2010
PRIMARY GOVERNMENT							
EPB:							
Revenue bonds -							
2000 Electric System Revenue Bonds	\$ 6,400,000	\$ 264,000	\$ -	\$ 1,600,000	\$ 4,800,000	\$ 1,600,000	\$ 191,000
2006A Electric System Refunding Revenue Bonds	40,000,000	1,726,000	-	-	40,000,000	1,070,000	1,704,000
2006B Electric System Revenue Bonds	23,430,000	958,000	-	-	23,430,000	-	958,000
2008A Electric System Revenue Bonds	<u>219,830,000</u>	<u>9,030,000</u>	<u>-</u>	<u>-</u>	<u>219,830,000</u>	<u>-</u>	<u>10,764,000</u>
Total primary government revenue bonds	<u>289,660,000</u>	<u>11,978,000</u>	<u>-</u>	<u>1,600,000</u>	<u>288,060,000</u>	<u>2,670,000</u>	<u>13,617,000</u>
Notes payable -							
February 2005 Equipment Note	290,000	9,000	-	171,000	119,000	119,000	2,000
May 2005 Equipment Note	222,000	8,000	-	119,000	103,000	103,000	2,000
June 2005 Equipment Note	190,000	7,000	-	102,000	88,000	88,000	2,000
October 2005 Equipment Note	215,000	8,000	-	115,000	100,000	100,000	2,000
December 2005 Equipment Note	<u>378,000</u>	<u>14,000</u>	<u>-</u>	<u>202,000</u>	<u>176,000</u>	<u>176,000</u>	<u>4,000</u>
Total notes payable	<u>1,295,000</u>	<u>46,000</u>	<u>-</u>	<u>709,000</u>	<u>586,000</u>	<u>586,000</u>	<u>12,000</u>
Housing Management:							
Other obligation	<u>2,534,655</u>	<u>36,410</u>	<u>-</u>	<u>36,547</u>	<u>2,498,108</u>	<u>20,400</u>	<u>7,658</u>
Total primary government	<u>\$293,489,655</u>	<u>\$ 12,060,410</u>	<u>\$ -</u>	<u>\$ 2,345,547</u>	<u>\$291,144,108</u>	<u>\$ 3,276,400</u>	<u>\$ 13,636,658</u>
COMPONENT UNITS							
Metropolitan Airport Authority:							
Revenue bonds -							
2002 Airport Revenue Series A Refunding Bonds	\$ 12,625,000	\$ 490,859	\$ -	\$ 12,625,000	\$ -	\$ -	\$ -
2009 Taxable Refunding Revenue Bonds	<u>-</u>	<u>10,910</u>	<u>6,600,000</u>	<u>42,831</u>	<u>6,557,169</u>	<u>292,268</u>	<u>352,620</u>
Total Metropolitan Airport Authority revenue bonds	<u>12,625,000</u>	<u>501,769</u>	<u>6,600,000</u>	<u>12,667,831</u>	<u>6,557,169</u>	<u>292,268</u>	<u>352,620</u>
Chattanooga Downtown Redevelopment Corporation:							
Revenue bonds -							
2000 Chattanooga Lease Rental Revenue Bonds	68,590,000	3,761,906	-	2,835,000	65,755,000	2,975,000	3,616,656
2007 Chattanooga Lease Rental Revenue Refunding Bonds	<u>56,110,000</u>	<u>2,698,900</u>	<u>-</u>	<u>75,000</u>	<u>56,035,000</u>	<u>75,000</u>	<u>2,695,900</u>
Total Chattanooga Downtown Redevelopment bonds	<u>124,700,000</u>	<u>6,460,806</u>	<u>-</u>	<u>2,910,000</u>	<u>121,790,000</u>	<u>3,050,000</u>	<u>6,312,556</u>
Total component units revenue bonds	<u>\$137,325,000</u>	<u>\$ 6,962,575</u>	<u>\$ 6,600,000</u>	<u>\$ 15,577,831</u>	<u>\$128,347,169</u>	<u>\$ 3,342,268</u>	<u>\$ 6,665,176</u>

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2009

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2010	1998 Public Improvement Refunding	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>5,366,500</u>	<u>855,668</u>	<u>6,222,168</u>
2010	Note Payable - Tennessee Municipal Bond Fund 1997	1.480	671,000	31,380	702,380
2011		1.480	708,000	21,471	729,471
2012		1.480	746,023	11,016	757,039
			<u>2,125,023</u>	<u>63,867</u>	<u>2,188,890</u>
2010	1999 Fire Hall Land Note	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>21,788</u>	<u>5,467</u>
2010	2002 Public Improvement Refunding	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>5,575,000</u>	<u>986,922</u>
2010	IDB Foreign-Trade Zone Note	0.000	62,000	-	62,000
2011		0.000	12,000	-	12,000
2012		0.000	12,000	-	12,000
2013		0.000	12,000	-	12,000
				<u>98,000</u>	<u>-</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
 June 30, 2009

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2010	2002A Public Improvement Refunding	4.000	\$ 603,953	\$ 71,836	\$ 675,789
2011		3.600	385,552	52,817	438,369
2012		5.000	371,360	36,593	407,953
2013		4.000	364,264	20,023	384,287
2014		4.000	160,055	9,537	169,592
2015		4.100	<u>154,536</u>	<u>3,168</u>	<u>157,704</u>
			<u>2,039,720</u>	<u>193,974</u>	<u>2,233,694</u>
2010	2002 Hotel Motel Tax Pledge	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	<u>4,515,000</u>	<u>112,875</u>	<u>4,627,875</u>	
			<u>47,320,000</u>	<u>32,094,283</u>	<u>79,414,283</u>
2010	2009 Golf Course Capital Lease	4.750	60,512	12,196	72,708
2011		4.750	63,450	9,258	72,708
2012		4.750	66,530	6,178	72,708
2013		4.750	69,760	2,948	72,708
2014		4.750	<u>23,998</u>	<u>238</u>	<u>24,236</u>
			<u>284,250</u>	<u>30,818</u>	<u>315,068</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2009

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2010	2003 Series A General Obligation	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>8,110,000</u>	<u>1,675,326</u>	<u>9,785,326</u>
2010	2003 Note Payable - Tennessee Municipal Bond Fund	1.100	348,642	39,274	387,916
2011		1.100	360,445	35,442	395,887
2012		1.100	371,341	31,481	402,822
2013		1.100	383,144	27,400	410,544
2014		1.100	395,854	23,189	419,043
2015		1.100	408,565	18,839	427,404
2016		1.100	421,276	14,348	435,624
2017		1.100	434,895	9,719	444,614
2018		1.100	449,423	4,939	454,362
			<u>3,573,585</u>	<u>204,631</u>	<u>3,778,216</u>
2010	CDRC Capital Lease	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>108,937,617</u>	<u>93,129,075</u>	<u>202,066,692</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2009

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2010	800 MHZ Equipment Capital Lease	1.433	\$ 600,159	\$ 8,601	\$ 608,760
			<u>600,159</u>	<u>8,601</u>	<u>608,760</u>
2010	2004 Note Payable - Tennessee Municipal Bond Fund	1.100	1,114,115	211,586	1,325,701
2011		1.100	1,144,385	199,342	1,343,727
2012		1.100	1,174,655	186,766	1,361,421
2013		1.100	1,205,901	173,856	1,379,757
2014		1.100	1,238,123	160,603	1,398,726
2015		1.100	1,271,322	146,996	1,418,318
2016		1.100	1,305,497	133,024	1,438,521
2017		1.100	1,340,649	118,677	1,459,326
2018		1.100	1,375,801	103,943	1,479,744
2019		1.100	1,412,905	88,823	1,501,728
2020		1.100	1,450,986	73,295	1,524,281
2021		1.100	1,489,067	57,349	1,546,416
2022		1.100	1,529,101	40,984	1,570,085
2023	1.100	1,570,112	24,179	1,594,291	
2024	1.100	630,015	6,927	636,942	
			<u>19,252,634</u>	<u>1,726,350</u>	<u>20,978,984</u>
2010	2005 A Hotel - Motel Tax Refunding	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>2,048,375</u>	<u>7,497,355</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2009

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2010	2005 A Public Improvement Refunding	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>4,821,987</u>	<u>22,019,969</u>
2010	2006 A Public Improvement	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	618,097	1,654,737
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	488,517	1,525,157
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	103,664	1,140,304
2026		4.000	1,036,640	62,198	1,098,838
2027	4.000	1,036,636	20,733	1,057,369	
			<u>18,659,516</u>	<u>6,860,614</u>	<u>25,520,130</u>
2010	2007 A Public Improvement Refunding	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>10,119,128</u>	<u>24,639,128</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2009

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2010	2008 Hennen Notes Payable	0.000	\$ 111,197	\$ -	\$ 111,197
2011		0.000	111,197	-	111,197
2012		0.000	111,197	-	111,197
2013		0.000	174,215	-	174,215
			<u>507,806</u>	<u>-</u>	<u>507,806</u>
2010	2008 Petros Notes Payable	0.000	250,000	-	250,000
2011		0.000	250,000	-	250,000
			<u>500,000</u>	<u>-</u>	<u>500,000</u>
2010	2008 Section 108 HUD Loan	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	306,000	7,941	313,941
			<u>4,576,000</u>	<u>1,613,958</u>	<u>6,189,958</u>
2010	2009A Public Improvement Bonds	3.000	2,275,000	2,144,603	4,419,603
2011		4.000	2,275,000	1,569,388	3,844,388
2012		3.000	2,275,000	1,489,763	3,764,763
2013		3.000	2,270,000	1,421,588	3,691,588
2014		3.000	2,270,000	1,353,488	3,623,488
2015		3.000	2,270,000	1,285,388	3,555,388
2016		3.000	2,270,000	1,217,288	3,487,288
2017		3.000	2,270,000	1,149,188	3,419,188
2018		3.250	2,270,000	1,078,250	3,348,250
2019		3.500	2,270,000	1,001,638	3,271,638
2020		4.000	2,270,000	916,513	3,186,513
2021		4.000	2,270,000	825,713	3,095,713
2022		4.000	2,270,000	734,913	3,004,913
2023		4.000	2,270,000	644,113	2,914,113
2024		4.130	2,270,000	551,894	2,821,894
2025		4.250	2,270,000	456,838	2,726,838
2026		4.380	2,270,000	358,944	2,628,944
2027	4.500	2,270,000	258,213	2,528,213	
2028	4.500	2,270,000	156,063	2,426,063	
2029	4.630	2,270,000	52,494	2,322,494	
			<u>45,415,000</u>	<u>18,666,280</u>	<u>64,081,280</u>
	Total direct indebtedness		<u>310,129,560</u>	<u>175,105,324</u>	<u>485,234,884</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2009

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2010	1998 Public Improvement Refunding	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>10,752,100</u>	<u>2,773,472</u>	<u>13,525,572</u>
2010	Georgia Environmental Facilities Authority	4.000	343,353	170,065	513,418
2011		4.000	357,294	156,124	513,418
2012		4.000	371,802	141,616	513,418
2013		4.000	386,899	126,519	513,418
2014		4.000	402,608	110,810	513,418
2015		4.000	418,956	94,462	513,418
2016		4.000	435,967	77,451	513,418
2017		4.000	453,669	59,749	513,418
2018		4.000	472,090	41,328	513,418
2019		4.000	491,258	22,160	513,418
2020		4.000	245,424	3,649	249,073
			<u>4,379,320</u>	<u>1,003,933</u>	<u>5,383,253</u>
2010	General Obligation Sewer Refunding Bonds, Series 2002 Serial Bonds	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>15,157,763</u>	<u>2,055,754</u>	<u>17,213,517</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2009

(continued from previous page)

INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2010	Municipal Public Improvement Refunding, Series 2002A Serial Bonds	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>10,895,280</u>	<u>1,036,121</u>	<u>11,931,401</u>
2010	2001 Capital Lease City of Collegedale	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>147,723</u>	<u>26,150</u>	<u>173,873</u>
2010	1992 State Revolving Sewer Loan	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>670,082</u>	<u>51,190</u>	<u>721,272</u>
2010	2003 State Revolving Loan	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>34,148,518</u>	<u>8,728,972</u>	<u>42,877,490</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2009

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2010	2005 Series A Refunding	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>4,177,840</u>	<u>15,192,756</u>
2010	2007 State Revolving Loan	2.790	650,000	312,326	962,326
2011		2.790	650,000	294,191	944,191
2012		2.790	650,000	276,056	926,056
2013		2.790	650,000	257,921	907,921
2014		2.790	650,000	239,786	889,786
2015		2.790	650,000	221,651	871,651
2016		2.790	650,000	203,516	853,516
2017		2.790	650,000	185,381	835,381
2018		2.790	650,000	167,246	817,246
2019		2.790	650,000	149,111	799,111
2020		2.790	650,000	130,976	780,976
2021		2.790	650,000	112,841	762,841
2022		2.790	650,000	94,706	744,706
2023		2.790	650,000	76,571	726,571
2024		2.790	650,000	58,436	708,436
2025		2.790	650,000	40,301	690,301
2026		2.790	650,000	22,166	672,166
2027		2.790	252,798	5,878	258,676
			<u>11,302,798</u>	<u>2,849,060</u>	<u>14,151,858</u>
	Total Interceptor Sewer System indebtedness		<u>98,468,500</u>	<u>22,702,492</u>	<u>121,170,992</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2009

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SOLID WASTE/SANITATION FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2010	2006 A Public Improvement	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>5,100,484</u>	<u>1,875,312</u>	<u>6,975,796</u>
2010	2007 A Public Improvement	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	43,463	488,463	
2026	4.750	470,000	22,325	492,325	
			<u>2,480,000</u>	<u>1,728,958</u>	<u>4,208,958</u>
2010	2005 A Municipal Public Improvement Refunding Issue	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		4.130	324,550	6,694	331,244
			<u>8,994,089</u>	<u>3,121,665</u>	<u>12,115,754</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2009

(continued from previous page)

SOLID WASTE/SANITATION FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2010	2003 Note Payable - Tennessee Municipal Bond Fund	1.100	\$ 35,358	\$ 3,887	\$ 39,245
2011		1.100	36,555	3,508	40,063
2012		1.100	37,659	3,116	40,775
2013		1.100	38,856	2,712	41,568
2014		1.100	40,146	2,295	42,441
2015		1.100	41,435	1,864	43,299
2016		1.100	42,724	1,420	44,144
2017		1.100	44,105	962	45,067
2018		1.100	45,577	489	46,066
			<u>362,415</u>	<u>20,253</u>	<u>382,668</u>
2010	2004 Note Payable - Tennessee Municipal Bond Fund	1.100	26,885	5,237	32,122
2011		1.100	27,615	4,948	32,563
2012		1.100	28,345	4,652	32,997
2013		1.100	29,099	4,348	33,447
2014		1.100	29,875	4,036	33,911
2015		1.100	30,678	3,716	34,394
2016		1.100	31,503	3,387	34,890
2017		1.100	32,351	3,049	35,400
2018		1.100	33,199	2,702	35,901
2019		1.100	34,095	2,346	36,441
2020		1.100	35,014	1,980	36,994
2021		1.100	35,933	1,605	37,538
2022		1.100	36,899	1,219	38,118
2023		1.100	37,888	824	38,712
2024	1.100	38,902	417	39,319	
			<u>488,281</u>	<u>44,466</u>	<u>532,747</u>
2010	1998 Public Improvement Refunding	5.500	1,226,900	105,438	1,332,338
2011		5.500	1,303,600	35,849	1,339,449
			<u>2,530,500</u>	<u>141,287</u>	<u>2,671,787</u>
2010	2002 Municipal Public Improvement Refunding	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>4,857,341</u>	<u>659,930</u>	<u>5,517,271</u>
	Total Solid Waste/Sanitation Fund indebtedness		<u>24,813,110</u>	<u>7,591,871</u>	<u>32,404,981</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2009

(continued from previous page)

WATER QUALITY MANAGEMENT FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2010	1992 State Revolving Sewer Loan	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>670,083</u>	<u>51,190</u>	<u>721,273</u>
2010	1998 Public Improvement Refunding	5.500	841,600	72,331	913,931
2011		5.500	894,300	24,593	918,893
			<u>1,735,900</u>	<u>96,924</u>	<u>1,832,824</u>
2010	2002 Public Improvement Refinancing	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	803,380	20,085	823,465
			<u>3,629,895</u>	<u>493,168</u>	<u>4,123,063</u>
2010	2005 A Municipal Public Improvement Refunding Issue	3.500	62,330	264,097	326,427
2011		3.500	63,038	261,903	324,941
2012		4.000	66,086	259,478	325,564
2013		4.000	70,981	256,737	327,718
2014		3.750	73,591	253,938	327,529
2015		5.000	901,010	230,033	1,131,043
2016		5.000	943,267	183,926	1,127,193
2017		5.000	991,277	135,562	1,126,839
2018		5.000	1,041,976	84,731	1,126,707
2019		5.000	1,094,159	31,328	1,125,487
2020		4.125	96,318	1,987	98,305
			<u>5,404,033</u>	<u>1,963,720</u>	<u>7,367,753</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2009

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WATER QUALITY MANAGEMENT FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2010	2007 A Public Improvement	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>522,556</u>	<u>1,272,556</u>
	Total Water Quality Management Fund indebtedness		<u>12,189,911</u>	<u>3,127,558</u>	<u>15,317,469</u>
		<u>EPB</u>			
2010	2000 Electric System Revenue Bonds	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>4,800,000</u>	<u>348,000</u>	<u>5,148,000</u>
2010	2006 A Electric System Revenue Bonds	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>23,325,000</u>	<u>63,325,000</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2009

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Fiscal Year Ended June 30	Issue	<u>EPB</u>			Total Interest and Principal
		Interest Rate	Principal	Interest Due	
2010	2006 B Electric System Refunding Revenue Bonds	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>9,483,000</u>	<u>32,913,000</u>
2010	Equipment Note February 2005	4.400	<u>119,000</u>	<u>2,000</u>	<u>121,000</u>
			<u>119,000</u>	<u>2,000</u>	<u>121,000</u>
2010	Equipment Note May 2005	4.610	<u>103,000</u>	<u>2,000</u>	<u>105,000</u>
			<u>103,000</u>	<u>2,000</u>	<u>105,000</u>
2010	Equipment Note June 2005	4.670	<u>88,000</u>	<u>2,000</u>	<u>90,000</u>
			<u>88,000</u>	<u>2,000</u>	<u>90,000</u>
2010	Equipment Note October 2005	4.610	<u>100,000</u>	<u>2,000</u>	<u>102,000</u>
			<u>100,000</u>	<u>2,000</u>	<u>102,000</u>
2010	Equipment Note December 2005	4.950	<u>176,000</u>	<u>4,000</u>	<u>180,000</u>
			<u>176,000</u>	<u>4,000</u>	<u>180,000</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2009

(continued from previous page)

Fiscal Year Ended June 30	Issue	EPB			Total Interest and Principal	
		Interest Rate	Principal	Interest Due		
2010	2008 A Electric System Revenue Bonds		\$ -	\$ 10,764,000	\$ 10,764,000	
2011			-	10,764,000	10,764,000	
2012			-	-	10,764,000	10,764,000
2013			-	-	10,764,000	10,764,000
2014			3.000	3,000,000	10,719,000	13,719,000
2015			4.000	4,000,000	10,594,000	14,594,000
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	516,000	21,186,000	
			<u>219,830,000</u>	<u>187,660,000</u>	<u>407,490,000</u>	
	Total EPB indebtedness		<u>288,646,000</u>	<u>220,828,000</u>	<u>509,474,000</u>	
HOUSING MANAGEMENT FUND						
2010	Other obligation	3.692	20,400	7,658	28,058	
2011		3.692	20,400	7,595	27,995	
2012		3.692	20,400	7,532	27,932	
2013		3.692	20,400	7,470	27,870	
2014		3.692	20,400	7,407	27,807	
2015		3.692	20,400	7,344	27,744	
2016		3.692	20,400	7,281	27,681	
2017		3.692	20,400	7,219	27,619	
2018		3.692	20,400	7,156	27,556	
2019		3.692	20,400	7,093	27,493	
2020		3.692	20,400	7,030	27,430	
2021		3.692	20,400	6,967	27,367	
2022		3.692	20,400	6,905	27,305	
2023		3.692	20,400	6,842	27,242	
2024		3.692	20,400	6,779	27,179	
2025		3.692	20,400	6,716	27,116	
2026		3.692	20,400	6,654	27,054	
2027		3.692	20,400	6,591	26,991	
2028		3.692	20,400	6,528	26,928	
2029		3.692	20,400	6,465	26,865	
2030		3.692	20,400	6,403	26,803	
2031		3.692	20,400	6,340	26,740	
2032		3.692	20,400	6,277	26,677	
2033	3.692	20,400	6,214	26,614		
2034	3.692	20,400	6,151	26,551		
2035	3.692	20,400	6,089	26,489		
2036	3.692	20,400	6,026	26,426		
2037	3.692	20,400	5,963	26,363		
2038	3.692	20,400	5,900	26,300		
2039	3.692	1,906,508	5,354	1,911,862		
			<u>2,498,108</u>	<u>201,949</u>	<u>2,700,057</u>	
	Total Housing Management Fund indebtedness		<u>2,498,108</u>	<u>201,949</u>	<u>2,700,057</u>	
	Total Primary Government Indebtedness		<u>\$ 736,745,189</u>	<u>\$ 429,557,194</u>	<u>\$ 1,166,302,383</u>	

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2009

(continued from previous page)

Fiscal Year Ended June 30	<u>METROPOLITAN AIRPORT AUTHORITY</u>				Total Interest and Principal	
	Issue	Interest Rate	Principal	Interest Due		
2010	2009 Taxable Refunding Revenue Bonds	5.410	\$ 292,268	\$ 352,620	\$ 644,888	
2011		5.410	308,912	335,977	644,889	
2012		5.410	326,289	318,600	644,889	
2013		5.410	344,643	300,246	644,889	
2014		5.410	364,030	280,859	644,889	
2015		5.410	384,507	260,382	644,889	
2016		5.410	406,136	238,753	644,889	
2017		5.410	428,982	215,907	644,889	
2018		5.410	453,113	191,776	644,889	
2019		5.410	3,248,289	140,341	3,388,630	
			<u>6,557,169</u>	<u>2,635,461</u>	<u>9,192,630</u>	
<u>CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION</u>						
2010	2000 Lease Revenue Bonds	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>65,755,000</u>	<u>36,613,496</u>	<u>102,368,496</u>
2010		2007 Lease Revenue Refunding Bonds	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	2,313,348	2,428,348	
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>56,035,000</u>	<u>45,638,447</u>	<u>101,673,447</u>	
	Total component unit indebtedness		<u>\$ 128,347,169</u>	<u>\$ 84,887,404</u>	<u>\$ 213,234,573</u>	

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Financial Trends – These schedules contain trend information to help the reader understand government’s financial performance and overall fiscal health.

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CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year				
	2009	2008	2007	2006	2005
Expenses					
Governmental activities:					
General government	\$ 88,028,404	\$ 75,282,935	\$ 61,386,402	\$ 60,152,675	\$ 59,850,789
Public safety	70,745,129	72,595,048	68,559,200	64,367,574	63,805,046
Public works	61,147,976	55,935,906	55,075,495	55,077,404	54,323,539
Parks and recreation	17,223,313	17,370,233	15,263,490	13,785,184	13,562,609
Social services	20,440,264	19,072,003	22,080,281	19,199,188	21,530,148
Interest on long-term debt	6,693,847	6,902,290	6,910,320	6,493,154	6,004,530
Total governmental activities expenses	264,278,933	247,158,415	229,275,188	219,075,179	219,076,661
Business-type activities:					
Electric utility	542,811,000	472,115,000	441,556,000	417,792,000	371,630,000
Sewer	40,311,413	37,859,312	35,307,852	35,395,214	33,606,869
Solid waste	4,373,161	4,973,585	4,956,281	4,678,270	4,260,270
Water quality Management	5,638,936	5,058,524	4,937,896	4,475,706	4,709,090
Housing management	941,834	1,003,096	1,410,217	1,552,119	1,698,166
Total business-type activities expenses	594,076,344	521,009,517	488,168,246	463,893,309	415,904,395
Total primary government expenses	858,355,277	768,167,932	717,443,434	682,968,488	634,981,056
Program Revenues					
Governmental activities:					
Charges for services -					
General government	12,239,326	11,592,555	11,913,650	9,279,550	8,523,871
Public safety	630,281	807,649	298,434	1,121,281	864,536
Public works	1,893,443	2,523,650	1,901,136	2,392,789	2,390,699
Parks and recreation	4,069,218	4,132,026	3,366,016	2,910,484	2,768,211
Social services	700,179	1,203,478	117,114	1,163,593	2,997,590
Operating grants and contributions	39,564,910	26,253,573	31,846,034	29,397,005	27,384,160
Capital grants and contributions	11,012,496	29,021,776	15,453,667	14,440,793	17,744,674
Total governmental activities program revenues	70,109,853	75,534,707	64,896,051	60,705,495	62,673,741
Business-type activities:					
Charges for services -					
Electric utility	544,635,000	484,458,000	441,881,000	422,143,000	373,490,000
Sewer	43,749,143	42,473,352	39,217,346	36,509,866	35,976,537
Solid waste	6,871,844	5,171,586	5,563,236	5,475,554	5,881,486
Water quality Management	5,796,188	5,627,095	5,549,732	5,730,458	5,491,938
Housing management	807,058	751,350	1,168,471	1,204,120	1,367,348
Operating grants and contributions	191,575	189,973	175,675	76,532	83,652
Capital grants and contributions	2,462,551	1,668,000	1,853,750	3,379,000	1,893,247
Total business-type activities program revenues	604,513,359	540,339,356	495,409,210	474,518,530	424,184,208
Total primary government program revenues	674,623,212	615,874,063	560,305,261	535,224,025	486,857,949

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

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

(continued from previous page)

	Fiscal Year				
	2009	2008	2007	2006	2005
Net (expense)/revenue:					
Governmental activities	\$ (194,169,080)	\$ (171,623,708)	\$ (164,379,137)	\$ (158,369,684)	\$ (156,402,920)
Business-type activities	10,437,015	19,329,839	7,240,964	10,625,221	8,279,813
Total primary government net expense	(183,732,065)	(152,293,869)	(157,138,173)	(147,744,463)	148,123,107
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes	94,274,504	91,847,883	89,934,837	87,484,889	89,490,700
Liquor and beer taxes	7,394,591	6,951,057	6,589,468	6,393,852	6,245,169
Gross receipts tax	3,905,913	3,931,405	3,773,166	3,510,891	3,695,782
Franchise tax	2,210,697	2,507,204	1,764,684	1,755,878	1,664,863
Hotel-motel tax	3,893,990	4,067,597	3,747,137	3,640,518	2,583,318
Other taxes	2,578,385	2,605,700	2,542,465	2,471,256	198,958
Unrestricted investment earnings	1,420,375	4,104,441	5,192,979	3,441,171	1,545,737
Grants not allocated to specific programs	49,988,522	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	(457,589)	(439,341)	6,362	8,789,979	-
Endowment contributions	-	19,306	11,044	500	-
Special item - transfer of land to IDB	(8,916,345)	-	-	-	-
Transfers	3,061,998	4,321,107	44,999	2,458,048	(563,637)
Total governmental activities	159,355,041	176,694,703	165,681,472	169,112,657	153,443,769
Business-type activities:					
Unrestricted investment earnings	8,991,904	5,249,845	5,001,647	3,015,706	1,942,076
Miscellaneous	808,000	816,803	108,928	817,415	184,682
Transfers	(3,061,998)	(4,321,107)	(44,999)	(2,458,048)	563,637
Total business-type activities	6,737,906	1,745,541	5,065,576	1,375,073	2,690,395
Total primary government	166,092,947	178,440,244	170,747,048	170,487,730	156,134,164
Change in Net Assets					
Governmental activities (1)	(34,814,039)	5,070,995	1,302,335	10,742,973	(2,959,151)
Business-type activities	17,174,921	21,075,380	12,306,540	12,000,294	10,970,208
Total primary government	\$ (17,639,118)	\$ 26,146,375	\$ 13,608,875	\$ 22,743,267	\$ 8,011,057

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 fiscal year 2009 the City appropriated \$10,974,473 to the IDB for the VW project. We also transferred land to VW with a loss recorded in the amount of \$8,916,345.

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year				
	2009	2008	2007	2006	2005
Governmental activities					
Invested in capital assets, net of related debt	\$ 1,259,405,543	\$ 1,276,307,361	\$ 1,267,302,733	\$ 1,269,926,195	\$ 1,277,883,814
Restricted	24,162,165	12,295,632	16,780,377	6,312,540	7,713,513
Unrestricted	<u>57,668,537</u>	<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	\$ 1,341,236,245	\$ 1,376,050,284	\$ 1,370,979,289	\$ 1,369,676,954	\$ 1,358,933,981
Business-type activities					
Invested in capital assets, net of related debt (1)	\$ 559,872,034	\$ 563,418,374	\$ 478,366,634	\$ 491,351,965	\$ 457,612,822
Restricted	24,501,372	27,476,571	18,789,364	17,944,835	18,300,530
Unrestricted (1)	<u>(36,661,617)</u>	<u>(60,528,077)</u>	<u>12,305,490</u>	<u>(12,141,852)</u>	<u>9,241,302</u>
Total business-type activities net assets	\$ 547,711,789	\$ 530,366,868	\$ 509,461,488	\$ 497,154,948	\$ 485,154,654
Primary government					
Invested in capital assets, net of related debt	\$ 1,819,277,577	\$ 1,839,725,735	\$ 1,745,669,367	\$ 1,761,278,160	\$ 1,735,496,636
Restricted	48,663,537	39,772,203	35,569,741	24,257,375	26,014,043
Unrestricted	<u>21,006,920</u>	<u>26,919,214</u>	<u>99,201,669</u>	<u>81,296,367</u>	<u>82,577,956</u>
Total primary government net assets	\$ 1,888,948,034	\$ 1,906,417,152	\$ 1,880,440,777	\$ 1,866,831,902	\$ 1,844,088,635

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 FY 06 the Solid Waste Fund had a negative, unrestricted net asset balance due to EPA unfunded mandates for an old landfill.
In FY08 EPB significant investment was made in the EPB utility plant reallocating net assets between invested in capital and unrestricted. Amounts for FY08 have been reclassified.

CITY OF CHATTANOOGA, TENNESSEE

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

Fiscal Year	Property Tax	Liquor & Beer Tax		Other City-Levied Taxes				Total
		Liquor	Beer	Gross Receipts	Franchise Tax	Hotel-Motel Tax	Other Taxes	
2005	\$ 89,490,700	\$ 1,606,265	\$ 4,638,904	\$ 3,695,782	\$ 1,664,863	\$ 2,583,318	\$ 3,156,626	\$ 106,836,458
2006	87,484,889 (1)	1,658,004	4,735,848	3,510,891	1,755,878	3,640,518	2,471,256 (2)	105,257,284
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
2009	94,274,504 (1)	1,957,072	5,437,519	3,905,913	2,210,697	3,893,990	2,578,385 (2)	114,258,080

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 tax. Amounts are as follows: 2005 \$1,084,849; 2006 \$1,476,590; 2007 \$968,002; 2008 \$(966,533); 2009 \$478,025.

CITY OF CHATTANOOGA, TENNESSEE

FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST FIVE FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year				
	2009	2008	2007	2006	2005
General fund:					
Reserved	\$ 8,617,430	\$ 3,535,673	\$ 3,593,931	\$ 4,347,114	\$ 3,473,740
Unreserved -					
Designated	3,608,909	7,812,678	6,509,160	6,557,035	5,000,477
Undesignated	<u>31,520,660</u>	<u>40,746,518</u>	<u>45,027,258</u>	<u>45,138,561</u>	<u>38,975,983</u>
Total general fund (1)	<u>43,746,999</u>	<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	36,659,112	22,488,664	25,499,173	16,086,804	19,730,102
Unreserved, reported in -					
Special revenue funds	8,454,135	10,913,021	10,029,363	10,103,900	10,079,521
Debt service fund	8,375,003	7,032,956	7,548,761	5,842,577	6,471,929
Permanent funds	<u>36,705</u>	<u>52,324</u>	<u>47,070</u>	<u>45,786</u>	<u>73,056</u>
Total all other governmental funds	<u>53,524,955</u>	<u>40,486,965</u>	<u>43,124,367</u>	<u>32,079,067</u>	<u>36,354,608</u>
Total governmental funds	<u>\$ 97,271,954</u>	<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.

(1) In fiscal year 2009 the City appointed \$4,989,473 from General Fund to IDB for the VW project.

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year				
	2009	2008	2007	2006	2005
Revenues					
Taxes	\$ 111,959,239	\$ 109,552,362	\$ 106,062,416	\$ 103,157,615	\$ 103,878,878
Licenses and permits	4,435,320	4,633,755	4,754,390	4,272,090	4,092,969
Intergovernmental	95,014,416	83,610,126	87,768,854	83,117,431	84,821,126
Charges for services	5,302,861	5,227,764	4,760,080	4,292,707	3,916,340
Fines, forfeitures and penalties	2,835,260	2,493,879	1,424,431	1,472,402	1,410,642
Investment income	1,777,344	4,536,219	5,899,679	3,949,483	2,209,234
Contributions and donations	589,914	2,568,829	644,561	414,713	3,761,340
Miscellaneous	5,970,884	8,531,832	7,663,218	8,891,546	8,404,282
Total revenues	227,885,238	221,154,766	218,977,629	209,567,987	212,494,811
Expenditures					
General government	69,935,803	65,152,105	65,854,933	63,379,025	65,458,272
Public safety	72,616,829	72,660,880	69,319,262	63,063,290	62,237,355
Public works	37,185,999	35,209,087	33,619,639	32,797,851	31,623,156
Parks and recreation	16,809,777	16,617,304	14,735,418	13,113,632	12,707,873
Community development	17,712,991	3,288,257	5,405,373	3,029,762	3,839,453
Capital outlay	42,528,781	24,352,978	31,430,746	28,294,636	57,463,455
Debt service:					
Principal	9,591,682	10,839,021	8,453,319	7,735,136	5,777,360
Interest	6,333,051	7,007,893	7,215,084	6,402,538	6,498,717
Total expenditures	272,714,913	235,127,525	236,033,774	217,815,870	245,605,641
Excess of revenues over (under) expenditures	(44,829,675)	(13,972,759)	(17,056,145)	(8,247,883)	(33,110,830)
Other financing sources (uses)					
Transfers in	31,750,605	40,995,521	37,882,821	28,655,193	27,789,202
Transfers out	(28,969,931)	(41,141,279)	(40,911,869)	(26,197,145)	(28,352,839)
Refunding bonds issued	-	-	14,520,000	-	22,906,508
Bonds issued	46,056,885	-	20,732,796	-	-
Premium on bonds issued	682,236	-	969,489	-	1,319,753
Payments to refunded bond escrow agent	-	-	(14,906,348)	-	(23,958,331)
Proceeds of notes payable	-	8,445,635	8,902,195	10,106,804	7,339,369
Capital leases	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	49,519,795	8,299,877	27,189,084	12,564,852	7,043,662
Net change in fund balances	\$ 4,690,120	\$ (5,672,882)	\$ 10,132,939	\$ 4,316,969	\$ (26,067,168)
Debt service as a percentage of non-capital expenditures	7.05%	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 FIVE 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%
2009	1,452,977,142	1,968,057,920	50,987,075	509,493,519	222,152,961	4,203,668,617	1.939	13,293,431,306	31.62%

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 and do not include any adjustments.

(2) All assessments are included in taxable value. 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

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		
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	1.5759	1.5655	0.0126	3.1540	5.3560
2009	1.9390	1.3816	1.3726	0.0110	2.7652	4.7042

Source: www.hamiltontn.gov/trustee/

Note: This format was not required until fiscal year 2006; however ten years of information have been provided.

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

CITY OF CHATTANOOGA, TENNESSEE

PRINCIPAL PROPERTY TAXPAYERS
June 30, 2009

Taxpayer	2009			2000		
	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)	\$ 170,749,000	1	4.06%	\$ 89,365,381	1	3.41%
CBL & Associates	61,098,023	2	1.45%	43,139,966	4	1.65%
BellSouth	54,522,885	3	1.30%	50,835,091	3	1.94%
Tennessee-American Water Co.	44,982,915	4	1.07%	30,124,318	7	1.15%
Tennessee Valley Authority (Computer Center)	39,200,680	5	0.93%	42,469,400	5	1.62%
BlueCross BlueShield	32,896,033	6	0.78%	19,475,241	8	0.74%
Unum/Provident Ins. Co.	31,892,455	7	0.76%	33,054,734	6	1.26%
Wal Mart	27,612,303	8	0.66%	-	-	0.00%
Parkridge Medical Center	25,809,320	9	0.61%	16,838,803	10	0.64%
AGL Resources-Chattanooga Gas	24,996,713	10	0.59%	19,070,814	9	0.73%
Kenco Group, INC	24,386,069	11	0.58%	-	-	0.00%
Covenant Transport	22,444,694	12	0.53%	-	-	0.00%
INVISTA (Dupont)	21,658,350	13	0.52%	59,940,458	2	2.29%
Tallan Holdings Co.	16,313,680	14	0.39%	-	-	0.00%
Alston Power	15,844,434	15	0.38%	-	-	0.00%
Totals	<u>\$ 614,407,554</u>		<u>14.61%</u>	<u>\$ 404,314,206</u>		<u>15.43%</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 FIVE 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	\$ 22,033	\$ 83,534,366	\$ 79,901,518	95.7%	\$ 3,369,840	\$ 83,271,358	99.7%
2006	85,007,191	(268,381)	84,738,810	81,194,003	95.8%	3,499,522	84,693,525	99.9%
2007	87,378,841	106,497	87,485,338	83,848,154	95.8%	2,986,433	86,834,587	99.3%
2008	89,153,730	71,231	89,224,961	85,019,277	95.3%	2,628,679	87,647,956	98.2%
2009	91,760,952	50,095	91,811,047	87,144,122	94.9%	-	87,144,122	94.9%

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 FIVE FISCAL YEARS

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
2009	25,710,248	10,254,407	10,394,686	3,629,181	1,763,451	17,780,474 (1)	69,532,446

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 fiscal year 2009 the City of Chattanooga began the Public Safety Interoperable Communications Grant Program (PSIC), a \$16,780,000 award. At fiscal year end the City of Chattanooga has recognized \$10,800,490 in PSIC grant revenue.

CITY OF CHATTANOOGA, TENNESSEE

PROPERTY VALUE AND CONSTRUCTION
LAST FIVE 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
2008	471	244,137,277	715	108,132,239	5,163,673,852	5,811,908,568	620,270,613

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

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
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
2009	147,301	9.55	19,326	10.53	3,414	8.39	139	11.35	170,180	9.01

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 FIVE 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 and Other Obligations	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
2009	169,652,699	30,654,836	109,822,026	83,302,301	54,519,605	147,723	448,099,190	7.83%	2,608

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 \$288.06 million in revenue bonds and \$0.59 million in equipment notes outstanding as of June 30, 2009. 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 FIVE 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	Golf Course Capital Lease	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
2009	252,955,000	192,646,084	52,768,980	108,937,617	-	284,251	4,576,000	-	600,159	98,468,501	24,813,108	12,189,914	8,925,003	134,037,551	1.01%	784

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 \$0.59 million in equipment notes outstanding as of June 30, 2009. 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, 2009

<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	\$ 199,882,986	60.3845%	\$ 120,698,342
Other debt:			
Hamilton County Notes Payable	46,949,963	60.3845%	<u>28,350,500</u>
Subtotal, overlapping debt (1)			149,048,842
City of Chattanooga net direct debt			<u>131,539,442</u>
Total direct and overlapping debt			<u>\$ 280,588,284</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 FIVE FISCAL YEARS

	Fiscal Year				
	2009	2008	2007	2006	2005
Debt limit(1)	\$ 416,716,328	\$ 404,876,088	\$ 396,815,737	\$ 386,045,296	\$ 331,924,917
Total net debt applicable to limit(2)	<u>134,037,551</u>	<u>96,296,919</u>	<u>97,632,033</u>	<u>77,122,240</u>	<u>75,729,909</u>
Legal debt margin	<u>\$ 282,678,777</u>	<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	32.17%	23.78%	24.60%	19.98%	22.82%
<u>Legal Debt Margin Calculation for Fiscal Year 2009</u>					
Assessed value	\$ 4,167,163,278	\$ 4,048,760,875	\$ 3,968,157,371	\$ 3,860,452,959	\$ 3,319,249,168
Debt limit (10% of total assessed value)	416,716,328	404,876,088	396,815,737	386,045,296	331,924,917
Debt applicable to limit:					
General obligation bonds	142,962,554	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>(8,925,003)</u>	<u>(8,871,564)</u>	<u>(7,139,208)</u>	<u>(6,471,929)</u>
Total net debt applicable to limit	<u>134,037,551</u>	<u>96,296,919</u>	<u>97,632,033</u>	<u>77,122,240</u>	<u>75,729,909</u>
Legal debt margin	<u>\$ 282,678,777</u>	<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, 2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Estimated population (1)	145,700	155,554	155,992	155,582	155,289	154,853	154,762	168,293	169,884	170,880
Appraised property valuation	\$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	\$13,294,163,310
Assessed property valuation	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	4,167,163,278
Gross indebtedness (2)	223,521,569	258,442,849	244,704,834	427,890,087	434,308,264	428,814,582	417,389,712	431,701,818	415,375,442	445,601,083
Less: Self-supporting indebtedness (3)	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	305,136,638
Debt Service Fund	<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>	<u>8,925,003</u>
Net direct indebtedness	40,983,007	76,220,316	70,170,865	78,402,593	75,522,734	75,729,909	77,122,240	97,632,033	96,296,919	131,539,442
Plus: Estimated net overlapping indebtedness	<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>	<u>149,048,829</u>
Net direct and overlapping indebtedness	<u>\$ 129,133,789</u>	<u>\$ 179,338,278</u>	<u>\$ 179,762,722</u>	<u>\$ 174,550,469</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>	<u>\$ 280,588,271</u>
Gross debt per capita	\$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	\$2,607.68
Net direct debt per capita	281.28	489.99	449.84	503.93	486.34	489.04	498.33	580.13	566.84	769.78
Net direct and overlapping debt per capita	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	1,642.02
Gross debt to appraised valuation	2.80%	3.12%	2.50%	4.30%	4.32%	4.15%	3.49%	3.51%	3.22%	3.35%
Net direct debt to appraised valuation	.51%	.92%	.72%	.79%	.75%	.73%	.65%	.79%	.75%	.99%
Net direct debt and overlapping debt to appraised valuation	1.62%	2.17%	1.84%	1.76%	1.82%	1.68%	1.38%	1.52%	1.80%	2.11%
Gross debt to assessed valuation	8.54%	9.47%	7.64%	13.13%	13.42%	12.92%	10.81%	10.88%	10.26%	10.69%
Net direct debt to assessed valuation	1.57%	2.79%	2.19%	2.40%	2.33%	2.28%	2.00%	2.46%	2.38%	3.16%
Net direct and overlapping debt to assessed valuation	4.93%	6.57%	5.61%	5.35%	5.66%	5.22%	4.27%	4.71%	5.74%	6.73%

(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 FIVE FISCAL YEARS

Fiscal Year Ended June 30	EPB Revenue Bonds						Times Coverage	
	Total Revenues	(1)	Less: Operating Expenses	(2)	Net Available Revenue	Debt Service		
						Principal(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
2009	553,234,000		508,475,000		44,759,000	1,600,000	11,978,000	3.3

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) FY07 Retired \$1,600,000; refunded \$22,400,000; issued \$63,430,000.
FY08 Retired \$1,600,000; issued \$219,830,000.
FY09 Retired \$1,600,000.

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

<u>Calendar Year</u>	<u>Population(1)</u>	<u>Per Capita Income(4)</u>	<u>Median Age(2)</u>	<u>Education Level In Years of Formal Schooling(2)</u>	<u>School Enrollment(2)</u>	<u>Unemployment Rate(3)</u>
2005	154,853	\$ 29,912	38.1	14.9% 4yr. Degree	39,929	4.8%
2006	154,762	31,113	38.5	16.4% 4yr. Degree	40,066	5.3%
2007	168,293	32,499	38.8	17.4% 4yr. Degree	39,020	4.7%
2008	169,884	33,051	38.9	15.3% 4yr. Degree	39,106	6.1%
Preliminary 2009 (5)	170,880	33,303	39.4	15.3% 4yr. Degree	43,173 (6)	9.1%

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

- (1) U.S. Census Bureau
- (2) Chamber of Commerce
- (3) Tennessee Department of Employment Security
- (4) U.S. Department of Commerce Bureau of Economic Analysis
- (5) U.S. Census Bureau population estimate for 2008, updated after a successful challenge to the original estimate.
See http://www.chattanooga.gov/mayors_office/mayorsoffice_mayorscensuschallenge.htm
- (6) Preliminary 2009 unemployment rate is as of July, 2009 for Hamilton County.

CITY OF CHATTANOOGA, TENNESSEE
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Hamilton County Department of Education (1)	5,816	1	3.88%	5,457	1	3.63%
BlueCross BlueShield of Tennessee	4,548	2	3.04%	3,588	2	2.39%
Erlanger Medical Center	4,563	3	3.05%	2,939	5	1.96%
Tennessee Valley Authority	3,438	4	2.29%	2,964	4	1.97%
Memorial Hospital	3,576	5	2.39%	2,044	10	1.36%
McKee Foods Corp.	3,200	6	2.14%	3,300	3	2.20%
UnumProvident Corp.	2,800	7	1.87%	2,483	8	1.65%
City of Chattanooga	2,440	8	1.63%	2,543	7	1.69%
CIGNA HealthCare	1,953	9	1.30%	2,200	9	1.46%
Pilgrim's Pride Corp.	1,850	10	1.23%			
Hamilton County Government	1,967	11	1.31%			
Convergys Corporation	1,500	12	1.00%			
Roper Corporation	1,500	13	1.00%			
Astec Industries, Inc.	1,320	14	0.88%			
Hutcheson Medical Center	1,316	15	0.88%			
Parkridge Medical Center, Inc.	1,210	16	0.81%			
University of Tennessee at Chattanooga	1,056	17	0.70%			
U.S. Xpress Enterprises, Inc.	1,053	18	0.70%			
Synthetic Industries	1,931	19	1.29%	2,800	6	1.86%
Shaw Industries	750	20	0.50%			
Bi-Lo, Inc.	521		0.35%			
Total	48,308		32.24%	30,318		20.19%

Source: Chattanooga Chamber of Commerce (as of 12/31/08) community profile data and 1998 Bond issue Official Statement

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

Function	Full-Time Equivalent Positions as of June 30				
	2009	2008	2007	2006	2005
General Government	279	277	276	266	276
Public Safety					
Police:					
Sworn	472	472	471	472	472
Civilian	139 (1)	213	212	206	196
Fire:					
Sworn	400	400	400	400	400
Civilian	17	17	17	18	18
Public Works	326	331	333	339	338
Neighborhood Services	36	36	36	36	37
Parks, Recreation, Arts & Culture	230	229	226	217	238
Education, Arts and Culture	27	26	26	24	-
Social Services	249	289	294	339	340
Interceptor Sewer System	135	132	124	115	115
Solid Waste/Sanitation	17	14	13	14	13
Water Quality Management	55	47	50	49	48
EPB	<u>398</u>	<u>389</u>	<u>394</u>	<u>402</u>	<u>407</u>
 Totals	 <u>2,780</u>	 <u>2,872</u>	 <u>2,872</u>	 <u>2,897</u>	 <u>2,898</u>

Source: City budget office.

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

(1) 74 Police Civilian Positions were transferred to 911.

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

Function	Fiscal Year				
	2009	2008	2007	2006	2005
General Government:					
311 Service Requests Created	66,443	72,663	76,401	66,710	77,400
% of Current Tax Levy Collected	94.5	95.4	95.9	96	95.6
Police:					
Crimes Committed (1)	14,577	14,219	13,999	13,843	14,315
Moving/Parking Violations	105,069	64,928	98,984	78,052	75,826
Citizen Complaints	47	35	33	96	102
Fire:					
Emergency Calls	12,889	11,849	11,385	10,617	9,899
Inspections	7,769	5,978	3,774	2,492	2,586
Public Works:					
Sidewalks Repaired (sq. ft.)	848	80	335	1,660	3,374
Streets Paved (sq. ft.)	790,988	520,896	516,146	632,793	851,511
Parks, Recreation, Arts & Culture:					
Chattanooga Zoo - Attendance	231,225	174,093	149,582	125,293	127,974
Recreation Centers - Attendance	588,927	567,444	458,331	394,660	400,959
Social Services:					
Children Immunized	869	897	865	768	875
Households Assisted	6,280	4,950	4,284	4,119	6,566
Interceptor Sewer System:					
NPDES Violations	10	7	5	5	4
Combined Sewer Overflows	103	100	83	118	119
Solid Waste/Sanitation:					
NPDES Landfill Violations	4	4	0	4	17
Violation Notices to Industry	44	59	96	61	44
Water Quality Management:					
311 Service Requests Created	1,764	1,798	1,586	1,808	2,559
311 Service Requests Unresolved	69	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 FIVE FISCAL YEARS

Function	Fiscal Year				
	2009	2008	2007	2006	2005
General Government:					
City Fleet	1,773	1,769	1,709	1,670	1,663
Properties Returned to Tax Rolls	21	26	33	22	23
Police:					
Stations	(1) 3	3	3	3	3
Patrol Units	450	450	450	450	450
Fire:					
Stations	(2) 17	17	17	17	17
Ladder Trucks/Fire Engines/Combos	24	24	24	24	23
Public Works:					
Miles of Paved Streets	1,159	1,159	1,154	1,150	1,200
Signalized Intersections	318	315	314	312	303
Garbage Trucks	23	21	21	21	21
Knuckleboom Trucks	20	21	21	21	21
Interceptor Sewer System:					
Miles of Sewer	1,255	1,239	1,200	1,200	1,200
Pump Stations	70	67	67	67	67
Parks, Recreation, Arts & Culture:					
Parks	51	50	50	50	50
Recreation Centers	16	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.

(1) 470 includes special covert operations vehicles
 450 marked and unmarked patrol units

(2) Only includes first line apparatus. Does not include reserve or support equipment

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

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-08-200141-01	\$ (29,704)	\$ 29,704	\$ -	\$ -	\$ -
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-09-213322-00	-	8,622	40,500	-	(31,878)
Total Emergency Food Assistance Program (Administrative Costs)			(29,704)	38,326	40,500	-	(31,878)
Emergency Food Assistance Program (Food Commodities - Noncash)	10.569	N/A	-	386,098	386,098	-	-
Passed through Tennessee Department of Human Services:							
Child and Adult Care Food Program	10.558	03-47-55915-00-8	(38,638)	775,048	831,073	-	(94,663)
Child and Adult Care Food Program	10.558	03-47-56136-00-6	(16,131)	104,975	78,923	-	9,921
Child and Adult Care Food Program	10.558	03-47-60076-00-9	(1,584)	12,642	15,317	-	(4,259)
Child and Adult Care Food Program	10.558	Program Income	-	46,269	46,269	-	-
Total Child and Adult Care Food Program			(56,353)	938,934	971,582	-	(89,001)
Total U.S. Department of Agriculture			(86,057)	1,363,358	1,398,180	-	(120,879)
U.S. DEPARTMENT OF MILITARY							
Passed through Tennessee Emergency Management Agency:							
Public Safety Interoperable Communications Grant Program	11.555	GG-08-34108-494-08	-	9,799,778	10,800,490	-	(1,000,712)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grants/Entitlement Grants	14.218	B-06-MC-47-0001	(204,915)	-	-	204,915	-
Community Development Block Grants/Entitlement Grants	14.218	B-07-MC-47-0001	(498,028)	1,177,260	679,232	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-08-MC-47-0001	-	488,786	1,166,800	-	(678,014)
Community Development Block Grants/Entitlement Grants	14.218	Program Income	-	445,793	445,793	-	-
Total Community Development Block Grants/Entitlement Grants			(702,943)	2,111,839	2,291,825	204,915	(678,014)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Emergency Shelter Grants Program	14.231	S-07-MC-47-0003	\$ (13,063)	\$ 13,064	\$ -	\$ (1)	\$ -
Emergency Shelter Grants Program	14.231	S-08-MC-47-0003	-	76,949	81,201	-	(4,252)
Total Emergency Shelter Grants Program			<u>(13,063)</u>	<u>90,013</u>	<u>81,201</u>	<u>(1)</u>	<u>(4,252)</u>
Shelter Plus Care	14.238	TN37C400010	(227)	-	-	227	-
Shelter Plus Care	14.238	TN37C600011	(22,242)	59,439	36,970	(227)	-
Shelter Plus Care	14.238	TN37C600012	-	115,151	138,489	-	(23,338)
Total Shelter Plus Care			<u>(22,469)</u>	<u>174,590</u>	<u>175,459</u>	<u>-</u>	<u>(23,338)</u>
Home Investment Partnerships Program	14.239	M-05-MC-47-0200	-	425,253	425,253	-	-
Home Investment Partnerships Program	14.239	M-06-MC-47-0200	-	877,325	962,945	(201,661)	(287,281)
Home Investment Partnerships Program	14.239	M-07-MC-47-0200	(201,661)	-	-	201,661	-
Home Investment Partnerships Program	14.239	Program Income	-	383,049	383,049	-	-
Total Home Investment Partnerships Program			<u>(201,661)</u>	<u>1,685,627</u>	<u>1,771,247</u>	<u>-</u>	<u>(287,281)</u>
Total U.S. Department of Housing and Urban Development			<u>(940,136)</u>	<u>4,062,069</u>	<u>4,319,732</u>	<u>204,914</u>	<u>(992,885)</u>
U.S. DEPARTMENT OF JUSTICE							
Passed through Tennessee Department of Finance and Administration:							
Edward Byrne Memorial Formula Grant Program	16.579	Z-06-027515-00	(7,493)	10,017	4,024	-	(1,500)
Edward Byrne Memorial Formula Grant Program	16.579	Z-06-027513-00	(21,564)	72,522	62,562	-	(11,604)
Edward Byrne Memorial Formula Grant Program	16.579	Z-06-027514-00	(5,186)	14,787	17,112	532	(6,979)
Edward Byrne Memorial Formula Grant Program	16.579	Z-06-027537-00	(19,415)	19,415	-	-	-
Total Edward Byrne Memorial Formula Grant Program			<u>(53,658)</u>	<u>116,741</u>	<u>83,698</u>	<u>532</u>	<u>(20,083)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2009

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Public Safety Partnership and Community Policing Grants	16.710	2008-CK-WX-0391	\$ -	\$ -	\$ 48,754	\$ -	\$ (48,754)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0546	-	-	13,943	-	(13,943)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0479	<u>(7,336)</u>	<u>233,994</u>	<u>141,169</u>	<u>-</u>	<u>85,489</u>
Total U.S. Department of Justice			<u>(60,994)</u>	<u>350,735</u>	<u>287,564</u>	<u>532</u>	<u>2,709</u>
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	PL-000-0008-00(502)	(64,743)	94,597	35,925	-	(6,071)
Highway Planning and Construction	20.205	PL-000-0008-00(786)	-	53,928	85,432	-	(31,504)
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	Z-07-036291-00	(45,742)	205,316	179,290	-	(19,716)
Highway Planning and Construction	20.205	Z-07-036291-01	<u>-</u>	<u>235,383</u>	<u>308,349</u>	<u>-</u>	<u>(72,966)</u>
Total Highway Planning and Construction			<u>(183,351)</u>	<u>662,090</u>	<u>608,996</u>	<u>-</u>	<u>(130,257)</u>
Passed through Tennessee Department of Transportation:							
Federal Transit: Metropolitan Planning Grants	20.505	GG-07-26092-00	<u>(45,671)</u>	<u>120,259</u>	<u>80,786</u>	<u>-</u>	<u>(6,198)</u>
Total Federal Transit: Metropolitan Planning Grants			<u>(45,671)</u>	<u>120,259</u>	<u>80,786</u>	<u>-</u>	<u>(6,198)</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	Z-08-023691-00	(44,588)	114,995	70,407	-	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	Z-08-024031-00	<u>(6,466)</u>	<u>56,521</u>	<u>50,055</u>	<u>-</u>	<u>-</u>
Total State and Community Highway Safety			<u>(51,054)</u>	<u>171,516</u>	<u>120,462</u>	<u>-</u>	<u>-</u>
Recreational Trails Program	20.219	Z-07-036638-00	<u>(12,000)</u>	<u>100,000</u>	<u>88,000</u>	<u>-</u>	<u>-</u>
Total Recreational Trails Program			<u>(12,000)</u>	<u>100,000</u>	<u>88,000</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Transportation			<u>(292,076)</u>	<u>1,053,865</u>	<u>898,244</u>	<u>-</u>	<u>(136,455)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed through Tennessee Libraries and Archives:							
Grants to States	45.310	Z-08-21219-00	\$ 5,355	\$ -	\$ 5,355	\$ -	\$ -
Grants to States	45.310	GG-07-12776-00	-	1,415	1,415	-	-
Grants to States	45.310	GG-08-22649-00	(5)	2,500	2,495	-	-
Grants to States	45.310	Z-06-034108-00	<u>2,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,231</u>
Total Institute of Museum and Library Services			<u>7,581</u>	<u>3,915</u>	<u>9,265</u>	<u>-</u>	<u>2,231</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF 07-204	-	9,360,173	11,302,798	-	(1,942,625)
Air Pollution Control Program	66.001	A00408408	-	339,058	339,058	-	-
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96146106	(4,143)	94,868	124,771	-	(34,046)
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96146107	-	3,809	10,119	-	(6,310)
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BT-95436309-0	-	-	4,870	-	(4,870)
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	PM96437605-0	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>(4,143)</u>	<u>9,922,908</u>	<u>11,906,616</u>	<u>-</u>	<u>(1,987,851)</u>
U.S. DEPARTMENT OF ENERGY							
Passed through Tennessee Department of Human Services:							
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-07	(24,073)	21,605	-	2,468	-
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-08	<u>-</u>	<u>342,965</u>	<u>472,073</u>	<u>-</u>	<u>(129,108)</u>
Total U.S. Department of Energy			<u>(24,073)</u>	<u>364,570</u>	<u>472,073</u>	<u>2,468</u>	<u>(129,108)</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Head Start	93.600	04CH0047/31	(1,009,091)	1,009,091	-	-	-
Head Start	93.600	04CH0047/32	<u>-</u>	<u>5,801,150</u>	<u>7,154,827</u>	<u>-</u>	<u>(1,353,677)</u>
Total Head Start			<u>(1,009,091)</u>	<u>6,810,241</u>	<u>7,154,827</u>	<u>-</u>	<u>(1,353,677)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance	93.568	Z-05-021693-08	\$ (65,886)	\$ 44,452	\$ -	\$ 21,434	\$ -
Low-Income Home Energy Assistance	93.568	Z-05-021693-10	-	<u>2,397,492</u>	<u>2,619,519</u>	-	<u>(222,027)</u>
Total Low-Income Home Energy Assistance			<u>(65,886)</u>	<u>2,441,944</u>	<u>2,619,519</u>	<u>21,434</u>	<u>(222,027)</u>
Community Services Block Grant	93.569	Z-05-020686-06	-	520,948	573,158	-	(52,210)
Community Services Block Grant	93.569	Z-05-020686-04	<u>(104,324)</u>	<u>104,324</u>	-	-	-
Total Community Services Block Grant			<u>(104,324)</u>	<u>625,272</u>	<u>573,158</u>	-	<u>(52,210)</u>
Total U.S. Department of Health and Human Services			<u>(1,179,301)</u>	<u>9,877,457</u>	<u>10,347,504</u>	<u>21,434</u>	<u>(1,627,914)</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE							
Foster Grandparent Program	94.011	07-SFSTN005	<u>(61,325)</u>	<u>445,756</u>	<u>435,756</u>	-	<u>(51,325)</u>
Total Corporation for National and Community Services			<u>(61,325)</u>	<u>445,756</u>	<u>435,756</u>	-	<u>(51,325)</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Emergency Food and Shelter National Board Program	97.024	26-7682-00-001	-	-	23,999	-	(23,999)
Emergency Food and Shelter National Board Program	97.024	25-7682-00-001	(18,565)	18,565	-	-	-
Emergency Food and Shelter National Board Program	97.024	26-7682-00-001	<u>-</u>	<u>49,743</u>	<u>49,743</u>	-	-
Total Federal Emergency Management Agency			<u>(18,565)</u>	<u>68,308</u>	<u>73,742</u>	-	<u>(23,999)</u>
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed Through Tennessee Emergency Management Agency:							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z-05-024713-00	<u>(19,686)</u>	<u>19,686</u>	-	-	-
Total Public Assistance Grants			<u>(19,686)</u>	<u>19,686</u>	-	-	-
Buffer Zone Protection Program (BZPP)	97.078	66-08-25295-00	-	-	186,027	-	(186,027)
Buffer Zone Protection Program (BZPP)	97.078	GG-07-22824-00	(101,876)	182,743	80,867	-	-
Buffer Zone Protection Program (BZPP)	97.078	Z-04-022527-00	<u>98,157</u>	<u>-</u>	<u>-</u>	<u>(98,157)</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>(23,405)</u>	<u>202,429</u>	<u>266,894</u>	<u>(98,157)</u>	<u>(186,027)</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			<u>(2,682,494)</u>	<u>37,515,148</u>	<u>41,216,060</u>	<u>131,191</u>	<u>(6,252,215)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Component Units							
<u>Awards Audited by Other Auditors</u>							
Chattanooga Area Regional Transportation Authority (CARTA)							
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through Tennessee Department of Transportation:							
Federal Transit - Capital Investment Grants	20.500	TN-03-0051	\$ -	\$ -	\$ 689,125	\$ -	\$ (689,125)
Federal Transit - Capital Investment Grants	20.500	TN-04-0017	-	256,245	936,184	-	(679,939)
Federal Transit - Capital Investment Grants	20.500	TN-05-0031	(2,893)	35,972	53,841	-	(20,762)
Federal Transit - Capital Investment Grants	20.500	TN-04-0011	-	588,000	588,000	-	-
Total Federal Transit - Capital Investment Grants			(2,893)	880,217	2,267,150	-	(1,389,826)
Highway Planning and Construction Grants	20.205	TN-26-0021	(106,002)	106,002	-	-	-
Federal Transit - Formula Grants	20.507	TN-96-0002	-	-	103,417	-	(103,417)
Federal Transit - Formula Grants	20.507	TN-15-X002	(165,404)	1,465,096	1,373,319	-	(73,627)
Federal Transit - Formula Grants	20.507	TN-90-X271	(610,768)	3,298,387	2,687,619	-	-
Federal Transit - Formula Grants	20.507	TN-90-X293	-	-	36,093	-	(36,093)
Total Federal Transit - Formula Grants			(776,172)	4,763,483	4,200,448	-	(213,137)
Total Federal Transit Cluster			(885,067)	5,749,702	6,467,598	-	(1,602,963)
Job Access - Reverse Commute	20.516	TN-37-X042	(110,718)	247,923	137,205	-	-
Job Access - Reverse Commute	20.516	TN-37-X061	-	255,088	327,106	-	(72,018)
Total Job Access - Reverse Commute			(110,718)	503,011	464,311	-	(72,018)
Total Expenditures of Federal Awards - CARTA			(995,785)	6,252,713	6,931,909	-	(1,674,981)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

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)							
Chattanooga Metropolitan Airport Authority (CMAA)							
U.S. DEPARTMENT OF TRANSPORTATION							
Airport Improvement Program	20.106	3-47-0009-38	\$ (11,788)	\$ (12,110)	\$ (23,898)	\$ -	\$ -
Airport Improvement Program	20.106	3-47-0009-41	(14,614)	156,059	185,676	-	(44,231)
Airport Improvement Program	20.106	3-47-0009-42	(898,145)	927,162	29,017	-	-
Airport Improvement Program	20.106	3-47-0009-43	(14,493)	53,056	38,563	-	-
Airport Improvement Program	20.106	3-47-0009-44	(5,110)	4,402,213	5,834,631	-	(1,437,528)
Airport Improvement Program	20.106	3-47-0009-45	-	53,042	53,042	-	-
Airport Improvement Program	20.106	3-47-0009-46	-	179,427	357,775	-	(178,348)
Airport Improvement Program	20.106	3-47-0009-47	-	-	38,300	-	(38,300)
Total Expenditures of Federal Awards - CMAA			<u>(944,150)</u>	<u>5,758,849</u>	<u>6,513,106</u>	<u>-</u>	<u>(1,698,407)</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS - COMPONENT UNITS			<u>(1,939,935)</u>	<u>12,011,562</u>	<u>13,445,015</u>	<u>-</u>	<u>(3,373,388)</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			<u>(4,622,429)</u>	<u>49,526,710</u>	<u>54,661,075</u>	<u>131,191</u>	<u>(9,625,603)</u>
STATE AWARDS							
Tennessee Department of Environment & Conservation:							
Household Hazardous Waste		GG-07-12682-00	-	-	81,171	-	(81,171)
Household Hazardous Waste		GG-08-23097-00	(49,991)	49,991	-	-	-
Alternative Fuel Innovations		Z-07-038476-00	-	35,162	35,162	-	-
Alternative Fuel Innovations		Z-07-038477-00	-	35,162	35,162	-	-
Tennessee Department of Economic and Community Development:							
Advanced Manufacturing Project FDIP		GG-07-20542-00	(9,492)	9,492	2,450	-	(2,450)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

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 Secretary of State							
After School Programming at Howard & Brainerd High School			\$ 563	\$ -	\$ 563	\$ -	\$ -
Community Enhancement for Heritage House			25,000	-	21,724	-	3,276
Omnibus Community Enhancement Grant Program			12,000	-	6,749	-	5,251
Omnibus Community Enhancement Grant Program			30,000	-	-	-	30,000
Omnibus Community Enhancement Grant Program			140	-	-	-	140
Omnibus Community Enhancement Grant Program			2,001	-	1,225	-	776
Omnibus Community Enhancement Grant Program			12,000	-	11,725	-	275
Tennessee Department of Finance and Administration:							
Tennessee Housing Development Agency THDA Entitlement - CNE Project		Program Income	<u>666,942</u>	<u>65,790</u>	<u>-</u>	<u>-</u>	<u>732,732</u>
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT			<u>689,163</u>	<u>195,597</u>	<u>195,931</u>	<u>-</u>	<u>688,829</u>
Component Units							
<u>Awards Audited by Other Auditors</u>							
Chattanooga Area Regional Transportation Authority (CARTA)							
Tennessee Department of Transportation:							
State CTAP		GG-08-22318	-	29,010	29,010	-	-
State Funding for TN-03-0051		GG-07-12890	-	-	86,141	-	(86,141)
State Funding for TN-37-X061		GG-07-20344	-	124,841	160,850	-	(36,009)
State Funding for TN-04-0017		GG-09-27223	-	3,700	116,045	-	(112,345)
State Funding for TN-90-X293		N/A	-	-	4,411	-	(4,411)
Special Legislative Allocation		Z-08-212253	-	296,576	296,576	-	-
State Funding for TN-04-0011		GG-09-26230	-	73,500	73,500	-	-
State Operating		Z-09-213792	-	2,033,633	2,033,633	-	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
State Funding for TN-05-0031		GG-08-25178	\$ (6,004)	\$ 8,968	\$ 6,060	\$ -	\$ (3,096)
State Funding for TN-37-X042		GG-08-24317	(55,239)	126,665	71,426	-	-
State Funding for TN-90-X261		GG-07-23735	(90,971)	90,971	-	-	-
State Funding for TN-90-X271		GG-08-26123	(76,346)	407,831	335,880	-	(4,395)
Total Expenditures of State Awards - CARTA			(228,560)	3,195,695	3,213,532	-	(246,397)
Chattanooga Metropolitan Airport Authority (CMAA)							
Airport Improvement Program		Z-07-03-7621-00	-	-	-	-	-
Airport Improvement Program		Z-07-03-7624-00	-	-	-	-	-
Airport Improvement Program		Z-08-20-0655-00	(10,667)	-	4,887	-	(15,554)
Airport Improvement Program		Z-08-20-0654-00	(58,185)	58,950	765	-	-
Airport Improvement Program		Z-08-20-0651-00	(40,222)	-	1,015	-	(41,237)
Airport Improvement Program		Z-09-21-3917-00	(134)	-	153,543	-	(153,677)
Airport Improvement Program		Z-08-20-0646-00	(3,204)	3,204	5,715	-	(5,715)
Airport Improvement Program		Pending	-	-	9,415	-	(9,415)
Airport Improvement Program		Z-06-02-9515-00	(12,582)	12,582	-	-	-
Airport Improvement Program		Z-06-02-9515-00	(946,782)	748,898	4,816	-	(202,700)
Airport Improvement Program		Z-08-20-0652-00	-	-	-	-	-
Airport Improvement Program		Z-07-03-7625-00	(91,952)	91,952	-	-	-
Airport Improvement Program		Z-08-20-0653-00	-	-	-	-	-
Airport Improvement Program		Z-07-03-7620-00	(52,631)	52,631	-	-	-
Airport Improvement Program		Z-07-03-7627-00	(27,846)	27,606	-	-	(240)
Airport Improvement Program		Pending	-	-	-	-	-
Airport Improvement Program		Z-07-03-7619-00	(7,772)	-	(7,772)	-	-
Airport Improvement Program		Z-07-03-7618-00	(26,253)	26,253	-	-	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

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-09-21-4023-00	\$ -	\$ -	\$ 1,396	\$ -	\$ (1,396)
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	-	-	-
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	(1,750)	1,750	-	-	-
Airport Improvement Program		Z-08-20-0661-00	(53,307)	53,307	-	-	-
Airport Improvement Program		Z-08-20-0662-00	(13,757)	-	23,143	-	(36,900)
Airport Improvement Program		Z-08-20-0695-00	(25,990)	-	65,162	-	(91,152)
Airport Improvement Program		Z-08-20-0716-00	(27,514)	89,592	62,078	-	-
Airport Improvement Program		Z-08-20-0739-00	(22,500)	-	6,750	-	(29,250)
Airport Improvement Program		Z-08-20-0645-00	(89,793)	89,793	-	-	-
Airport Improvement Program		Pending	-	-	-	-	-
Airport Improvement Program		Z-09-21-3918-00	-	-	4,394	-	(4,394)
Airport Improvement Program		Z-09-21-3918-00	-	-	6,884	-	(6,884)
Airport Improvement Program		Z-09-21-3918-00	-	49,438	49,438	-	-
Airport Improvement Program		Z-08-20-0737-00	-	-	326,537	-	(326,537)
Airport Improvement Program		Z-08-20-0738-00	-	-	448,111	-	(448,111)
Airport Improvement Program		Z-08-20-0736-00	-	-	813,148	-	(813,148)
Airport Improvement Program		Z-07-03-7629-00	(19,900)	19,900	-	-	-
Airport Improvement Program		Z-07-03-7669-00	(9,900)	9,900	-	-	-
Total Expenditures of State Awards - CMAA			<u>(1,728,367)</u>	<u>1,521,482</u>	<u>1,979,425</u>	<u>-</u>	<u>(2,186,310)</u>
TOTAL EXPENDITURES OF STATE AWARDS - COMPONENT UNITS			<u>(1,956,927)</u>	<u>4,717,177</u>	<u>5,192,957</u>	<u>-</u>	<u>(2,432,707)</u>
TOTAL EXPENDITURES OF STATE AWARDS - REPORTING ENTITY			<u>(1,267,764)</u>	<u>4,912,774</u>	<u>5,388,888</u>	<u>-</u>	<u>(1,743,878)</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS - REPORTING ENTITY			<u>\$ (5,890,193)</u>	<u>\$ 54,439,484</u>	<u>\$ 60,049,963</u>	<u>\$ 131,191</u>	<u>\$ (11,369,481)</u>

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2009

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 \$445,793 and \$383,049, 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, adjustments to record accruals not recorded in prior years or reclassification of accrual amounts to the proper grants.

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	\$1,666,046
Emergency Shelter Grants Program	14.231	90,013
Home Investment Partnerships Program	14.239	1,302,578

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 16, 2009. 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.

We noted certain matters that we reported to management of the City in a separate letter dated December 16, 2009.

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.

Haylett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
December 16, 2009

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, 2009. 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 \$18,637,972. 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, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying *Schedule of Findings and Questioned Costs* as item 2009-1.

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.

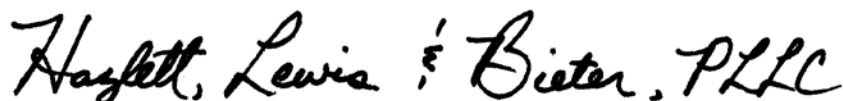
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal 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.

The City of Chattanooga's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the City of Chattanooga's response and, accordingly, we express no opinion on it.

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.



Chattanooga, Tennessee
December 16, 2009

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

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>
11.555	U.S. Department of Military Public Safety Interoperable Communications Grant
14.218	U.S. Department of Housing and Urban Development: Community Development Block Grants/Entitlement Grants
20.106	U.S. Department of Transportation: Airport Improvement Program Federal Transit Cluster:
20.500	Federal Transit - Capital Improvement Grants
20.507	Federal Transit - Formula Grants
66.458	U.S. Environmental Protection Agency Capitalization Grants for Clean Water State Revolving Funds
93.568	U.S. Department of Health and Human Services: Low-Income Home Energy Assistance (LIHEAP)
93.600	Head Start

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

Dollar threshold used to distinguish between type A
and type B programs: \$1,639,832

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2009-1: Eligibility

Federal program: CFDA 93.568 Low-Income Home Energy Assistance Program
Federal agency: U.S. Department of Health and Human Services
Award years: July 1, 2008 to June 30, 2009

Criteria: According to the OMB Circular A-133 Compliance Supplement, funds can only be disbursed to individuals who meet certain income requirements.

Condition: In our testing, we noted incorrect benefit amounts were awarded to individuals due to erroneous calculations of personal income.

Questioned costs: In our testing, we identified known questioned costs of \$550. We calculated the error rate of our sample based on this amount and projected the error rate to the entire population which resulted in likely questioned costs of \$116,463.

Effect: The City of Chattanooga is not in compliance with federal regulations regarding eligibility requirements.

Cause: Sources of income were erroneously excluded from the calculation of personal income.

Recommendation: The City of Chattanooga implement procedures to ensure all sources of personal income are properly included in the calculation of personal income.

Management's response: Management has taken corrective action to ensure staff is conscientious when calculating personal income of individuals applying for energy assistance.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2009

None



City of Chattanooga

Department of Finance and Administration

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