

CAFR 2010

City of Chattanooga, Tennessee Comprehensive Annual Financial Report for the year ended June 30, 2010



About the Cover:

The new Summit of Softball Complex is a state-of-the-art sports facility that incorporates 21st century innovation with the area's rich softball tradition, civic personality, and stewardship of the environment. The \$11.8 million dollar facility is recognized as "One of America's Best Venues" for all levels of softball participation from local recreational play to professional national and regional championship tournaments. The additional features of a hospitality room, picnic areas, shaded seating, a perimeter walking track, and attractively landscaped pedestrian plazas, make the complex a total family and community leisure experience.

*Photo by Matt Lea, Special Assistant to the Mayor
Office of Mayor Ron Littlefield*

*Cover Design by Dottie Swasey, Graphics and Technology Specialist
Department of Neighborhood Services and Community Development*

Mayor's Letter



City of Chattanooga
Office of the Mayor

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

December 15, 2010

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

It is once again my pleasure to present the City's annual financial report for the fiscal year ended June 30, 2010. This report documents our sound financial position and operations for the year. As Mayor of the City of Chattanooga, I am charged with the responsibility of making sure that the City's financial resources are used wisely and effectively to promote sustainable economic growth and fiscal stability.

This has been an exceptional year for Chattanooga. While other cities aspire to become a model of next-generation technology users, The City of Chattanooga has quietly installed the fastest and most comprehensive Fiber-to-the-Home (FITH) and Smart Grid in the United States. By the end of 2010, the FITH network will grow to include all 170,000 homes and business in the community delivering video, phone, and up to 1 gigabit Internet service to every residence and company in a 600 square mile area.

We are fortunate to enjoy a favorable economic environment with a significant commercial presence and a strong employment base. While our local economy has felt the impact of the recent economic downturn, we are in a better position than most other cities nationally. City, County and State governments together with the Chattanooga Chamber of Commerce continue to attract an unprecedented number of businesses to the area.

It is a privilege to be a part of the success of this community and I look forward to working with the council as we continue to make Chattanooga the most transformed community in the nation.

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



Manuel Rico
Chairman
District 7



Pam Ladd
Vice-Chair
District 3



Deborah Scott
District 1



Sally Robinson
District 2



Jack Benson
District 4



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 15, 2010

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

State and local statutes require that the City publish annual audited financial statements for each fiscal year. This Comprehensive Annual Financial Report (CAFR) of the City of Chattanooga for the fiscal year ended June 30, 2010 is submitted in compliance with this requirement.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Hazlett, Lewis & Bieter, PLLC, Certified Public Accountants, have issued an unqualified (“clean”) opinion on the City of Chattanooga’s financial statements for the year ended June 30, 2010. 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.



*Daisy W. Madison, City Finance Officer
Photo by Lawson Whitaker*



GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND MAJOR INITIATIVES

PROFILE OF THE GOVERNMENT

Nestled in a bend of the Tennessee River and surrounded by mountains and lakes, Chattanooga is so beautiful it inspired a community quest to make it the best mid-sized city in America. Living in Chattanooga means that outdoor views and adventures are around every corner, but our city is much more than a pretty playground. Over the last four decades, we've been winning acclaim for our unique way of working together to produce national best practices for cleaning up air pollution, downtown revitalization, affordable housing, and much more.

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 and a population of 171,345, a 10.2% growth since the 2000 Census. 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". The City's most recent annexation included .86 square miles with a population of 360 and over \$26.4 million of appraised property value.

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 on a non-partisan basis 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 program, a solid waste program and a sewer and sewage facility system for its residents and for other communities in southeast Tennessee and northwest Georgia. The City's Electric Power Board (EPB) provides electric, internet, and cable services. Other services are provided through legally separate Metropolitan Airport Authority, Chattanooga Downtown Redevelopment Corporation, and the Chattanooga Area Regional Transportation

Authority all of which are reported separately within the City financial statements. Additional information on all these legally separate entities can be found in the notes to the financial statements.

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

FACTORS AFFECTING FINANCIAL CONDITION

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

The Local Economy: Employment in the Chattanooga area is diverse. The top employment sectors of trades, transportation, and utilities (21.0%), government (14.8%), manufacturing (12.3%), professional and business services (17.2%), education and health (13.7%), and leisure and hospitality (10.6%) comprise 89.6% of the workforce. Employment in the retail service sector is driven, in part, by the presence of Hamilton Place Mall, Tennessee's largest. The 1.4 million-square-foot mall has brought in many tourists and locals with a mix of new and familiar stores, theme restaurants and movie theaters. Thanks to the mall, the area has become a retail hotbed with more than 22 million visitors a year.



Head of the Hooch

Business Facilities magazine named Chattanooga its top pick for growth in its July/August 2010 edition. Chattanooga also led the rebound in regional job growth for the first quarter of 2010, according to the Brookings Institute. Moody's Economy.com forecast that job growth in the Chattanooga area will rebound at a twenty percent greater rate than the national average. Chattanooga ranked 3rd among the most affordable cities to buy a home in an article published by Forbes.com in June, 2010.

Chattanooga enjoys strategic advantages related to its location, strong transportation system, natural resources and competitive cost of doing business. The local unemployment rate of 8.3% remains significantly below the state average of 9.4% and the national average of 9.2% as of September, 2010. Fiscally, the City of Chattanooga is well positioned to weather the current economic downturn. Information released by the Bureau of Labor Statistics shows the Chattanooga area has fared better than the other major Tennessee metropolitan areas, having added 2900 jobs in the past year. 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. Chattanooga is also becoming a world leader in technology. The New York Times cites Chattanooga as a global leader in fast internet service thanks to the one-gigabit per second internet service to be offered by the Electric Power Board. "Only Hong Kong and a few other cities in the world offer such

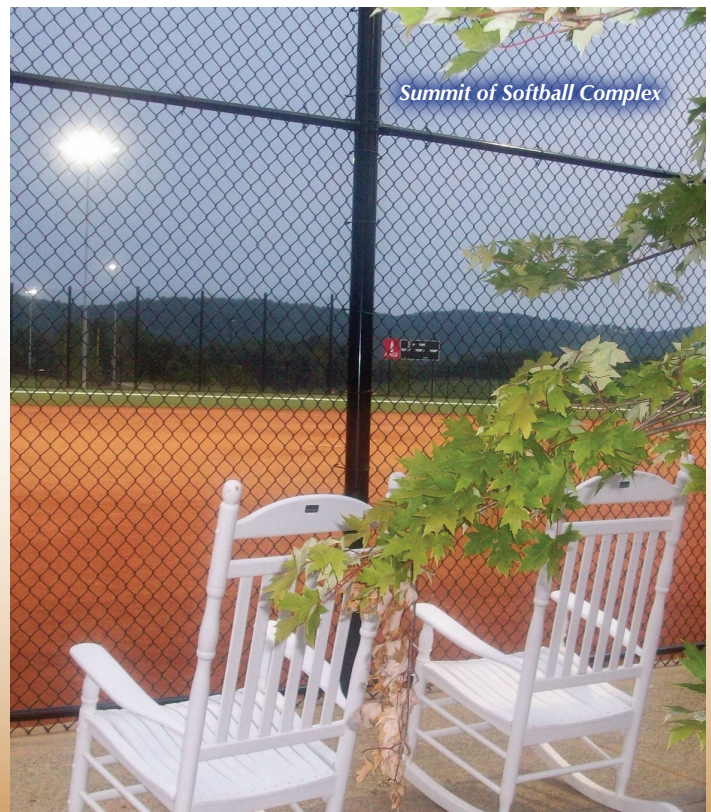
lightning-fast service, and analysts say Chattanooga will be the first in the United States to do so". By the end of 2010, EPB (Chattanooga's municipal power provider), estimates that its Fiber-to-the-Home (FITH) network will grow to become available to all 170,000 homes and businesses in the community. This puts Chattanooga at 10 times faster and 10 years ahead of the FCC National Broadband Plan, according to EPB officials. EPB is including every home, school, and business in a 600 square mile area that covers urban, suburban, and rural places and a diverse population of 300,000 people. The system will be integrated with Smart Grid, a technology which allows remote monitoring of meters for every customer. A \$111 million federal stimulus grant from the Department of Energy has dramatically accelerated the installation of the Smart Grid.

Since the national economic recession began in 2008, the Chattanooga area has attracted \$4 billion in foreign direct investment including a Volkswagen auto assembly plant and major investments in alternative energy. Over the past 4 years there has been more than 96 publicly announced new expansion projects bringing over 7,559 new jobs and saving over 630 additional jobs to the community. 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. 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. The City has worked hard to continue to be an EPA ozone attainment area meeting the federal health-based ozone standard. As one of only thirteen areas in the nation, the City participated successfully in an Early Action Compact from 2004-2007. This compact allowed economic development recruitment to continue while measures were implemented to meet the more restrictive ozone standards. The City's success in dealing with air pollution is a model for the world. 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. This \$1 billion capital investment which includes a \$40 million training facility, 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 1,000 employees. Annual production of 150,000 cars, some of which are expected to be exported to Mexico and Canada, 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 \$20 million 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. To date, suppliers have announced the creation of approximately 800 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. Some other industrial development announcements include Alstom Power (steam turbine manufacturer), Westinghouse Electric Co, Sanofi-Aventis, Dixie Industries expansion, Schaaf Industrie AG (turbine tower maker) and many more. The Chamber goals through 2011 include the following benchmarks (with progress as of July 2010 in parentheses):

- Increase regional employment by 15,573 (12,953 jobs have been created)
- Increase private investment by \$500 million (\$1.583 billion has been announced)
- Create \$526.8 million in new payroll income (\$545.7 million has been achieved)
- Increase disposable income by \$421.5 million (\$436.6 million has been achieved)
- Increase net personal consumption by \$390.1 million (\$404.1 million has been achieved)

A new Chamber plan, “Chattanooga Can Do: Building Tomorrow Today” is slated to take place from 2011 – 2015. This new plan has as its primary goal the creation of 15,000 jobs.

Quality education is also the centerpiece of a successful community. Chattanooga State Technical Community College has established training partnerships with local manufacturers to provide industry-specific training to companies such as VW and Gestamp. This approach to educational and training support to industry and will serve to attract additional 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 fourth year in a row. Transportation is another key to a vibrant economy. The Chattanooga area is served by three interstate highways, seven U.S. highways, two railways, airlines, bus service, and the Tennessee River system. Direct flights are available to eight major cities. Chattanooga is home to three major air cargo facilities, three public use port terminals, and four major industrial parks. Passenger traffic at the Chattanooga Metropolitan Airport for 2009 was up three percent from 2008, and continues to improve throughout 2010. Additional news for the airport includes the announcement of a proposed \$10 million aviation terminal and hangar.

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



Sun Reflects on the Tennessee River at the Riverbend Festival

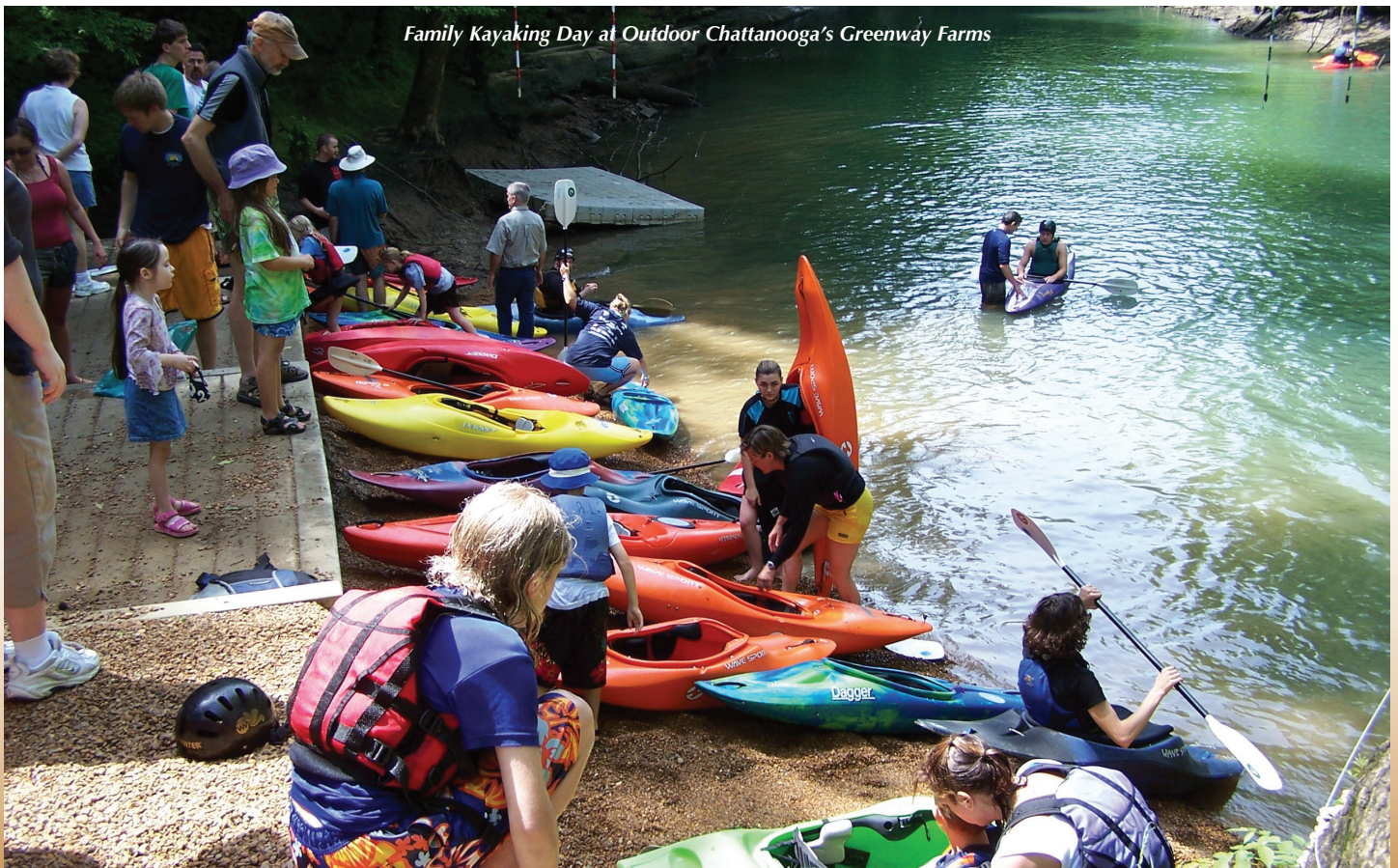
clean water for consumption, recreation, transportation, and industrial use. The opening of the 21st Century Waterfront in April 2005 marked the culmination of a vision first conceived by Chattanoogaans in the early 1980's. Through the work of the publicly commissioned Moccasin Bend Task Force, Chattanoogaans 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.

These investments continue to pay dividends. Chattanooga's tourism experienced growth over the previous year despite the opposite trend in many major tourist areas around the country. Tourism brings in excess of \$750 million to the area annually. We continue to gain and retain recognition for the

diversity in local attractions. Americanstyle Magazine recognized Chattanooga as one of the top destinations for the second year in a row. Outside Magazine selected the city as one of the best places to live in the country.

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 continue to be a primary focus of this administration. Recreation also continues to be an important aspect of our community. The Parks and Recreation Department completed a \$10.5 million



softball complex, 83 acres in size, in the eastern portion of the city in 2009. In July 2010, the complex hosted its first Amateur Softball Association tournament, with an estimated \$1 million economic impact.

The fiscal health of Chattanooga City Government remains strong. As outlined in the Management's Discussion and Analysis, the City has maintained a healthy financial position through sound fiscal management. 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: The City takes a long range approach to capital spending by the adoption of a five year capital plan. The City Council passed its first property tax increase in nine years, setting the stage for continued sustainable economic growth and development and maintenance of a vibrant community. As part of the strategic plan, the City envisions development of a broadband mesh network that will carry the City well into the future. City Council recently enacted a 200% to 400% increase in water quality fees to enhance its efforts to ensure a sustainable community and a clean environment.

The City continues its chattanoogaRESULTS and vacancy control programs that began in February 2002. These programs ensure accountability by providing for regular review and monitoring of departmental performance by the Mayor, the City Finance Officer and other senior City officials. The City's 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 Inter-local 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 established an Office of Sustainability to address long term sustainability 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, 2009. This was the eighteenth 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.

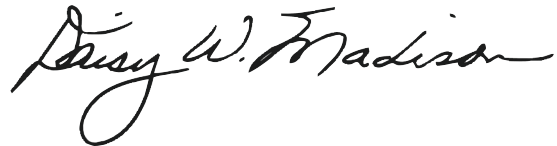
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal

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.

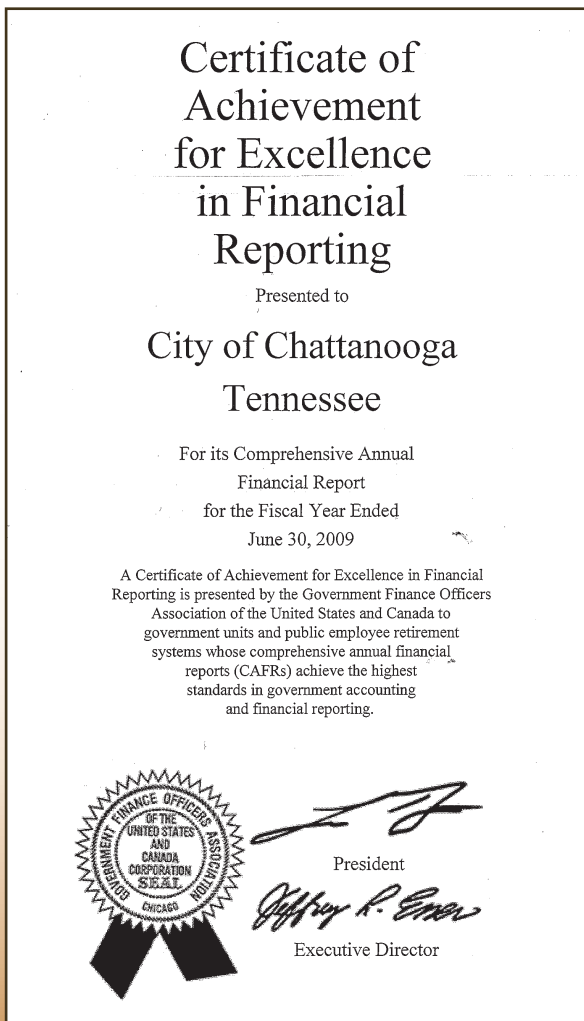
The City also received the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget for each of the fifteen fiscal years for which it applied. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several 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, 2010



L. Dan Johnson, Chief of Staff

Ron Littlefield, Mayor

CITY COUNCIL:

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

COURTS:

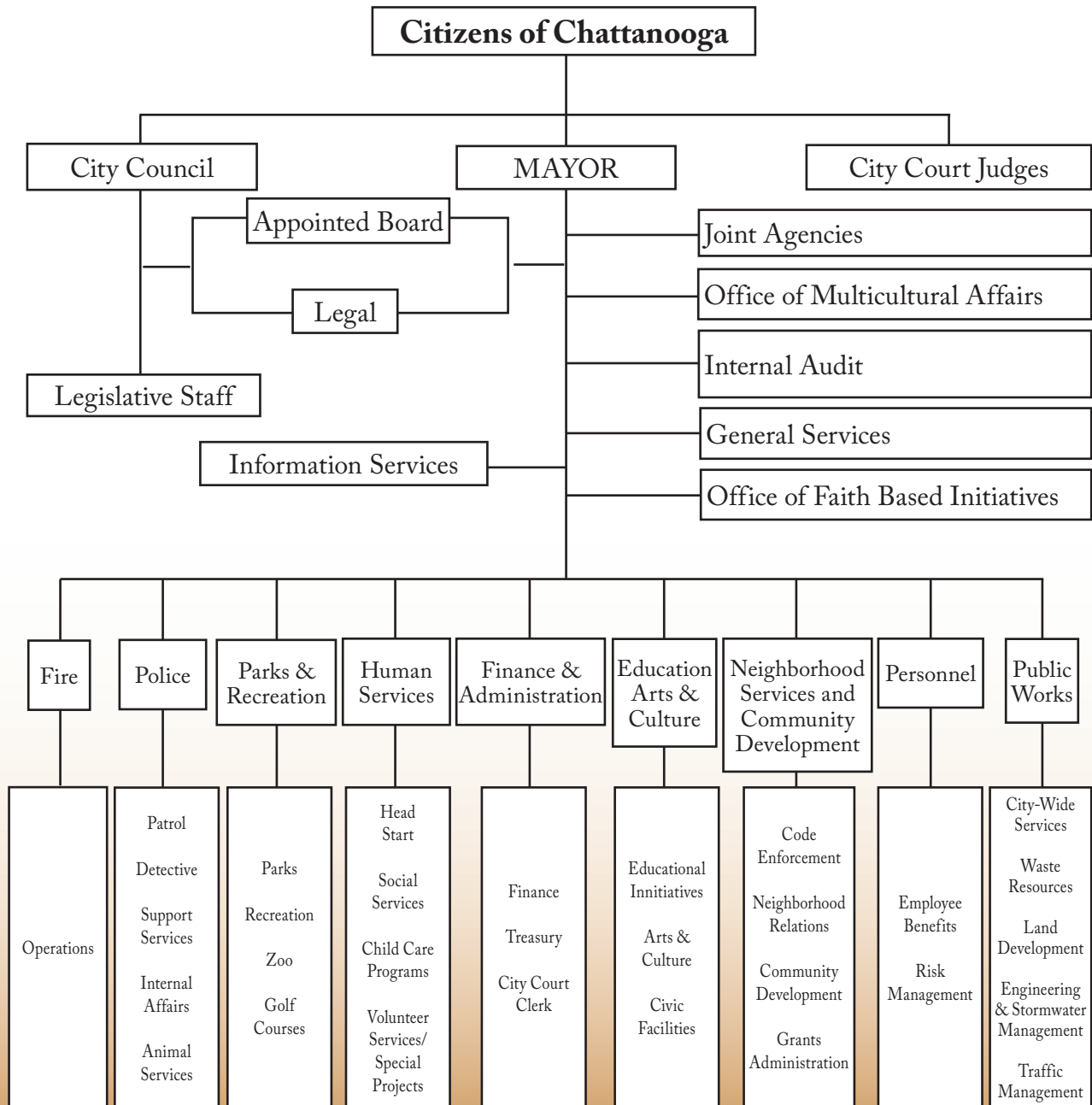
Sherry B. Paty.....	City Court Judge	Russell J. Bean	City Court Judge
Jan M. Turner.....	City Court Clerk (interim)		

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 Bobby H. Dodd	Administrator
Public Works.....	Steven C. Leach	Administrator
	D. Lee Norris	Deputy Administrator

Brian Smart.....	Manager, Financial Operations
Fredia F. Kitchen	Budget Officer
Gayle P. Keown.....	Treasurer
Mark J. Keil.....	Director, Information Services
Artie L. Prichard	Purchasing Manager
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, Codes and Inspection
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, 2010, 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 48 percent and 65 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, 2010, 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 6, 2010, 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 58 and 59 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.

Haylett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
December 6, 2010

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, 2010. 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 \$1.88 billion (net assets), a decrease of \$11.8 million. Of this amount, \$47.9 million may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets), a \$26.9 million increase over last year.
- While the net assets of our business-type activities increased \$4.0 million, or 0.7 percent, the net assets of our governmental activities decreased \$15.8 million, or 1.2 percent. During the year, the City generated \$242.4 million in taxes and other revenues for governmental programs, an increase of \$7.1 million or 3.0 percent. This compares with \$262.2 million of expenses for these programs, a \$2.0 million or 0.8 percent decrease.
- 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 \$43.1 million including \$26.0 million on infrastructure assets alone.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$95.5 million, a decrease of \$1.8 million from last year. This decrease is the result of several factors.
 - Fund balance in the General Fund decreased \$2.1 million. \$5.2 million was appropriated to the Industrial Development Board (IDB) to fund a portion of the City's capital commitment to the Volkswagen facility in addition to \$4.7 million of other one time capital appropriations.
 - Capital projects fund balance increased \$3.9 million due to issuance of new debt and capital budget appropriations.
 - Fund balance in the other governmental funds decreased \$3.5 million entirely due to increased debt service costs.
 - Property tax revenues were \$2.9 million or 3.1 percent higher than prior year reflecting stable real estate values in the area. State shared income tax decreased \$1.1 million or 28.9 percent and state shared sales tax decreased \$350,000 or 3.4 percent reflecting the economic challenges continuing to face the nation. County-wide sales tax decreased \$594,000 which was only a 2.3 percent decrease highlighting the relative economic stability of the Chattanooga area.
 - Revenues in the General Fund decreased by \$4.6 million primarily as a result of a change in the method of accounting for Regional Planning Agency, Air Pollution Control Bureau and Scenic Cities Beautiful Commission to special revenue funds. Expenditures decreased \$11.9 million; three items comprise the bulk of this decrease. \$4.9 million of the decrease is attributable to the completion of a multi-year construction project of a regional communications system; an additional \$3.2 million decrease due to the change in method of accounting for water quality related costs from General Fund to an enterprise fund to better address water quality issues; and a \$1.5 million decrease in the fleet leasing program due a one-year suspension of the capital recovery component of the lease rate.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$28.4 million, down \$2.8 million or 8.8 percent from prior year. This represents 14.4 percent of total General Fund expenditures and transfers out. The City's Debt Management Policy recommends this to remain at or above 15 percent.
- Long-term liabilities for the City's Primary Government decreased \$13.6 million, 1.8 percent, during the current fiscal year. This is net of \$6.8 million of general obligation and \$6.8 million of economic development recovery zone facilities 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 (CDRC), 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, 1001 Airport Road, Suite 14, Chattanooga, TN 37421; (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 or hotel-motel taxes).

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 pension trust funds, 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 58.

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 \$11.8 million, or 0.6 percent, from last year.

By far the largest portion of the City's net assets, 95.5 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, \$35.8 million or 1.9 percent, represents resources that are restricted in how they may be used. The remaining balance of \$47.9 million may be used to meet the City's ongoing obligations, a \$26.9 million increase from last year.

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			
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 270,428	\$ 263,143	\$ 340,216	\$ 376,655	\$ 610,644	\$ 639,798
Capital assets	1,547,186	1,550,391	813,158	762,783	2,360,344	2,313,174
Total assets	1,817,614	1,813,534	1,153,374	1,139,438	2,970,988	2,952,972
Long-term debt outstanding	331,335	328,777	421,393	437,509	752,728	766,286
Other liabilities	160,812	143,521	180,257	154,217	341,069	297,738
Total liabilities	492,147	472,298	601,650	591,726	1,093,797	1,064,024
Net assets:						
Invested in capital assets, net of debt	1,259,985	1,259,406	533,434	559,872	1,793,419	1,819,278
Restricted	13,120	24,162	22,729	24,501	35,849	48,663
Unrestricted	52,362	57,668	(4,439)	(36,661)	47,923	21,007
Total net assets	\$ 1,325,467	\$ 1,341,236	\$ 551,724	\$ 547,712	\$ 1,877,191	\$ 1,888,948

Changes in Net Assets: Assets of the City's governmental activities were \$1.3 billion, a \$15.8 million decrease

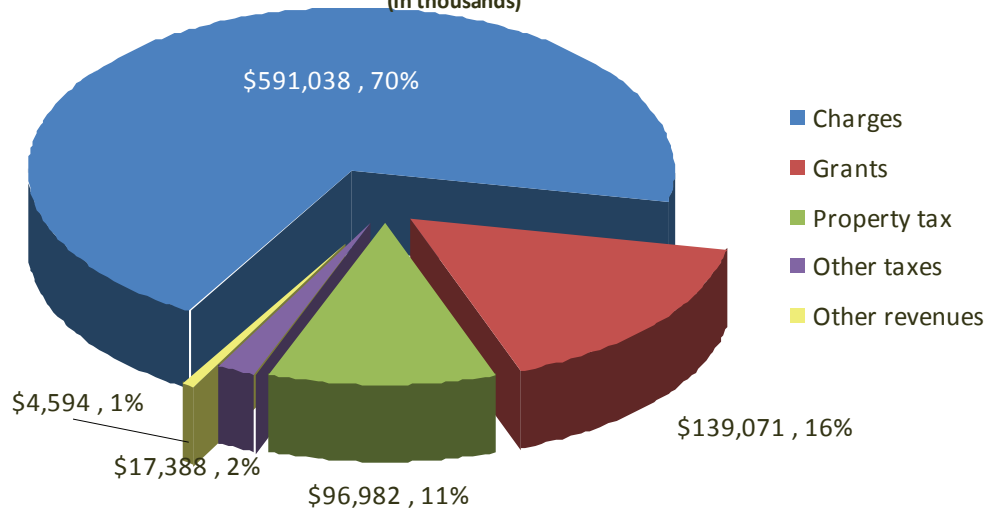
from the prior year. Of that balance \$1.27 billion are either restricted as to how they may be used or invested in capital assets (buildings, roads, bridges, etc.). Therefore \$52.4 million remains to meet the City's ongoing obligations to citizens and to creditors, a \$5.3 million decrease.

During the current year net assets of the business-type activities increased \$4.0 million or 0.7 percent to \$551.7 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 \$849.1 million and total program expenses of \$860.8 million. These graphs combine governmental and business-type information.

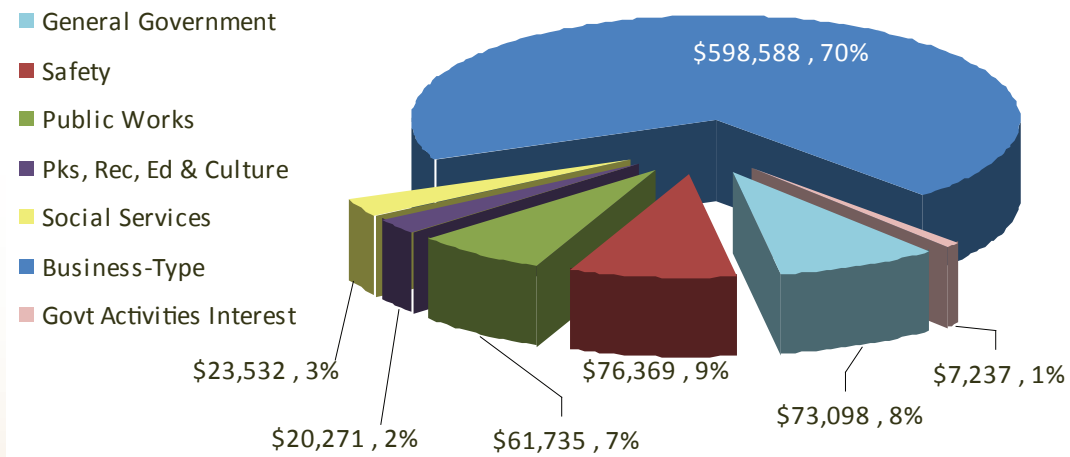
City Wide Sources of Revenue

(in thousands)



City Wide Program Expenses

(in thousands)



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

City of Chattanooga's Changes in Net Assets

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 19,991	\$ 19,532	\$ 571,047	\$ 601,859	\$ 591,038	\$ 621,391
Operating grants	43,695	39,565	2,399	192	46,094	39,757
Capital grants	10,605	11,012	29,595	2,462	40,200	13,474
General revenues:						
Property taxes	96,982	94,275	-	-	96,982	94,275
Other taxes	17,388	19,984	-	-	17,388	19,984
Investment income	1,118	1,420	3,632	8,992	4,750	10,412
Miscellaneous	(173)	(458)	17	808	(156)	350
Unrestricted grants	52,777	49,989	-	-	52,777	49,989
Total revenues	<u>242,383</u>	<u>235,319</u>	<u>606,690</u>	<u>614,313</u>	<u>849,073</u>	<u>849,632</u>
Expenses						
Governmental activities:						
General government	73,098	88,029	-	-	73,098	88,029
Public safety	76,369	70,745	-	-	76,369	70,745
Public works	61,735	61,148	-	-	61,735	61,148
Parks, rec, ed & culture	20,271	17,223	-	-	20,271	17,223
Social services	23,532	20,440	-	-	23,532	20,440
Interest on long-term debt	7,237	6,694	-	-	7,237	6,694
Business-type activities:						
Electric utility	-	-	539,720	542,811	539,720	542,811
Sewer	-	-	44,687	40,311	44,687	40,311
Solid waste	-	-	4,753	4,373	4,753	4,373
Water quality	-	-	8,385	5,639	8,385	5,639
Housing management	-	-	1,043	942	1,043	942
Total expenses	<u>262,242</u>	<u>264,279</u>	<u>598,588</u>	<u>594,076</u>	<u>860,830</u>	<u>858,355</u>
Excess (deficiency) before special item and transfers	(19,859)	(28,960)	8,102	20,237	(11,757)	(8,723)
Special item	-	(8,916)	-	-	-	(8,916)
Transfers	4,090	3,062	(4,090)	(3,062)	-	-
Increase (decrease) in net assets	<u>(15,769)</u>	<u>(34,814)</u>	<u>4,012</u>	<u>17,175</u>	<u>(11,757)</u>	<u>(17,639)</u>
Net assets, beginning	1,341,236	1,376,050	547,712	530,537	1,888,948	1,906,587
Net assets, ending	<u>\$ 1,325,467</u>	<u>\$ 1,341,236</u>	<u>\$ 551,724</u>	<u>\$ 547,712</u>	<u>\$ 1,877,191</u>	<u>\$ 1,888,948</u>

Governmental Activities: Current fiscal year revenues for the City's governmental activities were \$242.4 million compared to \$235.3 million last year, up 3.0 percent. Expenses for the same period were \$262.2 million compared to \$264.3 million last year, a 0.8 percent decrease.

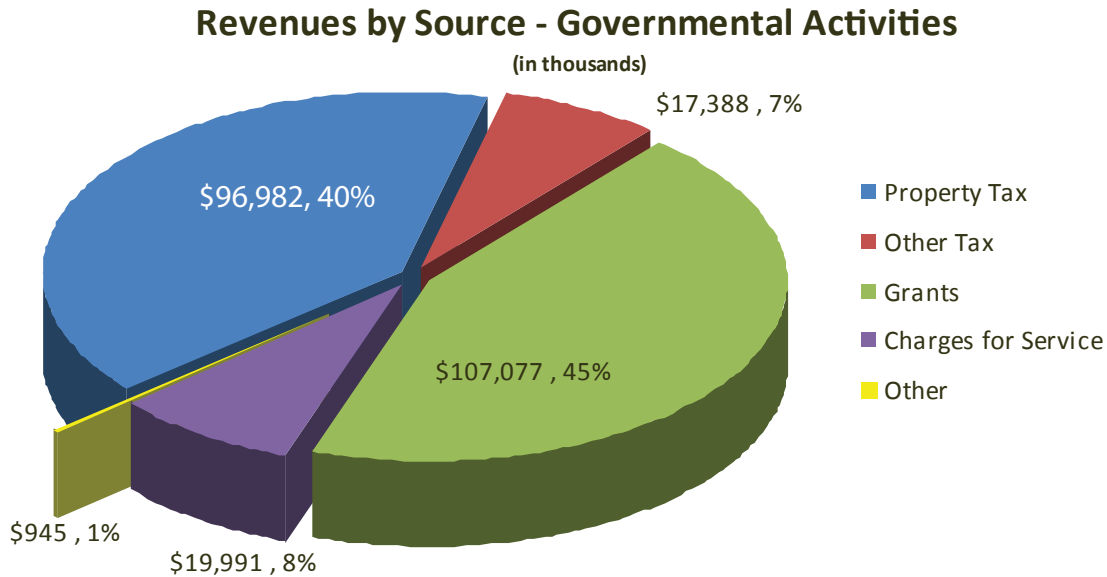
General revenue experienced a mixture of increases and decreases for the year; each is discussed below.

- The single largest source of governmental activity revenue, property taxes, increased by \$2.7 million, or 2.9 percent, resulting from higher property tax assessments reflecting relatively strong property values throughout the City.
- Liquor and beer taxes were down \$332,000 or 4.5 percent while other taxes increased \$372,000 or 3.0 percent primarily from hotel-motel tax, mixed drink tax and gross receipts tax. Hotel-Motel tax increased \$165,000 or 4.2 percent with a modest recovery in tourism and business travel while mixed drink taxes were up \$125,000 or 7.1 percent. Effective half way into this fiscal year, the state began collecting business taxes on behalf of the local governments and remits a fee back to them. Combined state and local gross receipts were up \$109,000 or 2.8 percent.
- The City's portion of state income taxes decreased \$1.0 million or 28.9 percent resulting from weak dividend and money market returns.
- State allocated sales tax decreased \$350,000 or 3.4 percent while local sales tax decreased \$807,000 or 2.2 percent.
- The City receives incremental increases of sales tax within the Tourist Development Zone (TDZ) as compared to collections outside the TDZ. There was no rebate for fiscal year 2009 due to the closing of a car dealership in the TDZ. The rate of increase in the zone exceeded other collections during fiscal year 2010 resulting in \$2.4 million of TDZ incremental tax.
- Investment income decreased \$302,000 or 21.3 percent reflecting historically low interest rates and fewer dollars available to invest.

Each area of program revenues is discussed below.

- Charges for services increased 2.3 percent or \$458,000 primarily due to mobile communication charges and civic facility events. The mobile communications office, which is overseeing the development of a regional system that will be operational in 2011, began collecting user fees in fiscal year 2010. This resulted in a \$205,000 or 274.9 percent increase in revenue for the system. Another area where charges for services increased are the City's performance venues, the Memorial Auditorium and the Tivoli Theatre. In 2010 revenue from events increased \$189,000 or 57.9 percent.
- Operating grants and contributions increased \$4.1 million or 10.4 percent. There was a \$4.9 million decrease as the grant for the Public Safety Interoperable Communications (PSIC) grant began to close out. During the same period grants available for Human Services increased \$3.3 million, appropriations from Hamilton County for jointly funded operations increased \$2.2 million, law enforcement grants increased \$923,000 and contributions (both federal and private) for the South Chickamauga greenway increased \$900,000.
- Capital grants and contributions decreased \$407,000 or 3.7 percent based on changes in grants and a decrease in interest on bond proceeds.

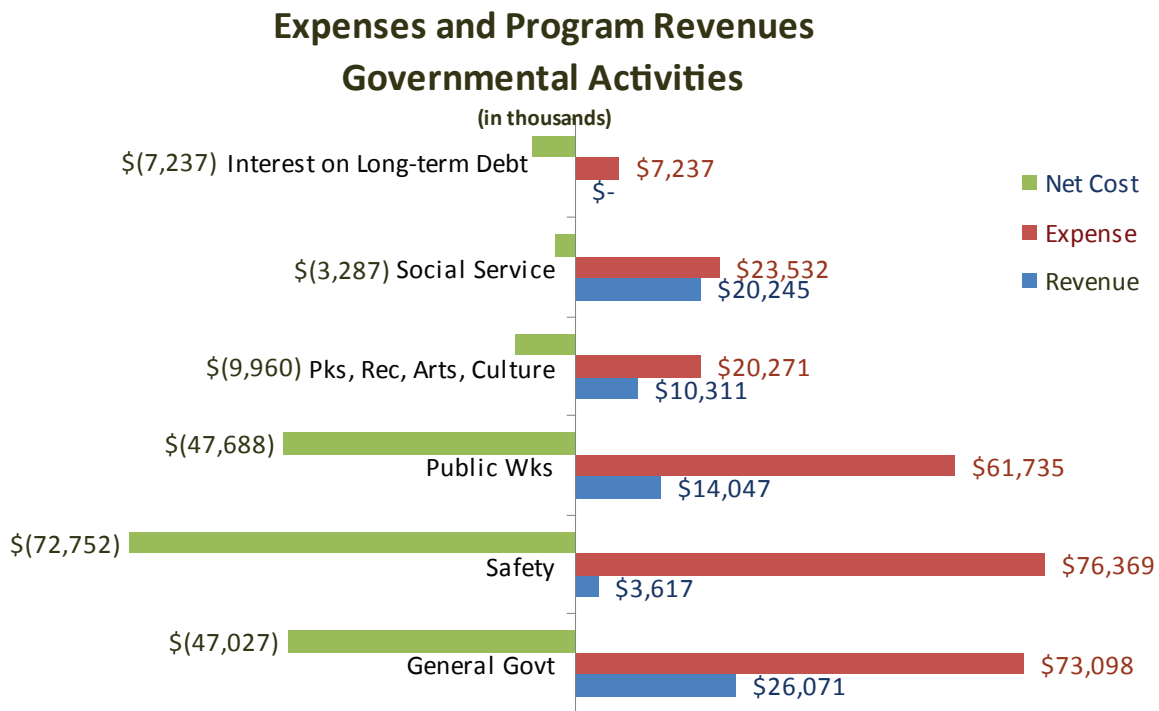
The graph below shows the source of governmental activities revenue.



While revenues increased in fiscal year 2010, expenses for governmental activities decreased slightly. Each area of expense is addressed below.

- General Government expenses decreased \$14.9 million or 17.0 percent. The largest changes were better allocation of depreciation expense resulting in a \$9.2 million decrease and a change in method of accounting for OPEB by allocating cost to all areas, a \$8.3 million decrease. Other changes include a \$4.9 million decrease in expenditures for the mobile communications system as it nears completion. Decreases were offset by \$2.4 million increase in appropriations for the TDZ incremental tax received and an additional \$1.8 million in liability insurance premium.
- Public Safety experienced a \$5.6 million or 7.9 percent increase in expense. Depreciation expense increased \$2.2 million and OPEB expense increased \$3.3 million as discussed above.
- Public Works expenses increased 1.0 percent or \$0.6 million. Depreciation expense increased \$6.5 million and OPEB increased \$1.7 million. Beginning in fiscal year 2010 a portion of public works activity was moved to Water Quality, a business-type activity, which reduced expenses by \$3.2 million. This was the first year to record pollution remediation liability in accordance with governmental accounting standards statement 49; \$1.4 million was recorded as a public works expense as this liability was initially recorded.
- Parks, Recreation, Education, Arts & Culture had a \$3.0 million increase or 17.7 percent. The major increases were depreciation expense and OPEB, \$2.3 million and \$0.6 million respectively.
- Social Services expenses increased \$3.1 million or 15.1 percent with the increase driven by increased grant funding. OPEB of \$0.6 million was charged for fiscal year 2010.

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 \$606.7 million for the year just completed; this is a \$7.6 million or 1.2 percent decrease. The decrease in revenue was partially offset by a \$4.2 million, 0.7 percent, increase in expenses, to \$598.6 million.

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

Expenses and Revenues - Business-type Activities (in thousands)

	Electric	Sewer	Solid Waste	Water Quality	Housing	Total
Expenses	\$ 539,720	\$ 44,687	\$ 4,753	\$ 8,385	\$ 1,043	\$ 598,588
Revenues	537,172	48,552	6,601	13,548	817	606,690
Transfers	(4,367)	-	-	277	-	(4,090)
Change in net assets	<u>\$ (6,915)</u>	<u>\$ 3,865</u>	<u>\$ 1,848</u>	<u>\$ 5,440</u>	<u>\$ (226)</u>	<u>\$ 4,012</u>

Electric Power Board

- The largest source of business-type activity revenue is generated from EPB, the City’s electric utility, which in addition to electric power has a fiber optic division. Operating revenue from customers decreased by \$40.0 million, 7.4 percent, due mainly to the impact of TVA’s fuel cost adjustments. This decrease in revenue was partially offset by a \$30.6 million, 5.8 percent, decrease in operating costs including a \$74.0 million decrease in purchased power costs.
- Total net assets of EPB decreased \$6.9 million to \$264.1 million for fiscal year 2010, a decrease of 2.6 percent.

- Net assets invested in capital and restricted for use total \$288.8 million leaving a deficit of \$24.7 million available to finance day-to-day operations (unrestricted net assets) because of heavy investment in infrastructure. Unrestricted net assets increased \$22.9 million in fiscal year 2010 as the fiber options division became operational.

Interceptor Sewer System

- Net assets of the Interceptor Sewer System increased \$3.9 million, 1.5 percent, to \$254.3 million.
- Operating revenues rose \$4.3 million or 9.8 percent as a result of new customers and a rate increase, while operating expenses rose \$4.8 million or 13.2 percent. Rates were adjusted from 5.12 to 5.28 during the year. The primary change in expenses was a \$3.2 million increase in depreciation expense as construction in progress was completed.
- Unrestricted net assets, those that can be used to finance on-going operations, increased \$2.9 million or 9.9 percent to \$32.1 million. An additional \$11.9 million is restricted for future capital spending.

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 2010 net assets increased \$2.1 million following a continual improvement trend.
- To date the City has accrued liabilities of \$4.0 million for a closed landfill and \$5.9 million for a landfill currently in operation, virtually unchanged from last year.
- The major customer of the landfill is the City itself. During the current fiscal year tipping fees from the City of Chattanooga were \$5.7 million, 93.8 percent of total tipping fees.

Water Quality Management

- The Water Quality Fund, established to comply with EPA guidelines, now has \$37.7 million in net assets, an increase of \$5.4 million, 16.9 percent, from last year.
- During fiscal year 2010 the water quality fee structure was revised for the first time since the program began. Fees collected increased from \$5.9 million in fiscal year 2009 to \$13.5 million for fiscal year 2010. Additional revenues will be used to fund system capital needs.
- \$29.2 million of the net assets are invested in capital assets as a result of the aggressive capital campaign designed to continually improve storm water drainage and discharge within the City. This is a \$1.3 million, 4.7 percent increase.
- Net assets available to fund day-to-day operations increased from \$3.9 million to \$8.2 million.

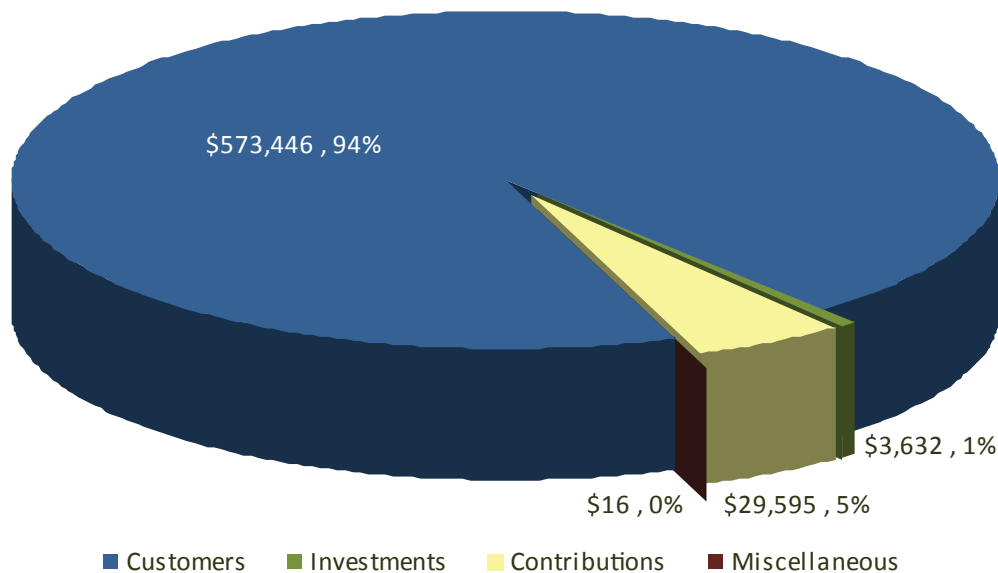
Housing Management

- The Housing Management Fund reported \$816,000 in rental income, an increase of 1.2 percent from last year. During the same period operating expenses increased slightly to \$911,000, a 0.6 percent increase.
- The fund ended the year with net assets of \$2.4 million, a decrease of \$226,000, or 8.5 percent primarily as a result of building depreciation. Almost all of the net assets are invested in capital leaving \$122,000 in net assets available to meet on-going operations.

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

Revenues by Source Business-type Activities

(in thousands)



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 \$95.5 million at the end of the fiscal year. 28.9 percent, of this amount, or \$27.6 million, is available for day-to-day operations (unassigned fund balance). All of the governmental funds reported a positive ending fund balance. Information about each major governmental fund is presented below.

General Fund: This is the chief operating fund of the City of Chattanooga. Total fund balance of the City's General Fund decreased by 5.1 percent or \$2.1 million to \$39.8 million during the fiscal year. Unassigned fund balance was \$28.4 million, a decrease of \$3.1 million. Key factors are as follows:

- \$9.5 million of fund balance was appropriated for capital projects, \$5.2 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 decreased \$4.6 million, 2.3 percent, from the prior year with a mix of increases and decreases as discussed below.
 - The net decrease is comprised of \$4.9 million decrease in Public Safety Interoperable Communications (PSIC) grant revenue, \$3.3 million decrease from change in accounting for three agencies, \$2.9 million increase in property tax, \$2.4 million increase in TDZ incremental sales tax and \$1.1 million decrease in allocation of state income tax. Each of these will be covered individually in the revenue classification discussion which follows.

- The method of accounting for three agencies changed from General Fund to special revenue funds beginning fiscal year 2010. Regional Planning Agency, Air Pollution Control Bureau and Scenic Cities Beautiful Commission are jointly funded agencies with Hamilton County and as such have restricted use. In fiscal year 2009 these agencies had \$3.3 million in revenues.
- During the current fiscal year property tax increased \$2.9 million, 3.1 percent over last year. This was during a reappraisal year with the tax rate adjusted to be revenue neutral highlighting stable property values.
- Licenses and permits were \$393,000 higher, 8.9 percent. The largest variances are \$876,000 reclassified from charges for services and miscellaneous revenue and \$536,000 now in special revenue. Building related permits increased approximately \$76,000, 4.0 percent, from the prior year.
- Intergovernmental revenues decreased \$6.1 million or 8.8 percent over the prior year. The driving force behind this was a \$4.9 million decrease of revenue received from a PSIC grant which is almost complete and \$2.7 million of prior year agency revenue now accounted for as special revenue. State shared revenues, including income and sales tax, were down \$1.1 million, or 28.9 percent, and \$350,000, or 3.4 percent, respectively. County-wide sales taxes were down but not as drastically at \$594,000 or 2.3 percent; additional .25 cent county-wide sales taxes were down \$212,000 or 2.0 percent. The City received \$2.4 million in TDZ incremental sales tax, up from \$0 in the prior year to partially offset these decreases. This included \$1.8 million in state and \$0.6 million in local.
- Charges for services increased 10.8 percent or \$542,000. This increase is primarily a net reclassification of \$437,000 between charges for service, licenses and miscellaneous revenue to better reflect government-wide reporting as well as \$60,000 now reported in special revenue. Attendance at Soldiers and Sailors Memorial Auditorium and the Tivoli Theatre was up \$189,000 or 57.9 percent and regional communications revenue was up \$205,000 or 274.9 percent as customers were added to the new system. The Tennessee Valley Regional Communications System will be accounted for as a special revenue fund in fiscal year 2011 when it is fully operational. The largest area of decrease was court costs, down \$168,000 or 9.9 percent with more emphasis placed on automated safety.
- Fines, Forfeitures and Penalties were up \$422,000 or 14.9 percent. Increased emphasis on safety through automated enforcement efforts increased \$488,000 or 36.3 percent while actual court fines decreased \$155,000 or 11.6 percent.
- Interest income decreased \$1.0 million, 60.5 percent, due to the stressed interest rate environment.
- Miscellaneous revenue decreased \$1.4 million or 30.3 percent. This is primarily due to \$1.3 million of revenues such as recreation and park rentals, concessions and outside sales moving from miscellaneous revenue to charges for services and permits. This also includes \$53,000 of revenue now reported in special revenue funds. During fiscal year 2010 there is a \$204,000, or 7.9 percent, increase for indirect cost revenue predominately from Water Quality Management as a result of reorganization.
- Total expenditures decreased \$11.9 million, 6.4 percent, from the previous year.
 - The largest change was in General Government as expenditures for the inter-operative communications system decreased \$4.9 million as construction neared completion.
 - Expenditures in General Government decreased an additional \$4.6 million as three agencies are now reported as special revenue funds instead of in General Fund due to a change in method of accounting.

- \$3.2 million of expenditures were moved from General Fund to the Water Quality fund in a reorganization decreasing Public Works expenditures.
- The City received \$2.4 million in TDZ incremental sales tax revenue during fiscal year 2010. The entire amount was appropriated for payment of the lease-rental revenue bonds of the CDRC. Since no TDZ funds were available to appropriate in fiscal year 2009 this is an increase in General Government.
- Fleet lease expenditures were down \$1.5 million or 48.3 percent as a result of a one year suspension of the capital recovery component of the lease rate. The decrease is shared among all areas based on use.

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 \$36.8 million in fund balance; of that amount \$2.5 million is nonspendable for long-term note receivables (shown both as notes and due from component units on the face of the statement) leaving \$34.3 restricted for completion of capital projects. 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 2010 there was a \$3.9 million increase in fund balance. Analysis of project income and expenditures follows.

- Project inflows for the year of \$62.5 million includes \$13.8 million in general obligation debt proceeds and premiums, \$34.8 million in refunding bonds and premiums, and \$6.2 million in intergovernmental revenue, contributions, interest, note proceeds and sale of property. Transfers include \$7.3 million of General Fund appropriation (including \$2.6 million of economic development money) and \$452,000 transferred from special revenue funds.
- Current year expenditures and transfers of \$58.7 million include \$9.8 million for street and sidewalk improvements, \$2.0 million for fire station construction, \$1.4 million for bridge improvements, \$0.8 million for improvements at Warner Park and \$0.8 million for improvements at The Passage. Additional expenditures include \$2.0 million for technology including software, homeland security equipment, police laptops and a new data center building; \$1.0 million for equipment including fire and city-wide services; \$0.6 million to complete the Summit of Softball complex and \$0.5 million for South Chickamauga Greenway 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 \$569.0 million.

- \$541.5 million is invested in capital assets with an additional \$22.7 million restricted for future use, leaving \$4.8 million available to meet on-going obligations.
- Total net assets of the enterprise funds rose \$4.0 million, 0.7 percent. As previously stated, EPB is heavily investing in infrastructure resulting in a reallocation of net assets from unrestricted to invested in capital leaving the combined enterprise funds with a \$4.4 million deficit in unrestricted net assets. This is a \$32.2 million improvement over last year. 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 \$173,000, 1.0 percent, primarily because medical insurance premiums paid to the fund were in excess of claims paid during the year by \$1.1 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 appropriations to agencies of the City. It authorizes the City Finance Officer to make reallocations within General Fund between original and final budgets. During 2010 the budget was amended to increase capital funding by \$4.5 million in addition to the reallocation.

- When comparing final budgeted revenues to actual, there was a \$6.8 million surplus for the year.
 - Total tax collections for fiscal year 2010 exceeded budget expectations by \$1.0 million or 0.9 percent. Property tax was \$1.6 million, 1.7 percent, above budget while beer taxes were \$0.4 million or 7.6 percent below budget.
 - Licenses and permits were \$0.2 or 5.3 percent over budget primarily due to conservative estimates regarding building permits.
 - The largest variance is in intergovernmental revenue which was \$4.6 million or 7.9 percent more than budget. The city allocation of state sales tax was under budget \$0.4 million, 3.8 percent, while the city allocation of the county-wide sales tax was under budget \$0.5 million, 1.9 percent. The TDZ incremental sales tax is not budgeted while we received \$2.4 million. Another area where we received more than budgeted was in federal grants where the full project-to-date budget was reported in the prior fiscal year.
 - Charges for services were \$0.2 million over budget, 2.8 percent. Civic facility events produced \$0.2 million or 87.0 percent more revenue than estimated. Mobile communications revenue was \$0.2 million or 460.2 percent more than budget due to customers becoming partners in the new interoperable system. These were partially offset by other charges being under budget such as City Court Clerk fees and ball field income \$0.2 million each and 13.8 percent and 88.9 percent respectively.
 - Fines and forfeitures were \$0.4 million or 14.2 percent above estimates. This primarily as a result of automated safety enforcement.
 - Investment income was slightly over expectations. Miscellaneous revenue, which fluctuates from year to year, was \$0.2 million above budget due to increased indirect costs from the reorganization of some functions into Water Quality.
- Expenditures were less than budgetary estimates by \$0.4 million with the savings primarily in personnel costs as many vacancies were not filled. All functions were under budget except of safety which is a factor of system changes. Both the police and fire department spent money on grants where the budget was fully reported in the prior fiscal year. The City's new software does not separate expenditures against prior year encumbrances as was the case in fiscal year 2009.
- The General Fund budget anticipated use of \$9.3 million of fund balance during the year for capital. For 2010 the actual use of fund balance was only \$2.1 million even after a \$2.1 million additional contribution to the OPEB trust.

Capital Asset and Debt Administration

Capital Assets: At the end of this year, the City had \$2.4 billion invested in capital assets (net of accumulated depreciation), an increase of \$47.2 million or 2.0 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 Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Non-depreciable:						
Land & Easements	\$ 1,034,885	\$ 1,027,519	\$ 17,055	\$ 16,842	\$ 1,051,940	\$ 1,044,361
Work in progress	14,237	25,332	64,428	56,960	78,665	82,292
Depreciable:						
Buildings & Improvements	130,923	126,658	81,769	89,298	212,692	215,956
Vehicles & Machinery	37,207	27,299	94,962	46,179	132,169	73,478
Infrastructure	329,934	343,155	554,944	553,932	884,878	897,087
Total	<u>\$ 1,547,186</u>	<u>\$ 1,549,963</u>	<u>\$ 813,158</u>	<u>\$ 763,211</u>	<u>\$ 2,360,344</u>	<u>\$ 2,313,174</u>

Highlights for this year's major capital asset changes are as follows.

- Land includes the addition of \$4.6 million in donated roadbeds and \$2.7 million for an additional 1,024 acres at Enterprise South Industrial Park (ESIP) for continued economic expansion.
- The major change to work-in-progress was \$10.5 million for PSIC communication system associated with the PSIC grant being transferred to buildings and equipment, \$2.2 million and \$8.3 million respectively, as the system became operational.
- In addition to the \$2.2 million transferred from work-in-progress, the City acquired an old middle school for \$3.5 million to convert to a recreation center.
- The increase in equipment includes \$3.7 million of new vehicles as part of the fleet leasing program in addition to the equipment transferred from work-in-progress.
- Infrastructure decreased as there was more depreciation expense than capitalized infrastructure. Major additions include \$5.9 million in roads at ESIP, \$3.7 million in streets and sidewalk improvements city-wide and \$2.2 million in improvements for the Zoo at Warner Park.
- The Electric Power Board investment in plant assets increased \$58.1 million for the year. This includes \$48.7 million in the electric system and \$9.4 million for fiber optics.
- \$5.8 million was capitalized as new infrastructure for the Interceptor Sewer System.

The capital budget for fiscal year 2011 recommends spending \$54.8 million for various capital projects including: \$6.8 million for various public works projects such as paving, street improvements and sidewalks; \$6.0 million toward the fleet leasing program; \$3.5 million for railway lines at ESIP; \$2.5 million for a regional traffic system; \$2.0 million for expansion and upgrade of the City's parks and park facilities; \$1.7 million for safety technology; \$1.3 million to replace a fire station; and \$15.1 million and \$11.5 million for various interceptor sewer and water quality system upgrades, respectively. \$16.2 million in bonds are anticipated to finance a portion of these projects.

More detailed information about the City's capital assets is presented in the Note 9 to the financial statements.

Debt Administration: At year-end the City had \$724.5 million in long-term debt outstanding. This is a \$12.2 million decrease, 1.7 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	
	2010	2009	2010	2009	2010	2009
General obligation bonds (backed by the City)	\$ 176,064	\$ 169,653	\$ 72,481	\$ 83,302	\$ 248,545	\$ 252,955
Revenue bonds (backed by specific revenues)	-	-	285,390	288,060	285,390	288,060
Notes payable and other	31,266	30,655	52,675	55,106	83,941	85,761
Capital leases	106,532	109,822	123	148	106,655	109,970
Total	<u>\$ 313,862</u>	<u>\$ 310,130</u>	<u>\$ 410,669</u>	<u>\$ 426,616</u>	<u>\$ 724,531</u>	<u>\$ 736,746</u>

- The City of Chattanooga maintains an “AA+” rating from Standard & Poor’s which and a “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 \$484.6 million. The City’s general obligation debt, net of self-supporting debt of \$144.7 million is well within that limit.

During the year the City issued the following new debt:

- \$13.6 million in general obligation bonds were issued to fund capital projects including matching funds for CARTA, mesh network, fire apparatus, fire service expansion and hydrants, road improvements, railway lines and improvements relating to the IDB Volkswagen project. An additional \$34.3 million in refunding bonds were issued to achieve savings in future debt service.
- Other governmental activity includes a \$0.7 million draw on a state revolving loan and \$2.7 million recorded for a deferred payment on additional acreage at Enterprise South Industrial Park.
- The Interceptor Sewer System drew down \$1.7 million on a 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 10 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 2011:

- 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.
- Sales tax revenue is budgeted lower than 2010 actual amounts reflecting concerns about the continued weak economy in 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 challenge is to continue to focus on providing police officers, firefighters, and support staff to keep our city safe; to focus on youth by restoring hours at recreation centers and restoring needed staffing; to increase funding for maintenance of streets; to staff an in-house legal department; to fully fund the vehicle lease program; to protect the environment; to continue to attract and maintain a competent, professional staff in the face of another year without increases in pay; to maintain a high quality medical benefits program for employees and retirees; and to fully fund pension and OPEB benefits. These challenges and the continued focus on providing quality services to the citizens of our community come during a period of rising costs and reduced revenues. The 2011 budget is a testament to the strength and courage of the Mayor and Council to take the steps necessary to insure the continued sustainability of the City. For the first time in nine years, the city's budget includes a property tax increases necessitated by these challenges.

Anticipated revenues in the General Fund budget are \$202.7 million, up 4.48 percent from the 2010 budget. The property tax increase of \$0.37 or 19 percent is projected to increase property tax revenue by 21.4 percent or \$20.5 million. The City allocation of state sales tax and county-wide sales tax collections are projected to decline by 2.1 percent and 1.8 percent, respectively. Interest earnings are estimated to decrease slightly due to historically low interest rates.

Budgeted expenditures are expected to increase by 4.48 percent from \$194.0 million to \$202.7 million. Salaries and fringe benefits are expected to increase by 18.0 percent. Fifty-nine of ninety-one positions that were frozen over the past several years have been restored and an additional twenty-nine new positions, primarily in public safety, have been added to continue to provide the quality services that our citizens have come to expect.

A modest increase in net assets for the City's business-type activities is expected during FY 2011.

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

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

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CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 47,324,238	\$ 165,834,694	\$ 213,158,932	\$ 14,108,988
Investments	30,973,950	71,453,861	102,427,811	756,075
Receivables, net of allowance for uncollectibles	136,264,188	72,870,233	209,134,421	4,106,109
Net investment in capital lease	-	-	-	106,308,082
Internal balances	4,365,255	(4,365,255)	-	-
Due from component units	746,847	-	746,847	-
Deferred charges	2,146,614	6,963,287	9,109,901	1,838,253
Inventories	2,001,326	11,158,166	13,159,492	269,846
Prepaid items	57,270	2,296,000	2,353,270	693,266
Other assets	-	2,449,000	2,449,000	-
Restricted assets:				
Cash and cash equivalents	16,332,364	4,597,863	20,930,227	1,310,032
Investments	10,616,951	6,948,414	17,565,365	9,807,958
Endowment investments	3,118,689	-	3,118,689	-
Receivables	-	9,590	9,590	177,782
Net pension assets	8,777,670	-	8,777,670	-
Equity interest in joint venture	7,702,877	-	7,702,877	-
Land and other nondepreciable assets	1,049,121,680	81,482,748	1,130,604,428	24,587,977
Other capital assets, net of accumulated depreciation	498,064,360	731,674,881	1,229,739,241	77,978,068
Total assets	1,817,614,279	1,153,373,482	2,970,987,761	241,942,436
LIABILITIES				
Accounts payable and accrued liabilities	32,942,766	125,661,783	158,604,549	6,136,715
Customer deposits	-	20,202,173	20,202,173	-
Due to primary government	-	-	-	746,847
Contracts payable	308,905	108,035	416,940	1,006,329
Unearned revenue	98,929,310	-	98,929,310	19,767
Accrued landfill and pollution remediation costs	1,430,000	9,903,161	11,333,161	-
Net pension obligations	-	-	-	133,085
Accrued postemployment benefits	27,201,450	9,272,000	36,473,450	-
Other liabilities	-	15,109,492	15,109,492	-
Long-term liabilities:				
Due within one year	21,622,430	16,603,140	38,225,570	3,513,912
Due in more than one year	309,712,806	404,790,030	714,502,836	121,025,305
Total liabilities	492,147,667	601,649,814	1,093,797,481	132,581,960
NET ASSETS				
Invested in capital assets, net of related debt	1,259,985,302	533,433,835	1,793,419,137	95,554,297
Restricted for:				
Capital projects	9,902,468	-	9,902,468	-
Debt service	-	-	-	10,581,432
Renewal and replacement	-	22,728,886	22,728,886	535,375
Permanent endowments:				
Expendable	81,459	-	81,459	-
Nonexpendable	3,134,995	-	3,134,995	-
Unrestricted	52,362,388	(4,439,053)	47,923,335	2,689,372
Total net assets	\$ 1,325,466,612	\$ 551,723,668	\$ 1,877,190,280	\$ 109,360,476

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

CITY OF CHATTANOOGA, TENNESSEE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 73,098,750	\$ 11,523,433	\$ 12,214,270	\$ 2,333,279
Public safety	76,368,786	977,577	2,278,872	360,751
Public works	61,734,669	2,443,705	7,899,723	3,703,931
Parks, recreation, education, arts & culture	20,271,088	4,212,077	1,899,279	4,199,420
Social services	23,531,828	834,020	19,403,013	7,834
Interest on long-term debt	7,237,128	-	-	-
Total governmental activities	<u>262,242,249</u>	<u>19,990,812</u>	<u>43,695,157</u>	<u>10,605,215</u>
Business-type activities:				
Electric utility, including communications	539,720,000	504,599,000	-	29,575,000
Sewer	44,686,829	45,761,756	2,281,942	20,440
Solid waste/sanitation	4,753,430	6,389,727	48,771	-
Water quality management	8,385,351	13,480,137	67,723	-
Housing management	1,042,569	816,476	-	-
Total business-type activities	<u>598,588,179</u>	<u>571,047,096</u>	<u>2,398,436</u>	<u>29,595,440</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 860,830,428</u>	<u>\$ 591,037,908</u>	<u>\$ 46,093,593</u>	<u>\$ 40,200,655</u>
Component units:				
Airport authority	\$ 9,643,565	\$ 7,247,464	\$ -	\$ 7,504,082
Transportation authority	21,519,666	6,363,088	6,346,453	6,371,120
Downtown redevelopment	17,016,296	17,924,607	-	-
TOTAL COMPONENT UNITS	<u>\$ 48,179,527</u>	<u>\$ 31,535,159</u>	<u>\$ 6,346,453</u>	<u>\$ 13,875,202</u>

General revenues:
Property taxes
Other taxes
Liquor and beer taxes
Hotel-Motel tax
Local gross receipts tax
Franchise 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
City allocation of TDZ tax
City allocation of other shared taxes
Unrestricted investment earnings
Miscellaneous
Loss on equity interest in joint venture
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			
Governmental Activities	Primary Government		Component Units
	Business-type Activities	Total	
\$ (47,027,768)	\$ -	\$ (47,027,768)	\$ -
(72,751,586)	-	(72,751,586)	-
(47,687,310)	-	(47,687,310)	-
(9,960,312)	-	(9,960,312)	-
(3,286,961)	-	(3,286,961)	-
(7,237,128)	-	(7,237,128)	-
<u>(187,951,065)</u>	<u>-</u>	<u>(187,951,065)</u>	<u>-</u>
-	(5,546,000)	(5,546,000)	-
-	3,377,309	3,377,309	-
-	1,685,068	1,685,068	-
-	5,162,509	5,162,509	-
-	(226,093)	(226,093)	-
<u>-</u>	<u>4,452,793</u>	<u>4,452,793</u>	<u>-</u>
<u>(187,951,065)</u>	<u>4,452,793</u>	<u>(183,498,272)</u>	<u>-</u>
-	-	-	5,107,981
-	-	-	(2,439,005)
-	-	-	<u>908,311</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,577,287</u>
96,982,279	-	96,982,279	-
7,062,700	-	7,062,700	-
4,058,621	-	4,058,621	-
3,790,913	-	3,790,913	-
2,248,279	-	2,248,279	-
227,546	-	227,546	-
35,298,268	-	35,298,268	-
9,904,220	-	9,904,220	-
2,578,926	-	2,578,926	-
2,359,549	-	2,359,549	-
2,636,069	-	2,636,069	-
1,118,163	3,632,413	4,750,576	843,655
22,679	16,427	39,106	1,373,693
(196,534)	-	(196,534)	-
<u>4,089,754</u>	<u>(4,089,754)</u>	<u>-</u>	<u>-</u>
<u>172,181,432</u>	<u>(440,914)</u>	<u>171,740,518</u>	<u>2,217,348</u>
(15,769,633)	4,011,879	(11,757,754)	5,794,635
<u>1,341,236,245</u>	<u>547,711,789</u>	<u>1,888,948,034</u>	<u>103,565,841</u>
<u>\$ 1,325,466,612</u>	<u>\$ 551,723,668</u>	<u>\$ 1,877,190,280</u>	<u>\$ 109,360,476</u>

CITY OF CHATTANOOGA, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,965,443	\$ 23,843,405	\$ 13,453,870	\$ 45,262,718
Investments	30,547,723	10,616,952	3,544,915	44,709,590
Receivables, net of allowance for uncollectibles:				
Property taxes	97,176,182	-	-	97,176,182
Accounts	-	46,230	876,543	922,773
Notes	1,093,651	2,093,088	-	3,186,739
Other	7,652,707	150	-	7,652,857
Due from other funds	-	482,713	453,499	936,212
Due from component units	327,726	419,121	-	746,847
Due from other governments	18,325,543	3,055,835	5,434,709	26,816,087
Inventories	630,210	-	-	630,210
Prepaid items	56,800	-	470	57,270
	<u>\$ 163,775,985</u>	<u>\$ 40,557,494</u>	<u>\$ 23,764,006</u>	<u>\$ 228,097,485</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 13,087,004	\$ 3,007,440	\$ 2,777,853	\$ 18,872,297
Due to other funds	-	453,499	484,458	937,957
Due to other governments	1,345,427	-	-	1,345,427
Deferred revenue	109,514,061	-	1,623,855	111,137,916
Contracts payable	-	308,905	-	308,905
	<u>123,946,492</u>	<u>3,769,844</u>	<u>4,886,166</u>	<u>132,602,502</u>
Fund balances:				
Nonspendable	1,780,661	2,512,209	3,135,465	7,428,335
Restricted	7,455,576	34,275,441	9,756,014	51,487,031
Committed	1,184,148	-	6,559,175	7,743,323
Assigned	993,642	-	205,049	1,198,691
Unassigned	28,415,466	-	(777,863)	27,637,603
	<u>39,829,493</u>	<u>36,787,650</u>	<u>18,877,840</u>	<u>95,494,983</u>
Total liabilities and fund balances	<u>\$ 163,775,985</u>	<u>\$ 40,557,494</u>	<u>\$ 23,764,006</u>	<u>\$ 228,097,485</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, 2010

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

Fund balances - total governmental funds		\$ 95,494,983
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.		1,539,158,361
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.		12,208,606
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		4,367,000
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.		8,777,670
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.		7,702,877
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.		17,272,623
The Other Postemployment Benefits Plan has not been funded to meet annual requirement contributions, creating an accrued postemployment benefits liability. This liability and the Pollution Remediation Obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(28,631,450)
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	\$(176,064,209)	
Add net deferred refunding and original premiums and discounts	(275,646)	
Less deferred charges	2,146,614	
Notes payable	(31,266,117)	
Capital leases	(106,531,819)	
Compensated absences	(16,837,037)	
Accrued interest payable	(2,055,844)	
		(330,884,058)
Net assets of governmental activities		<u>\$ 1,325,466,612</u>

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

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2010

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 110,526,290	\$ -	\$ 4,058,621	\$ 114,584,911
Licenses and permits	4,827,976	-	540,256	5,368,232
Intergovernmental	63,418,868	3,802,069	30,096,555	97,317,492
Charges for services	5,558,025	-	624,954	6,182,979
Fines, forfeitures, and penalties	3,256,983	-	-	3,256,983
Investment income	659,658	208,397	482,051	1,350,106
Contributions and donations	181,798	458,324	114,104	754,226
Miscellaneous	3,192,712	1,036,053	1,724,596	5,953,361
Total revenues	<u>191,622,310</u>	<u>5,504,843</u>	<u>37,641,137</u>	<u>234,768,290</u>
EXPENDITURES				
Current:				
General government	58,517,422	-	10,400,252	68,917,674
Public safety	70,925,786	-	384,640	71,310,426
Public works	27,660,933	-	3,940,663	31,601,596
Parks, recreation, education, arts & culture	16,979,064	-	-	16,979,064
Social services	-	-	22,890,301	22,890,301
Capital outlay/capital assets	-	23,446,614	-	23,446,614
Debt service:				
Principal retirement	-	-	12,532,082	12,532,082
Interest and fiscal charges	-	831,218	7,147,952	7,979,170
Total expenditures	<u>174,083,205</u>	<u>24,277,832</u>	<u>57,295,890</u>	<u>255,656,927</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,539,105</u>	<u>(18,772,989)</u>	<u>(19,654,753)</u>	<u>(20,888,637)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,020,000	7,797,653	19,770,198	31,587,851
Transfers out	(23,681,689)	(251,910)	(3,634,252)	(27,567,851)
Issuance of bonds and notes	-	14,219,203	-	14,219,203
Issuance of refunding bonds	-	34,265,000	-	34,265,000
Premium on bonds issued	-	730,719	-	730,719
Payment to refunded bonds escrow agent	-	(34,123,256)	-	(34,123,256)
Total other financing sources (uses)	<u>(19,661,689)</u>	<u>22,637,409</u>	<u>16,135,946</u>	<u>19,111,666</u>
Net change in fund balance	(2,122,584)	3,864,420	(3,518,807)	(1,776,971)
FUND BALANCE, beginning	<u>41,952,077</u>	<u>32,923,230</u>	<u>22,396,647</u>	<u>97,271,954</u>
FUND BALANCE, ending	<u>\$ 39,829,493</u>	<u>\$ 36,787,650</u>	<u>\$ 18,877,840</u>	<u>\$ 95,494,983</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, 2010

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	\$ (1,776,971)
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.	27,630,371
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(41,224,694)
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 and other contributed assets.	9,064,620
The net effect of various transactions involving capital assets is to decrease net assets.	(1,588,864)
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.	(196,534)
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.	811,992
The net revenues of internal service funds are reported with governmental activities.	172,601
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.	(8,944,584)
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>282,430</u>
Change in net assets of governmental activities	<u><u>\$ (15,769,633)</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 109,542,826	\$ 109,542,826	\$ 110,526,290	\$ 983,464
Licenses and permits	4,586,207	4,586,207	4,827,976	241,769
Intergovernmental	58,779,954	58,779,954	63,418,868	4,638,914
Charges for services	5,404,831	5,404,831	5,558,025	153,194
Fines, forfeitures, and penalties	2,851,100	2,851,100	3,256,983	405,883
Investment income	503,053	503,053	659,658	156,605
Contributions and donations	188,956	188,956	181,798	(7,158)
Miscellaneous	2,877,511	2,951,581	3,192,712	241,131
Total revenues	<u>184,734,438</u>	<u>184,808,508</u>	<u>191,622,310</u>	<u>6,813,802</u>
EXPENDITURES				
General government	30,642,105	35,390,073	35,685,638	295,565
Executive	1,472,610	1,472,610	1,460,926	(11,684)
Finance and administration	3,761,650	3,761,650	3,669,862	(91,788)
General services	9,535,744	9,535,744	8,887,134	(648,610)
Personnel	7,001,824	7,001,824	6,896,205	(105,619)
Neighborhood services	1,883,386	1,883,386	1,917,657	34,271
Police	42,604,688	42,604,688	42,654,034	49,346
Fire	28,035,690	28,035,690	28,271,752	236,062
Public works	27,674,640	27,748,710	27,660,933	(87,777)
Parks, recreation, education, arts & culture	17,052,490	17,052,490	16,979,064	(73,426)
Total expenditures	<u>169,664,827</u>	<u>174,486,865</u>	<u>174,083,205</u>	<u>(403,660)</u>
Excess of revenues over expenditures	<u>15,069,611</u>	<u>10,321,643</u>	<u>17,539,105</u>	<u>7,217,462</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,909,893	3,909,893	4,020,000	110,107
Transfers out	(22,479,187)	(23,554,536)	(23,681,689)	(127,153)
Total other financing sources (uses)	<u>(18,569,294)</u>	<u>(19,644,643)</u>	<u>(19,661,689)</u>	<u>(17,046)</u>
Net change in fund balance	(3,499,683)	(9,323,000)	(2,122,584)	7,200,416
FUND BALANCE at beginning of year	<u>41,952,077</u>	<u>41,952,077</u>	<u>41,952,077</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 38,452,394</u>	<u>\$ 32,629,077</u>	<u>\$ 39,829,493</u>	<u>\$ 7,200,416</u>

CITY OF CHATTANOOGA, TENNESSEE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2010

	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		
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 142,939,000	\$ 7,932,757	\$ 2,869,711	\$ 11,955,543	\$ 137,683	\$ 165,834,694	\$ 18,393,884
Investments	37,042,000	34,411,861	-	-	-	71,453,861	-
Receivables:							
Customer service	58,720,000	4,662,061	73,031	1,510,120	-	64,965,212	446,298
Other	41,000	25,634	27,621	5,200	6,894	106,349	-
Less allowance for doubtful accounts	(1,046,000)	(500)	(8,075)	(769,725)	-	(1,824,300)	-
Inventories	10,727,000	431,166	-	-	-	11,158,166	1,371,116
Prepaid items	2,296,000	-	-	-	-	2,296,000	-
Due from other funds	-	-	1,745	-	-	1,745	-
Due from other governments	7,877,000	1,697,201	48,771	-	-	9,622,972	63,252
Other current assets	1,074,000	-	-	-	-	1,074,000	-
Total current assets	259,670,000	49,160,180	3,012,804	12,701,138	144,577	324,688,699	20,274,550
NONCURRENT ASSETS							
Restricted assets:							
Cash and cash equivalents	-	-	4,564,081	-	33,782	4,597,863	-
Investments	-	-	6,948,414	-	-	6,948,414	-
Accounts receivable	-	-	9,590	-	-	9,590	-
Total restricted assets	-	-	11,522,085	-	33,782	11,555,867	-
Capital assets:							
Land	5,634,000	8,010,708	1,517,514	1,865,986	27,000	17,055,208	-
Buildings and improvements	53,641,000	53,423,514	1,850,258	10,601,459	6,804,461	126,320,692	627,799
Vehicles and machinery	91,156,000	32,963,283	5,537,124	3,053,947	9,420	132,719,774	13,557,968
Construction in progress	54,776,000	9,548,143	-	103,397	-	64,427,540	-
Electric system	404,513,000	-	-	-	-	404,513,000	-
Solid waste system	-	-	9,520,509	-	-	9,520,509	-
Sewer system	-	405,814,448	-	-	-	405,814,448	-
Water quality system	-	-	-	36,565,502	-	36,565,502	-
Fiber optics system	65,991,000	-	-	-	-	65,991,000	-
	675,711,000	509,760,096	18,425,405	52,190,291	6,840,881	1,262,927,673	14,185,767
Less accumulated depreciation	(218,097,000)	(209,989,076)	(7,100,698)	(12,523,255)	(2,060,015)	(449,770,044)	(6,158,088)
Net capital assets	457,614,000	299,771,020	11,324,707	39,667,036	4,780,866	813,157,629	8,027,679
Other assets:							
Deferred charges	5,891,000	697,167	263,268	111,852	-	6,963,287	-
TVA discounted energy units	1,375,000	-	-	-	-	1,375,000	-
Total other assets	7,266,000	697,167	263,268	111,852	-	8,338,287	-
Total noncurrent assets	464,880,000	300,468,187	23,110,060	39,778,888	4,814,648	833,051,783	8,027,679
Total assets	\$ 724,550,000	\$ 349,628,367	\$ 26,122,864	\$ 52,480,026	\$ 4,959,225	\$ 1,157,740,482	\$ 28,302,229

(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	\$ 2,710,000	\$ 8,999,549	\$ 2,812,424	\$ 2,060,767	\$ 20,400	\$ 16,603,140	\$ 141,386
Accounts payable and accrued liabilities	122,670,000	3,165,355	459,674	3,711,376	22,378	130,028,783	1,211,874
Accrued claims	-	-	-	-	-	-	9,457,322
Customer deposits	2,132,000	-	-	-	34,173	2,166,173	-
Contracts payable	-	108,035	-	-	-	108,035	-
Conservation advances	43,000	-	-	-	-	43,000	-
Due to other governments	-	1,055,492	-	-	-	1,055,492	-
Other current liabilities	11,540,000	-	-	-	-	11,540,000	-
Total current liabilities	<u>139,095,000</u>	<u>13,328,431</u>	<u>3,272,098</u>	<u>5,772,143</u>	<u>76,951</u>	<u>161,544,623</u>	<u>10,810,582</u>
LONG-TERM LIABILITIES							
Notes, capital leases and other obligations	-	46,055,341	724,282	316,707	2,457,308	49,553,638	-
Compensated absences	690,000	454,384	35,805	251,201	-	1,431,390	219,024
Customer deposits	18,036,000	-	-	-	-	18,036,000	-
Accrued closure and post closure care	-	-	9,903,161	-	-	9,903,161	-
Revenue bonds payable	282,680,000	-	-	-	-	282,680,000	-
Original issue premium	8,282,000	-	-	-	-	8,282,000	-
Deferred refunding	(45,000)	-	-	-	-	(45,000)	-
General obligation bonds payable	-	35,469,891	18,653,205	8,318,194	-	62,441,290	-
Deferred refunding	-	(1,629,564)	(587,289)	(360,078)	-	(2,576,931)	-
Original issue premium	-	1,628,457	893,640	501,546	-	3,023,643	-
Other noncurrent liabilities	2,471,000	-	-	-	-	2,471,000	-
Accrued postemployment benefits	9,272,000	-	-	-	-	9,272,000	-
Total long-term liabilities	<u>321,386,000</u>	<u>81,978,509</u>	<u>29,622,804</u>	<u>9,027,570</u>	<u>2,457,308</u>	<u>444,472,191</u>	<u>219,024</u>
Total liabilities	<u>460,481,000</u>	<u>95,306,940</u>	<u>32,894,902</u>	<u>14,799,713</u>	<u>2,534,259</u>	<u>606,016,814</u>	<u>11,029,606</u>
NET ASSETS (DEFICIT)							
Invested in capital assets, net of related debt	288,783,000	210,287,717	2,881,942	29,178,019	2,303,157	533,433,835	8,027,679
Restricted for renewal and replacement	-	11,894,185	10,498,104	336,597	-	22,728,886	-
Unrestricted	(24,714,000)	32,139,525	(20,152,084)	8,165,697	121,809	(4,439,053)	9,244,944
Total net assets (deficit)	<u>\$ 264,069,000</u>	<u>\$ 254,321,427</u>	<u>\$ (6,772,038)</u>	<u>\$ 37,680,313</u>	<u>\$ 2,424,966</u>	<u>\$ 551,723,668</u>	<u>\$ 17,272,623</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, 2010

	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	\$ 473,767,000	\$ -	\$ -	\$ -	\$ -	\$ 473,767,000	\$ -
Fiber optics revenues	20,910,000	-	-	-	-	20,910,000	-
Sewer charges	-	45,761,756	-	-	-	45,761,756	-
Waste charges	-	-	6,389,727	-	-	6,389,727	-
Water quality management fees	-	-	-	13,480,137	-	13,480,137	-
Rent	-	-	-	-	786,990	786,990	-
Other services	9,922,000	-	-	-	29,486	9,951,486	44,600,801
Other	-	2,281,942	48,771	67,723	-	2,398,436	-
Total operating revenues	504,599,000	48,043,698	6,438,498	13,547,860	816,476	573,445,532	44,600,801
OPERATING EXPENSES							
Power purchases	390,597,000	-	-	-	-	390,597,000	-
Other electric operations	37,468,000	-	-	-	-	37,468,000	-
Fiber optics operations	16,094,000	-	-	-	-	16,094,000	-
Sewer plant operations	-	25,597,398	-	-	-	25,597,398	-
Solid waste operations	-	-	2,795,870	-	-	2,795,870	-
Water quality management operations	-	-	-	6,816,033	-	6,816,033	-
Pump station operations	-	2,522,197	-	-	-	2,522,197	-
Housing management operations	-	-	-	-	665,891	665,891	-
Municipal garage operations	-	-	-	-	-	-	4,128,945
Maintenance and repairs	18,025,000	-	-	-	-	18,025,000	6,372,661
Depreciation and amortization	28,488,000	12,984,723	586,337	1,037,455	245,400	43,341,915	1,903,975
Closure/postclosure costs	-	-	327,723	-	-	327,723	-
Liability insurance	-	-	-	-	-	-	3,517,311
On-site medical services	-	-	-	-	-	-	28,417,345
Other	9,096,000	-	-	-	-	9,096,000	-
Total operating expenses	499,768,000	41,104,318	3,709,930	7,853,488	911,291	553,347,027	44,340,237
OPERATING INCOME (LOSS)	4,831,000	6,939,380	2,728,568	5,694,372	(94,815)	20,098,505	260,564
NONOPERATING REVENUES (EXPENSES)							
Investment income	2,998,000	487,758	146,655	-	-	3,632,413	-
Interest expense	(10,927,000)	(3,582,511)	(1,043,500)	(531,863)	(131,278)	(16,216,152)	-
Other income (expense)	(29,522,000)	-	16,427	-	-	(29,505,573)	-
Total nonoperating revenues (expenses)	(37,451,000)	(3,094,753)	(880,418)	(531,863)	(131,278)	(42,089,312)	-
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(32,620,000)	3,844,627	1,848,150	5,162,509	(226,093)	(21,990,807)	260,564
Capital contributions	29,575,000	20,440	-	339,283	-	29,934,723	-
Transfers in	-	-	-	87,963	-	87,963	-
Transfers out	(3,870,000)	-	-	(150,000)	-	(4,020,000)	(87,963)
CHANGE IN NET ASSETS	(6,915,000)	3,865,067	1,848,150	5,439,755	(226,093)	4,011,879	172,601
NET ASSETS (DEFICIT), beginning	270,984,000	250,456,360	(8,620,188)	32,240,558	2,651,059	547,711,789	17,100,022
NET ASSETS (DEFICIT), ending	\$ 264,069,000	\$ 254,321,427	\$ (6,772,038)	\$ 37,680,313	\$ 2,424,966	\$ 551,723,668	\$ 17,272,623

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, 2010

	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	\$ 494,897,000	\$ 50,979,781	\$ 6,356,362	\$ 16,202,690	\$ 826,476	\$ 569,262,309	\$ 6,881,474
Receipts from interfund services provided	-	-	-	-	-	-	37,555,068
Receipts from operating grants	-	-	81,171	-	-	81,171	-
Payments to suppliers	(417,917,000)	(23,221,646)	(2,383,418)	(4,323,417)	(696,075)	(448,541,556)	(36,404,231)
Payments to employees	(24,399,000)	(6,970,571)	(704,407)	(1,882,852)	-	(33,956,830)	(2,810,491)
Payments in lieu of taxes	(7,761,000)	-	-	-	-	(7,761,000)	-
Net cash provided by operating activities	44,820,000	20,787,564	3,349,708	9,996,421	130,401	79,084,094	5,221,820
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	-	-	-	-	-	-	-
Transfers out	(3,870,000)	-	-	(150,000)	-	(4,020,000)	-
Net cash used in noncapital financing activities	(3,870,000)	-	-	(150,000)	-	(4,020,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Principal paid on capital debt	(3,256,000)	(9,984,125)	(2,653,046)	(1,730,510)	(20,400)	(17,644,081)	-
Interest paid on capital debt	(13,629,000)	(3,648,735)	(1,090,780)	(568,952)	(131,278)	(19,068,745)	-
Line of credit	2,433,000	-	-	-	-	2,433,000	-
Proceeds from capital debt	-	1,697,202	-	-	-	1,697,202	-
Capital grants and contributions	29,575,000	20,440	-	-	-	29,595,440	-
Additions to capital assets	(117,065,000)	(6,102,561)	(310,243)	(191,540)	-	(123,669,344)	(2,155,894)
Proceeds from the sale of capital assets	-	-	-	1,225	-	1,225	-
Net cash flows used in capital and related financing activities	(101,942,000)	(18,017,779)	(4,054,069)	(2,489,777)	(151,678)	(126,655,303)	(2,155,894)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of investments	(49,200,000)	(142,455,669)	(8,079,872)	-	-	(199,735,541)	-
Proceeds from sales and maturities of investments	121,533,000	142,469,213	11,767,859	-	-	275,770,072	-
Interest	3,430,000	565,276	154,841	-	-	4,150,117	-
Net cash flows provided by investing activities	75,763,000	578,820	3,842,828	-	-	80,184,648	-
Net increase (decrease) in cash and cash equivalents	14,771,000	3,348,605	3,138,467	7,356,644	(21,277)	28,593,439	3,065,926
Cash and cash equivalents, beginning of year	128,168,000	4,584,152	4,295,325	4,598,899	192,742	141,839,118	15,327,958
Cash and cash equivalents, end of year	\$ 142,939,000	\$ 7,932,757	\$ 7,433,792	\$ 11,955,543	\$ 171,465	\$ 170,432,557	\$ 18,393,884
CLASSIFIED AS:							
Current assets	\$ 142,939,000	\$ 7,932,757	\$ 2,869,711	\$ 11,955,543	\$ 137,683	\$ 165,834,694	\$ 18,393,884
Restricted assets	-	-	4,564,081	-	33,782	4,597,863	-

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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)	\$ 4,831,000	\$ 6,939,380	\$ 2,728,568	\$ 5,694,372	\$ (94,815)	\$ 20,098,505	\$ 260,564
ADJUSTMENTS NOT AFFECTING CASH							
Depreciation and amortization	28,488,000	12,984,723	586,337	1,037,455	245,400	43,341,915	1,903,975
Miscellaneous nonoperating expenses, net	2,815,000	-	-	-	-	2,815,000	-
Provision for uncollectible accounts	-	94,759	6,445	472,999	-	574,203	-
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(5,085,000)	1,785,832	(39,809)	(806,093)	10,000	(4,135,070)	(150,250)
(Increase) decrease in due from other funds	-	1,055,492	(1,745)	-	-	1,053,747	-
(Increase) decrease in due from other governments	(7,877,000)	-	32,400	-	-	(7,844,600)	(14,009)
(Increase) decrease in inventory	(462,000)	128,983	-	-	-	(333,017)	(53,314)
(Increase) decrease in prepaid items	2,556,000	-	-	-	-	2,556,000	-
(Increase) decrease in deferred charges	(3,308,000)	91,338	25,359	-	-	(3,191,303)	-
Increase (decrease) in accounts payable	17,892,000	(2,109,846)	(129,196)	188,012	(30,184)	15,810,786	250,947
Increase (decrease) in accrued claims	-	-	-	-	-	-	3,078,938
Increase (decrease) in other assets/liabilities	5,041,000	20,150	142,499	3,182,057	-	8,385,706	-
Increase (decrease) in compensated absences	(71,000)	(203,247)	(1,150)	227,619	-	(47,778)	(55,031)
TOTAL ADJUSTMENTS	39,989,000	13,848,184	621,140	4,302,049	225,216	58,985,589	4,961,256
Net cash provided by operating activities	\$ 44,820,000	\$ 20,787,564	\$ 3,349,708	\$ 9,996,421	\$ 130,401	\$ 79,084,094	\$ 5,221,820
SIGNIFICANT NONCASH ACTIVITIES							
Transfer of assets (to) from other funds	\$ -	\$ -	\$ -	\$ 87,963	\$ -	\$ 87,963	\$ (87,963)
Contribution of capital assets from governmental activities	-	-	-	339,283	-	339,283	-

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, 2010

	Other Postemployment Benefits Trust Fund	Pension Trust Funds	Agency Fund
ASSETS			
Cash	\$ -	\$ -	\$ 363,422
Investments:			
U.S. Government securities	-	8,940,978	-
Corporate bonds	-	14,230,121	-
Foreign bonds	-	774,098	-
Corporate stocks	932,364	125,673,316	-
Mutual funds - equity	1,512,239	76,711,756	-
Mutual funds - fixed income	1,528,328	90,176,337	-
Mutual funds - international equity	396,733	-	-
Temporary investments	959,719	9,385,021	-
Limited partnerships	-	47,597,247	-
Other investments	-	975,000	-
Receivables:			
Accrued income	667	519,967	-
Due from plan custodian	2,415,241	998,590	-
Total assets	<u>7,745,291</u>	<u>375,982,431</u>	<u>363,422</u>
LIABILITIES			
Due to others	-	-	363,422
Due to plan custodian	-	669,950	-
Accounts payable and accrued expenses	-	493,080	-
Total liabilities	<u>-</u>	<u>1,163,030</u>	<u>363,422</u>
NET ASSETS			
Held in trust for pension and other postemployment benefits	<u>\$ 7,745,291</u>	<u>\$ 374,819,401</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, 2010

	Other Postemployment Benefits Trust Fund	Pension Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 2,611,325	\$ 11,810,955
Employee	-	4,209,541
Total contributions	<u>2,611,325</u>	<u>16,020,496</u>
Investment income:		
Net appreciation (depreciation) in fair market value of investments	(21,323)	33,576,514
Interest	14,075	3,743,529
Dividends	-	3,090,130
	<u>(7,248)</u>	<u>40,410,173</u>
Less investment expense	<u>(9,273)</u>	<u>(885,329)</u>
Net investment income (loss)	<u>(16,521)</u>	<u>39,524,844</u>
Total additions	<u>2,594,804</u>	<u>55,545,340</u>
DEDUCTIONS		
Benefits paid to participants	-	33,013,568
Administrative expenses	-	757,459
Total deductions	<u>-</u>	<u>33,771,027</u>
CHANGE IN NET ASSETS	2,594,804	21,774,313
Net assets, beginning	<u>5,150,487</u>	<u>353,045,088</u>
Net assets, ending	<u>\$ 7,745,291</u>	<u>\$ 374,819,401</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, 2010

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
ASSETS				
Cash and cash equivalents	\$ 9,083,965	\$ 873,979	\$ 4,151,044	\$ 14,108,988
Investments	-	-	756,075	756,075
Accounts receivable	2,096,142	1,507,042	502,925	4,106,109
Net investment in capital lease	-	-	106,308,082	106,308,082
Deferred charges	26,356	-	1,811,897	1,838,253
Inventories	-	168,575	101,271	269,846
Prepaid items	97,833	497,895	97,538	693,266
Restricted assets:				
Cash and cash equivalents	933,032	377,000	-	1,310,032
Investments	-	-	9,807,958	9,807,958
Receivables	177,782	-	-	177,782
Land and other nondepreciable assets	21,329,930	3,258,047	-	24,587,977
Other capital assets, net of accumulated depreciation	51,320,015	24,452,527	2,205,526	77,978,068
Total assets	85,065,055	31,135,065	125,742,316	241,942,436
LIABILITIES				
Accounts payable and accrued liabilities	920,435	2,109,629	3,106,651	6,136,715
Deferred revenue	19,767	-	-	19,767
Contracts payable	1,006,329	-	-	1,006,329
Due to primary government	-	746,847	-	746,847
Net pension obligations	-	133,085	-	133,085
Revenue bonds payable	6,264,901	-	118,740,000	125,004,901
Swaption derivative	-	-	81,648	81,648
Original issue premium (discount)	-	-	1,777,954	1,777,954
Deferred refunding	-	-	(2,325,286)	(2,325,286)
Total liabilities	8,211,432	2,989,561	121,380,967	132,581,960
NET ASSETS				
Invested in capital assets (net of related debt)	66,385,044	26,963,727	2,205,526	95,554,297
Restricted for:				
Debt service	1,110,814	-	9,470,618	10,581,432
Renewal and replacement	-	-	535,375	535,375
Unrestricted	9,357,765	1,181,777	(7,850,170)	2,689,372
Total net assets	\$ 76,853,623	\$ 28,145,504	\$ 4,361,349	\$ 109,360,476

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, 2010

	Program Revenues				Net Revenue (Expense) and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
CHATTANOOGA METROPOLITAN AIRPORT AUTHORITY Airport operations	\$ 9,643,565	\$ 7,247,464	\$ -	\$ 7,504,082	\$ 5,107,981	\$ -	\$ -	\$ 5,107,981
CARTA CARTA operations	21,519,666	6,363,088	6,346,453	6,371,120	-	(2,439,005)	-	(2,439,005)
CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION CDRC operations	17,016,296	17,924,607	-	-	-	-	908,311	908,311
Total component units	<u>\$ 48,179,527</u>	<u>\$ 31,535,159</u>	<u>\$ 6,346,453</u>	<u>\$ 13,875,202</u>	5,107,981	(2,439,005)	908,311	3,577,287
	General revenues:							
					26,323	357	816,975	843,655
					1,205,859	167,834	-	1,373,693
					<u>1,232,182</u>	<u>168,191</u>	<u>816,975</u>	<u>2,217,348</u>
	CHANGE IN NET ASSETS				6,340,163	(2,270,814)	1,725,286	5,794,635
	Net assets, beginning				70,513,460	30,416,318	2,636,063	103,565,841
	Net assets, ending				<u>\$ 76,853,623</u>	<u>\$ 28,145,504</u>	<u>\$ 4,361,349</u>	<u>\$ 109,360,476</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, 2010

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CITY OF CHATTANOOGA, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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, 2010. 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 14.

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 activities) 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.

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.

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 fiber optics 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.

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

(E) Budget Policy and Budgetary Data

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

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

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

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

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

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

The budgets are prepared on a basis consistent with generally accepted accounting principles. 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. Encumbrances are reported as assignment of fund balances. 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, 2010, several supplemental appropriations were necessary for capital purposes.

(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 utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed Fund Balance – represents amounts that can only be used for specific purposes imposed by a formal action of the City’s highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance.

Assigned Fund Balance – represents amounts the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund. The City Finance Officer has been granted the ability to assign amounts to a specific purpose as part of the annual budget ordinance.

Unassigned Fund Balance – represents the residual classification for the general fund or deficit balances in other funds.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund balances:				
Nonspendable				
Library endowments	\$ -	\$ -	\$ 3,134,995	\$ 3,134,995
Inventory	630,210	-	-	630,210
Long-term notes receivable	1,093,651	2,512,209	-	3,605,860
Prepays	56,800	-	470	57,270
Restricted				
Law enforcement	82,554	-	1,381,968	1,464,522
Economic development	3,862,236	-	11,780	3,874,016
African-American Museum	28,560	-	-	28,560
Special programs	3,482,226	-	-	3,482,226
Capital projects	-	34,275,441	-	34,275,441
Bicentennial Library	-	-	767,698	767,698
Human services program	-	-	3,165,660	3,165,660
State street aid	-	-	1,226,673	1,226,673
Community development	-	-	1,152,797	1,152,797
Hotel-Motel tax revenue pledge	-	-	925,191	925,191
Regional Planning Agency	-	-	584,647	584,647
Air Pollution Control Bureau	-	-	415,673	415,673
Scenic Cities Beautiful Commission	-	-	123,927	123,927
Committed				
Law enforcement	559,248	-	-	559,248
Economic development	111,692	-	-	111,692
Bicentennial Library	475,436	-	686,239	1,161,675
African-American Museum	28,560	-	-	28,560
Regional Planning Agency	-	-	463,441	463,441
Air Pollution Control Bureau	-	-	415,673	415,673
Scenic Cities Beautiful Commission	-	-	123,927	123,927
Nonprofit requests	9,212	-	-	9,212
Debt service	-	-	4,869,895	4,869,895
Assigned				
Municipal golf courses	30,678	-	-	30,678
Special programs	131,974	-	-	131,974
River Pier garage	-	-	205,049	205,049
Other purposes	830,990	-	-	830,990
Unassigned	<u>28,415,466</u>	<u>-</u>	<u>(777,863)</u>	<u>27,637,603</u>
Total fund balances	<u>\$39,829,493</u>	<u>\$36,787,650</u>	<u>\$18,877,840</u>	<u>\$95,494,983</u>

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Summary for Governmental Funds				
Balance Sheet (page 4):				
Nonspendable	\$ 1,780,661	\$ 2,512,209	\$ 3,135,465	\$ 7,428,335
Restricted	7,455,576	34,275,441	9,756,014	51,487,031
Committed	1,184,148	-	6,559,175	7,743,323
Assigned	993,642	-	205,049	1,198,691
Unassigned	<u>28,415,466</u>	<u>-</u>	<u>(777,863)</u>	<u>27,637,603</u>
Total fund balances	<u>\$39,829,493</u>	<u>\$36,787,650</u>	<u>\$18,877,840</u>	<u>\$95,494,983</u>

(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 2009 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 2009, 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, 2010.

(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 proprietary 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 and capital 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 - 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 nonspendable 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.

(K) Subsequent Events

Management performed an evaluation of subsequent events through December __, 2010, the date these financial statements were issued.

NOTE 2. RESTATEMENTS OF PRIOR YEAR BALANCES

At June 30, 2010, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". As a result of this clarification of governmental fund type definitions, the Regional Planning Agency, Air Pollution Control, and Scenic Cities Beautiful Funds have been reclassified as Special Revenue Funds.

The impact of the reclassifications of fund balances as previously reported is as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Fund balance at June 30, 2009, as previously reported	\$43,746,999	\$ 8,762,909
Fund reclassifications	<u>(1,794,922)</u>	<u>1,794,922</u>
Fund balance at June 30, 2009, as restated	<u>\$41,952,077</u>	<u>\$10,557,831</u>

During fiscal year 2010, the City implemented GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". As a result, an adjustment was recorded to beginning net assets of Chattanooga Downtown Redevelopment Corporation (CDRC), a component unit of the City, to reflect the value of the swaption derivative at June 30, 2009.

The impact of the restatement on net assets as previously reported is as follows:

	<u>CDRC</u>
Net assets at June 30, 2009, as previously reported	\$3,071,271
Adjustment to net assets	<u>(435,208)</u>
Net assets at June 30, 2009, as restated	<u>\$2,636,063</u>

NOTE 3. VOLKSWAGEN GROUP OF AMERICA, INC.

At June 30, 2010, Volkswagen Group of America, Inc. (VW) is in the process of building a \$1 billion automotive production facility in Chattanooga, Tennessee. 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:

- Capital projects expenditures of \$1,000,000
- General Fund appropriations to IDB of \$5,164,968
- Maintaining an Agency Fund for funds held on behalf of IDB and HEB

NOTE 4. 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, 2010, 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 \$6,722,038 at June 30, 2010. This deficit resulted from the recognition of cumulative landfill closure and postclosure care costs from prior years. These costs may be covered by charges to future landfill users, taxpayers, or both. The deficit decreased by \$1,898,150 from the prior fiscal year.

NOTE 5. 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, 2010, 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	2.00	\$25,000,000
Certificates of deposit classified as investments	<u>0.50</u>	<u>16,590,901</u>
Total	<u>1.40</u>	<u>\$41,590,901</u>
Primary Government – Business-Type Activities:		
U.S. Government agency securities	2.00	\$25,800,000
Certificates of deposit classified as investments	<u>0.36</u>	<u>52,602,275</u>
Total	<u>0.90</u>	<u>\$78,402,275</u>
Component Units:		
U.S. Treasury Notes	0.13	\$ 6,527,958
U.S. Government agency securities	0.13	3,280,000
Certificates of deposit classified as investments	<u>0.77</u>	<u>756,075</u>
Total	<u>0.18</u>	<u>\$10,564,033</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. 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, 2010, the primary government's investments in U.S. Government agency securities consisted of Federal Home Loan Bank bonds, which were rated AAA by Standard & Poor's Rating Service (S & P) and Moody's Investor Service (Moody's).

Component unit investments in U.S. Government agency securities of \$3,280,000 were securities of the Federal National Mortgage Association which was rated AAA by S & P and 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 Fund</u>		
Mutual funds - equity	Not rated	\$ 1,546,038
Mutual funds – fixed income	Not rated	1,284,447
Common equity securities	Not rated	190,825
Temporary investments	Not rated	<u>97,379</u>
		<u>\$ 3,118,689</u>
<u>City of Chattanooga General Pension Plan</u>		
Domestic corporate bonds	B	\$ 1,669,582
Domestic corporate bonds	BA	358,520
Domestic corporate bonds	C	46,180
Domestic corporate bonds	CAA	1,183,315
Domestic corporate bonds	Withdrawn	14,885
Domestic corporate bonds	Not rated	450,641
Mutual funds - equity	Not rated	33,393,032
Mutual funds – fixed income	Not rated	50,326,020
Domestic equity securities	Not rated	65,104,292
Limited partnerships	Not rated	32,267,627
Temporary investments	Not rated	<u>5,082,071</u>
		<u>\$189,896,165</u>
<u>Firemen's and Policemen's Insurance and Pension Fund</u>		
U.S. Government securities	AAA	\$ 1,805,974
Domestic corporate bonds	AAA	1,122,843
Domestic corporate bonds	AA	1,862,067
Foreign bonds	AA	156,728
Domestic corporate bonds	A	3,141,103
Foreign bonds	A	108,818
Domestic corporate bonds	BAA	2,735,946
Foreign bonds	BAA	508,552
Domestic corporate bonds	BA	21,658
Domestic corporate bonds	B	135,473
Domestic corporate bonds	CAA	155,110
U.S. Government securities	Not rated	7,135,004
Domestic corporate bonds	Not rated	1,332,798
Mutual funds - fixed income	Not rated	39,850,317
Mutual funds - equity	Not rated	43,318,724
Domestic equity securities	Not rated	60,569,024
Temporary investments	Not rated	4,302,950
Limited partnerships	Not rated	15,329,620
Investment in real estate corporation	Not rated	<u>975,000</u>
		<u>\$184,567,709</u>

	<u>S & P or Moody's Rating</u>	<u>Fair Value</u>
<u>Other Postemployment Benefit Trust Fund</u>		
Domestic equity securities	A+	\$ 58,835
Domestic equity securities	A	116,739
Domestic equity securities	A-	85,771
Domestic equity securities	B+	211,610
Domestic equity securities	B	287,804
Domestic equity securities	B-	31,545
Domestic equity securities	C	39,350
Domestic equity securities	Not rated	100,710
Mutual funds - equity	Not rated	1,512,239
Mutual funds - fixed income	Not rated	1,528,328
Mutual funds - international equity	Not rated	396,733
Temporary investments	Not rated	<u>959,719</u>
		<u>\$ 5,329,383</u>

At June 30, 2010, the fair values of the City's investments in Pension Trust Funds totaling \$47,597,247 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 6. RECEIVABLES

Receivables at June 30, 2010, consist of the following:

	<u>Governmental Activities Funds</u>			<u>Business-Type Activities</u>	<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental</u>		
Primary Government					
Receivables:					
Taxes	\$101,174,966	\$ -	\$ -	\$ -	\$101,174,966
Accounts	-	46,230	876,543	-	922,773
Notes	1,093,651	2,093,088	-	-	3,186,739
Customer service	-	-	-	64,965,212	64,965,212
Other	7,652,707	150	-	115,939	7,768,796
Intergovernmental	<u>18,325,543</u>	<u>3,055,835</u>	<u>5,434,709</u>	<u>9,622,972</u>	<u>36,439,059</u>
Gross receivables	128,246,867	5,195,303	6,311,252	74,704,123	214,457,545
Less:					
Allowance for Uncollectibles	<u>(3,998,784)</u>	<u>-</u>	<u>-</u>	<u>(1,824,300)</u>	<u>(5,823,084)</u>
Net receivables	<u>\$124,248,083</u>	<u>\$5,195,303</u>	<u>\$6,311,252</u>	<u>\$72,879,823</u>	<u>\$208,634,461</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, 2010.

NOTE 7. INTERFUND BALANCES

Interfund receivables and payables are due to charges between funds that are outstanding as of June 30, 2010, as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds (Debt Service)	Capital Projects Fund	\$453,499
Capital Projects Fund	Nonmajor Governmental Funds (Hotel/Motel)	482,713
Major Enterprise Fund (Solid Waste)	Nonmajor Governmental Funds (Debt Service)	<u>1,745</u>
		<u>\$937,957</u>

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.

NOTE 8. INTERFUND TRANSFERS

	Transfers In:				Total
	General Fund	Capital Projects	Nonmajor Governmental	Water Quality Management	
Transfers out:					
General Fund	\$ -	\$7,345,793	\$16,335,896	\$ -	\$23,681,689
Capital Projects Fund	-	-	251,910	-	251,910
Nonmajor Governmental Funds	-	451,860	3,182,392	-	3,634,252
Water Quality Management	150,000	-	-	-	150,000
Internal Service	-	-	-	87,963	87,963
Electric Power Board	<u>3,870,000</u>	-	-	-	<u>3,870,000</u>
Total	<u>\$4,020,000</u>	<u>\$7,797,653</u>	<u>\$19,770,198</u>	<u>\$87,693</u>	<u>\$31,675,814</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, (4) record payments in lieu of taxes from the Electric Power Board to the General Fund, and (5) cover costs incurred by the General Fund for water quality initiatives.

NOTE 9. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, is as follows:

Primary Government

Governmental Activities:

	Beginning Balance	Additions	Deductions	Ending Balance
Non-Depreciable Assets:				
Land and land improvements	\$1,027,518,541	\$ 8,383,452	\$ 1,017,183	\$1,034,884,810
Construction in Progress	<u>25,331,621</u>	<u>13,958,410</u>	<u>25,053,161</u>	<u>14,236,870</u>
Total non-depreciable assets	<u>1,052,850,162</u>	<u>22,341,862</u>	<u>26,070,344</u>	<u>1,049,121,680</u>

	Beginning Balance	Additions	Deductions	Ending Balance
Depreciable Assets:				
Buildings and improvements	\$ 203,219,931	\$10,987,390	\$ -	\$ 214,207,321
Vehicles and machinery	115,249,121	19,181,182	1,169,489	133,260,814
Infrastructure	<u>664,217,593</u>	<u>14,286,103</u>	<u>232,398</u>	<u>678,271,298</u>
Total depreciable assets	<u>982,686,645</u>	<u>44,454,675</u>	<u>1,401,887</u>	<u>1,025,739,433</u>
Less Accumulated Depreciation for:				
Buildings and improvements	76,562,059	6,721,883	-	83,283,942
Vehicles and machinery	87,949,792	9,131,261	1,026,998	96,054,055
Infrastructure	<u>321,061,551</u>	<u>27,275,525</u>	<u>-</u>	<u>348,337,076</u>
Total accumulated depreciation	<u>485,573,402</u>	<u>43,128,669</u>	<u>1,026,998</u>	<u>527,675,073</u>
Depreciable Assets, net	<u>497,113,243</u>	<u>1,326,006</u>	<u>374,889</u>	<u>498,064,360</u>
Governmental activities capital assets, net	<u>\$1,549,963,405</u>	<u>\$23,667,868</u>	<u>\$26,445,233</u>	<u>\$1,547,186,040</u>
Business-Type Activities:				
Non-Depreciable Assets:				
Land	\$ 16,841,855	\$ 213,353	\$ -	\$ 17,055,208
Construction in Progress	<u>56,960,279</u>	<u>19,363,602</u>	<u>11,896,341</u>	<u>64,427,540</u>
Total non-depreciable assets	<u>73,802,134</u>	<u>19,576,955</u>	<u>11,896,341</u>	<u>81,482,748</u>
Depreciable Assets:				
Buildings and improvements	126,181,330	669,362	530,000	126,320,692
Vehicles and machinery	78,307,373	72,284,850	17,872,449	132,719,774
Sewer system	405,320,271	494,177	-	405,814,448
Solid waste system	9,250,985	269,524	-	9,520,509
Water quality management system	36,486,160	79,342	-	36,565,502
Electric system	413,952,000	14,641,000	24,080,000	404,513,000
Communications system	<u>53,956,000</u>	<u>15,953,000</u>	<u>3,918,000</u>	<u>65,991,000</u>
Total depreciable assets	<u>1,123,454,119</u>	<u>104,391,255</u>	<u>46,400,449</u>	<u>1,181,444,925</u>
Less Accumulated Depreciation for:				
Buildings and improvements	36,882,909	8,198,226	529,000	44,552,135
Vehicles and machinery	32,128,708	7,820,502	2,191,450	37,757,760
Sewer system	163,730,119	5,437,062	-	169,167,181
Solid waste system	462,549	312,858	-	775,407
Water quality management system	6,152,294	751,267	-	6,903,561
Electric system	179,178,000	15,072,000	20,982,000	173,268,000
Communications system	<u>15,511,000</u>	<u>5,750,000</u>	<u>3,915,000</u>	<u>17,346,000</u>
Total accumulated depreciation	<u>434,045,579</u>	<u>43,341,915</u>	<u>27,617,450</u>	<u>449,770,044</u>
Depreciable Assets, net	<u>689,408,540</u>	<u>61,049,340</u>	<u>18,782,999</u>	<u>731,674,881</u>
Business-type activities capital assets, net	<u>\$ 763,210,674</u>	<u>\$ 80,626,295</u>	<u>\$30,679,340</u>	<u>\$ 813,157,629</u>

Discretely Presented Component Units	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Non-Depreciable Assets:				
Land	\$ 6,066,608	\$ -	\$ -	\$ 6,066,608
Construction in Progress	<u>11,629,579</u>	<u>6,891,790</u>	<u>-</u>	<u>18,521,369</u>
Total non-depreciable assets	<u>17,696,187</u>	<u>6,891,790</u>	<u>-</u>	<u>24,587,977</u>
Depreciable Assets:				
Buildings	111,212,610	2,589,354	2,164,495	111,637,469
Vehicles and machinery	<u>59,683,263</u>	<u>2,775,409</u>	<u>-</u>	<u>62,458,672</u>
Total depreciable assets	<u>170,895,873</u>	<u>5,364,763</u>	<u>2,164,495</u>	<u>174,096,141</u>
Less Accumulated Depreciation for:				
Buildings	45,697,897	3,466,994	928,913	48,235,978
Vehicles and machinery	<u>41,971,539</u>	<u>5,910,556</u>	<u>-</u>	<u>47,882,095</u>
Total accumulated depreciation	<u>87,669,436</u>	<u>9,377,550</u>	<u>928,913</u>	<u>96,118,073</u>
Depreciable Assets, net	<u>83,226,437</u>	<u>(4,012,787)</u>	<u>1,235,582</u>	<u>77,978,068</u>
Component units capital assets, net	<u>\$ 100,922,624</u>	<u>\$ 2,879,003</u>	<u>\$ 1,235,582</u>	<u>\$ 102,566,045</u>

The City changed capital assets records systems during the year. 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	\$10,589,659
Public safety	2,506,818
Public works	26,996,649
Parks, recreation, education, arts & culture	2,941,882
Social services	<u>93,661</u>
Total	<u>\$43,128,669</u>

Primary Government – Business-Type Activities:

Sewer	\$12,984,723
Solid Waste/Sanitation	586,337
Water Quality Management	1,037,455
Housing Management	245,400
Electric Utility	<u>28,488,000</u>
Total	<u>\$43,341,915</u>

Discretely Presented Component Units:

Transportation Authority	\$ 5,902,570
Airport Authority	3,063,353
Downtown Redevelopment	<u>411,627</u>
Total	<u>\$ 9,377,550</u>

NOTE 10. LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2010, were as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Primary Government					
GOVERNMENTAL ACTIVITIES					
General obligation serial bonds	\$169,652,698	\$47,830,000	\$41,418,489	\$176,064,209	\$10,095,499
Notes payable	30,654,836	3,404,203	2,792,922	31,266,117	2,895,126
Capital leases payable	109,822,026	-	3,290,207	106,531,819	2,853,204
Compensated absences	<u>16,995,352</u>	<u>8,919,301</u>	<u>8,717,212</u>	<u>17,197,441</u>	<u>5,778,601</u>
Total governmental activities	<u>\$327,124,912</u>	<u>\$60,153,504</u>	<u>\$56,218,830</u>	331,059,586	<u>\$21,622,430</u>
Net deferred refunding and original issue premiums and discounts				<u>275,650</u>	
				<u>\$331,335,236</u>	
BUSINESS-TYPE ACTIVITIES					
EPB:					
Revenue bonds	\$288,060,000	\$ -	\$ 2,670,000	\$285,390,000	\$ 2,710,000
Notes payable	586,000	-	586,000	-	-
Compensated absences	<u>761,000</u>	<u>-</u>	<u>71,000</u>	<u>690,000</u>	<u>-</u>
	<u>289,407,000</u>	<u>-</u>	<u>3,327,000</u>	<u>286,080,000</u>	<u>2,710,000</u>
Interceptor Sewer System:					
General obligation serial bonds	47,820,059	-	6,673,376	41,146,683	5,676,792
Notes payable	50,500,718	1,697,202	3,285,731	48,912,189	2,952,968
Capital leases payable	147,723	-	25,018	122,705	26,585
Compensated absences	<u>1,000,835</u>	<u>399,186</u>	<u>602,433</u>	<u>797,588</u>	<u>343,204</u>
	<u>99,469,335</u>	<u>2,096,388</u>	<u>10,586,558</u>	<u>90,979,165</u>	<u>8,999,549</u>
Solid Waste/Sanitation Fund:					
General obligation serial bonds	23,962,414	-	2,590,802	21,371,612	2,718,407
Notes payable	850,696	-	62,244	788,452	64,170
Compensated absences	<u>66,802</u>	<u>53,578</u>	<u>54,728</u>	<u>65,652</u>	<u>29,847</u>
	<u>24,879,912</u>	<u>53,578</u>	<u>2,707,774</u>	<u>22,225,716</u>	<u>2,812,424</u>
Water Quality Management Fund:					
General obligation serial bonds	11,519,828	-	1,557,332	9,962,496	1,644,302
Notes payable	670,083	-	173,178	496,905	180,198
Compensated absences	<u>259,848</u>	<u>686,110</u>	<u>458,490</u>	<u>487,468</u>	<u>236,267</u>
	<u>12,449,759</u>	<u>686,110</u>	<u>2,189,000</u>	<u>10,946,869</u>	<u>2,060,767</u>
Housing Management Fund:					
Other obligation	<u>2,498,108</u>	<u>-</u>	<u>20,400</u>	<u>2,477,708</u>	<u>20,400</u>
Total business-type activities	<u>\$428,704,114</u>	<u>\$ 2,836,076</u>	<u>\$18,830,732</u>	412,709,458	<u>\$16,603,140</u>
Net deferred refunding and original issue premiums and discounts				<u>8,683,712</u>	
				<u>\$421,393,170</u>	

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
Discretely Presented Component Units					
Metropolitan Airport Authority:					
Revenue bonds	\$ 6,557,169	\$ -	\$ 292,268	\$ 6,264,901	\$ 308,912
Chattanooga Downtown Redevelopment Corporation:					
Revenue bonds	<u>121,790,000</u>	<u>-</u>	<u>3,050,000</u>	<u>118,740,000</u>	<u>3,205,000</u>
Total component units	<u>\$128,347,169</u>	<u>\$ -</u>	<u>\$ 3,342,268</u>	125,004,901	<u>\$ 3,513,912</u>
Net deferred refunding, original issue premiums and discounts and swaption derivative				<u>(465,684)</u>	
				<u>\$124,539,217</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 \$2,750,000 long-term obligation incurred related to acquisition of land 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 \$2,629,536 to Chattanooga Downtown Redevelopment Corporation (CDRC), which is budgeted in general government expenditures. Also, the payment to refunded bonds escrow agent includes a net deferred refunding debit of \$1,783,256.

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, 2010, the remaining liabilities for the bonds refunded were as follows:

<u>Year</u> <u>Refunded</u>	<u>Primary</u> <u>Government</u>	<u>Component</u> <u>Units</u>
1992	\$ 9,250,000	\$ -
1996	2,000,000	-
1998	12,375,000	-
2002	25,165,000	-
2003	9,745,000	-
2005	47,205,000	-
2007	17,715,000	55,340,000
2010	32,340,000	-

On January 20, 2010, the City issued \$34,265,000 in General Obligation Refunding Bonds with interest rates ranging from 2.00% to 4.00% for the purpose of refunding the following:

	<u>Bonds Refunded</u>	<u>Refunding</u> <u>Bonds Issued</u>
Governmental Activities	\$32,340,000	\$34,265,000

The effect of refunding the general obligation bonds resulted in a net decrease of total debt service payments over the next 21 years of \$2,231,450 and an economic gain (the difference between present values of the old and new debt service payments) of \$1,886,632. At June 30, 2010, the liability for the 2010 refunded bonds was \$32,340,000.

Debt related to governmental activities at June 30, 2010, 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>
Municipal Public Improvement Refunding, Series 1998	5.25% - 5.50%	\$ 3,865,500
Municipal Public Improvement Refunding, Series 2002 Refunding Bonds, 2002 Series A	4.38% - 5.38%	4,880,000
Hotel-Motel Tax Pledge, Series 2002	3.60% - 5.00%	1,435,767
General Obligation, 2003 Series A	3.13% - 5.00%	18,470,000
Refunding Bonds, 2005 Series A	3.50% - 4.20%	2,870,000
Hotel-Motel Tax Refunding, Series 2005A	3.50% - 5.00%	16,002,096
Municipal Public Improvement, Series 2006A	3.50% - 5.00%	5,427,970
Municipal Public Improvement Refunding, Series 2007A	4.00% - 5.00%	17,622,876
General Obligation, 2009 Series A	4.30% - 5.00%	14,520,000
General Obligation, 2010 Series A	3.00% - 4.63%	43,140,000
Hotel-Motel Tax Refunding, Series 2010 B	2.00% - 4.00%	6,725,000
General Obligation Refunding Bonds, 2010 Series B	2.00% - 4.00%	29,557,540
Recovery Zone Bonds, 2010 Series C	2.00% - 4.00%	4,707,460
		<u>6,840,000</u>
Total payable from the Debt Service Fund		<u>\$176,064,209</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, 2010, is \$1,454,023.

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, 2010, is \$3,224,944.

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, 2010, is \$18,792,722.

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, 2010, is \$18,059.

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, 2010, is \$453,498.

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, 2010, is \$250,000.

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, 2010, is \$4,271,000.

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, 2010, is \$51,871.

U.S. General Services Administration Land Note Payable – the City entered into an agreement with the U.S. General Services Administration for the purchase of land from them, jointly with Hamilton County, for economic development. The balance is due in full in 2015. The balance at June 30, 2010, is \$2,750,000.

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, 2010, was \$6,013,691, of which \$2,629,536 was a reduction of principal. The recorded liability under this capital lease at June 30, 2010, is \$106,308,081.

The debt service reserve fund held by the fiscal agent at June 30, 2010, is \$9,807,958. 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.

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, 2010, is \$223,738.

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, 2010, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
EPB:		
Electric System Revenue Bonds, Series 2000	4.63% - 5.00%	\$ 3,200,000
Electric System Revenue Bonds, Series 2006A	4.00% - 5.00%	38,930,000
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
Interceptor Sewer System Fund:		
Municipal Public Improvement Refunding, Series 1998	5.25% - 5.50%	9,841,600
Municipal Public Improvement Refunding, Series 2002 Refunding Bonds, 2002 Series A	4.25% - 4.50%	12,625,515
Refunding Bonds, 2002 Series A	3.60% - 5.00%	7,669,233
Refunding Bonds, 2005 Series A	3.75% - 5.00%	11,010,335
1992 State Revolving Loan*	3.98%	496,904
Georgia Environmental Facilities Authority	4.00%	4,035,967
State Revolving Loan 2003	2.98%	31,379,318
State Revolving Loan 2007	2.79%	13,000,000
City of Collegedale Capital Lease	6.36% - 6.68%	122,705
Solid Waste/Sanitation Fund:		
Municipal Public Improvement Refunding, Series 1998	5.50%	1,303,600
Municipal Public Improvement Refunding, Series 2002 Refunding Bonds, 2005 Series A	4.38% - 5.38%	3,982,992
Refunding Bonds, 2005 Series A	3.50% - 5.00%	8,787,896
Municipal Public Improvement, Series 2006A	4.00% - 5.00%	4,817,124
Municipal Public Improvement Refunding, Series 2007A	4.30% - 5.00%	2,480,000
2003 Tennessee Municipal Bond Fund Loan	0.38%	327,056
2004 Tennessee Municipal Bond Fund Loan	0.38%	461,396
Water Quality Management Fund:		
Municipal Public Improvement Refunding, Series 1998	5.50%	894,300
Municipal Public Improvement Refunding, Series 2002 Refunding Bonds, 2005 Series A	4.38% - 5.38%	2,976,493
Refunding Bonds, 2005 Series A	3.50% - 5.00%	5,341,703
Municipal Public Improvement Refunding, Series 2007A	4.30% - 5.00%	750,000
1992 State Revolving Loan*	3.98%	496,905
Housing Management Fund:		
Other obligation	0.31%	<u>2,477,708</u>
Total payable from business-type activities		<u>\$410,668,750</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, 2010, is \$993,809.

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, 2010, is \$4,035,967.

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, 2010, is \$31,379,318.

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, 2010, is \$13,000,000.

Collegedale 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, 2010, is \$122,705.

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, 2010, is \$2,477,708.

Component Units debt at June 30, 2010, 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%	\$ 6,264,901
Chattanooga Downtown Redevelopment Corporation: Chattanooga Lease Rental Revenue Bonds, Series 2000	5.00% - 5.88%	62,780,000
Chattanooga Lease Rental Refunding Revenue Bonds, Series 2007	4.00% - 5.00%	<u>55,960,000</u>
Total payable from Component Units		<u>\$125,004,901</u>

In March 2004, the Chattanooga Downtown Redevelopment Corporation (CDRC) sold a floating-to-fixed interest rate swaption by competitive bid. This swaption was a hybrid instrument consisting of a borrowing for financial reporting purposes and an interest rate swap.

The swaption contract provided the CDRC an up-front payment of \$3,088,000 as a synthetic refunding of a portion of its 2000 bonds. The synthetic refunding was based on the notional amount of \$59,655,000. Fair value of the embedded derivative instrument increased \$353,560 to (\$81,648) during fiscal year 2010 and is reported as revenue bonds payable in the Statement of Net Assets with the increase in fair value reported as investment income in the Statement of Activities of CDRC. Fair value was determined using a replacement rate as of the inception date of 4.70554%.

In July 2010 the counterparty notified CDRC of the intent to exercise the option and paid CDRC an additional premium of \$357,930. The swap was terminated effective October 1, 2010, with a swap termination payment by CDRC of \$15,619,000. The notional amount was refunded with fixed rate bonds.

Principal and interest requirements to maturity for bonds, notes and other obligations payable, excluding amounts for compensated absences, are as follows:

Year	Primary Government			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 12,990,625	\$ 7,082,356	\$ 15,967,237	\$ 18,222,682
2012	11,695,624	6,702,897	14,151,120	17,552,601
2013	11,325,496	6,357,954	14,604,908	16,922,681
2014	11,057,024	6,046,615	16,679,852	16,276,762
2015	14,135,178	5,727,848	17,994,865	15,562,454
2016-2020	53,486,402	23,305,581	89,975,774	65,965,567
2021-2025	52,326,697	14,328,352	79,963,860	47,861,015
2026-2030	35,993,280	4,495,144	82,143,721	29,112,822
2031-2035	4,320,000	172,800	77,097,000	7,936,195
2036-2040	-	-	1,967,708	23,242
	<u>\$207,330,326</u>	<u>\$74,219,547</u>	<u>\$410,546,045</u>	<u>\$235,436,021</u>

Year	Component Units	
	Principal	Interest
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	4,304,507	5,676,493
2016-2020	27,581,520	24,085,780
2021-2025	30,280,000	16,056,252
2026-2030	38,615,000	7,158,781
2031-2035	8,995,000	224,875
	<u>\$125,004,901</u>	<u>\$77,983,475</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
2011	\$ 2,853,204	\$ 6,903,542	\$ 26,585	\$ 7,068
2012	3,053,517	6,719,540	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	3,570,878	6,096,546	5,563	46
2016-2020	21,531,061	26,702,426	-	-
2021-2025	29,210,349	18,784,304	-	-
2026-2030	39,694,875	8,039,238	-	-
2031-2035	-	-	-	-
	<u>\$106,531,819</u>	<u>\$86,082,882</u>	<u>\$122,705</u>	<u>\$17,515</u>

NOTE 11. 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, 2009	\$15,207,769
Deferrals of compensation	1,211,796
Earnings (losses)	1,203,438
Withdrawals	(766,681)
Administrative expenses	<u>(613)</u>
Asset balance at June 30, 2010	<u>\$16,855,709</u>

NOTE 12. 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 7.57 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 21.40 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 12.43 percent of the total covered payroll of the participants.

The City has established an Other Postemployment Benefits Trust (the Trust), which is used to partially pre-fund benefits. For fiscal year 2010, the City contributed \$2,611,325 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, 2010:

<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	830	687	1,046
Vested terminated employees	92	7	0
Active employees	1,465	793	2,015
Actuarial update	1-1-2010	1-1-2010	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	12/31/09	\$ 3,817,842	99.01%	\$(4,100,566)
	12/31/08	3,635,302	92.18%	(4,138,811)
	12/31/07	3,540,962	98.90%	(4,177,414)
Firemen's and Policemen's Fund	12/31/09	7,818,280	107.01%	(4,677,104)
	12/31/08	7,623,063	109.40%	(4,129,090)
	12/31/07	7,437,283	99.88%	(3,412,170)
Other Postemployment Benefits	6/30/10	18,190,921	57.30%	27,201,450
	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	7.57%	21.40%	N/A
Contribution rates for plan members	2.00%	8.00%-9.00%	Varies
Annual pension/OPEB cost	\$3,817,842	\$7,818,280	\$18,190,921
Contributions made by employer	4,030,766	7,780,179	9,715,025
Contributions made by plan members	1,211,862	2,997,679	-
Actuarial valuation date for current contributions	January 1, 2010	January 1, 2010	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	29 Years Open	30 Years Open
Asset valuation method	Market Value, As Adjusted	Market Value, As Adjusted	Market Value
Actuarial assumptions:			
Investment rate of return	7.75%	7.75%	5.50%
Projected salary increases	4.50%-5.50%	3.25%-7.50%	3.00%-8.50%
Inflation rate	3.00%	3.00%	3.00%

In the July 1, 2008, actuarial valuation for the City's OPEB Plan, the investment rate of return above is the assumed rate of return on general assets. The actuarial valuation is also uses an annual healthcare cost trend rate of 8% initially, reducing incrementally to an ultimate rate of 5.0%.

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	\$ 3,779,597	\$ 7,903,392	\$ 18,459,218
Interest on net pension/OPEB obligation (asset)	(320,758)	(330,327)	1,068,882
Adjustment to annual required contribution	<u>359,003</u>	<u>245,215</u>	<u>(1,337,179)</u>
Annual pension/OPEB cost	3,817,842	7,818,280	18,190,921
Contributions made	<u>(3,779,597)</u>	<u>(8,366,294)</u>	<u>(10,423,688)</u>
Increase in net pension/OPEB obligation (asset)	38,245	(548,014)	7,767,233
Net pension/OPEB obligation (asset) at beginning of year	<u>(4,138,811)</u>	<u>(4,129,090)</u>	<u>19,434,217</u>
Net pension/OPEB obligation (asset) at end of year	<u>\$(4,100,566)</u>	<u>\$(4,677,104)</u>	<u>\$ 27,201,450</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	\$ -	\$ 998,590	\$ 998,590
Accrued income	<u>273,440</u>	<u>246,527</u>	<u>519,967</u>
Total receivables	<u>273,440</u>	<u>1,245,117</u>	<u>1,518,557</u>
Investments, at fair value:			
U.S. Government securities	-	8,940,978	8,940,978
Corporate bonds	3,723,123	10,506,998	14,230,121
Foreign bonds	-	774,098	774,098
Corporate stocks	65,104,292	60,569,024	125,673,316
Mutual funds - equity	33,393,032	43,318,724	76,711,756
Mutual funds - fixed income	50,326,020	39,850,317	90,176,337
Temporary investments	5,082,071	4,302,950	9,385,021
Limited partnerships	32,267,627	15,329,620	47,597,247
Other investments	<u>-</u>	<u>975,000</u>	<u>975,000</u>
Total investments	<u>189,896,165</u>	<u>184,567,709</u>	<u>374,463,874</u>
Total assets	<u>190,169,605</u>	<u>185,812,826</u>	<u>375,982,431</u>
LIABILITIES			
Due to plan custodian for securities purchased	-	669,950	669,950
Accrued expenses	<u>115,533</u>	<u>377,547</u>	<u>493,080</u>
Total liabilities	<u>115,533</u>	<u>1,047,497</u>	<u>1,163,030</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$190,054,072</u>	<u>\$184,765,329</u>	<u>\$374,819,401</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	\$ 4,030,776	\$ 7,780,179	\$ 11,810,955
Employee	<u>1,211,862</u>	<u>2,997,679</u>	<u>4,209,541</u>
Total contributions	<u>5,242,638</u>	<u>10,777,858</u>	<u>16,020,496</u>

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>	<u>Total</u>
ADDITIONS			
Investment income:			
Net appreciation in fair market value of investments	\$ 22,244,022	\$ 11,332,492	\$ 33,576,514
Interest	341,247	3,402,282	3,743,529
Dividends	<u>1,753,676</u>	<u>1,336,454</u>	<u>3,090,130</u>
	<u>24,338,945</u>	<u>16,071,228</u>	<u>40,410,173</u>
Less investment expense	<u>(477,409)</u>	<u>(407,920)</u>	<u>(885,329)</u>
Net investment income (loss)	<u>23,861,536</u>	<u>15,663,308</u>	<u>39,524,844</u>
Total additions	<u>29,104,174</u>	<u>26,441,166</u>	<u>55,545,340</u>
DEDUCTIONS			
Benefits paid to participants	11,619,170	21,394,398	33,013,568
Administrative expenses	<u>122,338</u>	<u>635,121</u>	<u>757,459</u>
Total deductions	<u>11,741,508</u>	<u>22,029,519</u>	<u>33,771,027</u>
NET INCREASE	17,362,666	4,411,647	21,774,313
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
Beginning of year	<u>172,691,406</u>	<u>180,353,682</u>	<u>353,045,088</u>
End of year	<u>\$190,054,072</u>	<u>\$184,765,329</u>	<u>\$374,819,401</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 7.99% of annual covered payroll.

EPB's annual pension cost of the Plan for the current year was approximately \$2,200,000. EPB has no net pension obligation at June 30, 2010, as calculated by actuarial valuation. The annual required contribution was determined as part of an actuarial valuation performed as of August 1, 2009, 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 7.5% per year compounded annually, (b) projected salary increases of 3.0% per year compounded annually, (c) no postretirement benefit increases, and (d) a discount rate of 7.5% for preretirement and a blend of 7.5% and 4.0% for post-retirement.

Trend Information:

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$2,200,000	100%	\$ -
6/30/09	2,500,000	100%	-
6/30/08	2,000,000	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 2010, EPB contributed approximately \$1.6 million for current claims.

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 annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each evaluation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long term perspective of the calculators.

Trend Information:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$1,766,000	93%	\$9,272,000
6/30/09	1,864,000	99%	9,141,000
6/30/08	1,659,000	121%	9,121,000

In the July 1, 2009, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 6.5% 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 7.5% initially, reduced by decrements of .25% per year to an ultimate rate of

5.5% in 2017. 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, 2009, was twenty years.

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

Annual required contribution	\$1,766,000
Interest on net OPEB obligation (asset)	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	1,766,000
Contributions made	<u>1,635,000</u>
Increase in net OPEB obligation	131,000
Net OPEB obligation at beginning of year	<u>9,141,000</u>
Net OPEB obligation at end of year	<u><u>\$9,272,000</u></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 approximately \$899,000 for the year ended June 30, 2010.

(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:			
6/30/10	\$686,159	100.0%	\$ -
6/30/09	325,203	100.0%	-
6/30/08	512,089	100.0%	-
Defined Benefit Plan:			
6/30/10	\$ 79,922	62.6%	\$133,085
6/30/09	112,405	66.7%	103,163
6/30/08	112,405	0.0%	65,758

NOTE 13. CONSERVATION PROGRAMS

EPB is a fiscal intermediary for the Tennessee Valley Authority's (TVA) conservation programs. As of June 30, 2010, outstanding funds advanced by TVA totaled \$43,000 to be used by EPB for customer loans in connection with TVA's insulation and heat pump conservation programs. At June 30, 2010, the outstanding receivables for loans made from these funds amounted to \$41,000. A total of approximately \$78,400,000 has been loaned to EPB's customers since the programs were begun in 1977.

NOTE 14. 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	\$11,554,316
Multiplied by two-thirds	<u> x 2/3</u>
City's equity interest	<u>\$ 7,702,877</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, 2010, is as follows:

ASSETS

Cash	\$ 868,653
Accounts receivable, net	176,831
Due from other governments	162,500
Inventories	68,370
Prepaid items	63,701
Capital assets, net	<u>10,632,036</u>
Total assets	<u>\$11,972,091</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 292,958
Advance deposits	104,817
Deferred revenue	<u>20,000</u>
Total liabilities	<u>417,775</u>

NET ASSETS

Invested in capital assets, net of related debt	10,632,036
Restricted	389,590
Unrestricted	<u>532,690</u>
Total net assets	<u>11,554,316</u>
Total liabilities and net assets	<u>\$11,972,091</u>

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Total operating revenues	\$ 5,527,582
Total operating expenses	<u>6,631,812</u>
Loss from operations	(1,104,230)
Nonoperating revenues	290,929
Capital contributions	<u>518,500</u>
Net decrease	(294,801)
Net assets at July 1, 2009	<u>11,849,117</u>
Net assets at June 30, 2010	<u>\$11,554,316</u>

NOTE 15. 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, 2010. The total contractual commitments outstanding as of June 30, 2010, aggregated approximately \$21,245,389. Also, the City's remaining commitments to the VW facility described in Note 3 are \$2,860,559 at June 30, 2010. The City has sufficient funds available to cover these commitments.

NOTE 16. 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.

The Industrial Development Board has issued at least thirty-one (31) bond issues since 1984, the original amounts of which were \$559,195,000. The Board has no means of determining the outstanding amount of these bonds.

The Health, Educational and Housing Facility Board has issued at least forty-nine (49) bond issues since 1985, the original amount of which were \$1,253,720,000. The Board has no means of determining the outstanding amount of these bonds.

NOTE 17. 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. 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 \$9,903,161 at June 30, 2010, is based on the use of 100 percent of the capacity of the Summitt landfill, and 98 percent of the capacity of the City landfill. The estimated remaining life of the City landfill is 0.42 years. Changes in the estimated liability for landfill closure and postclosure care costs for the year ended June 30, 2010, are as follows:

Estimated liability, June 30, 2009	\$9,793,507
Expenses recognized	327,723
Costs incurred	<u>(218,069)</u>
Estimated liability, June 30, 2010	<u>\$9,903,161</u>
Due within one year	<u>\$ 605,392</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. The City will recognize the remaining estimated costs of closure and postclosure care of \$90,454 as the remaining capacity is used. The estimated total current cost of the landfill closure and postclosure care of \$9,993,615 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, 2010. 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 18. POLLUTION REMEDIATION

Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," requires financial reporting for certain obligations relating to pollution remediation activities. Currently, three sites have been identified that meet the definitions for reporting, and the City has accrued costs of \$1,430,000 for these sites. The recorded obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

Montague Park, which is on the Tennessee Department of Environment and Conservation's (TDEC) remediated site list, is an old construction landfill site. The park was closed in 2003 when methane gas leaks were found. The City is in the process of re-evaluating the cap area for application of an alternative cap in compliance with TDEC. The City has determined the likely outlay for remediation to be \$1,350,000. The reasonable range of potential outlays was estimated and multiplied by the probability of occurring. This estimate will be evaluated annually as the specific future use of the property is determined. The site is not included in the landfill post-closure requirement of GASB.

Two brownfield remediation program sites, 45th Street and Ohls Avenue, have been identified for remediation activities to address contamination from hazardous substances. The City has determined the likely outlay for remediation for each to be \$240,000. The reasonable range of potential outlays was estimated and multiplied by the probability of occurring. Each site has been awarded a \$200,000 grant from the U.S. Environmental Protection Agency to cover the majority of the expected costs of cleanup.

NOTE 19. 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, 2010, 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, 2010, the Internal Service Fund liability consists of \$6,911,000 related to torts and \$2,546,322 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, 2008	\$ 361,505	\$ 5,778,505
Incurred claims, including IBNRs/reduction in estimated liabilities	22,277,336	21,978,476
Claim payments	<u>(22,216,479)</u>	<u>(21,378,597)</u>
Unpaid claims, June 30, 2009	422,362	6,378,384
Incurred claims, including IBNRs/reduction in estimated liabilities	25,886,563	24,085,589
Claim payments	<u>(25,958,172)</u>	<u>(21,006,651)</u>
Unpaid claims, June 30, 2010	<u>\$ 350,753</u>	<u>\$ 9,457,322</u>
Due within one year	<u>\$ 350,753</u>	<u>\$ 9,457,322</u>

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEE RETIREMENT SYSTEMS
SCHEDULE OF FUNDING PROGRESS
June 30, 2010

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, 2010	\$ 237,386,130	\$ 265,993,912	\$ 28,607,782	89.20%	\$ 58,140,286	49.20%
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%
Firemen's and Policemen's Insurance and Pension Fund						
January 1, 2010	\$ 265,201,631	\$ 358,088,214	\$ 92,886,583	74.06%	\$ 34,573,261	268.67%
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%
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, 2009	\$ 30,259,000	\$ 34,299,000	\$ 4,040,000	88.20%	\$ 25,629,000	15.80%
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%
Other Postemployment Benefits						
July 1, 2009	\$ 13,051,000	\$ 24,044,000	\$ 10,993,000	54.20%	\$ 25,629,000	42.90%
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, 2010

CITY OF CHATTANOOGA ADMINISTERED PLANS

Year Ended June 30	General Pension Plan		Firemen's and Policemen's Insurance and Pension Fund		Other Postemployment Benefits	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2010	\$3,780,000	100.0%	\$7,903,392	105.9%	\$18,459,218	57.30%
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

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.

	General Pension Plan	Firemen's and Policemen's Insurance and Pension Fund	Other Postemployment Benefits
Valuation date	1/1/2010	1/1/2010	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	29 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%	7.75%	5.50%
Projected salary increases	4.50% - 5.50%	3.25%	3.00% - 8.50%
Includes inflation at	3.00%	3.25%	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.

Regional Planning Agency Fund accounts for revenues and expenditures of the Chattanooga-Hamilton County Regional Planning Agency.

Air Pollution Control Fund accounts for the grants, revenues and expenditures of the Air Pollution Control Bureau, a jointly funded agency of the City of Chattanooga and Hamilton County.

Scenic Cities Beautiful Commission Fund accounts for revenues and expenditures of Scenic Cities Beautiful Commission, a jointly funded agency of the City of Chattanooga and Hamilton County.

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, 2010

	Special Revenue											Permanent		Total Nonmajor Governmental Funds	
	Public Library	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax	River Pier Garage	Regional Planning Agency	Air Pollution Control	Scenic Cities Beautiful Commission	Total	Debt Service		Library Endowment
ASSETS															
Cash and cash equivalents	\$ 1,495,811	\$ 11,780	\$ 244,810	\$ 2,450,920	\$ 603,626	\$ 695,389	\$ 1,034,609	\$ 187,063	\$ 1,048,110	\$ 915,493	\$ 250,197	\$ 8,937,808	\$ 4,418,141	\$ 97,921	\$ 13,453,870
Investments	55,676	-	-	-	370,550	-	-	-	-	-	-	426,226	-	3,118,689	3,544,915
Accounts receivable	3,976	-	7,194	2,813	33	-	844,505	17,986	36	-	-	876,543	-	-	876,543
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	453,499	-	453,499
Due from other governments	-	-	3,165,660	-	761,771	1,386,073	-	-	121,205	-	-	5,434,709	-	-	5,434,709
Prepaid items	-	-	-	-	-	-	-	-	-	-	-	-	470	-	470
Total assets	\$ 1,555,463	\$ 11,780	\$ 3,417,664	\$ 2,453,733	\$ 1,735,980	\$ 2,081,462	\$ 1,879,114	\$ 205,049	\$ 1,169,351	\$ 915,493	\$ 250,197	\$ 15,675,286	\$ 4,872,110	\$ 3,216,610	\$ 23,764,006
LIABILITIES AND FUND BALANCES															
LIABILITIES															
Accounts payable and accrued liabilities	\$ 182,985	\$ -	\$ 1,029,367	\$ 1,071,765	\$ 146,021	\$ 139,806	\$ -	\$ -	\$ 121,263	\$ 84,147	\$ 2,343	\$ 2,777,697	\$ -	\$ 156	\$ 2,777,853
Due to other funds	-	-	-	-	-	-	482,713	-	-	-	-	482,713	1,745	-	484,458
Deferred revenue	-	-	500	-	363,286	788,859	471,210	-	-	-	-	1,623,855	-	-	1,623,855
Total liabilities	182,985	-	1,029,867	1,071,765	509,307	928,665	953,923	-	121,263	84,147	2,343	4,884,265	1,745	156	4,886,166
FUND BALANCES															
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	470	3,134,995	3,135,465
Restricted	686,239	11,780	3,165,660	1,381,968	1,226,673	1,152,797	925,191	-	584,647	415,673	123,927	9,674,555	-	81,459	9,756,014
Committed	686,239	-	-	-	-	-	-	-	463,441	415,673	123,927	1,689,280	4,869,895	-	6,559,175
Assigned	-	-	-	-	-	-	205,049	-	-	-	-	205,049	-	-	205,049
Unassigned	-	-	(777,863)	-	-	-	-	-	-	-	-	(777,863)	-	-	(777,863)
Total fund balances	1,372,478	11,780	2,387,797	1,381,968	1,226,673	1,152,797	925,191	205,049	1,048,088	831,346	247,854	10,791,021	4,870,365	3,216,454	18,877,840
Total liabilities and fund balances	\$ 1,555,463	\$ 11,780	\$ 3,417,664	\$ 2,453,733	\$ 1,735,980	\$ 2,081,462	\$ 1,879,114	\$ 205,049	\$ 1,169,351	\$ 915,493	\$ 250,197	\$ 15,675,286	\$ 4,872,110	\$ 3,216,610	\$ 23,764,006

CITY OF CHATTANOOGA, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2010

	Special Revenue											Permanent		Total Nonmajor Governmental Funds	
	Public Library	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/ Motel Tax	River Pier Garage	Regional Planning Agency	Air Pollution Control	Scenic Cities Beautiful Commission	Total	Debt Service		Library Endowment
REVENUES															
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,058,621	\$ -	\$ -	\$ -	\$ -	\$ 4,058,621	\$ -	\$ -	\$ 4,058,621
Licenses and permits	-	-	-	-	-	-	-	-	90,888	449,368	-	540,256	-	-	540,256
Intergovernmental	2,738,500	-	15,348,742	44,804	4,154,921	3,988,357	-	-	1,848,080	633,951	52,588	28,809,943	1,286,612	-	30,096,555
Charges for services	288,874	-	39,204	-	-	-	-	296,876	-	-	-	624,954	-	-	624,954
Investment income	47,355	-	20,534	1,900	4,220	2,301	16,612	-	-	-	-	92,922	-	389,129	482,051
Contributions and donations	38,152	-	73,747	500	-	-	-	-	-	-	705	113,104	-	1,000	114,104
Miscellaneous	70,299	-	44,652	838,302	-	748,021	-	-	3,160	725	-	1,705,159	19,437	-	1,724,596
Total revenues	3,183,180	-	15,526,879	885,506	4,159,141	4,738,679	4,075,233	296,876	1,942,128	1,084,044	53,293	35,944,959	1,306,049	390,129	37,641,137
EXPENDITURES															
General government	5,735,825	-	-	-	-	-	110,418	161,048	2,718,744	1,436,562	56,197	10,218,794	93,970	87,488	10,400,252
Public safety	-	-	-	384,640	-	-	-	-	-	-	-	384,640	-	-	384,640
Public works	-	-	-	-	3,940,663	-	-	-	-	-	-	3,940,663	-	-	3,940,663
Social services	-	-	16,783,009	-	-	6,107,292	-	-	-	-	-	22,890,301	-	-	22,890,301
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	19,680,034	-	19,680,034
Total expenditures	5,735,825	-	16,783,009	384,640	3,940,663	6,107,292	110,418	161,048	2,718,744	1,436,562	56,197	37,434,398	19,774,004	87,488	57,295,890
Excess (deficiency) of revenues over (under) expenditures	(2,552,645)	-	(1,256,130)	500,866	218,478	(1,368,613)	3,964,815	135,828	(776,616)	(352,518)	(2,904)	(1,489,439)	(18,467,955)	302,641	(19,654,753)
OTHER FINANCING SOURCES (USES)															
Transfers in	2,659,000	-	1,233,477	-	-	-	-	-	1,188,584	270,820	5,000	5,356,881	14,413,317	-	19,770,198
Transfers out	-	-	-	(41,029)	-	(908,063)	(2,685,160)	-	-	-	-	(3,634,252)	-	-	(3,634,252)
Total other financing sources (uses)	2,659,000	-	1,233,477	(41,029)	-	(908,063)	(2,685,160)	-	1,188,584	270,820	5,000	1,722,629	14,413,317	-	16,135,946
Net change in fund balance	106,355	-	(22,653)	459,837	218,478	(2,276,676)	1,279,655	135,828	411,968	(81,698)	2,096	233,190	(4,054,638)	302,641	(3,518,807)
FUND BALANCE, beginning	1,266,123	11,780	2,410,450	922,131	1,008,195	3,429,473	(354,464)	69,221	636,120	913,044	245,758	10,557,831	8,925,003	2,913,813	22,396,647
FUND BALANCE, ending	\$ 1,372,478	\$ 11,780	\$ 2,387,797	\$ 1,381,968	\$ 1,226,673	\$ 1,152,797	\$ 925,191	\$ 205,049	\$ 1,048,088	\$ 831,346	\$ 247,854	\$ 10,791,021	\$ 4,870,365	\$ 3,216,454	\$ 18,877,840

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, 2010

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
OPERATING REVENUES				
Charges for services	\$ 7,247,464	\$ 6,363,088	\$ 17,924,607	\$ 31,535,159
Other	-	167,834	-	167,834
Total operating revenues	<u>7,247,464</u>	<u>6,530,922</u>	<u>17,924,607</u>	<u>31,702,993</u>
OPERATING EXPENSES				
Airport operations	5,735,676	-	-	5,735,676
CARTA operations	-	15,582,982	-	15,582,982
CDRC operations	-	-	9,821,828	9,821,828
Management fees	246,208	-	379,619	625,827
Maintenance	244,263	-	-	244,263
Depreciation and amortization	<u>3,066,308</u>	<u>5,902,570</u>	<u>411,627</u>	<u>9,380,505</u>
Total operating expenses	<u>9,292,455</u>	<u>21,485,552</u>	<u>10,613,074</u>	<u>41,391,081</u>
OPERATING INCOME (LOSS)	<u>(2,044,991)</u>	<u>(14,954,630)</u>	<u>7,311,533</u>	<u>(9,688,088)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	-	6,346,453	-	6,346,453
Investment income	26,323	357	816,975	843,655
Interest expense	(351,110)	(34,114)	(6,403,222)	(6,788,446)
Other income (expense)	<u>1,205,859</u>	<u>-</u>	<u>-</u>	<u>1,205,859</u>
Total nonoperating revenues (expenses)	<u>881,072</u>	<u>6,312,696</u>	<u>(5,586,247)</u>	<u>1,607,521</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(1,163,919)</u>	<u>(8,641,934)</u>	<u>1,725,286</u>	<u>(8,080,567)</u>
Capital contributions	<u>7,504,082</u>	<u>6,371,120</u>	<u>-</u>	<u>13,875,202</u>
CHANGE IN NET ASSETS	<u>6,340,163</u>	<u>(2,270,814)</u>	<u>1,725,286</u>	<u>5,794,635</u>
Net assets, beginning	<u>70,513,460</u>	<u>30,416,318</u>	<u>2,636,063</u>	<u>104,001,049</u>
Net assets, ending	<u>\$ 76,853,623</u>	<u>\$ 28,145,504</u>	<u>\$ 4,361,349</u>	<u>\$ 109,360,476</u>

CITY OF CHATTANOOGA, TENNESSEE
 COMBINING STATEMENT OF CASH FLOWS
 COMPONENT UNITS
 Year Ended June 30, 2010

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 7,377,178	\$ 6,359,491	\$ 18,037,393	\$ 31,774,062
Payments to suppliers	(4,618,729)	(4,259,579)	(4,627,148)	(13,505,456)
Payments to employees	-	(11,013,517)	-	(11,013,517)
Cost of services	-	-	(5,433,689)	(5,433,689)
Net cash provided by (used in) operating activities	<u>2,758,449</u>	<u>(8,913,605)</u>	<u>7,976,556</u>	<u>1,821,400</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental payments received	-	6,346,453	-	6,346,453
Net cash provided by noncapital financing activities	<u>-</u>	<u>6,346,453</u>	<u>-</u>	<u>6,346,453</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital debt	(292,268)	-	(3,050,000)	(3,342,268)
Payments to primary government	-	(106,454)	-	(106,454)
Principal received on capital lease	-	-	2,629,535	2,629,535
Interest paid on capital debt	(352,589)	-	(6,312,556)	(6,665,145)
Capital contributions	9,843,218	7,293,784	-	17,137,002
Additions to capital assets	(8,961,337)	(5,256,580)	(630,338)	(14,848,255)
Passenger facility charges collected	1,230,901	-	-	1,230,901
Net cash flows provided by (used in) capital and related financing activities	<u>1,467,925</u>	<u>1,930,750</u>	<u>(7,363,359)</u>	<u>(3,964,684)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	-	-	(72,803,100)	(72,803,100)
Proceeds from sales and maturities of investments	-	-	72,915,305	72,915,305
Interest on investments	26,323	357	465,325	492,005
Net cash flows provided by investing activities	<u>26,323</u>	<u>357</u>	<u>577,530</u>	<u>604,210</u>
Net increase (decrease) in cash and cash equivalents	4,252,697	(636,045)	1,190,727	4,807,379
Cash and cash equivalents, beginning of year	5,764,300	1,887,024	2,960,317	10,611,641
Cash and cash equivalents, end of year	<u>\$ 10,016,997</u>	<u>\$ 1,250,979</u>	<u>\$ 4,151,044</u>	<u>\$ 15,419,020</u>
CLASSIFIED AS:				
Current assets	\$ 9,083,965	\$ 873,979	\$ 4,151,044	\$ 14,108,988
Restricted assets	933,032	377,000	-	1,310,032

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
 COMBINING STATEMENT OF CASH FLOWS
 COMPONENT UNITS
 Year Ended June 30, 2010

(continued from previous page)

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
OPERATING INCOME (LOSS)	\$ (2,044,991)	\$ (14,954,630)	\$ 7,311,533	\$ (9,688,088)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Depreciation and amortization	3,066,308	5,913,820	411,627	9,391,755
Loss on disposal of property and equipment	1,235,582	-	-	1,235,582
Bad debt expense	9,664	-	-	9,664
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	133,209	(159,361)	112,786	86,634
(Increase) decrease in inventory	-	(30,462)	17,689	(12,773)
(Increase) decrease in prepaid items	25,082	(296,722)	-	(271,640)
Decrease in other assets	-	-	116,695	116,695
Increase in accounts payable and accrued liabilities	325,478	613,750	6,226	945,454
Increase in deferred revenue	8,117	-	-	8,117
TOTAL ADJUSTMENTS	4,803,440	6,041,025	665,023	11,509,488
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 2,758,449	\$ (8,913,605)	\$ 7,976,556	\$ 1,821,400
SIGNIFICANT NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Additions to property and equipment included in contracts payable	\$ 1,006,329	\$ -	\$ -	\$ 1,006,329

CITY OF CHATTANOOGA, TENNESSEE

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
ASSETS				
Cash	\$ (1,200,496)	\$ 346,787,743	\$ 345,223,825	\$ 363,422
Due from others	<u>1,200,496</u>	<u>-</u>	<u>1,200,496</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ 346,787,743</u>	<u>\$ 346,424,321</u>	<u>\$ 363,422</u>
LIABILITIES				
Due to others	<u>\$ -</u>	<u>\$ 346,787,743</u>	<u>\$ 346,424,321</u>	<u>\$ 363,422</u>
Total liabilities	<u>\$ -</u>	<u>\$ 346,787,743</u>	<u>\$ 346,424,321</u>	<u>\$ 363,422</u>

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 92,004,177	\$ 92,004,177	\$ 92,141,143	\$ 136,966
Property in lieu of taxes:				
Burner Systems	1,789	1,789	395	(1,394)
Chattanooga Housing Authority	25,000	25,000	331,397	306,397
Tennessee Valley Authority	1,584,000	1,584,000	1,754,192	170,192
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	57,857	57,857	-	(57,857)
Signal Mountain Cement	91,878	91,878	76,733	(15,145)
Covenant Transport	22,673	22,673	21,449	(1,224)
Regis Corporation	10,265	10,265	-	(10,265)
Dev Corp O Knob	434	434	435	1
Chattanooga Labeling System	7,745	7,745	-	(7,745)
Chattem Inc.	15,840	15,840	15,288	(552)
Central Block Corp.	2,363	2,363	-	(2,363)
LJT of Tennessee	26,098	26,098	36,705	10,607
Provident Life & Accident Insurance Co.	9,764	9,764	9,809	45
South Market LLC	1,762	1,762	1,762	-
American Plastic Ind.	50,784	50,784	48,426	(2,358)
Custom Baking	19,374	19,374	14,713	(4,661)
Dupont - Sabanci Intl.	22,594	22,594	17,049	(5,545)
Frazier Partners LLC	618	618	618	-
Invista	24,966	24,966	31,267	6,301
Advanced Tech Ceramic	7,943	7,943	-	(7,943)
United Enertach Corp	7,336	7,336	7,720	384
Aerisyn, Inc	31,502	31,502	32,225	723
TAG Manufacturing	33,051	33,051	41,855	8,804
Wm Wrigley Jr Co	42,958	42,958	53,192	10,234
Astec Industries	19,897	19,897	31,275	11,378
Blue Cross Blue Shield	454,454	454,454	1,011,332	556,878
East Tech Co	5,420	5,420	9,549	4,129
Heatec, Inc	2,262	2,262	3,491	1,229
Modern Industries	5,966	5,966	-	(5,966)
Roadtec	11,733	11,733	22,195	10,462
Sphere One Inc	5,767	5,767	7,995	2,228
Steel Warehouse of TN	9,489	9,489	19,243	9,754
U.S. Xpress Inc	47,640	47,640	43,738	(3,902)
United Packers of Chattanooga	17,240	17,240	34,050	16,810
MK LLC	6,517	6,517	2,030	(4,487)
Jarnigan Road-EMJ Corp	-	-	15,500	15,500
Madem Reels USA	-	-	5,061	5,061
National Print-Posters	-	-	6,490	6,490
Southern Champion Tray	-	-	6,701	6,701
Vision Chestnut Hotel Group	-	-	49,403	49,403
Alstom Power Inc.	-	-	160,810	160,810
Refunds	-	-	(9,782)	(9,782)
Corporate excise taxes - intangible property	200,000	200,000	224,020	24,020
Interest and penalty on taxes	750,000	750,000	895,212	145,212
Collection fees - delinquent taxes	160,000	160,000	240,216	80,216
Other local taxes:				
Franchise taxes	2,242,200	2,242,200	2,248,279	6,079
Liquor taxes	1,978,800	1,978,800	1,973,682	(5,118)
Beer taxes	5,508,000	5,508,000	5,089,018	(418,982)
Litigation taxes - City Court	3,700	3,700	3,526	(174)
Gross receipts tax	4,005,000	4,005,000	3,790,913	(214,087)
Total taxes	109,542,826	109,542,826	110,526,290	983,464
Licenses and permits:				
Motor vehicle licenses	380,000	380,000	404,595	24,595
Business licenses (excluding liquor)	150,000	150,000	101,130	(48,870)
Fees for issuing business licenses	57,000	57,000	56,963	(37)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

(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	\$ 5,638	\$ (362)
Wrecker permits	6,000	6,000	6,650	650
Building permits	750,000	750,000	976,155	226,155
Electrical permits	115,000	115,000	133,287	18,287
Plumbing fixtures connection permits	125,000	125,000	142,586	17,586
Street cut-in permits	300,000	300,000	255,325	(44,675)
Annual electrical contractors licenses	64,000	64,000	53,200	(10,800)
Penalty-electrical fees & licenses	300	300	669	369
Plumbing examiner fees	30,000	30,000	37,090	7,090
Electrical examiner fees	30,000	30,000	66,365	36,365
Gas examiner fees	30,000	30,000	10,720	(19,280)
Beer permit application fees	90,000	90,000	87,817	(2,183)
Mechanical code permits	65,000	65,000	59,481	(5,519)
Mechanical examiner fees	60,000	60,000	58,220	(1,780)
Fees for issuing construction, renovation permits	40,000	40,000	44,305	4,305
Liquor by drink licenses	125,000	125,000	133,860	8,860
Liquor by drink, interest and penalty	1,200	1,200	4,192	2,992
Variance request fees	5,000	5,000	6,150	1,150
Construction board of appeals	2,000	2,000	3,982	1,982
Zoning letter	8,000	8,000	7,100	(900)
Sign board of appeals	2,500	2,500	2,900	400
Certificates of occupancy	18,000	18,000	14,635	(3,365)
Sewer verification letter	300	300	750	450
Code compliance letter fee	1,000	1,000	900	(100)
Push cart permits	-	-	225	225
Adult Entertain Application Fees	4,000	4,000	14,600	10,600
Modular homesite investigation	-	-	150	150
Plan checking fee	150,000	150,000	183,809	33,809
Phased construction plans review	7,200	7,200	28,470	21,270
Cell tower site/location review	2,000	2,000	-	(2,000)
Dead animal pick up fee at vet	6,000	6,000	1,761	(4,239)
Hotel permits	2,000	2,000	4,450	2,450
Gas permits	5,000	5,000	4,154	(846)
Exhibitor fees	1,200	1,200	1,809	609
Sign permits	150,000	150,000	117,560	(32,440)
Taxicab driver permits	7,000	7,000	3,330	(3,670)
Temporary use permits	3,000	3,000	2,800	(200)
Subdivision review/inspection fee	20,000	20,000	10,540	(9,460)
Miscellaneous licenses and permits	8,000	8,000	20,146	12,146
Designated revenues:				
Zoo Admission	319,555	319,555	319,555	-
FOZ Gift Shop Sales	326,232	326,232	326,232	-
Parking meters	1,113,720	1,113,720	1,113,720	-
Total licenses and permits	4,586,207	4,586,207	4,827,976	241,769
Intergovernmental revenues:				
City allocation - state beer tax	89,000	89,000	77,086	(11,914)
City allocation - state income tax	2,500,000	2,500,000	2,578,926	78,926
City allocation - state sales tax	10,300,000	10,300,000	9,904,220	(395,780)
County-wide sales tax	25,600,000	25,600,000	25,116,025	(483,975)
Mixed drink tax	1,775,000	1,775,000	1,888,061	113,061
State maintenance of streets	230,000	230,000	318,287	88,287
State gas inspection fees	340,000	340,000	334,015	(5,985)
State alcoholic beverage taxes	96,000	96,000	99,820	3,820
Hamilton County - Ross's Landing	913,930	913,930	897,203	(16,727)
Hamilton County - radio and electronics	170,000	170,000	151,089	(18,911)
State - shared commission gross receipts	150,000	150,000	223,587	73,587
State - telecommunication sales tax	20,000	20,000	13,500	(6,500)
State Funds	472,200	472,200	596,298	124,098
Federal Funds	1,100	1,100	15,009	13,909
Other local governments	160,000	160,000	76,953	(83,047)
Designated revenues:				
County-wide sales tax	10,400,000	10,400,000	10,182,243	(217,757)
TDZ - State	-	-	1,809,794	1,809,794
TDZ - County	-	-	549,755	549,755
Other designated revenue	5,562,724	5,562,724	8,586,997	3,024,273
Total intergovernmental revenues	58,779,954	58,779,954	63,418,868	4,638,914

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CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Charges for services:				
City court costs	\$ 316,200	\$ 316,200	\$ 286,525	\$ (29,675)
State court costs	2,000	2,000	2,498	498
City Court Clerk fees	1,200,000	1,200,000	1,019,769	(180,231)
Charges for financial services, EPB	7,200	7,200	7,200	-
Fire and ambulance service fees	200	200	205	5
Warner/Montague Park ballfield fees	192,150	192,150	21,263	(170,887)
Champion's Club fees	40,000	40,000	53,696	13,696
Kidz Kamp fees	66,153	66,153	60,505	(5,648)
Sports program fees	2,000	2,000	15,309	13,309
Non-traditional program fees	5,000	5,000	12,985	7,985
Fitness center fees	45,000	45,000	50,824	5,824
Outventure fees	20,000	20,000	22,313	2,313
Credit card processing fee	57,000	57,000	92,894	35,894
Over/under collections	-	-	3,579	3,579
Land and building rents	439,500	439,500	499,986	60,486
Dock rental (wharf)	35,000	35,000	57,098	22,098
Civic facilities show merchandise	-	-	27,835	27,835
Memorial Auditorium box office	150,000	150,000	271,854	121,854
Swimming pools	70,000	70,000	77,562	7,562
Park concessions	55,000	55,000	129,014	74,014
Recreation center rental	75,000	75,000	63,897	(11,103)
Carousel ridership	95,000	95,000	97,416	2,416
Police reports: accidents, etc., fees	115,000	115,000	45,902	(69,098)
Applicant/Photo/ID card fees	1,800	1,800	1,070	(730)
Skateboard park fees	65,000	65,000	49,574	(15,426)
Park event fee	6,000	6,000	7,325	7,325
Arts & culture fees	10,000	10,000	18,673	8,673
Therapeutic Kamp fee	2,000	2,000	2,819	819
Preservation fee - civic facilities	100,000	100,000	152,500	52,500
General pension administration cost	25,000	25,000	40,000	15,000
Miscellaneous revenues	61,000	61,000	371,150	310,150
Designated revenues:				
Other designated revenue	2,146,628	2,146,628	1,988,785	(157,843)
Total charges for services	5,404,831	5,404,831	5,558,025	153,194
Fines, forfeitures, and penalties:				
City court fines	738,000	738,000	617,140	(120,860)
Criminal court fines	140,000	140,000	155,746	15,746
Parking tickets	550,000	550,000	460,541	(89,459)
Delinquent parking tickets	120,000	120,000	116,436	(3,564)
Air pollution penalties	1,500	1,500	74,056	72,556
Miscellaneous forfeitures and penalties	1,600	1,600	2,251	651
Designated revenues	1,300,000	1,300,000	1,830,813	530,813
Total fines, forfeitures, and penalties	2,851,100	2,851,100	3,256,983	405,883

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CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Miscellaneous revenues:				
Interest earned	\$ 500,000	\$ 500,000	\$ 554,057	\$ 54,057
Sale of property	80,000	80,000	30,330	(49,670)
Other miscellaneous revenue	2,784,247	2,784,247	3,048,572	264,325
Designated revenues:				
Interest	3,053	3,053	105,601	102,548
Contributions and donations	188,956	188,956	181,798	(7,158)
Other	13,264	87,334	113,810	26,476
Total miscellaneous revenues	3,569,520	3,643,590	4,034,168	390,578
Total revenues	184,734,438	184,808,508	191,622,310	6,813,802
EXPENDITURES				
General Government:				
City Council	690,617	690,617	690,358	(259)
Allied Arts Council	231,250	231,250	231,250	-
Community Impact Fund	208,511	208,511	208,511	-
Front Porch Alliance	27,000	27,000	27,000	-
Finley Stadium	60,000	60,000	60,000	-
Choose Chattanooga	20,000	20,000	20,000	-
Community Foundation scholarships	120,000	120,000	120,000	-
Carcog and Economic Development District	31,111	31,111	31,111	-
Carter Street lease agreement	185,000	185,000	185,000	-
Chattanooga Neighborhood Enterprises	900,000	900,000	900,000	-
Friends of Moccasin Bend	30,000	30,000	30,000	-
Chattanooga Area Food Bank	15,000	15,000	15,000	-
Alexian Brothers Senior	22,094	22,094	22,094	-
City Court (Judicial)	719,990	719,990	716,018	(3,972)
Railroad Authority	67,822	67,822	-	(67,822)
Enterprise Center	237,500	237,500	137,500	(100,000)
Enterprise South Nature Park	283,861	283,861	233,810	(50,051)
Children's Advocacy Center	22,500	22,500	22,500	-
Election Expense	10,000	10,000	-	(10,000)
Information Services	3,022,837	3,022,837	2,833,499	(189,338)
Telephone Systems	161,160	161,160	155,382	(5,778)
Homeless Health Care Centers	15,750	15,750	15,750	-
African-American Museum	64,000	64,000	64,000	-
Regional History Museum	18,000	18,000	18,000	-
City Attorney's Office	1,085,413	1,085,413	1,108,135	22,722
Contingency fund	162,762	162,762	1,072	(161,690)
Chattanooga Area Urban League	50,000	50,000	50,000	-
Chattanooga Downtown Partnership	40,000	40,000	40,000	-
CARTA	3,851,000	3,851,000	3,851,000	-
Pensions and UIC	68,000	68,000	95,744	27,744
Tennessee Riverpark	1,219,775	1,219,775	1,154,397	(65,378)
WTC1 - Channel 45	45,000	45,000	45,000	-
Tuition assistance program	20,000	20,000	12,262	(7,738)
Renewal and replacement	600,159	600,159	466,310	(133,849)
311 call center	533,364	533,364	488,180	(45,184)
Audits, dues and surveys	226,999	226,999	128,947	(98,052)
Internal Audit	478,764	478,764	458,218	(20,546)
Intergovernmental relations	457,147	457,147	310,849	(146,298)
City water quality management fees	85,000	85,000	274,627	189,627
Industrial Development Board	417,000	5,164,968	5,164,968	-
Telecommunication Operations	174,681	174,681	173,725	(956)
ESIP Security Services	53,021	53,021	55,496	2,475
Liability insurance premiums	3,032,772	3,032,772	3,478,237	445,465

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
General Government: (continued)				
Designated expenses:				
M.L. King plan	\$ -	\$ -	\$ 17,449	\$ 17,449
CARTA parking meters	1,113,720	1,113,720	1,113,720	-
Automated traffic enforcement	885,200	885,200	1,309,091	423,891
Disaster recovery & relief	3,708	3,708	-	(3,708)
Economic development	8,162,556	8,162,556	8,373,240	210,684
General government grants	112,061	112,061	112,061	-
Chattanooga Opportunity Fund	-	-	43,032	43,032
TN Multicultural Chamber of Commerce	75,000	75,000	75,000	-
Chamber of Economic Development	450,000	450,000	450,000	-
Chamber of Commerce Mktg-Enterprise South	75,000	75,000	98,095	23,095
Total General Government	30,642,105	35,390,073	35,685,638	295,565
Executive:				
Office of the Mayor:				
Executive office administration	874,250	874,250	865,287	(8,963)
Multicultural affairs	308,822	308,822	308,070	(752)
Office of faith based initiatives	212,907	212,907	228,187	15,280
Designated expenses:				
Go Fest	31,250	31,250	9,586	(21,664)
Chattanooga Community Resource Center	41,381	41,381	41,381	-
Power of One	1,950	1,950	8,415	6,465
Art of Change	550	550	-	(550)
Multicultural affairs programs	1,500	1,500	-	(1,500)
Total Executive	1,472,610	1,472,610	1,460,926	(11,684)
Finance and Administration:				
Finance administration	2,068,872	2,068,872	2,034,358	(34,514)
Office of City Treasurer	708,256	708,256	707,963	(293)
Clerk's Office Operations	898,393	898,393	905,491	7,098
Designated expenses:				
City court technology	86,129	86,129	5,364	(80,765)
Animal care trust	-	-	16,686	16,686
Total Finance and Administration	3,761,650	3,761,650	3,669,862	(91,788)
General Services:				
Administration	325,865	325,865	325,513	(352)
Purchasing	789,803	789,803	756,267	(33,536)
Building Maintenance	1,018,499	1,018,499	1,010,552	(7,947)
Mobile Communications	535,294	535,294	534,178	(1,116)
Real Estate Office	56,761	56,761	37,725	(19,036)
Chattanooga Community Resource Center	17,840	17,840	17,838	(2)
Designated expenses:				
PSIC planning & training	-	-	11,483	11,483
PSIC capital acquisitions & deployment	5,863,553	5,863,553	5,852,070	(11,483)
IECGP regional interoperability	81,794	81,794	81,794	-
Heritage Hall	121,248	121,248	90,186	(31,062)
DRC building operations	725,087	725,087	169,528	(555,559)
Total General Services	9,535,744	9,535,744	8,887,134	(648,610)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Personnel:				
Personnel administration	\$ 998,757	\$ 998,757	\$ 918,723	\$ (80,034)
Insurance office	5,906,866	5,906,866	5,895,811	(11,055)
Insurance programs	96,201	96,201	81,671	(14,530)
Total Personnel	7,001,824	7,001,824	6,896,205	(105,619)
Neighborhood Services:				
Administration	562,834	562,834	541,795	(21,039)
Codes & community services	1,265,552	1,265,552	1,280,979	15,427
Designated expenses:				
Neighborhood initiatives	-	-	16,000	16,000
Neighborhood partners projects	55,000	55,000	78,883	23,883
Total Neighborhood Services	1,883,386	1,883,386	1,917,657	34,271
Police:				
Administration	9,372,937	9,372,937	9,545,423	172,486
Uniformed services	19,544,960	19,544,960	19,057,815	(487,145)
Investigative and support services	6,655,345	6,655,345	6,596,921	(58,424)
Operational support services	5,633,080	5,633,080	5,917,954	284,874
Designated expenses:				
Special programs	91,779	91,779	69,122	(22,657)
Law enforcement planning	1,047,062	1,047,062	1,053,950	6,888
Operational support services	16,686	16,686	-	(16,686)
Other police grants	193,676	193,676	397,884	204,208
Reduction part I offenses	49,163	49,163	14,965	(34,198)
Total Police	42,604,688	42,604,688	42,654,034	49,346
Fire:				
Administration	297,676	297,676	419,687	122,011
Operations	27,739,347	27,739,347	27,563,625	(175,722)
Designated expenses:				
Operations	(1,333)	(1,333)	288,440	289,773
Total Fire	28,035,690	28,035,690	28,271,752	236,062
Public Works:				
Administration	908,911	908,911	900,871	(8,040)
City Engineer	2,005,028	2,005,028	2,119,955	114,927
City-wide services	988,559	988,559	996,426	7,867
Street cleaning	2,362,077	2,362,077	2,255,553	(106,524)
Emergency	825,557	825,557	800,583	(24,974)
Utilities	140,775	140,775	165,387	24,612
Solid waste subsidy	5,740,775	5,740,775	5,740,775	-
Waste pickup	5,955,683	5,955,683	5,972,250	16,567
Municipal forestry	542,542	542,542	558,451	15,909
Storm stations	96,300	96,300	54,058	(42,242)
Land development	2,514,585	2,514,585	2,461,333	(53,252)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Public Works: (continued)				
Traffic management:				
Administration	\$ 761,581	\$ 761,581	\$ 752,626	\$ (8,955)
Control	1,797,151	1,797,151	1,755,717	(41,434)
Street lighting	2,886,021	2,886,021	2,942,943	56,922
Designated expenses:				
Technology	132,210	132,210	63,840	(68,370)
Municipal forestry	9,268	83,338	112,739	29,401
Public works week	6,550	6,550	6,359	(191)
Public works grant	1,067	1,067	1,067	-
Total Public Works	<u>27,674,640</u>	<u>27,748,710</u>	<u>27,660,933</u>	<u>(87,777)</u>
Parks and Recreation:				
Administration	1,644,364	1,644,364	1,741,922	97,558
Recreation:				
Recreation centers	2,219,577	2,219,577	2,323,365	103,788
Fitness center	189,730	189,730	211,447	21,717
Athletic facilities	939,388	939,388	500,554	(438,834)
Sports	157,549	157,549	165,376	7,827
Outdoor recreation	359,181	359,181	345,844	(13,337)
Kidz Kamp Program	215,196	215,196	154,432	(60,764)
Aquatics	173,312	173,312	189,188	15,876
Therapeutic Recreation	113,511	113,511	111,396	(2,115)
Parks maintenance:				
Administration	687,822	687,822	775,167	87,345
Warner Park Zoo	578,115	578,115	593,717	15,602
City-wide security	4,402,076	4,402,076	4,601,784	199,708
Designated expenses:				
Brainerd Golf Course	748,049	748,049	804,964	56,915
Brown Acres Golf Course	1,014,695	1,014,695	870,219	(144,476)
Zoo special programs	727,391	727,391	722,034	(5,357)
Special programs	34,305	34,305	55,539	21,234
Public Arts	136,052	136,052	97,923	(38,129)
Grants	500,000	500,000	505,605	5,605
Total Parks and Recreation	<u>14,840,313</u>	<u>14,840,313</u>	<u>14,770,476</u>	<u>(69,837)</u>
Education, Arts and Culture:				
Administration	346,131	346,131	341,988	(4,143)
Cultural Arts	63,550	63,550	29,433	(34,117)
Civic facilities:				
Administration	773,085	773,085	808,439	35,354
Memorial Auditorium	398,665	398,665	391,542	(7,123)
Tivoli Theatre	315,309	315,309	293,669	(21,640)
Concessions	41,794	41,794	63,868	22,074
Arts and culture facilities:				
North River	92,233	92,233	86,330	(5,903)
Eastgate Center	122,537	122,537	126,324	3,787
Heritage House	71,435	71,435	57,342	(14,093)
Designated expenses:				
Tivoli Theatre	(19,806)	(19,806)	-	19,806
EAC grants	-	-	3,276	3,276
EAC special programs	7,244	7,244	6,377	(867)
Total Education, Arts and Culture	<u>2,212,177</u>	<u>2,212,177</u>	<u>2,208,588</u>	<u>(3,589)</u>
Total expenditures	<u>169,664,827</u>	<u>174,486,865</u>	<u>174,083,205</u>	<u>(403,660)</u>
Excess of revenues over expenditures	<u>15,069,611</u>	<u>10,321,643</u>	<u>17,539,105</u>	<u>7,217,462</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

(continued from previous page)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,909,893	\$ 3,909,893	\$ 4,020,000	\$ 110,107
Transfers out	<u>(22,479,187)</u>	<u>(23,554,536)</u>	<u>(23,681,689)</u>	<u>(127,153)</u>
Total other financing sources (uses)	<u>(18,569,294)</u>	<u>(19,644,643)</u>	<u>(19,661,689)</u>	<u>(17,046)</u>
Net change in fund balance	(3,499,683)	(9,323,000)	(2,122,584)	7,200,416
FUND BALANCE at beginning of year	<u>41,952,077</u>	<u>41,952,077</u>	<u>41,952,077</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 38,452,394</u>	<u>\$ 32,629,077</u>	<u>\$ 39,829,493</u>	<u>\$ 7,200,416</u>

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - DESIGNATED REVENUES
Year Ended June 30, 2010

	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		
Reduction - Part I offenses	\$ -	\$ 35,496	\$ -	\$ -	\$ 13,667	\$ 49,163	\$ -	\$ 35,496	\$ -	\$ -	\$ 13,667	\$ 49,163	\$ -
Municipal golf courses	-	-	1,827,653	-	-	1,827,653	-	1,334	1,664,804	-	11,732	1,677,870	(149,783)
Free Public Library	-	-	-	-	-	-	-	-	-	-	6,792	6,792	6,792
Law enforcement planning	-	1,041,036	-	-	7,579	1,048,615	-	1,038,923	-	-	7,579	1,046,502	(2,113)
Nonprofit request	-	-	-	-	-	-	-	-	1,450	-	-	1,450	1,450
Economic Development and Education	-	10,400,000	-	-	-	10,400,000	-	12,541,792	1,524	-	96,296	12,639,612	2,239,612
Special programs	1,759,507	4,423,539	318,975	1,300,000	258,097	8,060,118	1,759,507	7,448,591	321,007	1,830,813	265,143	11,625,061	3,564,943
African-American Museum	-	62,653	-	-	-	62,653	-	62,653	-	-	-	62,653	-
Total designated revenues	\$ 1,759,507	\$ 15,962,724	\$ 2,146,628	\$ 1,300,000	\$ 279,343	\$ 21,448,202	\$ 1,759,507	\$ 21,128,789	\$ 1,988,785	\$ 1,830,813	\$ 401,209	\$ 27,109,103	\$ 5,660,901

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

PUBLIC LIBRARY FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

	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	-	-	96,000	96,000
Investment income	24,001	24,001	47,355	23,354
Book sales	101,750	101,750	103,550	1,800
Donations	17,000	17,000	38,152	21,152
Miscellaneous	213,685	213,685	258,123	44,438
Total revenues	2,996,436	2,996,436	3,183,180	186,744
EXPENDITURES				
Central branch and administration	4,568,735	4,568,735	4,504,243	(64,492)
Eastgate branch	343,930	343,930	341,250	(2,680)
Northgate branch	286,718	286,718	287,897	1,179
Ooltewah/Collegedale branch	296,250	296,250	303,930	7,680
South Chattanooga branch	148,887	148,887	147,459	(1,428)
Capital outlay	38,000	38,000	13,812	(24,188)
Other	57,001	57,001	137,234	80,233
Total expenditures	5,739,521	5,739,521	5,735,825	(3,696)
Deficiency of revenues under expenditures	(2,743,085)	(2,743,085)	(2,552,645)	190,440
OTHER FINANCING SOURCES				
Transfers in	2,640,000	2,640,000	2,659,000	19,000
Net change in fund balance	(103,085)	(103,085)	106,355	209,440
FUND BALANCE at beginning of year	1,266,123	1,266,123	1,266,123	-
FUND BALANCE at end of year	\$ 1,163,038	\$ 1,163,038	\$ 1,372,478	\$ 209,440

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

DOWNTOWN DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Downtown development	\$ -	\$ -	\$ -	\$ -
Total expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
FUND BALANCE at beginning of year	11,780	11,780	11,780	-
FUND BALANCE at end of year	<u>\$ 11,780</u>	<u>\$ 11,780</u>	<u>\$ 11,780</u>	<u>\$ -</u>

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

HUMAN SERVICES PROGRAM FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 9,647,224	\$ 9,647,224	\$ 10,988,583	\$ 1,341,359
State of Tennessee funds	7,726,132	7,726,132	4,360,159	(3,365,973)
United Way	3,000	3,000	1,821	(1,179)
Project Warm Neighbors	22,000	22,000	26,826	4,826
Day care fees	46,641	46,641	39,204	(7,437)
Donations	45,100	45,100	45,100	-
Investment income	40,613	40,613	20,534	(20,079)
Other	-	-	44,652	44,652
Total revenues	17,530,710	17,530,710	15,526,879	(2,003,831)
EXPENDITURES				
Administration	938,783	938,783	1,048,231	109,448
Headstart program	9,510,729	9,510,729	8,711,276	(799,453)
Day care	748,159	748,159	735,334	(12,825)
Food program	120,482	120,482	153,127	32,645
Weatherization program	3,945,647	3,945,647	1,282,299	(2,663,348)
Foster grandparent program	497,877	497,877	494,292	(3,585)
Low-income energy assistance	1,092,019	1,092,019	2,311,427	1,219,408
Community services block grant	1,481,505	1,481,505	1,506,506	25,001
Title II commodities	200,000	200,000	177,820	(22,180)
Emergency food and shelter	-	-	46,398	46,398
Other human services programs	130,009	130,009	114,120	(15,889)
Capital outlay	95,100	95,100	202,179	107,079
Total expenditures	18,760,310	18,760,310	16,783,009	(1,977,301)
Deficiency of revenues under expenditures	(1,229,600)	(1,229,600)	(1,256,130)	(26,530)
OTHER FINANCING SOURCES				
Transfers in	1,233,477	1,233,477	1,233,477	-
Net change in fund balance	3,877	3,877	(22,653)	(26,530)
FUND BALANCE at beginning of year	2,410,450	2,410,450	2,410,450	-
FUND BALANCE at end of year	\$ 2,414,327	\$ 2,414,327	\$ 2,387,797	\$ (26,530)

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

NARCOTICS PROGRAM FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 50,000	\$ 50,000	\$ 43,156	\$ (6,844)
State of Tennessee funds	12,000	12,000	1,648	(10,352)
Confiscated money, vehicles and equipment	300,000	300,000	699,273	399,273
Donations	-	-	500	500
Investment income	-	-	1,900	1,900
Other	100,000	100,000	139,029	39,029
Total revenues	462,000	462,000	885,506	423,506
EXPENDITURES				
Narcotics program	362,000	362,000	323,549	(38,451)
Capital outlay	100,000	100,000	61,091	(38,909)
Total expenditures	462,000	462,000	384,640	(77,360)
Excess of revenues over expenditures	-	-	500,866	500,866
OTHER FINANCING USES				
Transfers out	-	-	(41,029)	(41,029)
Net change in fund balance	-	-	459,837	459,837
FUND BALANCE at beginning of year	922,131	922,131	922,131	-
FUND BALANCE at end of year	<u>\$ 922,131</u>	<u>\$ 922,131</u>	<u>\$ 1,381,968</u>	<u>\$ 459,837</u>

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

STATE STREET AID FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 3,970,115	\$ 3,970,115	\$ 4,154,921	\$ 184,806
Investment income	<u>15,000</u>	<u>15,000</u>	<u>4,220</u>	<u>(10,780)</u>
Total revenues	<u>3,985,115</u>	<u>3,985,115</u>	<u>4,159,141</u>	<u>174,026</u>
EXPENDITURES				
Salaries and wages	2,412,526	2,412,526	2,112,538	(299,988)
Fringe benefits	956,012	956,012	818,814	(137,198)
Purchased services	32,710	32,710	84,117	51,407
Vehicle operations	297,017	297,017	595,675	298,658
Materials and supplies	210,500	210,500	237,997	27,497
Other services	<u>76,350</u>	<u>76,350</u>	<u>91,522</u>	<u>15,172</u>
Total expenditures	<u>3,985,115</u>	<u>3,985,115</u>	<u>3,940,663</u>	<u>(44,452)</u>
Net change in fund balance	-	-	218,478	218,478
FUND BALANCE at beginning of year	<u>1,008,195</u>	<u>1,008,195</u>	<u>1,008,195</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 1,008,195</u>	<u>\$ 1,008,195</u>	<u>\$ 1,226,673</u>	<u>\$ 218,478</u>

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

COMMUNITY DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Federal Funds	\$ 7,264,452	\$ 7,264,452	\$ 3,904,627	\$ (3,359,825)
State of Tennessee	-	-	83,730	83,730
Investment income	-	-	2,301	2,301
Miscellaneous	1,236,924	1,236,924	748,021	(488,903)
Total revenues	<u>8,501,376</u>	<u>8,501,376</u>	<u>4,738,679</u>	<u>(3,762,697)</u>
EXPENDITURES				
Administration	373,238	373,238	477,959	104,721
Community development projects	3,025,948	3,025,948	807,904	(2,218,044)
Home investment programs	2,687,285	2,687,285	1,905,166	(782,119)
Emergency shelter programs	82,840	82,840	78,573	(4,267)
Other programs	677,917	677,917	2,835,273	2,157,356
Capital outlay	7,690	7,690	2,417	(5,273)
Total expenditures	<u>6,854,918</u>	<u>6,854,918</u>	<u>6,107,292</u>	<u>(747,626)</u>
Excess of revenues over (under) expenditures	1,646,458	1,646,458	(1,368,613)	(3,015,071)
OTHER FINANCING USES				
Transfers out	<u>(1,210,679)</u>	<u>(1,210,679)</u>	<u>(908,063)</u>	<u>302,616</u>
Net change in fund balance	435,779	435,779	(2,276,676)	(2,712,455)
FUND BALANCE at beginning of year	<u>3,429,473</u>	<u>3,429,473</u>	<u>3,429,473</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 3,865,252</u>	<u>\$ 3,865,252</u>	<u>\$ 1,152,797</u>	<u>\$ (2,712,455)</u>

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

HOTEL/MOTEL TAX FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Investment income	\$ -	\$ -	\$ 16,612	\$ 16,612
Taxes	<u>3,939,000</u>	<u>3,939,000</u>	<u>4,058,621</u>	<u>119,621</u>
Total revenues	<u>3,939,000</u>	<u>3,939,000</u>	<u>4,075,233</u>	<u>136,233</u>
EXPENDITURES				
Contracted services	<u>108,780</u>	<u>108,780</u>	<u>110,418</u>	<u>1,638</u>
Total expenditures	<u>108,780</u>	<u>108,780</u>	<u>110,418</u>	<u>1,638</u>
Excess of revenues over expenditures	3,830,220	3,830,220	3,964,815	134,595
OTHER FINANCING USES				
Transfers out	<u>(3,830,220)</u>	<u>(3,830,220)</u>	<u>(2,685,160)</u>	<u>1,145,060</u>
Net change in fund balance	-	-	1,279,655	1,279,655
FUND BALANCE at beginning of year	<u>(354,464)</u>	<u>(354,464)</u>	<u>(354,464)</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ (354,464)</u>	<u>\$ (354,464)</u>	<u>\$ 925,191</u>	<u>\$ 1,279,655</u>

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

RIVER PIER GARAGE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Parking garage income	<u>\$ 296,876</u>	<u>\$ 296,876</u>	<u>\$ 296,876</u>	<u>\$ -</u>
Total revenues	<u>296,876</u>	<u>296,876</u>	<u>296,876</u>	<u>-</u>
EXPENDITURES				
Contracted services	<u>161,051</u>	<u>161,051</u>	<u>161,048</u>	<u>(3)</u>
Total expenditures	<u>161,051</u>	<u>161,051</u>	<u>161,048</u>	<u>(3)</u>
Net change in fund balance	135,825	135,825	135,828	3
FUND BALANCE at beginning of year	<u>69,221</u>	<u>69,221</u>	<u>69,221</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 205,046</u>	<u>\$ 205,046</u>	<u>\$ 205,049</u>	<u>\$ 3</u>

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

REGIONAL PLANNING AGENCY FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ -	\$ -	\$ 78,592	\$ 78,592
State of Tennessee	641,001	641,001	779,481	138,480
Hamilton County funds	990,007	990,007	990,007	-
Other intergovernmental	117,383	117,383	-	(117,383)
Other	102,000	102,000	94,048	(7,952)
Total revenues	1,850,391	1,850,391	1,942,128	91,737
EXPENDITURES				
Administration	2,078,989	2,078,989	1,661,705	(417,284)
Transportation planning	863,784	863,784	958,469	94,685
Brownsfields cleanup	-	-	84,996	84,996
Other programs	-	-	579	579
Capital outlay	34,800	34,800	12,995	(21,805)
Total expenditures	2,977,573	2,977,573	2,718,744	(258,829)
Deficiency of revenues under expenditures	(1,127,182)	(1,127,182)	(776,616)	350,566
OTHER FINANCING SOURCES				
Transfers in	1,221,317	1,221,317	1,188,584	(32,733)
Net change in fund balance	94,135	94,135	411,968	317,833
FUND BALANCE at beginning of year	636,120	636,120	636,120	-
FUND BALANCE at end of year	\$ 730,255	\$ 730,255	\$ 1,048,088	\$ 317,833

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

AIR POLLUTION CONTROL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 367,341	\$ 367,341	\$ 445,403	\$ 78,062
Hamilton County funds	188,548	188,548	188,548	-
Permits	844,219	844,219	449,368	(394,851)
Other	-	-	725	725
Total revenues	<u>1,400,108</u>	<u>1,400,108</u>	<u>1,084,044</u>	<u>(316,064)</u>
EXPENDITURES				
Operations	1,476,474	1,476,474	1,332,815	(143,659)
Special Programs	202,307	202,307	63,161	(139,146)
Capital outlay	15,700	15,700	40,586	24,886
Total expenditures	<u>1,694,481</u>	<u>1,694,481</u>	<u>1,436,562</u>	<u>(257,919)</u>
Deficiency of revenues under expenditures	(294,373)	(294,373)	(352,518)	(58,145)
OTHER FINANCING USES				
Transfers in	<u>270,820</u>	<u>270,820</u>	<u>270,820</u>	<u>-</u>
Net change in fund balance	(23,553)	(23,553)	(81,698)	(58,145)
FUND BALANCE at beginning of year	<u>913,044</u>	<u>913,044</u>	<u>913,044</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 889,491</u>	<u>\$ 889,491</u>	<u>\$ 831,346</u>	<u>\$ (58,145)</u>

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

SCENIC CITIES BEAUTIFUL COMMISSION FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
State of Tennessee	\$ 32,600	\$ 32,600	\$ 29,700	\$ (2,900)
Hamilton County funds	22,888	22,888	22,888	-
Donations	-	-	705	705
Total revenues	<u>55,488</u>	<u>55,488</u>	<u>53,293</u>	<u>(2,195)</u>
EXPENDITURES				
Operations	<u>109,117</u>	<u>109,117</u>	<u>56,197</u>	<u>(52,920)</u>
Total expenditures	<u>109,117</u>	<u>109,117</u>	<u>56,197</u>	<u>(52,920)</u>
Deficiency of revenues under expenditures	(53,629)	(53,629)	(2,904)	50,725
OTHER FINANCING SOURCES				
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net change in fund balance	(48,629)	(48,629)	2,096	50,725
FUND BALANCE at beginning of year	<u>245,758</u>	<u>245,758</u>	<u>245,758</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 197,129</u>	<u>\$ 197,129</u>	<u>\$ 247,854</u>	<u>\$ 50,725</u>

CITY OF CHATTANOOGA, TENNESSEE

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Hamilton County, Tennessee funds	\$ 1,136,613	\$ 1,136,613	\$ 1,086,612	\$ (50,001)
911 reimbursement	200,000	200,000	200,000	-
Other	-	-	19,437	19,437
Total revenues	<u>1,336,613</u>	<u>1,336,613</u>	<u>1,306,049</u>	<u>(30,564)</u>
EXPENDITURES				
Principal retirement	12,542,843	12,542,843	12,532,082	(10,761)
Interest	8,879,508	8,879,508	7,147,952	(1,731,556)
Fiscal charges	100,000	100,000	93,970	(6,030)
Total expenditures	<u>21,522,351</u>	<u>21,522,351</u>	<u>19,774,004</u>	<u>(1,748,347)</u>
Deficiency of revenues under expenditures	(20,185,738)	(20,185,738)	(18,467,955)	1,717,783
OTHER FINANCING SOURCES				
Transfers in	<u>15,185,738</u>	<u>15,185,738</u>	<u>14,413,317</u>	<u>(772,421)</u>
Net change in fund balance	(5,000,000)	(5,000,000)	(4,054,638)	945,362
FUND BALANCE at beginning of year	<u>8,925,003</u>	<u>8,925,003</u>	<u>8,925,003</u>	-
FUND BALANCE at end of year	<u>\$ 3,925,003</u>	<u>\$ 3,925,003</u>	<u>\$ 4,870,365</u>	<u>\$ 945,362</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 INVESTMENTS BY FUND
June 30, 2010

	Interest Rate	Maturity Date	Amount
GENERAL FUND			
Federal Home Loan Bank	0.86%	06/28/12	\$ 25,000,000
Certificate of Deposit	1.05%	08/10/10	73,442
Certificate of Deposit	0.75%	02/23/11	5,000,000
Certificate of Deposit	0.74%	03/03/11	474,281
CAPITAL PROJECTS			
Certificate of Deposit	0.22%	07/26/10	1,000,000
Certificate of Deposit	0.27%	08/23/10	313,000
Certificate of Deposit	1.15%	09/15/10	242,908
Certificate of Deposit	0.92%	12/14/10	360,969
Certificate of Deposit	0.64%	12/20/10	882,231
Certificate of Deposit	0.55%	12/21/10	500,000
Certificate of Deposit	0.63%	01/20/11	750,000
Certificate of Deposit	0.72%	02/22/11	1,000,000
Certificate of Deposit	0.80%	03/21/11	750,000
Certificate of Deposit	0.90%	04/06/11	400,000
Certificate of Deposit	1.00%	05/26/11	750,095
Certificate of Deposit	0.90%	06/06/11	608,677
Certificate of Deposit	1.15%	06/27/11	1,148,862
Certificate of Deposit	1.15%	06/27/11	750,210
Certificate of Deposit	1.04%	08/04/11	100,000
Certificate of Deposit	1.18%	12/02/11	1,060,000
SPECIAL REVENUE FUNDS			
State Street Aid:			
Certificate of Deposit	1.06%	06/28/11	370,550
Public Library:			
Certificate of Deposit	1.16%	09/09/10	52,506
Certificate of Deposit	0.75%	02/11/11	3,170
Total governmental fund investments, excluding permanent funds			<u>\$ 41,590,901</u>
ENTERPRISE FUNDS			
Electric Power Board:			
Certificate of Deposit	1.81%	09/16/10	\$ 5,000,000
Certificate of Deposit	1.05%	09/16/10	5,000,000
Certificate of Deposit	1.40%	09/23/10	5,000,000
Certificate of Deposit	1.10%	09/23/10	5,042,000
Certificate of Deposit	0.80%	09/30/10	7,000,000
Certificate of Deposit	1.81%	10/28/10	5,000,000
Certificate of Deposit	1.60%	03/03/11	5,000,000
Interceptor Sewer Fund:			
Federal Home Loan Bank	0.86%	06/28/12	25,800,000
Certificate of Deposit	0.92%	11/30/10	1,611,861
Certificate of Deposit	0.75%	02/23/11	4,000,000
Certificate of Deposit	1.03%	05/10/11	3,000,000
Solid Waste/Sanitation Fund:			
Certificate of Deposit	1.40%	07/30/10	722,855
Certificate of Deposit	0.42%	09/27/10	5,814,684
Certificate of Deposit	0.64%	12/20/10	410,875
Total enterprise fund investments			<u>\$ 78,402,275</u>

CITY OF CHATTANOOGA, TENNESSEE
 COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE
 Year Ended June 30, 2010

Tax Year (1)	Property Taxes Receivable Balance June 30, 2009	Property Taxes Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2010	Allowance for Uncollectibles	Net Receivable Balance June 30, 2010
2010	\$ -	\$ -	\$91,139,289	\$ -	\$ -	\$ 91,139,289	\$ -	\$91,139,289
2009	-	93,958,030	-	(737,941)	88,615,281	4,604,808	748,742	3,856,066
2008	4,668,117	-	-	157,444	2,460,690	2,364,870	712,772	1,652,098
2007	1,620,886	-	-	(73)	641,429	979,386	503,600	475,786
2006	701,992	-	-	1,150	441,269	261,873	223,797	38,076
2005	399,016	-	-	(1,190)	59,934	337,892	323,025	14,867
2004	277,936	-	-	(1,571)	6,958	269,407	269,407	-
2003	204,712	-	-	(53)	5,477	199,181	199,181	-
2002	301,000	-	-	(50)	435	300,515	300,515	-
2001	483,400	-	-	-	-	483,400	483,400	-
2000	235,388	-	-	227	1,270	234,345	234,345	-
Totals	<u>\$ 8,892,447</u>	<u>\$93,958,030</u>	<u>\$91,139,289</u>	<u>\$ (582,057)</u>	<u>\$ 92,232,743</u>	<u>\$ 101,174,966</u>	<u>\$ 3,998,784</u>	<u>\$97,176,182</u>

Note:

- (1) All years prior to 2008 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, 2010

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
2011	\$ 15,843,829	\$ 13,985,898	\$ 29,829,727
2012	14,749,141	13,422,437	28,171,578
2013	14,559,414	12,880,553	27,439,967
2014	14,441,041	12,361,302	26,802,343
2015	17,706,056	11,824,394	29,530,450
2016	15,294,265	11,253,111	26,547,376
2017	14,983,641	10,659,211	25,642,852
2018	15,627,204	10,042,805	25,670,009
2019	14,338,951	9,350,232	23,689,183
2020	14,773,402	8,702,648	23,476,050
2021	15,378,601	8,126,426	23,505,027
2022	16,003,748	7,418,310	23,422,058
2023	16,662,175	6,692,499	23,354,674
2024	17,182,399	5,851,765	23,034,164
2025	16,310,123	5,023,656	21,333,779
2026	17,085,426	4,161,306	21,246,732
2027	15,004,267	3,252,449	18,256,716
2028	14,671,391	2,454,297	17,125,688
2029	15,220,579	1,722,933	16,943,512
2030	13,706,492	943,397	14,649,889
2031	4,320,000	172,800	4,492,800
Total governmental activities	<u>313,862,145</u>	<u>160,302,429</u>	<u>474,164,574</u>
BUSINESS-TYPE ACTIVITIES			
2011	15,993,822	18,229,750	34,223,572
2012	14,179,406	17,557,967	31,737,373
2013	14,635,041	16,926,201	31,561,242
2014	16,711,990	16,278,277	32,990,267
2015	18,000,428	15,562,500	33,562,928
2016	17,383,890	14,794,581	32,178,471
2017	19,087,528	14,020,359	33,107,887
2018	19,841,274	13,204,321	33,045,595
2019	19,060,223	12,345,573	31,405,796
2020	14,602,859	11,600,733	26,203,592
2021	14,982,205	10,972,636	25,954,841
2022	15,609,991	10,303,480	25,913,471
2023	16,264,984	9,604,700	25,869,684
2024	16,967,222	8,872,219	25,839,441
2025	16,139,458	8,107,980	24,247,438
2026	15,643,760	7,356,871	23,000,631
2027	15,713,761	6,598,233	22,311,994
2028	17,455,400	5,844,266	23,299,666
2029	16,265,400	5,065,343	21,330,743
2030	17,065,400	4,248,109	21,313,509
2031	17,900,400	3,389,102	21,289,502
2032	18,780,400	2,486,264	21,266,664
2033	19,705,400	1,531,839	21,237,239
2034	20,690,400	522,901	21,213,301
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	5,353	1,911,861
Total business-type activities	<u>410,668,750</u>	<u>235,453,536</u>	<u>646,122,286</u>
Total primary government indebtedness	<u>\$ 724,530,895</u>	<u>\$ 395,755,965</u>	<u>\$ 1,120,286,860</u>

CITY OF CHATTANOOGA, TENNESSEE
SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2010

COMPONENT UNITS	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4,819,678	9,862,791
2019	8,093,289	4,456,893	12,550,182
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>\$ 125,004,901</u>	<u>\$ 77,983,475</u>	<u>\$ 202,988,376</u>

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2010

	Outstanding July 1, 2009	Interest Paid FY 2009-2010	Issued FY 2009-2010	Retired FY 2009-2010	Outstanding June 30, 2010	Maturing FY 2010-2011	Interest Payable FY 2010-2011
GOVERNMENTAL ACTIVITIES							
Serial bonds:							
1998 Municipal Public Improvement Refunding	\$ 5,366,500	\$ 248,201	\$ -	\$ 1,501,000	\$ 3,865,500	\$ 1,593,800	\$ 163,094
2002 Municipal Public Improvement Refunding	5,575,000	260,188	-	695,000	4,880,000	720,000	223,847
2002 Series A Refunding	2,039,720	71,836	-	603,953	1,435,767	385,552	52,817
2002 Hotel-Motel Tax Pledge	47,320,000	1,472,363	-	28,850,000	18,470,000	1,030,000	786,894
2003 Series A General Obligation	8,110,000	225,298	-	5,240,000	2,870,000	830,000	113,770
2005 Series A Refunding-General	17,197,982	742,030	-	1,195,886	16,002,096	1,245,032	699,314
2005 Series A Refunding-Hotel-Motel	5,448,980	240,157	-	21,010	5,427,970	24,475	239,361
2006 Series A Municipal Public Improvement	18,659,516	742,493	-	1,036,640	17,622,876	1,036,640	701,028
2007 Series A Municipal Public Refunding	14,520,000	690,783	-	-	14,520,000	-	690,805
2009 Series A General Obligation	45,415,000	2,144,602	-	2,275,000	43,140,000	2,275,000	1,569,388
2010 Series A General Obligation	-	-	6,725,000	-	6,725,000	340,000	217,535
2010 Series B Refunding Hotel-Motel	-	-	29,557,540	-	29,557,540	237,219	1,001,047
2010 Series B Refunding General	-	-	4,707,460	-	4,707,460	37,781	159,431
2010 Series C Recovery Zone	-	-	6,840,000	-	6,840,000	340,000	192,974
Total serial bonds	<u>169,652,698</u>	<u>6,837,951</u>	<u>47,830,000</u>	<u>41,418,489</u>	<u>176,064,209</u>	<u>10,095,499</u>	<u>6,811,305</u>
Notes payable:							
1997 Tennessee Municipal Bond Fund	2,125,023	10,654	-	671,000	1,454,023	708,000	21,471
1999 Fire Hall Land Note	21,788	1,910	-	3,729	18,059	4,099	1,540
2003 Tennessee Municipal Bond Fund	3,573,585	13,088	-	348,641	3,224,944	360,445	12,201
2004 Tennessee Municipal Bond Fund	19,252,634	71,320	654,203	1,114,115	18,792,722	1,144,385	71,099
2008 Hennen Land Note	507,806	-	-	54,308	453,498	111,197	-
2008 Petros Land Note	500,000	-	-	250,000	250,000	250,000	-
2008 HUD Section 108 Loan Program	4,576,000	192,232	-	305,000	4,271,000	305,000	164,740
2009 IDB Foreign-Trade Zone	98,000	-	-	46,129	51,871	12,000	-
2010 U.S. General Services Administration Land Note	-	-	2,750,000	-	2,750,000	-	-
Total notes payable	<u>30,654,836</u>	<u>289,204</u>	<u>3,404,203</u>	<u>2,792,922</u>	<u>31,266,117</u>	<u>2,895,126</u>	<u>271,051</u>
Capital leases payable:							
CDRC Capital Lease	108,937,617	7,064,814	-	2,629,536	106,308,081	2,789,754	6,894,284
800 MHz Equipment Capital Lease	600,159	8,601	-	600,159	-	-	-
2009 Golf Course Capital Lease	284,250	12,196	-	60,512	223,738	63,450	9,258
Total capital leases payable	<u>109,822,026</u>	<u>7,085,611</u>	<u>-</u>	<u>3,290,207</u>	<u>106,531,819</u>	<u>2,853,204</u>	<u>6,903,542</u>
Total governmental activities	<u>310,129,560</u>	<u>14,212,766</u>	<u>51,234,203</u>	<u>47,501,618</u>	<u>313,862,145</u>	<u>15,843,829</u>	<u>13,985,898</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2010

(continued from previous page)

	<u>Outstanding July 1, 2009</u>	<u>Interest Paid FY 2009-2010</u>	<u>Issued FY 2009-2010</u>	<u>Retired FY 2009-2010</u>	<u>Outstanding June 30, 2010</u>	<u>Maturing FY 2010-2011</u>	<u>Interest Payable FY 2010-2011</u>
BUSINESS-TYPE ACTIVITIES							
Interceptor Sewer System:							
Serial bonds -							
1998 Municipal Public Improvement Refunding	\$ 10,752,100	\$ 544,131	\$ -	\$ 910,500	\$ 9,841,600	\$ 963,300	\$ 492,602
2002 Municipal Public Improvement Refunding	15,157,763	672,128	-	2,532,248	12,625,515	2,653,776	547,767
2002 Series A Refunding	10,895,280	383,714	-	3,226,047	7,669,233	2,059,448	282,123
2005 Series A Refunding	<u>11,014,916</u>	<u>550,388</u>	<u>-</u>	<u>4,581</u>	<u>11,010,335</u>	<u>268</u>	<u>550,303</u>
Total serial bonds	<u>47,820,059</u>	<u>2,150,361</u>	<u>-</u>	<u>6,673,376</u>	<u>41,146,683</u>	<u>5,676,792</u>	<u>1,872,795</u>
Notes payable -							
1992 State Revolving Loan	670,082	23,532	-	173,178	496,904	180,198	16,512
Georgia Environmental Facilities Authority	4,379,320	170,065	-	343,353	4,035,967	357,294	156,124
2003 State Revolving Loan	34,148,518	994,344	-	2,769,200	31,379,318	1,765,476	942,576
2007 State Revolving Loan	<u>11,302,798</u>	<u>301,798</u>	<u>1,697,202</u>	<u>-</u>	<u>13,000,000</u>	<u>650,000</u>	<u>294,191</u>
Total notes payable	<u>50,500,718</u>	<u>1,489,739</u>	<u>1,697,202</u>	<u>3,285,731</u>	<u>48,912,189</u>	<u>2,952,968</u>	<u>1,409,403</u>
Capital leases payable -							
2001 Capital Lease City of Collegedale	<u>147,723</u>	<u>8,635</u>	<u>-</u>	<u>25,018</u>	<u>122,705</u>	<u>26,585</u>	<u>7,068</u>
Total capital leases payable	<u>147,723</u>	<u>8,635</u>	<u>-</u>	<u>25,018</u>	<u>122,705</u>	<u>26,585</u>	<u>7,068</u>
Total Interceptor Sewer System	<u>98,468,500</u>	<u>3,648,735</u>	<u>1,697,202</u>	<u>9,984,125</u>	<u>90,181,577</u>	<u>8,656,345</u>	<u>3,289,266</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
ANALYSIS OF GENERAL OBLIGATION DEBT
June 30, 2010

(continued from previous page)

	Outstanding July 1, 2009	Interest Paid FY 2009-2010	Issued FY 2009-2010	Retired FY 2009-2010	Outstanding June 30, 2010	Maturing FY 2010-2011	Interest Payable FY 2010-2011
BUSINESS-TYPE ACTIVITIES (continued)							
Solid Waste/Sanitation Fund:							
Serial bonds -							
1998 Municipal Public Improvement Refunding	\$ 2,530,500	\$ 105,438	\$ -	\$ 1,226,900	\$ 1,303,600	\$ 1,303,600	\$ 35,849
2002 Municipal Public Improvement Refunding	4,857,341	231,913	-	874,349	3,982,992	919,260	185,349
2005 Series A - Refunding	8,994,089	429,434	-	206,193	8,787,896	212,187	422,112
2006 Series A Municipal Public Improvement	5,100,484	202,957	-	283,360	4,817,124	283,360	191,622
2007 Series A Municipal Public Refunding	2,480,000	117,990	-	-	2,480,000	-	117,990
Total serial bonds	<u>23,962,414</u>	<u>1,087,732</u>	<u>-</u>	<u>2,590,802</u>	<u>21,371,612</u>	<u>2,718,407</u>	<u>952,922</u>
Notes payable -							
2003 Tennessee Municipal Bond Fund	362,415	1,327	-	35,359	327,056	36,555	1,237
2004 Tennessee Municipal Bond Fund	488,281	1,721	-	26,885	461,396	27,615	1,746
Total notes payable	<u>850,696</u>	<u>3,048</u>	<u>-</u>	<u>62,244</u>	<u>788,452</u>	<u>64,170</u>	<u>2,983</u>
Total Solid Waste/Sanitation Fund	<u>24,813,110</u>	<u>1,090,780</u>	<u>-</u>	<u>2,653,046</u>	<u>22,160,064</u>	<u>2,782,577</u>	<u>955,905</u>
Water Quality Management Fund:							
Serial bonds -							
1998 Municipal Public Improvement Refunding	1,735,900	72,331	-	841,600	894,300	894,300	24,593
2002 Municipal Public Improvement Refunding	3,629,895	173,309	-	653,402	2,976,493	686,964	138,512
2005 Series A - Refunding	5,404,033	264,097	-	62,330	5,341,703	63,038	261,903
2007 Series A Municipal Public Refunding	750,000	35,683	-	-	750,000	-	35,683
Total serial bonds	<u>11,519,828</u>	<u>545,420</u>	<u>-</u>	<u>1,557,332</u>	<u>9,962,496</u>	<u>1,644,302</u>	<u>460,691</u>
Notes payable -							
1992 State Revolving Loan	670,083	23,532	-	173,178	496,905	180,198	16,512
Total notes payable	<u>670,083</u>	<u>23,532</u>	<u>-</u>	<u>173,178</u>	<u>496,905</u>	<u>180,198</u>	<u>16,512</u>
Total Water Quality Management Fund	<u>12,189,911</u>	<u>568,952</u>	<u>-</u>	<u>1,730,510</u>	<u>10,459,401</u>	<u>1,824,500</u>	<u>477,203</u>
Total business-type activities	<u>135,471,521</u>	<u>5,308,467</u>	<u>1,697,202</u>	<u>14,367,681</u>	<u>122,801,042</u>	<u>13,263,422</u>	<u>4,722,374</u>
Total general obligation debt	<u>\$ 445,601,081</u>	<u>\$ 19,521,233</u>	<u>\$ 52,931,405</u>	<u>\$ 61,869,299</u>	<u>\$ 436,663,187</u>	<u>\$ 29,107,251</u>	<u>\$ 18,708,272</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, 2010

	Outstanding July 1, 2009	Interest Paid FY 2009-2010	Issued FY 2009-2010	Retired FY 2009-2010	Outstanding June 30, 2010	Maturing FY 2010-2011	Interest Payable FY 2010-2011
PRIMARY GOVERNMENT							
EPB:							
Revenue bonds -							
2000 Electric System Revenue Bonds	\$ 4,800,000	\$ 191,000	\$ -	\$ 1,600,000	\$ 3,200,000	\$ 1,600,000	\$ 117,000
2006A Electric System Revenue Bonds	40,000,000	958,000	-	1,070,000	38,930,000	1,110,000	1,660,725
2006B Electric System Refunding Revenue Bonds	23,430,000	1,704,000	-	-	23,430,000	-	957,556
2008A Electric System Revenue Bonds	<u>219,830,000</u>	<u>1,076,400</u>	<u>-</u>	<u>-</u>	<u>219,830,000</u>	<u>-</u>	<u>10,764,500</u>
Total primary government revenue bonds	<u>288,060,000</u>	<u>3,929,400</u>	<u>-</u>	<u>2,670,000</u>	<u>285,390,000</u>	<u>2,710,000</u>	<u>13,499,781</u>
Notes payable -							
February 2005 Equipment Note	119,000	2,000	-	119,000	-	-	-
May 2005 Equipment Note	103,000	2,000	-	103,000	-	-	-
June 2005 Equipment Note	88,000	2,000	-	88,000	-	-	-
October 2005 Equipment Note	100,000	2,000	-	100,000	-	-	-
December 2005 Equipment Note	<u>176,000</u>	<u>4,000</u>	<u>-</u>	<u>176,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total notes payable	<u>586,000</u>	<u>12,000</u>	<u>-</u>	<u>586,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Housing Management:							
Other obligation	<u>2,498,108</u>	<u>127,878</u>	<u>-</u>	<u>20,400</u>	<u>2,477,708</u>	<u>20,400</u>	<u>7,595</u>
Total primary government	<u>\$ 291,144,108</u>	<u>\$ 4,069,278</u>	<u>\$ -</u>	<u>\$ 3,276,400</u>	<u>\$ 287,867,708</u>	<u>\$ 2,730,400</u>	<u>\$ 13,507,376</u>
COMPONENT UNITS							
Metropolitan Airport Authority:							
Revenue bonds -							
2009 Taxable Refunding Revenue Bonds	\$ 6,557,169	\$ 352,620	\$ -	\$ 292,268	\$ 6,264,901	\$ 308,912	\$ 335,977
Total Metropolitan Airport Authority revenue bonds	<u>6,557,169</u>	<u>352,620</u>	<u>-</u>	<u>292,268</u>	<u>6,264,901</u>	<u>308,912</u>	<u>335,977</u>
Chattanooga Downtown Redevelopment Corporation:							
Revenue bonds -							
2000 Chattanooga Lease Rental Revenue Bonds	65,755,000	3,616,656	-	2,975,000	62,780,000	3,125,000	3,456,344
2007 Chattanooga Lease Rental Revenue Refunding Bonds	<u>56,035,000</u>	<u>2,695,900</u>	<u>-</u>	<u>75,000</u>	<u>55,960,000</u>	<u>80,000</u>	<u>2,692,800</u>
Total Chattanooga Downtown Redevelopment bonds	<u>121,790,000</u>	<u>6,312,556</u>	<u>-</u>	<u>3,050,000</u>	<u>118,740,000</u>	<u>3,205,000</u>	<u>6,149,144</u>
Total component units revenue bonds	<u>\$ 128,347,169</u>	<u>\$ 6,665,176</u>	<u>\$ -</u>	<u>\$ 3,342,268</u>	<u>\$ 125,004,901</u>	<u>\$ 3,513,912</u>	<u>\$ 6,485,121</u>

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2010

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2011	1998 Municipal Public Improvement Refunding	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>3,865,500</u>	<u>607,467</u>	<u>4,472,967</u>
2011	Note Payable - Tennessee Municipal Bond Fund 1997	1.480	708,000	21,471	729,471
2012		1.480	746,023	11,016	757,039
			<u>1,454,023</u>	<u>32,487</u>	<u>1,486,510</u>
2011	1999 Fire Hall Land Note	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	199	4,700
			<u>18,059</u>	<u>3,558</u>	<u>21,617</u>
2011	2002 Municipal Public Improvement Refunding	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		4.380	855,000	58,753	913,753
2016		4.500	890,000	20,025	910,025
			<u>4,880,000</u>	<u>726,216</u>	<u>5,606,216</u>
2011	IDB Foreign-Trade Zone Note	0.000	12,000	-	12,000
2012		0.000	12,000	-	12,000
2013		0.000	27,871	-	27,871
			<u>51,871</u>	<u>-</u>	<u>51,871</u>
2011	2002 Series A Refunding	3.600	385,552	52,817	438,369
2012		5.000	371,360	36,593	407,953
2013		4.000	364,264	20,023	384,287
2014		4.000	160,055	9,537	169,592
2015		4.100	154,536	3,168	157,704
			<u>1,435,767</u>	<u>122,138</u>	<u>1,557,905</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2010

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2011	2002 Hotel-Motel Tax Pledge	3.125	\$ 1,030,000	\$ 786,894	\$ 1,816,894
2012		3.250	1,120,000	752,600	1,872,600
2013		5.000	-	734,400	734,400
2014		3.500	-	734,400	734,400
2015		4.000	-	734,400	734,400
2016		4.000	-	734,400	734,400
2017		4.000	-	734,400	734,400
2018		4.000	-	734,400	734,400
2019		5.000	-	734,400	734,400
2020		5.000	-	734,400	734,400
2021		5.000	-	734,400	734,400
2022		5.000	-	734,400	734,400
2023		5.000	-	734,400	734,400
2024		4.500	2,850,000	670,275	3,520,275
2025		4.500	3,045,000	537,637	3,582,637
2026		4.500	3,255,000	395,888	3,650,888
2027		4.500	3,470,000	244,575	3,714,575
2028		4.500	3,700,000	83,250	3,783,250
			<u>18,470,000</u>	<u>11,549,519</u>	<u>30,019,519</u>
2011	2009 Golf Course Capital Lease	4.750	63,450	9,258	72,708
2012		4.750	66,530	6,177	72,707
2013		4.750	69,760	2,948	72,708
2014		4.750	23,998	238	24,236
			<u>223,738</u>	<u>18,621</u>	<u>242,359</u>
2011	2003 Series A General Obligation	3.500	830,000	113,770	943,770
2012		3.630	-	84,720	84,720
2013		3.750	-	84,720	84,720
2014		3.880	-	84,720	84,720
2015		4.000	-	84,720	84,720
2016		4.000	-	84,720	84,720
2017		4.100	960,000	84,720	1,044,720
2018		4.200	1,080,000	45,360	1,125,360
			<u>2,870,000</u>	<u>667,450</u>	<u>3,537,450</u>
2011	2003 Note Payable - Tennessee Municipal Bond Fund	0.378	360,445	12,201	372,646
2012		0.378	371,341	10,837	382,178
2013		0.378	383,144	9,432	392,576
2014		0.378	395,854	7,983	403,837
2015		0.378	408,565	6,485	415,050
2016		0.378	421,276	4,939	426,215
2017		0.378	434,895	3,346	438,241
2018		0.378	449,424	1,700	451,124
			<u>3,224,944</u>	<u>56,923</u>	<u>3,281,867</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2010

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2011	CDRC Capital Lease	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>106,308,081</u>	<u>86,064,261</u>	<u>192,372,342</u>
2011	2004 Note Payable - Tennessee Municipal Bond Fund	0.378	1,144,385	71,099	1,215,484
2012		0.378	1,174,655	66,770	1,241,425
2013		0.378	1,205,901	62,325	1,268,226
2014		0.378	1,238,123	57,763	1,295,886
2015		0.378	1,271,322	53,079	1,324,401
2016		0.378	1,305,497	48,269	1,353,766
2017		0.378	1,340,649	43,330	1,383,979
2018		0.378	1,375,801	38,258	1,414,059
2019		0.378	1,412,905	33,053	1,445,958
2020		0.378	1,450,986	27,707	1,478,693
2021		0.378	1,489,067	22,218	1,511,285
2022		0.378	1,529,101	16,584	1,545,685
2023		0.378	1,570,112	10,799	1,580,911
2024		0.378	1,284,218	4,859	1,289,077
			<u>18,792,722</u>	<u>556,113</u>	<u>19,348,835</u>
2011	2005 A Hotel - Motel Tax Refunding	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	43,693	2,162,169
			<u>5,427,970</u>	<u>1,808,217</u>	<u>7,236,187</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2010

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2011	2005 Series A Refunding	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>16,002,096</u>	<u>4,079,957</u>	<u>20,082,053</u>
2011	2006 A Municipal Public Improvement	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		4.000	1,036,640	535,165	1,571,805
2016		5.000	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		4.000	1,036,640	358,937	1,395,577
2020		4.125	1,036,640	316,823	1,353,463
2021		4.250	1,036,640	273,414	1,310,054
2022		4.250	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	1,036,638	62,198	1,098,836
2027	4.000	1,036,638	20,731	1,057,369	
			<u>17,622,876</u>	<u>6,118,119</u>	<u>23,740,995</u>
2011	2007 A Municipal Public Improvement Refunding	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>9,428,323</u>	<u>23,948,323</u>
2011	2008 Hennen Notes Payable	0.000	111,197	-	111,197
2012		0.000	111,197	-	111,197
2013		0.000	231,104	-	231,104
			<u>453,498</u>	<u>-</u>	<u>453,498</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2010

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2011	2008 Petros Notes Payable	0.000	\$ 250,000	\$ -	\$ 250,000
			250,000	-	250,000
2011	2008 Section 108 HUD Loan	4.510	305,000	164,740	469,740
2012		4.600	305,000	152,540	457,540
2013		4.670	305,000	140,340	445,340
2014		4.730	305,000	128,140	433,140
2015		4.800	305,000	115,940	420,940
2016		4.860	305,000	103,740	408,740
2017		4.910	305,000	91,540	396,540
2018		4.970	305,000	79,340	384,340
2019		5.040	305,000	67,140	372,140
2020		5.080	305,000	54,940	359,940
2021		5.120	305,000	42,740	347,740
2022		5.160	305,000	30,540	335,540
2023		5.190	305,000	18,340	323,340
2024		5.190	306,000	6,120	312,120
			4,271,000	1,196,140	5,467,140
2011	2009 Series A General Obligation	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		4.125	2,270,000	551,894	2,821,894
2025		4.250	2,270,000	456,838	2,726,838
2026		4.375	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		4.625	2,270,000	52,486	2,322,486
			43,140,000	16,521,669	59,661,669
2011	2010 Series A General Obligation	2.000	340,000	217,535	557,535
2012		2.000	340,000	208,938	548,938
2013		2.000	340,000	202,138	542,138
2014		2.000	340,000	195,338	535,338
2015		2.000	340,000	188,538	528,538
2016		2.500	335,000	181,738	516,738
2017		2.750	335,000	173,363	508,363
2018		3.000	335,000	164,150	499,150
2019		3.250	335,000	154,100	489,100
2020		3.250	335,000	143,213	478,213
2021		3.500	335,000	132,325	467,325
2022		4.000	335,000	120,600	455,600
2023		4.000	335,000	107,200	442,200
2024		4.000	335,000	93,800	428,800
2025		4.000	335,000	80,400	415,400
2026		4.000	335,000	67,000	402,000
2027		4.000	335,000	53,600	388,600
2028		4.000	335,000	40,200	375,200
2029		4.000	335,000	26,800	361,800
2030		4.000	335,000	13,397	348,397
			6,725,000	2,564,373	9,289,373

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2010

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2011	2010 Series B Refunding Hotel-Motel	2.000	\$ 237,219	\$ 1,001,047	\$ 1,238,266
2012		2.000	970,443	988,030	1,958,473
2013		2.000	987,695	968,621	1,956,316
2014		2.000	2,087,531	948,867	3,036,398
2015		2.000	2,147,914	907,116	3,055,030
2016		2.500	2,208,297	864,158	3,072,455
2017		2.750	1,535,457	803,430	2,338,887
2018		3.000	1,626,031	757,366	2,383,397
2019		3.000	133,705	708,585	842,290
2020		3.250	138,019	704,240	842,259
2021		3.500	2,005,582	699,409	2,704,991
2022		4.000	2,139,288	619,186	2,758,474
2023		4.000	2,277,306	533,614	2,810,920
2024		4.000	90,575	442,522	533,097
2025		4.000	90,575	438,899	529,474
2026		4.000	94,888	435,276	530,164
2027		4.000	99,201	431,481	530,682
2028		4.000	103,514	427,513	531,027
2029		4.000	3,334,011	423,372	3,757,383
2030		4.000	3,523,787	290,012	3,813,799
2031	4.000	3,726,502	149,059	3,875,561	
			<u>29,557,540</u>	<u>13,541,803</u>	<u>43,099,343</u>
2011	2010 Series B Refunding General Obligation	2.000	37,781	159,431	197,212
2012		2.000	154,557	157,358	311,915
2013		2.000	157,305	154,267	311,572
2014		2.000	332,469	151,121	483,590
2015		2.000	342,086	144,471	486,557
2016		2.500	351,703	137,630	489,333
2017		2.750	244,543	127,958	372,501
2018		3.000	258,969	120,621	379,590
2019		3.000	21,295	112,852	134,147
2020		3.250	21,981	112,160	134,141
2021		3.500	319,418	111,391	430,809
2022		4.000	340,712	98,615	439,327
2023		4.000	362,694	84,986	447,680
2024		4.000	14,425	70,478	84,903
2025		4.000	14,425	69,901	84,326
2026		4.000	15,112	69,324	84,436
2027		4.000	15,799	68,719	84,518
2028		4.000	16,486	68,087	84,573
2029		4.000	530,989	67,428	598,417
2030		4.000	561,213	46,188	607,401
2031	4.000	593,498	23,740	617,238	
			<u>4,707,460</u>	<u>2,156,726</u>	<u>6,864,186</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2010

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2011	2010 Series C Recovery Zone	2.000	\$ 340,000	\$ 192,974	\$ 532,974
2012		2.000	345,000	206,300	551,300
2013		2.000	345,000	199,400	544,400
2014		2.000	345,000	192,500	537,500
2015		2.500	345,000	185,600	530,600
2016		3.000	345,000	176,975	521,975
2017		3.000	345,000	166,625	511,625
2018		3.000	345,000	156,275	501,275
2019		3.000	345,000	145,925	490,925
2020		3.000	340,000	135,575	475,575
2021		2.000	340,000	125,375	465,375
2022		3.125	340,000	115,175	455,175
2023		3.250	340,000	104,550	444,550
2024		3.500	340,000	93,500	433,500
2025		4.000	340,000	81,600	421,600
2026		4.000	340,000	68,000	408,000
2027	4.000	340,000	54,400	394,400	
2028	4.000	340,000	40,800	380,800	
2029	4.000	340,000	27,200	367,200	
2030	4.000	340,000	13,600	353,600	
			6,840,000	2,482,349	9,322,349
2011	2010 U.S. General Services Administration Land Note	0.000	-	-	-
2012		0.000	-	-	-
2013		0.000	-	-	-
2014		0.000	-	-	-
2015		0.000	2,750,000	-	2,750,000
			2,750,000	-	2,750,000
	Total direct indebtedness		313,862,145	160,302,429	474,164,574
<u>INTERCEPTOR SEWER SYSTEM</u>					
2011	1998 Municipal Public Improvement Refunding	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
				9,841,600	2,229,341
2011	Georgia Environmental Facilities Authority	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	3,650	249,074
			4,035,967	833,869	4,869,836

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2010

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2011	2002 Municipal Public Improvement Refunding	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	26,437	1,201,437
			<u>12,625,515</u>	<u>1,383,625</u>	<u>14,009,140</u>
2011	2002 Series A Refunding	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>7,669,233</u>	<u>652,407</u>	<u>8,321,640</u>
2011	2001 Capital Lease City of Collegedale	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>122,705</u>	<u>17,515</u>	<u>140,220</u>
2011	1992 State Revolving Sewer Loan	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>496,904</u>	<u>27,658</u>	<u>524,562</u>
2011	2003 State Revolving Loan	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	1,170,698	30,520	1,201,218	
			<u>31,379,318</u>	<u>7,734,628</u>	<u>39,113,946</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2010

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2011	2005 Series A Refunding	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>11,010,335</u>	<u>3,627,452</u>
2011	2007 State Revolving Loan	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	650,000	5,878	655,878
2028		2.790	1,950,000	-	1,950,000
			<u>13,000,000</u>	<u>2,536,734</u>	<u>15,536,734</u>
	Total Interceptor Sewer System indebtedness		<u>90,181,577</u>	<u>19,043,229</u>	<u>109,224,806</u>

SOLID WASTE/SANITATION FUND

2011	2006 Series A Municipal Public Improvement	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		4.000	283,360	146,285	429,645
2016		5.000	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		4.000	283,360	98,113	381,473
2020		4.125	283,360	86,602	369,962
2021		4.250	283,360	74,736	358,096
2022		4.250	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	5,668	289,032
				<u>4,817,124</u>	<u>1,672,356</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2010

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SOLID WASTE/SANITATION FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2011	2007 Series A Municipal Public Improvement Refunding	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>1,610,968</u>	<u>4,090,968</u>
2011	2005 Series A Refunding	3.500	212,187	422,112	634,299
2012		4.000	220,974	413,979	634,953
2013		4.000	231,365	404,933	636,298
2014		3.750	241,895	395,770	637,665
2015		5.000	1,368,050	357,033	1,725,083
2016		5.000	1,433,438	286,996	1,720,434
2017		5.000	1,506,507	213,497	1,720,004
2018		5.000	1,584,570	136,220	1,720,790
2019		5.000	1,664,360	54,997	1,719,357
2020		4.125	324,550	6,694	331,244
			<u>8,787,896</u>	<u>2,692,231</u>	<u>11,480,127</u>
2011	2003 Note Payable - Tennessee Municipal Bond Fund	0.378	36,555	1,237	37,792
2012		0.378	37,659	1,099	38,758
2013		0.378	38,856	957	39,813
2014		0.378	40,146	810	40,956
2015		0.378	41,435	658	42,093
2016		0.378	42,724	501	43,225
2017		0.378	44,105	339	44,444
2018		0.378	45,576	172	45,748
			<u>327,056</u>	<u>5,773</u>	<u>332,829</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2010

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SOLID WASTE/SANITATION FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2011	2004 Note Payable - Tennessee Municipal Bond Fund	0.378	\$ 27,615	\$ 1,746	\$ 29,361
2012		0.378	28,345	1,641	29,986
2013		0.378	29,099	1,534	30,633
2014		0.378	29,877	1,424	31,301
2015		0.378	30,678	1,311	31,989
2016		0.378	31,503	1,195	32,698
2017		0.378	32,351	1,076	33,427
2018		0.378	33,199	953	34,152
2019		0.378	34,095	828	34,923
2020		0.378	35,014	699	35,713
2021		0.378	35,933	566	36,499
2022		0.378	36,899	430	37,329
2023		0.378	37,888	291	38,179
2024	0.378	38,900	147	39,047	
			<u>461,396</u>	<u>13,841</u>	<u>475,237</u>
2011	1998 Municipal Public Improvement Refunding	5.500	<u>1,303,600</u>	<u>35,849</u>	<u>1,339,449</u>
			<u>1,303,600</u>	<u>35,849</u>	<u>1,339,449</u>
2011	2002 Municipal Public Improvement Refunding	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	<u>1,075,043</u>	<u>26,876</u>	<u>1,101,919</u>
			<u>3,982,992</u>	<u>428,017</u>	<u>4,411,009</u>
	Total Solid Waste/Sanitation Fund indebtedness		<u>22,160,064</u>	<u>6,459,035</u>	<u>28,619,099</u>

WATER QUALITY MANAGEMENT FUND

2011	1992 State Revolving Loan	3.980	180,198	16,512	196,710
2012		3.980	187,500	9,210	196,710
2013		3.980	<u>129,207</u>	<u>1,936</u>	<u>131,143</u>
			<u>496,905</u>	<u>27,658</u>	<u>524,563</u>
2011	1998 Public Improvement Refunding	5.500	<u>894,300</u>	<u>24,593</u>	<u>918,893</u>
			<u>894,300</u>	<u>24,593</u>	<u>918,893</u>
2011	2002 Municipal Public Improvement Refunding	5.375	686,964	138,512	825,476
2012		5.375	723,672	100,601	824,273
2013		5.000	762,478	60,661	823,139
2014		4.375	<u>803,379</u>	<u>20,084</u>	<u>823,463</u>
			<u>2,976,493</u>	<u>319,858</u>	<u>3,296,351</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2010

(continued from previous page)

WATER QUALITY MANAGEMENT FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2011	2005 Series A Refunding	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>5,341,703</u>	<u>1,699,623</u>	<u>7,041,326</u>
2011	2007 Series A Municipal Public Improver	5.000	-	35,683	35,683
2012		5.000	-	35,683	35,683
2013		5.000	-	35,683	35,683
2014		5.000	-	35,683	35,683
2015		5.000	-	35,683	35,683
2016		5.000	-	35,683	35,683
2017		5.000	-	35,683	35,683
2018		5.000	-	35,683	35,683
2019		5.000	-	35,683	35,683
2020		5.000	-	35,683	35,683
2021		5.000	110,000	35,683	145,683
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	6,643	146,643
			<u>750,000</u>	<u>486,878</u>	<u>1,236,878</u>
	Total Water Quality Management Fund indebtedness		<u>10,459,401</u>	<u>2,558,610</u>	<u>13,018,011</u>
		<u>EPB</u>			
2011	2000 Electric System Revenue Bonds	4.625	1,600,000	117,000	1,717,000
2012		5.000	1,600,000	40,000	1,640,000
			<u>3,200,000</u>	<u>157,000</u>	<u>3,357,000</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2010

(continued from previous page)

EPB

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2011	2006 A Electric System Revenue Bonds	4.000	\$ 1,110,000	\$ 1,660,725	\$ 2,770,725
2012		4.000	1,150,000	1,615,525	2,765,525
2013		4.000	1,195,000	1,568,625	2,763,625
2014		5.000	1,245,000	1,513,600	2,758,600
2015		4.125	1,295,000	1,455,765	2,750,765
2016		4.125	1,345,000	1,401,316	2,746,316
2017		4.125	1,400,000	1,344,700	2,744,700
2018		4.125	1,460,000	1,285,713	2,745,713
2019		4.125	1,520,000	1,224,250	2,744,250
2020		4.250	1,585,000	1,159,219	2,744,219
2021		4.250	1,655,000	1,090,369	2,745,369
2022		4.375	1,730,000	1,017,356	2,747,356
2023		4.500	1,805,000	938,900	2,743,900
2024		4.250	1,885,000	858,231	2,743,231
2025		4.375	1,970,000	775,081	2,745,081
2026		4.375	2,060,000	686,925	2,746,925
2027		4.375	2,155,000	594,722	2,749,722
2028		4.375	2,250,000	498,363	2,748,363
2029		4.375	2,355,000	397,628	2,752,628
2030		4.375	2,470,000	292,081	2,762,081
2031	4.500	2,585,000	179,888	2,764,888	
2032	4.500	2,705,000	60,862	2,765,862	
			<u>38,930,000</u>	<u>21,619,844</u>	<u>60,549,844</u>
2011	2006 B Electric System Refunding Revenue Bonds	4.000	-	957,556	957,556
2012		4.000	-	957,556	957,556
2013		4.000	1,770,000	922,156	2,692,156
2014		4.000	1,755,000	851,656	2,606,656
2015		4.000	1,745,000	781,656	2,526,656
2016		4.125	1,730,000	711,075	2,441,075
2017		4.125	1,715,000	640,022	2,355,022
2018		4.125	1,705,000	569,484	2,274,484
2019		4.000	1,690,000	500,519	2,190,519
2020		4.000	1,670,000	433,319	2,103,319
2021		4.000	1,655,000	366,819	2,021,819
2022		4.125	1,635,000	299,997	1,934,997
2023		4.125	1,620,000	232,863	1,852,863
2024	4.125	1,600,000	166,450	1,766,450	
2025	4.250	1,580,000	99,875	1,679,875	
2026	4.250	1,560,000	33,150	1,593,150	
			<u>23,430,000</u>	<u>8,524,153</u>	<u>31,954,153</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2010

(continued from previous page)

Fiscal Year Ended June 30	Issue	EPB			Total Interest and Principal
		Interest Rate	Principal	Interest Due	
2011	2008 A Electric System Revenue Bonds	5.000	\$ -	\$ 10,764,500	\$ 10,764,500
2012		5.000	-	10,764,500	10,764,500
2013		3.000	-	10,764,500	10,764,500
2014		3.000	3,000,000	10,719,500	13,719,500
2015		4.000	4,000,000	10,594,500	14,594,500
2016		5.000	5,000,000	10,389,500	15,389,500
2017		3.500	6,275,000	10,154,688	16,429,688
2018		4.500	6,575,000	9,896,938	16,471,938
2019		5.000	6,955,000	9,575,125	16,530,125
2020		5.000	7,385,000	9,216,625	16,601,625
2021		5.000	7,835,000	8,836,125	16,671,125
2022		5.000	8,310,000	8,432,500	16,742,500
2023		5.000	8,805,000	8,004,625	16,809,625
2024		5.000	9,335,000	7,551,125	16,886,125
2025		5.000	9,885,000	7,070,625	16,955,625
2026		5.000	10,460,000	6,562,000	17,022,000
2027		5.000	12,605,000	5,985,375	18,590,375
2028		5.000	13,235,000	5,339,375	18,574,375
2029		5.000	13,890,000	4,661,250	18,551,250
2030		5.000	14,575,000	3,949,625	18,524,625
2031	5.000	15,295,000	3,202,875	18,497,875	
2032	5.000	16,055,000	2,419,125	18,474,125	
2033	5.000	19,685,000	1,525,625	21,210,625	
2034	5.000	20,670,000	516,749	21,186,749	
			<u>219,830,000</u>	<u>176,897,375</u>	<u>396,727,375</u>
	Total EPB indebtedness		<u>285,390,000</u>	<u>207,198,372</u>	<u>492,588,372</u>
HOUSING MANAGEMENT FUND					
2011	Other obligation	0.308	20,400	7,595	27,995
2012		0.308	20,400	7,532	27,932
2013		0.308	20,400	7,470	27,870
2014		0.308	20,400	7,407	27,807
2015		0.308	20,400	7,344	27,744
2016		0.308	20,400	7,281	27,681
2017		0.308	20,400	7,219	27,619
2018		0.308	20,400	7,156	27,556
2019		0.308	20,400	7,093	27,493
2020		0.308	20,400	7,030	27,430
2021		0.308	20,400	6,967	27,367
2022		0.308	20,400	6,905	27,305
2023		0.308	20,400	6,842	27,242
2024		0.308	20,400	6,779	27,179
2025		0.308	20,400	6,716	27,116
2026		0.308	20,400	6,654	27,054
2027		0.308	20,400	6,591	26,991
2028		0.308	20,400	6,528	26,928
2029		0.308	20,400	6,465	26,865
2030		0.308	20,400	6,402	26,802
2031		0.308	20,400	6,340	26,740
2032		0.308	20,400	6,277	26,677
2033		0.308	20,400	6,214	26,614
2034		0.308	20,400	6,151	26,551
2035		0.308	20,400	6,089	26,489
2036		0.308	20,400	6,026	26,426
2037		0.308	20,400	5,963	26,363
2038		0.308	20,400	5,900	26,300
2039		0.308	1,906,508	5,354	1,911,862
			<u>2,477,708</u>	<u>194,290</u>	<u>2,671,998</u>
	Total Housing Management Fund indebtedness		<u>2,477,708</u>	<u>194,290</u>	<u>2,671,998</u>
	Total Primary Government Indebtedness		<u>\$ 724,530,895</u>	<u>\$ 395,755,965</u>	<u>\$ 1,120,286,860</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR
June 30, 2010

(continued from previous page)

METROPOLITAN AIRPORT AUTHORITY

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2011	2009 Taxable Refunding Revenue Bonds	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	93,365	546,478
2019		5.410	3,248,289	-	3,248,289
				<u>6,264,901</u>	<u>2,044,089</u>

CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

2011	2000 Lease Rental Revenue Bonds	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>62,780,000</u>	<u>32,996,840</u>	<u>95,776,840</u>
2011	2007 Lease Rental Revenue Refunding Bonds	4.000	80,000	2,692,800	2,772,800
2012		5.000	3,395,000	2,606,325	6,001,325
2013		5.000	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		4.000	105,000	2,322,400	2,427,400
2020		4.125	110,000	2,318,031	2,428,031
2021		4.200	115,000	2,313,348	2,428,348
2022		4.250	120,000	2,308,383	2,428,383
2023		4.250	125,000	2,303,176	2,428,176
2024		4.300	130,000	2,297,725	2,427,725
2025		4.300	135,000	2,292,028	2,427,028
2026		4.375	7,155,000	2,132,609	9,287,609
2027		4.375	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	224,874	9,219,874	
			<u>55,960,000</u>	<u>42,942,546</u>	<u>98,902,546</u>
	Total component unit indebtedness		<u>\$ 125,004,901</u>	<u>\$ 77,983,475</u>	<u>\$ 202,988,376</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 SIX FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Expenses						
Governmental activities:						
General government	\$ 73,098,750	\$ 88,028,404	\$ 75,282,935	\$ 61,386,402	\$ 60,152,675	\$ 59,850,789
Public safety	76,368,786	70,745,129	72,595,048	68,559,200	64,367,574	63,805,046
Public works	61,734,669	61,147,976	55,935,906	55,075,495	55,077,404	54,323,539
Parks and recreation	20,271,088	17,223,313	17,370,233	15,263,490	13,785,184	13,562,609
Social services	23,531,828	20,440,264	19,072,003	22,080,281	19,199,188	21,530,148
Interest on long-term debt	7,237,128	6,693,847	6,902,290	6,910,320	6,493,154	6,004,530
Total governmental activities expenses	<u>262,242,249</u>	<u>264,278,933</u>	<u>247,158,415</u>	<u>229,275,188</u>	<u>219,075,179</u>	<u>219,076,661</u>
Business-type activities:						
Electric utility	539,720,000	542,811,000	472,115,000	441,556,000	417,792,000	371,630,000
Sewer	44,686,829	40,311,413	37,859,312	35,307,852	35,395,214	33,606,869
Solid waste	4,753,430	4,373,161	4,973,585	4,956,281	4,678,270	4,260,270
Water quality Management	8,385,351	5,638,936	5,058,524	4,937,896	4,475,706	4,709,090
Housing management	1,042,569	941,834	1,003,096	1,410,217	1,552,119	1,698,166
Total business-type activities expenses	<u>598,588,179</u>	<u>594,076,344</u>	<u>521,009,517</u>	<u>488,168,246</u>	<u>463,893,309</u>	<u>415,904,395</u>
Total primary government expenses	<u>860,830,428</u>	<u>858,355,277</u>	<u>768,167,932</u>	<u>717,443,434</u>	<u>682,968,488</u>	<u>634,981,056</u>
Program Revenues						
Governmental activities:						
Charges for services -						
General government	11,523,433	12,239,326	11,592,555	11,913,650	9,279,550	8,523,871
Public safety	977,577	630,281	807,649	298,434	1,121,281	864,536
Public works	2,443,705	1,893,443	2,523,650	1,901,136	2,392,789	2,390,699
Parks and recreation	4,212,077	4,069,218	4,132,026	3,366,016	2,910,484	2,768,211
Social services	834,020	700,179	1,203,478	117,114	1,163,593	2,997,590
Operating grants and contributions	43,695,157	39,564,910	26,253,573	31,846,034	29,397,005	27,384,160
Capital grants and contributions	10,605,215	11,012,496	29,021,776	15,453,667	14,440,793	17,744,674
Total governmental activities program revenues	<u>74,291,184</u>	<u>70,109,853</u>	<u>75,534,707</u>	<u>64,896,051</u>	<u>60,705,495</u>	<u>62,673,741</u>
Business-type activities:						
Charges for services -						
Electric utility	504,599,000	544,635,000	484,458,000	441,881,000	422,143,000	373,490,000
Sewer	45,761,756	43,749,143	42,473,352	39,217,346	36,509,866	35,976,537
Solid waste	6,389,727	6,871,844	5,171,586	5,563,236	5,475,554	5,881,486
Water quality Management	13,480,137	5,796,188	5,627,095	5,549,732	5,730,458	5,491,938
Housing management	816,476	807,058	751,350	1,168,471	1,204,120	1,367,348
Operating grants and contributions	2,398,436	191,575	189,973	175,675	76,532	83,652
Capital grants and contributions	29,595,440	2,462,551	1,668,000	1,853,750	3,379,000	1,893,247
Total business-type activities program revenues	<u>603,040,972</u>	<u>604,513,359</u>	<u>540,339,356</u>	<u>495,409,210</u>	<u>474,518,530</u>	<u>424,184,208</u>
Total primary government program revenues	<u>677,332,156</u>	<u>674,623,212</u>	<u>615,874,063</u>	<u>560,305,261</u>	<u>535,224,025</u>	<u>486,857,949</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

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

(continued from previous page)

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Net (expense)/revenue:						
Governmental activities	\$ (187,951,065)	\$ (194,169,080)	\$ (171,623,708)	\$ (164,379,137)	\$ (158,369,684)	\$ (156,402,920)
Business-type activities	4,452,793	10,437,015	19,329,839	7,240,964	10,625,221	8,279,813
Total primary government net expense	(183,498,272)	(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	96,982,279	94,274,504	91,847,883	89,934,837	87,484,889	89,490,700
Liquor and beer taxes	7,062,700	7,394,591	6,951,057	6,589,468	6,393,852	6,245,169
Gross receipts tax	3,790,913	3,905,913	3,931,405	3,773,166	3,510,891	3,695,782
Franchise tax	2,248,279	2,210,697	2,507,204	1,764,684	1,755,878	1,664,863
Hotel-motel tax	4,058,621	3,893,990	4,067,597	3,747,137	3,640,518	2,583,318
Other taxes	227,546	2,578,385	2,605,700	2,542,465	2,471,256	198,958
Unrestricted investment earnings	1,118,163	1,420,375	4,104,441	5,192,979	3,441,171	1,545,737
Grants not allocated to specific programs	52,777,032	49,988,522	53,466,222	52,074,331	49,165,675	48,501,241
Gain on sale of capital assets	-	-	-	-	-	81,638
Miscellaneous	22,679	-	3,312,122	-	-	-
Change in equity interest	(196,534)	(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	4,089,754	3,061,998	4,321,107	44,999	2,458,048	(563,637)
Total governmental activities	172,181,432	159,355,041	176,694,703	165,681,472	169,112,657	153,443,769
Business-type activities:						
Unrestricted investment earnings	3,632,413	8,991,904	5,249,845	5,001,647	3,015,706	1,942,076
Miscellaneous	16,427	808,000	816,803	108,928	817,415	184,682
Transfers	(4,089,754)	(3,061,998)	(4,321,107)	(44,999)	(2,458,048)	563,637
Total business-type activities	(440,914)	6,737,906	1,745,541	5,065,576	1,375,073	2,690,395
Total primary government	171,740,518	166,092,947	178,440,244	170,747,048	170,487,730	156,134,164
Change in Net Assets						
Governmental activities (1)	(15,769,633)	(34,814,039)	5,070,995	1,302,335	10,742,973	(2,959,151)
Business-type activities	4,011,879	17,174,921	21,075,380	12,306,540	12,000,294	10,970,208
Total primary government	\$ (11,757,754)	\$ (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 2010 the City appropriated \$5,164,968 to the IDB for the VW project. Also, the OPEB obligation increased \$7,767,233 during fiscal year 2010.

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Governmental activities						
Invested in capital assets, net of related debt	\$ 1,259,985,302	\$ 1,259,405,543	\$ 1,276,307,361	\$ 1,267,302,733	\$ 1,269,926,195	\$ 1,277,883,814
Restricted	13,118,922	24,162,165	12,295,632	16,780,377	6,312,540	7,713,513
Unrestricted	52,362,388	57,668,537	87,447,291	86,896,179	93,438,219	73,336,654
Total governmental activities net assets	<u>\$ 1,325,466,612</u>	<u>\$ 1,341,236,245</u>	<u>\$ 1,376,050,284</u>	<u>\$ 1,370,979,289</u>	<u>\$ 1,369,676,954</u>	<u>\$ 1,358,933,981</u>
Business-type activities						
Invested in capital assets, net of related debt (1)	\$ 533,433,835	\$ 559,872,034	\$ 563,418,374	\$ 478,366,634	\$ 491,351,965	\$ 457,612,822
Restricted	22,728,886	24,501,372	27,476,571	18,789,364	17,944,835	18,300,530
Unrestricted (1)	(4,439,053)	(36,661,617)	(60,528,077)	12,305,490	(12,141,852)	9,241,302
Total business-type activities net assets	<u>\$ 551,723,668</u>	<u>\$ 547,711,789</u>	<u>\$ 530,366,868</u>	<u>\$ 509,461,488</u>	<u>\$ 497,154,948</u>	<u>\$ 485,154,654</u>
Primary government						
Invested in capital assets, net of related debt	\$ 1,793,419,137	\$ 1,819,277,577	\$ 1,839,725,735	\$ 1,745,669,367	\$ 1,761,278,160	\$ 1,735,496,636
Restricted	35,847,808	48,663,537	39,772,203	35,569,741	24,257,375	26,014,043
Unrestricted	47,923,335	21,006,920	26,919,214	99,201,669	81,296,367	82,577,956
Total primary government net assets	<u>\$ 1,877,190,280</u>	<u>\$ 1,888,948,034</u>	<u>\$ 1,906,417,152</u>	<u>\$ 1,880,440,777</u>	<u>\$ 1,866,831,902</u>	<u>\$ 1,844,088,635</u>

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

(1) The Solid Waste Fund has 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 SIX FISCAL YEARS
 (accrual basis of accounting)

Fiscal Year	Property Tax	Liquor & Beer Tax		Gross Receipts	Other City-Levied Taxes			Total
		Liquor	Beer		Franchise Tax	Hotel-Motel Tax	Other Taxes	
2005	\$ 89,490,700	\$ 1,606,265	\$ 4,638,904	\$ 3,695,782	\$ 1,664,863	\$ 2,583,318	\$ 3,156,626	\$ 106,836,458
2006	87,484,889 (1)	1,658,004	4,735,848	3,510,891	1,755,878	3,640,518	2,471,256 (2)	105,257,284
2007	89,934,837 (1)	1,748,944	4,840,524	3,773,166	1,764,684	3,747,137	2,542,465 (2)	108,351,757
2008	91,847,883 (1)	1,860,774	5,090,283	3,931,405	2,507,204	4,067,597	2,605,700 (2)	111,910,846
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
2010	96,982,279 (1)	1,973,682	5,089,018	3,790,913	2,248,279	4,058,621	227,546 (2)	114,370,338

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; 2010 \$(324,571).

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

	Fiscal Year					
	2010	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	-	31,520,660	40,746,518	45,027,258	45,138,561	38,975,983
Nonspendable	1,780,661	-	-	-	-	-
Restricted	7,455,576	-	-	-	-	-
Committed	1,184,148	-	-	-	-	-
Assigned	993,642	-	-	-	-	-
Unassigned	28,415,466	-	-	-	-	-
Total general fund (1)	<u>39,829,493</u>	<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	-	36,705	52,324	47,070	45,786	73,056
Nonspendable	5,695,501	-	-	-	-	-
Restricted	43,983,628	-	-	-	-	-
Committed	6,559,175	-	-	-	-	-
Assigned	205,049	-	-	-	-	-
Unassigned	(777,863)	-	-	-	-	-
Total all other governmental funds	<u>55,665,490</u>	<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>\$ 95,494,983</u>	<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.

Note: The City implemented GASB Statement 54 in fiscal year 2010.

(1) Reductions in General Fund are due to one-time capital appropriations as follows: 2007 - \$6,761,735; 2008 - \$12,058,840 (including \$5,985,000 for the VW project); 2009 - \$8,949,717 (including \$4,989,473 for the VW project); 2010 - \$9,461,261 (including \$4,747,968 for the VW project).

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

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Revenues						
Taxes	\$ 114,584,911	\$ 111,959,239	\$ 109,552,362	\$ 106,062,416	\$ 103,157,615	\$ 103,878,878
Licenses and permits	5,368,232	4,435,320	4,633,755	4,754,390	4,272,090	4,092,969
Intergovernmental	97,317,492	95,014,416	83,610,126	87,768,854	83,117,431	84,821,126
Charges for services	6,182,979	5,302,861	5,227,764	4,760,080	4,292,707	3,916,340
Fines, forfeitures and penalties	3,256,983	2,835,260	2,493,879	1,424,431	1,472,402	1,410,642
Investment income	1,350,106	1,777,344	4,536,219	5,899,679	3,949,483	2,209,234
Contributions and donations	754,226	589,914	2,568,829	644,561	414,713	3,761,340
Miscellaneous	5,953,361	5,970,884	8,531,832	7,663,218	8,891,546	8,404,282
Total revenues	234,768,290	227,885,238	221,154,766	218,977,629	209,567,987	212,494,811
Expenditures						
General government	68,917,674	69,935,803	65,152,105	65,854,933	63,379,025	65,458,272
Public safety	71,310,426	72,616,829	72,660,880	69,319,262	63,063,290	62,237,355
Public works	31,601,596	37,185,999	35,209,087	33,619,639	32,797,851	31,623,156
Parks and recreation	16,979,064	16,809,777	16,617,304	14,735,418	13,113,632	12,707,873
Community development	22,890,301	17,712,991	3,288,257	5,405,373	3,029,762	3,839,453
Capital outlay	23,446,614	42,528,781	24,352,978	31,430,746	28,294,636	57,463,455
Debt service:						
Principal	12,532,082	9,591,682	10,839,021	8,453,319	7,735,136	5,777,360
Interest	7,979,170	6,333,051	7,007,893	7,215,084	6,402,538	6,498,717
Total expenditures	255,656,927	272,714,913	235,127,525	236,033,774	217,815,870	245,605,641
Excess of revenues over (under) expenditures	(20,888,637)	(44,829,675)	(13,972,759)	(17,056,145)	(8,247,883)	(33,110,830)
Other financing sources (uses)						
Transfers in	31,587,851	31,750,605	40,995,521	37,882,821	28,655,193	27,789,202
Transfers out	(27,567,851)	(28,969,931)	(41,141,279)	(40,911,869)	(26,197,145)	(28,352,839)
Refunding bonds issued	14,219,204	-	-	14,520,000	-	22,906,508
Bonds issued	34,265,000	46,056,885	-	20,732,796	-	-
Premium on bonds issued	730,718	682,236	-	969,489	-	1,319,753
Payments to refunded bond escrow agent	(34,123,256)	-	-	(14,906,348)	-	(23,958,331)
Proceeds of notes payable	-	-	8,445,635	8,902,195	10,106,804	7,339,369
Total other financing sources (uses)	19,111,666	49,519,795	8,299,877	27,189,084	12,564,852	7,043,662
Net change in fund balances	\$ (1,776,971)	\$ 4,690,120	\$ (5,672,882)	\$ 10,132,939	\$ 4,316,969	\$ (26,067,168)
Debt service as a percentage of non-capital expenditures	9.88%	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 SIX 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	4,167,163,278	2.202	13,293,431,306	31.35%
2010	1,732,687,931	2,296,650,350	56,261,925	522,397,863	237,696,428	4,845,694,497	1.939	15,307,270,881	31.66%

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 (2)			Total Tax Rate	Total Direct & Overlapping Rates(1)
		General Fund Tax Rate	School Fund Tax Rate	Road Fund Tax Rate		
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
2010	1.9390	1.3816	1.3726	0.0110	2.7652	4.7042

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.

(2) www.hamiltontn.gov/trustee/

CITY OF CHATTANOOGA, TENNESSEE

PRINCIPAL PROPERTY TAXPAYERS

June 30, 2010

Taxpayer	2010			2001		
	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)	\$ 225,239,815	1	4.65%	\$ 97,549,009	1	3.73%
CBL & Associates	67,330,092	2	1.39%	42,407,173	4	1.62%
BellSouth	57,191,771	3	1.18%	66,363,943	3	2.54%
Tennessee Valley Authority (Computer Center)	42,698,360	4	0.88%	41,669,360	5	1.59%
Tennessee-American Water Co.	41,286,077	5	0.85%	33,720,784	7	1.29%
Unum/Provident Ins. Co.	33,167,393	6	0.68%	30,859,947	6	1.18%
BlueCross BlueShield	31,238,976	7	0.64%	20,305,076	8	0.78%
Walmart	31,186,657	8	0.64%	-	-	0.00%
Kenco Group, Inc.	29,494,440	9	0.61%	-	-	0.00%
Parkridge Medical Center	26,546,853	10	0.55%	-	-	0.00%
AGL Resources-Chattanooga Gas	20,174,441	11	0.42%	-	-	0.00%
INVISTA (Dupont)	19,615,381	12	0.40%	60,199,816	2	2.30%
Norfolk Southern Railroad	19,059,946	13	0.39%	-	-	0.00%
Tallan Holdings Co.	19,045,600	14	0.39%	-	-	0.00%
KOMATSU	17,277,067	15	0.36%	18,476,035	10	0.71%
Totals	<u>\$ 680,552,869</u>		<u>14.03%</u>	<u>\$ 411,551,143</u>		<u>15.74%</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 SIX 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%	\$ 3,376,798	\$ 83,278,316	99.7%
2006	85,007,191	(267,776)	84,739,415	81,194,003	95.8%	3,559,456	84,753,459	100.0%
2007	87,378,841	107,650	87,486,491	83,848,154	95.8%	3,427,702	87,275,856	99.8%
2008	89,153,730	70,833	89,224,563	85,019,277	95.3%	3,270,108	88,289,385	99.0%
2009	91,760,952	(96,823)	91,664,129	87,144,122	95.1%	2,460,690	89,604,812	97.8%
2010	93,958,030	(733,964)	93,224,066	88,615,281	95.1%	-	88,615,281	95.1%

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
PROPERTY VALUE AND CONSTRUCTION
LAST SIX 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
2009	479	307,889,648	790	84,747,867	6,930,751,724	6,930,751,724	626,311,137

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
GENERAL FUND INTERGOVERNMENTAL REVENUE
LAST SIX 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
2010	25,116,025	9,904,220	10,182,243	2,578,926	1,888,061	13,749,395 (2)	63,418,868

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.
- (2) In fiscal year 2010 the City of Chattanooga began reporting Regional Planning Agency, Air Pollution Control Bureau and Scenic Cities Beautiful as Special Revenue Funds.

CITY OF CHATTANOOGA, TENNESSEE

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

<u>Fiscal Year Ended June 30</u>	<u>Residential Customers</u>	<u>Cents per KWH</u>	<u>Small Commercial Customers</u>	<u>Cents per KWH</u>	<u>Large Commercial Customers</u>	<u>Cents per KWH</u>	<u>Outdoor Lighting Customers</u>	<u>Cents per KWH</u>	<u>Total Customers</u>	<u>Cents per KWH</u>
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
2010	147,532	8.67	19,226	9.77	3,379	7.54	141	10.45	170,278	8.17

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 SIX 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
2010	176,064,209	31,266,117	106,531,819	72,480,791	52,675,254	122,705	439,140,895	7.37%	2,563

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 \$285.39 million in revenue bonds outstanding as of June 30, 2010. 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 SIX FISCAL YEARS

Fiscal Year	General Obligation Bonds	Notes and Capital Leases	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(1)	Per Capita (2)
			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
2010	248,545,000	188,118,187	53,455,510	106,308,081	-	223,738	4,271,000	-	-	90,181,577	22,160,064	10,459,401	4,870,365	144,733,451	0.95%	845

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

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

(2) 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, 2010

<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	\$ 206,662,437	60.1216%	\$ 124,248,764
Other debt:			
Hamilton County Notes Payable	51,096,685	60.1216%	<u>30,720,145</u>
Subtotal, overlapping debt (1)			154,968,909
City of Chattanooga net direct debt			<u>144,733,451</u>
Total direct and overlapping debt			<u>\$ 299,702,360</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 SIX FISCAL YEARS

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Debt limit(1)	\$ 484,569,450	\$ 416,716,328	\$ 404,876,088	\$ 396,815,737	\$ 386,045,296	\$ 331,924,917
Total net debt applicable to limit(2)	<u>144,733,451</u>	<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>\$ 339,835,999</u>	<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	29.87%	32.17%	23.78%	24.60%	19.98%	22.82%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	\$ 4,845,694,497	\$ 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)	484,569,450	416,716,328	404,876,088	396,815,737	386,045,296	331,924,917
Debt applicable to limit:						
General obligation bonds	149,603,816	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>(4,870,365)</u>	<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>144,733,451</u>	<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>\$ 339,835,999</u>	<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, 2010

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Estimated population (1)	155,554	155,992	155,582	155,289	154,853	154,762	168,293	169,884	170,880	171,349
Appraised property valuation	\$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	\$15,307,270,881
Assessed property valuation	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	4,845,694,497
Gross indebtedness (2)	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	436,663,187
Less: Self-supporting indebtedness (3)	178,059,226	169,036,886	344,499,352	353,562,826	346,612,744	333,128,264	325,198,221	310,153,520	302,638,530	287,059,371
Debt Service Fund	<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>	<u>4,870,365</u>
Net direct indebtedness	76,220,316	70,170,865	78,402,593	75,522,734	75,729,909	77,122,240	97,632,033	96,296,919	134,037,550	144,733,451
Plus: Estimated net overlapping indebtedness	<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>	<u>154,968,909</u>
Net direct and overlapping indebtedness	<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>\$ 283,086,379</u>	<u>\$ 299,702,360</u>
Gross debt per capita	\$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	\$2,548.38
Net direct debt per capita	489.99	449.84	503.93	486.34	489.04	498.33	580.13	566.84	784.40	844.67
Net direct and overlapping debt per capita	1,152.90	1,152.38	1,121.92	1,180.67	1,118.58	1,064.65	1,111.31	1,369.08	1,656.64	1,749.08
Gross debt to appraised valuation	3.12%	2.50%	4.30%	4.32%	4.15%	3.49%	3.51%	3.22%	3.35%	2.85%
Net direct debt to appraised valuation	.92%	.72%	.79%	.75%	.73%	.65%	.79%	.75%	1.01%	.95%
Net direct debt and overlapping debt to appraised valuation	2.17%	1.84%	1.76%	1.82%	1.68%	1.38%	1.52%	1.80%	2.13%	1.96%
Gross debt to assessed valuation	9.47%	7.64%	13.13%	13.42%	12.92%	10.81%	10.88%	10.26%	10.69%	9.01%
Net direct debt to assessed valuation	2.79%	2.19%	2.40%	2.33%	2.28%	2.00%	2.46%	2.38%	3.22%	2.99%
Net direct and overlapping debt to assessed valuation	6.57%	5.61%	5.35%	5.66%	5.22%	4.27%	4.71%	5.74%	6.79%	6.18%

(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 SIX 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
2010	507,597,000		471,280,000		36,317,000	2,670,000	3,929,000	5.5

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

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

(2) Operating expenses are less depreciation expense.

(3) 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.

FY10 Retired \$2,670,000.

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

Calendar Year	Population(1)	Per Capita Income(4)	Median Age(2)	Education Level In Years of Formal Schooling(2)	School Enrollment(2)	Unemployment Rate(3)
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%
2009	170,880	33,303	39.2	17.0% 4yr. Degree	39,247	9.1%
2010	171,349	34,784	39.7	16.5% 4yr. Degree (6)	41,072 (5)	9.3%

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

(1) U.S. Census Bureau

(2) Chamber of Commerce

(3) Tennessee Department of Employment Security

(4) U.S. Department of Commerce Bureau of Economic Analysis

(5) Preliminary 2010 unemployment rate is as of June 2010 for Hamilton County.

(6) Preliminary 2010 School Enrollment not available from Chamber. Data from Hamilton County School Enrollment as of April 13, 2010.

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

Employer	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
BlueCross BlueShield of Tennessee	4,458	1	2.60%	3,664	3	2.36%
Hamilton County Department of Education	4,297	2	2.51%	6,074	2	3.90%
Tennessee Valley Authority	3,715	3	2.17%	3,212	4	2.06%
Erlanger Health System	3,359	4	1.96%	2,882	7	1.85%
McKee Foods Corp.	3,060	5	1.79%	3,000	6	1.93%
Unum Group	2,800	6	1.63%	2,341	10	1.50%
Memorial Health Care System	2,796	7	1.63%	2,500	9	1.61%
City of Chattanooga	2,266	8	1.32%	2,847	8	1.83%
CIGNA HealthCare	1,953	9	1.14%	1,841	14	1.18%
Hamilton County Government	1,867	10	1.09%	-	-	0.00%
Pilgram's Pride Corp.	1,850	11	1.08%	-	-	0.00%
Roper Corporation	1,500	12	0.88%	1,950	12	1.25%
Astec Industries	1,317	13	0.77%	1,401	17	0.90%
Parkridge Medical Center, Inc.	1,058	14	0.62%	-	-	0.00%
University of Tennessee at Chattanooga	1,051	15	0.61%	-	-	0.00%
Convergys Corporation	1,000	16	0.58%	-	-	0.00%
Covenant Transport	-	-	-	6,105	1	3.92%
Bi-Lo, Inc.	-	-	-	3,206	5	2.06%
Total	38,347		22.38%	31,712		20.39%

Source: Chattanooga Area Chamber of Commerce Business Information Center, Economic Development Department

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

Function	Full-Time Equivalent Positions as of June 30					
	2010	2009	2008	2007	2006	2005
General Government	291	279	277	276	266	276
Public Safety						
Police:						
Sworn	475	472	472	471	472	472
Civilian	130	139 (1)	213	212	206	196
Fire:						
Sworn	400	400	400	400	400	400
Civilian	17	17	17	17	18	18
Public Works	409	326	331	333	339	338
Neighborhood Services	29	36	36	36	36	37
Parks, Recreation, Arts & Culture	236	230	229	226	217	238
Education, Arts and Culture	26	27	26	26	24	-
Social Services	293	249	289	294	339	340
Interceptor Sewer System	136	135	132	124	115	115
Solid Waste/Sanitation	16	17	14	13	14	13
Water Quality Management	59	55	47	50	49	48
EPB	<u>435</u>	<u>398</u>	<u>389</u>	<u>394</u>	<u>402</u>	<u>407</u>
Totals	<u>2,952</u>	<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 SIX FISCAL YEARS

Function	Fiscal Year					
	2010	2009	2008	2007	2006	2005
General Government:						
311 Service Requests Created	115,586	66,443	72,663	76,401	66,710	77,400
% of Current Tax Levy Collected	N/A	94.5	95.4	95.9	96	95.6
Police:						
Crimes Committed (1)	14,385	14,577	14,219	13,999	13,843	14,315
Moving/Parking Violations	166,438	105,069	64,928	98,984	78,052	75,826
Citizen Complaints	56	47	35	33	96	102
Fire:						
Emergency Calls	12,473	12,889	11,849	11,385	10,617	9,899
Inspections	5,466	7,769	5,978	3,774	2,492	2,586
Public Works:						
Sidewalks Repaired (sq. ft.)	8,186	848	80	335	1,660	3,374
Streets Paved (sq. ft.)	615,038	790,988	520,896	516,146	632,793	851,511
Parks, Recreation, Arts & Culture:						
Chattanooga Zoo - Attendance	253,115	231,225	174,093	149,582	125,293	127,974
Recreation Centers - Attendance	784,325	588,927	567,444	458,331	394,660	400,959
Social Services:						
Children Immunized	981	869	897	865	768	875
Households Assisted	8,473	6,280	4,950	4,284	4,119	6,566
Interceptor Sewer System:						
NPDES Violations	19	10	7	5	5	4
Combined Sewer Overflows	158	103	100	83	118	119
Solid Waste/Sanitation:						
NPDES Landfill Violations	4	4	4	0	4	17
Violation Notices to Industry	40	44	59	96	61	44
Water Quality Management:						
311 Service Requests Created	4,077	1,764	1,798	1,586	1,808	2,559
311 Service Requests Unresolved	153	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 SIX FISCAL YEARS

Function	Fiscal Year					
	2010	2009	2008	2007	2006	2005
General Government:						
City Fleet	1,774	1,773	1,769	1,709	1,670	1,663
Properties Returned to Tax Rolls	24	21	26	33	22	23
Police:						
Stations	3	3	3	3	3	3
Patrol Units	(1) 450	450	450	450	450	450
Fire:						
Stations	18	17	17	17	17	17
Ladder Trucks/Fire Engines/Combos	(2) 25	24	24	24	24	23
Public Works:						
Miles of Paved Streets	1,151	1,159	1,159	1,154	1,150	1,200
Signalized Intersections	321	318	315	314	312	303
Garbage Trucks	18	23	21	21	21	21
Knuckleboom Trucks	20	20	21	21	21	21
Interceptor Sewer System:						
Miles of Sewer	1,254	1,255	1,239	1,200	1,200	1,200
Pump Stations	70	70	67	67	67	67
Parks, Recreation, Arts & Culture:						
Parks	51	51	50	50	50	50
Recreation Centers	16	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) 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, 2010

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-09-213322-00	\$ (31,878)	\$ 76,378	\$ 44,500	\$ -	\$ -
Emergency Food Assistance Program (Administrative Costs)	10.568	8680	-	83,014	124,955	-	(41,941)
Total Emergency Food Assistance Program (Administrative Costs)			(31,878)	159,392	169,455	-	(41,941)
Emergency Food Assistance Program (Food Commodities - Noncash)	10.569	N/A	-	313,820	313,820	-	-
Passed through Tennessee Department of Human Services:							
Child and Adult Care Food Program	10.558	03-47-55915-00-8	(16,993)	16,993	-	-	-
Child and Adult Care Food Program	10.558	03-47-60076-00-9	(77,670)	89,588	13,916	1,998	-
Child and Adult Care Food Program	10.558	03-47-56136-00-6	9,921	97,781	144,283	-	(36,581)
Child and Adult Care Food Program	10.558	03-47-60076-00-9	(4,259)	13,104	7,163	(1,682)	-
Child and Adult Care Food Program	10.558	8487	-	427,873	570,106	-	(142,233)
Child and Adult Care Food Program	10.558	Program Income	-	83,852	83,852	-	-
Total Child and Adult Care Food Program			(89,001)	729,191	819,320	316	(178,814)
Total U.S. Department of Agriculture			(120,879)	1,202,403	1,302,595	316	(220,755)
U.S. DEPARTMENT OF MILITARY							
Passed through Tennessee Emergency Management Agency:							
Public Safety Interoperable Communications Grant Program	11.555	GG-08-34108-494-08	(1,000,712)	4,143,670	5,863,553	-	(2,720,595)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grants/Entitlement Grants	14.218	B-08-MC-47-0001	(678,014)	1,227,850	549,836	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-47-0001	-	528,639	1,213,076	-	(684,437)
Community Development Block Grants/Entitlement Grants	14.218	Program Income	-	320,474	320,474	-	-
Total Community Development Block Grants/Entitlement Grants			(678,014)	2,076,963	2,083,386	-	(684,437)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

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-08-MC-47-0003	\$ (4,252)	\$ 4,252	\$ -	\$ -	\$ -
Shelter Plus Care	14.238	HTF-09-22	-	16,042	83,707	(23)	(67,688)
Shelter Plus Care	14.238	TN0010C4J000801	(23,338)	121,947	192,535	-	(93,926)
Total Shelter Plus Care			(23,338)	137,989	276,242	(23)	(161,614)
Home Investment Partnerships Program	14.239	M-06-MC-47-0200	(287,281)	287,281	-	-	-
Home Investment Partnerships Program	14.239	M-07-MC-47-0200	-	1,057,960	1,057,960	-	-
Home Investment Partnerships Program	14.239	M-08-MC-47-0200	-	145,744	498,211	-	(352,467)
Home Investment Partnerships Program	14.239	Program Income	-	427,547	427,547	-	-
Total Home Investment Partnerships Program			(287,281)	1,918,532	1,983,718	-	(352,467)
ARRA - HUD Neighborhood Stabilization	14.256	B-08-MN-47-0001	-	85,570	219,125	-	(133,555)
ARRA - Homeless Prevention and Rapid Rehousing	14.257	B-09-MY-48-0001	-	119,883	173,883	-	(54,000)
Total U.S. Department of Housing and Urban Development			(992,885)	4,343,189	4,736,354	(23)	(1,386,073)
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	(1,500)	6,389	11,384	-	(6,495)
Edward Byrne Memorial Formula Grant Program	16.579	Z-06-027513-00	(11,604)	31,870	31,422	-	(11,156)
Edward Byrne Memorial Formula Grant Program	16.579	Z-06-027514-00	(6,979)	10,636	11,454	-	(7,797)
Total Edward Byrne Memorial Formula Grant Program			(20,083)	48,895	54,260	-	(25,448)
Public Safety Partnership and Community Policing Grants	16.710	2008-CK-WX-0391	(48,754)	172,904	167,985	-	(43,835)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0546	(13,943)	24,263	15,887	-	(5,567)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0479	85,489	-	91,875	-	(6,386)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0530	-	-	149,776	-	(149,776)
Total Edward Byrne Memorial Justice Assistance Grant Program			71,546	24,263	257,538	-	(161,729)
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804	2009-SB-B9-2602	-	519,095	727,126	-	(208,031)
Total U.S. Department of Justice			2,709	765,157	1,206,909	-	(439,043)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	PL-000-0008-00(502)	\$ (6,071)	\$ 6,071	\$ -	\$ -	\$ -
Highway Planning and Construction	20.205	PL-000-0008-00(786)	(31,504)	31,504	-	-	-
Highway Planning and Construction	20.205	PL-000-0009-00(237)	-	39,388	113,252	-	(73,864)
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	Z-07-036291-00	(19,716)	579,975	580,971	-	(20,712)
Highway Planning and Construction	20.205	Z-07-036291-01	(72,966)	72,966	-	-	-
ARRA - Highway Planning and Construction	20.205	33LPLM-F3	-	-	500,000	-	(500,000)
Total Highway Planning and Construction			<u>(130,257)</u>	<u>729,904</u>	<u>1,194,223</u>	<u>-</u>	<u>(594,576)</u>
Passed through Tennessee Department of Transportation:							
Federal Transit: Metropolitan Planning Grants	20.505	GG-07-26092-00	<u>(6,198)</u>	<u>64,827</u>	<u>78,854</u>	<u>-</u>	<u>(20,225)</u>
Total U.S. Department of Transportation			<u>(136,455)</u>	<u>794,731</u>	<u>1,273,077</u>	<u>-</u>	<u>(614,801)</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed through Tennessee Libraries and Archives:							
Grants to States	45.310	GG-09-27593-00	-	5,000	5,000	-	-
Grants to States	45.310	GG-07-12776-00	-	2,500	2,500	-	-
Grants to States	45.310	GG-08-22649-00	-	91,000	91,000	-	-
Grants to States	45.310	Z-06-034108-00	<u>2,231</u>	<u>-</u>	<u>-</u>	<u>(2,231)</u>	<u>-</u>
Total Institute of Museum and Library Services			<u>2,231</u>	<u>98,500</u>	<u>98,500</u>	<u>(2,231)</u>	<u>-</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	PM-96497408	\$ -	\$ 130,000	\$ 130,000	\$ -	\$ -
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	A0040408	-	315,403	315,403	-	-
Total Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act			-	445,403	445,403	-	-
Passed through Tennessee Department of Environment and Conservation:							
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF 07-204	(1,942,625)	1,942,625	1,697,201	-	(1,697,201)
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-95408208	-	9,659	19,921	-	(10,262)
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-95440809	-	11,800	15,203	-	(3,403)
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-95441209	-	5,082	6,632	-	(1,550)
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96461906	(34,046)	55,399	21,353	-	-
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-95407108	(6,310)	30,272	30,231	-	(6,269)
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	8015	(4,870)	38,147	33,412	-	(135)
Total Brownsfield Assessment and Cleanup Cooperative Agreements			(45,226)	150,359	126,752	-	(21,619)
Total U.S. Environmental Protection Agency			(1,987,851)	2,538,387	2,269,356	-	(1,718,820)
U.S. DEPARTMENT OF ENERGY							
Passed through Tennessee Department of Human Services:							
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-08	(129,108)	122,283	-	6,825	-
Weatherization Assistance for Low-Income Persons	81.042	Z-10-000403-00	-	-	37,070	-	(37,070)
Weatherization Assistance for Low-Income Persons - ARRA	81.042	Z-09-000422-00	-	712,274	917,276	-	(205,002)
Total Weatherization Assistance for Low-Income Persons			(129,108)	834,557	954,346	6,825	(242,072)
Energy Efficiency and Conservation Block Grant Program	81.128	SC0002685	-	-	70,305	-	(70,305)
Total U.S. Department of Energy			(129,108)	834,557	1,024,651	6,825	(312,377)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance	93.568	Z-05-021693-10	\$ (222,027)	\$ 220,887	\$ -	\$ 1,140	\$ -
Low-Income Home Energy Assistance	93.568	Z-10-000203-00	-	1,026,513	2,308,405	-	(1,281,892)
Total Low-Income Home Energy Assistance			(222,027)	1,247,400	2,308,405	1,140	(1,281,892)
Community Services Block Grant	93.569	Z-05-020686-06	(52,210)	44,126	-	8,084	-
Community Services Block Grant	93.569	Z-10-000104-00	-	560,246	639,651	-	(79,405)
Community Services Block Grant - ARRA	93.569	Z-09-217907-00	-	839,435	866,999	-	(27,564)
Total Community Services Block Grant			(52,210)	1,443,807	1,506,650	8,084	(106,969)
Head Start	93.600	04CH0047/32	(1,353,677)	1,477,971	124,294	-	-
Head Start	93.600	04CH0047/33	-	7,144,999	7,808,686	-	(663,687)
Total Head Start			(1,353,677)	8,622,970	7,932,980	-	(663,687)
ARRA - Head Start	93.708	04SE0047/01	-	690,344	956,364	-	(266,020)
Total U.S. Department of Health and Human Services			(1,627,914)	12,004,521	12,704,399	9,224	(2,318,568)
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE							
Foster Grandparent Program	94.011	07-SFSTN005	(51,325)	34,418	-	16,907	-
Foster Grandparent Program	94.011	09SF101836	-	386,375	416,921	-	(30,546)
Total Corporation for National and Community Services			(51,325)	420,793	416,921	16,907	(30,546)
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Emergency Food and Shelter National Board Program	97.024	AR-7682-00-001	(23,999)	24,000	-	(1)	-
Emergency Food and Shelter National Board Program	97.024	8494	-	22,900	45,639	-	(22,739)
Total Federal Emergency Management Agency			(23,999)	46,900	45,639	(1)	(22,739)

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
U.S. DEPARTMENT OF HOMELAND SECURITY							
Buffer Zone Protection Program (BZPP)	97.078	GG-08-25295-00	\$ (186,027)	\$ 192,481	\$ 6,390	\$ (64)	\$ -
Buffer Zone Protection Program (BZPP)	97.078	GG-09-28139-00	-	192,410	192,585	-	(175)
Total Buffer Zone Protection Program (BZPP)			(186,027)	384,891	198,975	(64)	(175)
Homeland Security	97.001	2008-IO-T8-0045	-	-	81,794	-	(81,794)
Total U.S. Department of Homeland Security			(186,027)	384,891	280,769	(64)	(81,969)
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			(6,252,215)	27,577,699	31,222,723	30,953	(9,866,286)

Component Units

Awards Audited by Other Auditors

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	(679,939)	991,927	311,988	-	-
Federal Transit - Capital Investment Grants	20.500	TN-05-0031	(20,762)	26,480	5,718	-	-
Federal Transit - Capital Investment Grants	20.500	TN-05-0032	-	92,853	92,853	-	-
Federal Transit - Capital Investment Grants - ARRA	20.500	TN-56-0001	-	28,040	28,040	-	-
Total Federal Transit - Capital Investment Grants			(1,389,826)	1,828,425	438,599	-	-
Federal Transit - Formula Grants	20.507	TN-26-0021	(73,627)	589,438	515,811	-	-
Federal Transit - Formula Grants	20.507	TN-90-X293	(36,093)	2,840,620	2,881,741	-	(77,214)

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Federal Transit - Formula Grants	20.507	TN-15-X002	\$ -	\$ 161,028	\$ 161,028	\$ -	\$ -
Federal Transit - Formula Grants - ARRA	20.507	TN-96-0002	(103,417)	1,568,317	1,519,578	-	(54,678)
Total Federal Transit - Formula Grants			(213,137)	5,159,403	5,078,158	-	(131,892)
Total Federal Transit Cluster			(1,602,963)	6,987,828	5,516,757	-	(131,892)
Job Access - Reverse Commute	20.516	TN-37-X061	(72,018)	461,149	419,363	-	(30,232)
New Freedom Program	20.521	TN-57-0001	-	297,536	317,373	-	(19,837)
Total Expenditures of Federal Awards - CARTA			(1,674,981)	7,746,513	6,253,493	-	(181,961)
Chattanooga Metropolitan Airport Authority (CMAA)							
U.S. DEPARTMENT OF TRANSPORTATION							
Airport Improvement Program	20.106	3-47-0009-41	(44,231)	234,959	211,295	-	(20,567)
Airport Improvement Program	20.106	3-47-0009-44	(1,437,528)	2,198,263	767,325	-	(6,590)
Airport Improvement Program	20.106	3-47-0009-45	-	413,707	413,707	-	-
Airport Improvement Program	20.106	3-47-0009-46	(178,348)	2,324,676	2,147,729	-	(1,401)
Airport Improvement Program - ARRA	20.106	3-47-0009-47	(38,300)	1,721,505	2,312,150	-	(628,945)
Airport Improvement Program	20.106	3-47-0009-48	-	309,414	498,178	-	(188,764)
Airport Improvement Program	20.106	3-47-0009-49	-	19,950	27,550	-	(7,600)
Airport Improvement Program	20.106	3-47-0009-50	-	17,100	19,000	-	(1,900)
Total Expenditures of Federal Awards - CMAA			(1,698,407)	7,239,574	6,396,934	-	(855,767)
Electric Power Board of Chattanooga (EPB)							
U.S. DEPARTMENT OF ENERGY							
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	DE-OE0000215	-	21,124,248	29,001,040	-	(7,876,792)
TOTAL EXPENDITURES OF FEDERAL AWARDS - COMPONENT UNITS			(3,373,388)	36,110,335	41,651,467	-	(8,914,520)
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			(9,625,603)	63,688,034	72,874,190	30,953	(18,780,806)

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
STATE AWARDS							
Tennessee Department of Agriculture							
Urban Forestry Grant		Z-07-033316-00	\$ -	\$ 12,563	\$ 12,563	\$ -	\$ -
Tennessee Department of Environment & Conservation:							
Household Hazardous Waste		GG-07-12682-00	(81,171)	81,171	48,771	-	(48,771)
Tennessee Department of Economic and Community Development:							
Advanced Manufacturing Project FDIP		GG-07-20542-00	(2,450)	-	-	-	(2,450)
Urban Forestry Grant		SC0002685	-	200,000	3,357	-	196,643
Tennessee Secretary of State							
Community Enhancement for Heritage House			3,276	-	3,276	-	-
Omnibus Community Enhancement Grant Program			-	-	20,870	-	(20,870)
Omnibus Community Enhancement Grant Program			5,251	-	5,359	108	-
Omnibus Community Enhancement Grant Program			30,000	-	-	-	30,000
Omnibus Community Enhancement Grant Program			140	-	140	-	-
Omnibus Community Enhancement Grant Program			776	-	787	11	-
Omnibus Community Enhancement Grant Program			275	-	275	-	-
Omnibus Community Enhancement Grant Program			-	-	112	-	(112)
Tennessee Department of Finance and Administration:							
Tennessee Housing Development Agency							
THDA Entitlement - CNE Project		Program Income	<u>732,732</u>	<u>56,123</u>	<u>-</u>	<u>-</u>	<u>788,855</u>
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT			<u>688,829</u>	<u>349,857</u>	<u>95,510</u>	<u>119</u>	<u>943,295</u>

Component Units

Awards Audited by Other Auditors

Chattanooga Area Regional Transportation Authority (CARTA)

Tennessee Department of Transportation:

State CTAP		GG-08-22318	-	22,641	22,641	-	-
State Funding for TN-03-0051		GG-07-12890	(86,141)	86,141	-	-	-

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

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-37-X061		GG-07-20344	\$ (36,009)	\$ -	\$ 209,682	\$ -	\$ (245,691)
State Funding for TN-04-0017		GG-09-27223	(112,345)	-	38,999	-	(151,344)
State Funding for TN-90-X293		GG-09-30150	(4,411)	-	360,217	-	(364,628)
Special Legislative Allocation		Z-08-212253	-	86,184	86,184	-	-
State Funding for TN-57-0001		GG-09-27478	-	-	39,672	-	(39,672)
State Operating		GG-10-30274	-	2,094,641	2,094,641	-	-
State Funding for TN-05-0031		GG-08-25178	(3,096)	-	715	-	(3,811)
State Funding for TN-05-0032		GG-10-3074	-	-	11,607	-	(11,607)
State Funding for TN-90-X271		GG-08-26123	<u>(4,395)</u>	<u>4,395</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures of State Awards - CARTA			<u>(246,397)</u>	<u>2,294,002</u>	<u>2,864,358</u>	<u>-</u>	<u>(816,753)</u>
Chattanooga Metropolitan Airport Authority (CMAA)							
Airport Improvement Program		Z-07-03-7627-00	(240)	241	1	-	-
Airport Improvement Program		Z-06-02-9515-00	(202,700)	202,700	-	-	-
Airport Improvement Program		Z-08-20-0655-00	(15,554)	-	5,560	-	(21,114)
Airport Improvement Program		Z-08-20-0651-00	(41,237)	-	-	-	(41,237)
Airport Improvement Program		Z-09-21-3917-00	(153,677)	-	20,193	-	(173,870)
Airport Improvement Program		Z-09-21-4023-00	(1,396)	-	10,887	-	(12,283)
Airport Improvement Program		Z-09-21-4074-00	(9,415)	-	56,519	-	(65,934)
Airport Improvement Program		AERO-10-117-00	-	-	13,110	-	(13,110)
Airport Improvement Program		AERO-10-118-00	-	-	725	-	(725)
Airport Improvement Program		Pending	-	-	500	-	(500)
Airport Improvement Program		Z-08-20-0646-00	(5,715)	-	(5,715)	-	-
Airport Improvement Program		Z-09-21-3918-00	(11,278)	-	(11,278)	-	-
Airport Improvement Program		Z-08-20-0662-00	(36,900)	36,900	-	-	-
Airport Improvement Program		Z-08-20-0737-00	(326,537)	326,537	-	-	-
Airport Improvement Program		Z-08-20-0695-00	(91,152)	-	(4,138)	-	(87,014)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Airport Improvement Program		Z-08-20-0738-00	\$ (448,111)	\$ 448,111	\$ -	\$ -	\$ -
Airport Improvement Program		Z-08-20-0736-00	(813,148)	819,369	6,221	-	-
Airport Improvement Program		Z-08-20-0739-00	(29,250)	29,250	-	-	-
Airport Improvement Program		Z-09-21-3974-00	-	219,996	266,908	-	(46,912)
Airport Improvement Program		Z-08-20-0807-00	-	37,800	37,800	-	-
Airport Improvement Program		Z-09-21-3971-00	-	90,000	90,000	-	-
Airport Improvement Program		Z-09-21-3973-00	-	392,740	437,155	-	(44,415)
Airport Improvement Program		Z-09-21-3966-00	-	-	54,000	-	(54,000)
Airport Improvement Program		AERO -10-100-00	-	-	128,700	-	(128,700)
Total Expenditures of State Awards - CMAA			<u>(2,186,310)</u>	<u>2,603,644</u>	<u>1,107,148</u>	<u>-</u>	<u>(689,814)</u>
TOTAL EXPENDITURES OF STATE AWARDS - COMPONENT UNITS			<u>(2,432,707)</u>	<u>4,897,646</u>	<u>3,971,506</u>	<u>-</u>	<u>(1,506,567)</u>
TOTAL EXPENDITURES OF STATE AWARDS - REPORTING ENTITY			<u>(1,743,878)</u>	<u>5,247,503</u>	<u>4,067,016</u>	<u>119</u>	<u>(563,272)</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS - REPORTING ENTITY			<u>\$ (11,369,481)</u>	<u>\$ 68,935,537</u>	<u>\$ 76,941,206</u>	<u>\$ 31,072</u>	<u>\$ (19,344,078)</u>

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2010

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 \$320,474 and \$427,547, 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	\$1,294,741
Shelter Plus Care	14.238	83,707
Home Investment Partnerships Program	14.239	1,526,756

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 6, 2010. Our report includes a reference to 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. Other auditors audited the financial statements of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting (Finding 2010-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 6, 2010.

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.

Haslett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
December 6, 2010

Independent Auditor's Report on Compliance With Requirements
That Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Chattanooga, Tennessee (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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. We did not audit the compliance of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority whose federal and state financial assistance is \$16,621,933. The reports of the other auditors on compliance with the requirements could have a direct and material effect on 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. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Haylett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
December 6, 2010

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2010

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 none reported

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
20.106	U.S. Department of Transportation: Airport Improvement Program
20.500	Federal Transit Cluster: Federal Transit – Capital Improvement Grants
20.507	Federal Transit – Formula Grants
81.122	U.S. Department of Energy: Electricity Delivery and Energy Reliability, Research, Development and Analysis

CITY OF CHATTANOOGA, TENNESSEE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2010

Identification of major programs (continued):

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.568	U.S. Department of Health and Human Services: Low-Income Home Energy Assistance (LIHEAP)
93.600	Head Start Cluster: Head Start
93.708	ARRA – Head Start

Dollar threshold used to distinguish between type A and type B programs: \$2,186,226

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2010-1: Interceptor Sewer System Inventory

Condition and criteria: Interceptor Sewer System inventory at June 30, 2010 contained several discrepancies.

Context: A physical count of inventory is taken each year on June 30.

Effect: The recorded amount of inventory could be misstated.

Cause: The inventory procedures at June 30, 2010 provided limited information regarding the accuracy of the recorded inventory.

Recommendation: We recommend improvements to inventory procedures and their execution in order to provide reliable supporting documentation for inventory.

Management's response: Written procedures have been developed and more resources will be devoted to the Sewer inventory.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010

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

Finding: During 2009, benefit amounts were awarded to individuals due to erroneous calculations of personal income. According to the OMB Circular A-133 Compliance Supplement, funds can only be disbursed to individuals who meet certain income requirements.

Corrective Action Taken: Management has developed procedures to ensure staff is conscientious when calculating personal income of individuals applying for energy assistance.



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