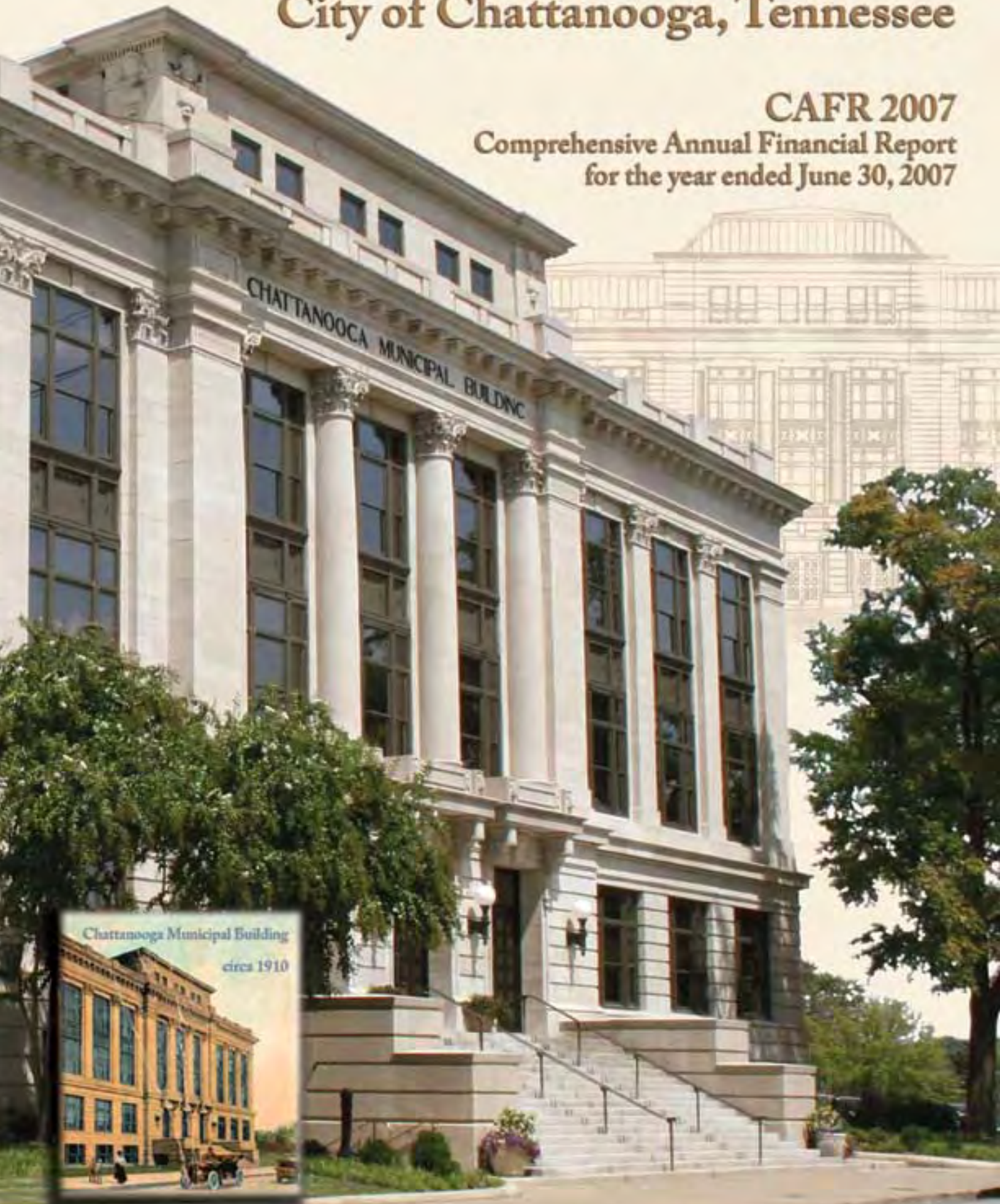


# City of Chattanooga, Tennessee

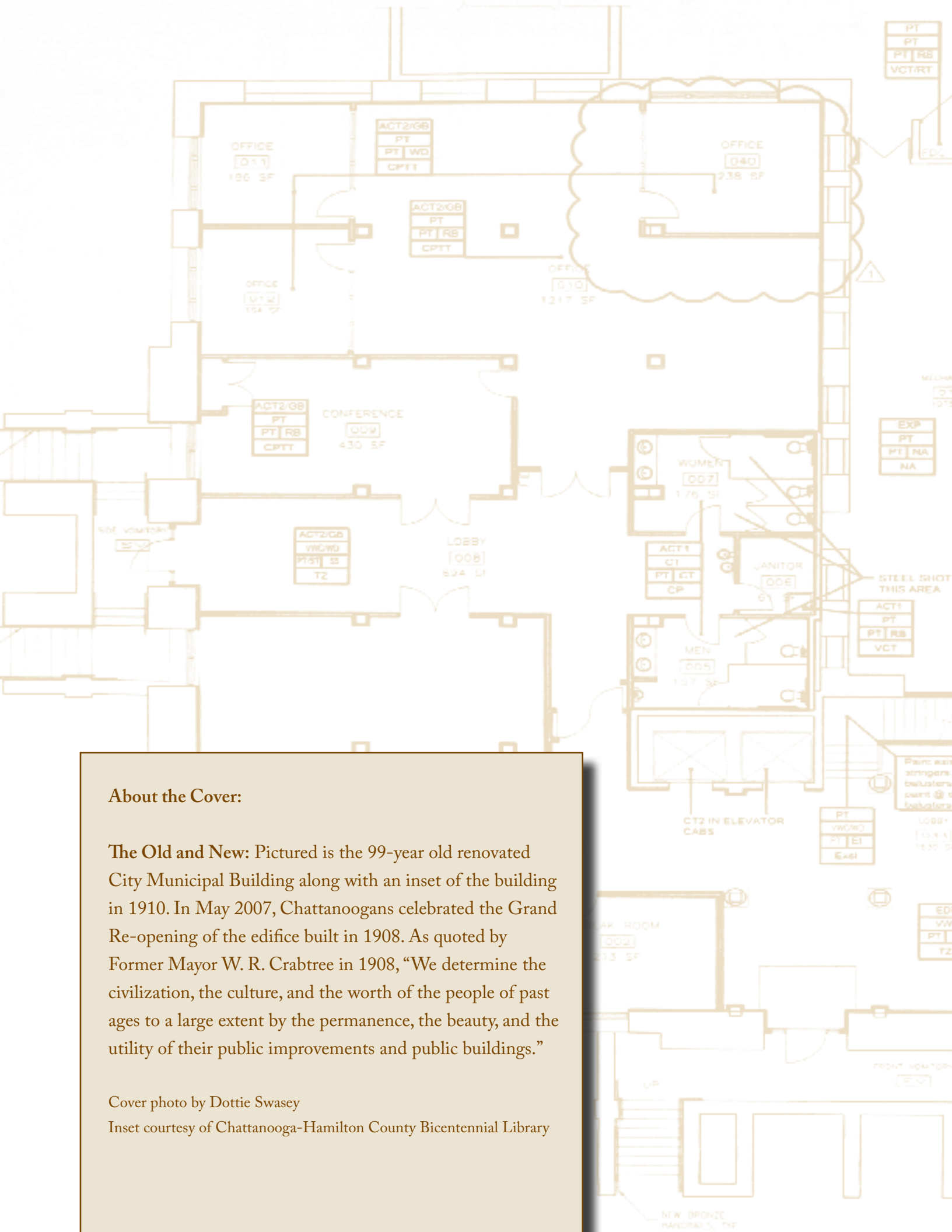
**CAFR 2007**

**Comprehensive Annual Financial Report  
for the year ended June 30, 2007**



Chattanooga Municipal Building  
circa 1910





### About the Cover:

**The Old and New:** Pictured is the 99-year old renovated City Municipal Building along with an inset of the building in 1910. In May 2007, Chattanoogaans celebrated the Grand Re-opening of the edifice built in 1908. As quoted by Former Mayor W. R. Crabtree in 1908, “We determine the civilization, the culture, and the worth of the people of past ages to a large extent by the permanence, the beauty, and the utility of their public improvements and public buildings.”

Cover photo by Dottie Swasey

Inset courtesy of Chattanooga-Hamilton County Bicentennial Library

**CITY OF CHATTANOOGA, TENNESSEE**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007**

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

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# Mayor's Letter

January 9, 2008

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

I am pleased to present the annual report of the City of Chattanooga for the fiscal year ending June 30, 2007.

This year's report outlines the City's solid fiscal performance and sound financial management. As always, my goals are to continue focusing on economic development, improving our neighborhoods, providing responsive government, and effectively delivering the best services possible.

Chattanooga is a beautiful and historical city. This year, we had a unique look into our historic past when we discovered the long forgotten 1908 time capsule in the cornerstone of City Hall. Our city has undergone tremendous change since 1908. In May of 2007, we were pleased to re-open Chattanooga City Hall after a much needed total restoration and renovation. Our seat of government is once again befitting the growing and prosperous metropolitan city that we are today.

Economic development continues to be a strong priority for this administration. Efforts to expand our local industrial mega site, Enterprise South, and the new I-75 interchange are paying off. This year, we gained international attention when Chattanooga was selected as one of two final contending locations for Toyota Motor Corporation's new manufacturing site. Although we finished a close second, we proved that Chattanooga has the necessary infrastructure to make it an attractive site for world-class developments.

To engage the youth of our community in a positive way and to offer creative solutions to youth violence, our local government offices, foundations, and corporate citizens created the "Youth School to Work Program" providing at-risk students with paid internships in the community (including city government) to encourage them to make connections, observe various career paths, and develop the abilities to make the right choices for a brighter future.

To further create stronger, more unified neighborhoods, I started regular "Mayor's Neighborhood



*Mayor Ron Littlefield and his wife, Lanis arrive dressed in their 1908 apparel for the Grand Re-Opening of City Hall*  
*Photo by Lawson Whitaker*



*Ribbon cutting ceremony at City Hall's Grand Re-Opening.*

*Photo by Dottie Swasey*

Meetings” for each of Chattanooga’s nine council districts. These meetings have already proven to be beneficial and educational - benefiting our residents and my administration.

We have fulfilled our promise of increasing investment in new sidewalks. More have been created during this administration than during any previous time in recent history. To continue making our neighborhoods safer, our police department is carrying out regular “crime suppression exercises” which have proven not only effective, but also very useful in enhancing local and federal inter-agency communications and cooperation. Since we began these unannounced multi-agency raids, we have arrested well over two hundred and fifty criminals and cited others for hundreds of various offenses.



*Dan Johnson, Chief of Staff  
Photo by Lawson Whitaker*

This year, the Electric Power Board, a city owned utility, will begin offering residential and corporate clients the most innovative and technologically advanced infrastructure for transfer of information in this digital age. The expansion of their fiber optic system will allow consumers the ability to have greater choices for cable, high speed internet, and phone service. This is a project that the Electric Power Board has been seeking to implement for several years and will definitely be a major selling point for our community.

By offering new recycling drop off centers around our community and switching all of our diesel trucks, including our recycling trucks, to Biodiesel, we have improved our environment in two significant ways. We have further reduced waste going into landfills while improving the air we breathe.



*Mayor Littlefield at his desk. The historic desk was first recorded being used by Mayor Edward W. Bass in 1927, the longest continuous serving mayor in Chattanooga’s history. It was found covered with boxes and printers in the police department, and was refinished and brought back to City Hall.*

*Photo by Lawson Whitaker*

These are just a few of the dramatic changes affecting the City of Chattanooga. Not only have we transformed our economic base and local neighborhood aesthetics, but we have continued to implement better environmental practices and policies so that we might leave a cleaner, more environmentally friendly city to our future generations.

We have made great strides as a city and we are on the right track for our future. As your Mayor, I look forward to hearing from you and working hard to make Chattanooga a better place to live, work, and play.

Sincerely,

Ron Littlefield, Mayor



# Chattanooga City Council



<b>District 1</b> Linda G. Bennett Vice Chairperson	<b>District 2</b> Sally L. Robinson	<b>District 3</b> Dan B. Page Chairperson	<b>District 4</b> W. Jack Benson, Sr.	<b>District 5</b> John P. Franklin, Jr.	<b>District 6</b> Marti P. Rutherford	<b>District 7</b> Manuel Rico	<b>District 8</b> Leamon Pierce	<b>District 9</b> Deborah C. Gaines
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# Chattanooga City Hall



Photo by Dottie Swasey

From its conception, Chattanooga was a city with enormous potential and natural beauty. The once small Indian village of Chief John Ross had become a bustling industrial and railroad town. The boisterous sounds of mighty steam engines were common in Chattanooga. Her great rail stations could take passengers all over America and in 1890, she was deemed the “Pittsburgh of the South”.

The original City Courthouse was small, wooden, and needed to be rebuilt. To quote the

words of former Mayor William R. Frierson, *“Here it is proposed that there shall be a governmental house where the public business may be conducted in a manner and with a dignity befitting a splendid city.”*

With that idea, our forefathers envisioned a glorious new city hall worthy of a growing metropolis. They chose to enlist the talents and creative genius of a local, self taught architect named R. H. Hunt. Hunt’s designs would later be the building blocks of many of the most notable buildings in Chattanooga and in the southwest United States, including two of the largest churches of his era located in Dallas, Texas and Norman, Oklahoma.

## Construction Begins

The preparation of the new Chattanooga City Hall began years before its official cornerstone laying on April 24, 1908. Then Mayor A. W. Chambliss requisitioned \$30,000 dollars in 1905 for the purchase of the land for the new City Hall. The plans for City Hall were approved during the administration of Mayor William R. Frierson.

Construction began sometime in the late summer or early fall of 1907. On April 24, 1908, a stormy and rainy day, around 3:00 o’clock in the afternoon, the commemorative cornerstone was hoisted and set in place by numerous citizens and public officials. Captain H. A. Chambers, a Civil War veteran and City Alderman, helped to insert a small copper box into the cornerstone of the new City Hall.



In the right foreground you can see the construction site for City Hall, with the Custom House and the Hotel Patten in the background.

Photo courtesy of Chattanooga-Hamilton County Bicentennial Library



The Custom House circa 1907.

The corner lot in the foreground is where City Hall stands today.

Photo courtesy of Chattanooga-Hamilton County Bicentennial Library

At the laying of the cornerstone, Mayor R. W. Crabtree stated, *“We determine the civilization, the culture, and the worth of the people of past ages to a large extent by the permanence, the beauty, and the utility of their public improvements and public buildings.”*

When City Hall was first designed, an estimated twenty people worked in the building. Its offices were large and as the years passed, more people would be hired as the city government continued to grow. In the beginning, all four of the city departments were housed in City Hall.

For the next one hundred years, the City Hall would serve the citizens of Chattanooga respectfully. Before

1980, it would see three minor renovations including the retrofitting of the top floor for Chattanooga's first computer in 1964.

In 2004, then Mayor Bob Corker and City Council members decided to completely renovate Chattanooga City Hall. It proved to be a major undertaking that would last well over two years.

The renovation process was never dull. Construction crews continuously found hidden articles, including some of the original windows and doors which had been plastered over to make walls. Some of the windows were still open.



*Artifacts found during the renovation of City Hall.*

*Photo by Dottie Swasey*

City Hall was built in a 'U' shape with the inside part of the 'U' remaining hollow and used as a courtyard where employees could eat lunch or relax during their breaks. As was the custom before air conditioning, this 'U' shaped design allowed for greater air movement throughout the building when windows were opened.

In the late 1940's when air conditioning became available, the space was framed in to create more office space as the number of city employees increased. When the area was blocked in, the original windows and walls were left in place and plastered over hiding all traces of their existence until the renovation in 2005.

The eighteen foot high ceilings, with the once ornate cornice moldings which adorned Chattanooga's magnificent City Council and Alderman's Chambers, were hidden by dropped ceilings when the first computer was installed in 1964. The beautiful molding and cornice work would not be found until workers started removing pieces of the dropped ceilings during the renovations.

Other items were discovered in unusual places such as the plumbing chase, attic, and walls. Some of these objects were empty liquor bottles, pipe tobacco tins, snuff cans, men's razors, pipes, and drinking cups.



### **The Discovery of the 1908 Time Capsule**

The most celebrated artifact found in City Hall was the original 1908 cornerstone time capsule. After finding newspaper accounts mentioning the laying of a ceremonial copper box within the cornerstone, city officials began studying the last location of the time capsule by piecing together records and historical accounts.

On February 7, 2007, a cold and windy day, officials, city employees, reporters, residents, and construction crews gathered at the southwest corner of Chattanooga City Hall to witness the removal of the original 1908 cornerstone.

Once the cornerstone was removed, it was evident there was a time capsule inside. The time capsule was carefully removed by Mayor Ron Littlefield and then City Council Chairman



*Mayor Ron Littlefield and Councilman Leamon Pierce retrieve the time capsule from the cornerstone*

*Photo by Michelle Michaud*



*City officials and media gather to view the contents of the time capsule.*

*Photo by Dottie Swasey*

Leamon Pierce and brought to the City Council Chamber where local archivists were on hand for the opening.

The time capsule contained numerous articles of intrinsic value from the year 1908. Inside the hand made, leaden sealed copper box, city officials found several signed business cards from city employees and elected officials. Also recovered was an original poster depicting the architectural creations of the building's architect, R. H. Hunt.

The capsule also included three well preserved and complete newspapers, The Chattanooga Times, Chattanooga News, and what would become the only surviving intact copy of the Chattanooga Star.

City officials were delighted to find an original 1908 city directory with pull out advertisements and the name of President Theodore Roosevelt inscribed in pencil on the inside cover. Other interesting articles found were a signed adult pass to the Oxley Zoo and various handwritten letters from the Chattanooga Manufacturing Association and the Chattanooga Chamber of Commerce.

### **Chattanooga City Hall Today**

Chattanooga City Hall stands as a proud monument of our city's long history. For one hundred years, this grand, opulent building has witnessed the turmoil of two world wars, the Great Depression, the Korean, Vietnam, and Iraq conflicts, two forms of government, and eighteen mayors. Today, its walls now hold the Mayor's Office, Treasurer's Office, the Departments of Personnel, Neighborhood Services and Community Development, Internal Audit, and Finance and Administration.

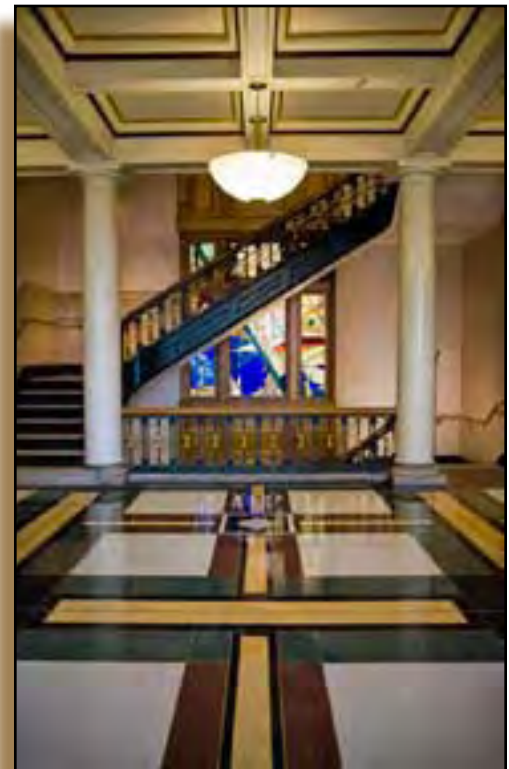
From its first rough sketch from the hands of a self taught local architect to the finishing touches on its 2007 renovation, the halls of this historic building continue to echo the words of former Chattanooga Mayor, William R. Frierson,

*"Here it is proposed that there shall be a governmental house where the public business may be conducted in a manner and with a dignity befitting a splendid city."*



*The main hallway in the Mayor's office*

*Photo by Lawson Whitaker*



*The remodeled lobby of City Hall*

*Photo by Lawson Whitaker*



**City of Chattanooga**  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
CITY HALL  
101 EAST 11TH STREET, SUITE 101  
**Chattanooga, Tennessee 37402**  
OFFICE: (423) 757-5234 • FAX: (423) 757-0681

January 9, 2008

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

In compliance with state and local statutes, I am submitting the Comprehensive Annual Financial Report (CAFR) of the City of Chattanooga for the fiscal year ended June 30, 2007. These ordinances and statutes require that the City of Chattanooga issue annually a report on its financial position and activities, and that an independent firm of certified public accountants audit this report.

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

The City of Chattanooga's financial statements have been audited by Hazlett, Lewis & Bieter, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Chattanooga's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent



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

auditor's report is presented as the first item in the financial section of this report.

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

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Chattanooga's MD&A can be found immediately following the financial statement report of the independent auditors.

## GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND MAJOR INITIATIVES

### PROFILE OF THE GOVERNMENT

Founded as a ferry landing and warehouse site in 1815, the City of Chattanooga was incorporated under State of Tennessee Private Acts of 1839. The City is the county seat of Hamilton County and is located near the southeastern corner of the state on the Tennessee-Georgia border. It encompasses an area of 144.16 square miles.



*Steamers "Missionary" and "Chattanooga" near Ross's Landing circa 1864.*

*Photo courtesy Chattanooga-Hamilton County Bicentennial Library*

The official 2000 Census showed the city with a population of 155,554. The census estimate for 2006 shows the city has grown to a population of 168,293. Chattanooga is centrally located in relation to other major population centers of the southeast, being within a 150-mile radius of Knoxville and Nashville, Tennessee; Birmingham, Alabama; and Atlanta, Georgia. Over 11 million people live within a 2 to 2½ hour drive of Chattanooga. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also has the power to extend its corporate limits by annexation in accordance with procedures under an "Urban Growth Plan" agreed to between the city and the county.

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

The City provides a full range of municipal services including but not limited to fire and police protection; sanitation services 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 storm water maintenance program and a sewer and sewage facility system for its residents and for other communities in southeast Tennessee and northwest Georgia.

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

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



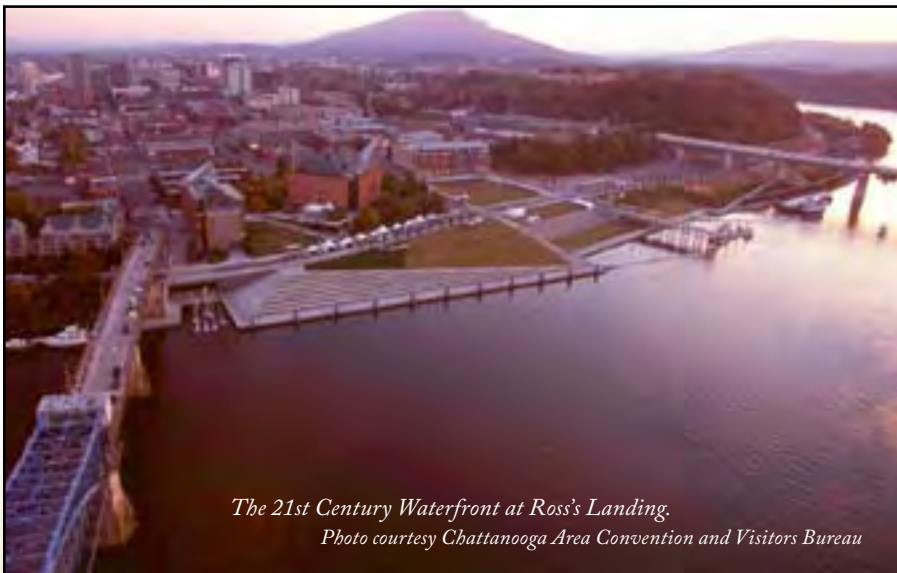
*Chattanooga's Market Street circa 1908*

*Photo courtesy Chattanooga-Hamilton County Bicentennial Library*

## **FACTORS AFFECTING FINANCIAL CONDITION**

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

The City's Economic Future: Employment in the Chattanooga area is diverse. The top employment sectors of trades, transportation, and utilities (22.4%), government (14.2%), manufacturing (14.2%), professional and business services (11.1%), education and health (10.4%), and leisure and hospitality (9.5%) comprise 81.8% of the workforce. Employment in the retail service sector is driven, in part, by the presence of Hamilton Place Mall, Tennessee's largest. The 1.4 million-square-foot mall has brought in many tourists and locals with a mix of new and familiar stores, theme restaurants and movie theaters. Thanks to the mall, the area has become a retail hotbed with more than 15 million visitors a year. The Chattanooga-based retail mall owner is completing a 76,000 square foot headquarters building on site.



*The 21st Century Waterfront at Ross's Landing.*

*Photo courtesy Chattanooga Area Convention and Visitors Bureau*

Chattanooga enjoys strategic advantages related to its location, strong transportation system, natural resources and competitive cost of doing business. The local unemployment rate of 3.9% remains significantly below the state average of 4.4 % and the national average of 4.7% as of September, 2007.

A solid foundation has been laid for Chattanooga's future through two major recent initiatives within the heart of the city. The opening of the 21st Century Waterfront in April 2005 marked the culmination

*View of East Lake Park circa 1910. The park was dedicated as the first city park on July 4, 1896.*

*Photo courtesy Chattanooga-Hamilton County Bicentennial Library*



of a vision first conceived by Chattanoogaans in the early 1980's. Through the work of the publicly commissioned Moccasin Bend Task Force, Chattanoogaans created a shared dream for riverfront redevelopment over twenty years and across 22 miles. With the opening of the \$120 million development on the waterfront, the connection was completed twenty years to the month from the publication of the Tennessee Riverpark Master Plan. The \$120 million waterfront initiative includes major expansions to the Tennessee Aquarium, the Creative Discovery Museum and the Hunter Museum featuring new attractions ranging from a glass-floored walking bridge to a 160-foot pier

illuminated by towering light columns. It also include public green spaces, and urban wetland, boat docks and a downtown-to river-side pedestrian link with dazzling artwork that evokes American Indian history. The public-private investment in the waterfront came on the heels of a \$129 million investment in Chattanooga's Southside area which was completed in 2003. The Southside project provided an expanded Convention and Trade Center, parking garage, a Development Resource Center, and The Chattanooga, a premier meeting facility.

Hotel tax receipts indicated a 20% surge in tourism dollars spent as compared to the prior year. Additionally, housing development within the city remains strong, defying a national trend. The City recently agreed to lease a parcel of land near the riverfront on which a planned \$10 million, 120-unit apartment project will be constructed. This is the largest project of its kind in the last three decades.

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

- Increase employment by 15,573;
- Increase high-wage jobs average by 10%
- Increase private investment by \$500 million,
- Create \$526.8 million in new income (payroll)
- Increase disposable income by \$421.5 million
- Increase net personal consumption by \$390.1 million

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



*A section of the Riverwalk, part of the Tennessee Riverpark Master plan .*

*Photo courtesy Chattanooga Area Convention and Visitors Bureau*



expected to create 700 new permanent jobs in the local health care industry.

Quality education is also the centerpiece of a successful community. Chattanooga State Technical Community College, the Chattanooga Manufacturer's Association and others are working together to establish a Center for Advanced Manufacturing Training. The center will begin operations in mid-2009. The center will help support existing industry and will serve to attract new manufacturing and technical jobs to the area. The University of Tennessee at Chattanooga's MBA program continues to gain national exposure, appearing on the list of Princeton Review's Best Business School guidebook for the second year.

Transportation is another key to a vibrant economy. The Chattanooga area is served by three interstate highways, six U. S. highways, railways, airlines, bus service, and the Tennessee River system. Direct flights are available to ten major cities plus an addition of two more cities planned for December. Airport passenger traffic has increased more than 20% over the past year. On the Tennessee River, construction has begun on a multi-year \$349 million replacement project for the Chickamauga Lock which will enhance river traffic for years to come. A coffer dam, the second phase of the project, is expected to be completed by the end of 2009. The entire replacement is expected by the end of 2013.

Chattanooga has as a prize asset for potential job growth the Enterprise South Industrial Park. The old Volunteer Army Ammunition Plant has been reborn as perhaps the finest industrial park in the Southeastern United States. This TVA-certified Megasite has been the focus of the City, County, State, and Federal investment.

City and County governments have invested over \$31 million to date. The 1600 acres recently marketed for an automotive plant is an ideal site for many industrial uses. Additional acreage currently being cleaned will be available by the end of 2009, bringing the total available for industrial use to 3000 acres, with an additional 2900 acres set aside for recreational use and buffering.



*Chattanooga Central High School circa 1907.*

*Photo courtesy Chattanooga-Hamilton County Bicentennial Library*



*Chattanooga State Technical Community College*

*Photo courtesy of Chattanooga State Technical Community College*



*Fletcher Hall on the Main Campus of the University of Tennessee at Chattanooga*

*Photo courtesy University of Tennessee at Chattanooga*



*Chattanooga from Boynton Park on Cameron Hill circa 1905.  
Photo courtesy Chattanooga-Hamilton County Bicentennial Library*

Including state and federal dollars, the total investment is a planned \$85 million. The land is located within the corporate limits of Chattanooga and represents the greatest regional development site the City has seen. It is served by a new interstate connection with I-75 as well as by two competing rail lines. Continuing efforts are underway by the City and County Mayors, the Chamber of Commerce, the State and the region to recruit businesses to the area. Government leaders in Tennessee and Georgia have joined forces in

an effort to recruit a large manufacturer to the area, recognizing that a large plant within Chattanooga will have a significant long-term regional impact on our economy and job markets. The City has achieved the EPA clean air standard for the past three years, easing concerns that industries might have for obtaining permits as well as allowing the area to continue to receive federal funding for roads. Local officials expect the EPA to certify the area as in compliance in 2008.

Another major asset which has been highlighted by the extreme regional drought is the Tennessee River which flows through the heart of the city. In addition to providing the backdrop for the waterfront development projects, it is an invaluable source of clean water for consumption, recreation, transportation, and industrial use. The estimated annual economic impact for waterfront events over the past year has exceeded \$20 million. The river is also critical for electric power generation in the area and for other industries heavily dependent on water. Regionally, we are among the few water basins which have no usage restrictions as a result of the drought.

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

Downtown is unquestionably important, but there is more to “the greater city” than downtown. Mayor Littlefield recognizes that nothing is more essential to a healthy city than healthy neighborhoods. Beautiful, clean, safe neighborhoods continues to be a primary focus of this administration as well as ensuring that all Chattanoogaans enjoy the benefits of the City’s renewed downtown and rising economic tide. Recreation also continues to be an important aspect of our community. The Parks and Recreation Department plans to complete a \$10.5 million softball complex in the eastern portion of the city to open in 2009.



*Downtown Chattanooga today.  
Photo courtesy Chattanooga Area Convention and Visitors Bureau*

During the past five years, general

fund revenues have grown at a slower pace than expenditures. This is primarily due to use of reserves to fund a large portion of the capital budget. Revenues and transfers in have increased 9.79% while expenditures and transfers out have increased 13.50%. Increase in expenditures and transfers out excluding capital funding from the general fund increased by 11.3%. The City's two biggest local revenue sources, property tax and sales tax, grew 6.95% and 22.41% respectively during that period. The sales tax increase is net of the portion earmarked for education which is now collected by Hamilton County. Property tax rates were decreased by 31.7 cents (from \$2.519 to \$2.202/\$100 assessed valuation) in 2005 due to a property reappraisal. This favorable revenue trend along with sound management has allowed the City to increase its general fund balance from \$40,677,980 to \$55,130,349 or 35.5% over the past five years. The City's unreserved fund balance increased from \$30,784,700 to \$45,027,258 or 46.3%. Over \$12 million of these reserves have been appropriated as pay-go-capital for Fiscal Year 2008.

**Budget Highlights:** For the sixth consecutive year tax increases and layoffs have been avoided by a combination of more effective management and economic growth. This budget provides the resources for continued investment in the long term fiscal health of this community.

The City continues its *chattanoogaRESULTS* and vacancy control programs that began in February 2002. These programs ensure accountability by providing for regular review and monitoring of departmental performance by the Mayor, the City Finance Officer and other senior City officials. The City has published two annual performance reports to the citizens of Chattanooga. The report not only gives residents an update on how city services are responding to their needs, it also provides department heads and managers with quantifiable information to assess performance in meeting the City's goal of efficient and effective management of resources in providing quality services to the citizens of Chattanooga.

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

**Risk management.** The City manages exposure to risk of loss through several methods including contracts with commercial carriers for property insurance, surety bond coverage of officials and employees, and commercial liability coverage. The City assumes the risk of loss for general liability not covered by commercial carriers. To minimize its losses, the City has implemented various risk control techniques such as safety inspections and safety training classes. As part of the City's risk management program, resources are being accumulated in an Internal Service Fund to meet potential losses relating to general liabilities and tort claims. Reserves are accumulated in the General Fund to meet potential losses for all other exposures. Additional information on the City's risk management activity can be found in the notes to the financial statements.

**Pension and other postemployment benefits.** The City provides retirement benefits through three single-employer defined benefit pension plans that cover all employees. One plan covers general City employees; a second plan covers employees of the Electric Power Board; and the third covers firefighters and police officers. Each

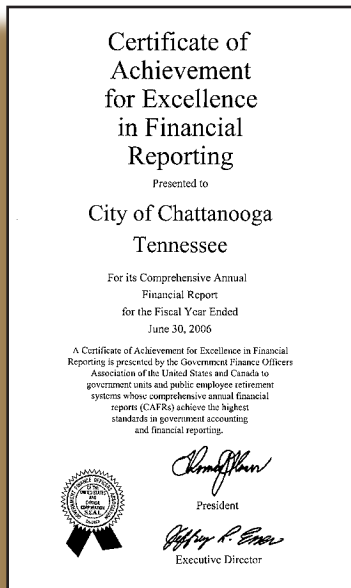


*City of Chattanooga Finance Department staff, left to right: Fredia Kitchen, Ed Hammonds, Vickie Haley, Daisy Madison, Brian Smart and Gayle Keown.*

*Photo by Lawson Whitaker*

of these plans is maintained separately and engages an independent actuary to calculate the amount of annual contribution that must be made to each plan to ensure the plans will be able to fully meet their obligations to retired employees on a timely basis. As a result of the City's conservative funding policy, all plans are fully funded.

The City also provides postemployment health care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 939 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. The City has established a trust fund which will eventually fund our future obligation. A preliminary \$2 million contribution was accrued as of June 30, 2007. Additional information on the City's pension arrangements and postemployment benefits can be found in the notes to the financial statements.



## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chattanooga, Tennessee for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the fifteenth 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 eleven 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,

*[Signature]*  
Daisy W. Madison  
City Finance Officer

# City Officials as of June 30, 2007



## Ron Littlefield, Mayor

L. Dan Johnson, Chief of Staff

### CITY COUNCIL:

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

### COURTS:

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

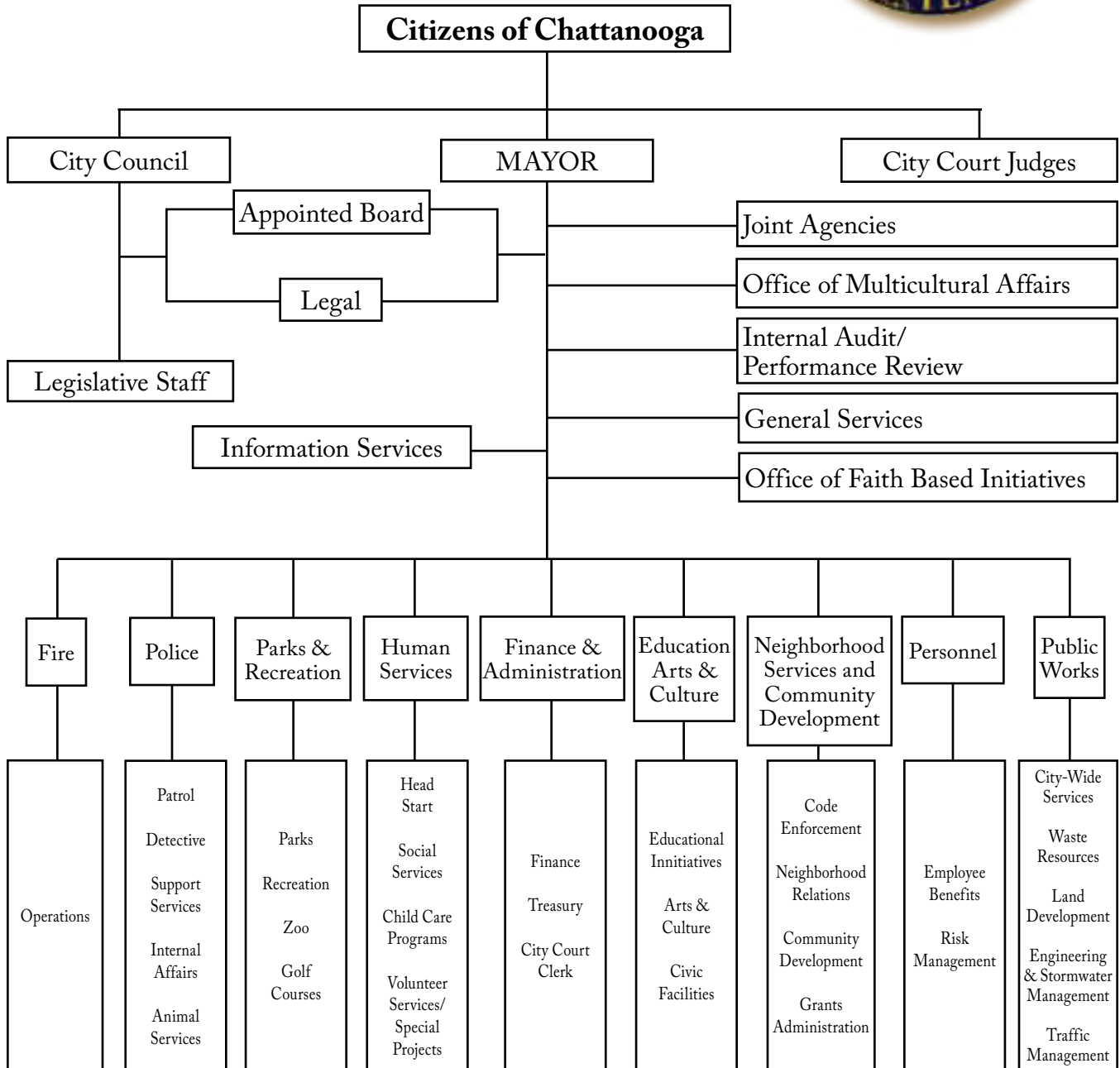
### DEPARTMENT ADMINISTRATORS AND DIRECTORS:

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

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

# Organizational Chart



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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee, as of and for the year ended June 30, 2007, 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 43 percent and 60 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee, as of June 30, 2007, 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 January 8, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

*Haylett, Lewis & Bieter, PLLC*

Chattanooga, Tennessee  
January 8, 2008



# 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, 2007. Please consider the information presented here in conjunction with the transmittal letter found at the front of this report and with the City's financial statements, which follow this section.

## Financial Highlights

- The assets of the City of Chattanooga exceeded its liabilities at the close of the fiscal year by \$1.9 billion (net assets), an increase of \$13.6 million. Of this amount, \$99.2 million may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets), a \$17.9 million increase over last year.
- While the net assets of our business-type activities increased \$12.3 million, or 2.5 percent, the net assets of our governmental activities increased \$1.3 million, or .1 percent. During the year, the City generated \$230.5 million in taxes and other revenues for governmental programs. This compares with \$229.3 million of expenses for these programs.
- The City of Chattanooga has opted to use depreciation rather than the maintenance method to report infrastructure assets. During the current fiscal year our governmental activities recognized depreciation expense of \$37.8 million including \$24.2 million on infrastructure assets alone.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$98.3 million, an increase of \$10.1 million from last year. This increase is the result of several factors:
  - o The capital projects fund had \$29.6 million in new bond and note proceeds contributing to the increased combined fund balance.
  - o Property tax and state income tax revenues were higher than expected reflecting strong real estate values and healthy individual investment returns. County-wide and state sales taxes were higher than expected reflecting a strong retail environment.
  - o As discussed in more detail in the governmental fund analysis, expenditures also increased led by personnel costs, the first principal payment on a capital lease and a first step toward funding post employment benefits other than pension (OPEB).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$45.0 million, down \$111,000 or 0.2 percent from prior year. This represents 24.2 percent of total General Fund expenditures and transfers out.
- The City's primary governmental debt increased \$53.1 million, 11.7 percent, during the current fiscal year. Business-type activity debt increased \$34.2 million from \$191.7 million to \$225.9 million primarily due to revenue bonds issued by EPB. Governmental activities debt increased \$18.9 million from \$260.3 million to \$279.2 million due to draw down of \$8.9 million of previously authorized but unissued debt with the Tennessee Municipal Bond Fund and Fannie Mae Loan and issuance of \$20.7 million in new general obligation bonds.



# Overview of the Financial Statements

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

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

The government-wide financial statements are:

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


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

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

Complete financial statements of the component units may be obtained from: (1) Chattanooga Metropolitan Airport Authority, P. O. Box 22444, Chattanooga, TN 37422; (2) CARTA, 1617 Wilcox Boulevard, Chattanooga, TN 37406 and (3) The Chattanooga Downtown Redevelopment Corporation, 101 East 11th Street, Suite 101, Chattanooga, Tennessee 37402.

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

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



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

- **Governmental funds** -- The City's basic services are included in governmental funds. The focus of these funds is on (1) how cash and other financial assets that can readily be converted to cash were received and used and (2) what remains at the end of the fiscal year for future spending. This detailed short-term view helps in determining whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not include the additional long-term focus of the government-wide statements, we provide additional information after the governmental fund statements that explain the differences between the long-term view and the short-term view.

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

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

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


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

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

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

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

- **Fiduciary funds** -- These funds are used to account for resources held for the benefit of others outside the government. The City maintains two pension trust funds for pension plans as the only fiduciary funds. The City is responsible for ensuring that the assets are used for their intended purposes, however, we exclude these



activities from the City's government-wide financial statements since these assets cannot be used to finance City operations. The City's fiduciary activities are reported in statements of fiduciary net assets and changes in fiduciary net assets in the fund financial statements.

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

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

**Notes to the financial statements:** The financial statements also include notes that provide additional information that is essential to a full understanding of the government-wide and fund financial statements.

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

**Supplementary information:** In addition to the basic financial statements discussed above, this report also contains supplementary information.

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

Both the required and other supplementary information can be found following the notes to the financial statements beginning on page 53.

## Financial Analysis of the City as a Whole

**Net Assets:** Net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$1.9 billion at the close of the most recent fiscal year, an increase of \$13.6 million, or .7 percent, from last year.

By far the largest portion of the City's net assets, 92.8 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, \$35.6 million or 1.9 percent, represents resources that are restricted in how they may be used. The remaining balance of \$99.2 million may be used to meet the City's ongoing obligations, a \$17.9 million increase.

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

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 247,219	\$ 223,630	\$ 188,262	\$ 160,667	\$ 435,481	\$ 384,297
Capital assets	1,535,711	1,527,771	678,702	664,829	2,214,413	2,192,600
<b>Total assets</b>	<b>1,782,930</b>	<b>1,751,401</b>	<b>866,964</b>	<b>825,496</b>	<b>2,649,894</b>	<b>2,576,897</b>
Long-term debt outstanding	296,747	276,855	227,236	193,624	523,983	470,479
Other liabilities	115,204	104,870	130,267	134,717	245,471	239,587
<b>Total liabilities</b>	<b>411,951</b>	<b>381,725</b>	<b>357,503</b>	<b>328,341</b>	<b>769,454</b>	<b>710,066</b>
<b>Net assets:</b>						
Invested in capital assets, net of debt	1,267,303	1,269,926	478,367	491,352	1,745,670	1,761,278
Restricted	16,780	6,313	18,789	17,945	35,569	24,258
Unrestricted	86,896	93,438	12,305	(12,142)	99,201	81,296
<b>Total net assets</b>	<b>\$ 1,370,979</b>	<b>\$ 1,369,677</b>	<b>\$ 509,461</b>	<b>\$ 497,155</b>	<b>\$ 1,880,440</b>	<b>\$ 1,866,832</b>

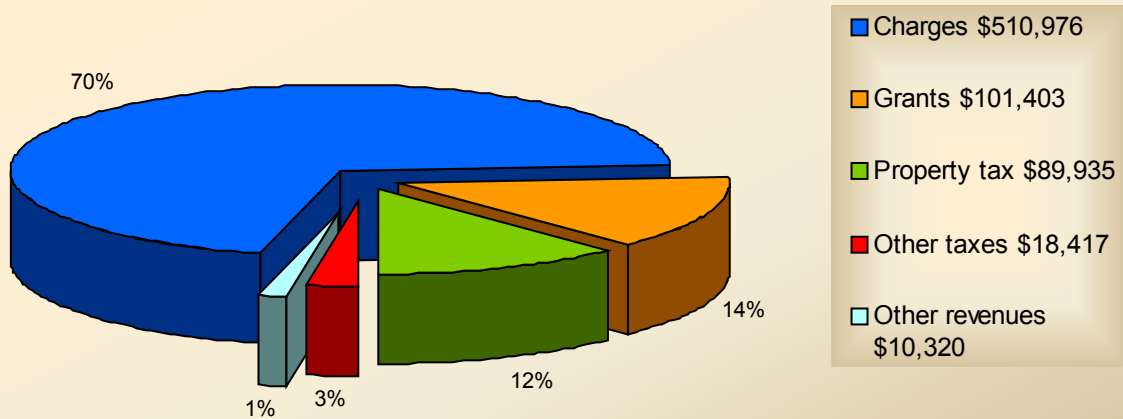
**Changes in Net Assets:** Net assets of the City's governmental activities were \$1.4 billion, a \$1.3 million increase from the prior year. Of that balance \$1.3 billion are either restricted as to how they may be used or are invested in capital assets (buildings, roads, bridges, and so on). Therefore \$86.9 million remains to meet the City's ongoing obligations to citizens and creditors, a \$6.5 million decrease.

During the current year the net assets of the business-type activities increased \$12.3 million or 2.5 percent to \$509.5 million. These net assets are dedicated solely to finance the continuing operations of the electric, sewer, and storm water systems, solid waste disposal and housing management operations.

The following graphs summarize the sources of the City's total revenues of \$731.1 million and total program expenses of \$717.4 million. These graphs combine governmental and business-type information.

## City Wide Sources of Revenue

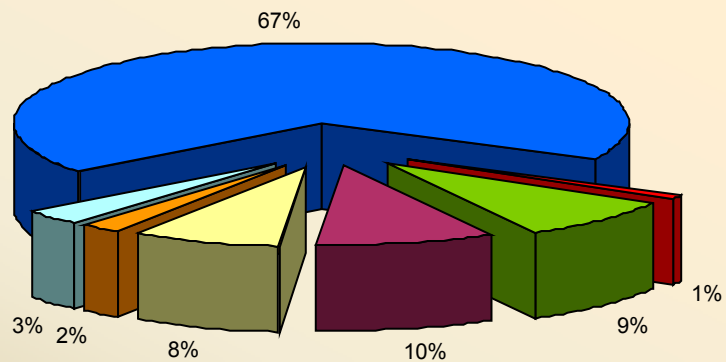
(In thousands)



## City Wide Program Expenses

(In thousands)

General Government	\$61,461
Safety	\$68,559
Public Works	\$55,076
Parks, Rec, Culture	\$15,264
Social Services	\$22,080
Business-Type	\$488,168
Govt Activities Interest	\$6,835



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

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

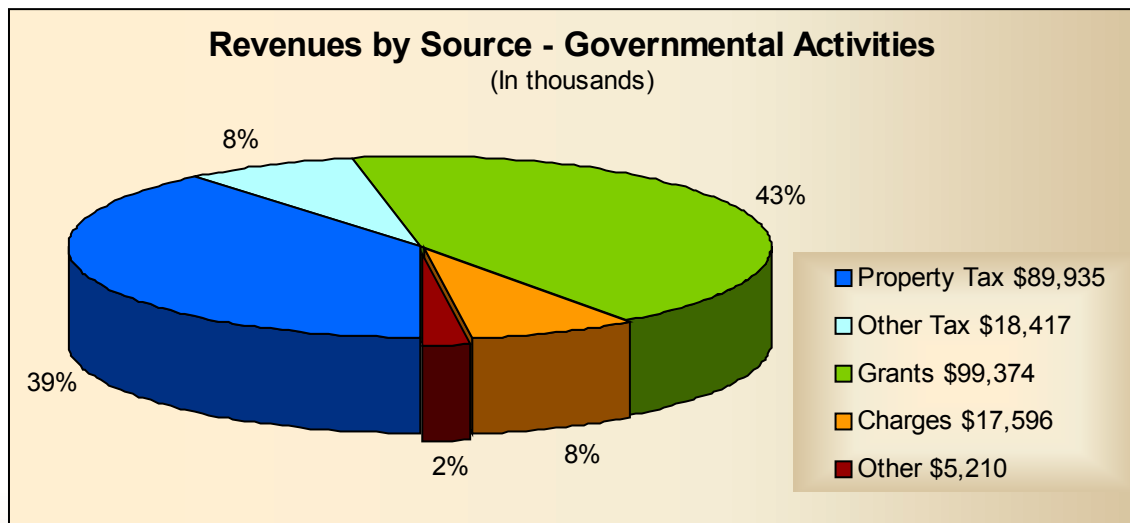
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 17,596	\$ 16,868	\$ 493,380	\$ 471,063	\$ 510,976	\$ 487,931
Grants and contributions	47,300	43,838	2,029	3,455	49,329	47,293
General revenues:						
Property taxes	89,935	87,485	-	-	89,935	87,485
Other taxes	18,417	17,772	-	-	18,417	17,772
Investment income	5,193	3,441	5,002	3,016	10,195	6,457
Miscellaneous	11	-	108	817	119	817
Unrestricted grants	52,074	49,166	-	-	52,074	49,166
Change in equity interest	6	8,790	-	-	6	8,790
<b>Total revenues</b>	<b>230,532</b>	<b>227,360</b>	<b>500,519</b>	<b>478,351</b>	<b>731,051</b>	<b>705,711</b>
<b>Expenses</b>						
Governmental activities:						
General government	61,461	60,153	-	-	61,461	60,153
Public safety	68,559	64,368	-	-	68,559	64,368
Public works	55,076	55,077	-	-	55,076	55,077
Parks, recreation, culture	15,264	13,785	-	-	15,264	13,785
Social services	22,080	19,199	-	-	22,080	19,199
Interest on long-term debt	6,835	6,493	-	-	6,835	6,493
Business-type activities:						
Electric utility	-	-	441,556	417,792	441,556	417,792
Sewer	-	-	35,308	35,395	35,308	35,395
Solid waste	-	-	4,956	4,678	4,956	4,678
Storm water	-	-	4,938	4,476	4,938	4,476
Housing management	-	-	1,410	1,552	1,410	1,552
<b>Total expenses</b>	<b>229,275</b>	<b>219,075</b>	<b>488,168</b>	<b>463,893</b>	<b>717,443</b>	<b>682,968</b>
Excess (deficiency) before special item and transfers	1,257	8,285	12,351	14,458	13,608	22,743
Transfers	45	2,458	(45)	(2,458)	-	-
Increase (decrease) in net assets	1,302	10,743	12,306	12,000	13,608	22,743
Net assets, beginning	1,369,677	1,358,934	497,155	485,155	1,866,832	1,844,089
<b>Net assets, ending</b>	<b>\$1,370,979</b>	<b>\$1,369,677</b>	<b>\$ 509,461</b>	<b>\$ 497,155</b>	<b>\$1,880,440</b>	<b>\$1,866,832</b>

**Governmental Activities:** Current fiscal year revenues for the City's governmental activities were \$230.5 million compared to \$227.4 million last year, up 1.4 percent. Current year expenses were \$229.3 million compared to \$219.1 million last year, a 4.7 percent increase.

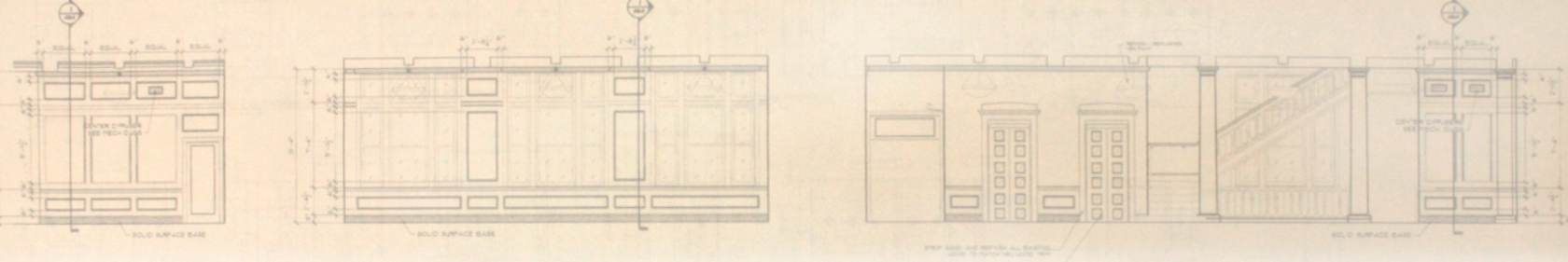
The areas of general revenue experiencing the largest change for the year were property tax, sales tax, investments and equity interest. Operating grants also experienced a large increase.

- The single largest source of governmental activity revenue, property taxes, increased by \$2.4 million, or 2.8 percent resulting from higher property tax assessments reflecting an increase in property values throughout the City.
- County-wide sales tax increased \$1.5 million, or 4.3 percent as a result of strong consumer spending.
- Investment income increased 50.9 percent, \$1.8 million. This increase reflects both the availability of more dollars to invest as a result of bond money and the improved interest rate environment.
- Equity interest in the Chattanooga Hamilton County Convention and Trade Center increased \$6,000. However this is an \$8.8 million decrease since the equity interest was originally included in the prior fiscal year. Under terms of this joint venture Chattanooga and Hamilton County were to receive an equity interest in the portion of the center financed with these bonds after the debt is paid-in-full. The dollar value was based on the share of debt service paid; the City's 2/3 equity (\$8.8 million) was added to the governmental activities in fiscal year 06. This amount will be adjusted each following year.
- Federal funds for home investment, community development and low income energy assistance increased operating grants by \$1.8 million, \$700,000 and \$632,000 respectively.

The graph below shows the source of governmental activities revenue.



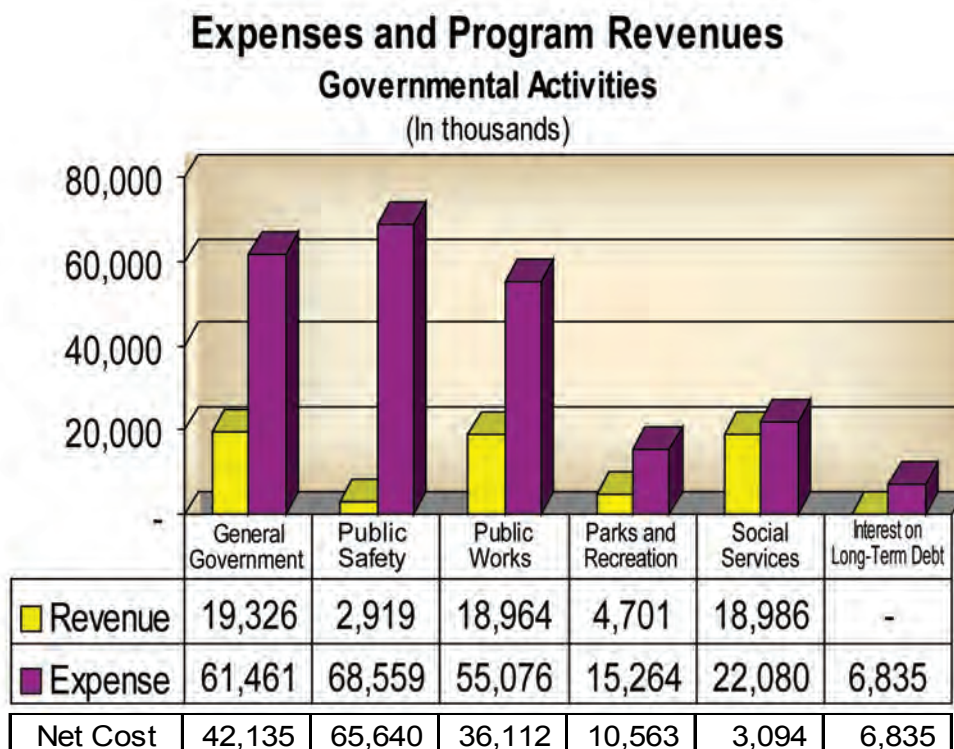




Public Safety and Social Services experienced the largest change in expenses for the year.

- Public Safety personnel costs rose \$4.1 million. This included a \$1.6 million, 4.6 percent, increase in wages, \$376,000 increased sworn pension funding and \$650,000 funding for the on-site medical clinics. The second largest component of the personnel increase was a \$1.2 million premium to begin funding other post employment benefits.
- Operations increased \$2.1 million for Public Safety. \$1.2 million of this was equipment purchases funded through Metropolitan Medical Response, Homeland Security and Tennessee Homeland Security grants. An additional \$580,000 was incurred as part of the new fleet leasing program.
- The Social Services area increased services to the community. The largest increase was \$1.5 million in home rehabilitation projects.


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 \$501.8 million for the year just completed; this is a \$23.4 million increase or 4.9 percent. The increase in revenue was offset by a \$24.3 million, 5.2 percent, increase in expenses, to \$488.2 million. All business-type activities are briefly covered below.

**Electric Power Board**

- The largest source of business-type activity revenue is generated from the Electric Power Board. Operating revenue from customers increased by \$19.9 million, 4.7 percent, due mainly to the impact of rate increases passed



on from TVA. This increase in revenue was offset by a \$21.6 million, 5.2 percent, increase in operating costs including a \$17.9 million increase in purchased power costs.

- Total net assets of the Electric Power Board increased \$2.8 million to \$248.5 million for fiscal year 2007, an increase of 1.1 percent.
- Net assets invested in capital and restricted for use total \$244.2 million leaving \$4.3 million available to finance day-to-day operations (unrestricted net assets). Net assets invested in capital, net of related debt decreased from prior year due to a \$40 million revenue bond issue.

### **Interceptor Sewer System**

- Net assets of the Interceptor Sewer System increased \$5.7 million, 2.4 percent, to \$239.8 million.
- Operating revenues rose \$2.7 million or 7.4 percent primarily as a result of rate increases, while operating expenses were virtually unchanged. Rates were adjusted October 1 from 4.04 to 4.30 and adjusted April 1 to 4.55.
- Unrestricted net assets, those that can be used to finance on-going operations, increased \$4.9 million to \$37.1 million. An additional \$2.5 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 postclosure care requirements for such landfills. As a result of an aggressive program to meet these requirements, the Solid Waste Fund remains in a negative net asset position. However during fiscal year 2007 net assets increased by \$2.7 million. This follows a \$2.0 million increase in fiscal year 2005 and a \$1.3 million increase in fiscal year 2006.
- To date the City has accrued liabilities of \$4.7 million for a closed landfill and \$5.5 million for a landfill currently in operation, a 2.0 percent increase over last year. Many of these costs are being financed through general obligation bonds.
- The major customer of the landfill is the City itself. During the current fiscal year tipping fees from the City of Chattanooga were \$5.5 million, 91.4 percent of total tipping fees.

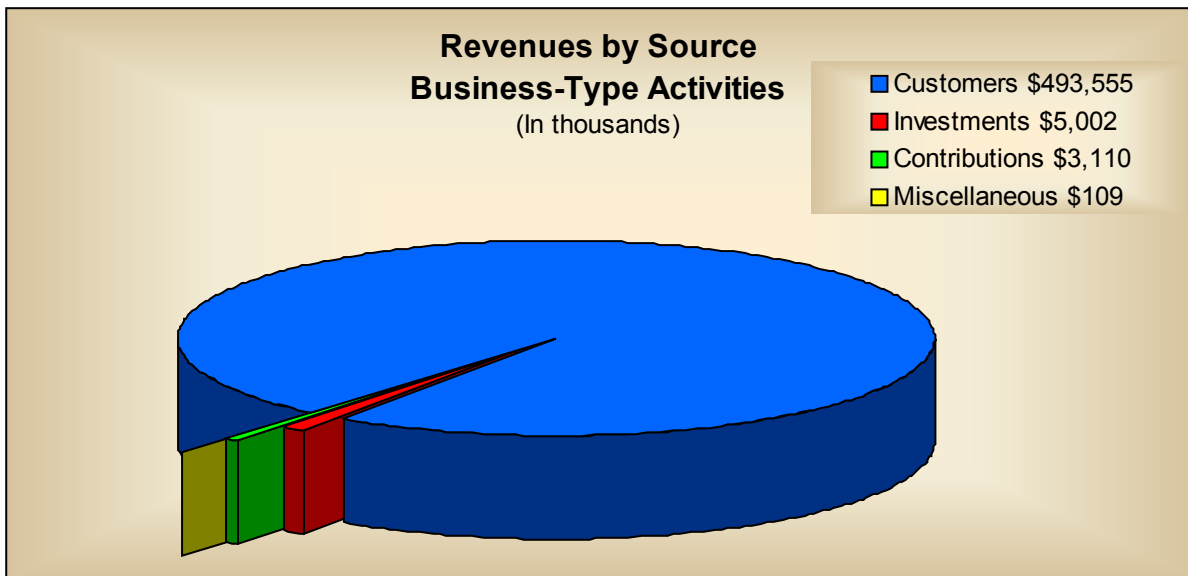
### **Stormwater Management**

- The Stormwater Fund, established to comply with EPA guidelines, now has \$29.8 million in net assets, an increase of \$1.4 million, 5.1 percent, from last year.
- \$24.3 million of the net assets are invested in capital assets as a result of the aggressive capital campaign designed to continually improve storm water drainage and discharge within the City. This is a \$2.2 million, 9.8 percent increase.
- Net assets available to fund day-to-day operations decreased from \$5.6 million to \$4.9 million due to capital improvements funded from net assets.

## Housing Management

- The Housing Management Fund reported \$1.2 million in rental income, a decrease of 3.0 percent from last year. During the same period operating expenses decreased 7.2 percent to \$1.1 million.
- The fund ended the year with net assets of \$3.8 million, a decrease of \$239,000, or 5.9 percent. All of the net assets are invested in capital leaving a deficit of \$213,000 in assets available to meet on-going operations.
- During fiscal year 2007 one of the three apartment buildings was sold resulting in a \$102,500 loss.

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



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

	Electric	Sewer	Solid Waste	Storm Water	Housing
Revenue	\$ 441,881	\$ 39,217	\$ 5,666	\$ 5,622	\$ 1,168
Expense	435,127	30,611	3,729	4,246	1,132
Operating income (loss)	\$ 6,754	\$ 8,606	\$ 1,937	\$ 1,376	\$ 36

# 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 \$98.3 million at the end of the fiscal year. 55.4 percent of this amount (\$54.4 million) is available for day-to-day operations (unreserved fund balance). All of the governmental funds reported a positive ending fund balance. Information about the major governmental funds is presented below.

**General Fund:** This is the chief operating fund of the City of Chattanooga. Total fund balance of the City's General Fund decreased by 1.6 percent or \$912,000 to \$55.1 million during the fiscal year. Unreserved fund balance was \$51.5 million, of which \$6.5 million is designated for future spending. During the fiscal year unreserved, undesignated fund balance decreased \$160,000. Key factors are as follows:

- Total revenues increased \$7.8 million, 4.5 percent, from the prior year with most categories of revenue seeing an increase.
- During the current fiscal year property tax increased \$2.4 million, 2.8 percent over last year as a result of increasing property values.
- Licenses and permits were \$482,000 higher, 11.3 percent, primarily due to an increase in construction related permits.
- Intergovernmental revenues increased \$3.2 million or 5.6 percent over the prior year with county-wide sales tax being the largest component. County-wide sales tax increased \$1.1 million, 4.4 percent, while state sales tax increased \$800,000 or 7.7 percent. State income tax increased 34.3 percent or \$1.1 million. These increases are directly related to consumer spending and increased investment returns for Chattanooga investors.
- Charges for services increased 13.8 percent or \$542,000. During the year revenue from the City's golf courses increased \$202,000, 12.7 percent, as a result of increased annual passes and a competing course becoming a private course. Plan checking fees had a \$174,000, 99.7 percent, increase; these percentages of permit fees reflect the major building projects currently under construction in the City.
- Fines, Forfeitures and Penalties were down almost \$48,000 or 3.3 percent as a result of more tickets being paid on a timely basis resulting in lower fines.
- Interest income increased \$1.6 million, 56.7 percent, due to the improved interest rate environment.
- Miscellaneous revenue decreased \$749,000 or 13.1 percent due to the sale of an old hospital building for \$1.1 million in fiscal year 2006.

- Total expenditures increased almost \$11.0 million, 7.4 percent, from the previous year.
- Salary costs rose by \$3.4 million or 4.8 percent over last year due to less turnover and salary increases. Fringe benefit costs also increased as a result of increases in salary and pension contributions; the increase was an additional \$2.1 million, 10.4 percent.
- General Fund's share of lease payments due under a lease agreement with the Chattanooga Downtown Redevelopment Corporation increased \$3.1 million. The increase reflects the first principal payment of \$2.6 million and the loss of incremental state sales tax generated in the tourist development zone.
- Another major change in expenditures was the \$2.0 million OPEB premium charge to General Fund departments to begin complying with GASB Statement No. 45. Effective fiscal year 2008 the City must comply with the Governmental Accounting Standards Board "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions". This accrual was the first step in compliance. See Note 10 to the financial statements for additional information.

**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 \$20.2 million in fund balance all of which was reserved for completion of projects already begun. Fund balance for this fund fluctuates from year to year based on debt issued and expenditures for projects; new debt increases fund balance while construction decreases it. For fiscal year 2007 there was an \$8.7 million increase. Analysis of project income and expenditures follows.

- Cash inflows for the year include \$21.1 million in general obligation bond proceeds, \$15.1 million in refunding bond proceeds, \$8.9 million in notes payable proceeds, \$1.6 million received from federal, state and county governments, \$9.6 million in transfers from General Fund and a combined \$5.8 million from the Solidwaste and Stormwater funds related to the bond sales.
- Current year expenditures of \$31.2 million include \$8.2 million for street improvements, \$7.9 million for renovation of City Hall, \$3.5 million for start-up costs of the vehicle lease program and a \$2.7 million payment for the EPB building. An additional \$14.9 million was paid to an escrow agent to advance refund outstanding bonds.

**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 \$516.8 million.

- \$15.4 million is available to meet on-going obligations. The majority of net assets, \$482.6 million, are invested in capital assets with an additional \$18.8 million restricted for future use.
- Net assets of the enterprise funds rose \$12.3 million, 2.5 percent. Factors concerning the finances of the enterprise funds have already been addressed in the discussion of the City's business-type activities.
- The internal service fund serves City government by providing fuel, vehicle maintenance, fleet leasing and by accounting for the City's self-insurance. Fund balance for this fund increased \$5.4 million primarily as a result of the fleet leasing program adding \$4.2 million to capital assets.
- Because the internal service fund primarily serves the governmental funds, its information is included in governmental activities in the government-wide financial statements.

**General Fund Budgetary Highlights:** The City's budget ordinance provides for the basic functions of City government, encompassing all major departments and agencies of the City. There were no differences between original and final budgets since reallocations by the City Finance Officer within the General Fund are authorized in the budget ordinance.

- When comparing final budgeted revenues to actual, there was a \$7.7 million surplus for the year with all major revenue categories higher than budget. Property tax collections for fiscal year 2007 exceeded budget expectations; the same is true of the city allocation of the state income tax. As a result, taxes and intergovernmental revenues exceeded budget by \$1.5 million and \$2.1 million, respectively. Investment income was \$2.3 million more than anticipated. The City employs conservative estimates when developing budget. This combined with increased investment returns resulted in better than expected state income tax and investment income.
- Expenditures were less than budgetary estimates by \$2.2 million. All departments were below budget as a result of the city's performance management program. Salaries and benefits were under budget by \$222,000; even after a \$2.0 million unbudgeted initial accrued contribution to the new OPEB trust as a result of budgeting for vacancies.
- The General Fund budget anticipated use of \$11.0 million of fund balance during the year; instead only \$912,000 was used. This surplus will be used for capital.

## Capital Asset and Debt Administration

**Capital Assets:** At the end of this year, the City had \$2.2 billion (net of accumulated depreciation) invested in capital assets, an increase of \$21.8 million or 1.0 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	
	2007	2006	2007	2006	2007	2006
Non-depreciable:						
Land & Easements	\$ 999,373	\$ 989,000	\$ 14,722	\$ 14,072	\$1,014,095	\$1,003,072
Work in progress	23,287	20,830	19,599	49,534	42,886	70,364
Depreciable:						
Buildings	117,534	111,709	93,912	62,173	211,446	173,882
Equipment	28,465	26,257	245,052	231,387	273,517	257,644
Improvements	8,754	7,987	-	-	8,754	7,987
Infrastructure	358,298	371,988	305,418	307,663	663,716	679,651
Total	<u>\$1,535,711</u>	<u>\$1,527,771</u>	<u>\$ 678,703</u>	<u>\$ 664,829</u>	<u>\$2,214,414</u>	<u>\$2,192,600</u>

Highlights for this year's major capital asset additions:

- Land purchases include \$7.7 million for the donated roadbeds plus land for road widening projects.
- The major additions to work-in-progress are \$2.7 million for continued work on the Hope VI project, \$7.2 renovation costs for City Hall and \$700,000 on waterfront development.
- Buildings include a transfer of \$10.1 million from work-in-progress.
- Equipment purchases include \$3.1 million for vehicles for all City departments and \$2.4 million for public works equipment.
- Street improvements of \$3.1 million were the major additions to infrastructure. An additional \$11.9 million of donated road beds and streets were accepted from contractors.
- The Electric Power Board invested \$36.1 million in plant assets for the year. This includes \$20.4 million in power distribution systems and \$3.6 million for communications improvements.
- \$4.3 million was capitalized as new infrastructure for the Interceptor Sewer System.
- The City Landfill capitalized \$7.2 million in work-in-progress for lining the expansion of the landfill.

The capital budget for fiscal year 2008 anticipates spending over \$45.2 million for various capital projects including \$14.2 million for expansion and upgrade of the City's parks and park facilities, \$15.8 million for various public works projects such as street improvements, curbs, gutters and sidewalks, \$1.1 million for fire and police equipment and building improvements, \$3.6 million for computer software replacement and upgrades, \$2.6 million for city vehicles, \$1.9 million for solid waste disposal and recycling and \$1.7 million for various water quality projects. \$19.6 million in bonds has been approved to help finance a portion of these projects.


More detailed information about the City's capital assets is presented in the Note 7 to the financial statements.

**Debt Administration:** At year-end the City had \$505.1 million in long-term debt outstanding. This is a \$53.1 million increase, 11.7 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	
	2007	2006	2007	2006	2007	2006
General obligation bonds (backed by the City)	\$ 136,099	\$ 120,680	\$ 106,881	\$ 113,410	\$ 242,980	\$ 234,090
Revenue bonds (backed by specific revenues)	-	-	71,430	32,000	71,430	32,000
Notes payable	27,592	21,357	47,392	46,070	74,984	67,427
Capital leases	115,514	118,276	194	214	115,708	118,490
Total	<u>\$ 279,205</u>	<u>\$ 260,313</u>	<u>\$ 225,897</u>	<u>\$ 191,694</u>	<u>\$ 505,102</u>	<u>\$ 452,007</u>

- 
- The City of Chattanooga maintains an “AA” rating from both Standard & Poor’s and Fitch Investor’s Service for general obligation debt.
  - City Charter limits the amount of general obligation debt a City can issue to 10 percent of the assessed value of all taxable property within the City’s corporate limits. For the current fiscal year that limit is \$396.8 million. The City’s general obligation debt, net of self-supporting debt of \$97.6 million is well within that limit.

During the year the City issued the following new debt:

- The EPB issued \$40.0 million in revenue bonds to be repaid by operations of EPB, a business-type activity.
- \$26.4 million of bonds were issued for municipal public improvements. \$20.7 relates to governmental activities while \$5.7 million will be paid from the business-type activity Solid Waste operations.
- The City issued refunding bond totaling \$17.7 million to advance refund existing debt. \$14.5 million for governmental activities; \$3.2 million for Solid Waste and Storm Water operations, both business-type activities.
- Additional draws of \$779,000 were made on a Fannie Mae loan approved in fiscal year 2004 to fund the Hope VI project, a governmental activity. The loan will be repaid by Community Development Block Grant program revenue. Currently \$2.8 million is outstanding.
- Additional draws of \$9.1 million were made on two state revolving loan funds; \$8.1 million was for governmental activities capital with an additional \$970,000 for Solid Waste, a business-type activity. At year-end there was \$22.4 million outstanding.
- \$3.1 million additional draws on a state revolving loan fund for sewer improvements. The total loan amount is \$40.7 million. The loan will be paid from revenue from Interceptor Sewer operations, a business-type activity.

More detailed information about the City’s long-term liabilities is presented in the Note 8 to the financial statements.

## **Economic Factors and Next Year’s Budgets and Rates**

The following factors were taken into account when adopting the General Fund budget for 2008:

- Conservative forecasts are for local and state tax collections to continue improving.
- Interest rates are holding steady with an increased availability of funds to invest.
- Competitive pay for employees, employee health care, retiree benefits and other post-employment benefits as well as increasing fuel and energy costs present a continuing challenge.



- 
- The local unemployment rate of 4.4 percent remains significantly below the state average of 5.2 percent and the national average of 4.6 percent.

Anticipated revenues in the General Fund budget are \$186.1 million, up 3.96 percent from the 2007 budget. Property tax, county-wide sales tax and state income tax collections are projected to grow by 2.68 percent, 4.88 percent and 3.02 percent, respectively, based on a stable economy. Interest earnings are estimated to increase 34.31 percent due to an increase in available funds and relatively stable interest rates.

Budgeted expenditures are expected to increase by 3.96 percent from \$179.0 million to \$186.1 million. Salaries and fringe benefits are expected to increase by 6.02 percent primarily due to rising sworn pension costs and medical costs while operations are estimated to increase 3.18 percent. The City will continue the vacancy control policy to manage the costs associated with salaries and benefits.

A modest increase in net assets for the City's business-type activities is expected during FY 2008.

## Contacting the City's Financial Management

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

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



CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET ASSETS  
June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 34,966,067	\$ 81,503,680	\$ 116,469,747	\$ 7,484,191
Investments	54,899,634	24,361,499	79,261,133	710,067
Receivables, net of allowance for uncollectibles	121,854,637	51,524,408	173,379,045	4,072,947
Net investment in capital lease	-	-	-	113,738,737
Internal balances	94,600	(94,600)	-	-
Due from component units	375,000	-	375,000	-
Deferred charges	1,491,347	2,358,210	3,849,557	2,249,793
Inventories	1,693,823	7,532,378	9,226,201	339,621
Prepaid items	28,324	999,000	1,027,324	603,332
Other assets	-	3,652,191	3,652,191	-
Restricted assets:				
Cash and cash equivalents	-	-	-	2,251,168
Investments	11,864,495	16,192,372	28,056,867	13,946,680
Endowment investments	3,517,777	-	3,517,777	-
Receivables	-	232,222	232,222	116,117
Net pension assets	7,637,222	-	7,637,222	46,647
Equity interest in joint venture	8,796,341	-	8,796,341	-
Land and other nondepreciable assets	1,022,659,651	34,321,222	1,056,980,873	27,161,372
Other capital assets, net of accumulated depreciation	513,051,352	644,381,482	1,157,432,834	59,372,513
<b>Total assets</b>	<b>1,782,930,270</b>	<b>866,964,064</b>	<b>2,649,894,334</b>	<b>232,093,185</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	24,230,656	86,934,132	111,164,788	4,963,600
Customer deposits	-	15,155,000	15,155,000	-
Due to primary government	-	-	-	375,000
Contracts payable	958,249	182,264	1,140,513	1,091,542
Unearned revenue	90,014,361	-	90,014,361	-
Accrued closure and post-closure care	-	10,211,072	10,211,072	-
Accrued postretirement benefits	-	9,467,000	9,467,000	-
Other liabilities	-	8,317,191	8,317,191	-
Long-term liabilities:				
Due within one year	15,820,401	15,838,048	31,658,449	3,375,000
Due in more than one year	280,927,314	211,397,869	492,325,183	136,604,249
<b>Total liabilities</b>	<b>411,950,981</b>	<b>357,502,576</b>	<b>769,453,557</b>	<b>146,409,391</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,267,302,733	478,366,634	1,745,669,367	73,307,476
Restricted for:				
Capital projects	11,864,495	-	11,864,495	-
Debt service	1,322,803	-	1,322,803	15,287,771
Renewal and replacement	-	18,789,364	18,789,364	778,744
Permanent endowments:				
Expendable	47,070	-	47,070	-
Nonexpendable	3,546,009	-	3,546,009	-
Unrestricted	86,896,179	12,305,490	99,201,669	(3,690,197)
<b>Total net assets</b>	<b>\$1,370,979,289</b>	<b>\$509,461,488</b>	<b>\$1,880,440,777</b>	<b>\$ 85,683,794</b>

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

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental activities:				
General government	\$ 61,461,251	\$ 11,913,650	\$ 6,159,480	\$ 1,253,209
Public safety	68,559,200	298,434	1,114,528	1,505,903
Public works	55,075,495	1,901,136	4,792,808	12,269,710
Parks, recreation, education, arts & culture	15,263,490	3,366,016	910,448	424,845
Social services	22,080,281	117,114	18,868,770	-
Interest on long-term debt	6,835,471	-	-	-
Total governmental activities	<u>229,275,188</u>	<u>17,596,350</u>	<u>31,846,034</u>	<u>15,453,667</u>
Business-type activities:				
Electric utility	441,556,000	441,881,000	-	1,853,750
Sewer	35,307,852	39,217,346	-	-
Solid waste/sanitation	4,956,281	5,563,236	103,007	-
Storm water	4,937,896	5,549,732	72,668	-
Housing management	1,410,217	1,168,471	-	-
Total business-type activities	<u>488,168,246</u>	<u>493,379,785</u>	<u>175,675</u>	<u>1,853,750</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 717,443,434</u>	<u>\$ 510,976,135</u>	<u>\$ 32,021,709</u>	<u>\$ 17,307,417</u>
Component units:				
Airport authority	\$ 8,435,631	\$ 6,621,968	\$ 208,233	\$ 6,428,543
Transportation authority	17,794,209	4,458,238	6,677,022	4,794,061
Downtown redevelopment	17,807,994	19,599,865	-	-
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 44,037,834</u>	<u>\$ 30,680,071</u>	<u>\$ 6,885,255</u>	<u>\$ 11,222,604</u>
General revenues:				
Property taxes				
Liquor and beer taxes				
Other taxes				
Grants and contributions not allocated to specific programs:				
County-wide sales taxes				
City allocation of state sales taxes				
City allocation of state income taxes				
Tourist Development Zone taxes				
Unrestricted investment earnings				
Miscellaneous				
Gain on equity interest in joint venture				
Endowment contributions				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning				
Net assets, ending				

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (42,134,912)	\$ -	\$ (42,134,912)	\$ -
(65,640,335)	-	(65,640,335)	-
(36,111,841)	-	(36,111,841)	-
(10,562,181)	-	(10,562,181)	-
(3,094,397)	-	(3,094,397)	-
(6,835,471)	-	(6,835,471)	-
<u>(164,379,137)</u>	<u>-</u>	<u>(164,379,137)</u>	<u>-</u>
-	2,178,750	2,178,750	-
-	3,909,494	3,909,494	-
-	709,962	709,962	-
-	684,504	684,504	-
-	(241,746)	(241,746)	-
<u>-</u>	<u>7,240,964</u>	<u>7,240,964</u>	<u>-</u>
<u>(164,379,137)</u>	<u>7,240,964</u>	<u>(157,138,173)</u>	<u>-</u>
-	-	-	4,823,113
-	-	-	(1,864,888)
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,791,871</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,750,096</u>
89,934,837	-	89,934,837	-
6,589,468	-	6,589,468	-
11,827,452	-	11,827,452	-
36,720,931	-	36,720,931	-
11,180,175	-	11,180,175	-
4,125,590	-	4,125,590	-
47,635	-	47,635	-
5,192,979	5,001,647	10,194,626	801,460
-	108,928	108,928	1,190,282
6,362	-	6,362	-
11,044	-	11,044	-
44,999	(44,999)	-	-
<u>165,681,472</u>	<u>5,065,576</u>	<u>170,747,048</u>	<u>1,991,742</u>
1,302,335	12,306,540	13,608,875	6,741,838
<u>1,369,676,954</u>	<u>497,154,948</u>	<u>1,866,831,902</u>	<u>78,941,956</u>
<u>\$ 1,370,979,289</u>	<u>\$ 509,461,488</u>	<u>\$ 1,880,440,777</u>	<u>\$ 85,683,794</u>

CITY OF CHATTANOOGA, TENNESSEE

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,644,974	\$ 8,673,598	\$ 15,623,848	\$ 28,942,420
Investments	52,005,371	13,771,662	4,504,873	70,281,906
Receivables, net of allowance for uncollectibles:				
Taxes	89,482,085	-	-	89,482,085
Accounts	-	456,218	35,136	491,354
Notes	1,322,989	752,704	-	2,075,693
Other	5,350,254	-	-	5,350,254
Due from other funds	-	94,600	1,714,585	1,809,185
Due from component units	375,000	-	-	375,000
Due from other governments	18,001,618	770,116	5,525,084	24,296,818
Inventories	774,093	-	-	774,093
Prepaid items	28,324	-	-	28,324
	<u>\$ 171,984,708</u>	<u>\$ 24,518,898</u>	<u>\$ 27,403,526</u>	<u>\$ 223,907,132</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 11,850,699	\$ 3,099,407	\$ 2,180,427	\$ 17,130,533
Due to other funds	2,107,585	-	-	2,107,585
Due to other governments	1,153,014	310,941	-	1,463,955
Deferred revenue	101,743,061	-	2,249,033	103,992,094
Contracts payable	-	946,749	11,500	958,249
	<u>116,854,359</u>	<u>4,357,097</u>	<u>4,440,960</u>	<u>125,652,416</u>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Encumbrances	1,488,849	-	468,560	1,957,409
Library endowment	-	-	3,546,009	3,546,009
Inventories	774,093	-	-	774,093
Prepaid items	8,000	-	-	8,000
Capital improvements	-	20,161,801	-	20,161,801
Notes receivable	1,322,989	-	-	1,322,989
Debt service escrow	-	-	1,322,803	1,322,803
<b>Unreserved, designated for:</b>				
Debt service	-	-	7,548,761	7,548,761
Special revenue	-	-	718,405	718,405
Subsequent years' expenditures	6,509,160	-	-	6,509,160
<b>Unreserved, undesignated, reported in:</b>				
General fund	45,027,258	-	-	45,027,258
Special revenue	-	-	9,310,958	9,310,958
Permanent funds	-	-	47,070	47,070
	<u>55,130,349</u>	<u>20,161,801</u>	<u>22,962,566</u>	<u>98,254,716</u>
Total liabilities and fund balances	<u>\$ 171,984,708</u>	<u>\$ 24,518,898</u>	<u>\$ 27,403,526</u>	<u>\$ 223,907,132</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, 2007

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

Fund balances - total governmental funds	\$ 98,254,716
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.	1,531,458,561
Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	13,977,733
The General Pension Plan has been funded in excess of annual required contributions, creating a net pension asset. This asset is not a currently available financial resource and is not reported in the funds.	7,637,222
The equity interest in the joint venture represents an interest in the capital assets of the joint venture. This interest is not a financial asset and, therefore, is not reported in the funds.	8,796,341
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.	7,343,653
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	\$ (136,098,716)
Add net deferred refunding and original premiums and discounts	(1,067,888)
Less deferred charges	1,491,347
Notes payable	(27,592,266)
Capital leases	(115,513,895)
Compensated absences	(16,014,950)
Accrued interest payable	(1,692,569)
	<u>(296,488,937)</u>
Net assets of governmental activities	<u>\$1,370,979,289</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, 2007

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$102,315,279	\$ -	\$ 3,747,137	\$106,062,416
Licenses and permits	4,754,390	-	-	4,754,390
Intergovernmental	59,519,871	1,565,983	26,683,000	87,768,854
Charges for services	4,478,508	-	281,572	4,760,080
Fines, forfeitures, and penalties	1,424,431	-	-	1,424,431
Investment income	4,531,197	705,326	663,156	5,899,679
Contributions and donations	89,000	449,600	105,961	644,561
Miscellaneous	4,909,750	780,513	1,972,955	7,663,218
<b>Total revenues</b>	<u>182,022,426</u>	<u>3,501,422</u>	<u>33,453,781</u>	<u>218,977,629</u>
<b>EXPENDITURES</b>				
Current:				
General government	46,363,405	-	19,491,528	65,854,933
Public safety	69,072,377	-	246,885	69,319,262
Public works	29,092,374	-	4,527,265	33,619,639
Parks, recreation, education, arts & culture	14,735,418	-	-	14,735,418
Community development	-	-	5,405,373	5,405,373
Capital outlay/capital assets	-	30,808,232	622,514	31,430,746
Debt service:				
Principal retirement	-	-	8,453,319	8,453,319
Interest and fiscal charges	-	381,073	6,834,011	7,215,084
<b>Total expenditures</b>	<u>159,263,574</u>	<u>31,189,305</u>	<u>45,580,895</u>	<u>236,033,774</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>22,758,852</u>	<u>(27,687,883)</u>	<u>(12,127,114)</u>	<u>(17,056,145)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,203,961	15,420,489	19,258,371	37,882,821
Transfers out	(26,875,174)	(9,271,612)	(4,765,083)	(40,911,869)
Proceeds of bonds and notes	-	29,634,991	-	29,634,991
Refunding bonds issued	-	14,520,000	-	14,520,000
Premium on refunding bonds	-	969,489	-	969,489
Payment to refunded bonds escrow agent	-	(14,906,348)	-	(14,906,348)
<b>Total other financing sources (uses)</b>	<u>(23,671,213)</u>	<u>36,367,009</u>	<u>14,493,288</u>	<u>27,189,084</u>
<b>Net change in fund balance</b>	(912,361)	8,679,126	2,366,174	10,132,939
<b>FUND BALANCE, beginning</b>	<u>56,042,710</u>	<u>11,482,675</u>	<u>20,596,392</u>	<u>88,121,777</u>
<b>FUND BALANCE, ending</b>	<u>\$ 55,130,349</u>	<u>\$ 20,161,801</u>	<u>\$22,962,566</u>	<u>\$ 98,254,716</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, 2007

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

Net change in fund balances - total governmental funds	\$ 10,132,939
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.	30,241,341
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(37,424,026)
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.	11,879,400
The net effect of various transactions involving capital assets is to decrease net assets.	(624,005)
The gain on equity interest in joint venture is reported in the statement of activities. This gain does not provide current financial resources and is not reflected in the governmental funds.	6,362
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.	(19,135,909)
The net revenues of internal service funds are reported with governmental activities.	5,366,248
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.	(108,017)
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>968,002</u>
Change in net assets of governmental activities	<u>\$ 1,302,335</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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$100,842,170	\$100,842,170	\$102,315,279	\$ 1,473,109
Licenses and permits	4,185,520	4,185,520	4,754,390	568,870
Intergovernmental	57,393,811	57,393,811	59,519,871	2,126,060
Charges for services	3,962,389	3,962,389	4,478,508	516,119
Fines, forfeitures, and penalties	1,432,500	1,432,500	1,424,431	(8,069)
Investment income	2,223,578	2,223,578	4,531,197	2,307,619
Contributions and donations	53,275	53,275	89,000	35,725
Miscellaneous	4,212,675	4,212,675	4,909,750	697,075
Total revenues	<u>174,305,918</u>	<u>174,305,918</u>	<u>182,022,426</u>	<u>7,716,508</u>
<b>EXPENDITURES</b>				
General government	44,615,700	44,615,700	42,870,926	(1,744,774)
Finance and Administration	3,775,529	3,775,529	3,580,564	(194,965)
Police	42,354,062	42,354,062	42,258,127	(95,935)
Fire	26,876,684	26,876,684	26,875,839	(845)
Public Works	29,305,500	29,305,500	29,165,198	(140,302)
Parks, recreation, education, arts & culture	14,791,924	14,791,924	14,791,474	(450)
Total expenditures	<u>161,719,399</u>	<u>161,719,399</u>	<u>159,542,128</u>	<u>(2,177,271)</u>
Excess of revenues over expenditures	<u>12,586,519</u>	<u>12,586,519</u>	<u>22,480,298</u>	<u>9,893,779</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	3,320,961	3,320,961	3,203,961	(117,000)
Transfers out	(26,905,469)	(26,905,469)	(26,875,174)	30,295
Total other financing sources (uses)	<u>(23,584,508)</u>	<u>(23,584,508)</u>	<u>(23,671,213)</u>	<u>(86,705)</u>
Net change in fund balance	<u>\$ (10,997,989)</u>	<u>\$ (10,997,989)</u>	(1,190,915)	<u>\$ 9,807,074</u>
Adjustment for encumbrances			278,554	
Net change in fund balance (GAAP basis)			(912,361)	
FUND BALANCE at beginning of year (GAAP basis)			<u>56,042,710</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 55,130,349</u>	
<b>EXPLANATION OF DIFFERENCES:</b>				
<b>REVENUES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$182,022,426	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$182,022,426</u>	
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$159,542,128	
Adjustment for encumbrances			(278,554)	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$159,263,574</u>	

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

CITY OF CHATTANOOGA, TENNESSEE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund	
	Major Funds				Other Fund		
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Storm Water	Housing Management		
					Total		
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	\$ 62,930,000	\$ 9,645,852	\$ 3,700,785	\$ 4,939,151	\$ 287,892	\$ 81,503,680	\$ 6,023,647
Investments	-	23,821,530	-	539,969	-	24,361,499	-
Receivables:							
Customer service	46,886,000	4,613,532	46,860	685,048	-	52,231,440	71,551
Other	267,000	153,727	-	7,420	-	428,147	-
Less allowance for doubtful accounts	(837,000)	(400)	(95)	(382,684)	-	(1,220,179)	-
Inventories	6,973,000	559,378	-	-	-	7,532,378	919,730
Prepaid items	999,000	-	-	-	-	999,000	-
Due from other funds	-	-	-	-	-	-	393,000
Due from other governments	-	-	85,000	-	-	85,000	86,882
Other current assets	723,000	-	-	-	55,191	778,191	-
<b>Total current assets</b>	<b>117,941,000</b>	<b>38,793,619</b>	<b>3,832,550</b>	<b>5,788,904</b>	<b>343,083</b>	<b>166,699,156</b>	<b>7,494,810</b>
<b>NONCURRENT ASSETS</b>							
Restricted assets:							
Investments	-	1,483,088	14,709,284	-	-	16,192,372	-
Accounts receivable	-	-	232,222	-	-	232,222	-
<b>Total restricted assets</b>	<b>-</b>	<b>1,483,088</b>	<b>14,941,506</b>	<b>-</b>	<b>-</b>	<b>16,424,594</b>	<b>-</b>
Capital assets:							
Land	4,080,000	7,992,355	1,517,514	1,062,330	69,489	14,721,688	-
Buildings	47,809,000	41,303,711	1,813,922	-	8,489,666	99,416,299	592,591
Vehicles and machinery	418,852,000	31,052,158	5,336,492	1,385,875	957	456,627,482	5,457,905
Construction in progress	12,379,000	-	7,220,534	-	-	19,599,534	-
Sewer system	-	407,328,615	-	-	-	407,328,615	-
Storm water system	-	-	-	45,332,636	-	45,332,636	-
Telecommunications system	29,006,000	-	-	-	-	29,006,000	-
<b>Less accumulated depreciation</b>	<b>512,126,000</b> <b>(199,823,000)</b>	<b>487,676,839</b> <b>(177,695,604)</b>	<b>15,888,462</b> <b>(5,722,713)</b>	<b>47,780,841</b> <b>(8,446,616)</b>	<b>8,560,112</b> <b>(1,641,617)</b>	<b>1,072,032,254</b> <b>(393,329,550)</b>	<b>6,050,496</b> <b>(1,798,054)</b>
<b>Net capital assets</b>	<b>312,303,000</b>	<b>309,981,235</b>	<b>10,165,749</b>	<b>39,334,225</b>	<b>6,918,495</b>	<b>678,702,704</b>	<b>4,252,442</b>
Other assets:							
Deferred charges	868,000	999,848	339,344	151,018	-	2,358,210	-
TVA discounted energy units	2,874,000	-	-	-	-	2,874,000	-
<b>Total other assets</b>	<b>3,742,000</b>	<b>999,848</b>	<b>339,344</b>	<b>151,018</b>	<b>-</b>	<b>5,232,210</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>316,045,000</b>	<b>312,464,171</b>	<b>25,446,599</b>	<b>39,485,243</b>	<b>6,918,495</b>	<b>700,359,508</b>	<b>4,252,442</b>
<b>Total assets</b>	<b>\$ 433,986,000</b>	<b>\$ 351,257,790</b>	<b>\$ 29,279,149</b>	<b>\$ 45,274,147</b>	<b>\$ 7,261,578</b>	<b>\$ 867,058,664</b>	<b>\$ 11,747,252</b>

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

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund	Total	
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Storm Water	Housing Management		
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Current maturities of long-term liabilities	\$ 2,276,000	\$ 11,309,374	\$ 1,354,541	\$ 898,133	\$ -	\$ 15,838,048	\$ 151,057
Accounts payable and accrued liabilities	79,155,000	1,676,825	2,219,427	470,656	3,412,224	86,934,132	426,599
Accrued claims	-	-	-	-	-	-	3,517,000
Customer deposits	1,760,000	-	-	-	-	1,760,000	-
Contracts payable	-	182,264	-	-	-	182,264	-
Conservation advances	273,000	-	-	-	-	273,000	-
Due to other funds	-	-	85,327	9,273	-	94,600	-
Other current liabilities	6,042,000	-	-	-	-	6,042,000	-
<b>Total current liabilities</b>	<b>89,506,000</b>	<b>13,168,463</b>	<b>3,659,295</b>	<b>1,378,062</b>	<b>3,412,224</b>	<b>111,124,044</b>	<b>4,094,656</b>
<b>LONG-TERM LIABILITIES</b>							
Notes and capital leases payable	1,294,000	41,535,488	911,242	836,518	-	44,577,248	-
Compensated absences	762,000	521,950	54,442	94,154	-	1,432,546	308,943
Customer deposits	13,395,000	-	-	-	-	13,395,000	-
Accrued closure and post closure care	-	-	10,211,072	-	-	10,211,072	-
Revenue bonds payable	69,830,000	-	-	-	-	69,830,000	-
Original issue premium	120,000	-	-	-	-	120,000	-
Deferred refunding	(862,000)	-	-	-	-	(862,000)	-
General obligation bonds payable	-	56,618,624	26,434,233	12,998,664	-	96,051,521	-
Deferred refunding	-	(2,817,813)	(813,026)	(505,436)	-	(4,136,275)	-
Original issue premium	-	2,459,671	1,211,962	713,196	-	4,384,829	-
Other noncurrent liabilities	1,947,000	-	-	-	55,191	2,002,191	-
Accrued postretirement benefits	9,467,000	-	-	-	-	9,467,000	-
<b>Total long-term liabilities</b>	<b>95,953,000</b>	<b>98,317,920</b>	<b>38,009,925</b>	<b>14,137,096</b>	<b>55,191</b>	<b>246,473,132</b>	<b>308,943</b>
<b>Total liabilities</b>	<b>185,459,000</b>	<b>111,486,383</b>	<b>41,669,220</b>	<b>15,515,158</b>	<b>3,467,415</b>	<b>357,597,176</b>	<b>4,403,599</b>
<b>NET ASSETS (DEFICIT)</b>							
Invested in capital assets, net of related debt	240,435,000	200,174,636	9,427,469	24,322,407	4,007,122	478,366,634	4,252,442
Restricted for renewal and replacement	3,796,000	2,517,196	11,951,041	525,127	-	18,789,364	-
Unrestricted	4,296,000	37,079,575	(33,768,581)	4,911,455	(212,959)	12,305,490	3,091,211
<b>Total net assets (deficit)</b>	<b>\$248,527,000</b>	<b>\$239,771,407</b>	<b>\$(12,390,071)</b>	<b>\$29,758,989</b>	<b>\$3,794,163</b>	<b>\$509,461,488</b>	<b>\$ 7,343,653</b>

CITY OF CHATTANOOGA, TENNESSEE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET ASSETS  
Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund		
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Storm Water	Housing Management	Total	
<b>OPERATING REVENUES</b>							
Charges for sales and services:							
Electric sales	\$ 419,961,000	-	\$ -	\$ -	\$ -	\$ 419,961,000	\$ -
Sewer charges	-	39,217,346	-	-	-	39,217,346	-
Waste charges	-	-	5,563,236	-	-	5,563,236	-
Stormwater fees	-	-	-	5,549,732	-	5,549,732	-
Rent	-	-	-	-	1,141,862	1,141,862	-
Other services	21,920,000	-	-	-	26,609	21,946,609	12,758,302
Other	-	-	103,007	72,668	-	175,675	-
Total operating revenues	<u>441,881,000</u>	<u>39,217,346</u>	<u>5,666,243</u>	<u>5,622,400</u>	<u>1,168,471</u>	<u>493,555,460</u>	<u>12,758,302</u>
<b>OPERATING EXPENSES</b>							
Power purchases	352,725,000	-	-	-	-	352,725,000	-
Sewer plant operations	-	19,312,089	-	-	-	19,312,089	-
Solid waste operations	-	-	2,858,717	-	-	2,858,717	-
Storm water operations	-	-	-	3,035,190	-	3,035,190	-
Pump station operations	-	1,722,047	-	-	-	1,722,047	-
Housing management operations	-	-	-	-	835,587	835,587	-
Municipal garage operations	-	-	-	-	-	-	3,052,142
Maintenance and repairs	13,383,000	-	-	-	-	13,383,000	6,190,454
Depreciation and amortization	18,547,000	9,577,178	551,861	1,211,084	297,022	30,184,145	380,457
Closure/postclosure costs	-	-	318,383	-	-	318,383	-
Liability insurance	-	-	-	-	-	-	2,099,298
Other	50,472,000	-	-	-	-	50,472,000	-
Total operating expenses	<u>435,127,000</u>	<u>30,611,314</u>	<u>3,728,961</u>	<u>4,246,274</u>	<u>1,132,609</u>	<u>474,846,158</u>	<u>11,722,351</u>
<b>OPERATING INCOME (LOSS)</b>	<u>6,754,000</u>	<u>8,606,032</u>	<u>1,937,282</u>	<u>1,376,126</u>	<u>35,862</u>	<u>18,709,302</u>	<u>1,035,951</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Investment income	2,466,000	1,746,502	758,618	28,119	2,408	5,001,647	-
Interest expense	(3,316,000)	(4,696,538)	(1,227,320)	(691,622)	(229,157)	(10,160,637)	-
Other income (expense)	(3,113,000)	20,422	44,323	44,183	(48,451)	(3,052,523)	-
Total nonoperating revenues (expenses)	<u>(3,963,000)</u>	<u>(2,929,614)</u>	<u>(424,379)</u>	<u>(619,320)</u>	<u>(275,200)</u>	<u>(8,211,513)</u>	<u>-</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>2,791,000</u>	<u>5,676,418</u>	<u>1,512,903</u>	<u>756,806</u>	<u>(239,338)</u>	<u>10,497,789</u>	<u>1,035,951</u>
Capital contributions	3,110,000	-	-	-	-	3,110,000	-
Transfers in	-	-	6,909,970	683,952	-	7,593,922	4,330,297
Transfers out	(3,142,000)	-	(5,748,126)	(5,045)	-	(8,895,171)	-
<b>CHANGE IN NET ASSETS</b>	<u>2,759,000</u>	<u>5,676,418</u>	<u>2,674,747</u>	<u>1,435,713</u>	<u>(239,338)</u>	<u>12,306,540</u>	<u>5,366,248</u>
<b>NET ASSETS (DEFICIT), beginning</b>	<u>245,768,000</u>	<u>234,094,989</u>	<u>(15,064,818)</u>	<u>28,323,276</u>	<u>4,033,501</u>	<u>497,154,948</u>	<u>1,977,405</u>
<b>NET ASSETS (DEFICIT), ending</b>	<u>\$ 248,527,000</u>	<u>\$ 239,771,407</u>	<u>\$ (12,390,071)</u>	<u>\$ 29,758,989</u>	<u>\$ 3,794,163</u>	<u>\$ 509,461,488</u>	<u>\$ 7,343,653</u>

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, 2007

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund	Total	
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Storm Water	Housing Management		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers and users	\$ 439,829,000	\$ 38,870,864	\$ 5,606,767	\$ 5,708,248	\$ 1,168,472	\$ 491,183,351	\$ 1,175,158
Receipts from interfund services provided	-	-	-	-	-	-	11,446,513
Receipts from operating grants	-	-	126,186	-	-	126,186	-
Payments to suppliers	(390,199,000)	(15,784,437)	(566,969)	(1,604,589)	(819,785)	(408,974,780)	(8,712,420)
Payments to employees	(24,383,000)	(5,781,153)	(762,026)	(1,723,160)	-	(32,649,339)	(2,727,566)
Payments in lieu of taxes	(6,069,000)	-	-	-	-	(6,069,000)	-
Net cash provided by operating activities	19,178,000	17,305,274	4,403,958	2,380,499	348,687	43,616,418	1,181,685
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in	-	-	1,161,844	683,952	-	1,845,796	4,330,297
Transfers out	(3,142,000)	-	-	(5,045)	-	(3,147,045)	-
Net cash provided by (used in) noncapital financing activities	(3,142,000)	-	1,161,844	678,907	-	(1,301,249)	4,330,297
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from capital debt	-	3,141,076	9,117,204	750,000	-	13,008,280	-
Principal paid on capital debt	(2,246,000)	(10,854,522)	(4,490,842)	(2,242,998)	(174,365)	(20,008,727)	-
Interest paid on capital debt	(2,561,000)	(4,517,281)	(1,239,397)	(757,696)	(229,157)	(9,304,531)	-
Line of credit	696,000	-	-	-	-	696,000	-
Receipts from bond issue	39,838,000	-	-	-	-	39,838,000	-
Refunds of capital expenditures	23,284,000	-	-	-	-	23,284,000	-
Payment to refunded bond escrow agent	(23,204,000)	-	-	-	-	(23,204,000)	-
Bond issuance cost	(301,000)	-	-	-	-	(301,000)	-
Insurance settlements	-	-	-	-	6,763	6,763	-
Capital grants and contributions	2,461,000	-	(5,606,740)	(13,438)	-	(3,159,178)	-
Additions to capital assets	(37,382,000)	(4,792,275)	(7,578,806)	(1,604,203)	-	(51,357,284)	(4,247,723)
Proceeds from the sale of capital assets	3,813,000	86,933	-	-	103,000	4,002,933	-
Net cash flows used in capital and related financing activities	4,398,000	(16,936,069)	(9,798,581)	(3,868,335)	(293,759)	(26,498,744)	(4,247,723)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchases of investments	-	(138,507,352)	(17,025,082)	(1,073,088)	-	(156,605,522)	-
Proceeds from sales and maturities of investments	1,899,000	144,256,331	19,817,296	1,052,236	-	167,024,863	-
Interest	2,359,000	1,721,559	602,358	20,853	2,408	4,706,178	-
Net cash flows provided by (used in) investing activities	4,258,000	7,470,538	3,394,572	1	2,408	15,125,519	-
Net increase (decrease) in cash and cash equivalents	24,692,000	7,839,743	(838,207)	(808,928)	57,336	30,941,944	1,264,259
Cash and cash equivalents, beginning of year	38,238,000	1,806,109	4,538,992	5,748,079	230,556	50,561,736	4,759,388
Cash and cash equivalents, end of year	\$ 62,930,000	\$ 9,645,852	\$ 3,700,785	\$ 4,939,151	\$ 287,892	\$ 81,503,680	\$ 6,023,647

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

(continued on next page)

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	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund		
	EPB	Interceptor Sewer System	Solid Waste/ Sanitation	Storm Water	Housing Management	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES							
OPERATING INCOME (LOSS)	\$ 6,754,000	\$ 8,606,032	\$ 1,937,282	\$ 1,376,126	\$ 35,862	\$ 18,709,302	\$ 1,035,951
ADJUSTMENTS NOT AFFECTING CASH							
Depreciation and amortization	18,547,000	9,577,178	551,861	970,160	297,022	29,943,221	380,457
Provision for uncollectible accounts	-	301,128	-	-	-	301,128	-
Provision for obsolete inventory	-	-	-	-	-	-	(30,940)
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(2,848,000)	(706,304)	(112,730)	20,128	-	(3,646,906)	155,234
(Increase) decrease in due from other funds	-	13,330	338	1,684	-	15,352	(391,071)
(Increase) decrease in due from other governments	-	-	39,977	-	-	39,977	99,206
(Increase) decrease in inventory	(991,000)	(11,046)	-	-	-	(1,002,046)	(99,010)
(Increase) decrease in prepaid items	2,283,000	-	-	-	-	2,283,000	-
(Increase) decrease in deferred charges	446,000	120,006	(119,316)	(6,430)	-	440,260	-
Increase (decrease) in accounts payable	(5,669,000)	(649,030)	1,738,136	56,647	11,262	(4,511,985)	115,876
Increase (decrease) in accrued liabilities	193,000	109,751	197,563	(106,007)	-	394,307	74,945
Increase (decrease) in other assets/liabilities	2,161,000	2,210	108,512	69,171	4,541	2,345,434	-
Increase (decrease) in compensated absences	(1,698,000)	(57,981)	(1,515)	(10,253)	-	(1,767,749)	(158,963)
Increase in due to other funds	-	-	85,327	9,273	-	94,600	-
Increase in due to other governments	-	-	(21,477)	-	-	(21,477)	-
TOTAL ADJUSTMENTS	12,424,000	8,699,242	2,466,676	1,004,373	312,825	24,907,116	145,734
Net cash provided by operating activities	\$ 19,178,000	\$ 17,305,274	\$ 4,403,958	\$ 2,380,499	\$ 348,687	\$ 43,616,418	\$ 1,181,685

CITY OF CHATTANOOGA, TENNESSEE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2007

	<u>Pension Trust Funds</u>
<b>ASSETS</b>	
Investments:	
U.S. Government securities	\$ 22,637,827
Municipal bonds	38,059
Corporate bonds	27,017,808
Foreign bonds	1,093,808
Corporate stocks	204,669,359
Mutual funds - equity	159,742,736
Mutual funds - fixed income	42,502,444
Temporary investments	20,730,492
Limited partnerships	34,623,879
Other investments	875,000
Receivables:	
Accrued income	961,657
Due from plan custodian	<u>966,839</u>
Total assets	<u>515,859,908</u>
<b>LIABILITIES</b>	
Due to plan custodian	730,294
Accounts payable and accrued expenses	<u>581,247</u>
Total liabilities	<u>1,311,541</u>
<b>NET ASSETS</b>	
Held in trust for pension benefits	<u><u>\$ 514,548,367</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, 2007

	Pension Trust Funds
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 10,398,438
Employee	<u>3,604,142</u>
Total contributions	<u>14,002,580</u>
Investment income:	
Net appreciation in fair market value of investments	68,155,711
Interest	3,514,946
Dividends	<u>6,031,468</u>
	77,702,125
Less investment expense	<u>(1,626,943)</u>
Net investment income	<u>76,075,182</u>
Total additions	<u>90,077,762</u>
<b>DEDUCTIONS</b>	
Benefits paid to participants	28,879,660
Administrative expenses	<u>654,737</u>
Total deductions	<u>29,534,397</u>
<b>CHANGE IN NET ASSETS</b>	60,543,365
Net assets, beginning	<u>454,005,002</u>
Net assets, ending	<u>\$ 514,548,367</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, 2007

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,760,256	\$ 616,041	\$ 4,107,894	\$ 7,484,191
Investments	24,731	-	685,336	710,067
Accounts receivable	2,807,522	776,252	489,173	4,072,947
Net investment in capital lease	-	-	113,738,737	113,738,737
Deferred charges	173,085	-	2,076,708	2,249,793
Inventories	-	169,401	170,220	339,621
Prepaid items	242,738	225,714	134,880	603,332
Net pension asset	-	46,647	-	46,647
Restricted assets:				
Cash and cash equivalents	1,273,168	978,000	-	2,251,168
Investments	4,072,348	-	9,874,332	13,946,680
Receivables	116,117	-	-	116,117
Land and other nondepreciable assets	23,903,325	3,258,047	-	27,161,372
Other capital assets, net of accumulated depreciation	34,416,064	23,573,834	1,382,615	59,372,513
<b>Total assets</b>	<b>69,789,354</b>	<b>29,643,936</b>	<b>132,659,895</b>	<b>232,093,185</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	660,790	1,156,641	3,146,169	4,963,600
Contracts payable	1,091,542	-	-	1,091,542
Due to primary government	-	375,000	-	375,000
Revenue bonds payable	13,305,000	-	127,400,000	140,705,000
Original issue premium (discount)	(78,591)	-	(647,160)	(725,751)
<b>Total liabilities</b>	<b>14,978,741</b>	<b>1,531,641</b>	<b>129,899,009</b>	<b>146,409,391</b>
<b>NET ASSETS</b>				
Invested in capital assets (net of related debt)	45,092,980	26,831,881	1,382,615	73,307,476
Restricted for:				
Debt service	5,461,633	-	9,826,138	15,287,771
Renewal and replacement	-	-	778,744	778,744
Unrestricted	4,256,000	1,280,414	(9,226,611)	(3,690,197)
<b>Total net assets</b>	<b>\$ 54,810,613</b>	<b>\$ 28,112,295</b>	<b>\$ 2,760,886</b>	<b>\$ 85,683,794</b>

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, 2007

	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	\$ 8,435,631	\$ 6,621,968	\$ 208,233	\$ 6,428,543	\$ 4,823,113	\$ -	\$ -	\$ 4,823,113
CARTA CARTA operations	17,794,209	4,458,238	6,677,022	4,794,061	-	(1,864,888)	-	(1,864,888)
CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION CDRC operations	<u>17,807,994</u>	<u>19,599,865</u>	-	-	-	-	<u>1,791,871</u>	<u>1,791,871</u>
Total component units	<u>\$ 44,037,834</u>	<u>\$ 30,680,071</u>	<u>\$ 6,885,255</u>	<u>\$ 11,222,604</u>	<u>4,823,113</u>	<u>(1,864,888)</u>	<u>1,791,871</u>	<u>4,750,096</u>
General revenues:								
Investment income					253,451	8,790	539,219	801,460
Miscellaneous					<u>1,101,044</u>	<u>89,238</u>	-	<u>1,190,282</u>
Total general revenues					<u>1,354,495</u>	<u>98,028</u>	<u>539,219</u>	<u>1,991,742</u>
CHANGE IN NET ASSETS					6,177,608	(1,766,860)	2,331,090	6,741,838
Net assets, beginning					<u>48,633,005</u>	<u>29,879,155</u>	<u>429,796</u>	<u>78,941,956</u>
Net assets, ending					<u>\$ 54,810,613</u>	<u>\$ 28,112,295</u>	<u>\$ 2,760,886</u>	<u>\$ 85,683,794</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, 2007

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CITY OF CHATTANOOGA, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2007

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(A) Reporting Entity

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

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. The primary government includes separately administered organizations that are not legally separate from the City, as discussed below. Blended component units, although legally separate entities, are in substance part of the government's operations and data from these units are combined with data of the primary government. The City has no blended component units at June 30, 2007. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the City. Each discretely presented component unit has a June 30 year-end.

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

### **Discretely Presented Component Units**

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

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

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

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

Chattanooga Metropolitan  
Airport Authority  
1001 Airport Road, Suite 14  
Chattanooga, TN 37421

CARTA  
1617 Wilcox Boulevard  
Chattanooga, TN 37406

Chattanooga Downtown Redevelopment Corporation  
101 City Hall, 101 E. 11th Street  
Chattanooga, TN 37402

(B) Joint Ventures and Related Organizations

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

**Carter Street Corporation** – The Carter Street Corporation, a nonprofit organization, owns a trade center and parking garage that were financed by bonds issued by the Industrial Development Board of Chattanooga. The Carter Street Corporation is managing the trade center and parking garage under a management agreement. Additional information regarding the City's participation in this joint venture is disclosed in Note 12.

**Related Organizations** – City officials are also responsible for appointing the members of the boards of other related organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The Mayor or the City Council appoints the Board members of the Chattanooga Housing Authority, The Industrial Development Board of the City of Chattanooga, and The Health, Educational, and Housing Facility Board of the City of Chattanooga. During 2007 the City appropriated no funds to these organizations.

(C) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Interfund services provided and used are not eliminated in the government-wide statement of activities. In addition, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within thirty days of the end of the fiscal period, except for property taxes, for which the time period is sixty days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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



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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

(E) Budget Policy and Budgetary Data

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

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

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

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

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

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

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

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

Expenditures may not legally exceed appropriations at or above the fund level. All budgeted amounts shown in the financial statements and the accompanying supplementary information reflect the original budget and the amended budget (which may have been adjusted for legally authorized revisions to the annual budgets during the year). During the year ended June 30, 2007, no supplemental appropriations were necessary.

(F) Assets, Liabilities and Fund Equity

**1) Cash and Cash Equivalents**

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

**2) Investments**

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

**3) Inventories and Prepaid Items**

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

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

**4) Restricted Assets**

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

**5) Capital Assets**

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

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

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

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

#### **6) Bond Discounts and Issuance Costs**

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

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

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

#### **7) Deferred Gain/Loss from Advance Refunding of Debt**

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

#### **8) Fund Balance**

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

#### **(G) Revenues, Expenditures and Expenses**

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

- General obligation long-term debt principal and interest are reported only when due.

- Inventory costs are reported in the period when inventory items are consumed, rather than in the period purchased.

### 1) Property Taxes

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

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

The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the City Council and collected by the City Treasurer. Property taxes are secured by a statutory lien effective as of the original levy date of January 1. Taxes are due October 1 and become delinquent March 1. Property taxes levied for 2006 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 2006, 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, 2007.

### 2) Grant Revenue

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

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

### 3) Investment Income

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

#### **4) Compensated Absences**

City employees accrue personal leave, or compensated absences, by prescribed formula based on length of service. The City limits personal leave to one hundred fifty (150) days for employees hired on or before March 27, 1990, and one hundred (100) days for employees hired thereafter. Compensated absences are reported in governmental funds only if they have matured (i.e., accrued leave outstanding following an employee's resignation or retirement). The liability for compensated absences attributable to the City's governmental activities is recorded in the government-wide financial statements. The non-current portion of the liability for employees of governmental funds is a reconciling item between the fund and government-wide financial statements. Compensated absences related to business-type activities are charged to expense with a corresponding liability established in the government-wide financial statements as well as the applicable business-type funds.

#### **5) Interfund Transactions**

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

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

#### **6) Payments Between the City and Component Units**

Resource flows (except those that affect the statement of net assets/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions—that is, as revenues and expenses. Payments to component units consist of operating subsidy payments by the City to CARTA. The City also makes lease payments to Chattanooga Downtown Redevelopment Corporation.

#### **7) Indirect Costs**

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

## 8) Estimates

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

### (H) Net Assets

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

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

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

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

## NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### **Compliance with Finance Related Legal and Contractual Provisions**

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

### **Excess of Expenditures Over Appropriations in Individual Funds**

For the year ended June 30, 2007, the City had no material excess of expenditures over appropriations in individual funds.

### **Net Assets/Fund Balance Deficit**

The River Pier Garage Fund has a deficit in fund balance of \$63,418 at June 30, 2007. This deficit resulted from significant costs incurred during the year ended June 30, 2007. These costs may be covered by future garage revenues, taxpayers, or both.

The Solid Waste/Sanitation Fund has a deficit in net assets of \$12,390,071 at June 30, 2007. This deficit resulted from the recognition of cumulative landfill closure and postclosure care costs from prior years. These costs may be covered by charges to future landfill users, taxpayers, or both. The deficit decreased by \$2,674,747 from the prior fiscal year.

### NOTE 3. CASH AND INVESTMENTS

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

At June 30, 2007, investments of the primary government (except for Permanent and Pension Trust Funds) and component units consist of the following:

	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value or Carrying Amount</u>
Primary Government – Governmental Activities:		
U.S. Government agency securities	0.76	\$45,129,675
Certificates of deposit classified as investments	<u>0.19</u>	<u>21,634,454</u>
Total	<u>0.57</u>	<u>\$66,764,129</u>
Primary Government – Business-Type Activities:		
U.S. Government agency securities	0.79	\$34,274,998
Certificates of deposit classified as investments	<u>0.02</u>	<u>6,278,873</u>
Total	<u>0.67</u>	<u>\$40,553,871</u>
Component Units:		
U.S. Treasury Notes	3.74	\$ 3,190,928
U.S. Government agency securities	0.51	10,780,483
Certificates of deposit classified as investments	<u>0.01</u>	<u>685,336</u>
Total	<u>1.19</u>	<u>\$14,656,747</u>

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



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

Credit risk - The City's policies are designed to maximize investment earnings, while protecting the security of principal and providing adequate liquidity, in accordance with all applicable state laws. At June 30, 2007, the primary government's investments in U.S. Government agency securities include Federal Home Loan Bank and Federal National Mortgage Association bonds, which were rated AAA by Standard & Poor's Rating Service (S & P) or Moody's Investor Service (Moody's).

Component unit investments in U.S. Government agency securities of \$1,376,980 were securities of the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association, which were rated AAA by S & P or Moody's.

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

	<u>S &amp; P or Moody's Rating</u>	<u>Fair Value</u>
<u>Permanent funds</u>		
Mutual funds - equity	Not rated	\$ 2,606,134
Mutual funds - fixed income	Not rated	872,300
Cash equivalents classified as investments	Not rated	<u>39,343</u>
		<u>\$ 3,517,777</u>
<u>City of Chattanooga General Pension Plan</u>		
Domestic corporate bonds	B	\$ 1,805,163
Domestic corporate bonds	BA	155,960
Domestic corporate bonds	CAA	2,417,551
Domestic corporate bonds	Not rated	594,498
Mutual funds - equity	Not rated	78,496,366
Mutual funds - fixed income	Not rated	42,502,444
Domestic equity securities	Not rated	71,236,525
Limited partnerships	Not rated	34,623,879
Temporary investments	Not rated	<u>11,053,608</u>
		<u>\$242,885,994</u>

	<u>S &amp; P or Moody's Rating</u>	<u>Fair Value</u>
<u>Firemen's and Policemen's Insurance and Pension Fund</u>		
U.S. Government securities	AAA	\$ 13,007,714
Domestic corporate bonds	AAA	4,481,485
Domestic corporate bonds	AA	6,491,834
Foreign bonds	AA	57,326
Domestic corporate bonds	A	7,106,923
Foreign bonds	A	526,035
Domestic corporate bonds	BAA	3,273,627
Municipal bonds	BAA	38,059
Foreign bonds	BAA	510,447
U.S. Government securities	Not rated	9,630,113
Domestic corporate bonds	Not rated	690,767
Mutual funds - equity	Not rated	81,246,370
Domestic equity securities	Not rated	133,432,834
Temporary investments	Not rated	9,676,884
Investment in real estate corporation	Not rated	<u>875,000</u>
		<u>\$271,045,418</u>

At June 30, 2007, the fair values of the City of Chattanooga General Pension Plan investments totaling \$149,610,493 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 4. RECEIVABLES

Receivables at June 30, 2007, 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>		
<b>Primary Government</b>					
Receivables:					
Taxes	\$ 92,716,769	\$ -	\$ -	\$ -	\$ 92,716,769
Accounts		456,218	35,136	232,222	723,576
Notes	1,322,989	752,704	-	-	2,075,693
Customer service	-	-	-	52,231,440	52,231,440
Other	5,350,254	-	-	428,147	5,778,401
Intergovernmental	<u>18,001,618</u>	<u>770,116</u>	<u>5,525,084</u>	<u>85,000</u>	<u>24,381,818</u>
Gross receivables	117,391,630	1,979,038	5,560,220	52,976,809	177,907,697
Less:					
Allowance for uncollectibles	<u>(3,234,684)</u>	<u>-</u>	<u>-</u>	<u>(1,220,179)</u>	<u>(4,454,863)</u>
Net receivables	<u>\$114,156,946</u>	<u>\$1,979,038</u>	<u>\$5,560,220</u>	<u>\$51,756,630</u>	<u>\$173,452,834</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, 2007.

#### NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables are due to charges between funds that are outstanding as of June 30, 2007, as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds (Debt Service)	General Fund	\$1,714,585
	Major Enterprise Funds	
Capital Projects	Solid Waste/Sanitation Fund	85,327
Capital Projects	Storm Water Fund	9,273
Internal Service Fund	General Fund	<u>393,000</u>
		<u>\$2,202,185</u>

#### NOTE 6. INTERFUND TRANSFERS

	Transfers In:						Total
	General Fund	Capital Projects	Nonmajor Governmental	Solid Waste/Sanitation	Storm Water	Internal Service	
Transfers out:							
General Fund	\$ -	\$ 8,769,587	\$15,388,188	\$1,220,550	\$683,952	\$ 812,897	\$26,875,174
Capital Projects Fund	61,961	-	2,831	5,689,420	-	3,517,400	9,271,612
Nonmajor Governmental Funds	-	897,731	3,867,352	-	-	-	4,765,083
Electric Power Board	3,142,000	-	-	-	-	-	3,142,000
Solid Waste/Sanitation	-	5,748,126	-	-	-	-	5,748,126
Storm Water	-	5,045	-	-	-	-	5,045
Total	<u>\$3,203,961</u>	<u>\$15,420,489</u>	<u>\$19,258,371</u>	<u>\$6,909,970</u>	<u>\$683,952</u>	<u>\$4,330,297</u>	<u>\$49,807,040</u>

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

During the year ended June 30, 2007, the City made a one-time transfer of land of \$1,256,250 from governmental activities to the EPB Fund.

## NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 is as follows:

### Primary Government

#### Governmental Activities:

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Non-Depreciable Assets:</b>				
Land and land improvements	\$ 989,000,131	\$13,158,795	\$ 2,785,974	\$ 999,372,952
Construction in Progress	<u>20,829,577</u>	<u>11,781,020</u>	<u>9,323,898</u>	<u>23,286,699</u>
Total non-depreciable assets	<u>1,009,829,708</u>	<u>24,939,815</u>	<u>12,109,872</u>	<u>1,022,659,651</u>
<b>Depreciable Assets:</b>				
Buildings	155,740,475	10,571,191	-	166,311,666
Vehicles and machinery	94,893,745	10,319,402	960,921	104,252,226
Improvements other than buildings	22,759,825	1,512,117	-	24,271,942
Infrastructure	<u>617,603,537</u>	<u>10,533,909</u>	<u>-</u>	<u>628,137,446</u>
Total depreciable assets	<u>890,997,582</u>	<u>32,936,619</u>	<u>960,921</u>	<u>922,973,280</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	44,031,463	4,746,235	-	48,777,698
Vehicles and machinery	68,636,444	8,089,006	938,819	75,786,631
Improvements other than buildings	14,772,545	745,275	-	15,517,820
Infrastructure	<u>245,615,811</u>	<u>24,223,968</u>	<u>-</u>	<u>269,839,779</u>
Total accumulated depreciation	<u>373,056,263</u>	<u>37,804,484</u>	<u>938,819</u>	<u>409,921,928</u>
Depreciable Assets, net	<u>517,941,319</u>	<u>(4,867,865)</u>	<u>22,102</u>	<u>513,051,352</u>
Governmental activities capital assets, net	<u>\$1,527,771,027</u>	<u>\$20,071,950</u>	<u>\$12,131,974</u>	<u>\$1,535,711,003</u>

#### Business-Type Activities:

<b>Non-Depreciable Assets:</b>				
Land	\$ 14,071,988	\$ 1,668,000	\$ 1,018,300	\$ 14,721,688
Construction in Progress	<u>49,534,000</u>	<u>7,220,534</u>	<u>37,155,000</u>	<u>19,599,534</u>
Total non-depreciable assets	<u>63,605,988</u>	<u>8,888,534</u>	<u>38,173,300</u>	<u>34,321,222</u>
<b>Depreciable Assets:</b>				
Buildings	68,610,837	37,134,824	6,329,362	99,416,299
Vehicles and machinery	436,925,066	31,465,349	11,762,933	456,627,482
Sewer system	403,099,719	4,228,896	-	407,328,615
Storm water system	43,773,334	1,559,302	-	45,332,636
Telecommunications	<u>26,739,000</u>	<u>3,551,000</u>	<u>1,284,000</u>	<u>29,006,000</u>
Total depreciable assets	<u>979,147,956</u>	<u>77,939,371</u>	<u>19,376,295</u>	<u>1,037,711,032</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	6,437,951	2,600,364	3,534,167	5,504,148
Vehicles and machinery	205,537,605	16,202,416	10,164,997	211,575,024
Sewer system	151,105,366	7,977,478	-	159,082,844
Storm water system	6,319,576	895,958	-	7,215,534
Telecommunications	<u>8,524,000</u>	<u>2,399,000</u>	<u>971,000</u>	<u>9,952,000</u>
Total accumulated depreciation	<u>377,924,498</u>	<u>30,075,216</u>	<u>14,670,164</u>	<u>393,329,550</u>
Depreciable Assets, net	<u>601,223,458</u>	<u>47,864,155</u>	<u>4,706,131</u>	<u>644,381,482</u>
Business-type activities capital assets, net	<u>\$ 664,829,446</u>	<u>\$56,752,689</u>	<u>\$42,879,431</u>	<u>\$ 678,702,704</u>

**Discretely Presented Component Units**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Non-Depreciable Assets:				
Land	\$ 4,380,320	\$ 160,751	\$ -	\$ 4,541,071
Construction in Progress	16,118,575	6,522,331	20,605	22,620,301
Total non-depreciable assets	<u>20,498,895</u>	<u>6,683,082</u>	<u>20,605</u>	<u>27,161,372</u>
Depreciable Assets:				
Buildings	48,911,138	37,349	-	48,948,487
Vehicles and machinery	44,018,221	3,325,154	443,074	46,900,301
Improvements other than buildings	34,386,656	319,547	1,029,719	33,676,484
Total depreciable assets	<u>127,316,015</u>	<u>3,682,050</u>	<u>1,472,793</u>	<u>129,525,272</u>
Less Accumulated Depreciation for:				
Buildings	29,974,073	2,010,270	58,268	31,926,075
Vehicles and machinery	28,766,545	3,768,571	442,347	32,092,769
Improvements other than buildings	5,636,831	1,487,770	990,686	6,133,915
Total accumulated depreciation	<u>64,377,449</u>	<u>7,266,611</u>	<u>1,491,301</u>	<u>70,152,759</u>
Depreciable Assets, net	<u>62,938,566</u>	<u>(3,584,561)</u>	<u>(18,508)</u>	<u>59,372,513</u>
Component units capital assets, net	<u>\$ 83,437,461</u>	<u>\$ 3,098,521</u>	<u>\$ 2,097</u>	<u>\$ 86,533,885</u>

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

## Primary Government – Governmental Activities:

General government	\$15,363,681
Public Safety	669,199
Public Works	21,065,448
Parks and Recreation	649,528
Social Services	56,628

Total \$37,804,484

## Primary Government – Business-Type Activities:

Sewer	\$ 9,709,173
Solid Waste/Sanitation	551,861
Storm Water	970,160
Housing Management	297,022
Electric Utility	18,547,000

Total \$30,075,216

## Discretely Presented Component Units:

Transportation Authority	\$ 4,343,600
Airport Authority	2,755,036
Downtown Redevelopment	167,975

Total \$ 7,266,611

## NOTE 8. LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2007, were as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
<b>Primary Government</b>					
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation serial bonds	\$120,680,396	\$35,252,796	\$19,834,476	\$136,098,716	\$ 5,255,237
Notes payable	21,356,582	8,902,195	2,666,511	27,592,266	2,491,328
Capital leases payable	118,275,709	-	2,761,814	115,513,895	2,910,119
Compensated absences	<u>17,208,823</u>	<u>6,788,640</u>	<u>7,522,513</u>	<u>16,474,950</u>	<u>5,163,717</u>
Total governmental activities	<u>\$277,521,510</u>	<u>\$50,943,631</u>	<u>\$32,785,314</u>	295,679,827	<u>\$15,820,401</u>
Net deferred refunding and original issue premiums and discounts				<u>1,067,888</u>	
				<u>\$296,747,715</u>	
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>EPB:</b>					
Revenue bonds	\$ 32,000,000	\$63,430,000	\$24,000,000	\$ 71,430,000	\$ 1,600,000
Notes payable	2,616,000	-	646,000	1,970,000	676,000
Compensated absences	<u>864,000</u>	<u>-</u>	<u>102,000</u>	<u>762,000</u>	<u>-</u>
	<u>35,480,000</u>	<u>63,430,000</u>	<u>24,748,000</u>	<u>74,162,000</u>	<u>2,276,000</u>
<b>Interceptor Sewer System:</b>					
General obligation serial bonds	74,361,101	-	8,845,402	65,515,699	8,897,074
Notes payable	42,302,676	3,141,076	1,988,100	43,455,652	2,091,462
Capital leases payable	214,562	-	21,019	193,543	22,245
Compensated absences	<u>878,524</u>	<u>411,428</u>	<u>469,409</u>	<u>820,543</u>	<u>298,593</u>
	<u>117,756,863</u>	<u>3,552,504</u>	<u>11,323,930</u>	<u>109,985,437</u>	<u>11,309,374</u>
<b>Solid Waste/Sanitation Fund:</b>					
General obligation serial bonds	24,052,649	8,147,204	4,490,842	27,709,011	1,274,778
Notes payable	-	970,000	-	970,000	58,758
Compensated absences	<u>76,962</u>	<u>27,593</u>	<u>29,109</u>	<u>75,446</u>	<u>21,005</u>
	<u>24,129,611</u>	<u>9,144,797</u>	<u>4,519,951</u>	<u>28,754,457</u>	<u>1,354,541</u>
<b>Storm Water Fund:</b>					
General obligation serial bonds	14,995,854	750,000	2,089,279	13,656,575	657,911
Notes payable	1,150,183	-	153,718	996,465	159,948
Compensated absences	<u>184,682</u>	<u>138,461</u>	<u>148,714</u>	<u>174,429</u>	<u>80,274</u>
	<u>16,330,719</u>	<u>888,461</u>	<u>2,391,711</u>	<u>14,827,469</u>	<u>898,133</u>
Total business-type activities	<u>\$193,697,193</u>	<u>\$77,015,762</u>	<u>\$42,983,592</u>	227,729,363	<u>\$15,779,290</u>
Net deferred refunding and original issue premiums and discounts				<u>(493,446)</u>	
				<u>\$227,235,917</u>	

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
<b>Discretely Presented Component Units</b>					
Metropolitan Airport Authority:					
Revenue bonds	\$ 13,935,000	\$ -	\$ 630,000	\$ 13,305,000	\$ 675,000
Chattanooga Downtown Redevelopment Corporation:					
Revenue bonds	<u>129,200,000</u>	<u>56,110,000</u>	<u>57,910,000</u>	<u>127,400,000</u>	<u>2,700,000</u>
Total component units	<u>\$143,135,000</u>	<u>\$56,110,000</u>	<u>\$58,540,000</u>	140,705,000	<u>\$3,375,000</u>
Original issue premiums and discounts				<u>(725,721)</u>	
				<u>\$139,979,279</u>	

Total reductions in Long-Term Liabilities for Governmental Activities above are different than principal retirement expenditures in Governmental Funds. The differences arise for several reasons. The principal portion of capital lease payments of \$2,186,735 to Chattanooga Downtown Redevelopment Corporation (CDRC) and principal payments of \$116,547 on the Republic Parking Equipment Loan are budgeted in general government expenditures. Also, the payment to refunded bonds escrow agent includes a net deferred refunding credit of \$400,148.

In prior years and in 2007, the City refunded certain general obligation, sewage facility and 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, 2007, the liabilities for the bonds refunded were as follows:

<u>Year</u> <u>Refunded</u>	<u>Remaining</u> <u>Liability</u>
1986	\$ 4,225,000
1992	15,540,000
1996	8,000,000
1998	25,760,000
2002	36,065,000
2003	25,755,000
2005	51,510,000
2007	73,055,000

On April 4, 2007, and April 5, 2007, the City issued \$17,750,000 in General Obligation and \$56,110,000 in CDRC Revenue Refunding Bonds with interest rates ranging from 4.30% to 5.00% and 4.00% to 5.00%, respectively, for the purpose of refunding the following:

	<u>Bonds Refunded</u>	<u>Refunding</u> <u>Bonds Issued</u>
Governmental Activities	\$14,506,200	\$14,520,000
Business Type Activities:		
Solid Waste/Sanitation Fund	2,472,600	2,480,000
Storm Water Fund	736,200	750,000
Component Units:		
CDRC	<u>55,340,000</u>	<u>56,110,000</u>
	<u>\$73,055,000</u>	<u>\$73,860,000</u>

The effect of refunding the general obligation bonds resulted in a net decrease of total debt service payments over the next 20 years of \$770,711 and an economic gain (the difference between present values of the old and new debt service payments) of \$582,896. The effect of refunding the CDRC revenue refunding bonds resulted in a net decrease of total debt service payments over the next 24 years of \$8,051,759 and an economic gain (the difference between present values of the old and new debt service payments) of \$4,830,600. At June 30, 2007, the liability for the 2007 refunded bonds was \$73,055,000.

Debt related to governmental activities at June 30, 2007, consisted of the following:

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

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Public Improvement Refunding, Series 1998	5.00% - 5.50%	\$ 7,000,400
Municipal Public Improvement, Series 2001	5.00%	2,255,000
Public Improvement Refunding, Series 2002	4.00% - 5.38%	6,880,000
Refunding Bonds, 2002 Series A	3.00% - 5.00%	3,297,298
Hotel-Motel Tax Pledge, Series 2002	3.00% - 5.00%	48,985,000
General Obligation, 2003 Series A	2.50% - 4.20%	9,780,000
General Obligation, 2005 Series A	3.00% - 5.00%	17,198,392
Hotel-Motel Tax Refunding, Series 2005A	3.00% - 5.00%	5,449,830
Municipal Public Improvement, Series 2006A	4.00% - 5.00%	20,732,796
Public Improvement Refunding, Series 2007A	4.30% - 5.00%	14,520,000
Total payable from the Debt Service Fund		<u>\$136,098,716</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, 2007, is \$3,364,023.

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, 2007, is \$3,801,905.

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, 2007, is \$17,645,517.



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, 2007, is \$28,266.

Fannie Mae American Communities Fund – In July 2003, the City entered into an agreement with Fannie Mae to borrow up to \$5,000,000 for the purpose of funding HOPE VI projects. The loan will be repaid over a 10-year period at variable rates of interest. Interest rates are adjusted quarterly to the published 3-month LIBOR plus 1.5% (6.85% at June 30, 2007). The balance at June 30, 2007, is \$2,752,555.

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, 2007, was \$8,651,150, of which \$2,186,735 was a reduction of principal. The recorded liability under this capital lease at June 30, 2007, is \$113,738,737.

The debt service reserve fund held by the fiscal agent at June 30, 2007, is \$9,874,332. The fiscal agent is required by the agreement to apply any interest on the debt service reserve fund toward the lease payments. The debt service reserve fund will be used to retire debt near the end of the lease.

Equipment Capital Lease - In September 2003, the City entered into an equipment lease-purchase agreement to finance radio communications equipment and software upgrades at the Hamilton County "911" Emergency Communications District totaling \$3,800,000. The lease term is six years and provides for annual payments which began July 1, 2004. The recorded liability under this capital lease at June 30, 2007, is \$1,775,158.

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, 2007, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
EPB:		
Electric System Revenue Bonds, Series 2000	4.50% - 5.38%	\$ 8,000,000
Electric System Revenue Bonds, Series 2006A	4.00% - 5.00%	40,000,000
Electric System Refunding Revenue Bonds, Series 2006B	4.00% - 4.25%	23,430,000
Equipment Notes	4.40% - 4.95%	1,970,000
Interceptor Sewer System Fund:		
Municipal Public Improvement Refunding, Series 1998	5.00% - 5.50%	12,469,900
Municipal Public Improvement Refunding, Series 2002 Refunding Bonds, 2002 Series A	3.50% - 4.50%	18,473,961
Refunding Bonds, 2003 Series B	3.00% - 5.00%	17,612,702
Refunding Bonds, 2005 Series A	3.00% - 3.25%	4,490,000
1992 State Revolving Sewer Loan*	3.00% - 5.00%	12,469,136
Northwest Georgia Sewer Expansion Project	3.98%	996,465
State Revolving Loan 2003	4.00%	5,032,521
City of Collegedale Capital Lease	2.98%	37,426,666
	Variable	193,543
Solid Waste/Sanitation Fund:		
Municipal Public Improvement Refunding, Series 1998	5.00% - 5.50%	3,686,100
Municipal Public Improvement, Series 2001	5.00%	380,000
Municipal Public Improvement Refunding, Series 2002 Refunding Bonds, 2005 Series A	4.00% - 5.38%	5,700,814
Municipal Public Improvement, Series 2006A	3.00% - 5.00%	9,794,893
Public Improvement Refunding, Series 2007A	4.00% - 5.00%	5,667,204
2003 Tennessee Municipal Bond Fund Loan	4.30% - 5.00%	2,480,000
2004 Tennessee Municipal Bond Fund Loan	3.87%	430,000
	3.87%	540,000
Storm Water Fund:		
Municipal Public Improvement Refunding, Series 1998	5.00% - 5.50%	2,528,600
Municipal Public Improvement, Series 2001	5.00%	115,000
Municipal Public Improvement Refunding, Series 2002 Refunding Bonds, 2005 Series A	4.00% - 5.38%	4,260,226
Public Improvement Refunding, Series 2007A	3.00% - 5.00%	6,002,749
1992 State Revolving Sewer Loan*	4.30% - 5.00%	750,000
	3.98%	996,465
Total payable from business-type activities		<u>\$225,896,945</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, 2007, is \$1,992,930.

Georgia State Revolving Loan - Pursuant to a loan agreement with the Georgia State Revolving Loan Fund, the City of Chattanooga is authorized to incur indebtedness up to \$7,255,000 for the purpose of financing sewer expansion in Northwest Georgia. The maximum amount authorized by the agreement is being reserved by the Georgia Environmental Facilities Authority and is disbursed to the City upon request. The loan will be repaid over a 20-year period at 4% interest through 2020. The balance at June 30, 2007, is \$5,032,521.

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, 2007, is \$37,426,666.

Capital Leases – The City has an agreement with the City of Collegedale to lease and purchase sewer system improvements. Lease payments are due in monthly installments through 2015 at variable rates of interest. The balance on this capital lease at June 30, 2007, is \$193,543.

EPB Equipment Notes – EPB has five installment notes outstanding at June 30, 2007, totaling \$1,970,000. The proceeds of these notes were used for electrical equipment. The notes will be repaid over a 5-year period at interest rates in the range of 4.40% to 4.95%.

Component Units debt at June 30, 2007, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Metropolitan Airport Authority:		
Series A Refunding Revenue Bonds, Series 2002	2.76% - 2.80%	\$ 12,625,000
Series B Refunding Revenue Bonds, Series 2002	2.76% - 2.80%	680,000
Chattanooga Downtown Redevelopment Corporation:		
Chattanooga Lease Rental Revenue Bonds, Series 2000	5.00% - 5.625%	71,290,000
Chattanooga Lease Rental Refunding Revenue Bonds, Series 2007	4.00% - 5.00%	<u>56,110,000</u>
Total payable from Component Units		<u>\$140,705,000</u>

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

<u>Year</u>	<u>Primary Government</u>			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 7,746,565	\$ 7,044,865	\$ 15,415,931	\$ 9,248,985
2009	9,169,627	6,784,006	17,443,792	8,653,599
2010	9,440,974	6,362,770	16,542,900	7,911,177
2011	9,582,428	5,962,399	15,296,556	7,184,927
2012	8,537,427	5,580,473	13,480,427	6,531,014
2013-2017	39,107,738	22,777,754	64,122,385	23,902,727
2018-2022	33,093,026	14,795,233	43,693,736	11,812,982
2023-2027	30,623,197	7,584,632	27,342,675	5,133,160
2028-2031	<u>16,390,000</u>	<u>1,697,750</u>	<u>12,365,000</u>	<u>1,429,000</u>
	<u>\$163,690,982</u>	<u>\$78,589,882</u>	<u>\$225,703,402</u>	<u>\$81,807,571</u>
<u>Year</u>	<u>Component Units</u>			
	<u>Principal</u>	<u>Interest</u>		
2008	\$ 3,375,000	\$ 7,150,078		
2009	3,030,000	7,123,836		
2010	3,900,000	6,930,536		
2011	4,030,000	6,723,399		
2012	4,260,000	6,505,141		
2013-2017	24,745,000	28,877,395		
2018-2022	30,580,000	21,158,710		
2023-2027	33,795,000	12,535,476		
2028-2031	<u>32,990,000</u>	<u>3,438,250</u>		
	<u>\$140,705,000</u>	<u>\$100,442,821</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
2008	\$ 2,910,119	\$ 7,401,615	\$ 22,245	\$11,408
2009	3,066,000	7,242,359	23,575	10,078
2010	3,229,695	7,073,415	25,018	8,635
2011	2,789,754	6,894,284	26,585	7,068
2012	2,986,987	6,713,363	28,286	5,366
2013-2017	17,931,502	30,414,336	67,834	5,081
2018-2022	24,325,515	23,821,510	-	-
2023-2027	33,010,861	14,876,548	-	-
2028-2031	<u>25,263,462</u>	<u>3,344,220</u>	-	-
	<u>\$115,513,895</u>	<u>\$107,781,650</u>	<u>\$193,543</u>	<u>\$47,636</u>

#### NOTE 9. DEFERRED COMPENSATION PLAN

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

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

Asset balance at July 1, 2006	\$15,770,767
Deferrals of compensation	1,024,455
Earnings	2,013,628
Withdrawals	(1,166,723)
Administrative expenses	<u>(484)</u>
Asset balance at June 30, 2007	<u>\$17,641,643</u>

#### NOTE 10. EMPLOYEE RETIREMENT SYSTEMS

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

## City of Chattanooga Administered Pension Plans

### **Significant Accounting Policies:**

#### Basis of Accounting

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

#### Cash and Cash Equivalents

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

#### Method Used to Value Investments

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

### **Plan Descriptions:**

#### (1) City of Chattanooga General Pension Plan

The City maintains a single-employer defined benefit pension plan for general City employees. Each participant is required to contribute 2 percent of earnings. The City is currently contributing 6.97 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 20.25 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.

Current membership in each of these plans was comprised of the following as of June 30, 2007:

<u>Group</u>	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>
Retirees and beneficiaries currently receiving benefits	763	680
Vested terminated employees	77	5
Active employees	1,520	777
Actuarial update	1-1-2007	1-1-2007

**Trend Information:**

	<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
General Pension Plan	12/31/06	\$3,825,453	98.97%	\$(4,216,376)
	12/31/05	3,558,187	97.54%	(4,255,701)
	12/31/04	2,132,773	118.74%	(4,343,073)
Firemen's and Policemen's Fund	12/31/06	7,454,348	90.00%	(3,420,846)
	12/31/05	6,566,969	97.75%	(4,165,966)
	12/31/04	6,190,284	99.64%	(4,313,641)

**Funding Policy and Other Information:**

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

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>
Contribution rates for employer	6.97%	20.25%
Contribution rates for plan members	2.00%	8.00%
Annual pension cost	\$3,825,453	\$7,454,348
Contributions made by employer	3,736,639	6,661,799
Contributions made by plan members	1,070,158	2,533,984
Actuarial valuation date for current contributions	January 1, 2007	January 1, 2007
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Dollar	Level Percent
Remaining amortization period	30 Years Open	29 Years Open
Asset valuation method	Market Value, As Adjusted	5-Year Average
Actuarial assumptions:		
Investment rate of return	7.75%	8.00%
Projected salary increases	4.50-5.50%	3.25%
Inflation rate	3.00%	3.00%

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

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>
Annual required contribution	\$ 3,786,128	\$ 7,540,220
Interest on net pension obligation (asset)	(329,817)	(333,277)
Adjustment to annual required contribution	<u>369,142</u>	<u>247,405</u>
Annual pension cost	3,825,453	7,454,348
Contributions made	<u>(3,786,128)</u>	<u>(6,709,228)</u>
Increase in net pension obligation (asset)	39,325	745,120
Net pension obligation (asset) at beginning of year	<u>(4,255,701)</u>	<u>(4,165,966)</u>
Net pension obligation (asset) at end of year	<u><u>\$(4,216,376)</u></u>	<u><u>\$(3,420,846)</u></u>

## Financial Reports:

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

### Combining Statement of Plan Net Assets:

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Receivables:			
Accrued income	\$ 308,032	\$ 653,625	\$ 961,657
Due from plan custodian	<u>-</u>	<u>966,839</u>	<u>966,839</u>
Total receivables	<u>308,032</u>	<u>1,620,464</u>	<u>1,928,496</u>
Investments, at fair value:			
U.S. Government securities	-	22,637,827	22,637,827
Municipal bonds	-	38,059	38,059
Corporate bonds	4,973,172	22,044,636	27,017,808
Foreign bonds	-	1,093,808	1,093,808
Corporate stocks	71,236,525	133,432,834	204,669,359
Mutual funds - equity	78,496,366	81,246,370	159,742,736
Mutual funds - fixed income	42,502,444	-	42,502,444
Temporary investments	11,053,608	9,676,884	20,730,492
Limited Partnerships	34,623,879	-	34,623,879
Other investments	<u>-</u>	<u>875,000</u>	<u>875,000</u>
Total investments	<u>242,885,994</u>	<u>271,045,418</u>	<u>513,931,412</u>
Total assets	<u>243,194,026</u>	<u>272,665,882</u>	<u>515,859,908</u>
<b>LIABILITIES</b>			
Due to plan custodian	-	730,294	730,294
Accrued expenses	<u>141,119</u>	<u>440,128</u>	<u>581,247</u>
Total liabilities	<u>141,119</u>	<u>1,170,422</u>	<u>1,311,541</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<u><u>\$243,052,907</u></u>	<u><u>\$271,495,460</u></u>	<u><u>\$514,548,367</u></u>



### Combining Statement of Changes in Plan Net Assets:

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 3,736,639	\$ 6,661,799	\$ 10,398,438
Employee	<u>1,070,158</u>	<u>2,533,984</u>	<u>3,604,142</u>
Total contributions	<u>4,806,797</u>	<u>9,195,783</u>	<u>14,002,580</u>
Investment income:			
Net appreciation in fair market value of investments	29,677,299	38,478,412	68,155,711
Interest	477,584	3,037,362	3,514,946
Dividends	<u>2,106,614</u>	<u>3,924,854</u>	<u>6,031,468</u>
	32,261,497	45,440,628	77,702,125
Less investment expense	<u>(465,103)</u>	<u>(1,161,840)</u>	<u>(1,626,943)</u>
Net investment income	<u>31,796,394</u>	<u>44,278,788</u>	<u>76,075,182</u>
Total additions	<u>36,603,191</u>	<u>53,474,571</u>	<u>90,077,762</u>
<b>DEDUCTIONS</b>			
Benefits paid to participants	9,662,745	19,216,915	28,879,660
Administrative expenses	<u>131,979</u>	<u>522,758</u>	<u>654,737</u>
Total deductions	<u>9,794,724</u>	<u>19,739,673</u>	<u>29,534,397</u>
<b>NET INCREASE</b>	26,808,467	33,734,898	60,543,365
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>			
Beginning of year	<u>216,244,440</u>	<u>237,760,562</u>	<u>454,005,002</u>
End of year	<u>\$243,052,907</u>	<u>\$271,495,460</u>	<u>\$514,548,367</u>

### (3) EPB Pension Plan

#### **Plan Description and Provision:**

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

### **Funding Policy:**

Contribution requirements of Plan members and the EPB are established and can be amended by the EPB. The Plan does not require Plan members to make a contribution. The EPB is required to contribute at an actuarially determined rate, the current rate is 9.42% of annual covered payroll.

### **Annual Pension Cost and Net Pension Obligation:**

EPB's annual pension cost of the Plan for the current year was \$2,132,000. There is no net pension obligation as EPB has contributed the annual required contribution, adjusted with interest, as calculated by actuarial valuation. The annual required contribution was determined as part of an actuarial valuation performed as of August 1, 2006, using the aggregate cost method. The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used in the valuation included (a) a rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 4.0% per year compounded annually, (c) no postretirement benefit increases, and (d) a discount rate of 8.5%.

### **Trend Information:**

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/07	\$2,132,000	100%	\$ -
6/30/06	2,165,000	100%	-
6/30/05	1,988,000	100%	-

### EPB 401(k) Plan

EPB also has a 401(k) plan which permits employees to invest up to 13 percent of salary in a tax-deferred savings plan. EPB contributes up to 4.0 percent of an employee's salary. EPB contributions are fully vested and amounted to \$839,000 for the year ended June 30, 2007.

### Pension Plans of Component Units

CARTA is the only component unit with separate defined benefit pension plans, and complete pension disclosures are in CARTA's separately-issued financial statements. Actuarially determined employer contribution requirements were met for the year ended June 30, 2007. 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>
6/30/07	\$ 2,453	0.0%	\$ (46,647)
6/30/06	88,449	0.0%	(46,540)
6/30/05	92,415	54.1%	(127,952)

### Post Employment Benefits

The City provides post employment health and medical benefits for retirees and their dependents in accordance with the applicable City ordinance. Substantially all of the City's employees may become eligible for the benefits if they reach normal retirement age while working for the City.

At June 30, 2007, there were 939 employees who had retired and were receiving healthcare benefits. The City is insured for a portion of these benefits.

The City currently finances post employment benefits on a pay-as-you-go approach. All the associated costs are allocated to the various City funds where the retirees were located during active employment with the City. For the year ended June 30, 2007, the City recognized expenditures of approximately \$6,168,353, which was offset by \$1,586,873 of retiree contributions.

In June 2004, GASB issued Statement 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions (OPEB)." The City is required to implement the new reporting requirements during the fiscal year ending June 30, 2008.

The City has already obtained an actuarial valuation of its OPEB plan as required by GASB Statement 45 to determine the annual required contribution (ARC). The results of the valuation prompted the City to establish an OPEB task force to study ways to favorably impact the cost to the City while minimizing the negative impact to retirees. The valuation improved the City's understanding of the OPEB obligation and provided fundamental information for establishing policies related to OPEB. The calculations used the entry age normal method, normal pension-related actuarial assumptions, and estimated health care cost increases based on the City's experience and overall future expectations. According to the calculations, the unfunded OPEB obligation is approximately \$151.2 million and the annual required contributions to a separate trust fund will be approximately \$16.0 million. The City has established an OPEB trust that was approved by the State of Tennessee in July 2007, and will be utilized in fiscal year 2008 to accumulate assets and pay post retirement benefits. The City accrued \$2,000,000 during the fiscal year ended June 30, 2007, as a preliminary contribution to the OPEB trust fund. The contribution was made subsequent to year end.

#### NOTE 11. CONSERVATION PROGRAMS

EPB is a fiscal intermediary for the Tennessee Valley Authority's (TVA) conservation programs. As of June 30, 2007, outstanding funds advanced by TVA totaled \$273,000 to be used by EPB for customer loans in connection with TVA's insulation and heat pump conservation programs. At June 30, 2007, the outstanding receivables for loans made from these funds amounted to \$267,000. A total of approximately \$78,417,000 has been loaned to EPB's customers since the programs were begun in 1977.

#### NOTE 12. JOINT VENTURE

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

Carter Street Corporation owns and manages a trade center and a parking garage that were financed by bonds issued by the Industrial Development Board of Chattanooga. The City and Hamilton County, Tennessee funded the repayment of the bonds through lease payments to Carter Street Corporation. Pursuant to the lease agreement, the City has a two-thirds equity interest in Carter Street Corporation upon the repayment of the bonds during the year ended June 30, 2007. The City's two-thirds equity interest in Carter Street Corporation is computed as follows:

Total net assets	\$13,194,511
Multiplied by two-thirds	<u>          x      2/3</u>
City's equity interest	<u>\$ 8,796,341</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, 2007, is as follows:

ASSETS

Cash	\$ 809,566
Accounts receivable, net	652,631
Inventories	96,518
Prepaid items	58,377
Capital assets, net	11,893,184
Other assets	<u>16,900</u>
Total assets	<u>\$13,527,176</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 231,739
Accrued interest	-
Deferred revenues	20,000
Advance deposits	80,926
Bonds payable	<u>-</u>
Total liabilities	<u>332,665</u>

NET ASSETS

Invested in capital assets, net of related debt	11,893,184
Unrestricted	<u>1,301,327</u>
Total net assets	<u>13,194,511</u>
Total liabilities and net assets	<u>\$13,527,176</u>

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Total operating revenues	\$ 6,319,120
Total operating expenses	<u>6,719,542</u>
Loss from operations	(400,422)
Nonoperating revenues	412,410
Nonoperating expenses	<u>2,446</u>
Net increase	9,542
Net assets at July 1, 2006	<u>13,184,969</u>
Net assets at June 30, 2007	<u>\$13,194,511</u>

#### NOTE 13. COMMITMENTS AND CONTINGENCIES

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

The City has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agencies for expenditures disallowed under the terms of the grants. City management is not aware of any potential losses from such disallowances and believes that reimbursements, if any, would not be material.

The City has entered into various construction commitments. Such contracts include contracts for improvements to sewer, solid waste, and storm water systems, and acquisition and construction contracts related to general government capital projects. Several of these contracts were in progress but not completed as of June 30, 2007. The total contractual commitments outstanding as of June 30, 2007, aggregated approximately \$13,300,213. The City has sufficient funds available to cover these commitments

#### NOTE 14. CONDUIT DEBT OBLIGATIONS

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

As of June 30, 2007, 121 series of Industrial Revenue Bonds had been issued. The principal amount of the series issued after July 1, 1995, was \$200,900,000 as of September 1, 2007. The aggregate principal amounts payable for the 106 series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$253,648,700.

The Health, Educational and Housing Facility Board has issued at least thirty-nine (39) bond issues since 1985, the original amount of which were \$577,535,000. The Board has no means of determining the outstanding amount of these bonds.

#### NOTE 15. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Solid Waste/Sanitation Fund accounts for the operations of the City landfill, as well as the closure and postclosure care costs of the City landfill and landfills closed in prior years (Summit and 36<sup>th</sup> Street). State and federal regulations require the City to place a final cover on all landfills after closure, and the City must perform certain maintenance and monitoring functions for 30 years thereafter. The City recognizes landfill closure and postclosure care costs based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs of \$10,211,072 at June 30, 2007, is based on the use of 100 percent of the capacity of the City landfill. Changes in the estimated liability for landfill closure and postclosure care costs for the year ended June 30, 2007, are as follows:

Estimated liability, June 30, 2006	\$10,013,509
Expenses recognized	318,383
Costs incurred	<u>(120,820)</u>
Estimated liability, June 30, 2007	<u>\$10,211,072</u>
Due within one year	<u>\$ 275,905</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 2008 fiscal year. The estimated total current cost of the landfill closure and postclosure care of \$10,211,072 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, 2007. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs and additional costs that might arise from changes in postclosure requirements may need to be covered by charges to future landfill users, taxpayers, or both.

#### NOTE 16. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; medical benefits; unemployment compensation; injuries to employees; errors and omissions; and natural disasters. The City retains the risk of loss related to torts, certain retiree medical benefits, unemployment compensation, and injuries to employees. The General Fund accounts for all exposures, except for torts, which are accounted for in the Internal Service Fund. To minimize its losses, the City has established a limited risk management program. Premiums are paid by all funds and are available to pay claims, claim reserves, and administrative costs of the program. The premiums are used to reduce the amount of claims expenditures reported in the respective funds. As of June 30, 2007, such interfund premiums did not exceed reimbursable expenditures. There were no significant reductions in insurance coverage in the prior year, nor did the amount of settlements exceed insurance coverage for each of the past three fiscal years.

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

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

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

	<u>General Fund</u>	<u>Internal Service Fund</u>
Unpaid claims, June 30, 2005	\$ 761,398	\$ 4,664,000
Incurred claims, including IBNRs/reduction in estimated liabilities	22,413,786	40,764
Claim payments	<u>(22,706,586)</u>	<u>(1,114,764)</u>
Unpaid claims, June 30, 2006	468,598	3,590,000
Incurred claims, including IBNRs/reduction in estimated liabilities	22,410,304	1,942,697
Claim payments	<u>(22,400,633)</u>	<u>(2,015,697)</u>
Unpaid claims, June 30, 2007	<u>\$ 478,269</u>	<u>\$ 3,517,000</u>
Due within one year	<u>\$ 478,269</u>	<u>\$ 3,517,000</u>

#### NOTE 17. COMPONENT UNIT SWAPTION

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

##### Objective:

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

##### Terms:

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

##### Fair value:

At June 30, 2007, the swap had a negative fair value of \$4,699,920, estimated using the zero-coupon method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon rate bonds due on the date of each future net settlement on the swap.

##### Market-access risk:

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

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
PUBLIC EMPLOYEE RETIREMENT SYSTEMS  
SCHEDULE OF FUNDING PROGRESS  
June 30, 2007

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<b>CITY OF CHATTANOOGA ADMINISTERED PLANS</b>						
<b>General Pension Plan</b>						
January 1, 2007	\$ 227,026,979	\$ 219,030,651	\$ (7,996,328)	103.70%	\$ 54,545,300	-14.66%
January 1, 2006	214,548,519	209,643,031	(4,905,488)	102.30%	54,636,392	-8.98%
January 1, 2005	206,837,961	198,874,444	(7,963,517)	104.00%	53,531,483	-14.88%
January 1, 2004	200,844,363	180,133,668	(20,710,695)	111.50%	53,322,027	-38.84%
January 1, 2003	195,813,753	167,271,964	(28,541,789)	117.06%	53,221,374	-53.63%
January 1, 2002	219,767,852	171,457,511	(48,310,341)	128.20%	51,681,537	-93.48%
<b>Firemen's and Policemen's Insurance and Pension Fund</b>						
January 1, 2007	\$ 242,325,471	\$ 304,151,880	\$ 61,826,409	79.67%	\$ 31,983,375	193.31%
January 1, 2006	230,585,330	292,658,620	62,073,320	78.79%	32,010,229	193.92%
January 1, 2005	213,205,883	267,070,330	53,864,447	79.83%	31,869,770	169.01%
January 1, 2004	205,955,526	254,328,956	48,373,430	80.98%	30,981,336	156.14%
January 1, 2003	201,373,183	238,423,840	37,050,657	84.46%	30,060,676	123.25%
January 1, 2002	202,140,350	226,644,488	24,504,138	89.19%	28,249,738	86.74%
<b>ELECTRIC POWER BOARD</b>						
August 1, 2006	\$ 25,580,000	\$ 25,580,000	\$ -	100.00%	\$ 22,743,000	0.00%
August 1, 2005	28,551,000	28,551,000	-	100.00%	22,438,000	0.00%
August 1, 2004	25,990,000	25,990,000	-	100.00%	20,502,000	0.00%
August 1, 2003	27,296,000	27,296,000	-	100.00%	20,081,000	0.00%
August 1, 2002	42,946,000	42,946,000	-	100.00%	22,387,000	0.00%
August 1, 2001	44,472,000	44,472,000	-	100.00%	20,757,000	0.00%



CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF REQUIRED SUPPLEMENTAL INFORMATION  
 PUBLIC EMPLOYEE RETIREMENT SYSTEMS  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 June 30, 2007

CITY OF CHATTANOOGA ADMINISTERED PLANS

Year Ended June 30	<u>General Pension Plan</u>		<u>Firemen's and Policemen's Insurance and Pension Fund</u>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	\$3,786,128	100.0%	\$7,540,220	89.0%
2006	3,518,054	98.7%	6,454,038	99.5%
2005	2,096,333	120.8%	6,073,138	101.6%
2004	2,168,721	104.4%	5,636,207	100.8%
2003	974,113	41.5%	4,440,048	102.3%
2002	-	100.0%	1,821,269	108.6%

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

	<u>General Pension Plan</u>	<u>Firemen's and Policemen's Insurance and Pension Fund</u>
Valuation date	1/1/2007	1/1/2007
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Dollar	Level Percent
Remaining amortization period	30 Years Open	29 Years Open
Asset valuation method	Market value, as adjusted	5-Year Average
Actuarial assumptions:		
Investment rate of return	7.75%	8.00%
Projected salary increases	4.50-5.50%	3.25%
Includes inflation at	3.00%	3.00%
Cost-of-living adjustments	3.00%	3.00%

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

### DEBT SERVICE FUND

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

### PERMANENT FUNDS

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

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

CITY OF CHATTANOOGA, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2007

	Special Revenue								Debt Service	Permanent		Total Nonmajor Governmental Funds	
	Public Library	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax	River Pier Garage		Library Endowment	Ochs-Oakes Fire and Police Medal		
<b>ASSETS</b>													
Cash and cash equivalents	\$ 1,304,887	\$ 17,568	\$ 2,322,145	\$ 2,798,377	\$ 659,821	\$ 825,516	\$ 526,510	\$ (74,505)	\$ 8,380,319	\$ 7,168,211	\$ 75,318	\$ -	\$ 15,623,848
Investments	67,096	-	-	-	920,000	-	-	-	987,096	-	3,517,777	-	4,504,873
Accounts receivable	3,645	233	7,047	2,474	10,455	-	195	11,087	35,136	-	-	-	35,136
Due from other funds	-	-	-	-	-	-	-	-	-	1,714,585	-	-	1,714,585
Due from other governments	-	-	1,818,829	-	778,494	2,182,971	744,790	-	5,525,084	-	-	-	5,525,084
<b>Total assets</b>	<b>\$ 1,375,628</b>	<b>\$ 17,801</b>	<b>\$ 4,148,021</b>	<b>\$ 2,800,851</b>	<b>\$ 2,368,770</b>	<b>\$ 3,008,487</b>	<b>\$ 1,271,495</b>	<b>\$ (63,418)</b>	<b>\$ 14,927,635</b>	<b>\$ 8,882,796</b>	<b>\$ 3,593,095</b>	<b>\$ -</b>	<b>\$ 27,403,526</b>
<b>LIABILITIES AND FUND BALANCES</b>													
<b>LIABILITIES</b>													
Accounts payable and accrued liabilities	\$ 131,374	\$ -	\$ 756,630	\$ 700,552	\$ 177,916	\$ 402,707	\$ -	\$ -	\$ 2,169,179	\$ 11,232	\$ 16	\$ -	\$ 2,180,427
Contracts payable	-	-	-	-	-	11,500	-	-	11,500	-	-	-	11,500
Deferred revenue	53,794	-	-	-	403,529	1,392,168	399,542	-	2,249,033	-	-	-	2,249,033
<b>Total liabilities</b>	<b>185,168</b>	<b>-</b>	<b>756,630</b>	<b>700,552</b>	<b>581,445</b>	<b>1,806,375</b>	<b>399,542</b>	<b>-</b>	<b>4,429,712</b>	<b>11,232</b>	<b>16</b>	<b>-</b>	<b>4,440,960</b>
<b>FUND BALANCES</b>													
Reserved for:													
Encumbrances	93,585	-	243,243	39,133	92,599	-	-	-	468,560	-	-	-	468,560
Library endowment	-	-	-	-	-	-	-	-	-	-	3,546,009	-	3,546,009
Debt service escrow	-	-	-	-	-	-	-	-	-	1,322,803	-	-	1,322,803
Unreserved, designated for:													
Debt service	-	-	-	-	-	-	-	-	-	7,548,761	-	-	7,548,761
Other long-term liabilities	-	-	718,405	-	-	-	-	-	718,405	-	-	-	718,405
Unreserved - undesignated	1,096,875	17,801	2,429,743	2,061,166	1,694,726	1,202,112	871,953	(63,418)	9,310,958	-	47,070	-	9,358,028
<b>Total fund balances (deficits)</b>	<b>1,190,460</b>	<b>17,801</b>	<b>3,391,391</b>	<b>2,100,299</b>	<b>1,787,325</b>	<b>1,202,112</b>	<b>871,953</b>	<b>(63,418)</b>	<b>10,497,923</b>	<b>8,871,564</b>	<b>3,593,079</b>	<b>-</b>	<b>22,962,566</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,375,628</b>	<b>\$ 17,801</b>	<b>\$ 4,148,021</b>	<b>\$ 2,800,851</b>	<b>\$ 2,368,770</b>	<b>\$ 3,008,487</b>	<b>\$ 1,271,495</b>	<b>\$ (63,418)</b>	<b>\$ 14,927,635</b>	<b>\$ 8,882,796</b>	<b>\$ 3,593,095</b>	<b>\$ -</b>	<b>\$ 27,403,526</b>

CITY OF CHATTANOOGA, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2007

	Special Revenue								Debt Service	Permanent		Total Nonmajor Governmental Funds	
	Public Library	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax	River Pier Garage		Library Endowment	Ochs-Oakes Fire and Police Medal		
REVENUES													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,747,137	\$ -	\$ 3,747,137	\$ -	\$ -	\$ -	\$ 3,747,137
Intergovernmental	2,620,887	-	12,134,532	103,593	4,413,593	6,049,953	-	-	25,322,558	1,360,442	-	-	26,683,000
Charges for services	-	-	99,662	-	-	-	-	181,910	281,572	-	-	-	281,572
Investment income	67,218	-	17,365	2,859	69,107	-	100,431	-	256,980	26,172	379,822	182	663,156
Contributions and donations	22,410	-	72,507	-	-	-	-	-	94,917	-	11,044	-	105,961
Miscellaneous	320,637	-	16,079	450,743	-	981,609	-	-	1,769,068	203,887	-	-	1,972,955
Total revenues	<u>3,031,152</u>	<u>-</u>	<u>12,340,145</u>	<u>557,195</u>	<u>4,482,700</u>	<u>7,031,562</u>	<u>3,847,568</u>	<u>181,910</u>	<u>31,472,232</u>	<u>1,590,501</u>	<u>390,866</u>	<u>182</u>	<u>33,453,781</u>
EXPENDITURES													
General government	5,311,277	-	13,732,647	-	-	-	104,347	256,673	19,404,944	-	73,358	13,226	19,491,528
Public safety	-	-	-	246,685	-	-	-	-	246,685	-	-	200	246,885
Public works	-	-	-	-	4,526,995	-	-	-	4,526,995	-	-	-	4,526,995
Community development	-	-	-	-	-	5,405,373	-	-	5,405,373	-	-	-	5,405,373
Debt service	-	-	-	-	-	-	-	-	-	15,287,330	-	-	15,287,330
Capital outlay/fixed assets	60,701	-	258,631	39,543	-	263,909	-	-	622,784	-	-	-	622,784
Total expenditures	<u>5,371,978</u>	<u>-</u>	<u>13,991,278</u>	<u>286,228</u>	<u>4,526,995</u>	<u>5,669,282</u>	<u>104,347</u>	<u>256,673</u>	<u>30,206,781</u>	<u>15,287,330</u>	<u>73,358</u>	<u>13,426</u>	<u>45,580,895</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,340,826)</u>	<u>-</u>	<u>(1,651,133)</u>	<u>270,967</u>	<u>(44,295)</u>	<u>1,362,280</u>	<u>3,743,221</u>	<u>(74,763)</u>	<u>1,265,451</u>	<u>(13,696,829)</u>	<u>317,508</u>	<u>(13,244)</u>	<u>(12,127,114)</u>
OTHER FINANCING SOURCES (USES)													
Transfers in	2,487,660	-	1,341,526	-	-	-	-	-	3,829,186	15,429,185	-	-	19,258,371
Transfers out	-	-	-	-	-	(919,679)	(3,833,578)	(11,826)	(4,765,083)	-	-	-	(4,765,083)
Total other financing sources (uses)	<u>2,487,660</u>	<u>-</u>	<u>1,341,526</u>	<u>-</u>	<u>-</u>	<u>(919,679)</u>	<u>(3,833,578)</u>	<u>(11,826)</u>	<u>(935,897)</u>	<u>15,429,185</u>	<u>-</u>	<u>-</u>	<u>14,493,288</u>
Net change in fund balance	<u>146,834</u>	<u>-</u>	<u>(309,607)</u>	<u>270,967</u>	<u>(44,295)</u>	<u>442,601</u>	<u>(90,357)</u>	<u>(86,589)</u>	<u>329,554</u>	<u>1,732,356</u>	<u>317,508</u>	<u>(13,244)</u>	<u>2,366,174</u>
FUND BALANCE, beginning	<u>1,043,626</u>	<u>17,801</u>	<u>3,700,998</u>	<u>1,829,332</u>	<u>1,831,620</u>	<u>759,511</u>	<u>962,310</u>	<u>23,171</u>	<u>10,168,369</u>	<u>7,139,208</u>	<u>3,275,571</u>	<u>13,244</u>	<u>20,596,392</u>
FUND BALANCE (DEFICIT), ending	<u>\$ 1,190,460</u>	<u>\$ 17,801</u>	<u>\$ 3,391,391</u>	<u>\$ 2,100,299</u>	<u>\$ 1,787,325</u>	<u>\$ 1,202,112</u>	<u>\$ 871,953</u>	<u>\$ (63,418)</u>	<u>\$ 10,497,923</u>	<u>\$ 8,871,564</u>	<u>\$ 3,593,079</u>	<u>\$ -</u>	<u>\$ 22,962,566</u>

## DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

CITY OF CHATTANOOGA, TENNESSEE

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
Year Ended June 30, 2007

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 6,621,968	\$ 4,458,238	\$ 19,599,865	\$ 30,680,071
Other	-	89,238	-	89,238
Total operating revenues	<u>6,621,968</u>	<u>4,547,476</u>	<u>19,599,865</u>	<u>30,769,309</u>
<b>OPERATING EXPENSES</b>				
Airport operations	4,724,028	-	-	4,724,028
CARTA operations	-	13,450,609	-	13,450,609
CDRC operations	-	-	10,258,042	10,258,042
Management fees	230,239	-	373,824	604,063
Maintenance	155,910	-	-	155,910
Depreciation and amortization	2,774,468	4,343,600	167,973	7,286,041
Total operating expenses	<u>7,884,645</u>	<u>17,794,209</u>	<u>10,799,839</u>	<u>36,478,693</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,262,677)</u>	<u>(13,246,733)</u>	<u>8,800,026</u>	<u>(5,709,384)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	-	6,677,022	-	6,677,022
Investment income	253,451	8,790	539,219	801,460
Interest expense	(548,889)	-	(7,008,155)	(7,557,044)
Claims and judgements	-	-	-	-
Other income (expense)	1,307,180	-	-	1,307,180
Total nonoperating revenues (expenses)	<u>1,011,742</u>	<u>6,685,812</u>	<u>(6,468,936)</u>	<u>1,228,618</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<u>(250,935)</u>	<u>(6,560,921)</u>	<u>2,331,090</u>	<u>(4,480,766)</u>
Capital contributions	<u>6,428,543</u>	<u>4,794,061</u>	<u>-</u>	<u>11,222,604</u>
<b>CHANGE IN NET ASSETS</b>	<u>6,177,608</u>	<u>(1,766,860)</u>	<u>2,331,090</u>	<u>6,741,838</u>
Net assets, beginning	<u>48,633,005</u>	<u>29,879,155</u>	<u>429,796</u>	<u>78,941,956</u>
Net assets, ending	<u>\$ 54,810,613</u>	<u>\$ 28,112,295</u>	<u>\$ 2,760,886</u>	<u>\$ 85,683,794</u>

CITY OF CHATTANOOGA, TENNESSEE  
COMBINING STATEMENT OF CASH FLOWS  
COMPONENT UNITS  
Year Ended June 30, 2007

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 6,476,946	\$ 4,513,108	\$ 22,353,641	\$ 33,343,695
Payments to suppliers	(5,133,753)	(4,007,488)	(5,367,509)	(14,508,750)
Payments to employees	-	(9,253,606)	-	(9,253,606)
Cost of services	-	-	(6,234,125)	(6,234,125)
Net cash provided by (used in) operating activities	<u>1,343,193</u>	<u>(8,747,986)</u>	<u>10,752,007</u>	<u>3,347,214</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental payments received	-	<u>6,504,254</u>	-	<u>6,504,254</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>6,504,254</u>	<u>-</u>	<u>6,504,254</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceed from capital debt	-	-	56,110,000	56,110,000
Principal paid on capital debt	(630,000)	-	(2,570,000)	(3,200,000)
Principal received on capital lease	-	-	2,186,735	2,186,735
Payments made to escrow agent	-	-	(57,548,064)	(57,548,064)
Interest paid on capital debt	(550,430)	-	(7,134,725)	(7,685,155)
Capital contributions	6,772,039	4,394,061	-	11,166,100
Additions to capital assets	(6,774,483)	(2,842,206)	(799,351)	(10,416,040)
Passenger facility charges collected	<u>1,079,373</u>	<u>-</u>	<u>-</u>	<u>1,079,373</u>
Net cash flows provided by (used in) capital and related financing activities	<u>(103,501)</u>	<u>1,551,855</u>	<u>(9,755,405)</u>	<u>(8,307,051)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of investments	(143,131)	-	(39,791,615)	(39,934,746)
Proceeds from sales and maturities of investments	-	-	39,821,280	39,821,280
Interest on investments	<u>253,451</u>	<u>8,790</u>	<u>535,294</u>	<u>797,535</u>
Net cash flows provided by investing activities	<u>110,320</u>	<u>8,790</u>	<u>564,959</u>	<u>684,069</u>
Net increase (decrease) in cash and cash equivalents	1,350,012	(683,087)	1,561,561	2,228,486
Cash and cash equivalents, beginning of year	<u>2,683,412</u>	<u>2,277,128</u>	<u>2,546,333</u>	<u>7,506,873</u>
Cash and cash equivalents, end of year	<u>\$ 4,033,424</u>	<u>\$ 1,594,041</u>	<u>\$ 4,107,894</u>	<u>\$ 9,735,359</u>
<b>CLASSIFIED AS:</b>				
Current assets	\$ 2,760,256	\$ 616,041	\$ 4,107,894	\$ 7,484,191
Restricted assets	<u>1,273,168</u>	<u>978,000</u>	<u>-</u>	<u>2,251,168</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
COMBINING STATEMENT OF CASH FLOWS  
COMPONENT UNITS  
Year Ended June 30, 2007

(continued from previous page)

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
OPERATING INCOME (LOSS)	\$ (1,262,677)	\$ (13,246,733)	\$ 8,800,026	\$ (5,709,384)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Depreciation and amortization	2,774,468	4,343,600	167,973	7,286,041
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(287,493)	210,233	2,725,845	2,648,585
(Increase) decrease in inventory	-	(6,813)	(762)	(7,575)
(Increase) decrease in prepaid items	26,067	15,861	-	41,928
(Increase) decrease in other assets	-	-	(265,603)	(265,603)
Increase (decrease) in accounts payable and accrued liabilities	91,613	(64,134)	(675,472)	(647,993)
Decrease in deferred revenue	(8,090)	-	-	(8,090)
Increase in other	9,305	-	-	9,305
TOTAL ADJUSTMENTS	<u>2,605,870</u>	<u>4,498,747</u>	<u>1,951,981</u>	<u>9,056,598</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 1,343,193</u>	<u>\$ (8,747,986)</u>	<u>\$ 10,752,007</u>	<u>\$ 3,347,214</u>
SIGNIFICANT NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Additions to property and equipment included in contracts payable	<u>\$ 1,091,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,091,542</u>



CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 86,078,000	\$ 86,078,000	\$ 86,998,170	\$ 920,170
Property in lieu of taxes:				
Burner Systems	12,538	12,538	22,229	9,691
Chattanooga Housing Authority	23,000	23,000	30,160	7,160
Tennessee Valley Authority	1,191,437	1,191,437	1,333,868	142,431
Jaycee Towers 1 and 2	1,224	1,224	1,224	-
The Bread Factory	1,938	1,938	1,938	-
Good Neighbors	2,808	2,808	2,808	-
Kenco Group	78,658	78,658	78,909	251
Signal Mountain Cement	318,358	318,358	233,905	(84,453)
Covenant Transport	22,570	22,570	22,571	1
T. B. Woods	6,629	6,629	6,629	-
Regis Corporation	43,273	43,273	52,639	9,366
Dev Corp O Knob	456	456	456	-
Chattanooga Labeling System	7,745	7,745	7,745	-
Wheland Foundation	-	-	4,160	4,160
Refunds	-	-	(4,246)	(4,246)
Chattem Inc.	15,839	15,839	15,840	1
Central Block Corp.	2,363	2,363	2,363	-
LJT of Tennessee	12,999	12,999	-	(12,999)
Provident Life & Accident Insurance Co.	9,780	9,780	9,775	(5)
South Market LLC	1,762	1,762	1,762	-
Air Liquide	1,813	1,813	-	(1,813)
American Plastic Ind.	65,064	65,064	57,650	(7,414)
Custom Banking	24,300	24,300	36,904	12,604
Dupont - Sabanci Intl.	15,680	15,680	34,819	19,139
Frazier Partners LLC	618	618	618	-
Invista	36,946	36,946	28,521	(8,425)
Advanced Tech Ceramic			3,365	3,365
Corporate excise taxes - intangible property	250,000	250,000	247,210	(2,790)
Interest and penalty on taxes:				
Current year	130,000	130,000	127,624	(2,376)
Prior years	450,000	450,000	683,642	233,642
Collection fees - delinquent taxes	188,000	188,000	138,455	(49,545)
Other local taxes:				
Franchise taxes	1,732,810	1,732,810	1,765,434	32,624
Liquor taxes	1,711,454	1,711,454	1,748,194	36,740
Beer taxes	4,661,756	4,661,756	4,840,524	178,768
Litigation taxes - City Court	5,000	5,000	6,247	1,247
Gross receipts tax	3,737,352	3,737,352	3,773,167	35,815
Total taxes	100,842,170	100,842,170	102,315,279	1,473,109
Licenses and permits:				
Motor vehicle licenses	330,000	330,000	379,230	49,230
Parking meters	450,000	450,000	482,922	32,922
Business licenses (excluding liquor)	130,000	130,000	152,025	22,025
Fees for issuing business licenses	57,000	57,000	59,525	2,525

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

(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	\$ -	\$ -	\$ 6,616	\$ 6,616
Wrecker permits	9,500	9,500	8,200	(1,300)
Building permits	1,150,000	1,150,000	1,637,523	487,523
Electrical permits	190,000	190,000	206,837	16,837
Plumbing fixtures connection permits	235,000	235,000	245,187	10,187
Street cut-in permits	260,000	260,000	304,981	44,981
Annual electrical contractors licenses	64,000	64,000	70,150	6,150
Penalty-electrical fees & licenses	500	500	637	137
Plumbing examiner fees	35,000	35,000	37,655	2,655
Electrical examiner fees	25,000	25,000	28,090	3,090
Gas examiner fees	45,000	45,000	47,390	2,390
Beer permit application fees	95,000	95,000	95,125	125
Mechanical code permits	70,000	70,000	85,739	15,739
Mechanical examiner fees	62,000	62,000	64,520	2,520
Fees for issuing construction, renovation permits	55,000	55,000	58,830	3,830
Liquor by drink licenses	120,000	120,000	125,210	5,210
Liquor by drink, interest and penalty	2,500	2,500	1,019	(1,481)
Hotel permits	2,500	2,500	2,550	50
Gas permits	7,000	7,000	6,631	(369)
Exhibitor fees	3,500	3,500	1,878	(1,622)
Sign permits	140,000	140,000	156,296	16,296
Taxicab driver permits	3,700	3,700	3,505	(195)
Temporary use permits	3,000	3,000	2,700	(300)
Subdivision review/inspection fee	40,000	40,000	26,800	(13,200)
Miscellaneous licenses and permits	16,000	16,000	19,489	3,489
Designated revenues	584,320	584,320	437,130	(147,190)
<b>Total licenses and permits</b>	<b>4,185,520</b>	<b>4,185,520</b>	<b>4,754,390</b>	<b>568,870</b>
Intergovernmental revenues:				
City allocation - state beer tax	82,000	82,000	83,504	1,504
City allocation - state income tax	2,200,000	2,200,000	4,125,590	1,925,590
City allocation - state sales tax	11,163,162	11,163,162	11,180,175	17,013
County-wide sales tax	26,155,000	26,155,000	26,154,704	(296)
Mixed drink tax	1,507,361	1,507,361	1,748,548	241,187
State maintenance of streets	105,000	105,000	218,917	113,917
State gas inspection fees	350,000	350,000	343,002	(6,998)
State alcoholic beverage taxes	75,000	75,000	88,202	13,202
TEMA	-	-	79,923	79,923
Hamilton County - Ross's Landing	730,663	730,663	660,549	(70,114)
Hamilton County - radio and electronics	170,194	170,194	200,211	30,017
State - specialized training	392,700	392,700	416,187	23,487
State - telecommunication sales tax	27,150	27,150	25,752	(1,398)
Department of Justice - bulletproof vest program	-	-	11,321	11,321
Federal Funds	-	-	750	750
State Funds	12,000	12,000	60,203	48,203
Other Hamilton County Revenue	-	-	227,070	227,070
Designated revenues:				
County-wide sales tax	10,400,000	10,400,000	10,566,227	166,227
TDZ - State	425,000	425,000	-	(425,000)
TDZ - County	70,000	70,000	47,635	(22,365)
Other designated revenue	3,528,581	3,528,581	3,281,401	(247,180)
<b>Total intergovernmental revenues</b>	<b>57,393,811</b>	<b>57,393,811</b>	<b>59,519,871</b>	<b>2,126,060</b>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Charges for services:				
City court costs	\$ 209,000	\$ 209,000	\$ 226,196	\$ 17,196
State court costs	2,600	2,600	2,726	126
City Court Clerk fees	949,500	949,500	981,550	32,050
Charges for financial services, EPB	7,200	7,200	7,200	-
Variance request fees	9,000	9,000	7,450	(1,550)
Fire and ambulance service fees	500	500	280	(220)
Warner/Montague Park ballfield fees	7,500	7,500	1,800	(5,700)
Champion's Club fees	23,000	23,000	29,382	6,382
Memorial Auditorium credit card fees	24,000	24,000	29,733	5,733
Tivoli credit card fees	10,000	10,000	13,226	3,226
Kidz Kamp fees	85,000	85,000	93,427	8,427
Sports program fees	5,000	5,000	5,179	179
Non-traditional program fees	5,000	5,000	4,332	(668)
Fitness center fees	35,000	35,000	36,356	1,356
Outventure fees	18,000	18,000	19,634	1,634
Credit card processing fee	30,000	30,000	47,822	17,822
Police reports: accidents, etc., fees	140,000	140,000	116,697	(23,303)
Applicant/Photo/ID card fees	4,000	4,000	4,408	408
Police records & fingerprinting fee	15,000	15,000	1,545	(13,455)
Skateboard park fees	82,500	82,500	69,350	(13,150)
Construction board of appeals	2,500	2,500	1,800	(700)
Zoning letter	6,000	6,000	10,850	4,850
Sign board of appeals	4,000	4,000	4,950	950
Certificates of occupancy	1,000	1,000	19,280	18,280
Sewer verification letter	1,000	1,000	500	(500)
Code compliance letter fee	-	-	950	950
Push cart permits	-	-	125	125
Modular homesite investigation	-	-	200	200
Plan checking fee	175,000	175,000	347,889	172,889
Phased construction plans review	3,500	3,500	26,713	23,213
Cell tower site/location review	3,000	3,000	9,000	6,000
Arts & culture fees	6,000	6,000	9,395	3,395
Therapeutic Kamp fee	7,000	7,000	1,234	(5,766)
Preservation fee - civic facilities	75,000	75,000	146,996	71,996
Dead animal pick up fee at vet	7,500	7,500	6,939	(561)
General pension administration cost	25,000	25,000	25,000	-
Designated revenues	1,984,089	1,984,089	2,168,394	184,305
<b>Total charges for services</b>	<b>3,962,389</b>	<b>3,962,389</b>	<b>4,478,508</b>	<b>516,119</b>
Fines, forfeitures, and penalties:				
City court fines	585,000	585,000	541,849	(43,151)
Criminal court fines	220,000	220,000	209,890	(10,110)
Parking tickets	525,000	525,000	551,024	26,024
Delinquent parking tickets	95,000	95,000	109,183	14,183
Air pollution penalties	6,500	6,500	6,802	302
Miscellaneous forfeitures and penalties	1,000	1,000	5,683	4,683
<b>Total fines, forfeitures, and penalties</b>	<b>1,432,500</b>	<b>1,432,500</b>	<b>1,424,431</b>	<b>(8,069)</b>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Miscellaneous revenues:				
Interest earned	\$ 2,223,578	\$ 2,223,578	\$ 4,531,197	\$ 2,307,619
Contributions and donations	53,275	53,275	89,000	35,725
Sale of property	25,000	25,000	578,639	553,639
Land and building rents	65,000	65,000	90,287	25,287
Dock rental (wharf)	15,000	15,000	12,275	(2,725)
Payroll deduction charges	5,000	5,000	5,743	743
Indirect cost	2,485,866	2,485,866	2,485,866	-
Plans and specification deposits	5,000	5,000	7,335	2,335
Condemnation	41,000	41,000	51,869	10,869
Memorial Auditorium box office	100,000	100,000	135,231	35,231
Memorial Auditorium rents	180,000	180,000	197,851	17,851
Memorial Auditorium concessions	35,000	35,000	39,145	4,145
Tivoli box office	40,000	40,000	61,553	21,553
Tivoli rents	130,000	130,000	163,323	33,323
Tivoli concessions	20,000	20,000	22,999	2,999
Swimming pools	35,000	35,000	70,191	35,191
Park concessions	10,000	10,000	9,725	(275)
Recreation center rental	50,000	50,000	58,093	8,093
Carousel ridership	85,000	85,000	83,720	(1,280)
Other miscellaneous revenue	364,734	364,734	448,118	83,384
Designated revenues	261,075	261,075	295,953	34,878
Departmental revenues:				
General Government	260,000	260,000	420	(259,580)
Finance and Administration	-	-	8,747	8,747
Police	-	-	35,578	35,578
Fire	-	-	5,425	5,425
Public Works	-	-	32,679	32,679
Parks and Recreation	-	-	8,985	8,985
Total miscellaneous revenues	<u>6,489,528</u>	<u>6,489,528</u>	<u>9,529,947</u>	<u>3,040,419</u>
Total revenues	<u>174,305,918</u>	<u>174,305,918</u>	<u>182,022,426</u>	<u>7,716,508</u>
EXPENDITURES				
General government:				
City Council	693,898	693,898	677,010	(16,888)
Allied Arts Council	155,000	155,000	155,000	-
Waterfront Management Agreement	40,000	40,000	40,000	-
Community Impact Fund	250,000	250,000	250,000	-
Stop the Madness	100,000	100,000	100,000	-
Connecting the Dots w/ Technology	-	-	57,097	57,097
Community Foundation scholarships	160,000	160,000	160,000	-
Carcog and Economic Development District	31,111	31,111	31,111	-
Carter Street lease agreement	150,000	150,000	150,000	-
Chattanooga Neighborhood Enterprises	1,500,000	1,500,000	1,500,000	-
City Court (Judicial)	687,818	687,818	673,217	(14,601)
Railroad Authority	20,000	20,000	20,000	-
Enterprise Center	204,282	204,282	182,076	(22,206)
Children's Advocacy Center	30,000	30,000	30,000	-
Election Expense	-	-	24,961	24,961
Finley Stadium	25,000	25,000	25,000	-
Govt. Perf Report Demo Grant Prog	20,010	20,010	9,384	(10,626)
Design Center Special Studies	-	-	11,735	11,735
Information Services	2,666,635	2,666,635	2,637,944	(28,691)
Telephone Systems	180,900	180,900	136,873	(44,027)
Homeless Health Care Centers	17,500	17,500	17,500	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
General government: (continued)				
African-American Museum	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
Regional History Museum	24,000	24,000	24,000	-
City Attorney's Office	1,056,484	1,056,484	1,011,390	(45,094)
Contingency fund	500,000	500,000	-	(500,000)
Chattanooga Area Urban League	50,000	50,000	50,000	-
Chattanooga Downtown Partnership	100,000	100,000	100,000	-
CARTA	3,665,300	3,665,300	3,665,300	-
Pensions and UIC	50,000	50,000	45,024	(4,976)
Tennessee Riverpark	1,191,326	1,191,326	1,090,648	(100,678)
WTCI - Channel 45	60,000	60,000	60,000	-
Disaster recovery - Hurricane Katrina	-	-	(15,494)	(15,494)
Tuition assistance program	20,000	20,000	17,952	(2,048)
Regional Planning Agency	2,781,112	2,781,112	2,630,169	(150,943)
Renewal and replacement	1,191,633	1,191,633	1,122,385	(69,248)
Economic development and education	9,104,725	9,104,725	8,704,085	(400,640)
311 call center	475,350	475,350	425,833	(49,517)
Air Pollution Control Bureau	1,347,130	1,347,130	1,296,095	(51,035)
Scenic Cities Beautiful Commission	105,473	105,473	57,258	(48,215)
Chattanooga Comm. Resource Cntr Homeless	-	-	27,050	27,050
Audits, dues and surveys	206,757	206,757	248,142	41,385
Internal Audit	423,835	423,835	436,416	12,581
Chattanooga Opportunity Fund	-	-	36,065	36,065
Intergovernmental relations	327,000	327,000	278,023	(48,977)
City storm water fees	73,000	73,000	76,526	3,526
African American Chamber of Commerce	150,000	150,000	150,000	-
Chamber of economic development	400,000	400,000	400,000	-
Community & economic development	1,854,098	1,854,098	1,679,259	(174,839)
Business development initiative	75,000	75,000	-	(75,000)
Personnel	5,838,675	5,838,675	5,718,039	(120,636)
Neighborhood services	1,821,372	1,821,372	1,786,093	(35,279)
Telecommunication Operations	147,123	147,123	147,560	437
GS Administration	255,777	255,777	239,776	(16,001)
Purchasing	849,422	849,422	868,134	18,712
Building Maintenance	624,939	624,939	555,579	(69,360)
Chatt Mobile Communication	442,578	442,578	457,898	15,320
Real Estate	60,558	60,558	43,894	(16,664)
Property Maintenance	45,400	45,400	25,462	(19,938)
Chattanooga Community Resource Center Operations	-	-	4,022	4,022
Heritage Center Maintenance	132,038	132,038	135,304	3,266
DRC Building Operations	853,441	853,441	141,131	(712,310)
Liability insurance premiums	1,310,000	1,310,000	2,173,000	863,000
Total general government	44,615,700	44,615,700	42,870,926	(1,744,774)
Finance and Administration:				
Finance administration	1,837,681	1,837,681	1,806,429	(31,252)
Office of City Treasurer	650,631	650,631	643,819	(6,812)
Clerk's Office Operations	924,782	924,782	897,002	(27,780)
City Court Technology	192,111	192,111	47,434	(144,677)

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CITY OF CHATTANOOGA, TENNESSEE  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2007

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Finance and Administration (continued)				
Animal care trust	\$ 45,324	\$ 45,324	\$ 45,324	\$ -
Court space usage costs	125,000	125,000	140,556	15,556
Total Finance and Administration	3,775,529	3,775,529	3,580,564	(194,965)
Police:				
Administration	2,352,157	2,352,157	2,281,409	(70,748)
Uniformed Services	24,403,711	24,403,711	25,172,788	769,077
Investigative and support services	14,164,201	14,164,201	13,536,606	(627,595)
Law enforcement planning	524,389	524,389	373,753	(150,636)
Special programs	862,199	862,199	857,077	(5,122)
Reduction part I offenses	47,405	47,405	36,494	(10,911)
Total Police	42,354,062	42,354,062	42,258,127	(95,935)
Fire:				
Operations	26,583,184	26,583,184	26,605,123	21,939
Utilities	293,500	293,500	270,716	(22,784)
Total Fire	26,876,684	26,876,684	26,875,839	(845)
Public Works:				
Administration	981,465	981,465	926,771	(54,694)
Board of Appeals & Variances	12,600	12,600	11,578	(1,022)
City Engineer	1,931,329	1,931,329	1,833,145	(98,184)
City-wide services	958,444	958,444	955,827	(2,617)
Street cleaning	2,422,223	2,422,223	2,406,887	(15,336)
Emergency	737,632	737,632	747,824	10,192
Waste resources:				
Sewer construction and maintenance	2,149,005	2,149,005	2,021,226	(127,779)
Codes and inspections:				
Land development	2,644,489	2,644,489	2,891,729	247,240
Board of Examiners	31,300	31,300	28,353	(2,947)
Utilities	138,586	138,586	137,635	(951)
Interceptor sewer system pump stations	103,240	103,240	49,527	(53,713)
Solid waste subsidy	5,028,742	5,028,742	5,028,742	-
Municipal forestry	554,517	554,517	575,686	21,169
Waste pickup	6,282,981	6,282,981	6,274,663	(8,318)
Technology	52,055	52,055	71,612	19,557

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Public Works (continued)				
Traffic management:				
Administration	\$ 732,653	\$ 732,653	\$ 736,955	\$ 4,302
Control	1,765,864	1,765,864	1,838,224	72,360
Street lighting	2,778,375	2,778,375	2,614,364	(164,011)
Summer Work Program	-	-	14,450	14,450
Total Public Works	29,305,500	29,305,500	29,165,198	(140,302)
Parks and Recreation:				
Administration	1,183,998	1,183,998	1,082,989	(101,009)
Recreation:				
Recreation centers	3,417,037	3,417,037	3,448,805	31,768
Fitness center	278,451	278,451	251,446	(27,005)
Late Night Programs	165,000	165,000	144,399	(20,601)
OutVenture	124,941	124,941	135,203	10,262
Sports	37,983	37,983	48,494	10,511
Champion's Club	244,156	244,156	240,321	(3,835)
Aquatics	167,432	167,432	194,609	27,177
Therapeutic Recreation	112,119	112,119	93,948	(18,171)
Special programs	21,460	21,460	22,603	1,143
Parks maintenance:				
Administration	548,482	548,482	589,047	40,565
Warner Park Zoo	509,454	509,454	515,375	5,921
Municipal parks	798,240	798,240	843,484	45,244
Tennessee Riverpark-Downtown Carousel	1,347,080	1,347,080	1,251,913	(95,167)
	105,531	105,531	101,467	(4,064)
Brainerd Golf Course	855,078	855,078	851,514	(3,564)
Brown Acres Golf Course	917,172	917,172	920,065	2,893
City-wide security	93,945	93,945	152,544	58,599
Landscape	444,189	444,189	440,147	(4,042)
Building and structures	908,599	908,599	955,450	46,851
Athletic facilities	364,061	364,061	360,362	(3,699)
Total Parks and Recreation	12,644,408	12,644,408	12,644,185	(223)
Education, Arts and Culture				
Administration	314,461	314,461	313,811	(650)
Civic facilities:				
Administration	629,005	629,005	661,856	32,851
Memorial Auditorium	509,138	509,138	485,777	(23,361)
Tivoli Theatre	327,005	327,005	313,211	(13,794)
Special Programs	335,224	335,224	335,755	531
Concessions	32,683	32,683	36,879	4,196
Total Education, Arts and Culture	2,147,516	2,147,516	2,147,289	(227)
Total expenditures	161,719,399	161,719,399	159,542,128	(2,177,271)
Excess of revenues over expenditures	12,586,519	12,586,519	22,480,298	9,893,779

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,320,961	\$ 3,320,961	\$ 3,203,961	\$ (117,000)
Transfers out	<u>(26,905,469)</u>	<u>(26,905,469)</u>	<u>(26,875,174)</u>	<u>30,295</u>
Total other financing sources (uses)	<u>(23,584,508)</u>	<u>(23,584,508)</u>	<u>(23,671,213)</u>	<u>(86,705)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - (budgetary basis)	<u>\$ (10,997,989)</u>	<u>\$ (10,997,989)</u>	(1,190,915)	<u>\$ 9,807,074</u>
Adjustment for encumbrances			<u>278,554</u>	
Net change in fund balance (GAAP basis)			(912,361)	
FUND BALANCE at beginning of year (GAAP basis)			<u>56,042,710</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 55,130,349</u>	



CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - DESIGNATED REVENUES  
Year Ended June 30, 2007

	Final Budget						Actual						Variance - Over (Under)
	Licenses and Permits	Inter- governmental Revenues	Charges for Services	Contributions and Donations	Miscellaneous Revenues	Total	Licenses and Permits	Inter- governmental Revenues	Charges for Services	Contributions and Donations	Miscellaneous Revenues	Total	
Regional Planning Agency	\$ -	\$ 1,551,555	\$ 90,000	\$ -	\$ 92,000	\$ 1,733,555	\$ -	\$ 1,330,552	\$ 95,000	\$ 30,000	\$ 75,858	\$ 1,531,410	\$ (202,145)
Air Pollution Bureau	584,320	491,991	-	-	-	1,076,311	437,131	318,949	-	-	-	756,080	(320,231)
Scenic Cities Beautiful Commission	-	55,288	-	-	-	55,288	-	55,288	-	6,500	-	61,788	6,500
Reduction - Part I offenses	-	-	-	-	46,030	46,030	-	-	-	-	46,030	46,030	-
Municipal golf courses	-	-	1,772,250	-	-	1,772,250	-	-	1,792,456	-	70	1,792,526	20,276
Free Public Library	-	-	-	-	-	-	-	-	-	-	-	-	-
Miller Park	-	-	-	-	-	-	-	-	-	-	-	-	-
Law enforcement planning	-	511,498	-	-	13,833	525,331	-	511,499	-	-	13,833	525,332	1
Confiscated and unclaimed property	-	-	-	-	-	-	-	-	-	-	-	-	-
Nonprofit request	-	-	-	-	1,550	1,550	-	-	-	-	1,550	1,550	-
Economic Development and Education fund	-	10,895,000	-	-	-	10,895,000	-	10,613,862	-	-	143	10,614,005	(280,995)
Special programs fund	-	793,229	118,839	38,275	142,937	1,093,280	-	1,295,368	275,539	52,500	140,469	1,763,876	670,596
African-American Museum	-	57,019	-	-	18,000	75,019	-	57,019	-	-	18,000	75,019	-
<b>Total designated revenues</b>	<b>\$ 584,320</b>	<b>\$ 14,355,580</b>	<b>\$ 1,981,089</b>	<b>\$ 38,275</b>	<b>\$ 314,350</b>	<b>\$ 17,273,614</b>	<b>\$ 437,131</b>	<b>\$ 14,182,537</b>	<b>\$ 2,162,995</b>	<b>\$ 89,000</b>	<b>\$ 295,953</b>	<b>\$ 17,167,616</b>	<b>\$ (105,998)</b>

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

PUBLIC LIBRARY FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Hamilton County, Tennessee funds	\$ 2,487,660	\$ 2,487,660	\$ 2,487,660	\$ -
Federal Funds	5,900	5,900	40,360	34,460
State of Tennessee funds	57,808	50,000	92,867	42,867
Investment income	58,030	58,030	67,218	9,188
Book sales	96,600	96,600	118,756	22,156
Donations	12,000	12,000	22,410	10,410
Miscellaneous	172,862	172,862	201,881	29,019
Total revenues	<u>2,890,860</u>	<u>2,883,052</u>	<u>3,031,152</u>	<u>148,100</u>
<b>EXPENDITURES</b>				
Central branch and administration	4,252,433	4,252,433	4,268,556	16,123
Eastgate branch	350,739	350,739	327,455	(23,284)
Northgate branch	340,034	340,034	316,136	(23,898)
Ooltewah/Collegedale branch	293,061	293,061	280,842	(12,219)
South Chattanooga branch	172,551	172,551	171,694	(857)
Capital outlay	100,270	100,270	60,701	(39,569)
Other	10,000	10,000	40,179	30,179
Total expenditures	<u>5,519,088</u>	<u>5,519,088</u>	<u>5,465,563</u>	<u>(53,525)</u>
Deficiency of revenues under expenditures	(2,628,228)	(2,636,036)	(2,434,411)	94,575
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>2,487,660</u>	<u>2,487,660</u>	<u>2,487,660</u>	<u>-</u>
Net change in fund balance	<u>\$ (140,568)</u>	<u>\$ (148,376)</u>	53,249	<u>\$ 94,575</u>
Adjustment for encumbrances			<u>93,585</u>	
Net change in fund balance (GAAP basis)			146,834	
FUND BALANCE at beginning of year (GAAP basis)			<u>1,043,626</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 1,190,460</u>	
<b>EXPLANATION OF DIFFERENCES</b>				
<b>REVENUES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 3,031,152	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 3,031,152</u>	
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 5,465,563	
Adjustment for encumbrances			<u>(93,585)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 5,371,978</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

DOWNTOWN DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2007

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

## CITY OF CHATTANOOGA, TENNESSEE

## SPECIAL REVENUE FUND

## HUMAN SERVICES PROGRAM FUND

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ 7,963,222	\$ 7,963,222	\$ 7,948,165	\$ (15,057)
State of Tennessee funds	4,149,294	4,149,294	4,136,673	(12,621)
United Way	3,000	3,000	2,113	(887)
Project Warm Neighbors	22,000	22,000	24,887	2,887
Day care fees	82,920	82,920	99,662	16,742
Donations	48,000	48,000	45,507	(2,493)
Investment income	50,000	50,000	17,365	(32,635)
Hamilton County, Tennessee funds	49,700	49,700	49,694	(6)
Other	-	-	16,079	16,079
Total revenues	<u>12,368,136</u>	<u>12,368,136</u>	<u>12,340,145</u>	<u>(27,991)</u>
<b>EXPENDITURES</b>				
Administration	890,128	890,128	1,063,147	173,019
Headstart program	8,018,309	8,018,309	7,791,296	(227,013)
Day care	754,000	754,000	776,928	22,928
Food program	88,100	88,100	105,447	17,347
Weatherization program	378,750	378,750	368,197	(10,553)
Foster grandparent program	504,780	504,780	504,286	(494)
Low-income energy assistance	2,101,908	2,101,908	2,106,035	4,127
Community services block grant	829,867	829,867	751,619	(78,248)
Title II commodities	120,000	120,000	152,718	32,718
Emergency food and shelter	37,000	37,000	46,737	9,737
Other human services programs	100,868	100,868	259,449	158,581
Capital outlay	<u>360,860</u>	<u>360,860</u>	<u>258,631</u>	<u>(102,229)</u>
Total expenditures	<u>14,184,570</u>	<u>14,184,570</u>	<u>14,184,490</u>	<u>(80)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
SPECIAL REVENUE FUND  
HUMAN SERVICES PROGRAM FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2007

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Deficiency of revenues under expenditures	\$ (1,816,434)	\$ (1,816,434)	\$ (1,844,345)	\$ (27,911)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>1,341,527</u>	<u>1,341,527</u>	<u>1,341,526</u>	<u>(1)</u>
Net change in fund balance	<u>\$ (474,907)</u>	<u>\$ (474,907)</u>	(502,819)	<u>\$ (27,912)</u>
Adjustment for encumbrances			<u>193,212</u>	
Net change in fund balance (GAAP basis)			(309,607)	
FUND BALANCE at beginning of year (GAAP basis)			<u>3,700,998</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 3,391,391</u>	
 <b>EXPLANATION OF DIFFERENCES</b>				
<b>REVENUES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 12,340,145	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 12,340,145</u>	
 <b>EXPENDITURES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 14,184,490	
Adjustment for encumbrances			<u>(193,212)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 13,991,278</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

NARCOTICS PROGRAM FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ 85,181	\$ 85,181	\$ 85,181	\$ -
State of Tennessee Funds	35,412	35,412	18,412	(17,000)
Confiscated money, vehicles and equipment	290,805	290,805	314,404	23,599
Investment income	2,859	2,859	2,859	-
Other	<u>159,938</u>	<u>159,938</u>	<u>136,339</u>	<u>(23,599)</u>
Total revenues	<u>574,195</u>	<u>574,195</u>	<u>557,195</u>	<u>(17,000)</u>
<b>EXPENDITURES</b>				
Narcotics program	479,196	479,196	285,818	(193,378)
Capital outlay	<u>95,000</u>	<u>95,000</u>	<u>39,543</u>	<u>(55,457)</u>
Total expenditures	<u>574,196</u>	<u>574,196</u>	<u>325,361</u>	<u>(248,835)</u>
Net change in fund balance	<u>\$ (1)</u>	<u>\$ (1)</u>	231,834	<u>\$ 231,835</u>
Adjustment for encumbrances			<u>39,133</u>	
Net change in fund balance (GAAP basis)			270,967	
FUND BALANCE at beginning of year (GAAP basis)			<u>1,829,332</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 2,100,299</u>	
<b>EXPLANATION OF DIFFERENCES</b>				
<b>REVENUES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 557,195	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 557,195</u>	
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 325,361	
Adjustment for encumbrances			<u>(39,133)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 286,228</u>	

CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

STATE STREET AID FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
State of Tennessee funds	\$ 4,431,733	\$ 4,431,733	\$ 4,413,593	\$ (18,140)
Investment income	<u>50,000</u>	<u>50,000</u>	<u>69,107</u>	<u>19,107</u>
Total revenues	<u>4,481,733</u>	<u>4,481,733</u>	<u>4,482,700</u>	<u>967</u>
<b>EXPENDITURES</b>				
Salaries and wages	2,701,271	2,701,271	2,526,509	(174,762)
Fringe benefits	894,459	894,459	939,516	45,057
Purchased services	65,353	65,353	54,605	(10,748)
Vehicle operations	773,921	773,921	608,533	(165,388)
Materials and supplies	345,379	345,379	489,742	144,363
Other services	1,350	1,350	270	(1,080)
Capital outlay	<u>-</u>	<u>-</u>	<u>(270)</u>	<u>(270)</u>
Total expenditures	<u>4,781,733</u>	<u>4,781,733</u>	<u>4,618,905</u>	<u>(162,828)</u>
Net change in fund balance	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	(136,205)	<u>\$ 163,795</u>
Adjustment for encumbrances			<u>91,910</u>	
Net change in fund balance (GAAP basis)			(44,295)	
FUND BALANCE at beginning of year (GAAP basis)			<u>1,831,620</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 1,787,325</u>	
<b>EXPLANATION OF DIFFERENCES</b>				
<b>REVENUES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,482,700	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,482,700</u>	
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 4,618,905	
Adjustment for encumbrances			<u>(91,910)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 4,526,995</u>	

CITY OF CHATTANOOGA, TENNESSEE  
SPECIAL REVENUE FUND  
COMMUNITY DEVELOPMENT FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Intergovernmental	\$ 4,241,564	\$ 4,241,564	\$ 6,049,953	\$ 1,808,389
Miscellaneous	<u>2,353,500</u>	<u>2,353,500</u>	<u>981,609</u>	<u>(1,371,891)</u>
Total revenues	<u>6,595,064</u>	<u>6,595,064</u>	<u>7,031,562</u>	<u>436,498</u>
EXPENDITURES				
Community development projects	5,160,736	5,160,736	4,998,955	(161,781)
Administration	520,199	520,199	415,986	(104,213)
Capital outlay	<u>-</u>	<u>-</u>	<u>265,459</u>	<u>265,459</u>
Total expenditures	<u>5,680,935</u>	<u>5,680,935</u>	<u>5,680,400</u>	<u>(535)</u>
Excess of revenues over expenditures	914,129	914,129	1,351,162	437,033
OTHER FINANCING USES				
Transfers out	<u>(919,679)</u>	<u>(919,679)</u>	<u>(919,679)</u>	<u>-</u>
Net change in fund balance	<u>\$ (5,550)</u>	<u>\$ (5,550)</u>	431,483	<u>\$ 437,033</u>
Adjustment for encumbrances			<u>11,118</u>	
Net change in fund balance (GAAP basis)			442,601	
FUND BALANCE at beginning of year (GAAP basis)			<u>759,511</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 1,202,112</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 7,031,562	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 7,031,562</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 5,680,400	
Adjustment for encumbrances			<u>(11,118)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 5,669,282</u>	



CITY OF CHATTANOOGA, TENNESSEE

SPECIAL REVENUE FUND

HOTEL/MOTEL TAX FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 3,750,000	\$ 3,750,000	\$ 3,747,137	\$ (2,863)
Investment income	-	-	100,431	100,431
Total revenues	<u>3,750,000</u>	<u>3,750,000</u>	<u>3,847,568</u>	<u>97,568</u>
EXPENDITURES				
Contracted services	<u>105,000</u>	<u>105,000</u>	<u>104,347</u>	<u>(653)</u>
Total expenditures	<u>105,000</u>	<u>105,000</u>	<u>104,347</u>	<u>(653)</u>
Excess of revenues over expenditures	3,645,000	3,645,000	3,743,221	98,221
OTHER FINANCING USES				
Transfers in	-	-	-	-
Transfers out	<u>(3,833,577)</u>	<u>(3,833,577)</u>	<u>(3,833,578)</u>	<u>(1)</u>
Net change in fund balance	<u>\$ (188,577)</u>	<u>\$ (188,577)</u>	(90,357)	<u>\$ 98,220</u>
Adjustment for encumbrances			-	
Net change in fund balance (GAAP basis)			(90,357)	
FUND BALANCE at beginning of year (GAAP basis)			<u>962,310</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ 871,953</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 3,847,568	
Differences - none			-	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental fund			<u>\$ 3,847,568</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 104,347	
Adjustment for encumbrances			-	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental fund			<u>\$ 104,347</u>	

CITY OF CHATTANOOGA, TENNESSEE  
SPECIAL REVENUE FUND  
RIVER PIER GARAGE FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
SRC parking garage income	\$ 181,910	\$ 181,910	\$ 181,910	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>181,910</u>	<u>181,910</u>	<u>181,910</u>	<u>-</u>
EXPENDITURES				
Contracted services	256,672	256,672	256,673	1
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>256,672</u>	<u>256,672</u>	<u>256,673</u>	<u>1</u>
Excess of revenues over expenditures	(74,762)	(74,762)	(74,763)	(1)
OTHER FINANCING USES				
Transfers out	<u>(11,826)</u>	<u>(11,826)</u>	<u>(11,826)</u>	<u>-</u>
Net change in fund balance	<u>\$ (86,588)</u>	<u>\$ (86,588)</u>	(86,589)	<u>\$ (1)</u>
Adjustment for encumbrances			<u>-</u>	
Net change in fund balance (GAAP basis)			(86,589)	
FUND BALANCE at beginning of year (GAAP basis)			<u>23,171</u>	
FUND BALANCE at end of year (GAAP basis)			<u>\$ (63,418)</u>	
EXPLANATION OF DIFFERENCES				
REVENUES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 181,910	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 181,910</u>	
EXPENDITURES				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 256,673	
Adjustment for encumbrances			<u>-</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 256,673</u>	

CITY OF CHATTANOOGA, TENNESSEE

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Hamilton County, Tennessee funds	\$ 1,360,442	\$ 1,360,442	\$ 1,360,442	\$ -
Investment income	-	-	26,172	26,172
911 contribution	200,000	200,000	203,887	3,887
Total revenues	<u>1,560,442</u>	<u>1,560,442</u>	<u>1,590,501</u>	<u>30,059</u>
<b>EXPENDITURES</b>				
Principal retirement	9,507,044	9,507,044	8,453,319	(1,053,725)
Interest	7,428,272	7,428,272	6,744,094	(684,178)
Fiscal charges	70,000	70,000	89,917	19,917
Total expenditures	<u>17,005,316</u>	<u>17,005,316</u>	<u>15,287,330</u>	<u>(1,717,986)</u>
Deficiency of revenues under expenditures	(15,444,874)	(15,444,874)	(13,696,829)	1,748,045
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>15,444,953</u>	<u>15,444,953</u>	<u>15,429,185</u>	<u>(15,768)</u>
Net change in fund balance	<u>\$ 79</u>	<u>\$ 79</u>	1,732,356	<u>\$ 1,732,277</u>
FUND BALANCE at beginning of year			<u>7,139,208</u>	
FUND BALANCE at end of year			<u>\$ 8,871,564</u>	
<b>EXPLANATION OF DIFFERENCES</b>				
<b>REVENUES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 1,590,501	
Differences - none			<u>-</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 1,590,501</u>	
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) from the budgetary comparison schedule			\$ 15,287,330	
Differences - none			<u>-</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds			<u>\$ 15,287,330</u>	

## FINANCIAL SCHEDULES

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

CITY OF CHATTANOOGA, TENNESSEE  
 SCHEDULE OF CERTIFICATES OF DEPOSIT BY FUND  
 June 30, 2007

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<b>GENERAL FUND</b>			
First Tennessee	5.28%	07/03/07	\$ 3,500,000
First Tennessee	5.28%	07/12/07	1,600,000
First Tennessee	5.28%	07/18/07	3,500,000
First Tennessee	5.25%	07/31/07	1,600,000
First Tennessee	5.27%	08/29/07	3,500,000
First Tennessee	5.27%	08/29/07	4,000,000
<b>SPECIAL REVENUE FUNDS</b>			
Hotel/Motel Tax			
First Tennessee	5.25%	07/31/07	452,005
State Street Aid			
First Tennessee	5.26%	08/20/07	500,000
<b>ENTERPRISE FUNDS</b>			
Interceptor Sewer System			
First Tennessee	5.25%	07/31/07	6,500,000
First Tennessee	5.27%	08/30/07	2,000,000
<b>DEBT SERVICE FUND</b>			
First Tennessee	5.26%	08/20/07	<u>5,500,000</u>
Total certificates of deposit			<u><u>\$ 32,652,005</u></u>

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF INVESTMENTS BY FUND

June 30, 2007

	Interest Rate	Maturity Date	Amount
<b>GENERAL FUND</b>			
Federal National Mortgage Association	4.98%	04/30/08	\$ 37,570,851
Certificate of Deposit	5.28%	08/01/07	3,500,000
Certificate of Deposit	5.28%	08/15/07	3,500,000
Certificate of Deposit	5.26%	09/12/07	3,500,000
Certificate of Deposit	5.26%	09/26/07	3,500,000
Certificate of Deposit	5.32%	05/12/08	434,520
<b>CAPITAL PROJECTS</b>			
Federal Home Loan Bank	5.17%	07/09/07	1,510,140
Federal Home Loan Bank	5.19%	09/10/07	969,983
Federal Home Loan Bank	5.18%	10/19/07	1,125,329
Federal Home Loan Bank	5.14%	12/12/07	1,349,342
Federal Home Loan Bank	5.09%	01/22/08	991,748
Federal Home Loan Bank	6.27%	01/28/08	99,593
Federal Home Loan Bank	5.03%	02/15/08	403,824
Federal Home Loan Bank	5.03%	02/15/08	257,438
Federal Home Loan Bank	5.03%	02/25/08	851,427
Certificate of Deposit	5.25%	07/30/07	2,104,644
Certificate of Deposit	5.28%	08/10/07	936,653
Certificate of Deposit	5.26%	09/26/07	926,611
Certificate of Deposit	5.31%	12/27/07	830,115
Certificate of Deposit	5.30%	12/27/07	461,779
Certificate of Deposit	5.31%	12/27/07	214,514
Certificate of Deposit	5.31%	12/27/07	738,522
<b>SPECIAL REVENUE FUND</b>			
State Street Aid			
Certificate of Deposit	5.26%	07/02/07	420,000
Certificate of Deposit	5.28%	11/07/07	500,000
Public Library			
Certificate of Deposit	5.10%	08/15/07	<u>67,096</u>
Total governmental fund investments, excluding permanent funds			<u>\$ 66,764,129</u>
<b>ENTERPRISE FUNDS</b>			
Interceptor Sewer Fund			
Federal National Mortgage Association	4.98%	04/30/08	\$ 23,821,530
Certificate of Deposit	5.26%	07/31/07	1,483,088
Solid Waste/Sanitation Fund			
Federal National Mortgage Association	4.98%	04/30/08	4,763,162
Federal National Mortgage Association	5.17%	08/03/07	1,260,869
Federal National Mortgage Association	5.12%	11/09/07	1,650,604
Federal National Mortgage Association	5.05%	03/10/08	169,948
Federal National Mortgage Association	5.00%	04/01/08	1,305,617
Federal National Mortgage Association	4.95%	07/21/08	514,828
Federal National Mortgage Association	4.95%	08/15/08	634,265
Federal National Mortgage Association	4.95%	09/10/08	154,175
Certificate of Deposit	5.28%	07/02/07	4,213,792
Certificate of Deposit	5.20%	08/02/07	42,024
Storm Water Fund			
Certificate of Deposit	5.28%	07/02/07	<u>539,969</u>
Total enterprise fund investments			<u>\$ 40,553,871</u>

CITY OF CHATTANOOGA, TENNESSEE  
 COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE  
 Year Ended June 30, 2007

Tax Year (1)	Property Taxes Receivable Balance June 30, 2006	Property Taxes Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2007	Allowance for Uncollectibles	Net Receivable Balance June 30, 2007
2007	\$ -	\$ -	\$84,882,476	\$ -	\$ -	\$ 84,882,476	\$ -	\$ 84,882,476
2006	-	87,378,841	-	24,020	83,848,154	3,554,707	435,141	3,119,566
2005	3,689,238	-	-	219,898	2,510,282	1,398,854	374,266	1,024,588
2004	1,345,470	-	-	77,203	640,993	781,680	375,621	406,059
2003	722,963	-	-	(52,616)	379,831	290,516	252,202	38,314
2002	465,989	-	-	(35,634)	65,730	364,625	353,543	11,082
2001	554,411	-	-	(27,558)	15,725	511,128	511,128	-
2000	250,848	-	-	(5,513)	6,469	238,866	238,866	-
1999	215,799	-	-	(266)	1,127	214,406	214,406	-
1998	223,538	-	-	(1,082)	322	222,134	222,134	-
1997	259,122	-	-	-	1,746	257,376	257,376	-
Totals	<u>\$ 7,727,378</u>	<u>\$87,378,841</u>	<u>\$84,882,476</u>	<u>\$ 198,452</u>	<u>\$ 87,470,379</u>	<u>\$ 92,716,768</u>	<u>\$ 3,234,683</u>	<u>\$ 89,482,085</u>

Note:

- (1) All years prior to 2005 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, 2007

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>GOVERNMENTAL ACTIVITIES</b>			
2008	\$ 10,656,684	\$ 14,446,480	\$ 25,103,164
2009	12,235,627	14,026,365	26,261,992
2010	12,670,669	13,436,185	26,106,854
2011	12,372,182	12,856,683	25,228,865
2012	11,524,414	12,293,836	23,818,250
2013	10,963,235	11,733,710	22,696,945
2014	10,967,043	11,204,824	22,171,867
2015	11,546,056	10,666,551	22,212,607
2016	11,934,265	10,086,237	22,020,502
2017	11,628,641	9,500,768	21,129,409
2018	11,854,110	8,908,766	20,762,876
2019	10,928,951	8,299,079	19,228,030
2020	11,363,402	7,725,761	19,089,163
2021	12,062,431	7,171,563	19,233,994
2022	11,209,647	6,511,574	17,721,221
2023	11,857,063	5,889,772	17,746,835
2024	12,542,181	5,223,091	17,765,272
2025	13,260,122	4,530,518	17,790,640
2026	14,030,425	3,797,262	17,827,687
2027	11,944,267	3,020,537	14,964,804
2028	11,606,391	2,356,134	13,962,525
2029	12,360,579	1,661,389	14,021,968
2030	13,171,492	911,572	14,083,064
2031	4,515,000	112,875	4,627,875
Total governmental activities	<u>279,204,877</u>	<u>186,371,532</u>	<u>465,576,409</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
2008	\$ 15,438,176	\$ 9,260,393	\$ 24,698,569
2009	17,467,367	8,663,677	26,131,044
2010	16,567,918	7,919,812	24,487,730
2011	15,323,141	7,191,995	22,515,136
2012	13,508,713	6,536,380	20,045,093
2013	13,964,334	5,919,819	19,884,153
2014	13,041,273	5,333,257	18,374,530
2015	13,329,697	4,758,081	18,087,778
2016	11,713,146	4,209,886	15,923,032
2017	12,141,769	3,686,765	15,828,534
2018	12,595,503	3,143,547	15,739,050
2019	11,434,436	2,622,500	14,056,936
2020	6,557,399	2,252,210	8,809,609
2021	6,476,806	2,021,739	8,498,545
2022	6,629,592	1,772,986	8,402,578
2023	6,789,585	1,519,580	8,309,165
2024	6,961,820	1,255,050	8,216,870
2025	6,639,550	991,886	7,631,436
2026	4,513,360	765,977	5,279,337
2027	2,438,360	600,667	3,039,027
2028	2,250,000	498,000	2,748,000
2029	2,355,000	398,000	2,753,000
2030	2,470,000	292,000	2,762,000
2031	2,585,000	180,000	2,765,000
2032	2,705,000	61,000	2,766,000
Total business-type activities	<u>225,896,945</u>	<u>81,855,207</u>	<u>307,752,152</u>
Total primary government indebtedness	<u>\$ 505,101,822</u>	<u>\$ 268,226,739</u>	<u>\$ 773,328,561</u>



CITY OF CHATTANOOGA, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2007

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	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
COMPONENT UNITS			
2008	\$ 3,375,000	\$ 7,150,078	\$ 10,525,078
2009	3,030,000	7,123,836	10,153,836
2010	3,900,000	6,930,536	10,830,536
2011	4,030,000	6,723,399	10,753,399
2012	4,260,000	6,505,141	10,765,141
2013	4,465,000	6,283,161	10,748,161
2014	4,690,000	6,046,056	10,736,056
2015	4,930,000	5,791,881	10,721,881
2016	5,190,000	5,521,561	10,711,561
2017	5,470,000	5,234,736	10,704,736
2018	5,765,000	4,924,533	10,689,533
2019	6,080,000	4,589,659	10,669,659
2020	7,630,000	4,178,338	11,808,338
2021	5,405,000	3,890,266	9,295,266
2022	5,700,000	3,575,914	9,275,914
2023	6,035,000	3,233,189	9,268,189
2024	6,385,000	2,870,391	9,255,391
2025	6,755,000	2,486,490	9,241,490
2026	7,155,000	2,132,609	9,287,609
2027	7,465,000	1,812,797	9,277,797
2028	7,275,000	1,467,625	8,742,625
2029	8,155,000	1,081,875	9,236,875
2030	8,565,000	663,875	9,228,875
2031	8,995,000	224,875	9,219,875
	<u>8,995,000</u>	<u>224,875</u>	<u>9,219,875</u>
Total component units indebtedness	<u>\$140,705,000</u>	<u>\$100,442,821</u>	<u>\$241,147,821</u>

CITY OF CHATTANOOGA, TENNESSEE  
ANALYSIS OF GENERAL OBLIGATION DEBT  
June 30, 2007

	Outstanding July 1, 2006	Interest Paid FY 2006-2007	Issued FY 2006-2007	Retired FY 2006-2007	Outstanding June 30, 2007	Maturing FY 2007-2008	Interest Payable FY 2007-2008
<b>GOVERNMENTAL ACTIVITIES</b>							
Serial bonds:							
1998 Public Improvement Refunding	\$ 7,209,200	\$ 383,463	\$ -	\$ 208,800	\$ 7,000,400	\$ 220,000	\$ 372,743
2001 Municipal Public Improvement	17,816,200	890,880	-	15,561,200	2,255,000	1,100,000	112,750
2002 Municipal Improvement Refunding	8,748,900	376,485	-	1,868,900	6,880,000	640,000	317,481
2002 Series A Refunding	3,938,308	139,230	-	641,010	3,297,298	632,337	113,720
2002 Hotel-Motel Tax Pledge	49,705,000	2,202,488	-	720,000	48,985,000	795,000	2,179,763
2003 Series A General Obligation	10,570,000	380,676	-	790,000	9,780,000	830,000	360,926
2005 Series A Refunding-General	17,222,801	763,336	-	24,409	17,198,392	410	763,324
2005 Series A Refunding-Hotel/Motel	5,469,987	240,583	-	20,157	5,449,830	850	240,538
2006 Series A Municipal Public Improvement	-	310,258	20,732,796	-	20,732,796	1,036,640	825,425
2007 Series A Municipal Public Refunding	-	-	14,520,000	-	14,520,000	-	602,535
<b>Total serial bonds</b>	<u>120,680,396</u>	<u>5,687,399</u>	<u>35,252,796</u>	<u>19,834,476</u>	<u>136,098,716</u>	<u>5,255,237</u>	<u>5,889,205</u>
Notes payable:							
Hamilton County Parking Garage	60,781	1,975	-	60,781	-	-	-
1997 Tennessee Municipal Bond Fund	3,935,023	152,055	-	571,000	3,364,023	603,000	134,561
1999 Fire Hall Land Note	31,073	2,832	-	2,807	28,266	3,086	2,553
2003 Fannie Mae American Communities Fund	2,473,620	160,064	778,935	500,000	2,752,555	500,000	188,531
2003 Tennessee Municipal Bond Fund	1,683,698	100,947	2,468,207	350,000	3,801,905	327,760	147,133
2004 Tennessee Municipal Bond Fund	13,045,464	603,422	5,655,053	1,055,000	17,645,517	1,057,482	682,882
2005 Republic Parking Equipment Loan	126,923	1,451	-	126,923	-	-	-
<b>Total notes payable</b>	<u>21,356,582</u>	<u>1,022,746</u>	<u>8,902,195</u>	<u>2,666,511</u>	<u>27,592,266</u>	<u>2,491,328</u>	<u>1,155,660</u>
Capital leases payable:							
CDRC Capital Lease	115,925,472	7,517,990	-	2,186,735	113,738,737	2,326,799	7,376,176
800 MHz Equipment Capital Lease	2,350,237	33,680	-	575,079	1,775,158	583,320	25,439
<b>Total capital leases payable</b>	<u>118,275,709</u>	<u>7,551,670</u>	<u>-</u>	<u>2,761,814</u>	<u>115,513,895</u>	<u>2,910,119</u>	<u>7,401,615</u>
<b>Total governmental activities</b>	<u>260,312,687</u>	<u>14,261,815</u>	<u>44,154,991</u>	<u>25,262,801</u>	<u>279,204,877</u>	<u>10,656,684</u>	<u>14,446,480</u>

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CITY OF CHATTANOOGA, TENNESSEE  
ANALYSIS OF GENERAL OBLIGATION DEBT  
June 30, 2007

(continued from previous page)

	Outstanding July 1, 2006	Interest Paid FY 2006-2007	Issued FY 2006-2007	Retired FY 2006-2007	Outstanding June 30, 2007	Maturing FY 2007-2008	Interest Payable FY 2007-2008
<b>BUSINESS-TYPE ACTIVITIES</b>							
<b>Interceptor Sewer System:</b>							
Serial bonds -							
1998 Municipal Public Improvement	\$ 1,375,000	\$ 34,398	\$ -	\$ 1,375,000	\$ -	\$ -	\$ -
1998 Municipal Public Improvement - Refunding	13,286,100	679,754	-	816,200	12,469,900	860,000	637,849
2002 Municipal Public Improvement - Refunding	19,329,151	878,399	-	855,190	18,473,961	885,191	845,653
2002 Series A Refunding	21,036,692	743,707	-	3,423,990	17,612,702	3,377,663	607,442
2003 Series B Sewer and Sewage Refunding	6,865,000	211,375	-	2,375,000	4,490,000	2,320,000	140,125
2005 Series A Refunding	<u>12,469,158</u>	<u>594,095</u>	<u>-</u>	<u>22</u>	<u>12,469,136</u>	<u>1,454,220</u>	<u>572,282</u>
Total serial bonds	<u>74,361,101</u>	<u>3,141,728</u>	<u>-</u>	<u>8,845,402</u>	<u>65,515,699</u>	<u>8,897,074</u>	<u>2,803,351</u>
Notes payable -							
1992 State Revolving Loan	1,150,184	42,991	-	153,719	996,465	159,948	36,762
Northwest Georgia Sewer Expansion Project	5,336,989	215,368	-	304,468	5,032,521	316,830	196,588
2003 State Revolving Loan	<u>35,815,503</u>	<u>1,104,559</u>	<u>3,141,076</u>	<u>1,529,913</u>	<u>37,426,666</u>	<u>1,614,684</u>	<u>1,093,368</u>
Total notes payable	<u>42,302,676</u>	<u>1,362,918</u>	<u>3,141,076</u>	<u>1,988,100</u>	<u>43,455,652</u>	<u>2,091,462</u>	<u>1,326,718</u>
Capital leases payable -							
2001 Capital Lease City of Collegedale	<u>214,562</u>	<u>12,634</u>	<u>-</u>	<u>21,019</u>	<u>193,543</u>	<u>22,245</u>	<u>11,408</u>
Total capital leases payable	<u>214,562</u>	<u>12,634</u>	<u>-</u>	<u>21,019</u>	<u>193,543</u>	<u>22,245</u>	<u>11,408</u>
Total Interceptor Sewer System	<u>116,878,339</u>	<u>4,517,280</u>	<u>3,141,076</u>	<u>10,854,521</u>	<u>109,164,894</u>	<u>11,010,781</u>	<u>4,141,477</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
ANALYSIS OF GENERAL OBLIGATION DEBT  
June 30, 2007

(continued from previous page)

	Outstanding July 1, 2006	Interest Paid FY 2006-2007	Issued FY 2006-2007	Retired FY 2006-2007	Outstanding June 30, 2007	Maturing FY 2007-2008	Interest Payable FY 2007-2008
BUSINESS-TYPE ACTIVITIES (continued)							
Solid Waste/Sanitation Fund:							
Serial bonds -							
1998 Municipal Public Improvement	\$ 760,000	\$ 18,941	\$ -	\$ 760,000	\$ -	\$ -	\$ -
1998 Municipal Public Improvement - Refunding	3,686,100	202,736	-	-	3,686,100	-	202,736
2001 Municipal Public Bond	3,032,600	151,598	-	2,652,600	380,000	185,000	19,000
2002 Municipal Public Improvement - Refunding	6,774,887	314,363	-	1,074,073	5,700,814	5,614	287,398
2005 Series A - Refunding	9,799,062	457,129	-	4,169	9,794,893	800,804	445,054
2006 Series A Municipal Public Improvement	-	84,807	5,667,204	-	5,667,204	283,360	225,626
2007 Series A Municipal Public Refunding	-	-	2,480,000	-	2,480,000	-	102,914
Total serial bonds	<u>24,052,649</u>	<u>1,229,574</u>	<u>8,147,204</u>	<u>4,490,842</u>	<u>27,709,011</u>	<u>1,274,778</u>	<u>1,282,728</u>
Notes payable -							
2003 Tennessee Municipal Bond Fund	-	-	430,000	-	430,000	33,240	16,641
2004 Tennessee Municipal Bond Fund	-	-	540,000	-	540,000	25,518	20,898
Total notes payable	<u>-</u>	<u>-</u>	<u>970,000</u>	<u>-</u>	<u>970,000</u>	<u>58,758</u>	<u>37,539</u>
Total Solid Waste/Sanitation Fund	<u>24,052,649</u>	<u>1,229,574</u>	<u>9,117,204</u>	<u>4,490,842</u>	<u>28,679,011</u>	<u>1,333,536</u>	<u>1,320,267</u>
Storm Water Fund:							
Serial bonds -							
1998 Municipal Public Improvement	565,000	14,162	-	565,000	-	-	-
1998 Municipal Public Improvement - Refunding	2,528,600	139,073	-	-	2,528,600	-	139,073
2001 Municipal Public Improvement	901,200	45,023	-	786,200	115,000	55,000	5,750
2002 Municipal Public Improvement - Refunding	4,997,062	233,278	-	736,836	4,260,226	4,195	214,773
2005 Series A - Refunding	6,003,992	-	-	1,243	6,002,749	598,716	274,169
2007 Series A Municipal Public Refunding	-	-	750,000	-	750,000	-	31,123
Total serial bonds	<u>14,995,854</u>	<u>431,536</u>	<u>750,000</u>	<u>2,089,279</u>	<u>13,656,575</u>	<u>657,911</u>	<u>664,888</u>
Notes payable -							
1992 State Revolving Loan	1,150,183	42,992	-	153,718	996,465	159,948	36,762
Total notes payable	<u>1,150,183</u>	<u>42,992</u>	<u>-</u>	<u>153,718</u>	<u>996,465</u>	<u>159,948</u>	<u>36,762</u>
Total Storm Water Fund	<u>16,146,037</u>	<u>474,528</u>	<u>750,000</u>	<u>2,242,997</u>	<u>14,653,040</u>	<u>817,859</u>	<u>701,650</u>
Total business-type activities	<u>157,077,025</u>	<u>6,221,382</u>	<u>13,008,280</u>	<u>17,588,360</u>	<u>152,496,945</u>	<u>13,162,176</u>	<u>6,163,394</u>
Total general obligation debt	<u>\$417,389,712</u>	<u>\$20,483,197</u>	<u>\$ 57,163,271</u>	<u>\$42,851,161</u>	<u>\$431,701,822</u>	<u>\$23,818,860</u>	<u>\$20,609,874</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, 2007

	Outstanding July 1, 2006	Interest Paid FY 2006-2007	Issued FY 2006-2007	Retired FY 2006-2007	Outstanding June 30, 2007	Maturing FY 2007-2008	Interest Payable FY 2007-2008
<b>PRIMARY GOVERNMENT</b>							
EPB:							
Revenue bonds -							
2000 Electric System Revenue Bonds	\$ 32,000,000	\$ 310,000	\$ -	\$24,000,000	\$ 8,000,000	\$ 1,600,000	\$ 335,000
2006A Electric System Refunding Revenue Bonds	-	868,000	40,000,000	-	40,000,000	-	1,726,000
2006B Electric System Revenue Bonds	-	481,000	23,430,000	-	23,430,000	-	958,000
Total primary government revenue bonds	<u>32,000,000</u>	<u>1,659,000</u>	<u>63,430,000</u>	<u>24,000,000</u>	<u>71,430,000</u>	<u>1,600,000</u>	<u>3,019,000</u>
Notes payable -							
February 2005 Equipment Note	608,000	24,000	-	156,000	452,000	163,000	17,000
May 2005 Equipment Note	445,000	18,000	-	109,000	336,000	114,000	13,000
June 2005 Equipment Note	380,000	16,000	-	93,000	287,000	97,000	11,000
October 2005 Equipment Note	430,000	18,000	-	105,000	325,000	110,000	13,000
December 2005 Equipment Note	753,000	33,000	-	183,000	570,000	192,000	24,000
Total notes payable	<u>2,616,000</u>	<u>109,000</u>	<u>-</u>	<u>646,000</u>	<u>1,970,000</u>	<u>676,000</u>	<u>78,000</u>
Total primary government	<u>\$ 34,616,000</u>	<u>\$ 1,768,000</u>	<u>\$ 63,430,000</u>	<u>\$24,646,000</u>	<u>\$ 73,400,000</u>	<u>\$ 2,276,000</u>	<u>\$ 3,097,000</u>
<b>COMPONENT UNITS</b>							
Metropolitan Airport Authority:							
Revenue bonds -							
2002 Airport Revenue Series A Refunding	\$ 12,625,000	\$ 669,125	\$ -	\$ -	\$ 12,625,000	\$ -	\$ 669,125
2002 Airport Revenue Series B	1,310,000	39,440	-	630,000	680,000	675,000	290
Total metropolitan airport revenue bonds	<u>13,935,000</u>	<u>708,565</u>	<u>-</u>	<u>630,000</u>	<u>13,305,000</u>	<u>675,000</u>	<u>669,415</u>
Chattanooga Downtown Redevelopment Corporation:							
Revenue bonds -							
2000 Chattanooga Lease Rental Revenue Bonds	129,200,000	7,134,725	-	57,910,000	71,290,000	2,700,000	3,900,281
2007 Chattanooga Lease Rental Revenue Refunding Bonds	-	-	56,110,000	-	56,110,000	-	2,580,382
Total Chattanooga Downtown Redevelopment bonds	<u>129,200,000</u>	<u>7,134,725</u>	<u>56,110,000</u>	<u>57,910,000</u>	<u>127,400,000</u>	<u>2,700,000</u>	<u>6,480,663</u>
Total component units revenue bonds	<u>\$143,135,000</u>	<u>\$ 7,843,290</u>	<u>\$ 56,110,000</u>	<u>\$58,540,000</u>	<u>\$140,705,000</u>	<u>\$ 3,375,000</u>	<u>\$ 7,150,078</u>

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2007

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2008	1998 Public Improvement Refunding	5.000	\$ 220,000	\$ 372,743	\$ 592,743
2009		5.500	1,413,900	328,361	1,742,261
2010		5.500	1,501,000	248,201	1,749,201
2011		5.500	1,593,800	163,094	1,756,894
2012		5.250	272,000	112,124	384,124
2013		5.250	288,300	97,416	385,716
2014		5.250	304,600	81,853	386,453
2015		5.250	321,900	65,407	387,307
2016		5.250	341,300	47,998	389,298
2017		5.250	361,600	29,547	391,147
2018		5.250	382,000	10,028	392,028
			<u>7,000,400</u>	<u>1,556,772</u>	<u>8,557,172</u>
2008	Note Payable - Tennessee Municipal Bond Fund 1997	4.000	603,000	134,561	737,561
2009		4.000	636,000	110,441	746,441
2010		4.000	671,000	85,001	756,001
2011		4.000	708,000	58,161	766,161
2012		4.000	746,023	29,841	775,864
			<u>3,364,023</u>	<u>418,005</u>	<u>3,782,028</u>
2008	1999 Fire Hall Land Note	9.500	3,086	2,553	5,639
2009		9.500	3,392	2,247	5,639
2010		9.500	3,729	1,910	5,639
2011		9.500	4,099	1,540	5,639
2012		9.500	4,506	1,133	5,639
2013		9.500	4,953	686	5,639
2014		9.500	4,501	198	4,699
			<u>28,266</u>	<u>10,267</u>	<u>38,533</u>
2008	2001 Municipal Public Improvement Bonds	5.000	1,100,000	112,750	1,212,750
2009		5.000	1,155,000	57,750	1,212,750
			<u>2,255,000</u>	<u>170,500</u>	<u>2,425,500</u>
2008	2002 Public Improvement Refunding	4.000	640,000	317,481	957,481
2009		4.000	665,000	291,381	956,381
2010		5.000	695,000	260,706	955,706
2011		5.375	720,000	223,847	943,847
2012		5.375	770,000	183,669	953,669
2013		5.375	805,000	141,341	946,341
2014		5.000	840,000	98,581	938,581
2015		4.375	855,000	58,753	913,753
2016		4.500	890,000	20,025	910,025
			<u>6,880,000</u>	<u>1,595,784</u>	<u>8,475,784</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2007

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2008	2002A Public Improvement Refunding	3.000	\$ 632,337	\$ 113,720	\$ 746,057
2009		3.250	625,241	94,075	719,316
2010		4.000	603,953	71,836	675,789
2011		3.600	385,552	52,817	438,369
2012		5.000	371,360	36,593	407,953
2013		4.000	364,264	20,023	384,287
2014		4.000	160,055	9,537	169,592
2015		4.100	154,536	3,168	157,704
			<u>3,297,298</u>	<u>401,769</u>	<u>3,699,067</u>
2008	2002 Hotel Motel Tax Pledge	3.000	795,000	2,179,763	2,974,763
2009		3.000	870,000	2,154,788	3,024,788
2010		3.000	950,000	2,127,488	3,077,488
2011		3.125	1,030,000	2,097,144	3,127,144
2012		3.250	1,120,000	2,062,850	3,182,850
2013		5.000	-	2,044,650	2,044,650
2014		3.500	1,330,000	2,021,375	3,351,375
2015		4.000	1,440,000	1,969,300	3,409,300
2016		4.000	1,555,000	1,909,400	3,464,400
2017		4.000	1,680,000	1,844,700	3,524,700
2018		4.000	1,805,000	1,775,000	3,580,000
2019		5.000	-	1,738,900	1,738,900
2020		5.000	-	1,738,900	1,738,900
2021		5.000	2,280,000	1,681,900	3,961,900
2022		5.000	2,465,000	1,563,275	4,028,275
2023		5.000	2,655,000	1,435,275	4,090,275
2024		4.500	2,850,000	1,304,775	4,154,775
2025		4.500	3,045,000	1,172,138	4,217,138
2026		4.500	3,255,000	1,030,388	4,285,388
2027		4.500	3,470,000	879,075	4,349,075
2028		4.500	3,700,000	717,750	4,417,750
2029		5.000	3,950,000	535,750	4,485,750
2030		5.000	4,225,000	331,375	4,556,375
2031		5.000	4,515,000	112,875	4,627,875
			<u>48,985,000</u>	<u>36,428,834</u>	<u>85,413,834</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2007

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2008	2003 Series A General Obligation	3.000	\$ 830,000	\$ 360,926	\$ 1,190,926
2009		3.000	840,000	336,026	1,176,026
2010		3.250	800,000	310,826	1,110,826
2011		3.500	830,000	284,826	1,114,826
2012		3.625	855,000	255,776	1,110,776
2013		3.750	885,000	224,783	1,109,783
2014		3.875	900,000	191,595	1,091,595
2015		4.000	900,000	156,720	1,056,720
2016		4.000	900,000	120,720	1,020,720
2017		4.100	960,000	84,720	1,044,720
2018	4.200	1,080,000	45,360	1,125,360	
			<u>9,780,000</u>	<u>2,372,278</u>	<u>12,152,278</u>
2008	2003 Note Payable - Tennessee Municipal Bond Fund	3.870	327,760	147,134	474,894
2009		3.870	338,655	134,449	473,104
2010		3.870	348,642	121,343	469,985
2011		3.870	360,445	107,851	468,296
2012		3.870	371,341	93,902	465,243
2013		3.870	383,144	79,531	462,675
2014		3.870	395,854	64,703	460,557
2015		3.870	408,565	49,383	457,948
2016		3.870	421,276	33,572	454,848
2017		3.870	434,895	17,269	452,164
2018	3.870	11,328	438	11,766	
			<u>3,801,905</u>	<u>849,575</u>	<u>4,651,480</u>
2008	CDRC Capital Lease	6.380	2,326,799	7,376,176	9,702,975
2009		6.380	2,474,321	7,225,279	9,699,600
2010		6.380	2,629,536	7,064,814	9,694,350
2011		6.380	2,789,754	6,894,284	9,684,038
2012		6.380	2,986,987	6,713,363	9,700,350
2013		6.380	3,164,158	6,519,651	9,683,809
2014		6.380	3,360,019	6,314,449	9,674,468
2015		6.380	3,570,878	6,096,546	9,667,424
2016		6.380	3,797,017	5,864,967	9,661,984
2017		6.380	4,039,430	5,618,723	9,658,153
2018		6.380	4,287,566	5,356,759	9,644,325
2019		6.380	4,555,404	5,078,702	9,634,106
2020		6.380	4,851,644	4,783,275	9,634,919
2021		6.380	5,157,894	4,468,637	9,626,531
2022		6.380	5,473,007	4,134,137	9,607,144
2023		6.380	5,820,423	3,779,202	9,599,625
2024		6.380	6,185,542	3,401,736	9,587,278
2025		6.380	6,573,483	3,000,592	9,574,075
2026		6.380	6,993,786	2,574,289	9,568,075
2027		6.380	7,437,627	2,120,729	9,558,356
2028	6.380	7,906,391	1,638,384	9,544,775	
2029	6.380	8,410,579	1,125,639	9,536,218	
2030	6.380	8,946,492	580,197	9,526,689	
			<u>113,738,737</u>	<u>107,730,530</u>	<u>221,469,267</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2007

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**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2008	2003 Fannie Mae American Communities Fund	6.849	\$ 500,000	\$ 188,531	\$ 688,531
2009		6.849	500,000	154,284	654,284
2010		6.849	500,000	120,038	620,038
2011		6.849	500,000	85,791	585,791
2012		6.849	500,000	51,545	551,545
2013		6.849	252,555	17,298	269,853
			<u>2,752,555</u>	<u>617,487</u>	<u>3,370,042</u>
2008	800 MHZ Equipment Capital Lease	1.433	583,320	25,439	608,759
2009		1.433	591,679	17,080	608,759
2010		1.433	600,159	8,601	608,760
			<u>1,775,158</u>	<u>51,120</u>	<u>1,826,278</u>
2008	2004 Note Payable - Tennessee Municipal Bond Fund	3.870	1,057,482	682,882	1,740,364
2009		3.870	1,085,799	641,957	1,727,756
2010		3.870	1,114,115	599,936	1,714,051
2011		3.870	1,144,385	556,820	1,701,205
2012		3.870	1,174,655	512,532	1,687,187
2013		3.870	1,205,901	467,073	1,672,974
2014		3.870	1,238,123	420,405	1,658,528
2015		3.870	1,271,322	372,489	1,643,811
2016		3.870	1,305,497	323,289	1,628,786
2017		3.870	1,340,649	272,767	1,613,416
2018		3.870	1,375,801	220,883	1,596,684
2019		3.870	1,412,905	167,640	1,580,545
2020		3.870	1,450,986	112,961	1,563,947
2021	3.870	1,467,897	56,807	1,524,704	
2022	3.870	-	-	-	-
			<u>17,645,517</u>	<u>5,408,441</u>	<u>23,053,958</u>
2008	2005 A Hotel - Motel Tax Refunding	3.000	850	240,538	241,388
2009		3.000	-	240,525	240,525
2010		3.500	21,010	240,157	261,167
2011		3.500	24,475	239,361	263,836
2012		4.000	25,000	238,433	263,433
2013		4.000	1,245,000	213,033	1,458,033
2014		3.750	400	188,126	188,526
2015		5.000	393	188,108	188,501
2016		5.000	14,336	187,740	202,076
2017		5.000	16,000	186,982	202,982
2018		5.000	16,500	186,169	202,669
2019		5.000	1,967,390	136,572	2,103,962
2020	4.125	2,118,476	43,694	2,162,170	
			<u>5,449,830</u>	<u>2,529,438</u>	<u>7,979,268</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2007

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2008	2005 A Public Improvement Refunding	3.000	\$ 410	\$ 763,324	\$ 763,734
2009		3.000	-	762,958	762,958
2010		3.500	1,195,886	742,030	1,937,916
2011		3.500	1,245,032	699,314	1,944,346
2012		4.000	1,290,902	651,708	1,942,610
2013		4.000	1,328,320	599,323	1,927,643
2014		3.750	1,396,851	546,566	1,943,417
2015		5.000	1,586,822	480,705	2,067,527
2016		5.000	1,673,199	399,204	2,072,403
2017		5.000	1,759,427	313,388	2,072,815
2018		5.000	1,859,275	222,921	2,082,196
2019	5.000	1,956,612	127,524	2,084,136	
2020	4.125	1,905,656	39,304	1,944,960	
			<u>17,198,392</u>	<u>6,348,269</u>	<u>23,546,661</u>
2008	2006 A Public Improvement	4.000	1,036,640	825,425	1,862,065
2009		4.000	1,036,640	783,959	1,820,599
2010		4.000	1,036,640	742,493	1,779,133
2011		4.000	1,036,640	701,028	1,737,668
2012		4.000	1,036,640	659,562	1,696,202
2013		4.000	1,036,640	618,096	1,654,736
2014		4.000	1,036,640	576,631	1,613,271
2015		5.000	1,036,640	535,165	1,571,805
2016		4.000	1,036,640	488,516	1,525,156
2017		4.000	1,036,640	441,868	1,478,508
2018		4.000	1,036,640	400,402	1,437,042
2019		4.125	1,036,640	358,937	1,395,577
2020		4.250	1,036,640	316,823	1,353,463
2021		4.250	1,036,640	273,414	1,310,054
2022		4.000	1,036,640	229,357	1,265,997
2023		4.000	1,036,640	186,595	1,223,235
2024		4.000	1,036,640	145,130	1,181,770
2025		4.000	1,036,640	103,663	1,140,303
2026	4.000	1,036,640	62,198	1,098,838	
2027	4.000	1,036,636	20,733	1,057,369	
			<u>20,732,796</u>	<u>8,469,995</u>	<u>29,202,791</u>
2008	2007 A Public Improvement Refunding	5.000	-	602,535	602,535
2009		5.000	-	690,805	690,805
2010		5.000	-	690,805	690,805
2011		5.000	-	690,805	690,805
2012		5.000	-	690,805	690,805
2013		5.000	-	690,805	690,805
2014		5.000	-	690,805	690,805
2015		5.000	-	690,805	690,805
2016		5.000	-	690,805	690,805
2017		5.000	-	690,805	690,805
2018		5.000	-	690,805	690,805
2019		5.000	-	690,805	690,805
2020		5.000	-	690,805	690,805
2021		5.000	2,120,000	690,805	2,810,805
2022	4.300	2,235,000	584,805	2,819,805	
2023	5.000	2,345,000	488,700	2,833,700	
2024	4.750	2,470,000	371,450	2,841,450	
2025	4.750	2,605,000	254,125	2,859,125	
2026	4.750	2,745,000	130,388	2,875,388	
			<u>14,520,000</u>	<u>11,412,468</u>	<u>25,932,468</u>
	Total direct indebtedness		<u>279,204,877</u>	<u>186,371,532</u>	<u>465,576,409</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2007

(continued from previous page)

**INTERCEPTOR SEWER SYSTEM**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2008	1998 Public Improvement Refunding	5.000	\$ 860,000	\$ 637,849	\$ 1,497,849
2009		5.500	857,800	592,759	1,450,559
2010		5.500	910,500	544,131	1,454,631
2011		5.500	963,300	492,602	1,455,902
2012		5.250	1,063,000	438,207	1,501,207
2013		5.250	1,126,700	380,727	1,507,427
2014		5.250	1,190,400	319,904	1,510,304
2015		5.250	1,258,100	255,630	1,513,730
2016		5.250	1,333,700	187,596	1,521,296
2017		5.250	1,413,400	115,484	1,528,884
2018	5.250	1,493,000	39,191	1,532,191	
			<u>12,469,900</u>	<u>4,004,080</u>	<u>16,473,980</u>
2008	Georgia Environmental Facilities Authority	4.000	316,830	196,588	513,418
2009		4.000	329,695	183,723	513,418
2010		4.000	343,082	170,336	513,418
2011		4.000	357,012	156,406	513,418
2012		4.000	371,508	141,910	513,418
2013		4.000	386,593	126,825	513,418
2014		4.000	402,290	111,128	513,418
2015		4.000	418,625	94,793	513,418
2016		4.000	435,623	77,795	513,418
2017		4.000	453,311	60,107	513,418
2018		4.000	471,717	41,701	513,418
2019		4.000	490,871	22,547	513,418
2020	4.000	255,364	3,849	259,213	
			<u>5,032,521</u>	<u>1,387,708</u>	<u>6,420,229</u>
2008	General Obligation Sewer Refunding Bonds, Series 2002 Serial Bonds	4.000	885,191	845,653	1,730,844
2009		4.000	2,431,007	779,329	3,210,336
2010		4.000	2,532,248	672,128	3,204,376
2011		4.250	2,653,776	547,767	3,201,543
2012		4.250	2,787,948	412,855	3,200,803
2013		4.250	2,932,214	270,995	3,203,209
2014		4.250	3,076,577	125,571	3,202,148
2015		4.500	1,175,000	26,438	1,201,438
			<u>18,473,961</u>	<u>3,680,736</u>	<u>22,154,697</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2007

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**INTERCEPTOR SEWER SYSTEM**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2008	Municipal Public Improvement Refunding, Series 2002A Serial Bonds	3.000	\$ 3,377,663	\$ 607,442	\$ 3,985,105
2009		3.250	3,339,759	502,506	3,842,265
2010		4.000	3,226,047	383,714	3,609,761
2011		3.600	2,059,448	282,123	2,341,571
2012		5.000	1,983,640	195,462	2,179,102
2013		4.000	1,945,736	106,957	2,052,693
2014		4.000	854,945	50,943	905,888
2015		4.100	825,464	16,922	842,386
			<u>17,612,702</u>	<u>2,146,069</u>	<u>19,758,771</u>
2008	2003 Series B Sewer Refunding	3.000	2,320,000	140,125	2,460,125
2009		3.250	2,170,000	70,525	2,240,525
			<u>4,490,000</u>	<u>210,650</u>	<u>4,700,650</u>
2008	2001 Capital Lease City of Collegedale	6.190	22,245	11,408	33,653
2009		6.240	23,575	10,078	33,653
2010		6.300	25,018	8,635	33,653
2011		6.360	26,585	7,068	33,653
2012		6.410	28,286	5,366	33,652
2013		6.470	30,133	3,520	33,653
2014		6.520	32,138	1,515	33,653
2015		6.680	5,563	46	5,609
			<u>193,543</u>	<u>47,636</u>	<u>241,179</u>
2008	1992 State Revolving Sewer Loan	3.980	159,948	36,762	196,710
2009		3.980	166,434	30,282	196,716
2010		3.980	173,178	23,532	196,710
2011		3.980	180,198	16,512	196,710
2012		3.980	187,500	9,211	196,711
2013		3.980	129,207	1,936	131,143
			<u>996,465</u>	<u>118,235</u>	<u>1,114,700</u>
2008	2003 State Revolving Loan	2.980	1,614,684	1,093,368	2,708,052
2009		2.980	1,663,464	1,044,588	2,708,052
2010		2.980	1,713,708	994,344	2,708,052
2011		2.980	1,765,476	942,576	2,708,052
2012		2.980	1,818,816	889,236	2,708,052
2013		2.980	1,873,764	834,288	2,708,052
2014		2.980	1,930,368	777,684	2,708,052
2015		2.980	1,988,688	719,364	2,708,052
2016		2.980	2,048,772	659,280	2,708,052
2017		2.980	2,110,668	597,384	2,708,052
2018		2.980	2,174,424	533,628	2,708,052
2019		2.980	2,240,112	467,940	2,708,052
2020		2.980	2,307,792	400,260	2,708,052
2021		2.980	2,377,512	330,540	2,708,052
2022		2.980	2,449,332	258,720	2,708,052
2023		2.980	2,523,336	184,717	2,708,053
2024	2.980	2,599,560	108,493	2,708,053	
2025	2.980	2,226,190	30,520	2,256,710	
			<u>37,426,666</u>	<u>10,866,930</u>	<u>48,293,596</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2007

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**INTERCEPTOR SEWER SYSTEM**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2008	2005 Series A Refunding	3.000	\$ 1,454,220	\$ 572,282	\$ 2,026,502
2009		3.500	-	550,468	550,468
2010		3.500	4,581	550,388	554,969
2011		4.000	268	550,303	550,571
2012		4.000	2,038	550,258	552,296
2013		3.750	9,335	550,031	559,366
2014		5.000	7,263	549,708	556,971
2015		5.000	1,993,724	499,729	2,493,453
2016		5.000	2,085,759	397,742	2,483,501
2017		5.000	2,191,790	290,803	2,482,593
2018		5.000	2,302,679	178,441	2,481,120
2019	4.125	2,417,479	60,437	2,477,916	
			<u>12,469,136</u>	<u>5,300,590</u>	<u>17,769,726</u>
	Total Interceptor Sewer System indebtedness		<u>109,164,894</u>	<u>27,762,634</u>	<u>136,927,528</u>
<b><u>SOLID WASTE/SANITATION FUND</u></b>					
2008	1998 Public Improvement Refunding	5.000	-	202,736	202,736
2009		5.500	1,155,600	170,957	1,326,557
2010		5.500	1,226,900	105,438	1,332,338
2011		5.500	1,303,600	35,849	1,339,449
			<u>3,686,100</u>	<u>514,980</u>	<u>4,201,080</u>
2008	2001 General Obligation Bonds	5.000	185,000	19,000	204,000
2009		5.000	195,000	9,750	204,750
			<u>380,000</u>	<u>28,750</u>	<u>408,750</u>
2008	2002 Municipal Public Improvement Refunding	4.000	5,614	287,398	293,012
2009		5.000	837,860	270,529	1,108,389
2010		5.375	874,349	231,913	1,106,262
2011		5.375	919,260	185,349	1,104,609
2012		5.375	968,381	134,619	1,103,000
2013		5.000	1,020,308	81,173	1,101,481
2014		4.375	1,075,043	26,876	1,101,919
			<u>5,700,814</u>	<u>1,217,857</u>	<u>6,918,671</u>
2008	2005 A Municipal Public Improvement Refunding Issue	3.000	800,804	445,054	1,245,858
2009		3.000	-	433,042	433,042
2010		3.500	206,193	429,434	635,627
2011		3.500	212,187	422,112	634,299
2012		4.000	220,974	413,979	634,953
2013		4.000	231,365	404,933	636,298
2014		3.750	241,895	395,770	637,665
2015		5.000	1,368,050	357,033	1,725,083
2016		5.000	1,433,438	286,996	1,720,434
2017		5.000	1,506,507	213,497	1,720,004
2018		5.000	1,584,570	136,220	1,720,790
2019		5.000	1,664,360	54,997	1,719,357
2020	4.125	324,550	6,694	331,244	
			<u>9,794,893</u>	<u>3,999,761</u>	<u>13,794,654</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2007

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**SOLID WASTE/SANITATION FUND**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2008	2006 A Public Improvement	4.000	\$ 283,360	\$ 225,626	\$ 508,986
2009		4.000	283,360	214,291	497,651
2010		4.000	283,360	202,957	486,317
2011		4.000	283,360	191,622	474,982
2012		4.000	283,360	180,288	463,648
2013		4.000	283,360	168,954	452,314
2014		4.000	283,360	157,619	440,979
2015		5.000	283,360	146,285	429,645
2016		4.000	283,360	133,533	416,893
2017		4.000	283,360	120,782	404,142
2018		4.000	283,360	109,448	392,808
2019		4.125	283,360	98,113	381,473
2020		4.250	283,360	86,602	369,962
2021		4.250	283,360	74,736	358,096
2022		4.000	283,360	62,693	346,053
2023		4.000	283,360	51,005	334,365
2024		4.000	283,360	39,670	323,030
2025		4.000	283,360	28,336	311,696
2026		4.000	283,360	17,002	300,362
2027		4.000	283,364	5,667	289,031
			<u>5,667,204</u>	<u>2,315,229</u>	<u>7,982,433</u>
2008	2007 A Public Improvement	5.000	-	102,914	102,914
2009		5.000	-	117,990	117,990
2010		5.000	-	117,990	117,990
2011		5.000	-	117,990	117,990
2012		5.000	-	117,990	117,990
2013		5.000	-	117,990	117,990
2014		5.000	-	117,990	117,990
2015		5.000	-	117,990	117,990
2016		5.000	-	117,990	117,990
2017		5.000	-	117,990	117,990
2018		5.000	-	117,990	117,990
2019		5.000	-	117,990	117,990
2020		5.000	-	117,990	117,990
2021	5.000	360,000	117,990	477,990	
2022	4.300	380,000	99,990	479,990	
2023	5.000	400,000	83,650	483,650	
2024	4.750	425,000	63,650	488,650	
2025	4.750	445,000	43,462	488,462	
2026	4.750	470,000	22,325	492,325	
			<u>2,480,000</u>	<u>1,949,861</u>	<u>4,429,861</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2007

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**SOLID WASTE/SANITATION FUND**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2008	2003 Note Payable - Tennessee Municipal Bond Fund	3.870	\$ 33,240	\$ 16,641	\$ 49,881
2009		3.870	34,345	15,355	49,700
2010		3.870	35,358	14,025	49,383
2011		3.870	36,555	12,657	49,212
2012		3.870	37,659	11,242	48,901
2013		3.870	38,856	9,785	48,641
2014		3.870	40,146	8,281	48,427
2015		3.870	41,435	6,728	48,163
2016		3.870	42,724	5,124	47,848
2017		3.870	44,105	3,471	47,576
2018		3.870	45,577	1,764	47,341
			<u>430,000</u>	<u>105,073</u>	<u>535,073</u>
2008	2004 Note Payable - Tennessee Municipal Bond Fund	3.870	25,518	20,898	46,416
2009		3.870	26,201	19,911	46,112
2010		3.870	26,885	18,896	45,781
2011		3.870	27,615	17,856	45,471
2012		3.870	28,345	16,787	45,132
2013		3.870	29,099	15,690	44,789
2014		3.870	29,877	14,564	44,441
2015		3.870	30,678	13,408	44,086
2016		3.870	31,503	12,221	43,724
2017		3.870	32,351	11,002	43,353
2018		3.870	33,199	9,750	42,949
2019		3.870	34,095	8,465	42,560
2020		3.870	35,014	7,145	42,159
2021		3.870	35,933	5,790	41,723
2022		3.870	36,899	4,400	41,299
2023		3.870	37,888	2,972	40,860
2024	3.870	38,900	1,505	40,405	
			<u>540,000</u>	<u>201,260</u>	<u>741,260</u>
	Total Solid Waste/Sanitation Fund indebtedness		<u>28,679,011</u>	<u>10,332,771</u>	<u>39,011,782</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2007

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**STORM WATER FUND**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2008	1992 State Revolving Sewer Loan	3.980	\$ 159,948	\$ 36,762	\$ 196,710
2009		3.980	166,434	30,282	196,716
2010		3.980	173,178	23,532	196,710
2011		3.980	180,198	16,512	196,710
2012		3.980	187,500	9,210	196,710
2013		3.980	129,207	1,936	131,143
			<u>996,465</u>	<u>118,234</u>	<u>1,114,699</u>
2008	2001 General Obligation Bonds	5.000	55,000	5,750	60,750
2009		5.000	60,000	3,000	63,000
			<u>115,000</u>	<u>8,750</u>	<u>123,750</u>
2008	1998 Public Improvement Refunding	5.000	-	139,073	139,073
2009		5.500	792,700	117,274	909,974
2010		5.500	841,600	72,331	913,931
2011		5.500	894,300	24,593	918,893
				<u>2,528,600</u>	<u>353,271</u>
2008	2002 Public Improvement Refinancing	4.000	4,195	214,773	218,968
2009		5.000	626,134	202,167	828,301
2010		5.375	653,402	173,309	826,711
2011		5.375	686,964	138,512	825,476
2012		5.375	723,672	100,601	824,273
2013		5.000	762,478	60,661	823,139
2014		4.375	803,381	20,085	823,466
			<u>4,260,226</u>	<u>910,108</u>	<u>5,170,334</u>
2008	2005 A Municipal Public Improvement Refunding Issue	3.000	598,716	274,169	872,885
2009		3.000	-	265,188	265,188
2010		3.500	62,330	264,097	326,427
2011		3.500	63,038	261,903	324,941
2012		4.000	66,086	259,478	325,564
2013		4.000	70,981	256,737	327,718
2014		3.750	73,591	253,938	327,529
2015		5.000	901,010	230,033	1,131,043
2016		5.000	943,267	183,926	1,127,193
2017		5.000	991,277	135,563	1,126,840
2018		5.000	1,041,976	84,731	1,126,707
2019		5.000	1,094,159	31,328	1,125,487
2020	4.125	96,318	1,987	98,305	
			<u>6,002,749</u>	<u>2,503,078</u>	<u>8,505,827</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2007

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**STORM WATER FUND**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2008	2007 A Public Improvement	5.000	\$ -	\$ 31,123	\$ 31,123
2009		5.000	-	35,682	35,682
2010		5.000	-	35,682	35,682
2011		5.000	-	35,682	35,682
2012		5.000	-	35,682	35,682
2013		5.000	-	35,682	35,682
2014		5.000	-	35,682	35,682
2015		5.000	-	35,682	35,682
2016		5.000	-	35,682	35,682
2017		5.000	-	35,682	35,682
2018		5.000	-	35,682	35,682
2019		5.000	-	35,682	35,682
2020		5.000	-	35,682	35,682
2021		5.000	110,000	35,682	145,682
2022		4.300	115,000	30,183	145,183
2023		5.000	120,000	25,238	145,238
2024		4.750	130,000	19,238	149,238
2025		4.750	135,000	13,063	148,063
2026		4.750	140,000	6,650	146,650
				<u>750,000</u>	<u>589,361</u>
	Total Storm Water Fund indebtedness		<u>14,653,040</u>	<u>4,482,802</u>	<u>19,135,842</u>

**EPB**

2008	2000 Electric System Revenue Bonds	4.500	1,600,000	335,000	1,935,000
2009		4.500	1,600,000	264,000	1,864,000
2010		4.600	1,600,000	191,000	1,791,000
2011		4.625	1,600,000	117,000	1,717,000
2012		5.000	1,600,000	40,000	1,640,000
			<u>8,000,000</u>	<u>947,000</u>	<u>8,947,000</u>
2008	2006 A Electric System Revenue Bonds	4.000	-	1,726,000	1,726,000
2009		4.000	-	1,726,000	1,726,000
2010		4.000	1,070,000	1,704,000	2,774,000
2011		4.000	1,110,000	1,661,000	2,771,000
2012		4.000	1,150,000	1,616,000	2,766,000
2013		4.000	1,195,000	1,569,000	2,764,000
2014		5.000	1,245,000	1,514,000	2,759,000
2015		4.125	1,295,000	1,456,000	2,751,000
2016		4.125	1,345,000	1,401,000	2,746,000
2017		4.125	1,400,000	1,345,000	2,745,000
2018		4.125	1,460,000	1,286,000	2,746,000
2019		4.125	1,520,000	1,224,000	2,744,000
2020		4.250	1,585,000	1,159,000	2,744,000
2021		4.250	1,655,000	1,090,000	2,745,000
2022		4.375	1,730,000	1,017,000	2,747,000
2023		4.500	1,805,000	939,000	2,744,000
2024		4.250	1,885,000	858,000	2,743,000
2025		4.375	1,970,000	775,000	2,745,000
2026		4.375	2,060,000	687,000	2,747,000
2027		4.375	2,155,000	595,000	2,750,000
2028	4.375	2,250,000	498,000	2,748,000	
2029	4.375	2,355,000	398,000	2,753,000	
2030	4.375	2,470,000	292,000	2,762,000	
2031	4.500	2,585,000	180,000	2,765,000	
2032	4.500	2,705,000	61,000	2,766,000	
			<u>40,000,000</u>	<u>26,777,000</u>	<u>66,777,000</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2007

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Fiscal Year Ended June 30	Issue	EPB			Total Interest and Principal
		Interest Rate	Principal	Interest Due	
2008	2006 B Electric System Refunding Revenue Bonds	4.000	\$ -	\$ 958,000	\$ 958,000
2009		4.000	-	958,000	958,000
2010		4.000	-	958,000	958,000
2011		4.000	-	958,000	958,000
2012		4.000	-	958,000	958,000
2013		4.000	1,770,000	922,000	2,692,000
2014		4.000	1,755,000	852,000	2,607,000
2015		4.000	1,745,000	782,000	2,527,000
2016		4.125	1,730,000	711,000	2,441,000
2017		4.125	1,715,000	640,000	2,355,000
2018		4.125	1,705,000	569,000	2,274,000
2019		4.000	1,690,000	501,000	2,191,000
2020		4.000	1,670,000	433,000	2,103,000
2021		4.000	1,655,000	367,000	2,022,000
2022		4.125	1,635,000	300,000	1,935,000
2023		4.125	1,620,000	233,000	1,853,000
2024		4.125	1,600,000	166,000	1,766,000
2025	4.250	1,580,000	100,000	1,680,000	
2026	4.250	1,560,000	33,000	1,593,000	
			<u>23,430,000</u>	<u>11,399,000</u>	<u>34,829,000</u>
2008	Equipment Note February 2005	4.400	163,000	17,000	180,000
2009		4.400	170,000	9,000	179,000
2010		4.400	119,000	20,000	139,000
			<u>452,000</u>	<u>46,000</u>	<u>498,000</u>
2008	Equipment Note May 2005	4.610	114,000	13,000	127,000
2009		4.610	119,000	8,000	127,000
2010		4.610	103,000	2,000	105,000
			<u>336,000</u>	<u>23,000</u>	<u>359,000</u>
2008	Equipment Note June 2005	4.670	97,000	11,000	108,000
2009		4.670	102,000	7,000	109,000
2010		4.670	88,000	2,000	90,000
			<u>287,000</u>	<u>20,000</u>	<u>307,000</u>
2008	Equipment Note October 2005	4.610	110,000	13,000	123,000
2009		4.610	115,000	8,000	123,000
2010		4.610	100,000	2,000	102,000
			<u>325,000</u>	<u>23,000</u>	<u>348,000</u>
2008	Equipment Note December 2005	4.950	192,000	24,000	216,000
2009		4.950	202,000	14,000	216,000
2010		4.950	176,000	4,000	180,000
			<u>570,000</u>	<u>42,000</u>	<u>612,000</u>
	Total EPB indebtedness		<u>73,400,000</u>	<u>39,277,000</u>	<u>112,677,000</u>
	Total Primary Government Indebtedness		<u>\$ 505,101,822</u>	<u>\$ 268,226,739</u>	<u>\$ 773,328,561</u>

(continued on following page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES, AND CAPITAL LEASES PAYABLE - BY FISCAL YEAR  
June 30, 2007

(continued from previous page)

<b>METROPOLITAN AIRPORT AUTHORITY</b>					
Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2008	2002 Series B Refunding Revenue Bonds	2.780	\$ 675,000	\$ 290	\$ 675,290
2009		2.760	5,000	-	5,000
			<u>680,000</u>	<u>290</u>	<u>680,290</u>
2008	2002 Series A Refunding Revenue Bonds	2.781	-	669,125	669,125
2009		2.760	115,000	663,030	778,030
2010		2.760	850,000	617,980	1,467,980
2011		2.760	825,000	574,255	1,399,255
2012		2.760	865,000	528,410	1,393,410
2013		2.760	910,000	480,180	1,390,180
2014		2.760	960,000	429,300	1,389,300
2015		2.760	1,010,000	375,770	1,385,770
2016		2.760	1,060,000	319,590	1,379,590
2017		2.760	1,115,000	260,495	1,375,495
2018		2.760	1,175,000	198,220	1,373,220
2019		2.760	1,235,000	132,765	1,367,765
2020		2.760	2,505,000	-	2,505,000
			<u>12,625,000</u>	<u>5,249,120</u>	<u>17,874,120</u>
<b>CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION</b>					
2008	2000 Lease Revenue Bonds	5.000	2,700,000	3,900,281	6,600,281
2009		5.000	2,835,000	3,761,906	6,596,906
2010		5.000	2,975,000	3,616,656	6,591,656
2011		5.500	3,125,000	3,456,344	6,581,344
2012		5.000	-	3,370,406	3,370,406
2013		5.125	-	3,370,406	3,370,406
2014		5.250	3,640,000	3,274,856	6,914,856
2015		5.300	3,830,000	3,077,811	6,907,811
2016		5.400	4,035,000	2,867,371	6,902,371
2017		5.400	4,255,000	2,643,541	6,898,541
2018		5.750	4,485,000	2,399,713	6,884,713
2019		5.750	4,740,000	2,134,494	6,874,494
2020		5.500	5,015,000	1,860,306	6,875,306
2021		5.500	5,290,000	1,576,919	6,866,919
2022		5.875	5,580,000	1,267,531	6,847,531
2023		5.875	5,910,000	930,013	6,840,013
2024		5.875	6,255,000	572,666	6,827,666
2025	5.875	6,620,000	194,463	6,814,463	
			<u>71,290,000</u>	<u>44,275,683</u>	<u>115,565,683</u>
2008	2007 Lease Revenue Refunding Bonds	4.000	-	2,580,382	2,580,382
2009		4.000	75,000	2,698,900	2,773,900
2010		4.000	75,000	2,695,900	2,770,900
2011		5.000	80,000	2,692,800	2,772,800
2012		5.000	3,395,000	2,606,325	6,001,325
2013		4.000	3,555,000	2,432,575	5,987,575
2014		4.000	90,000	2,341,900	2,431,900
2015		4.000	90,000	2,338,300	2,428,300
2016		4.000	95,000	2,334,600	2,429,600
2017		4.000	100,000	2,330,700	2,430,700
2018		4.000	105,000	2,326,600	2,431,600
2019		4.125	105,000	2,322,400	2,427,400
2020		4.200	110,000	2,318,031	2,428,031
2021		4.250	115,000	2,313,347	2,428,347
2022		4.250	120,000	2,308,383	2,428,383
2023	4.300	125,000	2,303,176	2,428,176	
2024	4.300	130,000	2,297,725	2,427,725	
2025	4.375	135,000	2,292,028	2,427,028	
2026	4.375	7,155,000	2,132,609	9,287,609	
2027	5.000	7,465,000	1,812,797	9,277,797	
2028	5.000	7,275,000	1,467,625	8,742,625	
2029	5.000	8,155,000	1,081,875	9,236,875	
2030	5.000	8,565,000	663,875	9,228,875	
2031	5.000	8,995,000	224,875	9,219,875	
			<u>56,110,000</u>	<u>50,917,728</u>	<u>107,027,728</u>
	Total component unit indebtedness		<u>\$ 140,705,000</u>	<u>\$ 100,442,821</u>	<u>\$ 241,147,821</u>

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CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year		
	2007	2006	2005
Governmental activities:			
Invested in capital assets, net of related debt	\$ 1,267,302,733	\$ 1,269,926,195	\$1,277,883,814
Restricted	16,780,377	6,312,540	7,713,513
Unrestricted	<u>86,896,179</u>	<u>93,438,219</u>	<u>73,336,654</u>
Total governmental activities net assets	<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	\$ 478,366,634	\$ 491,351,965	\$ 457,612,822
Restricted	18,789,364	17,944,835	18,300,530
Unrestricted (1)	<u>12,305,490</u>	<u>(12,141,852)</u>	<u>9,241,302</u>
Total business-type activities net assets	<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	\$ 1,745,669,367	\$ 1,761,278,160	\$ 1,735,496,636
Restricted	35,569,741	24,257,375	26,014,043
Unrestricted	<u>99,201,669</u>	<u>81,296,367</u>	<u>82,577,956</u>
Total primary government net assets	<u>\$ 1,880,440,777</u>	<u>\$ 1,866,831,902</u>	<u>\$ 1,844,088,635</u>

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year		
	2007	2006	2005
<b>Expenses</b>			
Governmental activities:			
General government	\$ 61,461,251	\$ 60,152,675	\$ 59,850,789
Public safety	68,559,200	64,367,574	63,805,046
Public works	55,075,495	55,077,404	54,323,539
Parks and recreation	15,263,490	13,785,184	13,562,609
Social services	22,080,281	19,199,188	21,530,148
Interest on long-term debt	6,835,471	6,493,154	6,004,530
Total governmental activities expenses	<u>229,275,188</u>	<u>219,075,179</u>	<u>219,076,661</u>
Business-type activities:			
Electric utility	441,556,000	417,792,000	371,630,000
Sewer	35,307,852	35,395,214	33,606,869
Solid waste	4,956,281	4,678,270	4,260,270
Storm water	4,937,896	4,475,706	4,709,090
Housing management	1,410,217	1,552,119	1,698,166
Total business-type activities expenses	<u>488,168,246</u>	<u>463,893,309</u>	<u>415,904,395</u>
Total primary government expenses	<u>717,443,434</u>	<u>682,968,488</u>	<u>634,981,056</u>
<b>Program Revenues</b>			
Governmental activities:			
Charges for services -			
General government	11,913,650	9,279,550	8,523,871
Public safety	298,434	1,121,281	864,536
Public works	1,901,136	2,392,789	2,390,699
Parks and recreation	3,366,016	2,910,484	2,768,211
Social services	117,114	1,163,593	2,997,590
Operating grants and contributions	31,846,034	29,397,005	27,384,160
Capital grants and contributions	15,453,667	14,440,793	17,744,674
Total governmental activities program revenues	<u>64,896,051</u>	<u>60,705,495</u>	<u>62,673,741</u>
Business-type activities:			
Charges for services -			
Electric utility	441,881,000	422,143,000	373,490,000
Sewer	39,217,346	36,509,866	35,976,537
Solid waste	5,563,236	5,475,554	5,881,486
Storm water	5,549,732	5,730,458	5,491,938
Housing management	1,168,471	1,204,120	1,367,348
Operating grants and contributions	175,675	76,532	83,652
Capital grants and contributions	1,853,750	3,379,000	1,893,247
Total business-type activities program revenues	<u>495,409,210</u>	<u>474,518,530</u>	<u>424,184,208</u>
Total primary government program revenues	<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 THREE FISCAL YEARS  
(accrual basis of accounting)

	Fiscal Year		
	2007	2006	2005
(continued from previous page)			
<b>Net (expense)/revenue:</b>			
Governmental activities	\$ (164,379,137)	\$ (158,369,684)	\$ (156,402,920)
Business-type activities	<u>7,240,964</u>	<u>10,625,221</u>	<u>8,279,813</u>
Total primary government net expense	<u>(157,138,173)</u>	<u>(147,744,463)</u>	<u>(148,123,107)</u>
<b>General Revenues and Other Changes in Net Assets</b>			
Governmental activities:			
Taxes:			
Property taxes	89,934,837	87,484,889	89,490,700
Liquor and beer taxes	6,589,468	6,393,852	6,245,169
Gross receipts tax	3,773,166	3,510,891	3,695,782
Franchise tax	1,764,684	1,755,878	1,664,863
Hotel-motel tax	3,747,137	3,640,518	2,583,318
Other taxes	2,542,465	2,471,256	198,958
Unrestricted investment earnings	5,192,979	3,441,171	1,545,737
Grants not allocated to specific programs	52,074,331	49,165,675	48,501,241
Gain on sale of capital assets	-	-	81,638
Change in equity interest	6,362	8,789,979	-
Endowment contributions	11,044	500	-
Transfers	<u>44,999</u>	<u>2,458,048</u>	<u>(563,637)</u>
Total governmental activities	<u>165,681,472</u>	<u>169,112,657</u>	<u>153,443,769</u>
Business-type activities:			
Unrestricted investment earnings	5,001,647	3,015,706	1,942,076
Miscellaneous	108,928	817,415	184,682
Transfers	<u>(44,999)</u>	<u>(2,458,048)</u>	<u>563,637</u>
Total business-type activities	<u>5,065,576</u>	<u>1,375,073</u>	<u>2,690,395</u>
Total primary government	<u>170,747,048</u>	<u>170,487,730</u>	<u>156,134,164</u>
<b>Change in Net Assets</b>			
Governmental activities	1,302,335	10,742,973	(2,959,151)
Business-type activities	<u>12,306,540</u>	<u>12,000,294</u>	<u>10,970,208</u>
Total primary government	<u>\$ 13,608,875</u>	<u>\$ 22,743,267</u>	<u>\$ 8,011,057</u>

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

CITY OF CHATTANOOGA, TENNESSEE

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

Fiscal Year	Property Tax	Liquor & Beer Tax		Other City-Levied Taxes				Total
		Liquor	Beer	Gross Receipts	Franchise Tax	Hotel-Motel Tax	Other Taxes	
2005	\$ 89,490,700	\$ 1,606,265	\$ 4,638,904	\$ 3,695,782	\$ 1,664,863	\$ 2,583,318	\$ 3,156,626	\$ 106,836,458
2006	87,484,889 (1)	1,658,004	4,735,848	3,510,891	1,755,878	3,640,518	2,471,256 (2)	105,257,284
2007	89,934,837 (1)	1,748,944	4,840,524	3,773,166	1,764,684	3,747,137	2,542,465 (2)	108,351,757

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

- (1) EPB pays in-lieu of property taxes to the City. In fiscal year 2006, this began to be reported as a transfer.
- (2) Change in unearned revenue of \$1,084,849 was included in other taxes in 2005. A similar amount of \$1,476,590 was allocated as program revenue in 2006 and 2007.



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

	Fiscal Year		
	2007	2006	2005
General fund:			
Reserved	\$ 3,593,931	\$ 4,347,114	\$ 3,473,740
Unreserved -			
Designated	6,509,160	6,557,035	5,000,477
Undesignated	<u>45,027,258</u>	<u>45,138,561</u>	<u>38,975,983</u>
Total general fund	<u>55,130,349</u>	<u>56,042,710</u>	<u>47,450,200</u>
All other governmental funds:			
Reserved	25,499,173	16,086,804	19,730,102
Unreserved, reported in -			
Special revenue funds	10,029,363	10,103,900	10,079,521
Debt service fund	7,548,761	5,842,577	6,471,929
Permanent funds	<u>47,070</u>	<u>45,786</u>	<u>73,056</u>
Total all other governmental funds	<u>43,124,367</u>	<u>32,079,067</u>	<u>36,354,608</u>
Total governmental funds	<u>\$ 98,254,716</u>	<u>\$ 88,121,777</u>	<u>\$ 83,804,808</u>

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

CITY OF CHATTANOOGA, TENNESSEE

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

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

Source: City Treasurer

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

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

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

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

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Fiscal Year Ended June 30	City of Chattanooga Tax Rate	Hamilton County			Total Tax Rate	Total Direct & Overlapping Rates(1)
		General Fund Tax Rate	School Fund Tax Rate	Road Fund Tax Rate		
2005	2.2020	1.3159	1.5655	0.0126	2.8940	5.0960
2006	2.2020	1.3159	1.5655	0.0126	2.8940	5.0960
2007	2.2020	1.5655	1.5759	0.0126	3.1540	5.3560

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

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

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

CITY OF CHATTANOOGA, TENNESSEE

PRINCIPAL PROPERTY TAXPAYERS  
June 30, 2007

Taxpayer	2007			1998		
	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)	\$ 150,414,247	1	3.79%	\$ 93,308,437	1	3.69%
Tennessee Valley Authority (Chattanooga Computer Center)	99,775,985	2	2.51%	45,878,160	4	1.81%
CBL & Associates	59,085,132	3	1.49%	41,061,071	5	1.62%
BellSouth	51,316,534	4	1.29%	51,842,024	3	2.05%
Tennessee-American Water Co.	43,364,206	5	1.09%	31,140,188	6	1.23%
Unum/Provident Ins. Co.	37,919,787	6	0.96%	26,328,391	7	1.04%
BlueCross BlueShield	33,725,882	7	0.85%	21,545,932	9	0.85%
AGL Resources-Chattanooga Gas	30,187,224	8	0.76%	23,408,247	8	0.93%
Kenco Group, Inc.	27,259,253	9	0.69%	-	-	0.00%
INVISTA (Dupont)	26,778,183	10	0.67%	67,737,309	2	2.68%
JDK Corporation	-	-	0.00%	16,265,274	10	0.64%
Totals	<u>\$ 559,826,433</u>		<u>14.10%</u>	<u>\$ 418,515,033</u>		<u>16.54%</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 THREE FISCAL YEARS

Fiscal Year Ended June 30	Original Tax Levy(1)	Cumulative Adjustments to Tax Levy(2)	Adjusted Tax Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 83,512,333	\$ 29,918	\$ 83,542,251	\$ 79,901,518	95.6%	\$ 2,906,308	\$ 82,807,826	98.4%
2006	85,007,191	(250,265)	84,756,926	81,194,003	95.8%	2,510,282	83,704,285	95.7%
2007	87,378,841	21,164	87,400,005	83,848,154	95.9%	-	83,848,154	95.9%

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

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

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

CITY OF CHATTANOOGA, TENNESSEE  
GENERAL FUND INTERGOVERNMENTAL REVENUE  
LAST THREE 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

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

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

Calendar Year (1)	Commercial Construction (2)		Residential Construction (2)		Property Value (3)		
	Number of Permits	Value	Number of Permits	Value	Commercial	Residential	Public Utilities
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

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.



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

Fiscal Year	Governmental Activities			Business-Type Activities (1)			Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
	General Obligation Bonds	Notes Payable	Capital Leases	General Obligation Bonds	Notes Payable	Capital Leases			
2005	\$ 125,317,464	\$ 13,594,190	\$ 118,842,663	\$ 125,387,536	\$ 45,438,276	\$ 234,453	\$ 428,814,582	9.26%	\$ 2,769
2006	120,680,396	21,356,582	118,275,709	113,409,604	43,452,859	214,562	417,389,712	8.67%	2,697
2007	136,098,716	27,592,266	115,513,895	106,881,287	45,422,117	193,543	431,701,824	7.89%	2,565

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 \$71.4 million in revenue bonds and \$1.97 million in equipment notes outstanding as of June 30, 2007. 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 THREE FISCAL YEARS

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

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

- (1) The Electric Power Board has \$1.97 million in equipment notes outstanding as of June 30, 2007. However the Electric Power Board submits separate disclosures to the Securities & Exchange Commission Therefore its notes are excluded from this schedule
- (2) See the schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data
- (3) See the schedule of Demographic and Economic Statistics for population data

CITY OF CHATTANOOGA, TENNESSEE

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
As of June 30, 2007

<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	\$ 106,115,034	61.1845%	\$ 64,925,953
Other debt:			
Hamilton County Notes Payable	39,989,628	61.1845%	<u>24,467,513</u>
Subtotal, overlapping debt (1)			89,393,466
City of Chattanooga net direct debt			<u>97,632,033</u>
Total direct and overlapping debt			<u><u>\$ 187,025,499</u></u>

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

Notes:

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

CITY OF CHATTANOOGA, TENNESSEE

LEGAL DEBT MARGIN INFORMATION  
LAST THREE FISCAL YEARS

	Fiscal Year		
	2007	2006	2005
Debt limit(1)	\$ 396,815,737	\$ 386,045,296	\$ 331,924,917
Total net debt applicable to limit(2)	<u>97,632,033</u>	<u>77,122,240</u>	<u>75,729,909</u>
Legal debt margin	<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	24.60%	19.98%	22.82%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 3,968,157,371	\$ 3,860,452,959	\$ 33,319,249,168
Debt limit (10% of total assessed value)	396,815,737	386,045,296	331,924,917
Debt applicable to limit:			
General obligation bonds	106,503,597	84,261,448	82,201,838
Less: amount set aside for repayment of general obligation debt	<u>(8,871,564)</u>	<u>(7,139,208)</u>	<u>(6,471,929)</u>
Total net debt applicable to limit	<u>97,632,033</u>	<u>77,122,240</u>	<u>75,729,909</u>
Legal debt margin	<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, 2007

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007(4)
Estimated population (1)	148,800	147,500	145,700	155,554	155,992	155,582	155,289	154,853	154,762	168,293
Appraised property valuation	\$7,710,994,825	\$7,944,005,472	\$7,984,908,874	\$8,281,644,305	\$9,789,654,070	\$9,944,568,067	\$10,057,472,717	\$10,323,946,674	\$11,955,447,979	\$12,310,849,619
Assessed property valuation	2,529,989,692	2,604,110,025	2,617,535,875	2,729,189,057	3,201,730,577	3,260,023,356	3,237,183,936	3,319,249,168	3,860,452,959	3,968,157,371
Gross indebtedness (2)	245,731,165	237,505,962	223,521,569	258,442,849	244,704,834	427,890,091	434,308,264	428,814,582	417,389,712	431,701,818
Less: Self-supporting indebtedness (3)	194,393,764	190,087,672	179,866,956	178,059,226	169,036,886	344,499,352	353,562,826	346,612,744	333,128,264	325,198,221
Debt Service Fund	7,126,274	2,566,687	2,671,606	4,163,307	5,497,083	4,988,142	5,222,704	6,471,929	7,139,208	8,871,564
Net direct indebtedness	44,211,127	44,851,603	40,983,007	76,220,316	70,170,865	78,402,597	75,522,734	75,729,909	77,122,240	97,632,033
Plus: Estimated net overlapping indebtedness	99,208,181	98,505,368	88,150,782	103,117,962	109,591,857	96,147,876	107,821,749	97,486,316	87,645,429	89,393,466
Net direct and overlapping indebtedness	\$ 143,419,308	\$ 143,356,971	\$ 129,133,789	\$ 179,338,278	\$ 179,762,722	\$ 174,550,473	\$ 183,344,483	\$ 173,216,225	\$ 164,767,669	\$ 187,025,499
Gross debt per capita	\$1,651.42	\$1,610.21	\$1,534.12	\$1,661.43	\$1,568.70	\$2,750.25	\$2,796.77	\$2,769.17	\$2,696.98	\$2,565.18
Net direct debt per capita	297.12	304.08	281.28	489.99	449.84	503.93	486.34	489.04	498.33	580.13
Net direct and overlapping debt per capita	963.84	971.91	886.30	1,152.90	1,152.38	1,121.92	1,180.67	1,118.58	1,064.65	1,111.31
Gross debt to appraised valuation	3.19%	2.99%	2.80%	3.12%	2.50%	4.30%	4.32%	4.15%	3.49%	3.51%
Net direct debt to appraised valuation	.57%	.56%	.51%	.92%	.72%	.79%	.75%	.73%	.65%	.79%
Net direct debt and overlapping debt to appraised valuation	1.86%	1.80%	1.62%	2.17%	1.84%	1.76%	1.82%	1.68%	1.38%	1.52%
Gross debt to assessed valuation	9.71%	9.12%	8.54%	9.47%	7.64%	13.13%	13.42%	12.92%	10.81%	10.88%
Net direct debt to assessed valuation	1.75%	1.72%	1.57%	2.79%	2.19%	2.40%	2.33%	2.28%	2.00%	2.46%
Net direct and overlapping debt to assessed valuation	5.67%	5.51%	4.93%	6.57%	5.61%	5.35%	5.66%	5.22%	4.27%	4.71%

(1) Population figures for all years are estimates

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

(3) The self-supporting debt includes Sewer Bonds and Municipal Public Improvement Bonds supported by Hotel-Motel taxes, CDRC capital lease, Fannie Mae American Communities fund 800 MHz Equipment Capital Lease

(4) U.S. Census Bureau population estimate for 2006, updated after a successful challenge to the original estimate. See [http://www.chattanooga.gov/mayors\\_office/mayorsoffice\\_mayorscensuschallenge.htm](http://www.chattanooga.gov/mayors_office/mayorsoffice_mayorscensuschallenge.htm)

CITY OF CHATTANOOGA, TENNESSEE

REVENUE BOND COVERAGE  
LAST THREE 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

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

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

(2) Operating expenses are less depreciation expense.

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

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

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<u>Calendar Year</u>	<u>Population(1)</u>	<u>Per Capita Income(4)</u>	<u>Median Age(2)</u>	<u>Education Level In Years of Formal Schooling(2)</u>	<u>School Enrollment(2)</u>	<u>Unemployment Rate(3)</u>
2005	154,853	\$ 29,912	38.1	23.5% 4yr. Degree	40,660	4.8%
2006	154,762	31,113	39.1	21.6% 4yr. Degree	40,095	5.3%
2007(5)	155,190	32,499	38.8	17.4% 4yr. Degree	39,020	4.7%

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

- (1) U.S. Census Bureau
- (2) Chamber of Commerce
- (3) Tennessee Department of Employment Security
- (4) U.S. Department of Commerce Bureau of Economic Analysis
- (5) U.S. Census Bureau population estimate for 2006, updated after a successful challenge to the original estimate.  
 See [http://www.chattanooga.gov/mayors\\_office/mayorsoffice\\_mayorscensuschallenge.htm](http://www.chattanooga.gov/mayors_office/mayorsoffice_mayorscensuschallenge.htm).

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

Employer	2007			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Hamilton County Department of Education (1)	5,070	1	3.38%	2,323	8	1.55%
BlueCross BlueShield of Tennessee	3,808	2	2.54%	3,067	3	2.04%
Erlanger Medical Center	3,217	4	2.15%	3,466	2	2.31%
McKee Foods Corp.	3,200	3	2.14%	2,755	4	1.83%
UnumProvident Corp.	2,930	5	1.96%	1,933	11	1.29%
Memorial Hospital	2,615	6	1.75%	2,361	7	1.57%
City of Chattanooga	2,615	7	1.75%	2,519	5	1.68%
CIGNA HealthCare	2,154	8	1.44%			0.00%
Synthetic Industries	1,931	9	1.29%	1,700	14	1.13%
Pilgrim's Pride Corp.	1,610	10	1.07%			0.00%
Tennessee Valley Authority			0.00%	4,995	1	3.33%
University of Tennessee at Chattanooga			0.00%	2,381	6	1.59%
Bi-Lo, Inc.			0.00%	2,175	9	1.45%
Chattanooga Public School (1)			0.00%	2,171	10	1.45%
<b>Total</b>	<b>29,150</b>		<b>19.45%</b>	<b>31,846</b>		<b>21.20%</b>

Source: Chattanooga Chamber of Commerce 2006 and 1998 Bond issue Official Statement.

Note:

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



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

Function	Full-Time Equivalent Positions as of June 30		
	2007	2006	2005
General Government	275	266	276
Public Safety			
Police:			
Sworn	471	472	472
Civilian	212	206	196
Fire:			
Sworn	400	400	400
Civilian	17	18	18
Public Works	333	339	338
Parks, Recreation, Arts & Culture	226	217	238
Education, Arts and Culture	26	24	-
Social Services	294	339	340
Interceptor Sewer System	124	115	115
Solid Waste/Sanitation	13	14	14
Storm Water	50	49	49
EPB	<u>394</u>	<u>402</u>	<u>407</u>
Totals	<u>2,835</u>	<u>2,861</u>	<u>2,863</u>

Source: City budget office.

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

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

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

Function	Fiscal Year		
	2007	2006	2005
General Government:			
City Fleet	1,709	1,670	1,663
Properties Returned to Tax Rolls	0	22	23
Police:			
Stations	3	3	3
Patrol Units	450	450	450
Fire:			
Stations	17	17	17
Ladder Trucks/Fire Engines/Combos	24	24	23
Public Works:			
Miles of Paved Streets	1,154	1,150	1,200
Signalized Intersections	314	312	303
Garbage Trucks	21	21	21
Knuckleboom Trucks	21	21	21
Interceptor Sewer System:			
Miles of Sewer	1,200	1,200	1,200
Pump Stations	67	55	55
Parks, Recreation, Arts & Culture:			
Parks	50	50	50
Recreation Centers	16	16	15

Source: City Budget Office

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

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2007

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-06-028668-02	\$ (17,982)	\$ 17,982	\$ -	\$ -	\$ -
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-07-037085-00	-	40,435	114,547	-	(74,112)
Total Emergency Food Assistance Program (Administrative Costs)			(17,982)	58,417	114,547	-	(74,112)
Emergency Food Assistance Program (Food Commodities - Noncash)	10.569	N/A	-	202,414	202,414	-	-
Passed through Tennessee Department of Human Services:							
Child and Adult Care Food Program	10.558	03-47-55915-00-8	(44,990)	334,378	328,981	-	(39,593)
Child and Adult Care Food Program	10.558	03-47-56136-00-6	(16,127)	89,813	91,265	-	(17,579)
Child and Adult Care Food Program	10.558	03-47-60076-00-9	(801)	8,577	8,628	-	(852)
Total Child and Adult Care Food Program			(61,918)	432,768	428,874	-	(58,024)
Total U.S. Department of Agriculture			(79,900)	693,599	745,835	-	(132,136)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grants/Entitlement Grants	14.218	B-05-MC-47-0001	(464,945)	2,161,244	1,696,516	-	(217)
Community Development Block Grants/Entitlement Grants	14.218	B-06-MC-47-0001	-	553,579	1,431,367	-	(877,788)
Community Development Block Grants/Entitlement Grants	14.218	Program Income	-	1,125,185	1,125,185	-	-
Total Community Development Block Grants/Entitlement Grants			(464,945)	3,840,008	4,253,068	-	(878,005)
Emergency Shelter Grants Program	14.231	S-04-MC-47-003	(48,194)	48,194	-	-	-
Emergency Shelter Grants Program	14.231	S-05-MC-47-003	(58,313)	78,706	20,393	-	-
Emergency Shelter Grants Program	14.231	S-06-MC-47-003	-	24,978	74,105	-	(49,127)
Total Emergency Shelter Grants Program			(106,507)	151,878	94,498	-	(49,127)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2007

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Shelter Plus Care	14.238	TN37C400010	\$ (37,773)	\$ 43,748	\$ 5,975	\$ -	\$ -
Shelter Plus Care	14.238	TN37C400010	-	67,646	144,754	-	(77,108)
Total Shelter Plus Care			(37,773)	111,394	150,729	-	(77,108)
Home Investment Partnerships Program	14.239	M-03-MC-47-0200	(263,317)	263,317	-	-	-
Home Investment Partnerships Program	14.239	M-04-MC-47-0200	-	1,244,452	1,244,452	-	-
Home Investment Partnerships Program	14.239	M-05-MC-47-0200	-	253,442	253,442	-	-
Home Investment Partnerships Program	14.239	M-06-MC-47-0200	-	-	336,378	-	(336,378)
Home Investment Partnerships Program	14.239	Program Income	263,210	435,783	435,783	(263,210)	-
Total Home Investment Partnerships Program			(107)	2,196,994	2,270,055	(263,210)	(336,378)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-01-SP-TN-0590	(22,390)	75,234	52,844	-	-
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-02-SP-TN-0685	(86,191)	117,911	31,720	-	-
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-03-SP-TN-0735	(1,128)	1,128	-	-	-
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-03-SP-TN-0748	(16,993)	79,316	62,323	-	-
Total Community Development Block Grants/ Brownfields Economic Development Initiative			(126,702)	273,589	146,887	-	-
Total U.S. Department of Housing and Urban Development			(736,034)	6,573,863	6,915,237	(263,210)	(1,340,618)
U.S. DEPARTMENT OF THE INTERIOR							
Passed through State of Tennessee Historical Commission:							
Historic Preservation Fund Grants-In-Aid	15.904	GG-06-12046-00	(1,954)	10,000	8,046	-	-
Total Missionary Ridge Development Guidelines			(1,954)	10,000	8,046	-	-
Total U.S. Department of Interior			(1,954)	10,000	8,046	-	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2007

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
U.S. DEPARTMENT OF JUSTICE							
Passed through Tennessee Department of Finance and Administration:							
Edward Byrne Memorial Formula Grant Program	16.579	Z-99-088379-00	\$ (8,102)	\$ 41,530	\$ 40,000	\$ -	\$ (6,572)
Edward Byrne Memorial Formula Grant Program	16.579	Z-99-088380-00	(570)	570	-	-	-
Edward Byrne Memorial Formula Grant Program	16.579	Z-99-088436-00	(432)	4,035	15,000	-	(11,397)
Edward Byrne Memorial Formula Grant Program	16.579	Z-99-088471-00	(11,677)	43,184	40,690	-	(9,183)
Total Edward Byrne Memorial Formula Grant Program			(20,781)	89,319	95,690	-	(27,152)
Local Law Enforcement Block Grant Program	16.592	2004-LB-BX-1212	13,299	-	19,611	6,312	-
Edward Byrne Memorial Formula Grant Program	16.579	2006-DJ-BX-0943	-	186,506	-	-	186,506
Public Safety Partnership and Community Policing Grants	16.710	2002CKWX0005	(118,910)	244,932	196,790	-	(70,768)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0280	209,691	-	209,691	-	-
Total U.S. Department of Justice			83,299	520,757	521,782	6,312	88,586
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	STP-M-9202 (86)	(72,866)	-	-	-	(72,866)
Highway Planning and Construction	20.205	Z-06-030928-00	(54,965)	104,114	59,963	-	(10,814)
Highway Planning and Construction	20.205	Z-07-036291-00	-	146,603	224,948	-	(78,345)
Highway Planning and Construction	20.205	STP-M-9202 (55)	-	-	110,187	-	(110,187)
Passed through Georgia Department of Transportation							
Highway Planning and Construction	20.205	PL-000-0007-00(207)	(30,880)	59,101	31,350	-	(3,129)
Highway Planning and Construction	20.205	PL-000-0007-00(980)	-	38,898	55,090	-	(16,192)
Total Highway Planning and Construction			(158,711)	348,716	481,538	-	(291,533)

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CITY OF CHATTANOOGA, TENNESSEE  
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Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Passed through Tennessee Department of Transportation:							
Federal Transit: Metropolitan Planning Grants	20.505	GG-06-12418-00	\$ -	\$ 6,426	\$ 7,140	\$ -	\$ (714)
Federal Transit: Metropolitan Planning Grants	20.505	GG-07-20565-00	-	25,307	43,690	-	(18,383)
Federal Transit: Metropolitan Planning Grants	20.505	GG-06-12294-01	(16,882)	21,671	4,891	-	(102)
Total Federal Transit: Metropolitan Planning Grants			(16,882)	53,404	55,721	-	(19,199)
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	Z-07-035738-00	-	5,000	5,000	-	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	Z-06-027325-00	(6,101)	11,527	5,426	-	-
Total State and Community Highway Safety			(6,101)	16,527	10,426	-	-
Total U.S. Department of Transportation			(181,694)	418,647	547,685	-	(310,732)
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed through Tennessee Libraries and Archives:							
Grants to States	45.310	GG-07-12045-00	-	93,500	93,500	-	-
Grants to States	45.310	GG-07-12776-00	-	617	617	-	-
Grants to States	45.310	Z-06-033510-00	-	11,740	11,740	-	-
Grants to States	45.310	Z-06-034108-00	-	25,000	21,506	-	3,494
Grants to States	45.310	Z-06-031297-00	-	-	5,900	5,900	-
Grants to States	45.310	Z-07-20133-00	-	7,808	-	-	7,808
Grants to States	45.310	Z-07-20433-00	-	12,828	-	-	12,828
Grants to States	45.310	Z-07-20434-00	-	29,664	-	-	29,664
Grants to States	45.310		5,864	-	5,864	-	-
Total Institute of Museum and Library Services			5,864	181,157	139,127	5,900	53,794

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CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
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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							
Air Pollution Control Program Support	66.001	A00408406-1	\$ (303,043)	\$ 303,043	\$ -	\$ -	\$ -
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96146106	-	16,203	19,939	-	(3,736)
Surveys, Studies, Investigations and Special Purpose Grants	66.034	PM97475803-1	-	130,401	130,401	-	-
Passed through Tennessee Department of Environment and Conservation:							
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-2003-168	-	3,141,076	3,141,076	-	-
Total U.S. Environmental Protection Agency			<u>(303,043)</u>	<u>3,590,723</u>	<u>3,291,416</u>	<u>-</u>	<u>(3,736)</u>
U.S. DEPARTMENT OF ENERGY							
Passed through Tennessee Department of Human Services:							
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-04	(42,879)	42,879	-	-	-
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-05	-	264,810	327,204	-	(62,394)
Total Weatherization Assistance for Low-Income Persons			<u>(42,879)</u>	<u>307,689</u>	<u>327,204</u>	<u>-</u>	<u>(62,394)</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Head Start	93.600	04CH0047/29	(357,928)	358,034	106	-	-
Head Start	93.600	04CH0047/30	-	6,327,872	7,474,680	-	(1,146,808)
Total Head Start			<u>(357,928)</u>	<u>6,685,906</u>	<u>7,474,786</u>	<u>-</u>	<u>(1,146,808)</u>
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance	93.568	Z-05-021693-04	(7,787)	7,787	-	-	-
Low-Income Home Energy Assistance	93.568	Z-05-021693-05	-	1,797,142	2,063,006	-	(265,864)
Total Low-Income Home Energy Assistance			<u>(7,787)</u>	<u>1,804,929</u>	<u>2,063,006</u>	<u>-</u>	<u>(265,864)</u>
Social Services Block Grant	93.667	Z-06-031570	(3,400)	3,400	-	-	-
Community Services Block Grant	93.569	Z-05-020686-02	(59,896)	59,896	-	-	-
Community Services Block Grant	93.569	Z-05-020686-03	-	555,304	644,267	-	(88,963)
Total Community Services Block Grant			<u>(59,896)</u>	<u>615,200</u>	<u>644,267</u>	<u>-</u>	<u>(88,963)</u>
Total U.S. Department of Health and Human Services			<u>(429,011)</u>	<u>9,109,435</u>	<u>10,182,059</u>	<u>-</u>	<u>(1,501,635)</u>

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CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2007

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE							
Foster Grandparent Program	94.011	04-SFSTN003	\$ -	\$ 402,737	\$ 426,640	\$ -	\$ (23,903)
Foster Grandparent Program	94.011	05-SFSTN003	(27,752)	27,752	-	-	-
Total Corporation for National and Community Services			(27,752)	430,489	426,640	-	(23,903)
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Emergency Food and Shelter National Board Program	97.024	24-7682-00-001	12,364	-	12,364	-	-
Emergency Food and Shelter National Board Program	97.024	25-7682-00-001	-	19,750	34,375	-	(14,625)
Total Federal Emergency Management Agency			12,364	19,750	46,739	-	(14,625)
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed Through Tennessee Emergency Management Agency:							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z-03-017837-00	(129,566)	-	-	-	(129,566)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	GG-07-12692-00	-	36,767	36,767	-	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z-05-024713-00	(5,696)	-	-	-	(5,696)
Total Public Assistance Grants			(135,262)	36,767	36,767	-	(135,262)
Hazard Mitigation Grant	97.039	GG-05-11612-00	(23,038)	-	-	23,038	-
State Domestic Preparedness Equipment Support Program	97.004	GG-07-20667-00	-	-	100,857	-	(100,857)
Assistance to Firefighters Grant	97.044	EMW-2005-FG-07649	(439,846)	457,685	17,839	-	-
Assistance to Firefighters Grant	97.044	EMW-2006-FG-10982	-	38,071	55,753	-	(17,682)
Buffer Zone Protection Program (BZPP)	97.078	Z-05-031027-00	-	247,400	247,400	-	-
Metropolitan Medical Response System	97.071	EMW-2004-GR-0678	(91,252)	369,540	278,288	-	-
Total U.S. Department of Homeland Security			(689,398)	1,149,463	736,904	23,038	(253,801)
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			(2,390,138)	23,005,572	23,888,674	(227,960)	(3,501,200)

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CITY OF CHATTANOOGA, TENNESSEE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 Year Ended June 30, 2007

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
<b>Component Units</b>							
<u>Awards Audited by Other Auditors</u>							
<b>Chattanooga Area Regional Transportation Authority (CARTA)</b>							
U.S. DEPARTMENT OF TRANSPORTATION							
Federal Transit Cluster:							
Federal Transit - Capital Investment Grants	20.500	TN-03-0070	\$ -	\$ 3,343	\$ 3,343	\$ -	\$ -
Passed through Tennessee Department of Transportation:							
Federal Transit - Capital Investment Grants	20.500	TN-03-0051	-	176,632	176,632	-	-
Federal Transit - Capital Investment Grants	20.500	TN-05-0027	-	89,298	89,298	-	-
Federal Transit - Capital Investment Grants	20.500	TN-03-0076	(1,102)	43,234	42,132	-	-
Federal Transit - Capital Investment Grants	20.500	TN-03-0078	-	80,307	80,307	-	-
Total Federal Transit - Capital Investment Grants			(1,102)	392,814	391,712	-	-
Federal Transit - Formula Grants	20.507	TN-90-X215	(15,054)	15,054	-	-	-
Federal Transit - Formula Grants	20.507	TN-90-X261	-	128,000	572,653	-	(444,653)
Federal Transit - Formula Grants	20.507	TN-26-0020	(19,490)	326,374	306,884	-	-
Federal Transit - Formula Grants	20.507	TN-90-X231	(62,512)	509,563	447,051	-	-
Federal Transit - Formula Grants	20.507	TN-90-X247	(193,230)	2,872,853	2,679,623	-	-
Total Federal Transit - Formula Grants			(290,286)	3,851,844	4,006,211	-	(444,653)
Total Federal Transit Cluster			(291,388)	4,244,658	4,397,923	-	(444,653)
Job Access - Reverse Commute	20.516	TN-37-X042	(13,017)	13,017	4,285	-	(4,285)
Job Access - Reverse Commute	20.516	TN-37-X027	(66,666)	409,261	367,198	-	(24,603)
Total Job Access - Reverse Commute			(79,683)	422,278	371,483	-	(28,888)
Total Expenditures of Federal Awards - CARTA			(371,071)	4,666,936	4,769,406	-	(473,541)

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CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2007

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
<b>Chattanooga Metropolitan Airport Authority (CMAA)</b>							
U.S. DEPARTMENT OF TRANSPORTATION							
Airport Improvement Program	20.106	3-47-0009-29	\$ -	\$ 14,206	\$ 14,206	\$ -	\$ -
Airport Improvement Program	20.106	3-47-0009-32	-	9,500	9,500	-	-
Airport Improvement Program	20.106	3-47-0009-33	(72,496)	112,331	39,835	-	-
Airport Improvement Program	20.106	3-47-0009-34	(274,499)	623,443	348,944	-	-
Airport Improvement Program	20.106	3-47-0009-35	(171,815)	1,298,674	1,370,684	-	(243,825)
Airport Improvement Program	20.106	3-47-0009-36	(540,252)	1,266,607	766,429	-	(40,074)
Airport Improvement Program	20.106	3-47-0009-37	(950)	96,496	95,546	-	-
Airport Improvement Program	20.106	3-47-0009-38	(32,846)	977,958	1,331,605	-	(386,493)
Airport Improvement Program	20.106	3-47-0009-39	20,182	734,102	760,325	-	(6,041)
Airport Improvement Program	20.106	3-47-0009-40	-	<u>337,768</u>	<u>478,098</u>	-	<u>(140,330)</u>
Total Expenditures of Federal Awards - CMAA			<u>(1,072,676)</u>	<u>5,471,085</u>	<u>5,215,172</u>	-	<u>(816,763)</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS - COMPONENT UNITS			<u>(1,443,747)</u>	<u>10,138,021</u>	<u>9,984,578</u>	-	<u>(1,290,304)</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			<u>(3,833,885)</u>	<u>33,143,593</u>	<u>33,873,252</u>	<u>(227,960)</u>	<u>(4,791,504)</u>
STATE AWARDS							
Tennessee Department of Environment & Conservation:							
Household Hazardous Waste		GG-06-12224-00	(45,023)	45,023	-	-	-
Household Hazardous Waste			-	-	85,000	-	(85,000)
Northshore Wetlands Park Education Pavilion		GG-07-12980-00	-	-	32,401	-	(32,401)
Northshore Wetlands Park Education Pavilion		Z-05-022828-00	-	-	300,000	-	(300,000)
Tennessee Department of Agriculture:							
Urban Forestry Grant		Z-07-033316-00	-	-	4,450	-	(4,450)

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CITY OF CHATTANOOGA, TENNESSEE  
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Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Tennessee Department of Economic and Community Development							
Advanced Manufacturing Project FDIP		GG-07-20542-00	\$ -	\$ -	\$ 35,595	\$ -	\$ (35,595)
Tennessee Department of Transportation:							
University Greenway		STP-EN-3300(42)	-	-	4,055	-	(4,055)
Transportation Enhancement Program (TVRM)		STP-EN-9202(76)	(28,904)	28,904	-	-	-
Tennessee Wildlife Resource Agency:							
Boating Infrastructure		GG-07-12838-00	(92,500)	92,500	-	-	-
Tennessee Film, Entertainment, and Music Commission:							
Film Commission		N/A	2,500	-	2,500	-	-
Tennessee Department of Finance and Administration:							
Tennessee Housing Development Agency THDA Entitlement - CNE Project		Program Income	450,210	99,388	-	-	549,598
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT			<u>286,283</u>	<u>265,815</u>	<u>464,001</u>	<u>-</u>	<u>88,097</u>

**Component Units**

Awards Audited by Other Auditors

**Chattanooga Area Regional Transportation Authority (ARTA)**

Tennessee Department of Transportation:

State funding for TN-26-0020		GG-0310136	(2,435)	32,754	38,360	-	(8,041)
State funding for TN-03-0051		GG-0712890	-	16,329	22,079	-	(5,750)
State funding for TN-03-0078		GG-0612227	-	931	10,038	-	(9,107)
State funding for TN-37-X021		GG-0410492	(3,187)	3,187	-	-	-
State funding for TN-03-0070		GG-0410542	-	-	420	-	(420)
State funding for TN-03-0076		GG-0511471	(138)	5,404	5,266	-	-
State funding for TN-90-X042		GG-0511337	-	2,143	2,143	-	-

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CITY OF CHATTANOOGA, TENNESSEE  
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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-90-X231		GG-0612188	\$ (8,593)	\$ 36,104	\$ 27,511	\$ -	\$ -
State funding for TN-90-X247			(24,154)	248,730	334,953	-	(110,377)
State funding for TN-37-X027		GG-0410441	(20,458)	204,057	183,599	-	-
State Operating		GG-0712773	-	1,917,617	1,917,617	-	-
Total Expenditures of State Awards - CARTA			(58,965)	2,467,256	2,541,986	-	(133,695)
<b>Chattanooga Metropolitan Airport Authority (CMAA)</b>							
Airport Improvement Program		Z-06-02-9470-00	(53,327)	-	1,042	-	(54,369)
Airport Improvement Program		Z-07-03-7572-00	(105,067)	10,571	789	-	(95,285)
Airport Improvement Program		Z-06-02-9471-00	(406,564)	406,564	-	-	-
Airport Improvement Program		Z-06-02-9469-00	(39,224)	39,473	249	-	-
Airport Improvement Program		Z-06-02-9472-00	(48,658)	48,658	-	-	-
Airport Improvement Program		Z-06-02-9475-00	(8,140)	8,140	-	-	-
Airport Improvement Program		Z-06-02-9426-00	(57,756)	57,756	-	-	-
Airport Improvement Program		Z-07-03-7626-00	(29,143)	-	9,183	-	(38,326)
Airport Improvement Program		Z-06-02-9515-00	-	311,237	975,612	-	(664,375)
Airport Improvement Program		Z-07-03-7574-00	(5,650)	-	2,514	-	(8,164)
Airport Improvement Program		Z-07-03-7625-00	(42,014)	-	36,070	-	(78,084)
Airport Improvement Program		Z-07-03-7627-00	(20,621)	-	20,170	-	(40,791)
Airport Improvement Program		Z-07-03-7620-00	(864)	-	35,042	-	(35,906)
Airport Improvement Program		Z-07-03-7627-00	(7,794)	-	20,009	-	(27,803)
Airport Improvement Program		Pending	(37,575)	-	29,025	-	(66,600)
Airport Improvement Program		Z-07-03-7619-00	-	-	7,772	-	(7,772)

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CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
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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-07-03-7618-00	\$ -	\$ -	\$ 26,253	\$ -	\$ (26,253)
Airport Improvement Program		Z-07-03-7617-00	-	-	7,726	-	(7,762)
Airport Improvement Program		Z-07-03-7612-00	-	-	11,621	-	(11,612)
Airport Improvement Program		Z-07-03-7613-00	-	-	27,900	-	(27,900)
Airport Improvement Program		Z-07-03-7629-00	-	-	7,407	-	(7,470)
Airport Improvement Program		Z-06-02-9488-00	(51,039)	45,935	(5,104)	-	-
Total Expenditures of State Awards - CMAA			(913,436)	928,334	1,213,370	-	(1,198,472)
TOTAL EXPENDITURES OF STATE AWARDS - COMPONENT UNITS			(972,401)	3,395,590	3,755,356	-	(1,332,167)
TOTAL EXPENDITURES OF STATE AWARDS - REPORTING ENTITY			(686,118)	3,661,405	4,219,357	-	(1,244,070)
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS - REPORTING ENTITY			<u>\$ (4,520,003)</u>	<u>\$ 36,804,998</u>	<u>\$ 38,092,609</u>	<u>\$ (227,960)</u>	<u>\$ (6,035,574)</u>

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
June 30, 2007

Note 1. Basis of Presentation

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

Note 2. Program Income

Cash receipts for the Community Development Block Grant (CFDA 14.218) and HOME Investment Partnerships Program (CFDA 14.239) include program income of \$1,125,185 and \$435,783, respectively.

Note 3. Other Adjustments

Other adjustments to the schedule of expenditures of federal and state awards reflect adjustments to prior year ending deferred revenues that will not be recognized.

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	\$3,492,206
Emergency Shelter Grants Program	14.231	94,490
Home Investment Partnerships Program	14.239	2,451,587
Community Development Block Grants/ Brownfields Economic Initiative	14.246	116,972

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 City of Chattanooga, Tennessee (the City), as of and for the year ended June 30, 2007, and have issued our report thereon dated January 8, 2008. We did not audit the financial statements of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority, was based solely on the work of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.



A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2007-1 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

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

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

*Haylett, Lewis & Bieter, PLLC*

Chattanooga, Tennessee  
January 8, 2008

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

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

Compliance

We have audited the compliance of the City of Chattanooga, Tennessee (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. 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 \$13,739,934. The reports of the other auditors on compliance with the requirements applicable to major programs have been furnished to us, and our opinion on compliance with those requirements, insofar as it relates to the amounts included for the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority was based solely on the reports of the other auditors. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Chattanooga, Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures and the reports of the other auditors disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-2 and 2007-3.

#### Internal Control Over Compliance

The management of the City of Chattanooga, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2007-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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  
January 8, 2008

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  no

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	U.S. Department of Housing and Urban Development: Community Development Block Grants/Entitlement Grants Home Investment Partnerships Program
14.239	
20.106	U.S. Department of Transportation: Airport Improvement Program Federal Transit Cluster: Federal Transit – Capital Improvement Grants Federal Transit – Formula Grants
20.500	
20.507	
66.458	U.S. Environmental Protection Agency: Capitalization Grants for Clean Water – State Revolving Funds
93.568	U.S. Department of Health and Human Services: Low-Income Home Energy Assistance (LIHEAP) Head Start
93.600	

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007

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Dollar threshold used to distinguish between type A  
and type B programs: \$1,016,198

Auditee qualified as low-risk auditee?        yes   X   no

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2007-1: Internal Control over Financial Reporting

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

Context: Statement on Auditing Standards No. 112, "Communicating Internal Control Related Matters Identified in an Audit," is applicable for the year ended June 30, 2007. The financial statement revisions made during the audit process constitute significant deficiencies in internal control under the new standard.

Effect: The City's independent auditors assist in the preparation of accurate financial statements and disclosures, but are not considered a part of the City's internal control process under newly-issued audit standards.

Cause: The City's internal control process did not adequately identify and correct certain misstatements in the governmental fund and government-wide financial statements.

Recommendation: We recommend that the City improve the review process of amounts reflected in the governmental fund and government-wide financial statements.

Management's Response: The City accepts responsibility for the internal control process. Weakness this year resulted from inexperienced staffing and added responsibilities placed on senior staff and management due to implementation of new ERP software system. Additional procedures are now in place that provides more managerial review of work done by staff to ensure greater accuracy of financial statements in the future.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2007-2: Schedule of Expenditures of Federal Awards

Federal program: All programs  
Federal agency: All agencies  
Award years: July 1, 2006 to June 30, 2007

Criteria: According to OMB Circular A-133, Subpart C, Paragraph .300 (d), the auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards.

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007

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

Questioned costs: None

Effect: The City is not in compliance with federal regulations regarding preparation of a complete and accurate schedule of expenditures of federal awards.

Cause: The City's Department of Finance and Administration is responsible for financial reporting of federal awards, but federal awards are received and administered in numerous City departments. The communication between departments relative to federal awards could be improved.

Recommendation: The City should develop processes to properly accumulate and report federal awards information to the Department of Finance and Administration for inclusion in the schedule of expenditures of federal awards as required by OMB Circular A-133.

Management's response: Procedures have been strengthened to ensure that federal awards are properly communicated and reported in the City's CAFR as required by OMB Circular A-133.

Finding 2007-3: CARTA Draw Downs

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

Federal agency: United States Department of Transportation

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

Questioned Costs: A sample of 40 capital expenditures was tested totaling \$2,280,056. Three expenditures with costs totaling \$41,304 were found to have been disbursed after three days.

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

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

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

Management's Response: CARTA management is reviewing these requirements to determine that draw downs are disbursed timely. Management indicated that funds will be requisitioned in the future only after the guidelines are met.

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2007

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Finding 2006-1 from June 30, 2006

Federal program: CFDA 20.106 Airport Improvement Project

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

Current status: Corrective action has been taken.

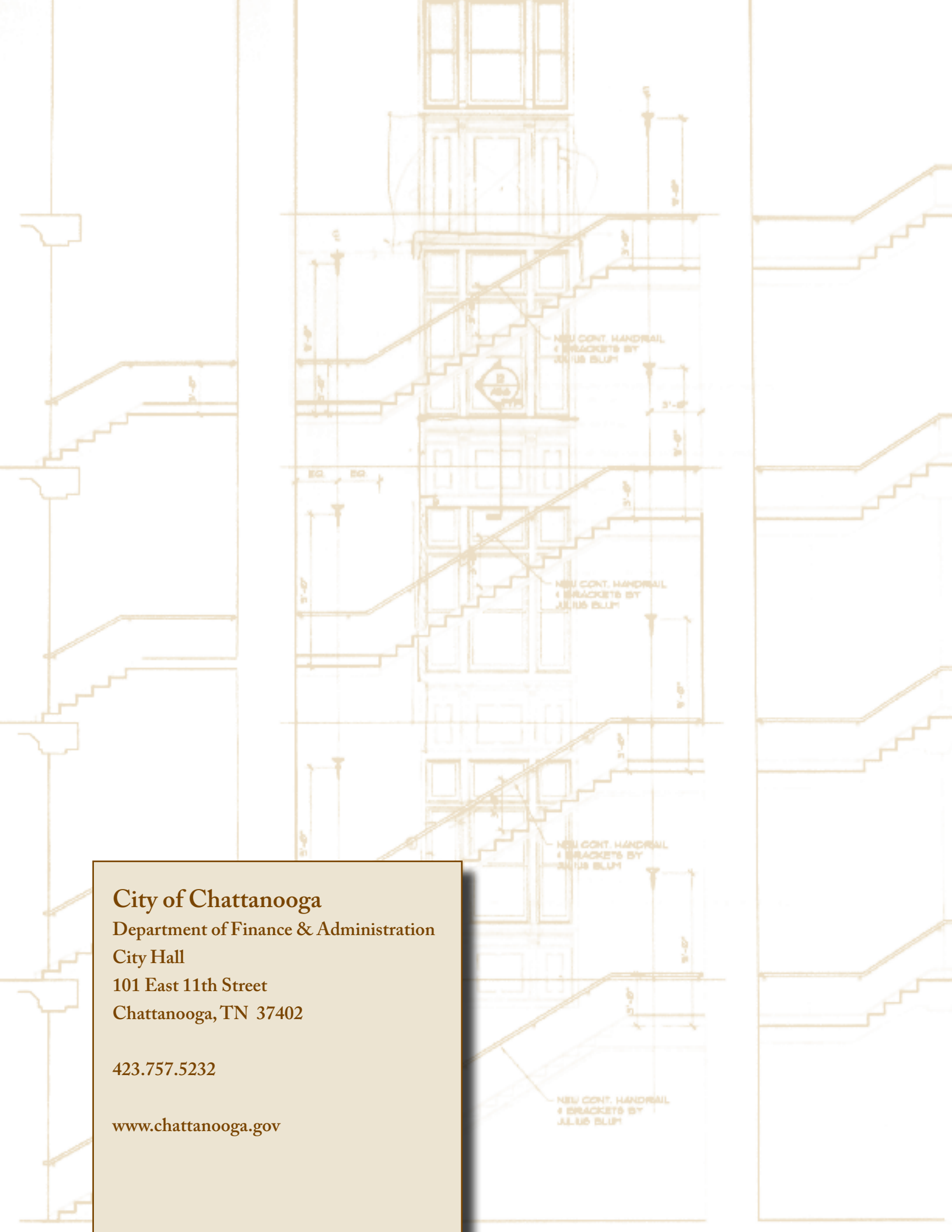
Finding 2006-2 from June 30, 2006

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

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

Current status: Management has adopted a policy that requires payment of the expenditures before the ECHO funds are drawn down. CARTA has paid the United States Department of Transportation interest for the time period elapsed between the ECHO draw down and the payment of the expenditure.





## City of Chattanooga

Department of Finance & Administration

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