

# City of Chattanooga, Tennessee

## Comprehensive Annual Financial Report

for the year ended June 30, 2011

*Moving  
Forward  
with  
Technology*

Coollest Broadband  
Community App  
2011



### **About the Cover:**

Chattanooga, Tennessee is the first and only city in America with a one gigabit-per-second connection available to everyone within a 600 mile radius. During 2011 Chattanooga was recognized as one of the world's seven smartest cities by the Intelligent Community Forum (ICF). This competitive international honor recognizes communities around the globe that are excelling in development and broad community use of high-speed Internet access to build and strengthen their economic prosperity, civic infrastructure and successful engagement in the new global economy. The cover depicts this fiber optic network overlaying the city and also includes a photo of the Coolest Broadband App by the ICF.

*Photos by Phillip Stevens, Webmaster and Matt Lea, Special Assistant to the Mayor  
Office of Mayor Ron Littlefield*

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

CITY OF CHATTANOOGA, TENNESSEE

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30,2011

DEPARTMENT OF FINANCE AND ADMINISTRATION  
DAISY W. MADISON, ADMINISTRATION

# CITY OF CHATTANOOGA, TENNESSEE

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# Mayor's Letter



**City of Chattanooga**  
Office of the Mayor

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

December 15, 2011

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

It is with pride that I present the City's annual financial report for the fiscal year ended June 30, 2011. This report documents our sound financial position and operations for the year. It demonstrates good stewardship by City administrators who continue to manage the citizen's financial resources by promoting sustainable economic growth and fiscal stability.

Strong partnerships between public and private sectors along with enthusiasm from the citizens of this community have enabled the City of Chattanooga to continue to thrive and we are continuously searching for new ways to ensure sustainability and remain a leader in a world economy. We are now a global leader in technology with EPB's 600 square mile fiber optic network with access to internet speeds of up to 1 gigabit per second – the fastest in the nation!

It's a great time to be a Chattanooga and it is a privilege to be a part of the success of this community. I look forward to working with this council as we continue to make Chattanooga the most transformed city in America.

Sincerely,

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

Mayor Ron Littlefield



*Mayor Ron Littlefield*



*Dan Johnson, Chief of Staff*

*Photos by Lawson Whitaker*

# City Council



**Pam Ladd**  
Chairperson  
District 3



**Jack Benson**  
Vice Chairman  
District 4



**Deborah Scott**  
District 1



**Sally Robinson**  
District 2



**Russell Gilbert**  
District 5



**Carol Berz**  
District 6



**Manuel Rico**  
District 7



**Andraé McGary**  
District 8



**Peter Murphy**  
District 9



# Letter of Transmittal



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

December 15, 2011

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

State and local statutes require that the City publish annual audited financial statements for each fiscal year.

This Comprehensive Annual Financial Report (CAFR) of the City of Chattanooga for the fiscal year ended June 30, 2011 is submitted in compliance with this requirement.

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

Henderson, Hutcherson & McCullough, PLLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Chattanooga's financial statements for the year ended June 30, 2011. The independent auditor's report is presented as the first item in the financial section of this report.

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

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



*Daisy W. Madison, City Finance Officer*



## GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND MAJOR INITIATIVES

### PROFILE OF THE GOVERNMENT

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

Founded as a ferry landing and warehouse site in 1815, the City of Chattanooga was incorporated under State of Tennessee Private Acts of 1839. The City is the county seat of Hamilton County and is located near the southeastern corner of the state on the Tennessee-Georgia border. It encompasses an area of 144 square miles. Official results of the 2010 U.S. Census show a population of 167,674, a 7.8% growth since the 2000 Census. Chattanooga is centrally located in relation to other major population centers of the southeast, being within a 150-mile radius of Knoxville and Nashville,

Tennessee; Birmingham, Alabama; and Atlanta, Georgia. Over 11 million people live within a 2 to 2½ hour drive of Chattanooga. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also has the power to extend its corporate limits by annexation in accordance with procedures under an "Urban Growth Plan", adopted in 2001.

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

The City provides a full range of municipal services including but not limited to fire and police protection; sanitation services and recycling; construction and maintenance of highways, streets and infrastructure; recreation and cultural activities; public library; community development; planning and zoning; neighborhood services; social services; and general

administrative services. It also operates a water quality program, a solid waste program and a sewer and sewage facility system for its residents and for other communities in southeast Tennessee and northwest Georgia. The City's Electric Power Board (EPB) provides electric and fiber-to-home services. Other services are provided through legally separate Metropolitan Airport Authority, Chattanooga Downtown Redevelopment Corporation, and the Chattanooga Area Regional Transportation Authority, all of which are reported separately within the City's financial statements. Additional information on all these legally separate entities can be found in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. The City Finance Officer obtains information from all City departments and agencies to which appropriations are made and/or revenues are collected and compiles the operating budget for submission to the Mayor. During the months of April, May and June, advertised public hearings are held by the council whereby budget requests from the departments and agencies are presented and taxpayers are given the opportunity to comment prior to final passage. The budget is legally enacted through passage of an ordinance with an operative date of July 1. The appropriated budget is adopted on a departmental basis; the legal level of budgetary control is the fund level. Transfers of appropriations between funds require the approval of the City Council. The City Finance Officer is authorized to make intra-fund transfers if necessary. Budgetary comparison schedules are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

## FACTORS AFFECTING FINANCIAL CONDITION

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

The Local Economy: Employment in the Chattanooga area is diverse. The top employment sectors of trades, transportation, and utilities (21.2%), government (15.5%), manufacturing (12.3%), professional and business services (17.1%), education and health (13.6%), and leisure and hospitality (10.6%) comprise 89.6% of the workforce. Employment in the retail service sector is driven, in part, by the presence of Hamilton Place Mall, Tennessee's largest. The 1.4 million-square-foot

mall has brought in many tourists and locals with a mix of new and familiar stores, theme restaurants and movie theaters. Thanks to the mall, the area has become a retail hotbed with more than 22 million visitors a year.

Chattanooga enjoys strategic advantages related to its location, strong transportation system, natural resources and competitive cost of doing business. The local unemployment rate of 8.8% remains significantly below the state average of 9.7% and the national average of 9.1% as of August, 2011. Fiscally, the City of Chattanooga is well positioned for future growth. Information released by the Tennessee Department of Labor and Workforce Development shows the Chattanooga metropolitan area has fared better than the other major Tennessee metropolitan areas, having added 5,540 jobs in the past year. The U.S. Bureau of Economic Affairs estimates personal income in the area grew at 4.1 percent during the same period, almost double the national average. The Kiplinger Letter, a weekly financial publication, named Chattanooga as one of its "Comeback Cities for 2011" in April.

Chattanooga is also becoming a world leader in technology. The New York Times cites Chattanooga as a global leader in fast internet service thanks to the one-gigabit per second internet service to be offered by the Electric Power Board, Chattanooga's municipal power provider. "Only Hong Kong and a few other cities in the world offer such lightning-fast service, and analysts say Chattanooga will be the first in the United States to do so". This puts Chattanooga at 10 times faster and 10 years ahead of the FCC National Broadband Plan, according to EPB officials. The Fiber-to-the-Home (FITH) network has grown to become available to all 170,000 homes, schools, and businesses in the service area, a



*Sail boats pass under the Market Street Bridge*

total of 600 square miles that covers urban, suburban, and rural places and a diverse population of 300,000 people. The system will be integrated with Smart Grid, a technology which allows remote monitoring of meters for every customer. A \$111 million federal stimulus grant from the Department of Energy has dramatically accelerated the installation of the Smart Grid, expected to be fully implemented by the end of 2012.

Since the national economic recession began in 2008, the Chattanooga area has attracted \$4 billion in foreign direct investment including a Volkswagen auto assembly plant and major investments in alternative energy. Over the past 4 years there have been 90 publicly announced new expansion projects bringing 8,287 new jobs and saving 655 others. The Enterprise South Industrial Park (ESIP), the new home to Volkswagen AG's U.S. manufacturing headquarters and a new Amazon distribution center, continues to be a prize asset for additional growth. The old Volunteer Army Ammunition Plant has been reborn as perhaps the

finest industrial park in the Southeastern United States, earning designation as a TVA-certified Megasite and being granted Foreign Trade Zone status. This will help VW avoid as much as \$1.9 million per year in tariffs, making expansion of the local plant more attractive. ESIP is served by a new interstate connection with I-75 as well as by two competing rail lines. Rail service to the park is undergoing a \$17 million improvement. The City has worked hard to continue to be an EPA ozone attainment area meeting the federal health-based ozone standard. As one of only thirteen areas in the nation, the City participated successfully in an Early Action Compact from 2004-2007. This compact allowed economic development recruitment to continue while measures were implemented to meet the more restrictive ozone standards. The City's success in dealing with air pollution is a model for the world. Local officials are committed to maintaining a sustainable community and a clean environment as demonstrated by projects such as the Green Initiative, establishment of an office of sustainability and promotion of construction projects that conform to the Leadership in Energy and Environmental Design certification. There are currently 64 acres remaining for industrial development out of the original 3000 acres.

The announcement in 2008 by Volkswagen AG to locate its new U.S. manufacturing headquarters here could not have come at a better time for Chattanooga. This \$1 billion capital investment, which includes a \$40 million training facility, was named by Southern Business & Development Magazine as the "deal of the year". As of July, 2011 the 2000th employee had been hired. The annual payroll is expected to exceed \$100 million. A \$12 billion income growth and an additional 9,500 jobs are expected in the region as a result of the plant's location here. Business Facilities magazine cites the location of the plant in Chattanooga as ensuring Tennessee will have a dominant role in auto manufacturing for many years. Volkswagen is Europe's largest carmaker and is working toward their goal to become the largest in the world. As of September, the 10,000th car had been produced. Annual production of 150,000 cars is projected, with a goal of exporting 20% of the total number of cars produced. Expansion plans to double the plant size are still being discussed. The VW supplier park, a \$20 million investment located on 85 acres adjacent to the plant, will eventually hold approximately 10 companies to be located in buildings totaling over 440,000 square feet in size. Gestamp Corporation, a supplier of stamped parts for VW, recently announced an expansion to their \$90 million



*Night reflections on the Tennessee River*



*Sister City ceremony with Wolfsburg, Germany*

facility. They will purchase 16.5 acres to combine with the original 49 acre tract of land it purchased within the industrial park. This will allow a 30,000 square foot addition to their 225,000 square foot facility.

These successes and many more are the result of strong leadership among all the various civic leaders and elected officials. This includes the “Chattanooga Can Do” campaign, being conducted from July 2007 – June 2011. Some other industrial development announcements include Alstom Power (steam turbine manufacturer), Westinghouse Electric Co, Sanofi-Aventis, Dixie Industries expansion, Schaaf Industrie AG (turbine tower maker), Archer Daniels Midland, Aki Nobel, and many more. The Chamber goals through 2011 include the following benchmarks (with progress as of June 2011 in parentheses):

- Increase regional employment by 15,573 (15,874 jobs have been created)
- Increase private investment by \$500 million (\$1.703 billion has been announced)
- Create \$526.8 million in new payroll income

(\$628.7 million has been achieved)

- Increase disposable income by \$421.5 million (\$502.9 million has been achieved)
- Increase net personal consumption by \$390.1 million (\$465.5 million has been achieved)

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

Quality education is also the centerpiece of a successful community. Chattanooga State Technical Community College has established training partnerships with local manufacturers to provide industry-specific training to companies such as VW and Gestamp. This approach to educational and training support to industry will serve to attract additional new manufacturing and technical jobs to the area. The University of Tennessee at Chattanooga’s MBA program continues to gain national exposure, appearing on the list of Princeton Review’s Best Business School guidebook for the fourth year in a row in the 2011 edition. Transportation is another key

to a vibrant economy. The Chattanooga area is served by three interstate highways, seven U.S. highways, two railways, airlines, bus service, and the Tennessee River system. Direct flights are available to nine major cities. Chattanooga is home to three major air cargo facilities, three public use port terminals, and four major industrial parks. Railway service is provided by four divisions of the Norfolk Southern Railway System and two divisions of the CSX Transportation System, all with switching service throughout the entire area. Modern "piggyback" service is provided by both lines.

The Tennessee River which flows through the heart of the city has provided the backdrop for the waterfront development projects and is an invaluable source of clean water for consumption, recreation, transportation, and industrial use. The opening of the 21st Century Waterfront in April 2005 marked the culmination of a vision first conceived by Chattanoogaans in the early 1980's. Through the work of the publicly commissioned

Moccasin Bend Task Force, Chattanoogaans created a shared dream for riverfront redevelopment over twenty years and across 22 miles. With the opening of the \$120 million development on the waterfront, the connection was completed twenty years to the month from the publication of the Tennessee Riverpark Master Plan and included major expansions to the Tennessee Aquarium, the Creative Discovery Museum and the Hunter Museum, as well as many new attractions, public green spaces, and urban wetlands. The public-private investment in the waterfront came on the heels of a \$129 million investment in Chattanooga's Southside area which was completed in 2003. The Riverwalk, which was begun in 1985, is expected to expand again with a proposed multi-million dollar extension from Ross's Landing to St. Elmo Avenue. Also, a recent Moccasin Bend Gateway Plan proposes to connect Moccasin Bend with Stringer's Ridge with walking and biking trails.





These investments continue to pay dividends. Chattanooga's tourism experienced growth over the previous year despite the opposite trend in many major tourist areas around the country. Tourism brings in excess of \$750 million to the area annually. We continue to gain and retain recognition for the diversity in local attractions. Where to Retire Magazine recognized Chattanooga as a top retirement destination in its April/May 2011 edition. In an on-line vote taken by Outside Magazine for its October 2011 issue, one third voted Chattanooga as the "Best Town Ever". Livability.com ranked Chattanooga as having the 8th top livable downtown.

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

and acted upon for the sake of efficient technology and to ensure the economic future of the area.

Downtown is unquestionably important, but there is more to "the greater city" than downtown. Mayor Littlefield recognizes that nothing is more essential to a healthy city than healthy neighborhoods. Beautiful, clean, safe neighborhoods continue to be a primary focus of this administration. Recreation also continues to be an important aspect of our community. The Parks and Recreation Department completed a \$10.5 million softball complex, 83 acres in size, in the eastern portion of the city in 2009. In July 2010, the complex hosted its first Amateur Softball Association tournament, with an estimated \$1 million economic impact. In November, the Amateur Softball Association awarded Chattanooga the 2013 tournament for the 12 and Under teams. This brings with it an estimated \$2 million economic impact.

The fiscal health of Chattanooga City Government remains strong. As outlined in the Management's Discussion and Analysis, the City has maintained a healthy financial position through sound fiscal management. We have a history of strong fiscal

discipline, healthy reserves, and constant review of operations, being ever vigilant to find new efficiencies and cost reduction measures. Standard and Poor's affirmed the City's bond rating at AA+ Stable in September, 2011. Fitch Ratings also affirmed their AA+ Stable rating in September. Moody's affirmed their Aa2 rating with a stable outlook in 2009.

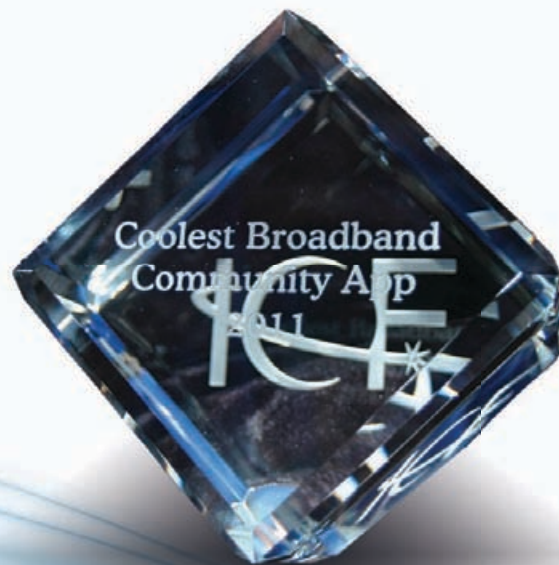
**Long-term financial planning:** The City takes a long range approach to capital spending by the adoption of a five year capital plan. The City Council passed its first property tax increase in nine years for 2011, setting the stage for continued sustainable economic growth and development and maintenance of a vibrant community. As part of the strategic plan, the City deployed an ultra high-speed broadband mesh network that will carry the City well into the future. The network was the key factor in Chattanooga being voted among the world's Top Seven intelligent Communities by the Intelligent Community Forum. At their annual awards ceremony, the city was cited for having the "Coolest Broadband App". Alcatel-Lucent announced a \$100,000 investment to assist the city in development of ways to take advantage of the network as a business development tool.

The City continues its chattanoogaRESULTS and vacancy control programs that began in February 2002. These programs ensure accountability by providing for regular review and monitoring of departmental performance by the Mayor, the City Finance Officer and other senior City officials. The City's annual performance report to the citizens of Chattanooga gives

residents an update on how city services are responding to their needs. It also provides department heads and managers with quantifiable information to assess performance in meeting the City's goal of efficient and effective management of resources in providing quality services to the citizens of Chattanooga.

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

**Major initiatives:** A series of annexations has begun which will set the stage for a stronger base for the municipal government. The annexation largely follows the Master Inter-local Agreement and Growth Boundaries adopted a decade ago as provided for under state law. Chattanooga is a major participant in a 40-year regional growth plan, known as the Greater Chattanooga Regional Growth Initiative. The participants include sixteen counties and their major cities from southeast Tennessee, northwest Georgia, and northeast Alabama, including the three metropolitan statistical areas. This is a pioneering effort for a new kind of long-term regional plan. It is a continuation of the type of public visioning and community engagement that has transformed Chattanooga and the surrounding area over the past 30 years.





# 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, 2010. This was the nineteenth 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.

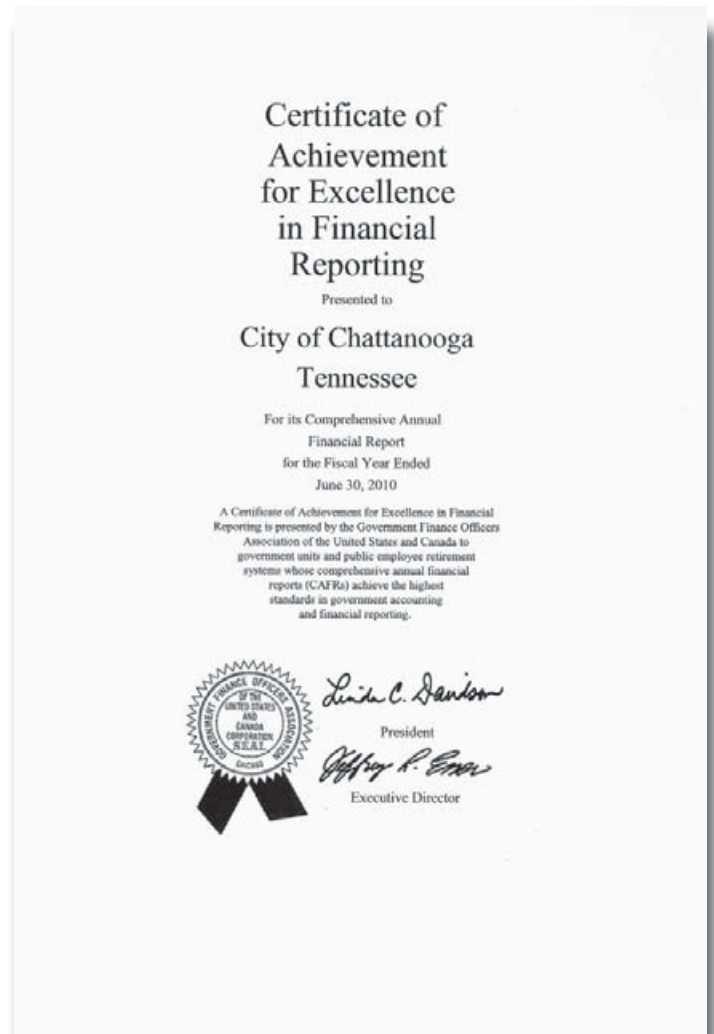
The City also received the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget for each of the sixteen fiscal years for which it applied. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several 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, Henderson, Hutcherson & McCullough, PLLC. We would like to express our appreciation to members of various City departments who assisted and contributed to the preparation of this report. Further appreciation is extended to the Mayor and the City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,



Daisy W. Madison  
City Finance Officer



# City Officials as of June 30, 2011

L. Dan Johnson, Chief of Staff



**Ron Littlefield, Mayor**

## CITY COUNCIL:

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

## COURTS:

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

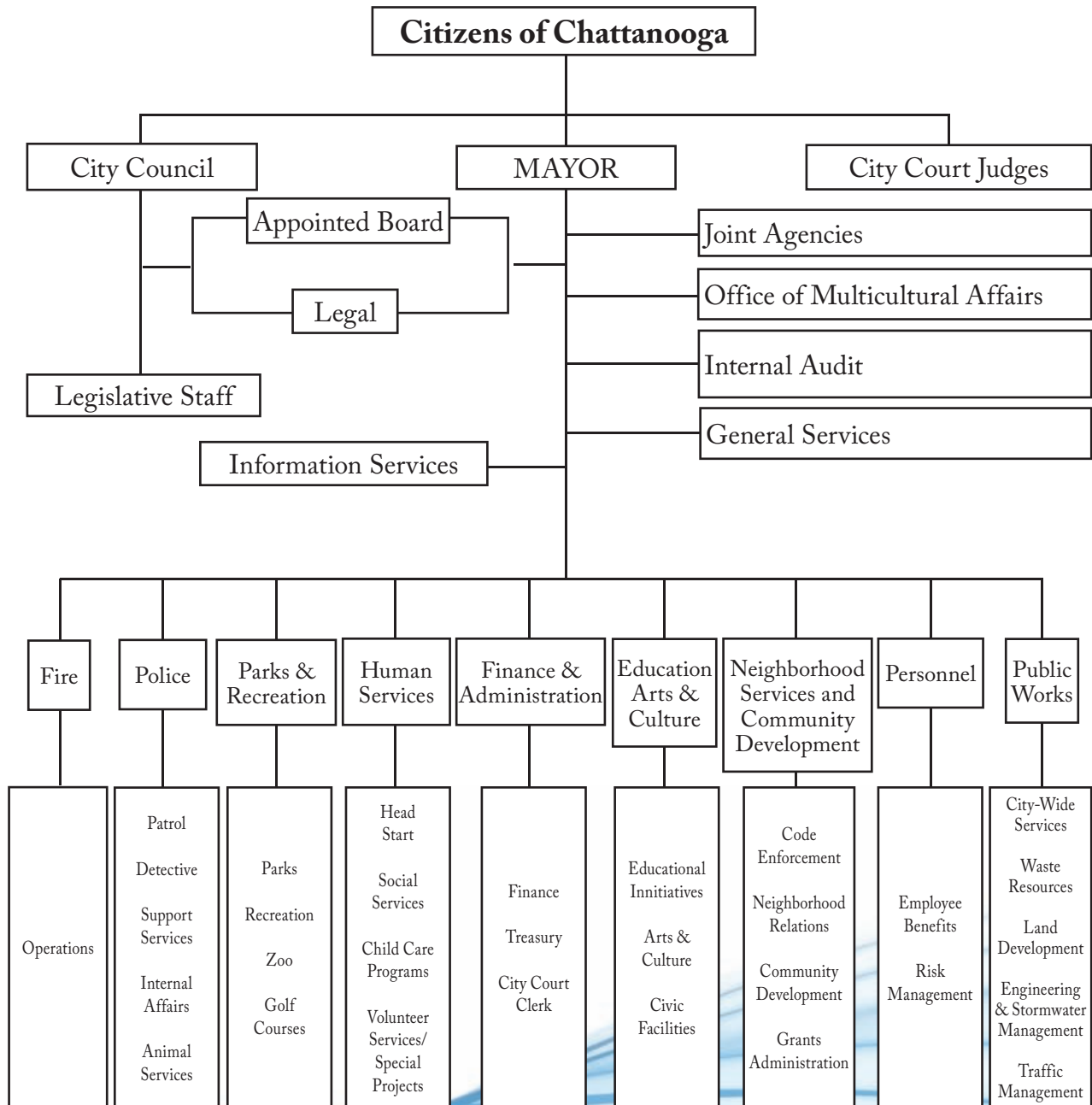
## DEPARTMENT ADMINISTRATORS AND DIRECTORS:

Legal .....	Michael McMahan.....	City Attorney
Legislative .....	Carol O'Neal .....	Clerk of the Council
Finance and Administration.....	Daisy W. Madison .....	Administrator
	Vickie C. Haley.....	Deputy Administrator
Education, Arts & Culture .....	Missy N. Crutchfield .....	Administrator
Fire.....	Chief Randall L. Parker .....	Administrator
Human Services .....	Ron Swafford .....	Administrator
	Donna Stone.....	Deputy Administrator
Neighborhood Services and .....	Beverly P. Johnson .....	Administrator
Community Development	Anthony Sammons.....	Deputy Administrator
Parks and Recreation .....	Lawrence A. Zehnder.....	Administrator
Personnel .....	Donna Kelley.....	Administrator
Police.....	Chief Bobby H. Dodd .....	Administrator
Public Works.....	Steven C. Leach .....	Administrator
	D. Lee Norris .....	Deputy Administrator

---

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

# Organizational Chart





HENDERSON HUTCHERSON & McCULLOUGH, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

**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, 2011, 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 50 percent and 68 percent, respectively, of the assets and revenues of the discretely presented component units. In addition, we did not audit the financial statements of the Electric Power Board, which represents 64 percent and 89 percent, respectively, of the assets and operating revenues of the business-type activities. 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, the Chattanooga Area Regional Transit Authority, and the Electric Power Board is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our considerations of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 xxi of the Financial Section and the required supplementary information on pages B – 1 and B – 2 are not a required part of basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Chattanooga, Tennessee  
December 14, 2011

Henderson Hutcherson  
& McCullough, PLLC

# Management's Discussion and Analysis

As management of the City of Chattanooga (the City) we provide readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. The information in this section should be read in conjunction with the Letter of Transmittal (beginning on Intro 3) and the financial statements beginning on page A-1.

## Financial Highlights

- The assets of the primary government exceeded its liabilities at the close of the most recent fiscal year by \$1.87 billion (net assets), a decrease of \$12.2 million, or 0.6 percent. Of this amount, \$20.2 million may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets), a \$27.7 million, 57.8 percent, decrease over last year.
- Net assets of governmental activities at June 30 were \$1.32 billion, a decrease of \$3.3 million, or 0.2 percent. The decrease is primarily the result of a \$17.9 million increase in depreciation and an additional \$3.8 million in retiree health cost due to a change in the method of funding retiree health costs from pay-as-you-go to funding on an actuarial basis. These increases were largely offset by a \$16.0 million in property taxes.
- Business-type activities reported ending net assets of \$542.8 million, a decrease of \$8.9 million, or 1.6 percent. The decrease is attributable to a \$16.5 million decrease in EPB net assets and partially offset by operations of the other business-type activities. See page xii for more information about EPB operations for the year.
- The City of Chattanooga has opted to use depreciation rather than the maintenance method to report infrastructure assets. During the current fiscal year governmental activities recognized depreciation expense of \$44.7 million including \$26.1 million on infrastructure assets. Business-type activities recognized depreciation expense of \$50.5 million.
- Long-term liabilities for the City's Primary Government increased \$32.0 million, 4.2 percent, during the current fiscal year. Beginning in 2012 OPEB liability, pollution remediation and landfill closure were moved from individual lines on the statement to this area. Governmental activities issued \$130,000 in new debt.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$33.9 million, up \$5.4 million or 19.2 percent from prior year. This represents 16.7 percent of total General Fund expenditures and transfers out; the City's Debt Management Policy recommends this to remain at or above 15 percent.

# Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City'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.

There are two government-wide financial statements:

**Statement of Net Assets** -- This statement 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** -- This statement presents information showing how the City's net assets changed during the most recent fiscal year. All current year revenues and expenses are reported as soon as the underlying event giving rise to the change occurs. 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., revenue includes uncollected taxes and expenses include earned but unused vacation leave).

The government-wide financial statements reflect three distinct activities:

**Governmental Activities** -- These activities are primarily supported by taxes and intergovernmental revenues. The governmental activities of the City include general government; public safety; public works; parks, recreation, education, arts & culture and social services.

**Business-type Activities** -- These activities are supported by user fees and charges for service which are intended to recover all, or a significant portion, of their costs. The City's business-type activities include electric, sewer and water quality systems, as well as solid waste disposal and housing management operations.

The primary government is comprised of Governmental Activities and Business-type Activities.

**Component Units** -- These entities are legally separate but the City of Chattanooga is financially accountable or has oversight responsibility. They are: The Chattanooga Metropolitan Airport Authority, the Chattanooga Area Regional Transportation Authority (CARTA) and the Chattanooga Downtown Redevelopment Corporation (CDRC).

The government-wide financial statements begin on page A-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. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes. Some funds are required by State or Federal law or by bond covenants while 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 monies are used (i.e. grants received from the U. S Department of Housing and Urban Development or hotel-motel taxes). All the funds of the City can be divided into three types of funds: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

**Governmental Funds** -- These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However 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 may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented between the two. By doing so, readers may better understand the long-term impact of the city's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

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

The City of Chattanooga adopts an annual budget for the General Fund, special revenue funds and the debt service fund. Budgetary comparisons are provided for these funds to demonstrate compliance with the budget. The General Fund budgetary comparison is found in the fund statements of this report and comparisons for special revenue funds and the debt service fund are provided in the other supplementary information section of this report. Since neither the capital projects fund nor the permanent fund adopts an annual budget, they are excluded from budgetary reporting.

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

**Proprietary Funds** -- The City of Chattanooga maintains two different types of proprietary funds:

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements but provide more detail and additional information, such as cash flows. The Electric Power Board (EPB), Interceptor Sewer System, Water Quality Management and Solid Waste are considered major funds. The only other fund, Housing Management, is also shown on the face of the proprietary fund financial statements.
- Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Chattanooga accounts for maintenance of City vehicles and risk financing (including health costs) in the internal service fund. Because these services predominantly



benefit governmental rather than business-type functions, they have been included in governmental activities in the government-wide financial statements.

The proprietary fund statements begin on page A-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 of Chattanooga maintains pension trust funds, an OPEB trust fund and an agency fund as fiduciary funds. The City is responsible for ensuring that the assets are used for their intended purposes, however, we exclude these activities from the City's government-wide financial statements since these assets cannot be used to finance City operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The actuarially determined net pension and OPEB assets or obligations are reported in the government-wide statement of net assets.

The fiduciary fund financial statements begin on page A-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 A-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 A-18 of this report.

## Supplemental Information

Following the notes, this document provides required supplementary information regarding Chattanooga's progress in funding its obligation to provide pension and OPEB benefits to its employees.

Other supplementary information is also provided:

- Combining statements for nonmajor governmental funds and discretely presented component units
- Changes in assets and liabilities for the agency fund
- A more detailed budget to actual comparison for General Fund
- Budget to actual comparisons for special revenue funds and the debt service fund.

Both the required and other supplementary information may be found following the notes to the financial statements beginning on page B-1.

# Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$1.9 billion at the close of the most recent fiscal year, a decrease of \$12.2 million, or 0.6 percent, from last year. At the end of the fiscal year, the City of Chattanooga is able to report a positive net asset balance for the government as a whole, as well as for its governmental and business-type activities.

## City of Chattanooga's Net Assets

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 293,730	\$ 270,428	\$ 282,448	\$ 340,216	\$ 576,178	\$ 610,644
Capital assets	1,529,816	1,547,186	872,912	813,158	2,402,728	2,360,344
Total assets	1,823,546	1,817,614	1,155,360	1,153,374	2,978,906	2,970,988
Long-term liabilities outstanding	344,261	331,335	440,424	421,393	784,685	752,728
Other liabilities	157,110	160,812	172,105	180,257	329,215	341,069
Total liabilities	501,371	492,147	612,529	601,650	1,113,900	1,093,797
Net assets:						
Invested in capital assets, net of debt	1,231,353	1,259,985	568,186	533,434	1,799,539	1,793,419
Restricted	27,168	13,120	18,098	22,729	45,266	35,849
Unrestricted	63,654	52,362	(43,453)	(4,439)	20,201	47,923
Total net assets	\$ 1,322,175	\$ 1,325,467	\$ 542,831	\$ 551,724	\$ 1,865,006	\$ 1,877,191

By far the largest portion of the City's net assets, 96.5 percent, reflects its investment in capital assets (land, buildings, equipment, infrastructure, etc), less any related debt used to acquire those assets. While 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, \$45.3 million or 2.4 percent, represents resources that are restricted in how they may be used. The remaining balance of \$20.2 million may be used to meet the City's ongoing obligations; this is a \$27.7 million decrease from last year.

## City of Chattanooga's Changes in Net Assets

(in thousands)

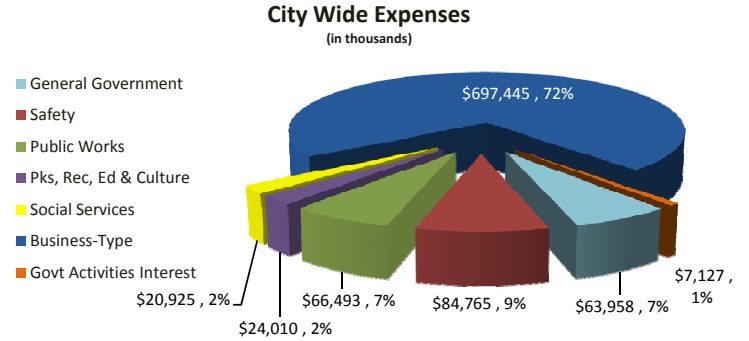
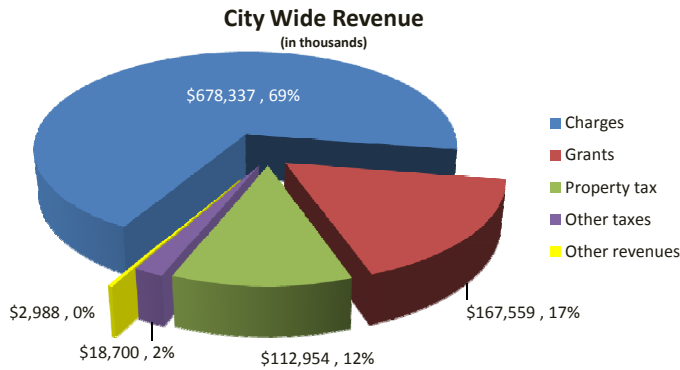
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 18,430	\$ 19,991	\$ 659,907	\$ 571,047	\$ 678,337	\$ 591,038
Operating grants	45,528	43,695	19,983	2,399	65,511	46,094
Capital grants	7,860	10,605	41,117	29,595	48,977	40,200
General revenues:						
Property taxes	112,954	96,982	-	-	112,954	96,982
Other taxes	18,700	17,388	-	-	18,700	17,388
Investment income	1,345	1,118	1,463	3,632	2,808	4,750
Miscellaneous	180	(173)	-	17	180	(156)
Unrestricted grants	53,071	52,777	-	-	53,071	52,777
<b>Total revenues</b>	<b>258,068</b>	<b>242,383</b>	<b>722,470</b>	<b>606,690</b>	<b>980,538</b>	<b>849,073</b>
<b>Expenses</b>						
Governmental activities:						
General government	63,958	73,098	-	-	63,958	73,098
Public safety	84,765	76,369	-	-	84,765	76,369
Public works	66,493	61,735	-	-	66,493	61,735
Parks, rec, ed & culture	24,010	20,271	-	-	24,010	20,271
Social services	20,925	23,532	-	-	20,925	23,532
Interest on long-term debt	7,127	7,237	-	-	7,127	7,237
Business-type activities:						
Electric utility	-	-	633,507	539,720	633,507	539,720
Sewer	-	-	47,790	44,687	47,790	44,687
Solid waste	-	-	5,038	4,753	5,038	4,753
Water quality	-	-	10,004	8,385	10,004	8,385
Housing management	-	-	1,106	1,043	1,106	1,043
<b>Total expenses</b>	<b>267,278</b>	<b>262,242</b>	<b>697,445</b>	<b>598,588</b>	<b>964,723</b>	<b>860,830</b>
Excess (deficiency) before special item and transfers	(9,210)	(19,859)	25,025	8,102	15,815	(11,757)
Special item	-	-	(28,000)	-	(28,000)	-
Transfers	5,918	4,090	(5,918)	(4,090)	-	-
<b>Increase (decrease) in net assets</b>	<b>(3,292)</b>	<b>(15,769)</b>	<b>(8,893)</b>	<b>4,012</b>	<b>(12,185)</b>	<b>(11,757)</b>
Net assets, beginning	1,325,467	1,341,236	551,724	547,712	1,877,191	1,888,948
<b>Net assets, ending</b>	<b>\$ 1,322,175</b>	<b>\$ 1,325,467</b>	<b>\$ 542,831</b>	<b>\$ 551,724</b>	<b>\$ 1,865,006</b>	<b>\$ 1,877,191</b>

Net assets of the City's governmental activities were \$1.32 billion, a \$3.3 million decrease from the prior year. Of that balance \$1.26 billion are either restricted as to how they may be used or invested in capital assets (buildings,

roads, bridges, etc.). Therefore \$63.7 million remains to meet the City's ongoing obligations to citizens and to creditors, a \$11.3 million, 21.6 percent increase.

During the current year net assets of the business-type activities decreased \$8.9 million or 1.6 percent to \$542.8 million. These net assets are dedicated solely to finance the continuing operations of the electric, sewer, and water quality systems, solid waste disposal and housing management operations.

The following graphs summarize the sources of the City's total revenues of \$980.5 million and total program expenses of \$995.0 million. These graphs combine governmental and business-type activity information.



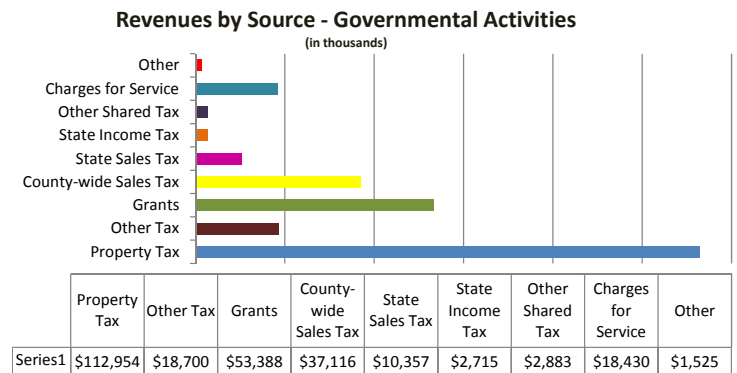
## Governmental Activities

The graph below shows the source of governmental activities revenue.

Current fiscal year revenues for the City's governmental activities were \$258.1 million compared to \$242.4 million last year, up 6.5 percent. Key elements of governmental activities are discussed below.

General revenue, which is not collected for a specific purpose, grew \$18.2 million; all areas except for the incremental tourist development zone tax experienced an increase. Changes are discussed below.

- The single largest source of governmental activity revenue, property taxes, increased by \$16.0 million, or 16.5 percent, resulting from a rate increase. This 37 cent, 19 percent rate increase was the first in nine years.
- Liquor and beer taxes were up \$0.3 million or 4.1 percent while other taxes increased \$1.3 million or 9.8 percent primarily from hotel-motel tax and gross receipts tax. Hotel-motel tax increased \$0.7



million or 17.0 percent with a recovery in tourism and business travel while gross receipts were up \$0.6 million or 17.1 percent.

- The City's portion of state income taxes increased modestly at \$136,000 or 5.3 percent. State allocated sales tax increased \$0.5 million or 4.6 percent while local sales tax increased \$1.8 million or 5.1 percent.
- The City receives incremental increases of sales tax within the Tourist Development Zone (TDZ) as compared to collections outside the TDZ. During the prior fiscal year there was a federal stimulus program that encouraged car sales within the zone; the end of the program caused no incremental growth inside the zone so there was no rebate resulting in a decrease of \$2.4 million.
- Investment income increased modestly at \$227,000 or 20.3 percent reflecting continued low interest rates.

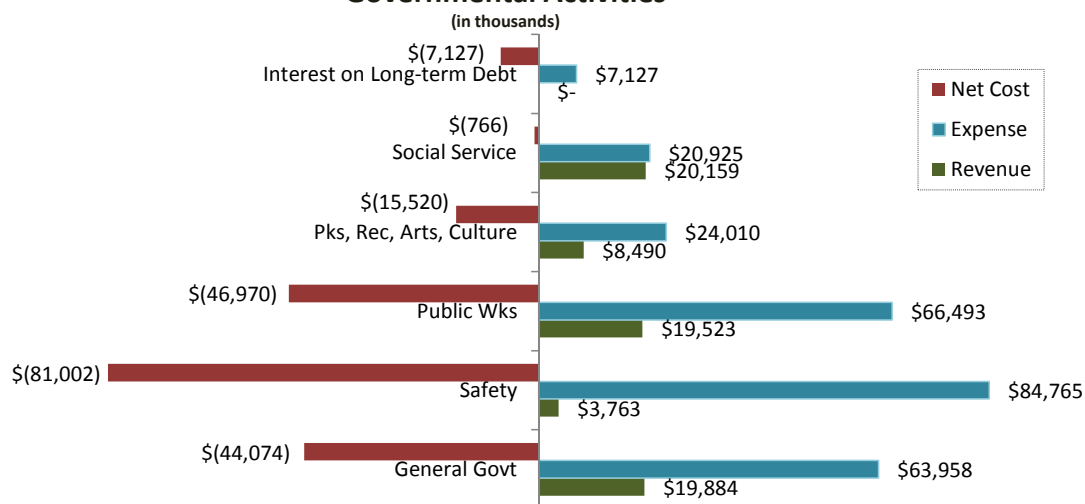
Each area of three program revenues is discussed below.

- Charges for services decreased 7.8 percent or \$1.6 million primarily due to a change in management of the zoo and decreased court costs and fines. During the year management of the zoo was moved to an operating lease with Friends of the Zoo causing a \$0.4 million decrease in related revenue. During the year there were fewer citations written, resulting in \$0.8 million less court cost and fine revenue.
- Operating grants and contributions increased \$1.8 million or 4.2 percent. In April of 2011 there was severe tornado damage in the area; as of June 30, 2011, \$1.2 million was accrued from FEMA with additional costs ongoing into fiscal year 2012.
- Capital grants and contributions decreased \$2.7 million or 25.9 percent based on fluctuations in grants awarded and completed. These included \$2.8 million and \$1.1 million from the State of Tennessee and Hamilton County, respectively, for Enterprise South Industrial Park and \$1.0 million from the State of Tennessee for South Chickamauga Greenway. These were offset by a \$5.7 million decrease as the result of completion of the regional communication system.

As revenues increased during the fiscal year, expenses for governmental activities also increased, \$269.6 million compared to \$262.2 million last year, a 2.8 percent increase. 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.

Each area of expense is addressed below.

### Expenses and Program Revenues Governmental Activities

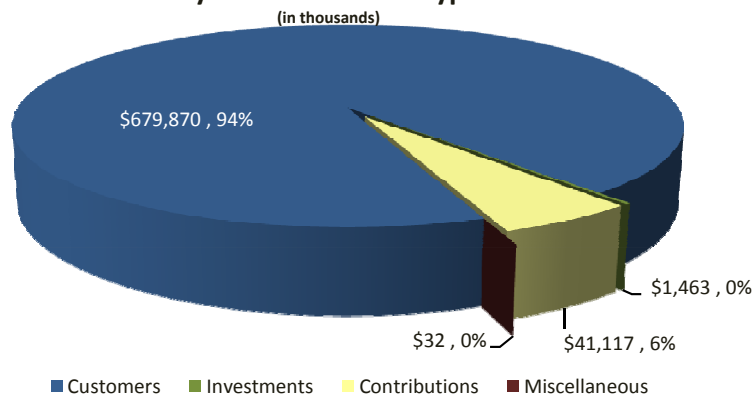


- General Government expenses decreased \$9.1 million or 12.5 percent. The largest changes related to OPEB funding and appropriations to the Industrial Development Board (IDB). The City began funding the OPEB Trust based on an annual required contribution effective fiscal year 2011. As part of this transition, retiree health costs were moved to the internal service fund to track all costs related to retiree health and OPEB; this resulted in \$5.6 million savings for General Government. In the prior year \$5.2 million was appropriated for the City's commitment to the Industrial Development Board for the new Volkswagen facility; this was not necessary in the current year since the plant is now in full production. These savings were partially offset by an additional \$1.0 expense for decrease in pension assets.
- Public Safety experienced an \$8.4 million or 11.0 percent increase in expense; the majority of changes relate to sworn personnel primarily as a result of OPEB contributions being charged as a percentage of payroll costs, a \$7.4 million, 618 percent, increase. Other changes include a \$1.6 million, 4.0 percent, increase in salaries and a \$1.5 million, 19.8 percent, increase in pension costs. During the year the capital recovery component of the fleet leasing rate was restored, increasing fleet lease costs \$1.6 million, 204 percent.
- Public Works expenses increased 7.7 percent or \$4.8 million. The largest increase was \$3.5 million in TDOT grant projects and \$1.0 million of storm damage. Public Works was also impacted by the leasing program and by OPEB, \$0.9 million and \$0.6 million, respectively. These increases were offset by a \$1.4 million decrease in pollution remediation liability associated with Montague Park that was moved to Parks, Recreation, Education, Arts & Culture.
- Parks, Recreation, Education, Arts & Culture had a \$3.7 million increase or 18.4 percent. The major increase related to pollution remediation as \$1.4 million was moved from Public Works with an additional \$0.7 million in costs accrued. Other major increases were depreciation expense and OPEB, \$0.5 million and \$0.4 million respectively.
- Social Services expenses decreased \$2.6 million or 11.1 percent. This was primarily the result of losing the ARRA weather assistance program, \$1.2 million decrease. The change in OPEB funding was an additional \$0.5 million.

## Business-type Activities

Revenues for the City's business-type activities were \$722.5 million for the year just completed; this is a \$115.8 million or 19.1 percent increase. The increase in revenue was offset by a \$128.3 million, 21.4 percent, increase in expenses, to \$726.9 million. The following graph presents the major sources of revenue for business-type activities.

**Revenues by Source Business-type Activities**



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

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

	Electric	Sewer	Solid Waste	Water Quality	Housing	Total
Expenses	\$ 662,972,721	\$ 47,790,192	\$ 5,037,895	\$ 10,014,907	\$ 1,106,752	\$ 726,922,467
Revenues	651,177,000	49,066,126	6,868,759	14,480,096	890,160	722,482,141
Transfers In (Out)	(4,691,279)	-	215,328	24,180	-	(4,451,771)
Change in net assets	<u>\$ (16,487,000)</u>	<u>\$ 1,275,934</u>	<u>\$ 2,046,192</u>	<u>\$ 4,489,369</u>	<u>\$ (216,592)</u>	<u>\$ (8,892,097)</u>

**Electric Power Board (EPB)** -- The largest source of business-type activity revenue is generated from EPB, which has both an electric power division and a fiber optic division. Operating revenue from customers increased by \$84.9 million, 16.8 percent. Operating revenues from electric sales increased \$61.8 million, 13.0 percent based on increased total degree days while operating revenues from fiber optic sales increased \$19.8 million, 94.7 percent as more customers were added.

The increase in revenue was offset by a \$82.4 million, 16.5 percent, increase in operating expenses. Operating expenses for the electric division increased \$73.2 million, 16.4 percent. During the year there was a \$63.2 million increase in the cost of power purchased from TVA. In April the region was struck with deadly two-day storm damage as a result of over 300 tornadoes. EPB incurred additional costs of \$28.0 million as a result, reported as a special item, and recorded \$19.6 million of grant revenue from FEMA. This left \$8.4 million of unreimbursed storm costs.

Total net assets of EPB decreased \$16.5 million to \$247.6 million, a decrease of 6.2 percent. Net assets invested in capital increased by \$13.5 million to \$302.3 million leaving a deficit of \$54.7 million to finance day-to-day operations (unrestricted net assets) because of heavy investment in infrastructure. Unrestricted net assets decreased \$30.0 million due mainly to unreimbursed storm damage and high capital spending.

**Interceptor Sewer System** -- Net assets of the Interceptor Sewer System increased \$1.3 million, 0.5 percent, to \$255.6 million.

Operating revenues rose \$660,000 or 1.4 percent while operating expenses increased \$3.5 million or 8.4 percent. The major change in expenses was a \$1.4 million increase in depreciation expense as construction in progress was completed. Interest on debt, utility costs and chemicals also increased.

Unrestricted net assets (those available to finance on-going operations) increased \$3.4 million or 10.5 percent to \$35.5 million. An additional \$6.3 million is restricted for future capital spending.

**Solid Waste** -- The City of Chattanooga operates a municipal solid waste landfill. In 1991 the Environmental Protection Agency (EPA) issued an unfunded Federal mandate establishing closure and post-closure care requirements for such landfills. As a result of an aggressive program to meet these requirements, the Solid Waste Fund remains in a negative net asset position. However during the current fiscal year net assets increased \$2.0 million following a continual improvement trend.

To date the City has accrued liabilities of \$9.2 million for closed landfills and \$284,000 for a newly opened area. The major customer of the landfill is the City itself; during the current fiscal year tipping fees from the City of Chattanooga were \$5.9 million, 93.6 percent of total tipping fees.

**Water Quality Management** -- The Water Quality Fund, established to comply with EPA guidelines, now has \$42.2 million in net assets, an increase of \$4.5 million, 11.9 percent, from last year.

The water quality fee structure was revised last year increasing rates 200 percent. This rate change, the first since the program began in 1994, was necessary to address increased environmental regulations imposed by the EPA. \$31.4 million of the net assets are invested in capital assets as a result of the aggressive capital campaign designed to continually improve drainage and discharge within the City. This is a \$2.3 million, 7.7 percent increase.

Net assets available to fund day-to-day operations (unrestricted) increased from \$8.2 million to \$8.9 million, an 8.5 percent increase.

**Housing Management** -- The Housing Management Fund reported \$839,000 in rental income, an increase of 2.8 percent from last year. During the same period operating expenses increased to \$1.0 million, a 12.6 percent increase due to capital outlay needs.

The fund ended the year with net assets of \$2.2 million, a decrease of \$217,000, or 8.9 percent. Almost all of the net assets are invested in capital leaving \$73,000 in net assets available to meet on-going operations.

## Financial Analysis of the City's Funds

As noted earlier, 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 and balances of spendable resources. The City's governmental funds reported a combined fund balance of \$94.2 million at the end of the fiscal year. 35.9 percent, of this amount, or \$33.9 million, is available for day-to-day operations (unassigned fund balance).

The City's governmental funds fund balances decreased \$1.3 million, 1.3 percent, from last year. This decrease was all in the capital projects fund. Individual fund types are discussed below.

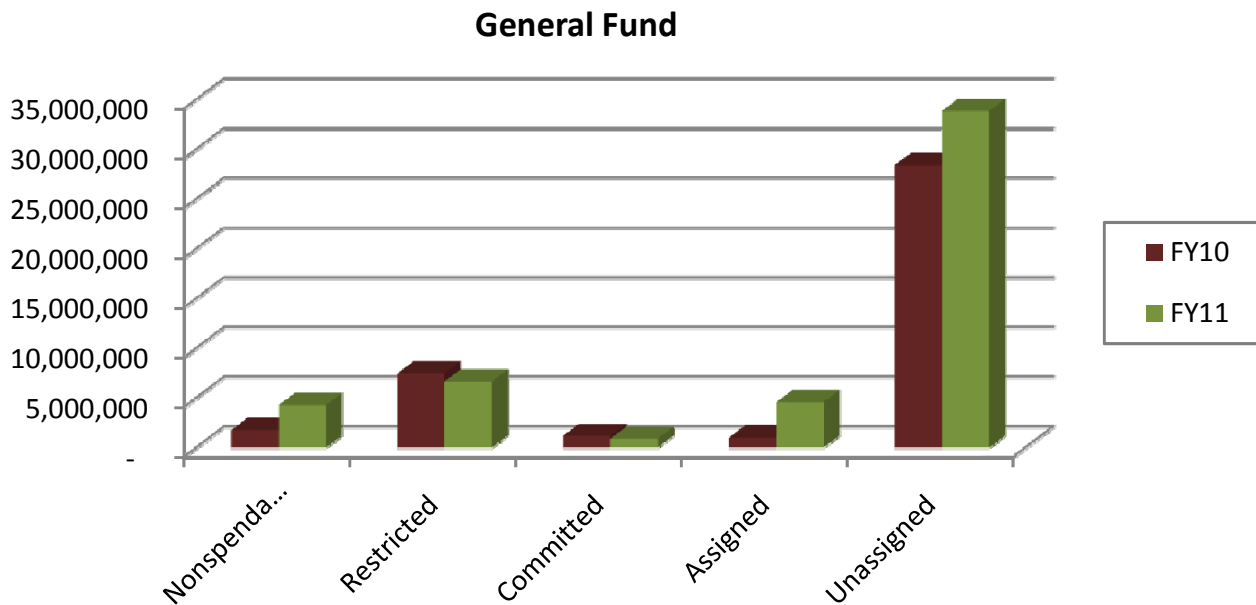
- Fund balance in the General Fund increased \$10.5 million or 26.2 percent. The City Council approved a 37 cent, 19 percent, increase in the property tax rate effective fiscal year 2011. This increase, the first in nine years. There was a \$5.2 million decrease in funding to the IDB as the local match for the Volkswagen manufacturing facility was fully paid. These were offset by an additional \$3.7 million for retiree health, \$2.6 million in fleet costs, \$1.6 million in sworn personnel salaries, \$1.5 million in



sworn personnel pension contributions and \$1.4 million increase in CDRC lease payments since there was no TDZ incremental tax available for the year.

- Capital projects fund balance decreased \$13.4 million, 36.3 percent. Capital expenditures were all financed through reserves for the year with no new bonds issued.
- Fund balance in the other governmental funds increased \$1.7 million, 8.8 percent. The Hotel/Motel Tax Fund, which pays the 21st Century Waterfront debt service, increased almost \$1.0 million. The new Tennessee Valley Regional Communications System Fund, which allows first responders to communicate on a common platform within eighteen counties in Tennessee and Georgia, added \$172,000 to fund balance in its first year of operations.
- All of the governmental funds reported a positive ending fund balance. Information about each major governmental fund is presented below.

**General Fund** -- This is the chief operating fund of the City. Total fund balance of the General Fund increased by 26.2 percent or \$10.5 million to \$50.3 million during the fiscal year. Unassigned fund balance was \$33.9 million, an increase of \$5.4 million, 19.2 percent.



Total revenues increased \$16.7 million, 8.7 percent, from the prior year. The net increase is primarily comprised of an \$18.2 million increase in tax revenue, a \$667,000 decrease in charges for services and a \$600,000 decrease in fines. Each of these will be covered individually in the revenue discussion which follows.

- During the current fiscal year property tax, along with payments in lieu of tax, increased \$17.6 million, 18.1 percent over last year. Gross receipts taxes increased 17.1 percent, \$647,000.
- Licenses and permits were \$142,000, 2.9 percent, lower. Construction related permits increased approximately \$240,000, 12.0 percent, from the prior year while zoo admissions were down \$398,000 as the City transitioned to an operating lease with Friends of the Zoo after the first quarter of the year.
- Intergovernmental revenues decreased \$301,000 or 0.5 percent over the prior year. The driving force behind this was a \$5.7 million decrease in a Public Safety Interoperable Communications grant which was completed during the fiscal year; the major increase in grant revenue is \$1.3 million for a

Chattanooga Regional Intelligent Transportation System Congestion Management Air Quality (CMAQ) grant. Intergovernmental revenue includes \$1.2 million for various federal programs including central business district signal upgrades, brownfields, and sustainability projects. Intergovernmental revenue also has \$1.0 million in FEMA revenue accrued through June 30 for tornado damage. State sales tax increased \$453,000, 4.6 percent while local sales tax increased \$1.8 million, 5.1 percent. The TDZ incremental sales tax was zero from \$2.4 million the prior year; fiscal year 2010 included incremental tax revenue generated in the zone from the “cash for clunkers” program.

- Charges for services decreased 12.0 percent or \$667,000. The largest decrease, \$280,000, is an accounting shift of the city’s mobile communications shop to the new interoperable communication system as a special revenue fund beginning in fiscal year 2011. Other decreases included \$247,000 in court costs as fewer citations were written and a \$128,500 decrease in civic facilities as a result of the community theatre being closed for renovations.
- Fines, Forfeitures and Penalties were down \$600,000 or 18.4 percent. The city has placed an increased emphasis on safety through automated enforcement efforts. However during the year the current provider was acquired, losing \$326,000 of revenue during the transition.
- Interest income decreased \$4,000, 0.7 percent, due to the continued stressed interest rate environment.

Total expenditures increased \$4.5 million, 2.6 percent, from the previous year. The City of Chattanooga began funding the OPEB trust based on the annual required contribution (ARC) during fiscal year 2011. The General Fund paid \$5.6 million in retiree health costs in fiscal year 2010 but paid \$9.3 million in fiscal year 2011 as a percentage of payroll costs; this resulted in a \$3.7 million increase in expenditures for General Fund. Other major changes during the fiscal year were not appropriating \$5.2 million to the IDB, a \$2.6 million increase in the fleet leasing costs as a result of reinstating the full capital component of the lease rate, and \$1.5 million increase in the Fire and Police Pension contribution. Individual department expenditures will be discussed below.

- The largest departmental change was a \$15.9 million, 27.2 percent, decrease in General Government. There was a \$5.6 million decrease in retiree health care paid by the Personnel division as a result of a change in the method of funding retiree health care (OPEB). The \$5.2 million prior year IDB appropriation was from General Government. There was a \$1.5 million saving in the premium for the City’s self-funded liability insurance plan.
- Expenditures for Public Safety increased \$11.9 million, 16.8 percent. \$7.4 million was the annual required contribution for OPEB, \$1.5 million was the restored fleet leasing program, \$1.6 million was an increase in salaries (largely due to opening a new fire station) and \$1.5 million of increased pension contributions.
- Public Works expenditures increased 26.7 percent, \$7.4 million. \$1.2 million was grant funded construction of the CMAQ project and \$1.5 million was ARRA funded road projects. Public works incurred approximately \$1.0 million in tornado related costs paid prior to June 30 with additional costs encumbered at year-end. The OPEB contribution increased \$644,000 and fleet leasing costs increased \$906,000.
- Expenditures for Parks, Recreation, Education, Arts and Culture increased 6.0 percent, \$1.0 million. Almost one-half of this, \$463,000, was attributable to their OPEB contribution.

**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 \$23.4 million in fund balance; of that amount \$1.9 million is nonspendable for long-term note receivables leaving \$21.5 million restricted for completion of capital projects. Fund balance for this fund

fluctuates from year to year based on debt issued and expenditures for projects; new debt increases fund balance while construction decreases it. For fiscal year 2011 there was a \$13.4 million decrease in fund balance. Analysis of project income and expenditures follows.

Project inflows for the year of \$11.4 million include \$7.1 million in intergovernmental revenue, contributions, interest, note proceeds and sale of property. Transfers in include \$3.5 million of General Fund appropriation (including \$2.1 million of economic development money) and \$672,000 transferred from special revenue funds. A \$130,000 land note was issued during the year.

Current year expenditures and transfers out of \$24.7 million include \$2.4 million for the mesh network (which recently won the “Coolest Broadband Community App” from the Intelligent Community Forum), \$1.4 million for the completion of the newly opened South Chickamauga Creek Greenway, over \$8.1 million for road and sidewalk projects, \$1.9 million for completion of a new fire station, \$1.3 million toward an environmental impact study for a high-speed train between Chattanooga and Atlanta, \$1.3 million in safety equipment, and \$1.2 million for other parks and greenways.

**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 \$563.7 million. \$576.7 million is invested in capital assets with an additional \$18.1 million restricted for future use, leaving a deficit of \$31.1 million available to meet on-going obligations.

**Enterprise Funds** -- Total net assets of the enterprise funds fell \$8.9 million, 1.6 percent. As previously stated, EPB is heavily investing in infrastructure resulting in a reallocation of net assets from unrestricted to invested in capital leaving the combined enterprise funds with a \$43.5 million deficit in unrestricted net assets. Factors concerning the finances of the enterprise funds have already been addressed in the discussion of the City’s business-type activities.

**Internal Service Funds** -- The internal service fund serves City government by providing fuel, vehicle maintenance, fleet leasing and by accounting for the City’s self-insurance program. Fund balance for this fund increased \$3.6 million, 20.7 percent. The fleet leasing program was able to reinstate the capital component of the lease rate in fiscal year 2011 which added \$1.4 million to net assets for future fleet purchases. Additionally the liability insurance premiums paid to the fund were in excess of claims paid during the year by \$1.4 million. Because the internal service fund primarily serves the governmental funds, its information is included in governmental activities in the government-wide financial statements.

## General Fund Budgetary Highlights

### Original and Final Budgeted Amounts

The City’s budget ordinance provides for the basic functions of City government, encompassing all major departments and appropriations to agencies of the City. The budget ordinance authorizes the City Finance Officer to make reallocations within General Fund between original and final budgets. During 2011 the budget was amended to increase capital funding by \$1.6 million as well as amend budgets for public works and office of sustainability special programs.

## Final Budgeted and Actual Amounts

When comparing final budgeted revenues to actual, there was a \$5.8 million surplus for the year.

- Total tax collections for the year fell short of budget expectations by \$438,500 or 0.3 percent. Current property tax was \$2.7 million, 2.42 percent, below budget while payments in lieu of tax were \$0.9 million, 22.1 percent, above budget. Gross receipts were \$1.0 million, or 30.4 percent, above budget.
- Licenses and permits were \$299,000 or 5.9 percent below budget primarily due to over estimating building permits.
- The largest variance is in intergovernmental revenue which was \$6.1 million or 10.7 percent more than budget. \$1.2 million was accrued as FEMA revenue resulting from a series of tornados for which there was no budget. State allocation of income tax was \$1.2 million, 80.9 percent, over budget and sales tax was \$2.5 million or 7.1 percent, over budget.
- Charges for services were \$62,000 under budget, 1.3 percent. Court costs were under budget by 16.5 percent, \$214,000, due to a lower number of citations written than in the prior year. Civic facility revenue was budgeted lower because of the remodeling of the community theatre; they came in \$106,000, 36.4 percent, over budget.
- Fines and forfeitures were \$110,000 or 3.9 percent below estimates also as a result of fewer citations.
- Investment income, in undesignated General Fund, was \$122,000 or 24.8 percent, over expectations. Miscellaneous revenue, which fluctuates from year to year, was \$441,000, 13.8 percent, above budget.

Expenditures were less than budgetary estimates by \$10.8 million. \$3.2 million of the savings was in personnel costs. Other savings include \$1.3 million in lease payments for the Southside capital lease, decrease in vehicle repairs resulting from the fleet lease programs of \$1.1 million, on-the-job injury savings of \$0.8 million resulting from the on-site clinics, and savings of liability insurance fund premiums of \$0.6 million.

The General Fund budget anticipated use of \$6.0 million of fund balance during the year for capital. For the fiscal year \$10.5 million was added to fund balance.

# Capital Asset and Debt Administration

## Capital Assets

At the end of this year, the City had \$2.4 billion invested in capital assets (net of accumulated depreciation), an increase of \$42.4 million or 1.8 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.

Major capital asset changes are as follows.

- Land includes the addition of \$1.1 million in donated roadbeds and \$0.6 million for a new fire station. \$1.4 million was sold at Enterprise South Industrial Park for continued economic expansion.
- Construction-in-progress additions include \$2.4 million for the wireless mesh network, \$2.0 million for Hamill Road Improvements, \$1.4 million for computer hydraulic modeling, \$1.3 million for the Intelligent Traffic System, \$1.3 million for a pump station at Airport Road and \$1.2 million for

## City of Chattanooga's Capital Assets

(net of depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Non-depreciable:</b>						
Land & Easements	\$ 1,035,729	\$ 1,034,885	\$ 17,147	\$ 17,055	\$ 1,052,876	\$ 1,051,940
Construction in progress	29,131	14,237	50,449	64,428	79,580	78,665
<b>Depreciable:</b>						
Buildings & Improvements	123,686	130,923	81,805	81,769	205,491	212,692
Vehicles & Machinery	35,344	37,207	147,347	94,962	182,691	132,169
Infrastructure	305,926	329,934	576,163	554,944	882,089	884,878
Total	<u>\$ 1,529,816</u>	<u>\$ 1,547,186</u>	<u>\$ 872,911</u>	<u>\$ 813,158</u>	<u>\$ 2,402,727</u>	<u>\$ 2,360,344</u>

Discovery Drive at Enterprise South. The completed oxygen plant was moved to infrastructure at a cost of \$4.9 million.

- A building was purchased for \$0.4 million for the Eastgate Library branch; \$7.3 million in building depreciation expense was recorded.
- The increase in equipment includes \$4.4 million of new vehicles as part of the fleet leasing program in addition to \$0.6 million for the port security camera system. EPB added \$63.5 million of electric system equipment.
- Infrastructure decreased as there was slightly more depreciation expense than capitalized infrastructure. Major additions include \$7.2 million in sewer construction, \$4.9 million oxygen plant from CIP and over \$1.0 million in capitalized road improvements.

The capital budget for fiscal year 2012 includes \$55.7 million for the following capital projects: \$9.3 million for paving, street improvements and sidewalks; \$6.0 million toward the fleet leasing program; \$7.4 million for additions to a regional intelligent traffic system; \$3.5 million for a new health and wellness center; \$3.1 million for expansion and upgrade of the City's parks and park facilities; \$1.9 million for technology; \$6.0 million to close a landfill cell; and \$10.4 million for various interceptor sewer and water quality system upgrades. \$16.3 million in bonds and notes are anticipated to finance a portion of these projects.

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

# Debt Administration

At year-end the City had \$710.0 million in long-term debt outstanding. This is a \$14.5 million decrease, 2.0 percent, from last year. Detail is provided in the table and narrative that follow.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds (backed by the City)	\$ 165,969	\$ 176,064	\$ 62,441	\$ 72,481	\$ 228,410	\$ 248,545
Revenue bonds (backed by specific revenues)	-	-	282,680	285,390	282,680	285,390
Notes payable and other	28,548	31,266	66,591	52,675	95,139	83,941
Capital leases	103,678	106,532	96	123	103,774	106,655
<b>Total</b>	<b>\$ 298,195</b>	<b>\$ 313,862</b>	<b>\$ 411,808</b>	<b>\$ 410,669</b>	<b>\$ 710,003</b>	<b>\$ 724,531</b>

The City of Chattanooga maintains an “AA+” rating from Standard & Poor’s which and a “AA” rating from Fitch Investor’s Service for general obligation debt. City Charter limits the amount of net general obligation debt the 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 \$480.9 million. The City’s general obligation debt, net of self-supporting debt of \$133.4 million is well within that limit.

During the year the City issued the following new debt:

- Governmental activities entered into a \$130,000 land note for a park. No other governmental activity debt was issued.
- EPB secured a \$19.5 million bank note for the Fiber Optics division to repay the Electric division for an intercompany loan. This is reported as a business-type activity.

More detailed information about the City’s long-term liabilities is presented in the Note 10 to the financial statements.

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

The following factors were taken into account when adopting the General Fund budget for 2012:

- The City uses conservative forecasts for budgeting purposes. The primary source of funds remains

property taxes which are budgeted at 95 percent of the tax levy.

- Sales tax revenue is budgeted higher than 2011 by 37 percent primarily as a result of the expiration of a sales tax agreement with Hamilton County. Prior to 2012 over \$10 million of local option sales tax collected and due the City of Chattanooga went to Hamilton County based on a 1966 agreement to fund education and certain agencies. These taxes are included in the City's budget for 2012.
- Interest revenues are expected to decline.
- The 2012 operating budget reflects our continued efforts to maintain and preserve the level of high quality core services while at the same time maintain a reasonable cost to deliver those services. Specific challenges addressed include the ability to: continue to focus on providing police officers, firefighters, and support staff to keep our city safe and accommodate the growth of the City; provide positive alternatives to gang activities for youth by emphasizing youth development programs; resurface city streets by the implementation of the pavement management program; fully fund the vehicle lease program; continue to attract and maintain a competent, professional staff; maintain a high quality medical benefits program for employees and retirees; and fully fund pension and OPEB benefits.

Anticipated revenues in the General Fund budget are \$218.2 million, up 7.64 percent, from the 2011 budget. Other local tax revenue is up 8.71% mainly due to the renewal of the franchise tax agreement with Chattanooga Gas. The City allocation of state sales tax and local option sales tax collections are projected to increase by 7.48 percent and 9.48 percent, respectively. In addition, local option sales tax collections are projected to increase by an additional 39% due to the expiration of the sales tax agreement with Hamilton County. Interest earnings are estimated to decrease slightly due to historically low interest rates.

Budgeted expenditures are expected to increase by 7.1 percent from \$202.7 million to \$218.1 million. Salaries and fringe benefits are expected to increase by 8.3 percent. The fiscal year 2012 budget continues to maintain filled positions and while retaining thirty-three frozen vacant positions as a measure to lower cost. Appropriations, excluding other financing uses, are \$177,558,282, a 8.61% increase from the 2011 budget. Although increases are projected in all funds except Debt Service and Capital Project funds, most are attributable to the restoration of the majority of the previous year's frozen positions, funding for new positions, increased pension contributions, full funding of the annual required contribution for OPEB, full funding for operations cost for materials & supplies, purchased services, fuel, utility, general fund debt service and full funding of the fleet lease cost.

A modest increase in net assets for the City's business-type activities is expected during 2012.

# Financial Contacts

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

City of Chattanooga Finance Department

101 East 11th Street; Suite 101

Chattanooga, Tennessee 37402

(423) 757-5232

[www.chattanooga.gov](http://www.chattanooga.gov)

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

Chattanooga Metropolitan Airport Authority

1001 Airport Road, Suite 14, Chattanooga, TN 37421

CARTA

1617 Wilcox Boulevard, Chattanooga, TN 37406

The Chattanooga Downtown Redevelopment Corporation 101 East 11th Street

Suite 101, Chattanooga, Tennessee 37402



**CITY OF CHATTANOOGA, TENNESSEE**

**STATEMENT OF NET ASSETS**

**June 30, 2011**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 42,371,413	\$ 116,249,109	\$ 158,620,522	\$ 12,963,893
Investments	35,289,869	39,150,000	74,439,869	-
Receivables, net of allowance for uncollectibles	168,239,305	87,536,133	255,775,438	6,167,107
Net investment in capital lease	-	-	-	103,518,327
Internal balances	5,833,000	(5,833,000)	-	-
Due from component units	671,559	-	671,559	-
Deferred charges	2,007,940	6,324,536	8,332,476	1,448,266
Inventories	2,444,373	13,138,797	15,583,170	337,065
Prepaid items	9,000	10,555,055	10,564,055	461,946
Other assets	-	3,008,945	3,008,945	-
Restricted assets:				
Cash and cash equivalents	14,234,283	5,457,548	19,691,831	2,268,709
Investments	6,035,289	6,829,663	12,864,952	9,796,793
Endowment investments	3,191,837	-	3,191,837	-
Receivables	37,093	31,810	68,903	234,991
Net pension assets	5,687,114	-	5,687,114	-
Equity interest in joint venture	7,677,999	-	7,677,999	-
Land and other nondepreciable assets	1,064,860,155	67,596,252	1,132,456,407	28,554,452
Other capital assets, net of accumulated depreciation	464,955,515	805,315,299	1,270,270,814	80,937,515
<b>Total assets</b>	<b>1,823,545,744</b>	<b>1,155,360,147</b>	<b>2,978,905,891</b>	<b>246,689,064</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	23,546,172	123,382,314	146,928,486	6,173,799
Customer deposits	-	21,291,604	21,291,604	-
Deferred revenue	-	-	-	26,280
Due to primary government	-	-	-	671,559
Line of credit	-	-	-	500,000
Contracts payable	389,387	132,459	521,846	749,163
Unearned revenue	133,174,508	-	133,174,508	-
Net pension obligations	-	-	-	222,546
Other liabilities	-	27,297,914	27,297,914	-
Long-term liabilities:				
Due within one year	21,163,825	18,943,066	40,106,891	4,386,289
Due in more than one year	323,097,582	421,481,219	744,578,801	130,496,649
<b>Total liabilities</b>	<b>501,371,474</b>	<b>612,528,576</b>	<b>1,113,900,050</b>	<b>143,226,285</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,231,353,280	568,185,846	1,799,539,126	102,864,419
Restricted for:				
Capital projects	23,431,548	-	23,431,548	-
Debt service	-	-	-	9,194,411
Renewal and replacement	-	18,097,653	18,097,653	474,662
Permanent endowments:				
Expendable	3,725,007	-	3,725,007	-
Nonexpendable	10,900	-	10,900	-
Unrestricted	63,653,535	(43,451,928)	20,201,607	(9,069,053)
<b>Total net assets</b>	<b>\$ 1,322,174,270</b>	<b>\$ 542,831,571</b>	<b>\$ 1,865,005,841</b>	<b>\$103,464,439</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, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental activities:				
General government	\$ 63,957,991	\$ 10,434,649	\$ 8,876,414	\$ 573,157
Public safety	84,765,514	880,936	2,797,017	84,453
Public works	66,493,039	2,652,857	10,850,746	6,018,864
Parks, recreation, education, arts & culture	24,010,501	3,815,671	3,491,428	1,183,707
Social services	20,924,562	646,768	19,512,464	-
Interest on long-term debt	7,126,810	-	-	-
Total governmental activities	<u>267,278,417</u>	<u>18,430,881</u>	<u>45,528,069</u>	<u>7,860,181</u>
Business-type activities:				
Electric utility, including fiber optics	633,506,721	589,475,000	19,600,000	41,067,000
Sewer	47,790,192	48,702,486	-	-
Solid waste	5,037,895	6,597,533	206,864	-
Water quality management	10,003,657	14,292,397	176,449	-
Housing management	1,105,718	839,126	-	50,000
Total business-type activities	<u>697,444,183</u>	<u>659,906,542</u>	<u>19,983,313</u>	<u>41,117,000</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 964,722,600</u>	<u>\$ 678,337,423</u>	<u>\$ 65,511,382</u>	<u>\$ 48,977,181</u>
<b>COMPONENT UNITS</b>				
Airport authority	\$ 8,969,567	\$ 7,822,460	\$ -	\$ 9,063,696
Transportation authority	21,682,321	6,374,160	7,032,550	6,859,779
Downtown redevelopment	32,386,847	17,417,566	-	-
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 63,038,735</u>	<u>\$ 31,614,186</u>	<u>\$ 7,032,550</u>	<u>\$ 15,923,475</u>

General revenues:

Property taxes

Other taxes

Liquor and beer taxes

Hotel-Motel tax

Local gross receipts tax

Franchise taxes

Other taxes

Grants and contributions not allocated to specific programs:

County-wide sales taxes

City allocation of state sales taxes

City allocation of state income taxes

City allocation of other shared taxes

Unrestricted investment earnings

Miscellaneous

Gain on sale of capital assets

Transfers

Special item - tornado damage

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	
\$ (44,073,771)	\$ -	\$ (44,073,771)	\$ -
(81,003,108)	-	(81,003,108)	-
(46,970,572)	-	(46,970,572)	-
(15,519,695)	-	(15,519,695)	-
(765,330)	-	(765,330)	-
(7,126,810)	-	(7,126,810)	-
<u>(195,459,286)</u>	<u>-</u>	<u>(195,459,286)</u>	<u>-</u>
-	16,635,279	16,635,279	-
-	912,294	912,294	-
-	1,766,502	1,766,502	-
-	4,465,189	4,465,189	-
-	(216,592)	(216,592)	-
-	<u>23,562,672</u>	<u>23,562,672</u>	<u>-</u>
<u>(195,459,286)</u>	<u>23,562,672</u>	<u>(171,896,614)</u>	<u>-</u>
7,916,589	-	-	7,916,589
-	(1,415,832)	-	(1,415,832)
-	-	(14,969,281)	(14,969,281)
<u>7,916,589</u>	<u>(1,415,832)</u>	<u>(14,969,281)</u>	<u>(8,468,524)</u>
112,953,898	-	112,953,898	-
7,352,383	-	7,352,383	-
4,746,845	-	4,746,845	-
4,437,883	-	4,437,883	-
2,119,546	-	2,119,546	-
43,520	-	43,520	-
37,115,735	-	37,115,735	-
10,357,166	-	10,357,166	-
2,714,695	-	2,714,695	-
2,883,143	-	2,883,143	-
1,344,715	1,463,002	2,807,717	1,020,145
-	-	-	1,552,342
179,644	-	179,644	-
5,917,771	(5,917,771)	-	-
-	(28,000,000)	(28,000,000)	-
<u>192,166,944</u>	<u>(32,454,769)</u>	<u>159,712,175</u>	<u>2,572,487</u>
<u>(3,292,342)</u>	<u>(8,892,097)</u>	<u>(12,184,439)</u>	<u>(5,896,037)</u>
<u>1,325,466,612</u>	<u>551,723,668</u>	<u>1,877,190,280</u>	<u>109,360,476</u>
<u>\$ 1,322,174,270</u>	<u>\$ 542,831,571</u>	<u>\$ 1,865,005,841</u>	<u>\$ 103,464,439</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**June 30, 2011**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,793,495	\$ 16,734,687	\$ 15,777,789	\$ 37,305,971
Investments	35,286,676	5,585,362	3,644,957	44,516,995
Receivables, net of allowance for uncollectibles:				
Property taxes	115,637,320	-	-	115,637,320
Accounts receivable	5,898,791	62,093	969,359	6,930,243
Notes	3,454,573	1,943,088	15,554,498	20,952,159
Other	572,434	-	-	572,434
Due from other funds	-	482,713	389,171	871,884
Due from component units	294,599	376,960	-	671,559
Due from other governments	19,078,825	1,180,071	3,547,077	23,805,973
Inventories	823,802	-	-	823,802
Prepaid items	8,000	-	1,000	9,000
	<u>\$ 185,848,515</u>	<u>\$ 26,364,974</u>	<u>\$ 39,883,851</u>	<u>\$ 252,097,340</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 8,187,153	\$ 2,177,391	\$ 1,833,520	\$ 12,198,064
Due to other funds	-	389,171	482,713	871,884
Due to other governments	822,759	22,222	-	844,981
Deferred revenue	126,527,627	-	17,023,526	143,551,153
Contracts payable	30,847	344,642	13,898	389,387
	<u>135,568,386</u>	<u>2,933,426</u>	<u>19,353,657</u>	<u>157,855,469</u>
Fund Balances:				
Nonspendable	4,286,374	1,943,088	3,726,007	9,955,469
Restricted	6,658,785	21,488,460	9,401,888	37,549,133
Committed	898,772	-	7,063,311	7,962,083
Assigned	4,572,721	-	338,988	4,911,709
Unassigned	33,863,477	-	-	33,863,477
	<u>50,280,129</u>	<u>23,431,548</u>	<u>20,530,194</u>	<u>94,241,871</u>
Total liabilities and fund balances	<u>\$ 185,848,515</u>	<u>\$ 26,364,974</u>	<u>\$ 39,883,851</u>	<u>\$ 252,097,340</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, 2011**

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

Fund balances - total governmental funds	\$ 94,241,871
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	1,521,332,885
Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and are deferred in the funds.	10,376,646
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	5,833,000
The City's pension plans have been funded in excess of annual required contributions creating a net pension asset. This asset is not a currently available financial resource and is not reported in the funds.	5,687,114
The equity interest in the joint venture represents an interest in the capital assets of the joint venture. This interest is not a financial resource and is not reported in the funds.	7,677,999
The 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.	20,842,370
The City's other post-employment benefit plan has not been funded to meet annual required contributions. This accrued liability and the pollution remediation obligations are considered long-term obligations and are not reported in the funds.	(28,661,987)
Long-term liabilities are not due and payable in the current period and 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 due in one year and due in more than one year, are reported in the statement of net assets. This item consists of:	
General obligation serial bonds	\$ (165,968,711)
Add net deferred refunding, issue premiums and discounts	(267,182)
Less deferred issue costs	2,007,940
Notes payable	(28,547,881)
Capital leases	(103,678,615)
Compensated absences	(16,744,940)
Accrued interest payable	(1,956,239)
	<u>(315,155,628)</u>
Net assets of governmental activities	<u>\$ 1,322,174,270</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, 2011**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 128,739,188	\$ -	\$ 4,746,845	\$ 133,486,033
Licenses and permits	4,685,560	-	490,853	5,176,413
Intergovernmental	63,117,881	6,036,562	31,286,576	100,441,019
Charges for services	4,891,144	-	711,289	5,602,433
Fines, forfeitures and penalties	2,657,310	-	48,642	2,705,952
Investment income	655,298	134,691	686,513	1,476,502
Contributions and donations	140,710	813,817	254,286	1,208,813
Sale of property	59,771	114,756	52,475	227,002
Miscellaneous	3,405,068	7,755	1,173,446	4,586,269
Total revenues	<u>208,351,930</u>	<u>7,107,581</u>	<u>39,450,925</u>	<u>254,910,436</u>
<b>EXPENDITURES</b>				
Current:				
General government	38,832,779	-	11,724,562	50,557,341
Finance and administration	3,787,566	-	-	3,787,566
Public safety	82,875,183	-	463,112	83,338,295
Public works	35,035,739	-	4,224,891	39,260,630
Parks and recreation	15,685,436	-	-	15,685,436
Education, arts and culture	2,318,552	-	-	2,318,552
Social services	-	-	20,977,875	20,977,875
Capital outlay/capital assets	-	24,178,417	423,011	24,601,428
Debt service:				
Principal retirement	-	-	13,007,185	13,007,185
Interest and fiscal charges	-	-	7,211,011	7,211,011
Total expenditures	<u>178,535,255</u>	<u>24,178,417</u>	<u>58,031,647</u>	<u>260,745,319</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,816,675</u>	<u>(17,070,836)</u>	<u>(18,580,722)</u>	<u>(5,834,883)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,898,833	4,155,838	24,841,766	33,896,437
Transfers out	(24,264,872)	(571,104)	(4,608,690)	(29,444,666)
Notes issued	-	130,000	-	130,000
Extraordinary item	-	-	-	-
Total other financing sources (uses)	<u>(19,366,039)</u>	<u>3,714,734</u>	<u>20,233,076</u>	<u>4,581,771</u>
Net change in fund balances	10,450,636	(13,356,102)	1,652,354	(1,253,112)
FUND BALANCES, beginning	<u>39,829,493</u>	<u>36,787,650</u>	<u>18,877,840</u>	<u>95,494,983</u>
FUND BALANCES, ending	<u>\$ 50,280,129</u>	<u>\$ 23,431,548</u>	<u>\$ 20,530,194</u>	<u>\$ 94,241,871</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, 2011**

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

Net change in fund balances - total governmental funds		\$ (1,253,112)
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.		24,483,309
Depreciation expense on governmental capital assets are included in the governmental activities.		(42,384,326)
Contributions of capital assets are not reflected in the governmental funds but are reported in the statement of activities. This item consists primarily of streets contributed by developers.		2,995,400
The net effect of various transactions involving capital assets is to decrease net assets.		(2,925,213)
The loss of equity interest in joint venture is reported in the statement of activities. This loss does not use current financial resources and is not reflected in the governmental funds.		(24,878)
Proceeds of long-term debt (e.g., bonds, notes, etc.) 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 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; 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.		
Principal paid	\$13,007,184	
Payment of capital lease	2,789,754	
Note issued	(130,000)	
Amortization	(130,208)	
Change in accrued interest payable	<u>99,606</u>	15,636,336
Net revenues of the internal service fund are reported with governmental activities.		3,575,101
Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of:		
Change in personal leave liability	92,091	
Change in pension assets	(3,090,557)	
Change in OPEB and pollution remediation liability	<u>(30,535)</u>	(3,029,001)
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. This item consists of:		
Accrual of EPB PILOT for the next fiscal year	1,466,000	
Change in deferred revenue to earned revenue	<u>(1,831,958)</u>	<u>(365,958)</u>
Change in net assets of governmental activities		<u><u>\$ (3,292,342)</u></u>

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

**CITY OF CHATTANOOGA, TENNESSEE**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**Year Ended June 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 129,177,700	\$ 129,177,700	\$ 128,739,188	\$ (438,512)
Licenses and permits	4,984,149	4,984,149	4,685,560	(298,589)
Intergovernmental	58,184,528	56,989,755	63,117,881	6,128,126
Charges for services	4,953,180	4,953,180	4,891,144	(62,036)
Fines, forfeitures and penalties	2,767,800	2,767,800	2,657,310	(110,490)
Investment income	493,800	493,800	655,298	161,498
Miscellaneous	3,175,544	3,203,044	3,605,549	402,505
Total revenues	<u>203,736,701</u>	<u>202,569,428</u>	<u>208,351,930</u>	<u>5,782,502</u>
<b>EXPENDITURES</b>				
General government	37,562,870	35,382,398	31,186,718	(4,195,680)
Executive	1,377,748	1,377,748	1,214,574	(163,174)
Finance and administration	4,557,441	4,557,441	3,787,566	(769,875)
General services	3,255,256	3,255,256	2,857,239	(398,017)
Personnel	1,839,769	1,839,769	1,537,560	(302,209)
Neighborhood services	2,096,237	2,096,237	2,036,688	(59,549)
Police	49,490,534	49,490,534	48,991,740	(498,794)
Fire	34,459,215	34,459,215	33,883,443	(575,772)
Public works	38,432,635	38,416,818	35,035,739	(3,381,079)
Parks and recreation	16,095,796	16,097,063	15,685,436	(411,627)
Education, arts and culture	2,374,816	2,374,816	2,318,552	(56,264)
Total expenditures	<u>191,542,317</u>	<u>189,347,295</u>	<u>178,535,255</u>	<u>(10,812,040)</u>
Excess of revenues over expenditures	<u>12,194,384</u>	<u>13,222,133</u>	<u>29,816,675</u>	<u>16,594,542</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,821,843	4,984,405	4,898,833	(85,572)
Transfers out	(21,635,457)	(24,211,155)	(24,264,872)	(53,717)
Total other financing sources (uses)	<u>(16,813,614)</u>	<u>(19,096,750)</u>	<u>(19,366,039)</u>	<u>(269,289)</u>
Net change in fund balances	(4,619,230)	(5,874,617)	10,450,636	16,325,253
FUND BALANCES, beginning	<u>39,829,493</u>	<u>39,829,493</u>	<u>39,829,493</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 35,210,263</u>	<u>\$ 33,954,876</u>	<u>\$ 50,280,129</u>	<u>\$ 16,325,253</u>

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



CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2011

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund		
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Housing Management	Total	
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	\$ 99,294,000	\$ 2,941,448	\$ 3,053,611	\$ 10,877,326	\$ 82,724	\$ 116,249,109	\$ 19,299,725
Investments	5,105,000	34,045,000	-	-	-	39,150,000	-
Receivables							
Customer service	52,097,000	5,094,834	45,743	2,007,759	-	59,245,336	321,504
Other	-	56,581	-	-	6,688	63,269	-
Less allowance for doubtful accounts	(1,501,000)	(500)	(100)	(1,051,879)	-	(2,553,479)	-
Inventories	12,523,000	615,797	-	-	-	13,138,797	1,620,571
Prepaid items	10,555,055	-	-	-	-	10,555,055	-
Due from other governments	28,798,000	1,703,507	104,051	175,449	-	30,781,007	56,766
Other current assets	2,216,945	-	-	-	-	2,216,945	-
<b>Total current assets</b>	<b>209,088,000</b>	<b>44,456,667</b>	<b>3,203,305</b>	<b>12,008,655</b>	<b>89,412</b>	<b>268,846,039</b>	<b>21,298,566</b>
<b>NONCURRENT ASSETS</b>							
Restricted assets:							
Cash and cash equivalents	-	-	5,421,399	-	36,149	5,457,548	-
Investments	-	1,626,691	5,202,972	-	-	6,829,663	-
Accounts receivable	-	6,360	25,450	-	-	31,810	-
<b>Total restricted assets</b>	<b>-</b>	<b>1,633,051</b>	<b>10,649,821</b>	<b>-</b>	<b>36,149</b>	<b>12,319,021</b>	<b>-</b>
Capital assets:							
Land	5,647,000	8,089,399	1,517,514	1,865,986	27,000	17,146,899	-
Construction in progress	41,971,000	7,044,566	-	1,433,787	-	50,449,353	-
Buildings	56,490,000	54,222,398	1,850,258	10,601,459	6,804,461	129,968,576	627,799
Equipment	154,687,000	30,962,063	3,798,861	1,140,836	9,420	190,598,180	1,658,078
Vehicles	-	3,201,221	1,336,311	1,765,917	-	6,303,449	14,666,205
Infrastructure	510,038,000	415,978,366	9,520,509	36,600,744	-	972,137,619	-
	768,833,000	519,498,013	18,023,453	53,408,729	6,840,881	1,366,604,076	16,952,082
Less accumulated depreciation	(246,676,000)	(224,107,618)	(7,283,897)	(13,319,594)	(2,305,416)	(493,692,525)	(8,469,298)
<b>Net capital assets</b>	<b>522,157,000</b>	<b>295,390,395</b>	<b>10,739,556</b>	<b>40,089,135</b>	<b>4,535,465</b>	<b>872,911,551</b>	<b>8,482,784</b>
Other assets:							
Deferred charges	5,382,000	605,829	237,910	98,797	-	6,324,536	-
Discounted energy units	792,000	-	-	-	-	792,000	-
<b>Total other assets</b>	<b>6,174,000</b>	<b>605,829</b>	<b>237,910</b>	<b>98,797</b>	<b>-</b>	<b>7,116,536</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>528,331,000</b>	<b>297,629,275</b>	<b>21,627,287</b>	<b>40,187,932</b>	<b>4,571,614</b>	<b>892,347,108</b>	<b>8,482,784</b>
<b>Total assets</b>	<b>\$ 737,419,000</b>	<b>\$ 342,085,942</b>	<b>\$ 24,830,592</b>	<b>\$ 52,196,587</b>	<b>\$ 4,661,026</b>	<b>\$ 1,161,193,147</b>	<b>\$ 29,781,350</b>

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2011

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund		
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Housing Management	Total	
(Continued from previous page)							
LIABILITIES							
CURRENT LIABILITIES							
Current maturities of long-term liabilities	\$ 6,412,000	\$ 9,180,869	\$ 2,108,992	\$ 1,241,206	\$ -	\$ 18,943,067	\$ 144,790
Accounts payable and accrued liabilities	124,736,000	3,364,401	380,669	717,110	17,134	129,215,314	680,856
Accrued claims	-	-	-	-	-	-	7,866,034
Customer deposits	2,601,000	-	-	-	35,604	2,636,604	-
Contracts payable	-	104,498	-	27,961	-	132,459	-
Other current liabilities	13,250,000	-	-	-	110,344	13,360,344	-
Total current liabilities	<u>146,999,000</u>	<u>12,649,768</u>	<u>2,489,661</u>	<u>1,986,277</u>	<u>163,082</u>	<u>164,287,788</u>	<u>8,691,680</u>
LONG-TERM LIABILITIES							
Notes, capital leases and other obligations	15,245,000	43,743,065	658,281	129,208	-	59,775,554	-
Compensated absences	608,000	443,439	35,225	263,615	-	1,350,279	247,300
Customer deposits	18,655,000	-	-	-	-	18,655,000	-
Accrued closure and postclosure care	-	-	8,917,291	-	-	8,917,291	-
Revenue bonds payable	279,930,000	-	-	-	-	279,930,000	-
Original issue premium	7,922,000	-	-	-	-	7,922,000	-
General obligation bonds payable	-	29,633,264	17,180,490	7,528,436	-	54,342,190	-
Original issue premium	-	1,380,522	787,532	430,995	-	2,599,049	-
Deferred refunding	-	(1,361,477)	(512,042)	(311,626)	-	(2,185,145)	-
Other noncurrent liabilities	11,648,000	-	-	-	2,289,570	13,937,570	-
Accrued postemployment benefits	8,830,000	-	-	-	-	8,830,000	-
Total long-term liabilities	<u>342,838,000</u>	<u>73,838,813</u>	<u>27,066,777</u>	<u>8,040,628</u>	<u>2,289,570</u>	<u>454,073,788</u>	<u>247,300</u>
Total liabilities	<u>489,837,000</u>	<u>86,488,581</u>	<u>29,556,438</u>	<u>10,026,905</u>	<u>2,452,652</u>	<u>618,361,576</u>	<u>8,938,980</u>
NET ASSETS (DEFICIT)							
Invested in capital assets, net of related debt	302,327,000	213,768,389	18,521,246	31,433,659	2,135,552	568,185,846	8,482,784
Restricted for renewal and replacement	-	6,319,959	9,904,642	1,873,052	-	18,097,653	-
Unrestricted	(54,745,000)	35,509,013	(33,151,734)	8,862,971	72,822	(43,451,928)	12,359,586
Total net assets (deficit)	<u>\$ 247,582,000</u>	<u>\$ 255,597,361</u>	<u>\$ (4,725,846)</u>	<u>\$ 42,169,682</u>	<u>\$ 2,208,374</u>	<u>\$ 542,831,571</u>	<u>\$ 20,842,370</u>

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

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS

Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund		
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Housing Management	Total	
<b>OPERATING REVENUES</b>							
Charges for sales and services							
Electric sales	\$ 535,582,000	\$ -	\$ -	\$ -	\$ -	\$ 535,582,000	\$ -
Fiber optic revenues	40,709,000	-	-	-	-	40,709,000	-
Sewer charges	-	48,083,478	-	-	-	48,083,478	-
Waste disposal fees	-	-	6,557,136	-	-	6,557,136	-
Water quality fees	-	-	-	14,291,832	-	14,291,832	-
Property rental	-	-	-	-	817,042	817,042	-
Other services	13,184,000	-	-	-	22,084	13,206,084	-
Other	-	619,008	247,261	177,014	-	1,043,283	46,030,838
Total operating revenues	<u>589,475,000</u>	<u>48,702,486</u>	<u>6,804,397</u>	<u>14,468,846</u>	<u>839,126</u>	<u>660,289,855</u>	<u>46,030,838</u>
<b>OPERATING EXPENSES</b>							
Power purchases	453,780,000	-	-	-	-	453,780,000	-
Other electric operations	57,147,000	-	-	-	-	57,147,000	-
Fiber optic operations	27,558,000	-	-	-	-	27,558,000	-
Sewer plant operations	-	30,214,431	-	-	-	30,214,431	-
Waste disposal operations	-	-	3,163,008	-	-	3,163,008	-
Closure/postclosure costs	-	-	283,572	-	-	283,572	-
Water quality operations	-	-	-	8,492,623	-	8,492,623	-
Housing operations	-	-	-	-	780,939	780,939	-
Fleet operations	-	-	-	-	-	-	12,044,467
Liability insurance	-	-	-	-	-	-	567,637
Health services	-	-	-	-	-	-	27,699,625
Depreciation	34,249,000	14,360,784	564,339	1,090,771	245,401	50,510,295	2,340,444
Other	9,401,000	-	27,959	-	-	9,428,959	-
Total operating expenses	<u>582,135,000</u>	<u>44,575,215</u>	<u>4,038,878</u>	<u>9,583,394</u>	<u>1,026,340</u>	<u>641,358,827</u>	<u>42,652,174</u>
<b>OPERATING INCOME (LOSS)</b>	<u>7,340,000</u>	<u>4,127,271</u>	<u>2,765,519</u>	<u>4,885,452</u>	<u>(187,214)</u>	<u>18,931,028</u>	<u>3,378,664</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Investment income	1,035,000	363,640	64,362	-	-	1,463,002	-
Interest expense	(10,691,000)	(3,214,977)	(905,632)	(431,513)	(80,412)	(15,323,534)	-
Other income (expense)	(22,546,721)	-	(93,385)	11,250	1,034	(22,627,822)	139,083
Total nonoperating revenues (expenses)	<u>(32,202,721)</u>	<u>(2,851,337)</u>	<u>(934,655)</u>	<u>(420,263)</u>	<u>(79,378)</u>	<u>(36,488,354)</u>	<u>139,083</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEM</b>	<u>(24,862,721)</u>	<u>1,275,934</u>	<u>1,830,864</u>	<u>4,465,189</u>	<u>(266,592)</u>	<u>(17,557,326)</u>	<u>3,517,747</u>
Capital contributions	41,067,000	-	-	-	50,000	41,117,000	52,000
Transfers in	-	-	215,328	24,180	-	239,508	-
Transfers out	(4,691,279)	-	-	-	-	(4,691,279)	-
Special item - tornado damage	(28,000,000)	-	-	-	-	(28,000,000)	-
<b>CHANGE IN NET ASSETS</b>	<u>(16,487,000)</u>	<u>1,275,934</u>	<u>2,046,192</u>	<u>4,489,369</u>	<u>(216,592)</u>	<u>(8,892,097)</u>	<u>3,569,747</u>
<b>NET ASSETS (DEFICIT), beginning</b>	<u>264,069,000</u>	<u>254,321,427</u>	<u>(6,772,038)</u>	<u>37,680,313</u>	<u>2,424,966</u>	<u>551,723,668</u>	<u>17,272,623</u>
<b>NET ASSETS (DEFICIT), ending</b>	<u>\$ 247,582,000</u>	<u>\$ 255,597,361</u>	<u>\$ (4,725,846)</u>	<u>\$ 42,169,682</u>	<u>\$ 2,208,374</u>	<u>\$ 542,831,571</u>	<u>\$ 20,842,370</u>

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

**CITY OF CHATTANOOGA, TENNESSEE**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**Year Ended June 30, 2011**

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund		
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Housing Management	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers and users	\$563,708,000	\$47,208,150	\$6,604,070	\$14,122,209	\$839,332	\$632,481,761	\$8,644,154
Receipts from interfund services provided	-	-	-	-	-	-	37,518,442
Receipts from operating grants	18,889,000	-	151,584	-	-	19,040,584	-
Payments to suppliers	(517,922,000)	(22,543,654)	(3,102,964)	(6,081,346)	(784,752)	(550,434,716)	(39,465,193)
Payments to employees	(31,384,000)	(7,586,093)	(809,722)	(5,347,198)	-	(45,127,013)	(3,048,016)
Payments in lieu of taxes	(8,277,721)	-	-	-	-	(8,277,721)	-
Net cash from operating activities	25,013,279	17,078,403	2,842,968	2,693,665	54,580	47,682,895	3,649,387
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in	-	-	215,328	24,180	-	239,508	-
Transfers out	(4,691,279)	-	-	-	-	(4,691,279)	-
Net cash flows used in noncapital	(4,691,279)	-	215,328	24,180	-	(4,451,771)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Principal paid on capital debt	(3,303,000)	(7,972,785)	(2,782,575)	(1,824,499)	(77,794)	(15,960,653)	-
Interest paid on capital debt	(13,703,000)	(3,283,863)	(955,872)	(477,203)	(80,412)	(18,500,350)	-
Proceeds from capital debt	19,500,000	-	-	-	-	19,500,000	-
Capital grants and contributions	41,067,000	-	-	-	51,034	41,118,034	52,000
Additions to capital assts	(140,738,000)	(9,879,064)	(72,574)	(1,505,610)	-	(152,195,248)	(2,795,549)
Proceeds from the sale of capital assets	-	-	-	11,250	-	11,250	-
Net cash flows used in capital and related financing activities	(97,177,000)	(21,135,712)	(3,811,021)	(3,796,062)	(107,172)	(126,026,967)	(2,743,549)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of investments	-	(61,641,960)	(2,839,968)	-	-	(64,481,928)	-
Proceeds from sales and maturities of investments	32,051,000	60,381,861	4,585,410	-	-	97,018,271	-
Interest	1,159,000	326,099	48,501	-	-	1,533,600	-
Net cash flows from investing activities	33,210,000	(934,000)	1,793,943	-	-	34,069,943	-
Net increase (decrease) in cash and cash equivalents	(43,645,000)	(4,991,309)	1,041,218	(1,078,217)	(52,592)	(48,725,900)	905,838
Cash and cash equivalents, beginning of year	142,939,000	7,932,757	7,433,792	11,955,543	171,465	170,432,557	18,393,884
Cash and cash equivalents, end of year	<u>\$ 99,294,000</u>	<u>\$ 2,941,448</u>	<u>\$ 8,475,010</u>	<u>\$10,877,326</u>	<u>\$ 118,873</u>	<u>\$121,706,657</u>	<u>\$ 19,299,725</u>
<b>CLASSIFIED AS:</b>							
Current assets	\$ 99,294,000	\$ 2,941,448	\$ 3,053,611	\$10,877,326	\$ 82,724	\$116,249,109	\$ 19,299,725
Restricted assets	-	-	5,421,399	-	36,149	5,457,548	-
	<u>\$ 99,294,000</u>	<u>\$ 2,941,448</u>	<u>\$ 8,475,010</u>	<u>\$10,877,326</u>	<u>\$ 118,873</u>	<u>\$121,706,657</u>	<u>\$ 19,299,725</u>

(Continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**Year Ended June 30, 2011**

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds				Other Fund		
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Housing Management	Total	

(Continued from previous page)

**RECONCILIATION OF OPERATING INCOME  
(LOSS) TO NET CASH PROVIDED BY  
OPERATING ACTIVITIES**

OPERATING INCOME (LOSS)	\$ 7,340,000	\$ 4,127,271	\$ 2,765,519	\$ 4,885,452	\$ (187,214)	\$ 18,931,028	\$ 3,378,664
<b>ADJUSTMENTS NOT AFFECTING CASH</b>							
Depreciation and amortization	34,249,000	14,360,784	564,339	1,090,771	245,401	50,510,295	2,340,444
Miscellaneous nonoperating expenses	-	-	-	-	-	-	139,083
Provision for uncollectible accounts	-	259,727	(7,975)	282,154	-	533,906	-
(Increase) decrease in:							
Accounts receivable	4,098,000	(698,571)	54,909	(492,439)	206	2,962,105	131,280
Due from other funds	-	(1,055,492)	1,745	-	-	(1,053,747)	(47)
Due from other governments	(20,921,000)	-	(55,280)	(175,449)	-	(21,151,729)	-
Inventory	(1,796,000)	(184,631)	-	-	-	(1,980,631)	(249,455)
Prepaid Items	(7,380,055)	-	-	-	-	(7,380,055)	-
Deferred charges	540,000	91,338	-	-	-	631,338	-
Increase (decrease) in:							
Accounts payable	9,554,279	534,160	(34,265)	(2,936,921)	(3,813)	7,113,440	12,685,060
Accrued claims	-	(370,592)	-	-	-	(370,592)	-
Claims liabilities	-	-	-	-	-	-	(14,807,322)
Other assets/liabilities	(670,945)	20,151	(444,324)	-	-	(1,095,118)	-
Compensated absences	-	(5,742)	(1,700)	40,097	-	32,655	31,680
Total adjustments	17,673,279	12,951,132	77,449	(2,191,787)	241,794	28,751,867	270,723
Net cash from operating activities	\$ 25,013,279	\$ 17,078,403	\$ 2,842,968	\$ 2,693,665	\$ 54,580	\$ 47,682,895	\$ 3,649,387

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

**CITY OF CHATTANOOGA, TENNESSEE**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

**June 30, 2011**

	Other Postemployment Benefits Trust Fund	Pension Trust Fund	Agency Fund
<b>ASSETS</b>			
Cash	\$ -	\$ -	\$ (7,842,433)
Investments:			
U.S. Government securities	-	432,110	-
Corporate bonds and notes	-	9,694,918	-
Preferred/convertible securities	-	5,116,714	-
Pooled, common & collective funds	-	21,840,000	-
Corporate stocks	2,788,316	131,440,819	-
Mutual funds - equity	3,792,369	104,698,148	-
Mutual funds - fixed income	5,166,938	52,647,474	-
Mutual funds - international equity	2,188,552	-	-
Temporary investments	3,265,126	8,665,492	-
Limited partnerships	-	83,278,617	-
Other investments	-	15,900,318	-
Receivables:			
Accrued income	1,447	-	-
Due from plan custodian	94,522	378,016	7,842,433
Total assets	<u>17,297,270</u>	<u>434,092,626</u>	<u>-</u>
<b>LIABILITIES</b>			
Due to plan custodian	<u>-</u>	<u>20,188</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>20,188</u>	<u>-</u>
<b>NET ASSETS</b>			
Held in trust for pension and other postemployment benefits	<u>\$ 17,297,270</u>	<u>\$ 434,072,438</u>	<u>\$ -</u>

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

**CITY OF CHATTANOOGA, TENNESSEE**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

**Year Ended June 30, 2011**

	Other Postemployment Benefits Trust Fund	Pension Trust Fund
	<u>                    </u>	<u>                    </u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 8,064,522	\$ 14,044,708
Employee	-	4,277,012
	<u>                    </u>	<u>                    </u>
Total Contributions	8,064,522	18,321,720
	<u>                    </u>	<u>                    </u>
Investment income:		
Net appreciation (depreciation) in fair market value of investments	1,498,590	69,677,820
Interest	30,435	3,760,932
Dividends	-	4,824,426
	<u>                    </u>	<u>                    </u>
	1,529,025	78,263,178
	<u>                    </u>	<u>                    </u>
Less investment expense	(41,568)	(1,105,447)
	<u>                    </u>	<u>                    </u>
Net investment income (loss)	1,487,457	77,157,731
	<u>                    </u>	<u>                    </u>
Total additions	9,551,979	95,479,451
	<u>                    </u>	<u>                    </u>
<b>DEDUCTIONS</b>		
Benefits paid to participants	-	35,372,643
Administrative expenses	-	853,771
Total deductions	<u>                    </u>	<u>                    </u>
	-	36,226,414
	<u>                    </u>	<u>                    </u>
<b>CHANGE IN NET ASSETS</b>	9,551,979	59,253,037
Net assets, beginning	7,745,291	374,819,401
	<u>                    </u>	<u>                    </u>
Net assets, ending	\$ 17,297,270	\$ 434,072,438
	<u>                    </u>	<u>                    </u>

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

**CITY OF CHATTANOOGA, TENNESSEE**

**COMBINING STATEMENT OF NET ASSETS  
COMPONENT UNITS**

**June 30, 2011**

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,274,749	\$ 1,216,550	\$ 3,472,594	\$ 12,963,893
Accounts receivable	3,220,184	1,525,649	1,421,274	6,167,107
Net investment in capital lease	-	-	103,518,327	103,518,327
Deferred charges	23,401	-	1,424,865	1,448,266
Inventories	-	193,496	143,569	337,065
Prepaid items	104,895	214,098	142,953	461,946
Restricted assets:				
Cash and cash equivalents	2,268,709	-	-	2,268,709
Investments	-	-	9,796,793	9,796,793
Receivables	234,991	-	-	234,991
Land and other nondepreciable assets	25,221,732	3,258,047	-	28,479,779
Other capital assets, net of accumulated depreciation	54,613,152	24,017,858	2,381,178	81,012,188
<b>Total assets</b>	<b>93,961,813</b>	<b>30,425,698</b>	<b>122,301,553</b>	<b>246,689,064</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	1,141,345	2,061,227	2,971,227	6,173,799
Deferred revenue	26,280	-	-	26,280
Contracts payable	749,163	-	-	749,163
Due to primary government	-	671,559	-	671,559
Line of credit	-	500,000	-	500,000
Net pension obligations	-	222,546	-	222,546
Revenue bonds payable	5,955,989	-	122,835,000	128,790,989
Original issue premium (discount)	-	-	9,186,569	9,186,569
Deferred refunding	-	-	(3,094,620)	(3,094,620)
<b>Total liabilities</b>	<b>7,872,777</b>	<b>3,455,332</b>	<b>131,898,176</b>	<b>143,226,285</b>
<b>NET ASSETS</b>				
Invested in capital assets (net of related debt)	73,878,895	26,604,346	2,381,178	102,864,419
Restricted for:				
Debt service	2,503,700	-	6,690,711	9,194,411
Renewal and replacement	-	-	474,662	474,662
Unrestricted	9,706,441	367,680	(19,143,174)	(9,069,053)
<b>Total net assets</b>	<b>\$ 86,089,036</b>	<b>\$ 26,972,026</b>	<b>\$ (9,596,623)</b>	<b>\$ 103,464,439</b>

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



**CITY OF CHATTANOOGA, TENNESSEE**

**COMBINING STATEMENT OF ACTIVITIES  
COMPONENT UNITS**

**June 30, 2011**

	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
<b>CHATTANOOGA METROPOLITAN AIRPORT AUTHORITY</b>								
Airport operations	\$ 8,969,567	\$ 7,822,460	\$ -	\$ 9,063,696	\$ 7,916,589	\$ -	\$ -	\$ 7,916,589
<b>CARTA</b>								
CARTA operations	21,682,321	6,374,160	7,032,550	6,859,779	-	(1,415,832)	-	(1,415,832)
<b>CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION</b>								
CDRC operations	32,386,847	17,417,566	-	-	-	-	(14,969,281)	(14,969,281)
Total component units	<u>\$ 63,038,735</u>	<u>\$ 31,614,186</u>	<u>\$ 7,032,550</u>	<u>\$ 15,923,475</u>	<u>7,916,589</u>	<u>(1,415,832)</u>	<u>(14,969,281)</u>	<u>(8,468,524)</u>
General revenues:								
Investment income					7,172	1,664	1,011,309	1,020,145
Miscellaneous					1,311,652	240,690	-	1,552,342
Total general revenues					1,318,824	242,354	1,011,309	2,572,487
CHANGE IN NET ASSETS					9,235,413	(1,173,478)	(13,957,972)	(5,896,037)
Net assets, beginning					76,853,623	28,145,504	4,361,349	109,360,476
Net assets, ending					<u>\$ 86,089,036</u>	<u>\$ 26,972,026</u>	<u>\$ (9,596,623)</u>	<u>\$ 103,464,439</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, 2011**

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# CITY OF CHATTANOOGA, TENNESSEE

## NOTES TO BASIC FINANCIAL STATEMENTS

**June 30, 2011**

### 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, 2011. 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 E. 11th Street, Suite 101  
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 convention center and parking garage that were financed by bonds issued by the Industrial Development Board of Chattanooga. The Carter Street Corporation is managing the convention center and parking garage under a management agreement. Additional information regarding the City's participation in this joint venture is disclosed in Note 14.

Related Organizations - City officials are also responsible for appointing the members of the boards of other related organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The Mayor or the City Council appoints the Board members of the Chattanooga Housing Authority, The Industrial Development Board of the City of Chattanooga, and The Health, Educational, and Housing Facility Board of the City of Chattanooga.

### **(C) Government-Wide and Fund Financial Statements**

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

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

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

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

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

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 or the Internal Service Fund. Revenues are derived primarily from the sale of general obligation bonds and notes, loans, intergovernmental revenues, and earnings on investments.

The City reports the following major enterprise funds:

**EPB Fund** - The EPB Fund accounts for the cost of providing electric utility and fiber optics service for the residential and commercial concerns of Chattanooga and Hamilton County, Tennessee.

**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 Fund accounts for the costs associated with the disposal of solid waste and recyclable materials.

**Water Quality Management Fund** - The Water Quality Management Fund accounts for costs associated with the City's water quality management program as mandated by the Environmental Protection Agency and the State of Tennessee.

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

**Agency Fund** - The Agency Fund accounts for resources held by the City as an agent for the Industrial Development Board in connection with the state and local incentives related to Volkswagen Group of America. The Agency Fund is custodial in nature and does not involve the measurement of results of operations.

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

(E) **Budget Policy and Budgetary Data**

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

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

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

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

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

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

The budgets are prepared on a basis consistent with generally accepted accounting principles. All unencumbered and unexpended appropriations lapse at the end of the fiscal year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized for budgetary accounting controls in the governmental funds. Encumbrances 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, 2011, several supplemental appropriations were necessary for capital purposes.

(F) Assets, Liabilities and Fund Equity

**(1) Cash and Cash Equivalents**

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

**(2) Investments**

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

**(3) Inventories and Prepaid Items**

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

**(4) Restricted Assets**

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

**(5) Capital Assets**

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at their estimated fair market value on the date contributed. Capital assets include public domain infrastructure assets consisting of roads, bridges, streets and sidewalks, sewers, lighting systems, and drainage systems. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (\$25,000 for infrastructure, \$15,000 for software) and an estimated useful life of three years or greater.

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

	<u>Useful Life</u>
Buildings	5 - 30 years
Vehicles and machinery	5 – 25 years
Improvements other than buildings	15 years
Sewer system	50 years
Solid waste system	30 years
Water quality management system	50 years
Communications system	5 – 30 years
Electric System	10 – 40 years
Public domain infrastructure	10 – 50 years

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

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

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

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

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

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

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

**(8) Fund Balance**

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

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

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



**Committed Fund Balance** - represents amounts that can only be used for specific purposes imposed by a formal action of the City's highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance. Committed amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Assigned Fund Balance** - represents amounts the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund. The City Finance Officer has been granted the ability to assign amounts to a specific purpose as part of the annual budget ordinance. Assigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Unassigned Fund Balance** - represents the residual classification for the general fund or deficit balances in other funds. Unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Fund Balances:</b>				
<b>Nonspendable</b>				
Library endowments	\$ -	\$ -	\$ 3,725,007	\$ 3,725,007
Inventory	823,802	-	-	823,802
Long-term notes receivable	3,454,572	1,943,088	1,000	5,398,660
Prepaid expenses	8,000	-	-	8,000
<b>Restricted</b>				
Law enforcement	74,138	-	1,621,477	1,695,615
Economic development	4,343,819	-	11,780	4,355,599
African-American Museum	35,059	-	-	35,059
Special programs	2,205,769	-	-	2,205,769
Capital projects	-	21,488,460	-	21,488,460
Bicentennial Library	-	-	648,819	648,819
Human Services program	-	-	1,358,913	1,358,913
State street aid	-	-	1,570,799	1,570,799
Community development	-	-	1,156,610	1,156,610
Hotel-Motel tax revenue pledge	-	-	1,888,754	1,888,754
Regional Planning Agency	-	-	693,873	693,873
Air Pollution Control Bureau	-	-	311,102	311,102
Scenic Cities Beautiful Commission	-	-	128,861	128,861
Library endowment	-	-	10,900	10,900
<b>Committed</b>				
Law enforcement	553,375	-	-	553,375
Economic development	138,607	-	-	138,607
Bicentennial Library	160,820	-	648,819	809,639
African-American Museum	35,058	-	-	35,058
Regional Planning Agency	-	-	693,872	693,872
Air Pollution Control Bureau	-	-	466,654	466,654
Scenic Cities Beautiful Commission	-	-	128,860	128,860
Nonprofit requests	10,912	-	-	10,912
Tennessee Valley Regional Communications	-	-	170,732	170,732
Debt service	-	-	4,954,374	4,954,374
<b>Assigned</b>				
Special programs	1,712,482	-	-	1,712,482
Human services program	-	-	24,564	24,564
River Pier garage	-	-	314,424	314,424
Other purposes	2,860,239	-	-	2,860,239
<b>Unassigned</b>	<u>33,863,477</u>	<u>-</u>	<u>-</u>	<u>33,863,477</u>
<b>Total fund balances</b>	<u>\$ 50,280,129</u>	<u>\$ 23,431,548</u>	<u>\$ 20,530,194</u>	<u>\$ 94,241,871</u>

<b>Summary for Governmental Funds</b>	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Balance Sheet (page A - 4):</b>				
Nonspendable	\$ 4,286,374	\$ 1,943,088	\$ 3,726,007	\$ 9,955,469
Restricted	6,658,785	21,488,460	9,401,888	37,549,133
Committed	898,772	-	7,063,311	7,962,083
Assigned	4,572,721	-	338,988	4,911,709
Unassigned	<u>33,863,477</u>	<u>-</u>	<u>-</u>	<u>33,863,477</u>
Total fund balances	<u>\$ 50,280,129</u>	<u>\$ 23,431,548</u>	<u>\$ 20,530,194</u>	<u>\$ 94,241,871</u>

(G) Revenues, Expenditures and Expenses

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

- General obligation long-term debt principal and interest are reported only when due,
- Inventory costs are reported in the period when inventory items are consumed, rather than in the period purchased.

**(1) Property Taxes**

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

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

The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the City Council and collected by the City Treasurer. Property taxes are secured by a statutory lien effective as of the original levy date of January 1. Taxes are due October 1 and become delinquent March 1. Property taxes levied for 2010 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 2010, 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, 2011.

**(2) Grant Revenue**

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

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

**(3) Investment Income**

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

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

City employees accrue personal leave, or compensated absences, by prescribed formula based on length of service. The City limits personal leave to twenty (20) days for library employees and one hundred fifty (150) days for all other employees hired on or before March 27, 1990, and one hundred (100) days for all other employees hired thereafter. Compensated absences are reported in governmental funds only if they have matured (i.e., accrued leave outstanding following an employee's resignation or retirement). The liability for compensated absences attributable to the City's governmental activities is recorded in the government-wide financial statements. The non-current portion of the liability for employees of governmental funds is a reconciling item between the fund and government-wide financial statements. Compensated absences related to business-type activities are charged to expense with a corresponding liability established in the government-wide financial statements as well as the applicable proprietary funds.

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

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

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

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

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

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

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

#### **(8) Estimates**

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

#### **(H) Net Assets**

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

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

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

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

(I) Library Endowments

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

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

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

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

(J) Pollution Remediation Obligations

The City recognizes pollution remediation obligations when an obligating event is identified and a monetary estimate can be determined.

(K) Subsequent Events

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements.

NOTE 2. FRIENDS OF THE ZOO

During 2008, the City entered into a loan agreement with Friends of the Zoo, Inc. (FOZ) to construct improvements to the Chattanooga Zoo at Warner Park. Under this agreement the City advanced \$2,000,000 to FOZ to pay for construction improvements. Upon completion of the improvements, the City retained right, title, and interest in the improvements, and FOZ relinquished any ownership right in the improvements. FOZ agreed to raise funds to reimburse the City for the cost of the improvements and to repay \$400,000 per year to the City beginning in 2009. Under terms of this agreement, \$300,000 was received. In 2010, the loan agreement was amended. Under the new loan agreement, FOZ will repay the outstanding balance of \$1,700,000 with payments of \$150,000 per year. The first installment was received in FY11. As an early payoff incentive to FOZ, the City agreed to appropriate to FOZ an amount equal to one dollar for every two dollars raised by FOZ through donation for capital improvements, up to a maximum of \$250,000 per year subject to annual appropriation.

Effective in FY11, the City entered into an operating agreement with FOZ. Under the terms of the agreement, FOZ agrees to operate the Chattanooga Zoo at Warner Park. As compensation, the City agrees to an annual appropriation of the lesser of \$639,000 or 45% of the total operating budget of the Zoo. The appropriation is to be paid in 12 monthly installments by the 15<sup>th</sup> of each month. The term of the agreement is 5 years, with an option for 2 additional 3-year periods. The City intends to fund the payment of the appropriation in each fiscal year, subject to funding and fiscal constraints of the City. In the event that the City is unable to pay the appropriation due to fiscal constraints, the City shall be entitled to terminate the agreement.

NOTE 3. VOLKSWAGEN GROUP OF AMERICA, INC.

At June 30, 2011, Volkswagen Group of America, Inc. (VW) has nearly completed building a \$1 billion automotive production facility in Chattanooga, Tennessee. The VW facility, already in production, is expected to contribute to the economic expansion of the City and the surrounding region for years to come.

The City and Hamilton County, Tennessee have worked jointly to support the development of the VW facility. The Industrial Development Board of the City of Chattanooga (IDB) and The Health, Educational, and Housing Facility Board of the City of Chattanooga (HEB) were awarded grants and appropriations in excess of \$200 million by various Tennessee state agencies and departments for the development of the VW facility. The City acts as custodial agent for IDB and HEB grant funds to ensure that proper purchasing policies and procedures are followed; the City maintains an Agency Fund for funds held on behalf of IDB and HEB

NOTE 4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

For the year ended June 30, 2011, the City had no material excess of expenditures over appropriations in individual funds.

**3) Net Assets/Fund Balance Deficit**

The Solid Waste/Sanitation Fund has a deficit in net assets of \$4,725,846 at June 30, 2011. 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 \$2,046,192 from the prior fiscal year.

NOTE 5. CASH AND INVESTMENTS

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

At June 30, 2011, investments of the primary government (except for Permanent, Pension Trust and Other Postemployment Benefits Trust Funds) and component units consist of the following:

	Weighted Average Maturity (Years)	Fair Value or Carrying Amount
Primary Government – Governmental Activities:		
U.S. Government agency securities	1.83	\$ 25,235,000
Certificates of deposit classified as investments	<u>.52</u>	<u>18,387,384</u>
Total	<u>1.28</u>	<u>\$ 43,622,384</u>
Primary Government – Business-Type Activities:		
Certificates of deposit classified as investments	<u>1.21</u>	<u>\$ 47,130,597</u>
Total	<u>1.21</u>	<u>\$ 47,130,597</u>
Component Units:		
U.S. Treasury Notes	0.17	\$ 106,082
U.S. Government agency securities	<u>0.00</u>	<u>9,690,711</u>
Total	<u>0.17</u>	<u>\$ 9,796,793</u>

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

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

Credit risk - The City's policies are designed to maximize investment earnings, while protecting the security of principal and providing adequate liquidity, in accordance with all applicable state laws. The City's investment policy includes specific policies involving credit risk. At June 30, 2011, the primary government's investments in U.S. Government agency securities consisted of Federal Home Loan Bank bonds, which were rated AAA by Standard & Poor's Rating Service (S & P) and Moody's Investor Service (Moody's).

Component unit investments in U.S. Government agency securities of \$106,082 were securities of the Federal National Mortgage Association which was rated AAA by S & P and Moody's.

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

	S & P or Moody's <u>Rating</u>	Fair <u>Value</u>
<u>Permanent Fund</u>		
Mutual funds – equity	Not rated	\$ 2,319,506
Mutual funds – fixed income	Not rated	921,912
Common equity securities	Not rated	328,341
Temporary investments	Not rated	<u>72,004</u>
		<u>\$ 3,641,763</u>

City of Chattanooga General Pension Plan

Domestic corporate bonds	B	\$ 2,289,757
Domestic corporate bonds	BA	227,360
Domestic corporate bonds	CAA	1,308,983
Domestic corporate bonds	Not rated	536,038
Mutual funds – equity	Not rated	44,021,894
Mutual funds – fixed income	Not rated	52,647,474
Domestic equity securities	Not rated	82,765,907
Limited partnerships	Not rated	39,040,314
Temporary investments	Not rated	5,314,866
Other investments	Not rated	<u>1,711,499</u>
		<u>\$ 229,864,093</u>

	S & P or Moody's <u>Rating</u>	Fair <u>Value</u>
<u>Fire and Police Pension Fund</u>		
U.S. Government securities	AAA	\$ 25,563
Domestic corporate bonds	AAA	16,690
Domestic corporate bonds	AA	174,545
Domestic corporate bonds	A	1,494,468
Domestic corporate bonds	BBB	206,356
Domestic corporate bonds	CAA	42,082
Domestic corporate bonds	Not rated	3,898,639
U.S. Government securities	Not rated	406,547
Preferred/convertible securities	Not rated	5,116,714
Pooled, common & collective funds	Not rated	21,840,000
Mutual funds – equity	Not rated	60,676,254
Domestic equity securities	Not rated	48,674,912
Temporary investments	Not rated	3,350,626
Limited partnerships	Not rated	44,238,303
Other investments	Not rated	<u>14,188,819</u>
		<u>\$ 203,850,518</u>
<u>Other Postemployment Benefit Trust Fund</u>		
Domestic equity securities	AAA	\$ 198,012
Domestic equity securities	AA	83,117
Domestic equity securities	A+	81,932
Domestic equity securities	A	200,391
Domestic equity securities	A-	95,526
Domestic equity securities	BBB+	70,401
Domestic equity securities	Not rated	2,058,937
Mutual funds – equity	Not rated	3,792,369
Mutual funds – fixed income	Not rated	5,166,938
Mutual funds – international equity	Not rated	2,188,522
Temporary investments	Not rated	<u>3,265,126</u>
		<u>\$ 17,201,301</u>

At June 30, 2011, the fair values of the City's investments in Pension Trust Funds totaling \$83,278,617 are based on valuations for which a readily determinable fair value does not exist. These investments are not listed on national exchanges or over-the-counter markets, and quoted market prices are not available. These investments include limited partnerships, private equity funds, and other types of non-traditional investments. Management estimates the fair values of these investments based on a review of all available information provided by fund managers and general partners. These fair value estimates are evaluated on a regular basis by management and are susceptible to revisions as more information becomes available. Because of these factors, it is reasonably possible that the estimated fair values of these investments may change materially in the near term.

NOTE 6. RECEIVABLES

Receivables at June 30, 2011, consist of the following:

	Governmental Activities Funds				Business-Type Activities	Total
	General	Capital Projects	Other Governmental	Internal Service		
<b>Primary Government</b>						
Receivables:						
Taxes	\$ 120,246,572	\$ -	\$ -	\$ -	\$ -	\$120,246,572
Accounts	5,898,791	25,000	969,359	-	-	6,893,150
Notes	3,454,573	1,943,088	16,374,498	-	-	21,772,159
Customer service	-	-	-	321,504	59,245,336	59,566,840
Other	572,434	-	-	-	63,269	635,703
Restricted	-	37,093	-	56,766	31,810	68,903
Intergovernmental	<u>19,078,825</u>	<u>1,180,071</u>	<u>3,547,077</u>	<u>-</u>	<u>30,781,007</u>	<u>54,643,746</u>
Gross receivables	149,251,195	3,185,252	20,890,934	378,270	90,121,422	263,827,073
Less:						
Allowance for Uncollectibles	<u>(4,609,253)</u>	<u>-</u>	<u>(820,000)</u>	<u>-</u>	<u>(2,553,479)</u>	<u>(7,982,732)</u>
Net receivables	<u>\$ 144,641,942</u>	<u>\$ 3,185,252</u>	<u>\$ 20,070,934</u>	<u>\$ 378,270</u>	<u>\$ 87,567,943</u>	<u>\$255,844,341</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, 2011.

Notes include a \$2,396,514 receivable from Housing Management, an enterprise fund, for capital improvements and a \$1,058,059 receivable from Chattanooga Neighborhood Enterprise for management of an economic development loan portfolio.

NOTE 7. INTERFUND BALANCES

Interfund receivables and payables are due to charges between funds that are outstanding as of June 30, 2011, as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds (Debt Service)	Capital Projects Fund	\$ 389,171
Capital Projects Fund	Nonmajor Governmental Funds (Hotel/Motel)	<u>482,713</u>
		<u>\$ 871,884</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.



NOTE 8. INTERFUND TRANSFERS

	Transfers In:					Total
	General Fund	Capital Projects	Nonmajor Governmental	Solid Waste	Water Quality Management	
Transfer out:						
General Fund	\$ -	\$ 3,483,711	\$ 20,781,161	\$ -	\$ -	\$ 24,264,872
Capital Projects Fund	104,211	-	251,565	215,328	-	571,104
Nonmajor Governmental Funds						
Community Development Funds	103,343	308,030	488,493	-	24,180	924,046
Air Pollution	-	14,097	-	-	-	14,097
Hotel/Motel Tax	-	350,000	3,320,547	-	-	3,670,547
Electric Power Board	<u>4,691,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,691,279</u>
Total	<u>\$ 4,898,833</u>	<u>\$ 4,155,838</u>	<u>\$ 24,841,766</u>	<u>\$ 215,328</u>	<u>\$ 24,180</u>	<u>\$ 34,135,945</u>

Transfers are used to (1) move revenues from the General Fund, the Capital Projects Fund, the Community Development Fund, and the Hotel/Motel Tax Fund to the Debt Service Fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the Capital Projects Fund and the Debt Service Fund as required, (3) move unrestricted revenues from the General Fund to other funds for various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, (4) record payments in lieu of taxes from the Electric Power Board to the General Fund, and (5) cover costs incurred by the General Fund for water quality initiatives.

NOTE 9. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Land and land improvements	\$ 1,034,884,810	\$ 2,408,776	\$ 1,564,100	\$ 1,035,729,486
Construction in progress	<u>14,236,870</u>	<u>17,211,464</u>	<u>2,317,665</u>	<u>29,130,669</u>
Total non-depreciable assets	<u>1,049,121,680</u>	<u>19,620,240</u>	<u>3,881,765</u>	<u>1,064,860,155</u>
Depreciable assets:				
Buildings and improvements	214,207,321	670,893	1,169,713	213,708,501
Vehicles and machinery	133,260,814	8,012,567	10,023,700	131,249,681
Infrastructure	<u>678,271,298</u>	<u>4,793,463</u>	<u>1,184,222</u>	<u>681,880,539</u>
Total depreciable assets	<u>1,025,739,433</u>	<u>13,476,923</u>	<u>12,377,635</u>	<u>1,026,838,721</u>
Less accumulated depreciation for:				
Buildings and improvements	83,283,942	7,339,428	600,818	90,022,552
Vehicles and machinery	96,054,055	9,708,320	9,856,245	95,906,130
Infrastructure	<u>348,337,076</u>	<u>27,677,022</u>	<u>59,573</u>	<u>375,954,525</u>
Total accumulated depreciation	<u>527,675,073</u>	<u>44,724,770</u>	<u>10,516,636</u>	<u>561,883,207</u>
Depreciable assets, net	<u>498,064,360</u>	<u>(31,247,847)</u>	<u>1,860,999</u>	<u>464,955,515</u>
Governmental activities capital assets, net	<u>\$ 1,547,186,040</u>	<u>\$ (11,627,607)</u>	<u>\$ 5,742,764</u>	<u>\$ 1,529,815,670</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Non-depreciable assets:				
Land	\$ 17,055,208	\$ 91,691	\$ -	\$ 17,146,899
Construction in progress	<u>64,427,540</u>	<u>(2,019,171)</u>	<u>11,959,016</u>	<u>50,449,353</u>
Total non-depreciable assets	<u>81,482,748</u>	<u>(1,927,480)</u>	<u>11,959,016</u>	<u>67,596,252</u>
Depreciable assets:				
Buildings and improvements	126,320,692	3,986,884	339,000	129,968,576
Vehicles and machinery	132,719,774	90,354,056	26,172,201	196,901,629
Sewer system	405,814,448	10,163,918	-	415,978,366
Solid waste system	9,520,509	-	-	9,520,509
Water quality management system	36,565,502	35,242	-	36,600,744
Electric system	404,513,000	36,636,000	16,994,000	424,155,000
Communication system	<u>65,991,000</u>	<u>19,949,000</u>	<u>57,000</u>	<u>85,883,000</u>
Total depreciable assets	<u>1,181,444,925</u>	<u>161,125,100</u>	<u>43,562,201</u>	<u>1,299,007,824</u>
Less accumulated depreciation for:				
Buildings and improvements	44,552,135	3,618,216	7,000	48,163,351
Vehicles and machinery	37,757,760	12,994,749	1,197,816	49,554,693
Sewer system	169,167,181	10,281,018	-	179,448,199
Solid waste system	775,407	317,351	-	1,092,758
Water quality management system	6,903,561	752,963	-	7,656,524
Electric system	173,268,000	14,409,998	5,382,998	182,295,000
Communication system	<u>17,346,000</u>	<u>8,136,000</u>	<u>-</u>	<u>25,482,000</u>
Total accumulated depreciation	<u>449,770,044</u>	<u>50,510,295</u>	<u>6,587,814</u>	<u>493,692,525</u>
Depreciable assets, net	<u>731,674,881</u>	<u>110,614,805</u>	<u>36,974,387</u>	<u>805,315,299</u>
Business-type activities capital assets, net	<u>\$ 813,157,629</u>	<u>\$ 108,687,325</u>	<u>\$ 48,933,403</u>	<u>\$ 872,911,551</u>
<b>Discretely Presented Component Units</b>				
Non-depreciable assets:				
Land	\$ 6,066,608	\$ 1,035,000	\$ -	\$ 7,101,608
Construction in progress	<u>18,521,369</u>	<u>2,931,475</u>	<u>-</u>	<u>21,452,844</u>
Total non-depreciable assets	<u>24,587,977</u>	<u>3,966,475</u>	<u>-</u>	<u>28,554,452</u>
Depreciable assets:				
Buildings	111,637,469	11,402,325	162,561	122,877,233
Vehicle and machinery	<u>62,458,672</u>	<u>937,522</u>	<u>-</u>	<u>63,396,194</u>
Total depreciable assets	<u>174,096,141</u>	<u>12,339,847</u>	<u>162,561</u>	<u>186,273,427</u>
Less accumulated depreciation for:				
Buildings	48,235,978	6,609,277	157,464	54,687,791
Vehicles and machinery	<u>47,882,095</u>	<u>2,766,026</u>	<u>-</u>	<u>50,648,121</u>
Total accumulated depreciation	<u>96,118,073</u>	<u>9,375,303</u>	<u>157,464</u>	<u>105,335,912</u>
Depreciable assets, net	<u>77,978,068</u>	<u>2,964,544</u>	<u>5,097</u>	<u>80,937,515</u>
Component units capital assets, net	<u>\$ 102,566,045</u>	<u>\$ 6,931,019</u>	<u>\$ 5,097</u>	<u>\$ 109,491,967</u>

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

Primary Government – Governmental Activities:	
General government	\$ 11,849,073
Public safety	2,353,065
Public works	26,966,577
Parks, recreation, education, arts & culture	3,461,871
Social services	<u>94,184</u>
Total	<u>\$ 44,724,770</u>
Primary Government – Business-Type Activities:	
Sewer	\$ 14,360,784
Solid Waste	564,339
Water Quality Management	1,090,771
Housing Management	245,401
Electric Utility	<u>34,249,000</u>
Total	<u>\$ 50,510,295</u>
Discretely Presented Component Units:	
Transportation Authority	\$ 5,625,885
Airport Authority	3,272,064
Downtown Redevelopment	<u>477,354</u>
Total	<u>\$ 9,375,303</u>

**NOTE 10. LONG-TERM LIABILITIES**

Changes in long-term liabilities for the fiscal year ended June 30, 2011, were as follows:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2011</u>	Due Within <u>One Year</u>
<b>Primary Government</b>					
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation serial bonds	\$ 176,064,209	\$ -	\$ 10,095,498	\$ 165,968,711	\$ 8,970,901
Notes payable	31,266,117	130,000	2,848,235	28,547,882	2,724,722
Capital leases payable	106,531,819	-	2,853,204	103,678,615	3,053,517
Accrued pollution remediation costs	1,430,000	3,061,766	2,911,766	1,580,000	280,000
Accrued postemployment benefits	27,201,450	13,718,933	13,838,396	27,081,987	-
Compensated absences	<u>17,197,441</u>	<u>9,241,698</u>	<u>9,302,109</u>	<u>17,137,030</u>	<u>6,134,685</u>
Total governmental activities	<u>\$ 359,691,036</u>	<u>\$ 26,152,397</u>	<u>\$ 41,849,208</u>	343,994,225	<u>\$ 21,163,825</u>
Net deferred refunding and original issue premiums and discounts				<u>267,182</u>	
				<u>\$ 344,261,407</u>	

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>EPB:</b>					
Revenue bonds	\$ 285,390,000	\$ -	\$ 2,710,000	\$ 282,680,000	\$ 2,750,000
Notes payable	-	19,500,000	593,000	18,907,000	3,662,000
Accrued postemployment benefits	9,272,000	1,764,000	2,206,000	8,830,000	-
Compensated absences	690,000	-	82,000	608,000	-
	<u>295,352,000</u>	<u>21,264,000</u>	<u>5,591,000</u>	<u>311,025,000</u>	<u>6,412,000</u>
<b>Interceptor Sewer System:</b>					
General obligation serial bonds	41,146,682	-	5,676,792	35,469,890	5,836,626
Notes payable	48,912,189	-	2,269,408	46,642,781	2,967,550
Capital leases payable	122,705	-	26,586	96,119	28,286
Compensated absences	797,588	616,408	622,149	791,847	348,407
	<u>90,979,165</u>	<u>616,408</u>	<u>8,594,935</u>	<u>83,000,638</u>	<u>9,180,869</u>
<b>Solid Waste/Sanitation Fund</b>					
General obligation serial bonds	\$ 21,371,612	\$ -	\$ 2,718,407	\$ 18,653,205	\$ 1,472,715
Notes payable	788,452	-	64,168	724,284	66,004
Accrued landfill closure costs	9,903,161	283,572	727,896	9,458,837	541,546
Compensated absences	65,652	50,455	52,155	63,952	28,727
	<u>31,128,877</u>	<u>334,027</u>	<u>3,562,626</u>	<u>28,900,278</u>	<u>2,108,992</u>
<b>Water Quality/Management Fund:</b>					
General obligation serial bonds	9,962,495	-	1,644,302	8,318,193	789,758
Notes payable	496,905	-	180,198	316,707	187,500
Compensated absences	487,468	568,324	528,228	527,564	263,948
	<u>10,946,869</u>	<u>568,324</u>	<u>2,352,728</u>	<u>9,162,465</u>	<u>1,241,206</u>
<b>Housing Management Fund:</b>					
Other obligations	<u>2,477,708</u>	-	<u>2,477,708</u>	-	-
Total business-type activities	<u>\$ 431,884,619</u>	<u>\$ 22,782,759</u>	<u>\$ 22,578,997</u>	432,088,381	<u>\$18,943,066</u>
Net deferred refunding and original issue premiums and discounts				<u>8,355,904</u>	
				<u>\$ 440,424,285</u>	
<b>Discretely Presented Component Units</b>					
<b>Metropolitan Airport Authority:</b>					
Revenue bond	\$ 6,264,901	\$ -	\$ 308,912	\$ 5,955,989	\$ 326,289
<b>Chattanooga Downtown Redevelopment Corporation:</b>					
Revenue bonds	<u>118,740,000</u>	<u>66,955,000</u>	<u>62,860,000</u>	<u>122,835,000</u>	<u>4,060,000</u>
Total component units	<u>\$ 125,004,901</u>	<u>\$ 66,955,000</u>	<u>\$ 63,168,912</u>	128,790,989	<u>\$ 4,386,289</u>
Net deferred refunding and original issue premiums and discounts and swaption derivative				<u>6,091,948</u>	
				<u>\$ 134,882,937</u>	

Total reductions in Long-Term Liabilities for Governmental Activities above are different than principal retirement expenditures in Governmental Funds. The difference is due to the principal portion of capital lease payments of \$7,789,754 to Chattanooga Downtown Redevelopment Corporation (CDRC), which is budgeted in general government expenditures. Also, the payment to refunded bonds escrow agent includes a net deferred refunding debit of \$3,611,627.

In prior years, the City refunded certain general obligation, sewage facility and other bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liabilities for the refunded bonds are not included in the City's financial statements. At June 30, 2011, the remaining liabilities for the bonds refunded were as follows:

<u>Year</u> <u>Refunded</u>	<u>Primary</u> <u>Government</u>	<u>Component</u> <u>Units</u>
1992	\$ 6,920,000	\$ -
1998	11,150,000	-
2002	20,105,000	-
2003	7,245,000	-
2005	45,660,000	-
2007	17,715,000	55,340,000
2010	32,340,000	-

Debt related to governmental activities at June 30, 2011, 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</u> <u>Rates</u>	<u>Principal</u> <u>Amount</u>
General Obligations Refunding Bonds, Series 1998	5.25%-5.50%	\$ 2,271,700
General Obligations Refunding Bonds, Series 2002	4.38% - 5.38%	4,160,000
General Obligations Refunding Bonds, Series 2002 A	3.60% - 5.00%	1,050,215
Hotel-Motel Tax Pledge Bonds, Series 2002	3.13% - 5.00%	17,440,000
General Obligation Bonds, Series 2003 A	3.50% - 4.20%	2,040,000
General Obligations Refunding Bonds, Series 2005 A	3.50% - 5.00%	14,757,064
Hotel-Motel Tax Refunding Bonds, Series 2005 A	3.50% - 5.00%	5,403,495
General Obligations Bonds, Series 2006 A	4.00% - 5.00%	16,586,237
General Obligations Refunding Bonds, Series 2007 A	4.30% - 5.00%	14,520,000
General Obligations Bonds, Series 2009 A	3.00% - 4.63%	40,865,000
General Obligations Bonds, Series 2010 A	2.00% - 4.00%	6,385,000
Hotel-Motel Tax Pledge Refunding Bonds, Series 2010 B	2.00% - 4.00%	29,320,320
General Obligation Refunding Bonds, Series 2010 B	2.00% - 4.00%	4,669,680
Recovery Zone Facility Bonds, Series 2010 C	2.00% - 4.00%	6,500,000
Total payable from Debt Service Fund		<u>\$ 165,968,711</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, 2011, is \$746,023.

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, 2011, is \$2,864,499.

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, 2011, is \$17,648,334.

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, 2011, is \$13,984.

Hennen Land Note - In December 2007, the City purchased the Narrow Bridge Property from Jenkins Road, LLC (Tim Hennen). Hennen will be paid for the land from the parking revenue generated by Hennen's Restaurant employees and customers. The note carries fixed parking prices for five years beginning January 2008. The balance at June 30, 2011, is \$389,170.

Petros Note Payable - In 2007, the City purchased property from John and Voula Petros to build a city park on Jenkins Road. The City executed a note payable to the former owners. The City incurred expenses of \$4,054 which were paid at closing. The note provides for annual installments over four years which began in March 2008. The last payment was made March 2011, so there is no balance at June 30, 2011.

HUD Section 108 Loan - On June 12, 2008, the City received a loan from the U.S. Department of Housing and Urban Development for an aggregate principal amount of \$4,576,000. A significant portion of the money was authorized to be used for repayment of the 2003 Fannie Mae Loan, with the remaining balance to be used for the Brownfields/Community Development Loan Fund and public infrastructure projects. The note bears an interest rate of 4% and will be amortized over 15 years with an optional redemption after 10 years. The balance at June 30, 2011 is \$3,966,000.

IDB Foreign Trade Zone Note Payable - In July 2008, the City entered into an agreement with Volkswagen Group of America, Inc. to cover the cost, jointly with Hamilton County, of application, activation, and annual fees required for Volkswagen to make use of the existing Foreign-Trade Zone designation. The balance at June 30, 2011, is \$39,871.

U.S. General Services Administration Land Note Payable - The City entered into an agreement with the U.S. General Services Administration for the purchase of land from them, jointly with Hamilton County, for economic development. The balance is due in full in 2015. The balance at June 30, 2011, is \$2,750,000.

Tennessee Temple University - In November 2010, the City entered into an agreement with Tennessee Temple University to purchase a piece of land for \$205,000 with a payment of \$75,000 and the balance will be a non interest bearing note to be paid when the City Council approves the fiscal 2011-2012 Capital budget but no later than October 12, 2012. The balance at June 30, 2011 is \$130,000.

Chattanooga Downtown Redevelopment Corporation Capital Lease - In October 2000, the City entered into a noncancelable long-term lease with the Chattanooga Downtown Redevelopment Corporation (CDRC), for financing the cost of designing, acquiring, constructing and equipping four facilities in the Tourist Development Zone comprising more than 631,210 square feet at a cost of over \$120 million. Facilities include (1) the Chattanooga - a residential conference center, (2) parking garage, (3) the Development Resource Center, and (4) an expansion of the Chattanooga-Hamilton County Convention and Trade Center. The lease provides for semiannual payments in amounts sufficient to meet the annual debt service requirements on \$129 million in revenue bonds issued by the Industrial Development Board of the City of Chattanooga on behalf of the CDRC, a non-profit corporation. The IDB bonds are secured by payments to be made by the CDRC. The lease payments will be funded by the City's share of the 112% 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, 2011, was \$9,684,068, of which \$2,789,754 was a reduction of principal. The recorded liability under this capital lease at June 30, 2011 is \$103,518,327.

The debt service reserve fund held by the fiscal agent at June 30, 2011, is \$9,796,793. The fiscal agent is required by the agreement to apply any interest on the debt service reserve fund toward the lease payments. The debt service reserve fund will be used to retire debt near the end of the lease.

Golf Course Capital Lease - In December 2008, the City entered into an equipment lease-purchase agreement to finance golf carts at the Brainerd and Brown Acres Golf Courses totaling \$323,028. The lease term is five years and provides for monthly payments which began December 1, 2008. The recorded liability under this capital lease at June 30, 2011 is \$160,288.

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.

All general obligation bonds, notes payable, and capital leases payable are included in the calculation of net assets invested in capital assets, net of related debt.

Debt related to business-type activities at June 30, 2011, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
EPB:		
Electric System Revenue Bonds, Series 2000	4.63% - 5.00%	\$ 1,600,000
Electric System Revenue Bonds, Series 2006A	4.00% - 5.00%	37,820,000
Electric System Refunding Revenue Bonds, Series 2006B	4.00% - 4.25%	23,430,000
Electric System Revenue Bonds, Series 2008A	3.00% - 5.00%	219,830,000
Secured Notes Payable 2011	8.34%	18,907,000
Inceptor Sewer system Fund:		
General Obligations Refunding Bonds, Series 1998	5.25%-5.50%	8,878,300
General Obligations Refunding Bonds, Series 2002	4.25% - 4.50%	9,971,739
General Obligations Refunding Bonds, Series 2002 A	3.60% - 5.00%	5,609,785
General Obligations, Series 2005 A	3.75% - 5.00%	11,010,067
1992 State Revolving Loan*	3.98%	316,706
1998 Georgia Environmental Facilities Authority	4.00%	3,678,673
2003 State Revolving Loan	2.98%	29,647,402
2007 State Revolving Loan	2.79%	13,000,000
2001 Capital Lease City of Collegedale	6.36% - 6.68%	96,119
Solid Waste/Sanitation Fund:		
General Obligations Refunding Bonds, Series 2002	3.60% - 5.38%	3,063,732
General Obligations Bonds, Series 2005 A	3.75% - 5.00%	8,575,709
General Obligations Bonds, Series 2006 A	4.00% - 5.00%	4,533,764
General Obligations Refunding Bonds, Series 2007 A	4.30% - 5.00%	2,480,000
2003 Tennessee Municipal Bond Fund Loan	0.40%	290,501
2004 Tennessee Municipal Bond Fund Loan	0.40%	433,784
Water Quality Management Fund:		
General Obligations Refunding Bonds, Series 2002	3.60% - 5.00%	2,289,529
General Obligations Bonds, Series 2005 A	3.75% - 5.00%	5,278,665
General Obligations Refunding Bonds, Series 2007 A	4.30% - 5.00%	750,000
1992 State Revolving Loan*	3.98%	316,707
Total payable from business-type activities		<u>\$ 411,808,180</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, 2011 is \$633,413.

Georgia Environmental Facilities Authority - Pursuant to a loan agreement with the Georgia State Revolving Loan Fund, the City of Chattanooga is authorized to incur indebtedness up to \$7,255,000 for the purpose of financing sewer expansion in Northwest Georgia. The maximum amount authorized by the agreement is being reserved by the Georgia Environmental Facilities Authority and is disbursed to the City upon request. The loan will be repaid over a 20-year period at 4% interest through 2020. The balance at June 30, 2011 is \$3,678,673.

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, 2011 is \$29,647,402.

State Revolving Loan 2007 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a loan for the purpose of financing sewer projects. The loan will be repaid in monthly installments through 2028 at 2.79% interest. The balance at June 30, 2011 is \$13,000,000.

Collegedale Capital Lease - The City has an agreement with the City of Collegedale to lease and purchase sewer system improvements. Lease payments are due in monthly installments through 2015 at variable rates of interest. The balance on this capital lease at June 30, 2011 is \$96,119.

Housing Management Obligation - The City entered into a management agreement in which it was obligated to the previous owner for certain property acquired by the City. The City paid off the note on October 2010 and the Housing Management Fund owes the General Fund.

Component Units debt at June 30, 2011, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Metropolitan Airport Authority Taxable Refunding Revenue Bonds, Series 2009	5.41%	\$ 5,955,989
Chattanooga Downtown Redevelopment Corporation: Chattanooga Lease Rental Refunding Revenue Bonds, Series 2007	4.00% - 5.00%	55,880,000
Chattanooga Lease Rental Revenue Refunding Bonds 2010	3.00% - 5.00%	<u>66,955,000</u>
 Total payable from Component Units		 <u>\$ 128,790,989</u>

CDRC refunded a portion of the Lease Rental Revenue Bonds Series 2000 in 2007 and the remaining balance in 2010. A portion of the proceeds of the refunding in 2010 was used to pay a swap termination.

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

<u>Year</u>	<u>Primary Government</u>			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 11,762,154	\$ 6,726,639	\$ 17,732,152	\$ 18,085,574
2013	11,572,126	6,386,158	18,308,109	17,333,541
2014	11,081,046	6,072,118	20,507,721	16,563,001
2015	14,135,178	5,752,627	21,952,240	15,719,244
2016	11,497,248	5,411,927	20,797,259	14,818,426
2017-2021	52,209,862	21,664,632	87,099,059	62,030,491
2022-2026	52,197,627	12,274,873	81,252,163	44,189,040
2027-2031	30,221,639	3,080,927	89,948,361	25,112,726
2032-2036	-	-	59,115,000	4,522,363
	<u>\$ 194,676,880</u>	<u>\$ 67,369,901</u>	<u>\$ 411,712,063</u>	<u>\$ 218,374,406</u>
			<u>Component Units</u>	
			<u>Principal</u>	<u>Interest</u>
2012			\$ 4,386,289	\$ 5,846,319
2013			4,584,643	5,633,965
2014			4,759,030	5,449,053
2015			4,904,507	5,293,951
2016			5,081,136	5,110,572
2017-2021			31,100,384	21,211,322
2022-2026			33,520,000	13,671,542
2027-2031			40,455,000	5,251,047
			<u>\$ 128,790,989</u>	<u>\$ 67,467,771</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
2012	\$ 2,986,987	\$ 6,713,363	\$ 28,286	\$ 5,366
2013	3,164,158	6,519,651	30,133	3,520
2014	3,360,019	6,314,449	32,138	1,515
2015	3,570,878	6,096,546	5,563	46
2016	3,797,017	5,864,967	-	-
2017-2021	22,891,938	25,306,096	-	-
2022-2026	31,046,241	16,889,956	-	-
2027-2031	<u>32,701,089</u>	<u>5,464,949</u>	-	-
	<u>\$ 103,518,327</u>	<u>\$ 79,169,977</u>	<u>\$ 96,120</u>	<u>\$ 10,447</u>

#### NOTE 11. DEFERRED COMPENSATION PLAN

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

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

The following is a summary of activity in the Plan for the year:

Asset balance at July 1, 2010	\$ 16,855,709
Deferrals of compensation	1,285,910
Earnings (losses)	(1,343,307)
Withdrawals	2,495,553
Administrative expenses	<u>(2,821)</u>
Asset balance at June 30, 2011	<u>\$ 19,291,044</u>

#### NOTE 12. EMPLOYEE RETIREMENT SYSTEMS

The primary government provides retirement benefits through three single employer defined benefit pension plans (General Pension Plan, Fire and Police Pension Fund, and EPB Pension Plan) and an other postemployment benefit plan. All employees are eligible to participate in one of these retirement benefit pension plans. The City acts as Trustee for the General Pension Plan and the Fire and Police Pension Plan, which are included in the accompanying financial statements as pension trust funds. The City also acts as Trustee for the Other Postemployment Benefits Trust, which is included in the accompanying financial statements as an other postemployment benefits trust fund. The City does not administer the assets of the EPB Pension Plan; therefore, they are not included in the accompanying financial statements. The following is a summary of each of these plans:

##### City of Chattanooga Administered Pension and Other Postemployment Benefit Plans

#### **Significant Accounting Policies:**

##### Basis of Accounting

The financial statements of the General Pension Plan, the Fire and Police Pension Fund and Other Postemployment Benefits Trust Fund are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

## Cash and Cash Equivalents

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

## Method Used to Value Investments

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

## **Plan Descriptions:**

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

The City maintains a single-employer defined benefit pension plan for general City employees. Each participant is required to contribute 2 percent of earnings. The City is currently contributing 9.08 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) Fire and Police 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 24.91 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, up to a maximum of 75% of final average monthly salary.

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 Fire and Police Pension Fund and a favorable opinion of the Office of the Mayor.

The normal retirement date is the first day of the month following the participant's completion of 25 years of credited service. Reduced benefit provisions are available for those participants who have attained age 55 and have completed at least 10 years of credited service. In the event of death, job-related or non-job-related disability, participants who are not yet eligible for normal retirement benefits can receive a percentage of their salary, based on a formula using the three year period of service yielding the highest arithmetic average of the participant's salary history. A deferred retirement option plan provides alternative benefits for up to 3 years of credit service to eligible members who have 25 years of credited service.

A deferred retirement option plan provides alternative benefits for up to 3 years of credit service to eligible members who have 25 years of credited service. A deferred retirement option plan (DROP) provides alternative benefits for credit service to eligible members who have a minimum of 25 years to a maximum of 30 years of credited service, based on a formula using participant's monthly service retirement benefit from the three-year period of service yielding the highest arithmetic average of the participant's entire salary history, plus the average of the employee's last 36 monthly contributions, with 7 percent interest applied for the DROP period. Effective September 2, 2008, the DROP formula was changed by City ordinance. Participants who were active on this date could elect to contribute an additional 1 percent of base salary to continue eligibility in the original DROP plan. The election period to remain in the original DROP plan was closed as of December 31, 2008, for current plan members and February 27, 2009, for cadets. Active participants who did not elect to contribute the additional 1 percent are eligible for a new DROP plan based on a formula using the three-year period of service yielding the highest arithmetic average of the participant's salary history at the beginning of the DROP period, plus the average of the employee's last 36 monthly contribution, with interest applied at Actuarial Assumed Rate of Return minus 3 percent. Plan participants who did not elect to remain in the original DROP plan by their respective deadline will be eligible for a "cost-neutral" DROP.

### (3) Other Postemployment Benefits

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

The City maintains a single-employer defined benefit postemployment health and medical care plan for retirees and their dependents in accordance with City ordinance. Substantially all of the City's employees may become eligible for benefits if they reach normal retirement age or certain service requirements while working for the City. Retired plan members and beneficiaries are required to contribute specified amounts monthly toward the cost of health insurance premiums. Employees who retired prior to 2002 contribute an amount equal to the amount paid by active employees. Employees who retire after 2002 with 25 years of service or a job-related disability contribute an amount equal to 1.5 times that paid by active employees. Employees who retire after 2002 with less than 25 years of service or a non-job-related disability contribute an amount increased on a pro rata year's basis. The City pays the remainder of the costs of medical coverage. The City is currently contributing 14.9 percent of the total covered payroll of the participants.

The City has established an Other Postemployment Benefits Trust (the Trust), which is used to partially pre-fund benefits. For fiscal year 2011, the City contributed \$8,064,522 to the Trust to prefund benefits. Only the prefunded portion of the OPEB cost is included in the OPEB trust. The pay-as-you-go component is funded and accounted for in the City's Internal Service Fund.

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

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

Current membership in each of these plans was comprised of the following as of June 30, 2011:

<u>Group</u>	<u>General Pension Plan</u>	<u>Fire and Police Pension Fund</u>	<u>Other Postemployment Benefits</u>
Retirees and beneficiaries currently receiving benefits	872	692	1,100
Vested terminated employees	92	7	0
Active employees	1,443	791	2,304
Actuarial update	1/1/2011	1/1/2011	1/1/2010

**Trend Information:**

	<u>Year Ended</u>	<u>Annual Pension/OPEB Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension/OPEB Obligation (Assets)</u>
General Pension Plan	6/30/11	\$ 6,340,774	69.02%	\$ (1,302,008)
	6/30/10	3,817,842	99.01%	(4,100,566)
	6/30/09	3,635,302	92.18%	(4,138,811)
Fire and Police Pension Fund	6/30/11	8,526,415	96.58%	(4,385,105)
	6/30/10	7,818,280	107.01%	(4,677,104)
	6/30/09	7,623,063	109.40%	(4,129,090)
Other Postemployment Benefits	6/30/11	13,718,933	100.87%	27,081,987
	6/30/10	18,190,921	57.30%	27,201,450
	6/30/09	17,790,129	44.28%	19,434,217

**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>Fire and Police Pension Fund</u>	<u>Other Postemployment Benefits</u>
Contribution rates for employer	9.08%	24.91%	N/A
Contribution rates for plan members	2.00%	8.00%-9.00%	Varies
Annual pension/OPEB cost	\$6,340,774	\$8,526,415	\$13,718,933
Contributions made by employer	5,146,581	8,898,127	8,064,522
Contributions made by plan members	1,146,716	3,130,296	-
Actuarial valuation date for current contributions	January 1, 2011	January 1, 2011	January 1, 2010
Actuarial cost methods	Entry Age	Entry Age	Entry Age
Amortization method	Level Dollar	Level Percent	Level Dollar
Remaining amortization period	30 Years Open	28 Years Remaining	30 Years Open
Asset valuation method	Market Value, As Adjusted	Market Value, As Adjusted	Market Value
Actuarial assumptions:			
Investment rate of return	7.75%	7.75%	7.50%
Projected salary increases	4.50%-5.50%	3.25%-7.50%	3.25%-7.50%
Inflation rate	3.00%	3.00%	3.00%

In the January 1, 2010, actuarial valuation for the City's OPEB Plan, the investment rate of return above is the assumed rate of return on general assets. The actuarial valuation is also uses an annual healthcare cost trend rate of 10% initially, reducing incrementally to an ultimate rate of 5.0%.

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

	General <u>Pension Plan</u>	Fire and Police <u>Pension Fund</u>	Other Postemployment <u>Benefits</u>
Annual required contribution	\$ 6,302,882	\$ 8,613,696	\$ 13,838,396
Interest on net pension/OPEB obligation (asset)	(317,794)	(362,476)	2,380,407
Adjustment to annual required contribution	<u>355,686</u>	<u>275,195</u>	<u>(2,499,870)</u>
Annual pension/OPEB cost	6,340,774	8,526,415	13,718,933
Adjustment to NPO prior contributions	834,268	-	-
Contributions made	<u>(4,376,484)</u>	<u>(8,234,416)</u>	<u>(13,838,396)</u>
Increase in net pension/OPEB obligation (asset)	2,798,558	291,999	(119,463)
Net pension/OPEB obligation (asset) at beginning of year	<u>(4,100,566)</u>	<u>(4,677,104)</u>	<u>27,201,450</u>
Net pension/OPEB obligation (asset) at end of year	<u>\$ (1,302,008)</u>	<u>\$ (4,385,105)</u>	<u>\$ 27,081,987</u>

Beginning in fiscal year 2011, the City began fully funding an OPEB trust based on an actuarial calculation in which all unfunded prior service costs as well as normal costs are allocated to various funds based on applicable payroll. All obligations are liquidated from the OPEB trust.

Complete funded status and funding progress may be found on page B-1.

#### Financial Reports:

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

#### Combining Statement of Pension Trust Net Assets:

	General <u>Pension Plan</u>	Fire and Police <u>Pension Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Receivables:			
Accrued income	\$ 210,183	\$ 167,833	\$ 378,016
Total receivables	<u>210,183</u>	<u>167,833</u>	<u>378,016</u>
Investments, at fair value:			
U.S. Government securities	-	432,110	432,110
Corporate bonds and notes	4,362,139	5,332,779	9,694,918
Preferred/Convertible Securities	-	5,116,714	5,116,714
Corporate stocks	82,765,907	48,674,912	131,440,819
Pooled, Common & collective funds	-	21,840,000	21,840,000
Mutual funds – equity	44,021,894	60,676,254	104,698,148
Mutual funds – fixed income	52,647,474	-	52,647,474
Temporary investments	5,314,866	3,350,626	8,665,492
Limited partnerships	39,040,314	44,238,303	83,278,617
Other investments	<u>1,711,499</u>	<u>14,188,819</u>	<u>15,900,318</u>
Total investments	<u>229,864,093</u>	<u>203,850,518</u>	<u>433,714,610</u>
Total assets	<u>230,074,275</u>	<u>204,018,351</u>	<u>434,092,626</u>
<b>LIABILITIES</b>			
Accrued expenses	-	20,188	20,188
Total liabilities	<u>-</u>	<u>20,188</u>	<u>20,188</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>			
	<u>\$ 230,074,275</u>	<u>\$ 203,998,163</u>	<u>\$ 434,072,438</u>

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

	<u>General Pension Plan</u>	<u>Fire and Police Pension Fund</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 5,146,581	\$ 8,898,127	\$ 14,044,708
Employee	<u>1,146,716</u>	<u>3,130,296</u>	<u>4,277,012</u>
Total contributions	<u>6,293,297</u>	<u>12,028,423</u>	<u>18,321,720</u>
Investment income:			
Net appreciation in fair market value of investments	45,570,660	24,107,160	69,677,820
Interest	289,465	3,471,467	3,760,932
Dividends	<u>1,789,545</u>	<u>3,034,881</u>	<u>4,824,426</u>
	47,649,670	30,613,508	78,263,178
Less investment expense	<u>(515,276)</u>	<u>(590,171)</u>	<u>(1,105,447)</u>
Net investment income (loss)	<u>47,134,394</u>	<u>30,023,337</u>	<u>77,157,731</u>
Total additions	<u>53,427,691</u>	<u>42,051,760</u>	<u>95,479,451</u>
<b>DEDUCTIONS</b>			
Benefits paid to participants	13,287,368	22,085,275	35,372,643
Administrative expenses	<u>120,120</u>	<u>733,651</u>	<u>853,771</u>
Total deductions	<u>13,407,488</u>	<u>22,818,925</u>	<u>36,226,414</u>
NET INCREASE	40,020,203	19,232,834	59,253,037
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>			
Beginning of year	<u>190,054,072</u>	<u>184,765,329</u>	<u>374,819,401</u>
End of year	<u>\$ 230,074,275</u>	<u>\$ 203,998,163</u>	<u>\$ 434,072,438</u>

(4) EPB

EPB Pension Plan

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

Contribution requirements of Plan members and EPB are established and can be amended by EPB. The Plan does not require Plan members to make a contribution. The EPB is required to contribute at an actuarially determined rate; the current rate is 9.71 percent of annual covered payroll.

EPB's annual pension cost of the Plan for the current year was approximately \$2,725,560. EPB has no net pension obligation at June 30, 2011, as calculated by actuarial valuation. The annual required contribution was determined as part of an actuarial valuation performed as of August 1, 2010, using the aggregate cost method. The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used in the valuation included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 3.0% per year compounded annually, (c) no postretirement benefit increases, and (d) a discount rate of 7.5% for preretirement and a blend of 7.5% and 4.0% for post-retirement.

**Trend Information:**

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 2,725,560	100%	\$ -
6/30/10	2,200,000	100%	-
6/30/09	2,500,000	100%	-

### EPB Other Postemployment Benefits

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

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

The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2011, EPB contributed approximately \$2.2 million for current claims.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The EPB's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each evaluation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long term perspective of the calculators.

	<u>Pension Plan</u>	<u>Other Post Employment Benefits</u>
Contribution rates for employer	9.71%	7.1%
Contribution rates for plan members	-	Varies
Annual pension/OPEB cost	\$2,726,000	\$ 1,764,000
Contributions made by employer	2,726,000	2,206,000
Contributions made by plan members	-	-
Actuarial valuation date for current contributions	August 1, 2010	July 1, 2010
Actuarial cost methods	Aggregate	Projected Unit Credit
Amortization method	N/A	Level Dollar
Remaining amortization method	N/A	20 years open
Asset valuation method	Market Value	3 Year Smoothed Market
Actuarial assumptions:		
Investment rate of return	7.50%	6.50%
Projected salary increases	3.00%	-
Inflation rate	3.00%	3.00%

### **Trend Information:**

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/11	\$ 1,764,000	125%	\$ 8,830,000
6/30/10	1,766,000	93%	9,272,000
6/30/09	1,864,000	99%	9,141,000

In the July 1, 2010, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 6.5% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements of .25% per year to an ultimate rate of 5.5% in 2018. The actuarial value of assets was determined using techniques that spread the effect of short-term volatility in the market value of investments over a three year period. The UAAL is being amortized as a level dollar. The remaining amortization period at July 1, 2010, was twenty years.

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

	<u>Pension Plan</u>	<u>Other Post Employment Benefits</u>
Annual required contribution	\$ 2,726,000	\$ 1,764,000
Adjustment to annual required contribution	<u>-</u>	<u>-</u>
Annual pension/OPEB cost	2,726,000	1,764,000
Contributions made	<u>(2,726,000)</u>	<u>(2,206,000)</u>
Increase in net pension/OPEB obligation	-	(442,000)
Net pension/OPEB obligation at beginning of year	<u>-</u>	<u>9,272,000</u>
Net pension/OPEB obligation at end of year	<u>\$ -</u>	<u>\$ 8,830,000</u>

#### EPB 401(k) Plan

EPB also has a 401(k) plan which permits employees to invest up to 15 percent of salary in a tax-deferred savings plan. EPB contributes up to 4.0 percent of an employee's salary after one year of employment. EPB contributions are immediately fully vested and amounted to approximately \$951,000 for the year ended June 30, 2011.

#### (5) Pension Plans of Component Units

CARTA is the only component unit with separate defined benefit pension plans, and complete pension disclosures are in CARTA's separately-issued financial statements. Condensed disclosures for CARTA's defined benefit pension plans are as follows:

<u>Year Ended</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
Disability and Retirement Plan:			
6/30/11	\$931,980	100.0%	\$ -
6/30/10	686,159	100.0%	-
6/30/09	325,203	100.0%	-
Defined Benefit Plan:			
6/30/11	\$89,461	0.0%	\$222,546
6/30/10	79,922	62.6%	133,085
6/30/09	112,405	66.7%	103,163

#### NOTE 13. FEDERAL EMERGENCY MANAGEMENT ASSISTANCE GRANT

During April 2011, there were over 300 tornadoes within a two-day period that struck the Mississippi, Alabama, Georgia, and Tennessee region. The National Severe Storm Laboratory has listed these storms as the deadliest two-day period since 1936. EPB incurred costs of approximately \$28.0 million. Due to the significance of the storms and the resulting damage, EPB applied for assistance from the Federal Emergency Management Agency. At June 30, 2011, EPB included grants receivable of approximately \$19.6 million toward these storms leaving \$8.4 million of unreimbursed storm costs. For purposes of presentation in the Comprehensive Annual Financial Report, the amounts of the grants have been reclassified from expenditures to revenues.



NOTE 14. JOINT VENTURE

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

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

Total Net Assets	\$11,516,998
Multiplied by two-thirds	<u>x 2/3</u>
City's equity interest	<u>\$ 7,677,999</u>

Complete financial statement 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, 2011, is as follows:

ASSETS

Cash	\$ 1,158,316
Accounts receivable, net	85,884
Prepaid expenses	21,301
Inventories	52,061
Other current assets	7,750
Capital assets, net	<u>10,521,144</u>
Total assets	<u>\$ 11,846,456</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 99,197
Accrued expenses	99,296
Deferred revenue	10,000
Advanced deposits	<u>120,965</u>
Total liabilities	<u>329,458</u>

NET ASSETS

Invested in capital assets, net of related debt	10,521,144
Restricted	1,762
Unrestricted	<u>994,092</u>
Total net assets	<u>11,516,998</u>
Total liabilities and net assets	<u>\$ 11,846,456</u>

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Total operating revenues	\$ 6,148,113
Total operating expenses	<u>3,267,620</u>
Loss from operations	(364,915)
Nonoperating revenues	359,580
Capital contributions	<u>-</u>
Net decrease	(5,335)
Net assets at July 1, 2010, as previously reported	11,554,316
Prior period adjustment	<u>(31,983)</u>
Net assets at July 1, 2010, as restated	<u>11,522,333</u>
Net assets at June 30, 2011	<u>\$ 11,516,998</u>

NOTE 15. COMMITMENTS AND CONTINGENCIES

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

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

The City has entered into various construction commitments. Such contracts include contracts for improvements to sewer, solid waste, and water quality systems, and acquisition and construction contracts related to general government capital projects. Several of these contracts were in progress but not completed as of June 30, 2011. The total contractual commitments outstanding as of June 30, 2011, aggregated approximately \$19,639,057.

NOTE 16. CONDUIT DEBT OBLIGATIONS

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

The Industrial Development Board has issued at least thirty-one (31) bond issues since 1984, the original amounts of which were \$511,755,000. The Board has no means of determining the outstanding amount of these bonds.

The Health, Educational and Housing Facility Board has issued at least forty-nine (49) bond issues since 1985, the original amount of which were \$984,247,117. The Board has no means of determining the outstanding amount of these bonds.

NOTE 17. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Solid Waste Fund accounts for all aspects of solid waste disposal, including the city’s municipal landfill; operations include a current landfill as well as closure and postclosure care costs of landfills closed in prior years. State and federal regulations require the City to place a final cover on all landfills after closure and 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 is based on 3.5 percent of the City Landfill Area III capacity and 100 percent usage of the Summit Landfill and the City Landfill Area II. At the current yield of utilization rate, we expect the landfill to have a remaining life of 20 years. Changes in the estimated liability for landfill closure and postclosure care costs for the year ended June 30, 2011, are as follows:

Estimated liability, June 30, 2010	\$ 9,903,161
Expenses recognized	283,572
Costs incurred	<u>(727,896)</u>
Estimated liability, June 30, 2011	<u>\$ 9,458,837</u>
Due within one year	<u>\$ 541,546</u>

The estimated costs of closure and postclosure care 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, 2011. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs and additional costs that might arise from changes in postclosure requirements may need to be covered by charges to future landfill users, taxpayers, or both.

NOTE 18. POLLUTION REMEDIATION

Governmental Accounting Standards Board (GASB) Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations,” provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASB does not require the City to search for pollution, it does require the City to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the City is compelled to take action;
- The City is in violation of a pollution related permit or license;
- The City is named or has evidence that it will be named a responsible part by a regulator;
- The City is named or has evidence that it will be named in a lawsuit to enforce a cleanup; or
- The City commences or legally obligates itself to conduct remediation activities.

The standard requires the City to calculate pollution remediation liabilities using the expected cash flow technique. The remediation obligation estimate that appears in this report is subject to change over time due to price fluctuations, changes in technology, environmental studies, changes in regulations and other factors. Where the costs cannot reasonably be estimated, the City does not report a liability.

During the fiscal year, the City recognized estimated additional liabilities of \$2,643,505 and spent \$512,152 in pollution remediation obligation related activities. At June 30, 2011, the City had an outstanding pollution remediation liability of \$3,979,614 with an estimated \$2,399,614 in grant revenue and donated services to offset these costs leaving a net pollution remediation obligation of \$1,580,000.

Site investigation, planning, cleanup and site monitoring are typical remediation activities underway across the City. Four brownfield remediation sites have been identified for remediation activities to address contamination from hazardous substances. During the fiscal year remediation was completed for two sites, the Anchor Hocking glass plant site and the Ohls Avenue site. Cleanup activities at an old construction landfill on 36<sup>th</sup> Street and dumping at a railroad overpass on Tennessee Avenue are just beginning. EPA has determined the likely outlay for remediation to be \$480,000 and has awarded a \$400,000 grant to cover the majority of the expected costs of cleanup. Other sites are being inventoried and assessed; therefore no liability is currently estimable for them.

Montague Park, which is on the Tennessee Department of Environment and Conservation's (TDEC) site list, is an old construction landfill site. The park was closed in 2003 when methane gas leaks were found. The City is in the process of re-capping a small area in compliance with TDEC for use as an athletic field; work is being done by volunteer contractors leaving City resources to pay for cover topsoil and erosion control. Eventually the entire area will be remediated for use as athletic fields and a sculpture garden. Total costs are estimated at \$4,000,000 for the entire project but are not currently divided into remediation and construction costs. The reasonable range of potential outlays was estimated and multiplied by the probability of occurrence. This estimate was reduced by anticipated volunteer participation for a total estimate of \$1,500,000. This estimate will be evaluated annually as better cost estimates are determined.

NOTE 19. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; medical benefits; certain retiree medical benefits; unemployment compensation; injuries to employees; errors and omissions; and natural disasters. The City maintains property and casualty insurance coverage against property loss above \$50,000 per occurrence. The Internal Service Fund accounts for all exposures, except on-the-job-injury claims. To minimize its losses, the City has established a limited risk management program. Premiums are paid by all funds and are available to pay claims, claim reserves, and administrative costs of the program.

As of June 30, 2011, interfund premiums did not exceed expenditures. There were no significant reductions in insurance coverage in the prior year, nor did the amount of settlements exceed insurance coverage for each of the past three fiscal years. The City has a self-funded medical benefits plan that is administered by Blue Cross/Blue Shield of Tennessee with the City's exposure limited by a stop-loss policy.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The liability does not include nonincremental claims adjustment expenses. Claim liabilities are calculated considering the effect of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

At June 30, 2011, the Internal Service Fund liability consists of \$5,350,000 related to torts and \$2,516,034 related to medical benefits.

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

	<u>General Fund</u>	<u>Internal Service Fund</u>
Unpaid claims, June 30, 2009	\$ 422,362	\$ 6,378,384
Incurred claims, including IBNRs/reduction in estimated liabilities	2,062,138	24,085,589
Claim payments	<u>(2,133,747)</u>	<u>(21,006,651)</u>
Unpaid claims, June 30, 2010	350,753	9,457,322
Incurred claims, including IBNRs/reduction in estimated liabilities	1,664,939	19,734,084
Claim payments	<u>(1,731,124)</u>	<u>(21,325,372)</u>
Unpaid claims, June 30, 2011	<u>\$ 284,568</u>	<u>\$ 7,866,034</u>
Due within one year	<u>\$ 284,568</u>	<u>\$ 7,866,034</u>

## NOTE 20. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has identified the following requiring disclosure:

In October 2011, the City issued \$26,495,000 General Obligation Bonds, Series 2011A and \$17,545,000 General Obligation Refunding Bonds, Series 2011B (the Bonds). The Series 2011A Bonds are being issued for the purpose of financing all or a portion of the costs of certain public improvement projects and to pay costs associated with the issuance of the Series 2011A Bonds. The Series 2011B Bonds are being issued for the purpose of refunding certain outstanding maturities and paying the costs associated with the issuance of the Series 2011B Bonds.

The Bonds are direct obligations and are backed by the full faith and credit of the City. The Bonds are issued as serial bonds in denominations of \$5,000, with interest at rates ranging from 1.5% to 4%. The Bonds mature on October 1 of each year in varying amounts through 2027.

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
PUBLIC EMPLOYEE RETIREMENT SYSTEMS  
SCHEDULE OF FUNDING PROGRESS**

**June 30, 2011**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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**CITY OF CHATTANOOGA ADMINISTERED PLANS**

**General Pension Plan**

January 1, 2011	\$ 240,535,112	\$ 277,993,458	\$ 37,458,346	86.53%	\$57,061,358	65.65%
January 1, 2010	237,386,130	265,993,912	28,607,782	89.24%	58,140,286	49.20%
January 1, 2009	220,035,854	255,973,845	35,937,991	85.96%	59,645,747	60.25%
January 1, 2008	241,197,693	231,841,794	(9,355,899)	104.04%	56,581,858	-16.54%
January 1, 2007	227,026,979	219,030,651	(7,996,328)	103.65%	54,545,300	-14.66%
January 1, 2006	214,548,519	209,643,031	(4,905,488)	102.34%	54,636,392	-8.98%

**Fire and Police Pension Fund**

January 1, 2011	\$ 269,345,372	\$ 381,512,664	\$ 112,167,292	70.60%	\$34,940,022	321.03%
January 1, 2010	265,201,631	358,088,214	92,886,583	74.06%	34,573,261	268.67%
January 1, 2009	250,144,973	327,638,030	77,493,057	76.35%	34,715,838	223.22%
January 1, 2008	256,179,955	316,806,281	60,626,326	80.86%	33,237,063	182.41%
January 1, 2007	242,325,471	304,151,880	61,826,409	79.67%	31,983,375	193.31%
January 1, 2006	230,585,330	292,658,620	62,073,290	78.79%	32,010,229	193.92%

**Other Postemployment Benefits**

January 1, 2010	\$ 5,045,878	\$ 148,187,287	\$ 143,141,409	3.41%	\$89,710,458	159.56%
July 1, 2008	4,539,440	192,053,979	187,514,539	2.36%	78,155,219	239.93%
July 1, 2006	-	228,471,342	228,471,342	0.00%	80,882,959	282.47%

**ELECTRIC POWER BOARD**

**Pension Plan**

August 1, 2011	\$ 30,759,000	\$ 38,849,000	\$ 8,090,000	79.18%	\$28,703,000	28.19%
August 1, 2010	30,516,000	37,496,000	6,980,000	81.38%	28,267,000	24.69%
August 1, 2009	30,259,000	34,299,000	4,040,000	88.22%	25,629,000	15.76%
August 1, 2008	30,645,000	36,740,000	6,095,000	83.41%	24,276,000	25.11%
August 1, 2007	30,421,000	33,680,000	3,259,000	90.32%	24,234,000	13.45%
August 1, 2006	25,580,000	25,580,000	-	100.00%	22,743,000	0.00%

**Other Postemployment Benefits**

July 1, 2010	\$ 13,080,897	\$ 23,128,254	\$ 10,047,357	56.56%	\$28,267,080	35.54%
July 1, 2009	13,051,000	24,044,000	10,993,000	54.28%	25,629,000	42.89%
July 1, 2008	14,675,000	26,264,000	11,589,000	55.87%	24,325,000	47.64%
July 1, 2007	14,721,000	24,857,000	10,136,000	59.22%	24,234,000	41.83%

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
PUBLIC EMPLOYEE RETIREMENT SYSTEMS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**June 30, 2011**

CITY OF CHATTANOOGA ADMINISTERED PLANS

Year ended June 30	General Pension Plan		Fire and Police Pension Fund		Other Postemployment Benefits	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2011	\$ 6,302,882	69.40%	\$ 8,613,696	95.60%	\$ 13,838,396	100.00%
2010	3,780,000	100.0%	7,903,392	105.9%	18,459,218	57.30%
2009	3,351,000	100.0%	7,686,489	108.5%	17,921,571	44.28%
2008	3,502,000	100.0%	7,504,469	99.0%	20,360,866	53.24%
2007	3,786,128	100.0%	7,540,220	89.0%	N/A	N/A
2006	3,518,054	98.7%	6,454,038	99.5%	N/A	N/A

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 follows.

	General Pension Plan	Fire and Police Pension Fund	Other Postemployment Benefits
Valuation date	1/1/2011	1/1/2011	1/1/2010
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age
Amortization method	Level Dollar	Level Percent of Payroll	Level Dollar
Remaining amortization period	30 Years Open	28 Years Remaining	30 Years Open
Asset valuation method	Market value, as adjusted	Market value, as adjusted	Market Value

Actuarial assumptions:

Investment rate of return	7.75%	7.75%	7.50%
Projected salary increases	4.50% - 5.50%	3.25% - 7.50%	3.25% - 7.50%
Includes inflation at	3.00%	3.25%	3.00%
Cost-of-living-adjustments	3.00%	3.00%	3.00%

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

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

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

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

State Street Aid Fund accounts for revenues and expenditures of the City's share of state gasoline taxes. State law required 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 to low-to-moderate income residents of the City.

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

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

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

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

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

Tennessee Valley Regional Communications Fund accounts for a regional communication system that services a multi-county / multi-state region.

### DEBT SERVICE FUND

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

### PERMANENT FUND

Library Endowment Fund accounts for several nonexpendable gifts to the Chattanooga-Hamilton County Bicentennial Library.



CITY OF CHATTANOOGA, TENNESSEE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2011

	Special Revenue						
	Bicentennial Library	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,327,562	\$ 11,780	\$ 571,188	\$ 2,365,937	\$ 1,001,932	\$ 935,076	\$ 1,917,002
Investments	3,194	-	-	-	-	-	-
Accounts receivable	1,875	-	11,349	2,802	-	-	942,077
Notes receivable	-	-	-	-	-	15,554,498	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments:	-	-	1,358,913	-	1,025,802	921,465	-
Prepaid items	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,332,631</b>	<b>\$ 11,780</b>	<b>\$ 3,300,363</b>	<b>\$ 2,368,739</b>	<b>\$ 3,053,536</b>	<b>\$ 18,332,504</b>	<b>\$ 2,859,079</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities:	\$ 13,153	\$ -	\$ 557,973	\$ 740,785	\$ 81,063	\$ 78,805	\$ 30,001
Due to other funds	-	-	-	-	-	-	482,713
Deferred revenue	14,419	-	-	-	375,872	16,175,624	457,611
Contracts payable	7,421	-	-	6,477	-	-	-
<b>Total liabilities</b>	<b>34,993</b>	<b>-</b>	<b>557,973</b>	<b>747,262</b>	<b>456,935</b>	<b>16,254,429</b>	<b>970,325</b>
<b>Fund Balances:</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	648,819	11,780	1,358,913	1,621,477	1,570,799	1,156,610	1,888,754
Committed	648,819	-	-	-	-	-	-
Assigned	-	-	24,564	-	-	-	-
<b>Total fund balances</b>	<b>1,297,638</b>	<b>11,780</b>	<b>1,383,477</b>	<b>1,621,477</b>	<b>1,570,799</b>	<b>1,156,610</b>	<b>1,888,754</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,332,631</b>	<b>\$ 11,780</b>	<b>\$ 1,941,450</b>	<b>\$ 2,368,739</b>	<b>\$ 2,027,734</b>	<b>\$ 17,411,039</b>	<b>\$ 2,859,079</b>

						<u>Permanent Fund</u>		Total
River Pier Garage	Regional Planning Agency	Air Pollution Control	Scenic Cities Beautiful Commission	Tenn Valley Regional Communications	Total Special Revenue	Debt Service	Library Endowment	Nonmajor Funds
\$ 313,587	\$ 1,421,640	\$ 811,737	\$ 256,173	\$ 184,828	\$ 11,118,442	\$ 4,565,203	\$ 94,144	\$ 15,777,789
-	-	-	-	-	3,194	-	3,641,763	3,644,957
6,929	-	400	2,900	1,027	969,359	-	-	969,359
-	-	-	-	-	15,554,498	-	-	15,554,498
-	-	-	-	-	-	389,171	-	389,171
-	240,897	-	-	-	3,547,077	-	-	3,547,077
-	-	-	-	1,000	1,000	-	-	1,000
<u>\$ 320,516</u>	<u>\$ 1,903,434</u>	<u>\$ 812,137</u>	<u>\$ 259,073</u>	<u>\$ 186,855</u>	<u>\$ 34,740,647</u>	<u>\$ 4,954,374</u>	<u>\$ 3,735,907</u>	<u>\$ 39,883,851</u>
\$ 6,092	\$ 274,792	\$ 34,381	\$ 1,352	\$ 15,123	\$ 1,833,520	\$ -	\$ -	\$ 1,833,520
-	-	-	-	-	482,713	-	-	482,713
-	-	-	-	-	17,023,526	-	-	17,023,526
-	-	-	-	-	13,898	-	-	13,898
6,092	274,792	34,381	1,352	15,123	19,353,657	-	-	19,353,657
-	-	-	-	1,000	1,000	-	3,725,007	3,726,007
-	693,873	311,102	128,861	-	9,390,988	-	10,900	9,401,888
-	693,872	466,654	128,860	170,732	2,108,937	4,954,374	-	7,063,311
314,424	-	-	-	-	338,988	-	-	338,988
314,424	1,387,745	777,756	257,721	171,732	11,839,913	4,954,374	3,735,907	20,530,194
<u>\$ 320,516</u>	<u>\$ 1,662,537</u>	<u>\$ 812,137</u>	<u>\$ 259,073</u>	<u>\$ 186,855</u>	<u>\$ 31,193,570</u>	<u>\$ 4,954,374</u>	<u>\$ 3,735,907</u>	<u>\$ 39,883,851</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2011

	Special Revenue						
	Bicentennial Library	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,746,845
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental:	2,920,565	-	14,570,680	23,942	4,564,877	4,872,376	-
Charges for services	257,110	-	50,870	-	-	62,596	-
Fines, forfeitures and penalties	-	-	-	48,642	-	-	-
Investment income	56,982	-	15,042	1,979	4,140	-	-
Sale of property	-	-	-	52,475	-	-	-
Contributions and donations	58,696	-	69,408	-	-	-	-
Miscellaneous	67,142	-	80,951	575,583	-	447,014	-
Total revenues	<u>3,360,495</u>	<u>-</u>	<u>14,786,951</u>	<u>702,621</u>	<u>4,569,017</u>	<u>5,381,986</u>	<u>4,746,845</u>
<b>EXPENDITURES</b>							
General government	5,789,792	-	1,000	-	-	-	112,734
Public safety	-	-	-	463,112	-	-	-
Public works	-	-	-	-	4,224,891	-	-
Social services	-	-	16,523,748	-	-	4,454,127	-
Capital outlay/capital assets	423,011	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-
Total expenditures	<u>6,212,803</u>	<u>-</u>	<u>16,524,748</u>	<u>463,112</u>	<u>4,224,891</u>	<u>4,454,127</u>	<u>112,734</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,852,308)</u>	<u>-</u>	<u>(1,737,797)</u>	<u>239,509</u>	<u>344,126</u>	<u>927,859</u>	<u>4,634,111</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	2,777,548	-	1,319,087	-	-	9,941	-
Transfers out	(80)	-	(585,610)	-	-	(933,988)	(3,670,548)
Total other financing sources (uses)	<u>2,777,468</u>	<u>-</u>	<u>733,477</u>	<u>-</u>	<u>-</u>	<u>(924,047)</u>	<u>(3,670,548)</u>
Net change in fund balances	(74,840)	-	(1,004,320)	239,509	344,126	3,812	963,563
FUND BALANCES, beginning	<u>1,372,478</u>	<u>11,780</u>	<u>2,387,797</u>	<u>1,381,968</u>	<u>1,226,673</u>	<u>1,152,797</u>	<u>925,191</u>
FUND BALANCES, ending	<u>\$ 1,297,638</u>	<u>\$ 11,780</u>	<u>\$ 1,383,477</u>	<u>\$ 1,621,477</u>	<u>\$ 1,570,799</u>	<u>\$ 1,156,609</u>	<u>\$ 1,888,754</u>

River Pier Garage	Regional Planning Agency	Air Pollution Control	Scenic Cities Beautiful Commission	Tenn Valley Regional Communications	Total Special Revenue	Debt Service	Permanent Fund Library Endowment	Other Eliminations	Total Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,746,845	\$ -	\$ -	\$ -	\$ 4,746,845
-	66,317	424,536	-	-	490,853	-	-	-	490,853
-	2,163,461	671,789	58,388	766,075	30,612,153	674,423	-	-	31,286,576
253,071	-	-	-	87,642	711,289	-	-	-	711,289
-	-	-	-	-	48,642	-	-	-	48,642
-	-	-	-	-	78,143	-	608,370	-	686,513
-	-	-	-	-	52,475	-	-	-	52,475
-	120,000	-	6,182	-	254,286	-	-	-	254,286
-	2,756	-	-	-	1,173,446	-	-	-	1,173,446
253,071	2,352,534	1,096,325	64,570	853,717	38,168,132	674,423	608,370	-	39,450,925
143,696	3,439,876	1,406,639	58,923	682,985	11,635,645	-	88,917	-	11,724,562
-	-	-	-	-	463,112	-	-	-	463,112
-	-	-	-	-	4,224,891	-	-	-	4,224,891
-	-	-	-	-	20,977,875	-	-	-	20,977,875
-	-	-	-	-	423,011	-	-	-	423,011
-	-	-	-	-	-	20,218,196	-	-	20,218,196
143,696	3,439,876	1,406,639	58,923	682,985	37,724,534	20,218,196	88,917	-	58,031,647
109,375	(1,087,342)	(310,314)	5,647	170,732	443,598	(19,543,773)	519,453	-	(18,580,722)
-	1,662,000	1,986,458	4,220	1,000	7,760,254	19,627,782	-	(2,546,270)	24,841,766
-	(235,000)	(1,729,734)	-	-	(7,154,960)	-	-	2,546,270	(4,608,690)
-	1,427,000	256,724	4,220	1,000	605,294	19,627,782	-	-	20,233,076
109,375	339,658	(53,590)	9,867	171,732	1,048,892	84,009	519,453	-	1,652,354
205,049	1,048,088	831,346	247,854	-	10,791,021	4,870,365	3,216,454	-	18,877,840
\$ 314,424	\$ 1,387,746	\$ 777,756	\$ 257,721	\$ 171,732	\$ 11,839,913	\$ 4,954,374	\$ 3,735,907	\$ -	\$ 20,530,194

## **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 operation of the Chattanooga Metropolitan Airport.

Chattanooga Area Regional Transit Authority (CARTA) accounts for the operation 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 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.

## **AGENCY FUND**

The Agency fund accounts for resources held by the City as an agent for the Industrial Development Board in connection with the State and local incentives related to Volkswagen Group of America. The Agency Fund is custodial in nature and does not involve the measurement of results of operations.

**CITY OF CHATTANOOGA, TENNESSEE**

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
COMPONENT UNITS**

**Year Ended June 30, 2011**

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 7,822,460	\$ 6,374,160	\$ 17,417,566	\$ 31,614,186
Other	-	240,690	-	240,690
Total operating revenues	<u>7,822,460</u>	<u>6,614,850</u>	<u>17,417,566</u>	<u>31,854,876</u>
<b>OPERATING EXPENSES</b>				
Airport operations	4,724,607	-	-	4,724,607
CARTA operations	-	16,023,240	-	16,023,240
CDRC operations	-	-	10,256,047	10,256,047
Management fees	251,789	-	388,917	640,706
Maintenance	386,523	-	-	386,523
Depreciation and amortization	3,272,064	5,625,885	477,354	9,375,303
Total operating expenses	<u>8,634,983</u>	<u>21,649,125</u>	<u>11,122,318</u>	<u>41,406,426</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(812,523)</u>	<u>(15,034,275)</u>	<u>6,295,248</u>	<u>(9,551,550)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	-	7,032,550	-	7,032,550
Investment income	7,172	1,664	1,011,309	1,020,145
Interest expense	(334,584)	(33,196)	(5,645,529)	(6,013,309)
Other income (expense)	1,311,652	-	-	1,311,652
Total nonoperating revenues (expenses)	<u>984,240</u>	<u>7,001,018</u>	<u>(4,634,220)</u>	<u>3,351,038</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	171,717	(8,033,257)	1,661,028	(6,200,512)
Capital contributions	<u>9,063,696</u>	<u>6,859,779</u>	<u>(15,619,000)</u>	<u>304,475</u>
<b>CHANGE IN NET ASSETS</b>	9,235,413	(1,173,478)	(13,957,972)	(5,896,037)
Net assets, beginning	<u>76,853,623</u>	<u>28,145,504</u>	<u>4,361,349</u>	<u>109,360,476</u>
Net assets, ending	<u>\$ 86,089,036</u>	<u>\$ 26,972,026</u>	<u>\$ (9,596,623)</u>	<u>\$ 103,464,439</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**COMBINING STATEMENT OF CASH FLOWS  
COMPONENT UNITS**

**Year Ended June 30, 2011**

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 7,781,349	\$ 6,866,676	\$ 16,497,736	\$ 31,145,761
Payments to suppliers	(4,385,764)	(5,406,987)	(11,475,733)	(21,268,484)
Payments to employees	-	(10,317,978)	-	(10,317,978)
Net cash from operating activities	<u>3,395,585</u>	<u>(8,858,289)</u>	<u>5,022,003</u>	<u>(440,701)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Payment of swap termination fee	-	-	(15,619,000)	(15,619,000)
Intergovernmental payments received	-	7,032,550	-	7,032,550
Net cash from noncapital financing activities	<u>-</u>	<u>7,032,550</u>	<u>(15,619,000)</u>	<u>(8,586,450)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on capital debt	(308,912)	(75,288)	(3,205,000)	(3,589,200)
Principal received on capital lease	-	-	17,945,761	17,945,761
Interest paid on capital debt	(335,976)	(33,196)	(5,949,235)	(6,318,407)
Capital contributions	7,978,519	6,589,346	-	14,567,865
Net increase in revolving line of credit	(11,464,370)	(5,191,216)	(653,006)	(17,308,592)
Additions to capital assets	-	500,000	-	500,000
Passenger facility charges collected	1,254,443	-	-	1,254,443
Net cash flows from capital and related financing activities	<u>(2,876,296)</u>	<u>1,789,646</u>	<u>8,138,520</u>	<u>7,051,870</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of investments	-	-	(94,742,140)	(94,742,140)
Proceeds from sales and maturities of investments	-	-	95,509,380	95,509,380
Interest on investments	7,172	1,664	1,012,787	1,021,623
Net cash flows from investing activities	<u>7,172</u>	<u>1,664</u>	<u>1,780,027</u>	<u>1,788,863</u>
Net increase (decrease) in cash and cash equivalents	526,461	(34,429)	(678,450)	(186,418)
Cash and cash equivalents, beginning of year	<u>10,016,997</u>	<u>1,250,979</u>	<u>4,151,044</u>	<u>15,419,020</u>
Cash and cash equivalents, end of year	<u>\$ 10,543,458</u>	<u>\$ 1,216,550</u>	<u>\$ 3,472,594</u>	<u>\$ 15,232,602</u>
<b>CLASSIFIED AS:</b>				
Current assets	<u>\$ 8,274,749</u>	<u>\$ 1,216,550</u>	<u>\$ 3,472,594</u>	<u>\$ 12,963,893</u>
Restricted assets	<u>\$ 2,268,709</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,268,709</u>

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

**COMBINING STATEMENT OF CASH FLOWS  
COMPONENT UNITS**

**Year Ended June 30, 2011**

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
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RECONCILIATION OF OPERATING INCOME (LOSS)  
TO NET CASH PROVIDED BY (USED IN)  
OPERATING ACTIVITIES

OPERATING INCOME (LOSS)	\$ (812,523)	\$ (15,034,275)	\$ 6,295,248	\$ (9,551,550)
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ADJUSTMENTS TO RECONCILE OPERATING  
INCOME (LOSS) TO NET CASH FROM  
OPERATING ACTIVITIES

Depreciation and amortization	3,272,064	5,625,885	477,354	9,375,303
Loss on disposal of property and equipment	8,051	-	-	8,051
Provision for uncollectible accounts	-	-	(15,364)	(15,364)
Bad debt expense	8,760	-	-	8,760
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(47,629)	251,826	(904,466)	(700,269)
(Increase) decrease in inventory	-	(24,921)	(42,298)	(67,219)
(Increase) decrease in prepaid items	(7,062)	10,047	-	2,985
Decrease in other assets	-	-	-	-
Increase in accounts payable and accrued liabilities	967,411	313,149	(135,424)	1,145,136
Increase in deferred revenue	6,513	-	-	6,513
Increase (decrease) in other assets/liabilities	-	-	(653,047)	(653,047)
<b>TOTAL ADJUSTMENTS</b>	<b>4,208,108</b>	<b>6,175,986</b>	<b>(1,273,245)</b>	<b>9,110,849</b>

NET CASH FROM OPERATING ACTIVITIES	\$ 3,395,585	\$ (8,858,289)	\$ 5,022,003	\$ (440,701)
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SIGNIFICANT NONCASH INVESTING, CAPITAL  
AND FINANCING ACTIVITIES

Additions to property and equipment included in contracts payable	\$ 4,059	\$ -	\$ -	\$ 4,059
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**CITY OF CHATTANOOGA, TENNESSEE**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND**

**June 30, 2011**

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
<b>ASSETS</b>				
Cash	\$ 363,422	\$ 47,054,077	\$ 55,259,932	\$ (7,842,433)
Due from others	-	7,842,433	-	7,842,433
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 363,422</u>	<u>\$ 54,896,510</u>	<u>\$ 55,259,932</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to Others	<u>\$ 363,422</u>	<u>\$ 54,896,510</u>	<u>\$ 55,259,932</u>	<u>\$ -</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>\$ 363,422</u>	<u>\$ 54,896,510</u>	<u>\$ 55,259,932</u>	<u>\$ -</u>

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$111,432,400	\$111,432,400	\$108,736,960	\$ (2,695,440)
Payments in lieu of tax:				
PILOT CHA	143,400	143,400	107,458	(35,942)
PILOT TVA	1,780,500	1,780,500	1,793,597	13,097
PILOT JCT	1,200	1,200	2,280	1,080
PILOT Good Neighbors	2,800	2,800	2,808	8
PILOT Burner Systems	400	400	416	16
PILOT Kenco Group	57,900	57,900	-	(57,900)
PILOT Regis Corp	10,300	10,300	-	(10,300)
PILOT Dev Corp O Knob	400	400	480	80
PILOT Chatt Labeling	7,700	7,700	-	(7,700)
PILOT Chattem	15,300	15,300	60,117	44,817
PILOT Signal Mtn Cement	76,700	76,700	94,068	17,368
PILOT Central Block Corp	2,400	2,400	-	(2,400)
PILOT Covenant Transport	21,400	21,400	24,876	3,476
PILOT The Bread Factory	1,900	1,900	1,938	38
PILOT LJT of Tennessee	36,700	36,700	37,619	919
PILOT Provident Life & Acc	9,800	9,800	11,681	1,881
PILOT South Market LLC	1,800	1,800	1,762	(38)
PILOT American Plastic	48,400	48,400	47,949	(451)
PILOT Custom Baking	14,700	14,700	-	(14,700)
PILOT DuPont Sabanci	17,000	17,000	14,850	(2,150)
PILOT Frazier Partners	600	600	618	18
PILOT Invista	31,300	31,300	34,510	3,210
PILOT Adv Tech Ceramic	7,900	7,900	-	(7,900)
PILOT United Enertach Corp	7,700	7,700	9,044	1,344
PILOT Aerisyn Inc	32,200	32,200	-	(32,200)
PILOT TAG Manufacturing	41,900	41,900	47,386	5,486
PILOT Wm Wrigley Jr Co	53,200	53,200	72,053	18,853
PILOT Astec Industries	31,300	31,300	41,753	10,453
PILOT Blue Cross Blue Shield	1,011,300	1,011,300	933,510	(77,790)
PILOT East Tech Co	9,500	9,500	13,852	4,352
PILOT Heatec, Inc	3,500	3,500	7,642	4,142
PILOT Modern Industries	6,000	6,000	-	(6,000)
PILOT Roadtec	22,200	22,200	31,336	9,136
PILOT Sphere One Inc	8,000	8,000	9,959	1,959
PILOT Steel Warehouse of TN	19,200	19,200	54,158	34,958
PILOT US Express Inc	43,700	43,700	54,462	10,762
PILOT United Packers of Chatt	34,100	34,100	59,767	25,667
PILOT MK LLC	2,000	2,000	-	(2,000)
PILOT Jarnigan Road-EMJ Corp	15,500	15,500	28,938	13,438
PILOT Madem Reels USA	5,100	5,100	65,766	60,666
PILOT National Print-Posters	6,500	6,500	16,039	9,539
PILOT Southern Champion Tray	6,700	6,700	14,145	7,445
PILOT Vision Chestnut Hotel Group LLC	49,400	49,400	75,137	25,737
PILOT Alstom Power Inc.	160,800	160,800	726,390	565,590
PILOT Gestamp Chattanooga, LLC	-	-	151,889	151,889
PILOT Scannell Properties #85, LLC	-	-	22,597	22,597
PILOT Riverset Apartments	-	-	40,579	40,579

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Year Ended June 30, 2011

(continued from previous page)

	Budgeted Amounts			Variance with Final Budget - Over (Under)
	Original	Final	Actual Amounts	
Interest and penalty on taxes:				
Current year	\$ 100,000	\$ 100,000	\$ 143,028	\$ 43,028
Prior years	725,000	725,000	838,841	113,841
Collection fees - delinquent taxes	200,000	200,000	353,598	153,598
Corporate excise tax - intangible property	224,000	224,000	41,035	(182,965)
Other local taxes:				
Franchise taxes	2,321,500	2,321,500	2,119,546	(201,954)
Liquor taxes	1,996,200	1,996,200	1,964,432	(31,768)
Beer taxes	4,911,800	4,911,800	5,387,951	476,151
Local litigation tax City Court	3,300	3,300	2,485	(815)
Gross receipts tax	3,403,200	3,403,200	4,437,883	1,034,683
<b>Total taxes</b>	<b>129,177,700</b>	<b>129,177,700</b>	<b>128,739,188</b>	<b>(438,512)</b>
Licenses, fees & permits:				
Business Licenses	147,800	147,800	3,650	(144,150)
Business License Int & Pen	6,400	6,400	979	(5,421)
Wrecker Business License	5,800	5,800	4,850	(950)
Annual Electrical Contractor Lic	72,000	72,000	51,550	(20,450)
Electrical License Int & Pen	900	900	250	(650)
Liquor by Drink License	142,300	142,300	141,030	(1,270)
Liquor by Drink Int & Pen	1,600	1,600	1,485	(115)
Transient Vendor License	4,000	4,000	2,200	(1,800)
Motor Vehicle License	380,000	380,000	390,195	10,195
Original Business License Fee	8,500	8,500	24,975	16,475
Over & Under Business License	-	-	(141)	(141)
Building Permits	1,210,400	1,210,400	901,990	(308,410)
Electrical Permits	250,600	250,600	297,478	46,878
Plumbing Fixtures Connection Permits	182,800	182,800	153,978	(28,822)
Street Cut-in Permits	244,600	244,600	301,178	56,578
Mechanical Code Permits	102,600	102,600	152,935	50,335
Hotel Permits	4,100	4,100	3,375	(725)
Gas Permits	8,100	8,100	28,654	20,554
Sign Permits	123,400	123,400	140,625	17,225
Taxicab Driver Permits	4,400	4,400	3,460	(940)
Temporary Use Permits	2,200	2,200	4,415	2,215
Moving Permit Investigation Fee	-	-	100	100
Going Out of Business Permits	700	700	100	(600)
Traffic Eng Special Events Permits	4,200	4,200	12,131	7,931
Fortwood Parking Permits	700	700	3,025	2,325
Push Cart Permits	-	-	300	300
Business License Issuance Fees	57,000	57,000	60,129	3,129
Plumbing Examiners Fees	35,000	35,000	35,945	945
Electrical Examiners Fees	35,000	35,000	35,265	265
Gas Examiners Fees	35,000	35,000	31,825	(3,175)
Beer Permit Application Fees	87,000	87,000	94,092	7,092
Mechanical Exam Fees	58,000	58,000	57,690	(310)
Permit Issuance Fees	45,000	45,000	44,445	(555)
Exhibitors Fees	1,400	1,400	(5)	(1,405)
Subdivision Review & Inspection Fees	15,000	15,000	15,065	65
Adult Entertain Application Fees	6,500	6,500	14,300	7,800

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Year Ended June 30, 2011

(continued from previous page)

	Budgeted Amounts			Variance with Final Budget - Over (Under)
	Original	Final	Actual Amounts	
Licenses, fees & permits: (continued)				
Zoning Letter Fees	\$ 6,300	\$ 6,300	\$ 10,875	\$ 4,575
Variance Request Fees	6,700	6,700	7,600	900
Certificate of Occupancy Fees	15,000	15,000	18,985	3,985
Sewer Verification Letter Fees	500	500	950	450
Code Compliance Letter Fees	1,000	1,000	250	(750)
Modular Home Site Investigation Fees	200	200	300	100
Plan Checking Fees	198,900	198,900	148,416	(50,484)
Phased Construction Plan Review Fees	10,000	10,000	38,140	28,140
Construction Board of Appeals Fees	2,000	2,000	1,100	(900)
Sign Board of Appeals Fees	2,800	2,800	4,200	1,400
Dead Animal Pickup at Vet Fees	900	900	4,627	3,727
Historic Zone Construction Fee	-	-	50	50
Hardship-Appropriateness Construction Fee	-	-	150	150
Northshore Design Appeal Fee	-	-	400	400
Northshore-Downtown Plan Review Fee	-	-	500	500
Fire Permits	31,300	31,300	9,950	(21,350)
Designated revenues:				
Parking meters	1,178,089	1,178,089	1,178,089	-
Zoo admissions & sales	247,460	247,460	247,460	-
<b>Total licenses, fees &amp; permits</b>	<b>4,984,149</b>	<b>4,984,149</b>	<b>4,685,560</b>	<b>(298,589)</b>
Intergovernmental revenues:				
Federal:				
Federal Operations Funds EPA	-	-	61,088	61,088
Federal Operations Funds FEMA	-	-	1,012,539	1,012,539
State:				
State Operations Funds	73,400	73,400	11,968	(61,432)
State Operations Funds TEMA	-	-	178,938	178,938
State Operations Funds Training Supplement F&P	469,800	469,800	493,200	23,400
State Shared Ops Maintenance of Streets	318,300	318,300	280,528	(37,772)
State Shared City Alloc State Sales Tax	9,695,200	9,695,200	10,357,166	661,966
State Shared City Alloc State Income Tax	1,500,000	1,500,000	2,714,695	1,214,695
State Shared City Alloc State Beer Tax	77,100	77,100	81,152	4,052
State Shared Mixed Drink Tax	1,910,800	1,910,800	1,942,779	31,979
State Shared Telecommunications Sales Tax	12,600	12,600	10,515	(2,085)
State Shared Alcoholic Beverage Tax	96,000	96,000	104,086	8,086
State Shared Gas Inspection Fees	288,800	288,800	333,865	45,065
State Shared Commission Gross Receipts	100,000	100,000	410,746	310,746
County:				
Ham Co Operations Funds	-	-	26,694	26,694
Ham Co Oper SWAT Reimb	54,400	54,400	-	(54,400)
Ham Co Oper Ross's Landing	936,900	936,900	895,515	(41,385)
Ham Co Shared County-wide Sales Tax	24,642,800	24,642,800	26,462,886	1,820,086
Other Intergovernmental:				
Other Intergovernmental Operations	-	-	56,265	56,265
Other Intergovernmental Charges for Service	-	-	6,203	6,203

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CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Year Ended June 30, 2011

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Designated revenues:				
County-wide Sales Tax	\$ 10,011,275	\$ 10,011,275	\$ 10,652,849	\$ 641,574
Other designated revenue	7,997,153	6,802,380	7,024,204	221,824
<b>Total intergovernmental revenues</b>	<b>58,184,528</b>	<b>56,989,755</b>	<b>63,117,881</b>	<b>6,128,126</b>
Charges for services:				
Court Cost Current	240,800	240,800	197,676	(43,124)
Court Commissions	10,500	10,500	7,865	(2,635)
Court Clerk's Fee Current	1,011,600	1,011,600	838,136	(173,464)
Court Clerk's Fee Delinquent	-	-	50	50
Court Service of Process Current	300	300	209	(91)
Court Processing of Release Forms	11,600	11,600	15,712	4,112
Court Administrative Cost	20,000	20,000	10,480	(9,520)
Court Current State Cost	2,700	2,700	2,077	(623)
Court Copy Record Income	-	-	58	58
Court Transalation Service Fee	-	-	11,032	11,032
Facility Rents	288,100	288,100	284,722	(3,378)
Property Rental Revenue	95,500	95,500	98,241	2,741
Ballfield Income	3,900	3,900	65,808	61,908
Skateboard Park Fees	50,500	50,500	35,864	(14,636)
Carousel Ridership	101,100	101,100	94,338	(6,762)
Walker Pavilion Rent	18,200	18,200	20,078	1,878
Coolidge Park Table Rental	1,900	1,900	625	(1,275)
Heritage Park House Rent	34,500	34,500	29,475	(5,025)
Renaissance Park Rent	-	-	1,500	1,500
Greenway Facility Rent	12,000	12,000	19,565	7,565
Fitness Center Fees	52,100	52,100	47,900	(4,200)
Dock Rental	56,200	56,200	40,706	(15,494)
Ross' Landing Rent	1,300	1,300	11,782	10,482
Champion's Club Fees	42,000	42,000	52,866	10,866
Recreation Center Rental	67,500	67,500	68,114	614
Carousel Room Rental	3,600	3,600	4,620	1,020
Coolidge Park Rental	5,900	5,900	4,500	(1,400)
Preservation Fee	105,000	105,000	135,935	30,935
Box Office Fee	164,000	164,000	209,345	45,345
Ticket Stock Charge	-	-	2,318	2,318
Overtime Reimbursement	5,700	5,700	11,286	5,586
Program Fees	-	-	16,015	16,015
Park Event Fees	10,700	10,700	40,355	29,655
Kidz Kamp Fees	70,400	70,400	28,895	(41,505)
Sports Program Fees	28,600	28,600	13,653	(14,947)
Non-Traditional Program Fees	11,600	11,600	4,437	(7,163)
OutVenture Fees	17,700	17,700	15,309	(2,391)
Therapeutic Fees	2,400	2,400	2,940	540
Swimming Pool Fees	70,700	70,700	113,034	42,334
Arts & Culture Fees	10,100	10,100	12,180	2,080
Police Report Fees	40,500	40,500	41,425	925
ID Card Fees	1,000	1,000	677	(323)
Credit Card Processing Fee	78,000	78,000	102,341	24,341
Concessions	65,200	65,200	132,030	66,830

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**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**Year Ended June 30, 2011**

(continued from previous page)

	Budgeted Amounts			Variance with Final Budget - Over (Under)
	Original	Final	Actual Amounts	
Charges for services: (continued)				
Civic Facilities Show Merchandise	\$ 7,500	\$ 7,500	\$ 27,556	\$ 20,056
Financial Service EPB	7,200	7,200	7,200	-
Fire & Ambulance Service Fees	200	200	419	219
General Pension Admin Cost	40,000	40,000	45,000	5,000
Returned Check Fee	3,200	3,200	6,327	3,127
Waste Container Purchases	24,500	24,500	25,080	580
Contractor Plan Pre-Bid Award	400	400	-	(400)
Bad Debt Expense	-	-	(25,654)	(25,654)
Revenue Adjustment	-	-	(10)	(10)
Chargebacks	-	-	(510)	(510)
Over & Under	-	-	643	643
Designated revenues	2,056,780	2,056,780	1,958,919	(97,861)
<b>Total charges for services</b>	<b>4,953,180</b>	<b>4,953,180</b>	<b>4,891,144</b>	<b>(62,036)</b>
Fines & forfeitures:				
City Court fines	609,100	609,100	514,581	(94,519)
Criminal Court fines	153,500	153,500	121,377	(32,123)
Traffic Court fines	702,100	702,100	519,612	(182,488)
Air pollution penalties	1,500	1,500	1,298	(202)
Miscellaneous fines and forfeitures	1,600	1,600	1,250	(350)
Designated revenues	1,300,000	1,300,000	1,499,192	199,192
<b>Total fines and forfeitures</b>	<b>2,767,800</b>	<b>2,767,800</b>	<b>2,657,310</b>	<b>(110,490)</b>
Miscellaneous revenues:				
Interest earned	493,800	493,800	616,428	122,628
Sale of property	31,700	31,700	59,771	28,071
Donations	-	-	23,300	23,300
Settlements	80,000	80,000	63,785	(16,215)
Departmental billings	2,815,900	2,815,900	2,815,900	-
Miscellaneous revenue	51,500	51,500	389,249	337,749
Designated revenues	196,444	223,944	292,414	68,470
<b>Total miscellaneous revenues</b>	<b>3,669,344</b>	<b>3,696,844</b>	<b>4,260,847</b>	<b>564,003</b>
<b>Total revenues</b>	<b>203,736,701</b>	<b>202,569,428</b>	<b>208,351,930</b>	<b>5,782,502</b>
EXPENDITURES:				
General Government & Agencies:				
City Council	746,464	746,464	729,754	(16,710)
City Judges	769,174	769,174	774,792	5,618
City Attorney	1,299,861	1,299,861	1,182,056	(117,805)
Internal Audit	518,080	518,080	450,546	(67,534)
Information Services:				
Information Services Admin	3,530,730	3,530,730	3,474,464	(56,266)
Telephone Systems	177,720	177,720	110,615	(67,105)
Telecommunication Operations	180,329	180,329	77,903	(102,426)
311 Call Center	575,801	575,801	525,016	(50,785)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Year Ended June 30, 2011

(continued from previous page)

	Budgeted Amounts			Variance with Final Budget - Over (Under)
	Original	Final	Actual Amounts	
External Appropriations:				
CARCOG & Economic Dev Dist	\$ 36,038	\$ 36,038	\$ 36,038	\$ -
Allied Arts Council Fund, Inc.	161,200	161,200	161,200	-
Carter Street Corporation	161,257	161,257	161,257	-
Chatt Neighborhood Enterprise	1,000,000	1,000,000	1,000,000	-
WTCI-TV Channel 45	50,650	50,650	50,650	-
Tennessee River Park	1,191,180	1,191,180	1,021,241	(169,939)
Homeless Health Care Center	13,300	13,300	13,300	-
Children's Advocacy Center	19,000	19,000	19,000	-
Community Foundation Scholarships	101,300	101,300	101,300	-
Chatt Area Urban League	42,200	42,200	42,200	-
Bessie Smith Cultural Center	54,000	54,000	54,000	-
Chatt History Center	15,200	15,200	15,200	-
Community Impact Fund	175,600	175,600	175,600	-
Railroad Authority	12,281	12,281	-	(12,281)
Enterprise Center	260,500	260,500	260,500	-
Enterprise South Nature Park	564,697	564,697	434,600	(130,097)
Front Porch Alliance	22,800	22,800	22,800	-
Choose Chattanooga	16,900	16,900	16,900	-
Finley Stadium	60,000	60,000	60,000	-
Friends of Moccasin Bend Natl Park	25,300	25,300	25,300	-
ESIP Security Services	53,827	53,827	53,488	(339)
Chattanooga Area Food Bank	12,700	12,700	12,700	-
Alexian Brothers Senior Neighbors	17,700	17,700	17,700	-
River City Company	67,500	67,500	67,500	-
Component Unit Appropriations:				
CARTA Subsidy	4,231,000	4,231,000	4,231,000	-
Election Expense	25,000	25,000	19,735	(5,265)
Unemployment Insurance	133,000	133,000	100,067	(32,933)
Contingency Fund	832,400	578,832	50,000	(528,832)
Renewal & Replacement	1,324,510	1,324,510	1,057,329	(267,181)
Audits, Dues & Surveys	322,099	322,099	166,931	(155,168)
Intergovernmental Relations	287,908	287,908	199,906	(88,002)
City Water Quality Mgmt Fees	300,000	300,000	332,175	32,175
Liability Insurance Premiums	1,360,000	1,360,000	1,960,000	600,000
Tuition Assistance Program	20,000	20,000	12,369	(7,631)
Designated expenditures:				
CARTA Parking Meters	1,178,090	1,178,090	1,178,089	(1)
Automated Traffic Enforcement	1,300,000	1,300,000	1,374,079	74,079
EPA - Brownfield Project at Ohls Avenue	220,079	220,079	237,717	17,638
EPA - Brownfield Project at Anchor Glass	224,797	224,797	225,420	623
EPA - Brownfield Revolving Loan Brightbridge	1,193,368	1,193,368	100,242	(1,093,126)
EPA - Brownfield at TN Ave and 36th St	480,000	480,000	-	(480,000)
ARRA - EEC Block Grant	1,943,995	599,222	449,222	(150,000)
Free Public Library	317,060	317,060	317,060	-
Economic Development	9,936,275	9,354,144	8,019,527	(1,334,617)
RPA - M.L. King Plan	-	-	8,230	8,230
<b>Total general government</b>	<b>37,562,870</b>	<b>35,382,398</b>	<b>31,186,718</b>	<b>(4,195,680)</b>

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**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**Year Ended June 30, 2011**

(continued from previous page)

	Budgeted Amounts			Variance with Final Budget - Over (Under)
	Original	Final	Actual Amounts	
Executive Office of the Mayor:				
Executive Office Admin	\$ 941,660	\$ 941,660	\$ 923,452	\$ (18,208)
Multicultural Affairs	406,015	406,015	241,795	(164,220)
Office of Faith Based Initiatives	1,833	1,833	44,022	42,189
Designated expenditures:				
Go Fest	28,240	28,240	5,093	(23,147)
Farmer's Market	-	-	212	212
<b>Total executive office</b>	<b>1,377,748</b>	<b>1,377,748</b>	<b>1,214,574</b>	<b>(163,174)</b>
Finance & Administration:				
Finance Office	2,503,234	2,503,234	2,141,759	(361,475)
Office of the City Treasurer	836,997	836,997	704,772	(132,225)
City Court Clerk's Office	1,145,925	1,145,925	940,642	(205,283)
Designated expenditures:				
City Court Technology	71,285	71,285	393	(70,892)
<b>Total finance &amp; administration</b>	<b>4,557,441</b>	<b>4,557,441</b>	<b>3,787,566</b>	<b>(769,875)</b>
General Services:				
General Services Administration	473,710	473,710	365,161	(108,549)
Purchasing	854,105	854,105	751,489	(102,616)
Building Maintenance	1,157,537	1,157,537	1,146,412	(11,125)
Chattanooga Mobile Communications	7,699	7,699	-	(7,699)
Real Estate	53,525	53,525	101,432	47,907
Farmer's Market	16,065	16,065	9,846	(6,219)
Designated expenditures:				
Heritage Hall & Museum	126,075	126,075	112,309	(13,766)
DRC Building Operations	445,324	445,324	154,852	(290,472)
PSIC Grant	121,216	121,216	215,738	94,522
<b>Total general services</b>	<b>3,255,256</b>	<b>3,255,256</b>	<b>2,857,239</b>	<b>(398,017)</b>
Personnel:				
Personnel Administration	1,329,099	1,329,099	1,111,808	(217,291)
Insurance Office and Programs	510,670	510,670	425,752	(84,918)
<b>Total personnel</b>	<b>1,839,769</b>	<b>1,839,769</b>	<b>1,537,560</b>	<b>(302,209)</b>
Neighborhood Services:				
Neighborhood Services Administration	601,675	601,675	551,161	(50,514)
Codes & Community Services	1,336,220	1,336,220	1,316,171	(20,049)
Designated expenditures:				
Neighborhood Initiatives	164,314	164,314	118,538	(45,776)
Neighborhood Partners Projects	(5,972)	(5,972)	50,818	56,790
<b>Total neighborhood services</b>	<b>2,096,237</b>	<b>2,096,237</b>	<b>2,036,688</b>	<b>(59,549)</b>

(continued on next page)



CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Year Ended June 30, 2011

(continued from previous page)

	Budgeted Amounts			Variance with Final Budget - Over (Under)
	Original	Final	Actual Amounts	
Police:				
Police Administration	\$ 12,722,414	\$ 12,722,414	\$ 12,760,974	\$ 38,560
Uniform Services	22,287,301	22,287,301	21,268,015	(1,019,286)
Investigative Services	7,458,085	7,458,085	8,018,451	560,366
Support Services	5,850,735	5,850,735	5,787,007	(63,728)
Designated expenditures:				
Reduction of Part 1 Offenses	36,295	36,295	44,668	8,373
Police Special Programs	194,721	194,721	185,346	(9,375)
Law Enforcement Planning	442,292	442,292	441,423	(869)
Other Police Grants	498,691	498,691	485,856	(12,835)
<b>Total police</b>	<b>49,490,534</b>	<b>49,490,534</b>	<b>48,991,740</b>	<b>(498,794)</b>
Fire:				
Fire Administration	612,191	612,191	648,938	36,747
Fire Station Operations	30,077,816	30,077,816	29,219,830	(857,986)
Fire Safety & Training	2,083,042	2,083,042	2,376,057	293,015
Fire Marshall	1,376,830	1,376,830	1,315,401	(61,429)
Designated expenditures:				
Fire Programs	309,336	309,336	323,217	13,881
<b>Total fire</b>	<b>34,459,215</b>	<b>34,459,215</b>	<b>33,883,443</b>	<b>(575,772)</b>
Public works:				
Public Works Admin	985,201	985,201	865,234	(119,967)
City Engineer	2,160,617	2,160,617	2,213,474	52,857
ESIP Admin	1,000	1,000	-	(1,000)
Utilities	164,000	164,000	175,158	11,158
Solid Waste Subsidy	5,907,775	5,907,775	5,907,775	-
Public Works Summer Work Program	-	-	9,530	9,530
City-wide Services:				
CWS Admin	3,519,301	3,519,301	2,062,116	(1,457,185)
CWS Emergency	856,393	856,393	833,085	(23,308)
CWS Street Cleaning	2,392,631	2,392,631	2,634,169	241,538
Waste Pickup	7,401,451	7,401,451	6,565,794	(835,657)
Municipal Forestry	597,963	597,963	695,674	97,711
Land Development Office	2,698,621	2,698,621	2,755,389	56,768
Traffic Operations	1,905,398	1,905,398	1,966,335	60,937
Traffic Engineering Admin	829,227	829,227	814,420	(14,807)
Storm Stations	98,400	98,400	67,265	(31,135)
Street Lighting	2,940,452	2,940,452	3,234,880	294,428
Designated expenditures:				
Public Works Designated Programs	132,982	132,982	136,743	3,761
Municipal Forestry Grants & Tree Commission	277,291	261,473	89,656	(171,817)
Other Public Works Grants	5,563,932	5,563,933	4,009,042	(1,554,891)
<b>Total public works</b>	<b>38,432,635</b>	<b>38,416,818</b>	<b>35,035,739</b>	<b>(3,381,079)</b>

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**Year Ended June 30, 2011**

(continued from previous page)

	Budgeted Amounts			Variance with Final Budget - Over (Under)
	Original	Final	Actual Amounts	
Parks & Recreation:				
Parks & Rec Administration	\$ 880,665	\$ 880,665	\$ 742,249	\$ (138,416)
Recreation Admin	1,718,182	1,718,182	1,801,011	82,829
Recreation Programs:				
Youth Development	167,600	167,600	130,008	(37,592)
Kidz Kamp	219,528	219,528	200,349	(19,179)
Sports	262,314	262,314	234,789	(27,525)
Recreation Services:				
Aquatics Programs	185,833	185,833	213,130	27,297
Therapeutic Programs	122,271	122,271	122,111	(160)
Fitness Center	230,319	230,319	220,781	(9,538)
Recreation Facilities:				
Skatepark	90,045	90,045	57,917	(32,128)
Champion's Club	285,526	285,526	271,825	(13,701)
Heritage House	-	-	1,424	1,424
Summit of Softball	597,985	597,985	457,220	(140,765)
Recreation Centers	2,803,506	2,803,506	2,624,532	(178,974)
Outdoor Recreation	384,117	385,384	398,615	13,231
Park Admin	951,899	951,899	850,708	(101,191)
Park Maint & Security	2,400,469	2,400,469	2,552,587	152,118
Hamilton County Shared Maintenance:				
Tenn Riverpark Downtown	1,437,290	1,437,290	1,383,206	(54,084)
Other Shared Maintenance	516,729	516,729	605,210	88,481
Chattanooga Zoo at Warner Park	674,418	674,418	674,414	(4)
Designated expenditures:				
Zoo Special Programs	325,199	325,199	325,199	-
Brainerd Golf Course	842,626	842,626	867,505	24,879
Brown Acres Golf Course	999,275	999,275	907,313	(91,962)
Parks & Rec Special Programs & Grants	-	-	17,068	17,068
Public Art Initiative	-	-	26,265	26,265
Total parks & recreation	<u>16,095,796</u>	<u>16,097,063</u>	<u>15,685,436</u>	<u>(411,627)</u>
Education, Arts & Culture:				
EAC Administration	358,043	358,043	373,066	15,023
Civic Facilities:				
Memorial Auditorium	494,744	494,744	454,038	(40,706)
Tivoli Theatre	350,660	350,660	318,766	(31,894)
Civic Facilities Concessions	47,962	47,962	59,509	11,547
Civic Facilities Administration	825,170	825,170	811,095	(14,075)
Arts & Culture Facilities	291,735	291,735	284,329	(7,406)
Cultural Arts Programs	18,422	18,422	16,712	(1,710)
Designated expenditures:				
Ed, Arts & Culture Special Programs	(11,920)	(11,920)	1,037	12,957
Total education, arts & culture	<u>2,374,816</u>	<u>2,374,816</u>	<u>2,318,552</u>	<u>(56,264)</u>
Total expenditures	<u>191,542,317</u>	<u>189,347,295</u>	<u>178,535,255</u>	<u>(10,812,040)</u>
Excess of revenues over expenditures	<u>12,194,384</u>	<u>13,222,133</u>	<u>29,816,675</u>	<u>16,594,542</u>

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**Year Ended June 30, 2011**

(continued from previous page)

	Budgeted Amounts			Variance with Final Budget - Over (Under)
	Original	Final	Actual Amounts	
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 4,821,843	\$ 4,984,405	\$ 4,898,833	\$ (85,572)
Transfers out	(21,635,457)	(24,211,155)	(24,264,872)	(53,717)
Total other financing sources (uses)	(16,813,614)	(19,226,750)	(19,366,039)	(139,289)
Net change in fund balance	(4,619,230)	(6,004,617)	10,450,636	16,455,253
FUND BALANCE, Beginning	39,829,493	39,829,493	39,829,493	-
FUND BALANCE, Ending	<u>\$ 35,210,263</u>	<u>\$ 33,824,876</u>	<u>\$ 50,280,129</u>	<u>\$ 16,455,253</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE - DESIGNATED REVENUES  
GENERAL FUND**

**Year Ended June 30, 2011**

	<b>Final Budget</b>					
	Licenses & Permits	Intergovern- mental	Charges for Services	Fines, Forfeitures & penalties	Miscellaneous Revenue	Total
Reduction Part I Programs	\$ -	\$ -	\$ -	\$ -	\$ 38,795	\$ 38,795
Municipal Golf Course	-	-	1,817,360	-	-	1,817,360
Free Public Library	-	-	-	-	2,444	2,444
Law Enforcement Planning	-	940,641	-	-	342	940,983
Nonprofit Request	-	-	-	-	-	-
Economic Development	-	10,011,275	-	-	-	10,011,275
AfricanAmerican Museum	-	62,653	-	-	-	62,653
Special Programs	1,425,549	5,799,086	239,420	1,300,000	182,363	8,946,418
<b>Total designated revenues</b>	<b>\$ 1,425,549</b>	<b>\$ 16,813,655</b>	<b>\$ 2,056,780</b>	<b>\$ 1,300,000</b>	<b>\$ 223,944</b>	<b>\$ 21,819,928</b>

**Actual**

Licenses & Permits	Intergovern- mental	Charges for Services	Fines, Forfeitures & penalties	Miscellaneous Revenue	Total	Variance Over (Under)
\$ -	\$ -	\$ -	\$ -	\$ 38,795	\$ 38,795	\$ -
-	9,625	1,712,043	-	11,241	1,732,909	(84,451)
-	-	-	-	2,445	2,445	1
-	918,521	-	-	342	918,863	(22,120)
-	-	1,700	-	-	1,700	1,700
-	10,652,849	(44,661)	-	40,015	10,648,203	636,928
-	62,653	-	-	-	62,653	-
<u>1,425,549</u>	<u>6,033,404</u>	<u>289,837</u>	<u>1,499,192</u>	<u>199,577</u>	<u>9,447,559</u>	<u>501,141</u>
<u>\$ 1,425,549</u>	<u>\$ 17,677,052</u>	<u>\$ 1,958,919</u>	<u>\$ 1,499,192</u>	<u>\$ 292,415</u>	<u>\$ 22,853,127</u>	<u>\$ 1,033,199</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
PUBLIC LIBRARY FUND**

**Year Ended June 30, 2011**

	Budget Amounts		Actual Amounts	Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Hamilton County, Tennessee funds	\$ 2,777,468	\$ 2,777,468	\$ 2,777,468	\$ -
State of Tennessee funds	-	-	140,597	140,597
Investment income	27,374	27,374	56,982	29,608
Book sales	98,750	98,750	93,760	(4,990)
Donations	37,000	37,000	58,696	21,696
Miscellaneous	201,822	201,822	232,992	31,170
<b>Total revenues</b>	<b>3,142,414</b>	<b>3,142,414</b>	<b>3,360,495</b>	<b>218,081</b>
<b>EXPENDITURES</b>				
Central branch and administration	4,654,290	4,654,290	4,393,823	(260,467)
Eastgate branch	387,331	387,331	385,321	(2,010)
Northgate branch	327,934	327,934	339,716	11,782
Ooltewah/Collegedale branch	355,719	355,719	369,565	13,846
South Chattanooga branch	190,852	190,852	170,699	(20,153)
Capital outlay	295,755	295,755	423,011	127,256
Other	54,001	54,001	130,668	76,667
<b>Total expenditures</b>	<b>6,265,882</b>	<b>6,265,882</b>	<b>6,212,803</b>	<b>(53,079)</b>
Excess (deficiency) of revenues over (under) expenditures	(3,123,468)	(3,123,468)	(2,852,308)	271,160
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,882,468	2,882,468	2,777,548	(104,920)
Transfers out	-	-	(80)	(80)
<b>Total other financing sources (uses)</b>	<b>2,882,468</b>	<b>2,882,468</b>	<b>2,777,468</b>	<b>(105,000)</b>
Net change in fund balances	(241,000)	(241,000)	(74,840)	166,160
FUND BALANCES, beginning	1,372,478	1,372,478	1,372,478	-
FUND BALANCES, ending	\$ 1,131,478	\$ 1,131,478	\$ 1,297,638	\$ 166,160

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
DOWNTOWN DEVELOPMENT FUND**

**Year Ended June 30, 2011**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
Downtown development	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
FUND BALANCES, beginning	<u>11,780</u>	<u>11,780</u>	<u>11,780</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 11,780</u>	<u>\$ 11,780</u>	<u>\$ 11,780</u>	<u>\$ -</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
HUMAN SERVICES PROGRAM FUND**

**Year Ended June 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ 9,197,976	\$ 9,197,976	\$ 9,232,486	\$ 34,510
State of Tennessee funds	6,183,056	6,183,056	5,338,194	(844,862)
United Way	3,000	3,000	1,228	(1,772)
Project Warm Neighbors	22,000	22,000	18,457	(3,543)
Day care fees	44,648	44,648	50,870	6,222
Donations	45,000	45,000	49,723	4,723
Investment income	20,000	20,000	15,042	(4,958)
Miscellaneous	43,704	43,704	80,951	37,247
<b>Total revenues</b>	<b>15,559,384</b>	<b>15,559,384</b>	<b>14,786,951</b>	<b>(772,433)</b>
<b>EXPENDITURES</b>				
Administration	846,752	846,752	856,177	9,425
Headstart program	9,168,935	9,168,935	9,532,866	363,931
Day care	720,957	720,957	755,572	34,615
Food program	109,252	109,252	166,106	56,854
Weatherization program	-	-	9,562	9,562
Foster grandparent program	508,643	508,643	521,925	13,282
Low-income energy assistance	4,551,426	4,551,426	3,610,243	(941,183)
Community services block grant	593,734	593,734	589,895	(3,839)
Title II commodities	33,997	33,997	178,593	144,596
Emergency food and shelter	-	-	157	157
Other programs	129,909	129,909	114,656	(15,253)
Capital outlay	19,184	19,184	188,996	169,812
<b>Total expenditures</b>	<b>16,682,789</b>	<b>16,682,789</b>	<b>16,524,748</b>	<b>(158,041)</b>
Excess (deficiency) of revenues over (under) expenditures	(1,123,405)	(1,123,405)	(1,737,797)	(614,392)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	733,477	733,477	1,319,087	585,610
Transfers out	-	-	(585,610)	(585,610)
<b>Total other financing sources (uses)</b>	<b>733,477</b>	<b>733,477</b>	<b>733,477</b>	<b>-</b>
Net change in fund balances	(389,928)	(389,928)	(1,004,320)	(614,392)
FUND BALANCES, beginning	2,387,797	2,387,797	2,387,797	-
FUND BALANCES, ending	\$ 1,997,869	\$ 1,997,869	\$ 1,383,477	\$ (614,392)



**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
NARCOTICS PROGRAM FUND**

**Year Ended June 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ 50,000	\$ 50,000	\$ 23,942	\$ (26,058)
State of Tennessee funds	12,000	12,000	-	(12,000)
Confiscations	200,000	360,000	580,813	220,813
Investment income	-	-	1,979	1,979
Miscellaneous	50,000	50,000	95,887	45,887
<b>Total revenues</b>	<b>312,000</b>	<b>472,000</b>	<b>702,621</b>	<b>230,621</b>
<b>EXPENDITURES</b>				
Narcotics program	312,000	472,000	186,836	(285,164)
Capital outlay	-	-	276,276	276,276
<b>Total expenditures</b>	<b>312,000</b>	<b>472,000</b>	<b>463,112</b>	<b>(8,888)</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	239,509	239,509
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	(600,000)	-	600,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(600,000)</b>	<b>-</b>	<b>600,000</b>
Net change in fund balances	-	(600,000)	239,509	839,509
FUND BALANCES, beginning	1,381,968	1,381,968	1,381,968	-
FUND BALANCES, ending	\$ 1,381,968	\$ 781,968	\$ 1,621,477	\$ 839,509

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
STATE STREET AID FUND**

**Year Ended June 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
State of Tennessee funds	\$ 4,064,360	\$ 4,214,360	\$ 4,336,303	\$ 121,943
Investment income	15,000	15,000	4,141	(10,859)
Miscellaneous	-	-	228,573	228,573
<b>Total revenues</b>	<b>4,079,360</b>	<b>4,229,360</b>	<b>4,569,017</b>	<b>339,657</b>
<b>EXPENDITURES</b>				
Salaries and wages	1,779,831	1,779,831	1,963,309	183,478
Fringe benefits	1,024,638	1,024,638	897,324	(127,314)
Purchased services	37,804	37,804	55,189	17,385
Vehicle operations	619,556	769,556	855,837	86,281
Materials and supplies	544,246	544,246	450,420	(93,826)
Other expense	76,350	76,350	882	(75,468)
Capital outlay	-	-	1,930	1,930
<b>Total expenditures</b>	<b>4,082,425</b>	<b>4,232,425</b>	<b>4,224,891</b>	<b>(7,534)</b>
Excess (deficiency) of revenues over (under) expenditures	(3,065)	(3,065)	344,126	347,191
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	(3,065)	(3,065)	344,126	347,191
FUND BALANCES, beginning	1,226,673	1,226,673	1,226,673	-
FUND BALANCES, ending	\$ 1,223,608	\$ 1,223,608	\$ 1,570,799	\$ 347,191

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
COMMUNITY DEVELOPMENT FUND**

**Year Ended June 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ 6,837,276	\$ 6,837,276	\$ 4,690,711	\$ (2,146,565)
State of Tennessee funds	-	-	181,665	181,665
Investment income	-	-	509,610	509,610
Miscellaneous	909,827	909,827	-	(909,827)
<b>Total revenues</b>	<b>7,747,103</b>	<b>7,747,103</b>	<b>5,381,986</b>	<b>(2,365,117)</b>
<b>EXPENDITURES</b>				
Administration	323,650	323,650	354,467	30,817
Community development programs	900,000	900,000	496,405	(403,595)
Home investment programs	1,536,611	1,536,611	1,545,362	8,751
Emergency shelter programs	79,800	79,800	79,734	(66)
Other programs	3,931,967	3,931,967	1,967,330	(1,964,637)
Capital outlay	-	-	10,829	10,829
<b>Total expenditures</b>	<b>6,772,028</b>	<b>6,772,028</b>	<b>4,454,127</b>	<b>(2,317,901)</b>
Excess (deficiency) of revenues over (under) expenditures	975,075	975,075	927,859	(47,216)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	9,941	9,941	-
Transfers out	(975,075)	(933,988)	(933,988)	-
<b>Total other financing sources (uses)</b>	<b>(975,075)</b>	<b>(924,047)</b>	<b>(924,047)</b>	<b>-</b>
Net change in fund balances	-	51,028	3,812	(47,216)
FUND BALANCES, beginning	1,152,797	1,152,797	1,152,797	-
FUND BALANCES, ending	\$ 1,152,797	\$ 1,203,825	\$ 1,156,609	\$ (47,216)

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
HOTEL/MOTEL TAX FUND**

**Year Ended June 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Hotel/Motel tax	\$ 3,889,384	\$ 3,889,384	\$ 4,746,845	\$ 857,461
Total revenues	3,889,384	3,889,384	4,746,845	857,461
<b>EXPENDITURES</b>				
Contracted services	119,680	119,680	112,734	(6,946)
Total expenditures	119,680	119,680	112,734	(6,946)
Excess (deficiency) of revenues over (under) expenditures	3,769,704	3,769,704	4,634,111	864,407
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(3,421,255)	(3,771,255)	(3,670,548)	100,707
Total other financing sources (uses)	(3,421,255)	(3,771,255)	(3,670,548)	100,707
Net change in fund balances	348,449	(1,551)	963,563	965,114
FUND BALANCES, beginning	925,191	925,191	925,191	-
FUND BALANCES, ending	\$ 1,273,640	\$ 923,640	\$ 1,888,754	\$ 965,114

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
RIVER PIER GARAGE FUND**

**Year Ended June 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Parking garage income	\$ 277,000	\$ 277,000	\$ 253,071	\$ (23,929)
Total revenues	277,000	277,000	253,071	(23,929)
<b>EXPENDITURES</b>				
Contracted services	277,000	277,000	143,696	(133,304)
Total expenditures	277,000	277,000	143,696	(133,304)
Excess (deficiency) of revenues over (under) expenditures	-	-	109,375	109,375
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	109,375	109,375
FUND BALANCES, beginning	205,049	205,049	205,049	-
FUND BALANCES, ending	\$ 205,049	\$ 205,049	\$ 314,424	\$ 109,375

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
REGIONAL PLANNING AGENCY FUND**

**Year Ended June 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ -	\$ -	\$ 342,589	\$ 342,589
State of Tennessee funds	794,856	794,856	473,858	(320,998)
Hamilton County funds	1,323,500	1,323,500	1,323,500	-
Other intergovernmental	-	-	23,514	23,514
Contributions	-	-	120,000	120,000
Miscellaneous	-	-	69,073	69,073
<b>Total revenues</b>	<b>2,118,356</b>	<b>2,118,356</b>	<b>2,352,534</b>	<b>234,178</b>
<b>EXPENDITURES</b>				
Administration	2,832,684	2,832,684	2,473,287	(359,397)
Transportation planning	911,445	911,445	576,457	(334,988)
Brownfield cleanups	-	-	339,196	339,196
Capital outlay	31,704	31,704	50,936	19,232
<b>Total expenditures</b>	<b>3,775,833</b>	<b>3,775,833</b>	<b>3,439,876</b>	<b>(335,957)</b>
Excess (deficiency) of revenues over (under) expenditures	(1,657,477)	(1,657,477)	(1,087,342)	570,135
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,378,500	1,378,500	1,662,000	283,500
Transfers out	-	-	(235,000)	(235,000)
<b>Total other financing sources (uses)</b>	<b>1,378,500</b>	<b>1,378,500</b>	<b>1,427,000</b>	<b>48,500</b>
Net change in fund balances	(278,977)	(278,977)	339,658	618,635
FUND BALANCES, beginning	1,048,088	1,048,088	1,048,088	-
FUND BALANCES, ending	\$ 769,111	\$ 769,111	\$ 1,387,746	\$ 618,635

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
AIR POLLUTION CONTROL FUND**

**Year Ended June 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ 445,403	\$ 445,403	\$ 483,241	\$ 37,838
Hamilton County funds	188,548	188,548	188,548	-
Permits	449,078	449,078	424,536	(24,542)
<b>Total revenues</b>	<b>1,083,029</b>	<b>1,083,029</b>	<b>1,096,325</b>	<b>13,296</b>
<b>EXPENDITURES</b>				
Operations	1,355,597	1,398,597	1,369,336	(29,261)
Special programs	-	-	22,763	22,763
Capital outlay	8,800	8,800	14,540	5,740
<b>Total expenditures</b>	<b>1,364,397</b>	<b>1,407,397</b>	<b>1,406,639</b>	<b>(758)</b>
Excess (deficiency) of revenues over (under) expenditures	(281,368)	(324,368)	(310,314)	14,054
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	270,820	270,820	1,986,458	1,715,638
Transfers out	-	-	(1,729,734)	(1,729,734)
<b>Total other financing sources (uses)</b>	<b>270,820</b>	<b>270,820</b>	<b>256,724</b>	<b>(14,096)</b>
Net change in fund balances	(10,548)	(53,548)	(53,590)	(42)
FUND BALANCES, beginning	831,346	831,346	831,346	-
FUND BALANCES, ending	\$ 820,798	\$ 777,798	\$ 777,756	\$ (42)

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
SCENIC CITIES BEAUTIFUL COMMISSION FUND**

**Year Ended June 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
State of Tennessee funds	\$ 30,000	\$ 30,000	\$ 35,500	\$ 5,500
Hamilton County funds	22,888	22,888	22,888	-
Doncations	-	-	6,182	6,182
<b>Total revenues</b>	<b>52,888</b>	<b>52,888</b>	<b>64,570</b>	<b>11,682</b>
<b>EXPENDITURES</b>				
Operations	107,035	107,035	57,254	(49,781)
Capital outlay	-	-	1,669	1,669
<b>Total expenditures</b>	<b>107,035</b>	<b>107,035</b>	<b>58,923</b>	<b>(48,112)</b>
Excess (deficiency) of revenues over (under) expenditures	(54,147)	(54,147)	5,647	59,794
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,220	4,220	4,220	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>4,220</b>	<b>4,220</b>	<b>4,220</b>	<b>-</b>
Net change in fund balances	(49,927)	(49,927)	9,867	59,794
FUND BALANCES, beginning	247,854	247,854	247,854	-
FUND BALANCES, ending	\$ 197,927	\$ 197,927	\$ 257,721	\$ 59,794



**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE**

**SPECIAL REVENUE FUND**

**TENNESSEE VALLEY REGIONAL COMMUNICATIONS FUND**

**Year Ended June 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
State of Tennessee funds	\$ 97,065	\$ 97,065	\$ 14,525	\$ (82,540)
Hamilton County funds	152,540	152,540	172,711	20,171
Other intergovernmental	539,125	539,125	577,609	38,484
Charges for services	66,829	66,829	87,641	20,812
Miscellaneous	1,087	1,087	1,231	144
<b>Total revenues</b>	<b>856,646</b>	<b>856,646</b>	<b>853,717</b>	<b>(2,929)</b>
<b>EXPENDITURES</b>				
Operations	821,301	821,301	674,112	(147,189)
Capital outlay	35,000	35,000	8,873	(26,127)
<b>Total expenditures</b>	<b>856,301</b>	<b>856,301</b>	<b>682,985</b>	<b>(173,316)</b>
Excess (deficiency) of revenues over (under) expenditures	345	345	170,732	170,387
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	308	308	1,000	692
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>308</b>	<b>308</b>	<b>1,000</b>	<b>692</b>
Net change in fund balances	653	653	171,732	171,079
FUND BALANCES, beginning	-	-	-	-
FUND BALANCES, ending	\$ 653	\$ 653	\$ 171,732	\$ 171,079

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
DEBT SERVICE FUND**

**Year Ended June 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Hamilton County funds	\$ 474,423	\$ 474,423	\$ 474,423	\$ -
911 Board	200,000	200,000	200,000	-
Total revenues	<u>674,423</u>	<u>674,423</u>	<u>674,423</u>	<u>-</u>
<b>EXPENDITURES</b>				
Principal retirement	13,054,075	13,054,075	13,007,185	(46,890)
Interest	7,243,098	7,243,098	7,096,207	(146,891)
Bond sale expense	-	-	19,400	19,400
Fiscal charges	100,000	100,000	95,404	(4,596)
Total expenditures	<u>20,397,173</u>	<u>20,397,173</u>	<u>20,218,196</u>	<u>(178,977)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,722,750)</u>	<u>(19,722,750)</u>	<u>(19,543,773)</u>	<u>178,977</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	19,722,750	19,722,750	19,627,782	(94,968)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>19,722,750</u>	<u>19,722,750</u>	<u>19,627,782</u>	<u>(94,968)</u>
Net change in fund balances	-	-	84,009	84,009
FUND BALANCES, beginning	<u>4,870,365</u>	<u>4,870,365</u>	<u>4,870,365</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 4,870,365</u>	<u>\$ 4,870,365</u>	<u>\$ 4,954,374</u>	<u>\$ 84,009</u>

## **FINANCIAL SCHEDULES**

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

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF INVESTMENTS BY FUND**

**June 30, 2011**

	Interest Rate	Maturity Date	Amount
<b>GENERAL FUND</b>			
Federal Home Loan Bank	0.80%	04/26/13	\$ 25,235,000
Certificate of Deposit	0.89%	08/10/11	74,139
Certificate of Deposit	0.72%	03/08/12	10,000,000
			<u>35,309,139</u>
<b>CAPITAL PROJECTS</b>			
Certificate of Deposit	0.08%	07/14/11	796,434
Certificate of Deposit	0.08%	07/14/11	1,163,283
Certificate of Deposit	0.08%	07/14/11	759,626
Certificate of Deposit	0.98%	07/27/11	1,000,735
Certificate of Deposit	1.04%	08/04/11	100,000
Certificate of Deposit	0.70%	08/24/11	313,347
Certificate of Deposit	0.75%	10/14/11	241,905
Certificate of Deposit	1.18%	12/02/11	1,060,000
Certificate of Deposit	0.68%	12/21/11	502,034
Certificate of Deposit	0.66%	01/20/12	753,884
Certificate of Deposit	0.62%	03/27/12	755,918
Certificate of Deposit	0.70%	05/29/12	758,219
Certificate of Deposit	0.65%	08/14/12	104,666
			<u>8,310,051</u>
<b>SPECIAL REVENUE FUNDS</b>			
Public Library:			
Certificate of Deposit	0.68%	02/13/12	3,194
Total governmental fund investments excluding permanent funds			<u>\$ 43,622,384</u>
<b>ENTERPRISE FUNDS</b>			
Electric Power Board:			
Certificate of Deposit	0.99%	09/20/11	\$ 5,105,000
Interceptor Sewer Fund:			
Certificate of Deposit	0.67%	11/30/11	1,626,690
Certificate of Deposit	0.68%	02/24/12	4,000,000
Certificate of Deposit	0.72%	03/02/12	2,500,000
Certificate of Deposit	0.75%	03/19/12	1,500,000
Certificate of Deposit	0.80%	04/26/13	26,045,000
			<u>35,671,690</u>
Solid Waste/Sanitation Fund:			
Certificate of Deposit	0.66%	10/26/11	5,205,078
Certificate of Deposit	0.08%	07/14/11	1,148,829
			<u>6,353,906</u>
Total enterprise fund investments			<u>\$ 47,130,597</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE**

**Year Ended June 30, 2011**

TAX YEAR (1)	Property Taxes Receivable Balance June 30, 2010	Property Tax Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2011	Allowance for Uncollectibles	Net Receivable Balance June 30, 2011
2011	\$ -	\$ -	\$ 107,703,916	\$ -	\$ -	\$ 107,703,916	\$ -	\$ 107,703,916
2010	-	111,034,964.47	-	(24,304)	104,399,752	6,610,908	1,072,950	5,537,958
2009	4,604,808	-	-	51,814	2,332,533	2,324,089	683,747	1,640,342
2008	2,364,870	-	-	28,211	1,007,532	1,385,549	698,871	686,678
2007	979,386	-	-	(259)	562,197	416,930	357,768	59,162
2006	261,873	-	-	(1,390)	32,310	228,173	218,909	9,264
2005	337,892	-	-	-	7,034	330,858	330,858	-
2004	269,407	-	-	-	2,396	267,012	267,012	-
2003	199,181	-	-	(5)	2,331	196,845	196,845	-
2002	300,515	-	-	-	1,374	299,140	299,140	-
2001	483,400	-	-	-	247	483,153	483,153	-
	<u>\$ 9,801,332</u>	<u>\$ 111,034,964</u>	<u>\$ 107,703,916</u>	<u>\$ 54,067</u>	<u>\$ 108,347,707</u>	<u>\$ 120,246,572</u>	<u>\$ 4,609,253</u>	<u>\$ 115,637,320</u>

Note:

- (1) All years prior to 2006 have been turned over to the Clerk and Master for collection.
- (2) Accrual of the anticipated current year levy is required by GASB Statement No. 33. The accrual is recorded net of the allowance for uncollectible amounts.

CITY OF CHATTANOOGA, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIRMENTS TO MATURITY

June 30, 2011

	Principal	Interest	Total
<b>GOVERNMENTAL ACTIVITIES</b>			
2012	\$ 14,749,141	\$ 13,440,002	\$ 28,189,143
2013	14,736,284	12,905,809	27,642,092
2014	14,441,065	12,386,567	26,827,632
2015	17,706,056	11,849,173	29,555,229
2016	15,294,265	11,276,894	26,571,159
2017	14,983,641	10,681,470	25,665,111
2018	15,627,206	10,063,181	25,690,387
2019	14,338,951	9,368,505	23,707,456
2020	14,773,402	8,718,414	23,491,815
2021	15,378,601	8,139,159	23,517,759
2022	16,003,748	7,427,730	23,431,478
2023	16,662,175	6,698,339	23,360,514
2024	17,182,397	5,853,798	23,036,195
2025	16,310,123	5,023,656	21,333,779
2026	17,085,426	4,161,306	21,246,732
2027	15,004,267	3,252,449	18,256,716
2028	14,671,391	2,454,297	17,125,688
2029	15,220,579	1,722,933	16,943,512
2030	13,706,492	943,397	14,649,889
2031	4,320,000	172,800	4,492,800
	<u>298,195,208</u>	<u>146,539,877</u>	<u>444,735,085</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
2012	17,760,438	18,090,940	35,851,378
2013	18,338,241	17,337,061	35,675,303
2014	20,539,858	16,564,516	37,104,375
2015	21,957,802	15,719,290	37,677,093
2016	20,797,259	14,818,426	35,615,685
2017	18,996,832	13,993,318	32,990,150
2018	19,748,464	13,179,443	32,927,908
2019	18,965,528	12,322,628	31,288,157
2020	14,505,605	11,580,413	26,086,018
2021	14,882,629	10,954,689	25,837,318
2022	15,508,028	10,287,978	25,796,006
2023	16,160,548	9,591,726	25,752,274
2024	16,860,255	8,861,834	25,722,089
2025	17,099,971	8,097,284	25,197,256
2026	15,623,360	7,350,218	22,973,578
2027	15,693,360	6,591,642	22,285,003
2028	18,085,000	5,837,738	23,922,738
2029	16,245,000	5,058,878	21,303,878
2030	17,045,000	4,241,706	21,286,706
2031	17,880,000	3,382,763	21,262,763
2032	18,760,000	2,479,988	21,239,988
2033	19,685,000	1,525,625	21,210,625
2034	20,670,000	516,750	21,186,750
	<u>411,808,180</u>	<u>218,384,857</u>	<u>630,193,037</u>
Total primary government indebtedness	<u>\$ 710,003,388</u>	<u>\$ 364,924,734</u>	<u>\$ 1,074,928,122</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

**June 30, 2011**

COMPONENT UNITS	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 4,386,289	\$ 5,846,319	\$ 10,232,608
2013	4,584,643	5,633,965	10,218,608
2014	4,759,030	5,449,053	10,208,083
2015	4,904,507	5,293,951	10,198,458
2016	5,081,136	5,110,572	10,191,708
2017	5,318,982	4,872,476	10,191,458
2018	5,578,113	4,598,995	10,177,108
2019	5,772,066	4,286,110	10,058,176
2020	8,501,224	3,871,150	12,372,374
2021	5,930,000	3,582,591	9,512,591
2022	6,210,000	3,280,001	9,490,001
2023	6,465,000	3,019,520	9,484,520
2024	6,695,000	2,775,884	9,470,884
2025	6,995,000	2,463,528	9,458,528
2026	7,155,000	2,132,609	9,287,609
2027	7,465,000	1,812,797	9,277,797
2028	7,275,000	1,467,625	8,742,625
2029	8,155,000	1,081,875	9,236,875
2030	8,565,000	663,875	9,228,875
2031	8,995,000	224,875	9,219,875
Total component units indebtedness	<u>\$ 128,790,989</u>	<u>\$ 67,467,771</u>	<u>\$ 196,258,760</u>

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2011

	Outstanding July 1, 2010	Interest Paid FY2011	Issued FY2011	Retired FY2011	Refunded FY2011	Outstanding June 30, 2011	Maturing FY 2012	Interest Payable FY 2012
GOVERNMENTAL ACTIVITIES								
Serial Bonds:								
1998 Public Improvement Refunding	\$ 3,865,500	\$ 163,094	\$ -	\$ 1,593,800	\$ -	\$ 2,271,700	\$ 272,000	\$ 112,124
2002 Municipal Public Refunding	4,880,000	223,463	-	720,000	-	4,160,000	770,000	183,669
2002 Series A Refunding	1,435,767	52,817	-	385,552	-	1,050,215	371,360	36,593
2002 Hotel-Motel Tax Pledge	18,470,000	786,894	-	1,030,000	-	17,440,000	1,120,000	752,600
2003 Series A General Obligation	2,870,000	113,770	-	830,000	-	2,040,000	-	84,720
2005A Municipal Public Improvement Refunding	16,002,096	699,314	-	1,245,032	-	14,757,064	1,290,902	651,708
2005A Hotel-Motel Tax Pledge Refunding	5,427,970	239,361	-	24,475	-	5,403,495	25,000	238,433
2006A Municipal Public Improvement	17,622,876	701,028	-	1,036,639	-	16,586,237	1,036,640	659,562
2007A Municipal Public Refunding	14,520,000	690,783	-	-	-	14,520,000	-	690,805
2009 Series A General Obligation	43,140,000	1,569,388	-	2,275,000	-	40,865,000	2,275,000	1,489,763
2010 Series A GO Bond	6,725,000	217,535	-	340,000	-	6,385,000	340,000	208,938
2010 Series B Refunding Hotel Motel Tax Pledge	29,557,540	1,001,047	-	237,220	-	29,320,320	970,443	988,030
2010 Series B Refunding GO bonds	4,707,460	159,431	-	37,780	-	4,669,680	154,557	157,358
2010 Series C Recovery Zone Bonds	6,840,000	192,974	-	340,000	-	6,500,000	345,000	206,300
Total serial bonds	176,064,209	6,810,897	-	10,095,498	-	165,968,711	8,970,902	6,460,601
Notes Payable:								
1997 TML Bond Fund	1,454,023	7,755	-	708,000	-	746,023	746,023	4,196
1999 Fire Hall Land Note	18,059	1,563	-	4,075	-	13,984	4,506	1,133
2003 TML Bond Fund	3,224,944	12,175	-	360,444	-	2,864,500	371,341	11,315
2004 TML Bond Fund	18,792,722	71,064	-	1,144,388	-	17,648,334	1,174,655	69,711
2008 Hennen Land Note	453,498	-	-	64,328	-	389,170	111,197	-
2008 HUD Section 108 Loan Program	4,271,000	183,494	-	305,000	-	3,966,000	305,000	173,505
2008 Petros Land Note	250,000	-	-	250,000	-	-	-	-
2009 IDB Foreign Trade Zone	51,871	-	-	12,000	-	39,871	12,000	-
2010 VAAP Land Note	2,750,000	-	-	-	-	2,750,000	-	-
2010 Tennessee Temple University Note	-	-	130,000	-	-	130,000	-	-
Total notes payable	31,266,117	276,052	130,000	2,848,235	-	28,547,882	2,724,722	259,860
Capital leases payable:								
CDRC Capital Lease	106,308,081	6,894,284	-	2,789,754	-	103,518,327	2,986,987	6,713,363
2009 Golf Course Capital Lease	223,738	9,258	-	63,450	-	160,288	66,530	6,178
Total capital leases payable	106,531,819	6,903,542	-	2,853,204	-	103,678,615	3,053,517	6,719,541
Total governmental activities	\$313,862,145	\$13,990,491	\$ 130,000	\$15,796,937	\$ -	\$298,195,208	\$14,749,141	\$ 13,440,002

(continued on next page)



CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2011

(continued from previous page)

	Outstanding July 1, 2010	Interest Paid FY2011	Issued FY2011	Retired FY2011	Refunded FY2011	Outstanding June 30, 2011	Maturing FY 2012	Interest Payable FY 2012
<b>BUSINESS TYPE ACTIVITIES:</b>								
Interceptor Sewer System:								
Serial Bonds:								
1998 Sewer & Sewage Facilities Refunding	\$ 9,841,600	\$ 492,602	\$ -	\$ 963,300	\$ -	\$ 8,878,300	\$ 1,063,000	\$ 438,207
2002 Municipal Public Refunding	12,625,514	547,767	-	2,653,776	-	9,971,738	2,787,948	412,855
2002 Series A Refunding	7,669,233	282,123	-	2,059,448	-	5,609,785	1,983,640	195,462
2005A Municipal Public Improvement Refunding	11,010,335	550,304	-	268	-	11,010,067	2,038	550,258
Total serial bonds	<u>41,146,682</u>	<u>1,872,795</u>	<u>-</u>	<u>5,676,792</u>	<u>-</u>	<u>35,469,890</u>	<u>5,836,626</u>	<u>1,596,782</u>
Notes payable:								
1992 CSO State Revolving Loan	496,904	16,512	-	180,198	-	316,706	187,500	9,210
1998 State of Georgia Revolving Loan	4,035,967	156,124	-	357,294	-	3,678,673	371,802	141,616
2003 State Revolving Loan	31,379,318	916,016	-	1,731,916	-	29,647,402	1,758,248	859,620
2007 State Revolving Loan	13,000,000	315,348	-	-	-	13,000,000	650,000	276,056
Total notes payable	<u>48,912,189</u>	<u>1,404,000</u>	<u>-</u>	<u>2,269,408</u>	<u>-</u>	<u>46,642,781</u>	<u>2,967,550</u>	<u>1,286,502</u>
Capital leases payable:								
2001 Capital Lease City of Collegedale	122,705	7,068	-	26,586	-	96,119	28,286	5,366
Total capital leases payable	<u>122,705</u>	<u>7,068</u>	<u>-</u>	<u>26,586</u>	<u>-</u>	<u>96,119</u>	<u>28,286</u>	<u>5,366</u>
Total interceptor sewer system	<u>\$ 90,181,577</u>	<u>\$ 3,283,863</u>	<u>\$ -</u>	<u>\$ 7,972,786</u>	<u>\$ -</u>	<u>\$ 82,208,790</u>	<u>\$ 8,832,461</u>	<u>\$ 2,888,651</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2011

(continued from previous page)

	Outstanding July 1, 2010	Interest Paid FY2011	Issued FY2011	Retired FY2011	Refunded FY2011	Outstanding June 30, 2011	Maturing FY 2012	Interest Payable FY 2012
Solid Waste & Sanitation Fund:								
Serial Bonds:								
1998 Municipal Public Improvement Refunding	\$ 1,303,600	\$ 35,849	\$ -	\$ 1,303,600	\$ -	\$ -	\$ -	\$ -
2002 Municipal Public Improvement Refunding	3,982,992	185,349	-	919,260	-	3,063,732	968,381	134,619
2005A Municipal Public Improvement Refunding	8,787,896	422,112	-	212,187	-	8,575,709	220,974	413,979
2006A Municipal Public Improvement	4,817,124	191,622	-	283,360	-	4,533,764	283,360	180,288
2007A Municipal Public Improvement Refunding	2,480,000	117,990	-	-	-	2,480,000	-	117,990
Total serial bonds	<u>21,371,612</u>	<u>952,922</u>	<u>-</u>	<u>2,718,407</u>	<u>-</u>	<u>18,653,205</u>	<u>1,472,715</u>	<u>846,876</u>
Notes payable:								
2003 TML Bond Fund	327,056	1,235	-	36,555	-	290,501	37,659	1,147
2004 TML Bond Fund	461,396	1,715	-	27,613	-	433,783	28,345	1,713
Total Notes Payable	<u>788,452</u>	<u>2,949</u>	<u>-</u>	<u>64,168</u>	<u>-</u>	<u>724,284</u>	<u>66,004</u>	<u>2,861</u>
Total Solid Waste & Sanitation Fund	<u>22,160,064</u>	<u>955,872</u>	<u>-</u>	<u>2,782,575</u>	<u>-</u>	<u>19,377,489</u>	<u>1,538,719</u>	<u>849,737</u>
Water Quality Fund								
Serial Bonds:								
1998 Municipal Public Improvement Refunding	894,300	24,593	-	894,300	-	-	-	-
2002 Municipal Public Improvement Refunding	2,976,492	138,512	-	686,964	-	2,289,528	723,672	100,601
2005A Municipal Public Improvement Refunding	5,341,703	261,903	-	63,038	-	5,278,665	66,086	259,478
2007A Municipal Public Improvement Refunding	750,000	35,683	-	-	-	750,000	-	35,683
Total serial bonds	<u>9,962,495</u>	<u>460,691</u>	<u>-</u>	<u>1,644,302</u>	<u>-</u>	<u>8,318,193</u>	<u>789,758</u>	<u>395,761</u>
Notes payable:								
1992 CSO State Revolving Loan	496,905	16,512	-	180,198	-	316,707	187,500	9,210
Total Notes Payable	<u>496,905</u>	<u>16,512</u>	<u>-</u>	<u>180,198</u>	<u>-</u>	<u>316,707</u>	<u>187,500</u>	<u>9,210</u>
Total Water Quality Fund	<u>10,459,400</u>	<u>477,203</u>	<u>-</u>	<u>1,824,500</u>	<u>-</u>	<u>8,634,900</u>	<u>977,258</u>	<u>404,971</u>
Total Business-Type Activities	<u>122,801,041</u>	<u>4,716,937</u>	<u>-</u>	<u>12,579,861</u>	<u>-</u>	<u>110,221,179</u>	<u>11,348,438</u>	<u>4,143,359</u>
<b>TOTAL GENERAL OBLIGATION DEBT</b>	<u><u>\$436,663,187</u></u>	<u><u>\$18,707,429</u></u>	<u><u>\$ 130,000</u></u>	<u><u>\$28,376,798</u></u>	<u><u>\$ -</u></u>	<u><u>\$408,416,388</u></u>	<u><u>\$26,097,579</u></u>	<u><u>\$ 17,583,361</u></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, 2011

	Outstanding July 1, 2010	Interest Paid FY2011	Issued FY2011	Retired FY2011	Refunded FY2011	Outstanding June 30, 2011	Maturing FY 2012	Interest Payable FY 2012
<b>PRIMARY GOVERNMENT:</b>								
Electric Power Board								
Revenue Bonds:								
2000 Electric System Revenue Bonds	\$ 3,200,000	\$ 117,000	\$ -	\$ 1,600,000	\$ -	\$ 1,600,000	\$ 1,600,000	\$ 40,000
2006B Electric System Refunding Revenue Bonds	23,430,000	957,556	-	-	-	23,430,000	-	957,556
2006A Electric System Revenue Bonds	38,930,000	1,660,725	-	1,110,000	-	37,820,000	1,150,000	1,615,525
2008A Electric System Revenue Bonds	219,830,000	10,764,500	-	-	-	219,830,000	-	10,764,500
Total Revenue Bonds	285,390,000	13,499,781	-	2,710,000	-	282,680,000	2,750,000	13,377,581
Notes Payable								
2011 Secured Term Note	-	-	19,500,000	593,000	-	18,907,000	3,662,000	570,000
Total Notes Payable	-	-	19,500,000	593,000	-	18,907,000	3,662,000	570,000
Total Electric Power Board	285,390,000	13,499,781	19,500,000	3,303,000	-	301,587,000	6,412,000	13,947,581
Housing Management								
Obligation of Dogwood Manor, LLC	2,477,708	86,752	-	2,477,708	-	-	-	-
Total Housing Management	2,477,708	86,752	-	2,477,708	-	-	-	-
Total Primary Government	\$722,053,187	\$32,207,210	\$19,630,000	\$31,679,798	\$ -	\$710,003,388	\$32,509,579	\$ 31,530,942
<b>COMPONENT UNITS</b>								
Revenue Bonds:								
Metropolitan Airport Authority:								
2009 Refunding	\$ 6,264,901	\$ 335,977	\$ -	\$ 308,912	\$ -	\$ 5,955,989	\$ 326,289	\$ 318,600
Total Metropolitan Airport Authority	6,264,901	335,977	-	308,912	-	5,955,989	326,289	318,600
Chatt Downtown Redevelopment Corporation:								
2000 Chatt Lease Rental Revenue Bonds	62,780,000	1,771,240	-	3,125,000	59,655,000	-	-	-
2007 Chatt Lease Rental Rev Ref Bonds	55,960,000	2,692,800	-	80,000	-	55,880,000	3,395,000	2,606,325
2010 Chatt Lease Rental Rev Ref Bonds	-	1,473,827	66,955,000	-	-	66,955,000	665,000	2,921,394
Total Chatt. Downtown Redev. Corp.	118,740,000	5,937,867	66,955,000	3,205,000	59,655,000	122,835,000	4,060,000	5,527,719
Total Component Units	\$125,004,901	\$ 6,273,844	\$66,955,000	\$ 3,513,912	\$59,655,000	\$128,790,989	\$ 4,386,289	\$ 5,846,319

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2011

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	1998 Municipal Public Improvement Refunding	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>2,271,700</u>	<u>444,373</u>
2012	Note Payable - Tennessee Municipal Bond Fund 1997	0.563%	746,023	4,196	750,219
			<u>746,023</u>	<u>4,196</u>	<u>750,219</u>
2012	1999 Fire Hall Land Note	9.500%	4,506	1,133	5,639
2013		9.500%	4,953	686	5,639
2014		9.500%	4,526	198	4,724
			<u>13,984</u>	<u>2,018</u>	<u>16,002</u>
2012	2002 Municipal Public Improvement Refunding	5.375%	770,000	183,669	953,669
2013		5.375%	805,000	141,341	946,341
2014		5.000%	840,000	98,581	938,581
2015		4.380%	855,000	58,753	913,753
2016		4.500%	890,000	20,025	910,025
			<u>4,160,000</u>	<u>502,369</u>	<u>4,662,369</u>
2012	2002 Series A Refunding	5.000%	371,360	36,593	407,953
2013		4.000%	364,264	20,023	384,287
2014		4.000%	160,055	9,537	169,592
2015		4.100%	154,536	3,168	157,704
			<u>1,050,215</u>	<u>69,321</u>	<u>1,119,537</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE**

**June 30, 2011**

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	2002 Hotel-Motel Tax Pledge	3.250%	\$ 1,120,000	\$ 752,600	\$ 1,872,600
2013		5.000%	-	734,400	734,400
2014		3.500%	-	734,400	734,400
2015		4.000%	-	734,400	734,400
2016		4.000%	-	734,400	734,400
2017		4.000%	-	734,400	734,400
2018		4.000%	-	734,400	734,400
2019		5.000%	-	734,400	734,400
2020		5.000%	-	734,400	734,400
2021		5.000%	-	734,400	734,400
2022		5.000%	-	734,400	734,400
2023		5.000%	-	734,400	734,400
2024		4.500%	2,850,000	670,275	3,520,275
2025		4.500%	3,045,000	537,637	3,582,637
2026		4.500%	3,255,000	395,888	3,650,888
2027		4.500%	3,470,000	244,575	3,714,575
2028		4.500%	3,700,000	83,250	3,783,250
2029		5.000%	-	-	-
2030		5.000%	-	-	-
2031		5.000%	-	-	-
			<u>17,440,000</u>	<u>10,762,625</u>	<u>28,202,625</u>
2012	2003A Series A General Obligation	3.63%	-	84,720	84,720
2013		3.75%	-	84,720	84,720
2014		3.88%	-	84,720	84,720
2015		4.00%	-	84,720	84,720
2016		4.00%	-	84,720	84,720
2017		4.10%	960,000	84,720	1,044,720
2018		4.20%	1,080,000	45,360	1,125,360
				<u>2,040,000</u>	<u>553,680</u>
2012	2003 Note Payable - Tennessee Municipal Bond Fund	0.395%	371,341	11,315	382,656
2013		0.395%	383,144	9,848	392,992
2014		0.395%	395,854	8,335	404,189
2015		0.395%	408,565	6,771	415,336
2016		0.395%	421,276	5,157	426,433
2017		0.395%	434,895	3,493	438,388
2018		0.395%	449,425	1,775	451,200
2019		0.395%	-	-	-
			<u>2,864,500</u>	<u>46,694</u>	<u>2,911,194</u>

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE**

**June 30, 2011**

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	CDRC Capital Lease	6.38%	\$ 2,986,987	\$ 6,713,363	\$ 9,700,350
2013		6.38%	3,164,158	6,519,651	9,683,809
2014		6.38%	3,360,019	6,314,449	9,674,468
2015		6.38%	3,570,878	6,096,546	9,667,424
2016		6.38%	3,797,017	5,864,967	9,661,984
2017		6.38%	4,039,430	5,618,723	9,658,153
2018		6.38%	4,287,566	5,356,759	9,644,325
2019		6.38%	4,555,404	5,078,702	9,634,106
2020		6.38%	4,851,644	4,783,275	9,634,919
2021		6.38%	5,157,894	4,468,637	9,626,531
2022		6.38%	5,473,007	4,134,137	9,607,144
2023		6.38%	5,820,423	3,779,202	9,599,625
2024		6.38%	6,185,542	3,401,736	9,587,278
2025		6.38%	6,573,483	3,000,592	9,574,075
2026		6.38%	6,993,786	2,574,289	9,568,075
2027		6.38%	7,437,627	2,120,729	9,558,356
2028		6.38%	7,906,391	1,638,384	9,544,775
2029	6.38%	8,410,579	1,125,639	9,536,218	
2030	6.38%	8,946,492	580,197	9,526,689	
			<u>103,518,327</u>	<u>79,169,977</u>	<u>182,688,304</u>
2012	2004 Note Payable - Tennessee Municipal Bond Fund	0.395%	1,174,655	69,711	1,244,366
2013		0.395%	1,205,901	65,071	1,270,972
2014		0.395%	1,238,123	60,308	1,298,431
2015		0.395%	1,271,322	55,417	1,326,739
2016		0.395%	1,305,497	50,395	1,355,892
2017		0.395%	1,340,649	45,239	1,385,888
2018		0.395%	1,375,801	39,943	1,415,744
2019		0.395%	1,412,905	34,509	1,447,414
2020		0.395%	1,450,986	28,928	1,479,914
2021		0.395%	1,489,067	23,196	1,512,263
2022		0.395%	1,529,101	17,315	1,546,416
2023		0.395%	1,570,112	11,275	1,581,387
2024		0.395%	1,284,215	5,073	1,289,288
			<u>17,648,334</u>	<u>506,379</u>	<u>18,154,713</u>

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE**

**June 30, 2011**

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	2005 A Hotel-Motel Tax Refunding	4.00%	\$ 25,000	\$ 238,433	\$ 263,433
2013		4.00%	1,245,000	213,033	1,458,033
2014		3.75%	400	188,126	188,526
2015		5.00%	393	188,108	188,501
2016		5.00%	14,336	187,740	202,076
2017		5.00%	16,000	186,982	202,982
2018		5.00%	16,500	186,169	202,669
2019		5.00%	1,967,390	136,572	2,103,962
2020		4.13%	2,118,476	43,694	2,162,170
				<u>5,403,495</u>	<u>1,568,856</u>
2012	2005 Series A Refunding	4.00%	1,290,902	651,708	1,942,610
2013		4.00%	1,328,320	599,323	1,927,643
2014		3.75%	1,396,851	546,566	1,943,417
2015		5.00%	1,586,822	480,705	2,067,527
2016		5.00%	1,673,199	399,204	2,072,403
2017		5.00%	1,759,427	313,388	2,072,815
2018		5.00%	1,859,275	222,921	2,082,196
2019		5.00%	1,956,612	127,524	2,084,136
2020		4.13%	1,905,656	39,304	1,944,960
				<u>14,757,064</u>	<u>3,380,643</u>
2012	2006 A Municipal Public Improvement	4.00%	1,036,640	659,562	1,696,202
2013		4.00%	1,036,640	618,097	1,654,736
2014		4.00%	1,036,640	576,631	1,613,271
2015		4.00%	1,036,640	535,165	1,571,805
2016		5.00%	1,036,640	488,517	1,525,156
2017		4.00%	1,036,640	441,868	1,478,508
2018		4.00%	1,036,640	400,402	1,437,042
2019		4.00%	1,036,640	358,937	1,395,576
2020		4.13%	1,036,640	316,823	1,353,463
2021		4.25%	1,036,640	273,414	1,310,054
2022		4.25%	1,036,640	229,357	1,265,996
2023		4.00%	1,036,640	186,595	1,223,235
2024		4.00%	1,036,640	145,130	1,181,769
2025		4.00%	1,036,640	103,664	1,140,304
2026		4.00%	1,036,640	62,198	1,098,838
2027		4.00%	1,036,640	20,733	1,057,372
			<u>16,586,237</u>	<u>5,417,091</u>	<u>22,003,328</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE**

**June 30, 2011**

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	2007 A Municipal Public Improvement Refunding	5.00%	\$ -	\$ 690,805	\$ 690,805
2013		5.00%	-	690,805	690,805
2014		5.00%	-	690,805	690,805
2015		5.00%	-	690,805	690,805
2016		5.00%	-	690,805	690,805
2017		5.00%	-	690,805	690,805
2018		5.00%	-	690,805	690,805
2019		5.00%	-	690,805	690,805
2020		5.00%	-	690,805	690,805
2021		5.00%	2,120,000	690,805	2,810,805
2022		4.30%	2,235,000	584,805	2,819,805
2023		5.00%	2,345,000	488,700	2,833,700
2024		4.75%	2,470,000	371,450	2,841,450
2025		4.75%	2,605,000	254,125	2,859,125
2026		4.75%	2,745,000	130,388	2,875,388
				<u>14,520,000</u>	<u>8,737,518</u>
2012	2008 Hennen Notes Payable	0.00%	111,197	-	111,197
2013		0.00%	277,973	-	277,973
				<u>389,170</u>	<u>-</u>
2012	2008 Section 108 HUD Loan	4.00%	305,000	173,505	478,505
2013		4.00%	305,000	162,434	467,434
2014		4.00%	305,000	150,508	455,508
2015		4.00%	305,000	138,095	443,095
2016		4.00%	305,000	125,178	430,178
2017		4.00%	305,000	111,743	416,743
2018		4.00%	305,000	97,957	402,957
2019		4.00%	305,000	83,957	388,957
2020		4.00%	305,000	69,485	374,485
2021		4.00%	305,000	54,494	359,494
2022		4.00%	305,000	39,229	344,229
2023		4.00%	305,000	23,705	328,705
2024		4.00%	306,000	7,941	313,941
			<u>3,966,000</u>	<u>1,238,231</u>	<u>5,204,231</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE**

**June 30, 2011**

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	2009 Series A General Obligation	3.00%	\$ 2,275,000	\$ 1,489,763	\$ 3,764,763
2013		3.00%	2,270,000	1,421,588	3,691,588
2014		3.00%	2,270,000	1,353,488	3,623,488
2015		3.00%	2,270,000	1,285,388	3,555,388
2016		3.00%	2,270,000	1,217,288	3,487,288
2017		3.00%	2,270,000	1,149,188	3,419,188
2018		3.25%	2,270,000	1,078,250	3,348,250
2019		3.50%	2,270,000	1,001,638	3,271,638
2020		4.00%	2,270,000	916,513	3,186,513
2021		4.00%	2,270,000	825,713	3,095,713
2022		4.00%	2,270,000	734,913	3,004,913
2023		4.00%	2,270,000	644,113	2,914,113
2024		4.13%	2,270,000	551,894	2,821,894
2025		4.25%	2,270,000	456,838	2,726,838
2026		4.38%	2,270,000	358,944	2,628,944
2027		4.50%	2,270,000	258,213	2,528,213
2028		4.50%	2,270,000	156,063	2,426,063
2029		4.63%	2,270,000	52,494	2,322,494
				<u>40,865,000</u>	<u>14,952,281</u>
2012	2009 IDB Foreign Trade Zone	0.00%	12,000	-	12,000
2013		0.00%	27,871	-	27,871
				<u>39,871</u>	<u>-</u>
2012	2009 Golf Course Capital Lease	4.75%	66,530	6,178	72,708
2013		4.75%	69,760	2,948	72,708
2014		4.75%	23,998	238	24,236
				<u>160,288</u>	<u>9,363</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE**

**June 30, 2011**

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**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	2010 Series A General Obligation	2.00%	\$ 340,000	\$ 208,938	\$ 548,938
2013		2.00%	340,000	202,138	542,138
2014		2.00%	340,000	195,338	535,338
2015		2.00%	340,000	188,538	528,538
2016		2.50%	335,000	181,738	516,738
2017		2.75%	335,000	173,363	508,363
2018		3.00%	335,000	164,150	499,150
2019		3.25%	335,000	154,100	489,100
2020		3.25%	335,000	143,213	478,213
2021		3.50%	335,000	132,325	467,325
2022		4.00%	335,000	120,600	455,600
2023		4.00%	335,000	107,200	442,200
2024		4.00%	335,000	93,800	428,800
2025		4.00%	335,000	80,400	415,400
2026		4.00%	335,000	67,000	402,000
2027		4.00%	335,000	53,600	388,600
2028		4.00%	335,000	40,200	375,200
2029	4.00%	335,000	26,800	361,800	
2030	4.00%	335,000	13,400	348,400	
			<u>6,385,000</u>	<u>2,346,838</u>	<u>8,731,838</u>
2012	2010 Series B Refunding Hotel Motel	2.00%	970,443	988,030	1,958,473
2013		2.00%	987,695	968,621	1,956,316
2014		2.00%	2,087,531	948,867	3,036,398
2015		2.00%	2,147,914	907,116	3,055,030
2016		2.50%	2,208,297	864,158	3,072,455
2017		2.75%	1,535,457	803,430	2,338,886
2018		3.00%	1,626,031	757,366	2,383,397
2019		3.00%	133,705	708,585	842,291
2020		3.25%	138,019	704,240	842,258
2021		3.50%	2,005,582	699,409	2,704,991
2022		4.00%	2,139,288	619,186	2,758,474
2023		4.00%	2,277,306	533,614	2,810,921
2024		4.00%	90,575	442,522	533,097
2025		4.00%	90,575	438,899	529,474
2026		4.00%	94,888	435,276	530,164
2027	4.00%	99,201	431,481	530,681	
2028	4.00%	103,514	427,513	531,026	
2029	4.00%	3,334,011	423,372	3,757,383	
2030	4.00%	3,523,787	290,012	3,813,798	
2031	4.00%	3,726,501	149,060	3,875,561	
			<u>29,320,320</u>	<u>12,540,756</u>	<u>41,861,076</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE**

**June 30, 2011**

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**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	2010 Series B Refunding General Obligation	2.00%	\$ 154,557	\$ 157,358	\$ 311,915
2013		2.00%	157,305	154,267	311,571
2014		2.00%	332,469	151,121	483,590
2015		2.00%	342,086	144,471	486,557
2016		2.50%	351,703	137,630	489,332
2017		2.75%	244,543	127,958	372,501
2018		3.00%	258,969	120,621	379,590
2019		3.00%	21,295	112,852	134,147
2020		3.25%	21,981	112,160	134,142
2021		3.50%	319,418	111,391	430,809
2022		4.00%	340,712	98,615	439,327
2023		4.00%	362,694	84,986	447,679
2024		4.00%	14,425	70,478	84,903
2025		4.00%	14,425	69,901	84,326
2026		4.00%	15,112	69,324	84,436
2027		4.00%	15,799	68,719	84,519
2028		4.00%	16,486	68,087	84,574
2029		4.00%	530,989	67,428	598,417
2030		4.00%	561,213	46,188	607,402
2031		4.00%	593,499	23,740	617,239
			<u>4,669,680</u>	<u>1,997,295</u>	<u>6,666,975</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2011

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**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	2010 Series C Recovery Zone	2.000%	\$ 345,000	\$ 206,300	\$ 551,300
2013		2.000%	345,000	199,400	544,400
2014		2.000%	345,000	192,500	537,500
2015		2.500%	345,000	185,600	530,600
2016		3.000%	345,000	176,975	521,975
2017		3.000%	345,000	166,625	511,625
2018		3.000%	345,000	156,275	501,275
2019		3.000%	345,000	145,925	490,925
2020		3.000%	340,000	135,575	475,575
2021		2.000%	340,000	125,375	465,375
2022		3.125%	340,000	115,175	455,175
2023		3.250%	340,000	104,550	444,550
2024		3.500%	340,000	93,500	433,500
2025		4.000%	340,000	81,600	421,600
2026		4.000%	340,000	68,000	408,000
2027		4.000%	340,000	54,400	394,400
2028		4.000%	340,000	40,800	380,800
2029		4.000%	340,000	27,200	367,200
2030		4.000%	340,000	13,600	353,600
				<u>6,500,000</u>	<u>2,289,375</u>
2012	2010 VAAP Note	0.00%	-	-	-
2013		0.00%	-	-	-
2014		0.00%	-	-	-
2015		0.00%	2,750,000	-	2,750,000
			<u>2,750,000</u>	<u>-</u>	<u>2,750,000</u>
2012	2010 Tennessee Temple Note	0.00%	-	-	-
2013		0.00%	130,000	-	130,000
			<u>130,000</u>	<u>-</u>	<u>130,000</u>
	Total direct indebtedness		<u>298,195,208</u>	<u>146,539,878</u>	<u>444,735,086</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2011

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**INTERCEPTOR SEWER SYSTEM**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	1998 Municipal Public Improvement Refunding	5.25%	\$ 1,063,000	\$ 438,207	\$ 1,501,207
2013		5.25%	1,126,700	380,727	1,507,427
2014		5.25%	1,190,400	319,904	1,510,304
2015		5.25%	1,258,100	255,630	1,513,730
2016		5.25%	1,333,700	187,596	1,521,296
2017		5.25%	1,413,400	115,484	1,528,884
2018		5.25%	1,493,000	39,191	1,532,191
				<u>8,878,300</u>	<u>1,736,739</u>
2012	1992 State Revolving Sewer Loan	3.98%	187,500	9,210	196,710
2013		3.98%	129,206	1,936	131,142
			<u>316,706</u>	<u>11,146</u>	<u>327,852</u>
2012	Georgia Environmental Facilities Authority	4.00%	371,802	141,616	513,418
2013		4.00%	386,899	126,519	513,418
2014		4.00%	402,608	110,810	513,418
2015		4.00%	418,956	94,462	513,418
2016		4.00%	435,967	77,451	513,418
2017		4.00%	453,669	59,749	513,418
2018		4.00%	472,090	41,328	513,418
2019		4.00%	491,258	22,160	513,418
2020		4.00%	245,425	3,649	249,074
			<u>3,678,673</u>	<u>677,745</u>	<u>4,356,418</u>
2012	2001 Capital Lease City of Collegedale	6.41%	28,286	5,366	33,652
2013		6.47%	30,133	3,520	33,653
2014		6.52%	32,138	1,515	33,653
2015		6.68%	5,562	46	5,608
			<u>96,119</u>	<u>10,447</u>	<u>106,566</u>
2012	2002 Municipal Public Improvement Refunding	4.25%	2,787,948	412,855	3,200,803
2013		4.25%	2,932,214	270,995	3,203,209
2014		4.25%	3,076,577	125,571	3,202,147
2015		4.50%	1,175,000	26,438	1,201,438
			<u>9,971,739</u>	<u>835,858</u>	<u>10,807,596</u>
2012	2002 Series A Refunding	5.00%	1,983,640	195,462	2,179,102
2013		4.00%	1,945,736	106,957	2,052,693
2014		4.00%	854,945	50,943	905,888
2015		4.10%	825,464	16,922	842,386
			<u>5,609,785</u>	<u>370,284</u>	<u>5,980,068</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2011

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**INTERCEPTOR SEWER SYSTEM**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	2003 State Revolving Loan	2.98%	\$ 1,758,248	\$ 859,620	\$ 2,617,868
2013		2.98%	1,811,365	806,508	2,617,873
2014		2.98%	1,865,637	752,232	2,617,869
2015		2.98%	1,922,463	695,412	2,617,875
2016		2.98%	1,980,541	637,332	2,617,873
2017		2.98%	2,040,373	577,500	2,617,873
2018		2.98%	2,102,014	515,856	2,617,870
2019		2.98%	2,165,817	452,052	2,617,869
2020		2.98%	2,230,938	386,940	2,617,878
2021		2.98%	2,298,336	319,536	2,617,872
2022		2.98%	2,367,769	250,104	2,617,873
2023		2.98%	2,439,300	178,572	2,617,872
2024		2.98%	2,512,990	104,880	2,617,870
2025		2.98%	2,151,611	26,541	2,178,152
			<u>29,647,402</u>	<u>6,563,085</u>	<u>36,210,487</u>
2012	2005 Series A Refunding	4.00%	2,038	550,258	552,296
2013		4.00%	9,335	550,031	559,366
2014		3.75%	7,263	549,708	556,971
2015		5.00%	1,993,724	499,729	2,493,453
2016		5.00%	2,085,759	397,742	2,483,501
2017		5.00%	2,191,790	290,803	2,482,593
2018		5.00%	2,302,679	178,441	2,481,120
2019	5.00%	2,417,479	60,437	2,477,916	
			<u>11,010,067</u>	<u>3,077,149</u>	<u>14,087,216</u>
2012	2007 State Revolving Loan	2.79%	650,000	276,056	926,056
2013		2.79%	650,000	257,921	907,921
2014		2.79%	650,000	239,786	889,786
2015		2.79%	650,000	221,651	871,651
2016		2.79%	650,000	203,516	853,516
2017		2.79%	650,000	185,381	835,381
2018		2.79%	650,000	167,246	817,246
2019		2.79%	650,000	149,111	799,111
2020		2.79%	650,000	130,976	780,976
2021		2.79%	650,000	112,841	762,841
2022		2.79%	650,000	94,706	744,706
2023		2.79%	650,000	76,571	726,571
2024		2.79%	650,000	58,436	708,436
2025		2.79%	650,000	40,301	690,301
2026	2.79%	650,000	22,166	672,166	
2027	2.79%	650,000	5,878	655,878	
2028	2.79%	2,600,000	-	2,600,000	
			<u>13,000,000</u>	<u>2,242,543</u>	<u>15,242,543</u>
Total Interceptor Sewer System indebtedness			<u>82,208,790</u>	<u>15,524,996</u>	<u>97,733,786</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2011

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**SOLID WASTE/SANITATION FUND**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	2002 Municipal Public Improvement Refunding	5.375%	\$ 968,381	\$ 134,619	\$ 1,102,999
2013		5.000%	1,020,308	81,173	1,101,481
2014		4.375%	1,075,043	26,876	1,101,919
				<u>3,063,732</u>	<u>242,668</u>
2012	2003 Note Payable - Tennessee Municipal Bond Fund	0.395%	37,659	1,147	38,806
2013		0.395%	38,856	999	39,855
2014		0.395%	40,146	845	40,991
2015		0.395%	41,435	687	42,122
2016		0.395%	42,724	523	43,247
2017		0.395%	44,105	354	44,459
2018		0.395%	45,576	180	45,756
				<u>290,501</u>	<u>4,735</u>
2012	2004 Note Payable - Tennessee Municipal Bond Fund	0.395%	28,345	1,713	30,058
2013		0.395%	29,099	1,601	30,700
2014		0.395%	29,877	1,487	31,364
2015		0.395%	30,678	1,369	32,047
2016		0.395%	31,503	1,247	32,750
2017		0.395%	32,351	1,123	33,474
2018		0.395%	33,199	995	34,194
2019		0.395%	34,095	864	34,959
2020		0.395%	35,014	729	35,743
2021		0.395%	35,933	591	36,524
2022		0.395%	36,899	449	37,348
2023		0.395%	37,888	303	38,191
2024		0.395%	38,903	154	39,057
			<u>433,784</u>	<u>12,626</u>	<u>446,410</u>
2012	2005 Series A Refunding	4.00%	220,974	413,979	634,953
2013		4.00%	231,365	404,933	636,298
2014		3.75%	241,895	395,770	637,665
2015		5.00%	1,368,050	357,033	1,725,083
2016		5.00%	1,433,438	286,996	1,720,434
2017		5.00%	1,506,507	213,497	1,720,004
2018		5.00%	1,584,570	136,220	1,720,790
2019		5.00%	1,664,360	54,997	1,719,357
2020		4.13%	324,550	6,694	331,244
			<u>8,575,709</u>	<u>2,270,119</u>	<u>10,845,828</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2011

(continued from previous page)

**SOLID WASTE/SANITATION FUND**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	2006 Series A Municipal Public Improvement	4.00%	\$ 283,360	\$ 180,288	\$ 463,648
2013		4.00%	283,360	168,954	452,314
2014		4.00%	283,360	157,619	440,979
2015		4.00%	283,360	146,285	429,645
2016		5.00%	283,360	133,533	416,894
2017		4.00%	283,360	120,782	404,142
2018		4.00%	283,360	109,448	392,808
2019		4.00%	283,360	98,113	381,474
2020		4.13%	283,360	86,602	369,962
2021		4.25%	283,360	74,736	358,096
2022		4.25%	283,360	62,693	346,054
2023		4.00%	283,360	51,005	334,365
2024		4.00%	283,360	39,670	323,031
2025		4.00%	283,360	28,336	311,696
2026		4.00%	283,360	17,002	300,362
2027		4.00%	283,361	5,667	289,028
			<u>4,533,764</u>	<u>1,480,734</u>	<u>6,014,498</u>
2012	2007 Series A Municipal Public Improvement	5.00%	-	117,990	117,990
2013	Refunding	5.00%	-	117,990	117,990
2014		5.00%	-	117,990	117,990
2015		5.00%	-	117,990	117,990
2016		5.00%	-	117,990	117,990
2017		5.00%	-	117,990	117,990
2018		5.00%	-	117,990	117,990
2019		5.00%	-	117,990	117,990
2020		5.00%	-	117,990	117,990
2021		5.00%	360,000	117,990	477,990
2022		4.30%	380,000	99,990	479,990
2023		5.00%	400,000	83,650	483,650
2024		4.75%	425,000	63,650	488,650
2025		4.75%	445,000	43,463	488,463
2026		4.75%	470,000	22,325	492,325
			<u>2,480,000</u>	<u>1,492,978</u>	<u>3,972,978</u>
	Total SolidWaste/Sanitation Fund indebtedness		<u>19,377,490</u>	<u>5,503,860</u>	<u>24,881,350</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2011

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**WATER QUALITY FUND**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	1992 State Revolving Fund	3.980%	187,500	9,210	196,710
2013		3.980%	129,207	1,936	131,143
			<u>316,707</u>	<u>11,146</u>	<u>327,853</u>
2012	2002 Municipal Public Improvement Refunding	5.375%	723,672	100,601	824,273
2013		5.000%	762,478	60,661	823,138
2014		4.375%	803,378	20,085	823,463
			<u>2,289,528</u>	<u>181,346</u>	<u>2,470,874</u>
2012	2005 Series A Refunding	4.000%	66,086	259,478	325,564
2013		4.000%	70,981	256,737	327,718
2014		3.750%	73,591	253,938	327,529
2015		5.000%	901,010	230,033	1,131,043
2016		5.000%	943,267	183,926	1,127,193
2017		5.000%	991,277	135,562	1,126,839
2018		5.000%	1,041,976	84,731	1,126,707
2019		5.000%	1,094,159	31,328	1,125,487
2020		4.125%	96,318	1,987	98,305
				<u>5,278,665</u>	<u>1,437,720</u>
2012	2007 Series A Municipal Public Improvement	5.000%	-	35,683	35,683
2013		5.000%	-	35,683	35,683
2014		5.000%	-	35,683	35,683
2015		5.000%	-	35,683	35,683
2016		5.000%	-	35,683	35,683
2017		5.000%	-	35,683	35,683
2018		5.000%	-	35,683	35,683
2019		5.000%	-	35,683	35,683
2020		5.000%	-	35,683	35,683
2021		5.000%	110,000	35,683	145,683
2022		4.300%	115,000	30,183	145,183
2023		5.000%	120,000	25,238	145,238
2024		4.750%	130,000	19,238	149,238
2025		4.750%	135,000	13,063	148,063
2026		4.750%	140,000	6,650	146,650
			<u>750,000</u>	<u>451,195</u>	<u>1,201,195</u>
	Total Water Quality Fund		<u>8,634,900</u>	<u>2,081,407</u>	<u>10,716,307</u>
		<b><u>EPB</u></b>			
2012	2000 Electric System Revenue Bonds	5.000%	1,600,000	40,000	1,640,000
				<u>1,600,000</u>	<u>40,000</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2011

(continued from previous page)

Fiscal Year Ended June 30	Issue	<u>EPB</u>		Due Interest	Total Interest and Principal
		Interest Rate	Principal		
2012	2006B Electric System Refunding Revenue	4.000%	\$ -	\$ 957,556	\$ 957,556
2013	Bonds	4.000%	1,770,000	922,156	2,692,156
2014		4.000%	1,755,000	851,656	2,606,656
2015		4.000%	1,745,000	781,656	2,526,656
2016		4.125%	1,730,000	711,075	2,441,075
2017		4.125%	1,715,000	640,022	2,355,022
2018		4.125%	1,705,000	569,484	2,274,484
2019		4.000%	1,690,000	500,519	2,190,519
2020		4.000%	1,670,000	433,319	2,103,319
2021		4.000%	1,655,000	366,819	2,021,819
2022		4.125%	1,635,000	299,997	1,934,997
2023		4.125%	1,620,000	232,863	1,852,863
2024		4.125%	1,600,000	166,450	1,766,450
2025		4.250%	1,580,000	99,875	1,679,875
2026		4.250%	1,560,000	33,150	1,593,150
			<u>23,430,000</u>	<u>7,566,597</u>	<u>30,996,597</u>
2012	2006A Electric System Revenue Bonds	4.000%	1,150,000	1,615,525	2,765,525
2013		4.000%	1,195,000	1,568,625	2,763,625
2014		5.000%	1,245,000	1,513,600	2,758,600
2015		4.125%	1,295,000	1,455,766	2,750,766
2016		4.125%	1,345,000	1,401,316	2,746,316
2017		4.125%	1,400,000	1,344,700	2,744,700
2018		4.125%	1,460,000	1,285,713	2,745,713
2019		4.125%	1,520,000	1,224,250	2,744,250
2020		4.250%	1,585,000	1,159,219	2,744,219
2021		4.250%	1,655,000	1,090,369	2,745,369
2022		4.375%	1,730,000	1,017,356	2,747,356
2023		4.500%	1,805,000	938,900	2,743,900
2024		4.250%	1,885,000	858,231	2,743,231
2025		4.375%	1,970,000	775,081	2,745,081
2026		4.375%	2,060,000	686,925	2,746,925
2027		4.375%	2,155,000	594,722	2,749,722
2028		4.375%	2,250,000	498,363	2,748,363
2029		4.375%	2,355,000	397,628	2,752,628
2030		4.375%	2,470,000	292,081	2,762,081
2031		4.500%	2,585,000	179,888	2,764,888
2032		4.500%	2,705,000	60,863	2,765,863
			<u>37,820,000</u>	<u>19,959,119</u>	<u>57,779,119</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2011

(continued from previous page)

Fiscal Year Ended June 30	Issue	<u>EPB</u>		Due Interest	Total Interest and Principal
		Interest Rate	Principal		
2012	2008 A Electric System Revenue Bonds		\$ -	\$ 10,764,500	\$ 10,764,500
2013			-	10,764,500	10,764,500
2014		3.00%	3,000,000	10,719,500	13,719,500
2015		4.00%	4,000,000	10,594,500	14,594,500
2016		5.00%	5,000,000	10,389,500	15,389,500
2017		3.50%	6,275,000	10,154,688	16,429,688
2018		4.50%	6,575,000	9,896,938	16,471,938
2019		5.00%	6,955,000	9,575,125	16,530,125
2020		5.00%	7,385,000	9,216,625	16,601,625
2021		5.00%	7,835,000	8,836,125	16,671,125
2022		5.00%	8,310,000	8,432,500	16,742,500
2023		5.00%	8,805,000	8,004,625	16,809,625
2024		5.00%	9,335,000	7,551,125	16,886,125
2025		5.00%	9,885,000	7,070,625	16,955,625
2026		5.00%	10,460,000	6,562,000	17,022,000
2027		5.00%	12,605,000	5,985,375	18,590,375
2028		5.00%	13,235,000	5,339,375	18,574,375
2029		5.00%	13,890,000	4,661,250	18,551,250
2030		5.00%	14,575,000	3,949,625	18,524,625
2031		5.00%	15,295,000	3,202,875	18,497,875
2032		5.00%	16,055,000	2,419,125	18,474,125
2033		5.00%	19,685,000	1,525,625	21,210,625
2034		5.00%	20,670,000	516,750	21,186,750
			<u>219,830,000</u>	<u>166,132,875</u>	<u>385,962,875</u>
2012	2011 Fiber Optics System Secured		3,662,000	570,000	4,232,000
2013	Term Promissory Note		3,786,000	446,000	4,232,000
2014			3,913,000	319,000	4,232,000
2015			4,044,000	188,000	4,232,000
2016			3,502,000	53,000	3,555,000
			<u>18,907,000</u>	<u>1,576,000</u>	<u>20,483,000</u>
	Total Electric Power Board		<u>301,587,000</u>	<u>195,274,591</u>	<u>496,861,591</u>
	Total Primary Government		<u>\$ 710,003,388</u>	<u>\$ 364,924,731</u>	<u>\$ 1,074,928,119</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE**

**June 30, 2011**

(continued from previous page)

**METROPOLITAN AIRPORT AUTHORITY**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	2009 Taxable Refunding Revenue Bonds	5.410%	\$ 326,289	\$ 318,600	\$ 644,889
2013		5.410%	344,643	300,246	644,889
2014		5.410%	364,030	280,859	644,889
2015		5.410%	384,507	260,382	644,889
2016		5.410%	406,136	238,753	644,889
2017		5.410%	428,982	215,907	644,889
2018		5.410%	453,113	191,776	644,889
2019		5.410%	397,066	140,341	537,407
2019		5.410%	2,851,224		2,851,224
			<u>5,955,989</u>	<u>1,946,865</u>	<u>7,902,854</u>
Total Airport Authority			<u>5,955,989</u>	<u>1,946,865</u>	<u>7,902,854</u>

**CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION**

2012	2007 Lease Rental Revenue Refunding Bonds	5.000%	3,395,000	2,606,325	6,001,325
2013		5.000%	3,555,000	2,432,575	5,987,575
2014		4.000%	90,000	2,341,900	2,431,900
2015		4.000%	90,000	2,338,300	2,428,300
2016		4.000%	95,000	2,334,600	2,429,600
2017		4.000%	100,000	2,330,700	2,430,700
2018		4.000%	105,000	2,326,600	2,431,600
2019		4.000%	105,000	2,322,400	2,427,400
2020		4.125%	110,000	2,318,031	2,428,031
2021		4.200%	115,000	2,313,348	2,428,348
2022		4.250%	120,000	2,308,383	2,428,383
2023		4.250%	125,000	2,303,176	2,428,176
2024		4.300%	130,000	2,297,725	2,427,725
2025		4.300%	135,000	2,292,028	2,427,028
2026		4.375%	7,155,000	2,132,609	9,287,609
2027		4.375%	7,465,000	1,812,797	9,277,797
2028		5.000%	7,275,000	1,467,625	8,742,625
2029		5.000%	8,155,000	1,081,875	9,236,875
2030		5.000%	8,565,000	663,875	9,228,875
2031		5.000%	8,995,000	224,875	9,219,875
			<u>55,880,000</u>	<u>40,249,746</u>	<u>96,129,746</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2011

(continued from previous page)

**CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2012	2010 IDB Revenue Refunding	3.000%	\$ 665,000	\$ 2,921,394	\$ 3,586,394
2013		3.000%	685,000	2,901,144	3,586,144
2014		3.000%	4,305,000	2,826,294	7,131,294
2015		3.000%	4,430,000	2,695,269	7,125,269
2016		4.000%	4,580,000	2,537,219	7,117,219
2017		5.000%	4,790,000	2,325,869	7,115,869
2018		5.000%	5,020,000	2,080,619	7,100,619
2019		5.000%	5,270,000	1,823,369	7,093,369
2020		5.000%	5,540,000	1,553,119	7,093,119
2021		5.000%	5,815,000	1,269,244	7,084,244
2022		5.000%	6,090,000	971,619	7,061,619
2023		3.250%	6,340,000	716,344	7,056,344
2024		**	6,565,000	478,159	7,043,159
2025		5.000%	6,860,000	171,500	7,031,500
			<u>66,955,000</u>	<u>25,271,160</u>	<u>92,226,160</u>
	Total Chatt. Downtown Redevelopment Corp		<u>122,835,000</u>	<u>65,520,906</u>	<u>188,355,906</u>
	Total component unit indebtedness		<u>\$ 128,790,989</u>	<u>\$ 67,467,771</u>	<u>\$ 196,258,760</u>

# CITY OF CHATTANOOGA, TENNESSEE

## STATISTICAL SECTION (Unaudited)

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**CITY OF CHATTANOOGA, TENNESSEE**

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

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
<b>Expenses</b>							
Governmental activities:							
General government	\$ 63,957,991	\$ 73,098,750	\$ 88,028,404	\$ 75,282,935	\$ 61,386,402	\$ 60,152,675	\$ 59,850,789
Public safety	84,765,514	76,368,786	70,745,129	72,595,048	68,559,200	64,367,574	63,805,046
Public works	66,493,039	61,734,669	61,147,976	55,935,906	55,075,495	55,077,404	54,323,539
Parks and recreation	24,010,501	20,271,088	17,223,313	17,370,233	15,263,490	13,785,184	13,562,609
Social services	20,924,562	23,531,828	20,440,264	19,072,003	22,080,281	19,199,188	21,530,148
Interest on long-term debt	7,126,810	7,237,128	6,693,847	6,902,290	6,910,320	6,493,154	6,004,530
Total governmental activities expenses	<u>267,278,417</u>	<u>262,242,249</u>	<u>264,278,933</u>	<u>247,158,415</u>	<u>229,275,188</u>	<u>219,075,179</u>	<u>219,076,661</u>
Business-type activities:							
Electric utility	633,506,721	539,720,000	542,811,000	472,115,000	441,556,000	417,792,000	371,630,000
Sewer	47,790,192	44,686,829	40,311,413	37,859,312	35,307,852	35,395,214	33,606,869
Solid waste	5,037,895	4,753,430	4,373,161	4,973,585	4,956,281	4,678,270	4,260,270
Water quality management	10,003,657	8,385,351	5,638,936	5,058,524	4,937,896	4,475,706	4,709,090
Housing management	1,105,718	1,042,569	941,834	1,003,096	1,410,217	1,552,119	1,698,166
Total business-type activities expenses	<u>697,444,183</u>	<u>598,588,179</u>	<u>594,076,344</u>	<u>521,009,517</u>	<u>488,168,246</u>	<u>463,893,309</u>	<u>415,904,395</u>
Total primary government expenses	<u>964,722,600</u>	<u>860,830,428</u>	<u>858,355,277</u>	<u>768,167,932</u>	<u>717,443,434</u>	<u>682,968,488</u>	<u>634,981,056</u>
<b>Program Revenues</b>							
Governmental activities:							
Charges for services:							
General government	10,434,649	11,523,433	12,239,326	11,592,555	11,913,650	9,279,550	8,523,871
Public safety	880,936	977,577	630,281	807,649	298,434	1,121,281	864,536
Public works	2,652,857	2,443,705	1,893,443	2,523,650	1,901,136	2,392,789	2,390,699
Parks and recreation	3,815,671	4,212,077	4,069,218	4,132,026	3,366,016	2,910,484	2,768,211
Social services	646,768	834,020	700,179	1,203,478	117,114	1,163,593	2,997,590
Operating grants and contributions	45,528,069	43,695,157	39,564,910	26,253,573	31,846,034	29,397,005	27,384,160
Capital grants and contributions	7,860,181	10,605,215	11,012,496	29,021,776	15,453,667	14,440,793	17,744,674
Total governmental activities program revenues	<u>71,819,131</u>	<u>74,291,184</u>	<u>70,109,853</u>	<u>75,534,707</u>	<u>64,896,051</u>	<u>60,705,495</u>	<u>62,673,741</u>
Business-type activities:							
Charges for services:							
Electric utility	589,475,000	504,599,000	544,635,000	484,458,000	441,881,000	422,143,000	373,490,000
Sewer	48,702,486	45,761,756	43,749,143	42,473,352	39,217,346	36,509,866	35,976,537
Solid waste	6,597,533	6,389,727	6,871,844	5,171,586	5,563,236	5,475,554	5,881,486
Water quality management	14,292,397	13,480,137	5,796,188	5,627,095	5,549,732	5,730,458	5,491,938
Housing management	839,126	816,476	807,058	751,350	1,168,471	1,204,120	1,367,348
Operating grants and contributions	19,983,313	2,398,436	191,575	189,973	175,675	76,532	83,652
Capital grants and contributions	41,117,000	29,595,440	2,462,551	1,668,000	1,853,750	3,379,000	1,893,247
Total business-type activities program revenues	<u>721,006,855</u>	<u>603,040,972</u>	<u>604,513,359</u>	<u>540,339,356</u>	<u>495,409,210</u>	<u>474,518,530</u>	<u>424,184,208</u>
Total primary government program revenues	<u>792,825,986</u>	<u>677,332,156</u>	<u>674,623,212</u>	<u>615,874,063</u>	<u>560,305,261</u>	<u>535,224,025</u>	<u>486,857,949</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

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

(continued from previous page)

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
<b>Net (expense)/revenue:</b>							
Governmental activities	\$(195,459,286)	\$(187,951,065)	\$(194,169,080)	\$(171,623,708)	\$(164,379,137)	\$(158,369,684)	\$(156,402,920)
Business-type activities	23,562,672	4,452,793	10,437,015	19,329,839	7,240,964	10,625,221	8,279,813
Total primary government net expense	<u>(171,896,614)</u>	<u>(183,498,272)</u>	<u>(183,732,065)</u>	<u>(152,293,869)</u>	<u>(157,138,173)</u>	<u>(147,744,463)</u>	<u>(148,123,107)</u>
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental activities:							
Taxes:							
Property taxes	112,953,898	96,982,279	94,274,504	91,847,883	89,934,837	\$ 87,484,889	89,490,700
Liquor and beer taxes	7,352,383	7,062,700	7,394,591	6,951,057	6,589,468	6,393,852	6,245,169
Gross receipts tax	4,437,883	3,790,913	3,905,913	3,931,405	3,773,166	3,510,891	3,695,782
Franchise tax	2,119,546	2,248,279	2,210,697	2,507,204	1,764,684	1,755,878	1,664,863
Hotel-motel tax	4,746,845	4,058,621	3,893,990	4,067,597	3,747,137	3,640,518	2,583,318
Other taxes	43,520	227,546	2,578,385	2,605,700	2,542,465	2,471,256	198,958
Unrestricted investment earnings	1,344,715	1,118,163	1,420,375	4,104,441	5,192,979	3,441,171	1,545,737
Grants not allocated to specific programs	53,070,739	52,777,032	49,988,522	53,466,222	52,074,331	49,165,675	48,501,241
Gain on sale of capital assets	179,644	-	-	-	-	-	81,638
Miscellaneous	-	22,679	-	3,312,122	-	-	-
Change in equity interest	-	(196,534)	(457,589)	(439,341)	6,362	8,789,979	-
Endowment contributions	-	-	-	19,306	11,044	500	-
Transfers	5,917,771	4,089,754	3,061,998	4,321,107	44,999	2,458,048	(563,637)
Special Item- Transfer of Land to VW	-	-	(8,916,345)	-	-	-	-
Total governmental activities	<u>192,166,944</u>	<u>172,181,432</u>	<u>159,355,041</u>	<u>176,694,703</u>	<u>165,681,472</u>	<u>169,112,657</u>	<u>153,443,769</u>
Business-type activities:							
Unrestricted investment earnings	1,463,002	3,632,413	8,991,904	5,249,845	5,001,647	3,015,706	1,942,076
Miscellaneous	-	16,427	808,000	816,803	108,928	817,415	184,682
Transfers	(5,917,771)	(4,089,754)	(3,061,998)	(4,321,107)	(44,999)	(2,458,048)	563,637
Special item - tornado damage	(28,000,000)	-	-	-	-	-	-
Total business-type activities	<u>(32,454,769)</u>	<u>(440,914)</u>	<u>6,737,906</u>	<u>1,745,541</u>	<u>5,065,576</u>	<u>1,375,073</u>	<u>2,690,395</u>
Total primary government	<u>159,712,175</u>	<u>171,740,518</u>	<u>166,092,947</u>	<u>178,440,244</u>	<u>170,747,048</u>	<u>170,487,730</u>	<u>156,134,164</u>
<b>Change in Net Assets</b>							
Governmental activities	(3,292,342)	(15,769,633) <sup>(2)</sup>	(34,814,039) <sup>(1)</sup>	5,070,995	1,302,335	10,742,973	(2,959,151)
Business-type activities	(8,892,097)	4,011,879	17,174,921	21,075,380	12,306,540	12,000,294	10,970,208
Total primary government	<u>\$ (12,184,439)</u>	<u>\$ (11,757,754)</u>	<u>\$ (17,639,118)</u>	<u>\$ 26,146,375</u>	<u>\$ 13,608,875</u>	<u>\$ 22,743,267</u>	<u>\$ 8,011,057</u>

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

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

(2) In fiscal year 2010 th City appropriated \$5,164,968 to the IDB for the VW Project. Also, the OPEB obligation increased \$7,767,233 during the fiscal year 2010.



**CITY OF CHATTANOOGA, TENNESSEE**

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

	Fiscal Year		
	2011	2010	2009
Governmental activities			
Invested in capital assets, net of related debt	\$ 1,231,353,280	\$ 1,259,985,302	\$ 1,259,405,543
Restricted	27,167,455	13,118,922	24,162,165
Unrestricted	63,653,535	52,362,388	57,668,537
Total governmental activities net assets	<u>\$ 1,322,174,270</u>	<u>\$ 1,325,466,612</u>	<u>\$ 1,341,236,245</u>
Business-type activities			
Invested in capital assets, net of related debt (1)	\$ 568,185,846	\$ 533,433,835	\$ 559,872,034
Restricted	18,097,653	22,728,886	24,501,372
Unrestricted (1)	(43,451,928)	(4,439,053)	(36,661,617)
Total business-type activities net assets	<u>\$ 542,831,571</u>	<u>\$ 551,723,668</u>	<u>\$ 547,711,789</u>
Primary government			
Invested in capital assets, net of related debt	\$ 1,799,539,126	\$ 1,793,419,137	\$ 1,819,277,577
Restricted	45,265,108	35,847,808	48,663,537
Unrestricted	20,201,607	47,923,335	21,006,920
Total primary government net assets	<u>\$ 1,865,005,841</u>	<u>\$ 1,877,190,280</u>	<u>\$ 1,888,948,034</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) Solid Waste Fund has a negative, unrestricted net asset balance due to EPA unfunded mandates for an old landfill.

In FY08 significant investment was made in the EPB utility plant reallocating net assets between invested in capital and unrestricted. Amounts for FY08 has been reclassified.

2008	2007	2006	2005
\$ 1,276,307,361	\$ 1,267,302,733	\$ 1,269,926,195	\$ 1,277,883,814
12,295,632	16,780,377	6,312,540	7,713,513
87,447,291	86,896,179	93,438,219	73,336,654
<u>\$ 1,376,050,284</u>	<u>\$ 1,370,979,289</u>	<u>\$ 1,369,676,954</u>	<u>\$ 1,358,933,981</u>
\$ 563,418,374	\$ 478,366,634	\$ 491,351,965	\$ 457,612,822
27,476,571	18,789,364	17,944,835	18,300,530
(60,528,077)	12,305,490	(12,141,852)	9,241,302
<u>\$ 530,366,868</u>	<u>\$ 509,461,488</u>	<u>\$ 497,154,948</u>	<u>\$ 485,154,654</u>
\$ 1,839,725,735	\$ 1,745,669,367	\$ 1,761,278,160	\$ 1,735,496,636
39,772,203	35,569,741	24,257,375	26,014,043
26,919,214	99,201,669	81,296,367	82,577,956
<u>\$ 1,906,417,152</u>	<u>\$ 1,880,440,777</u>	<u>\$ 1,866,831,902</u>	<u>\$ 1,844,088,635</u>

**CITY OF CHATTANOOGA, TENNESSEE**

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

Fiscal Year	Property Tax	Liquor & Beer Tax		Other City-Levied Taxes (2)				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	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	108,351,757
2008	91,847,883 (1)	1,860,774	5,090,283	3,931,405	2,507,204	4,067,597	2,605,700	111,910,846
2009	94,274,504 (1)	1,957,072	5,437,519	3,905,913	2,210,697	3,893,990	2,578,385	114,258,080
2010	(3) 96,982,279 (1)	1,973,682	5,089,018	3,790,913	2,248,279	4,058,621	227,546	114,370,338
2011	(3) 112,953,898 (1)	1,964,432	5,387,951	4,437,883	2,119,546	4,746,845	43,520	131,654,075

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

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

(2) Change in unearned revenue is included in other tax. Amounts are as follows: 2005 \$1,084,849; 2006 \$1,476,590; 2007 \$ 968,002; 2008 \$(966,533); 2009 \$478,025; 2010 \$(324,571); 2011 \$(1,831,958).

(3) In January 2010, the state started collecting business tax therefore it is not reflected in this schedule. Business tax is reported as state revenue.

**CITY OF CHATTANOOGA, TENNESSEE**

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

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
General fund							
Reserved	\$ -	\$ -	\$ 8,617,430	\$ 3,535,673	\$ 3,593,931	\$ 4,347,114	\$ 3,473,740
Unreserved:							
Designated	-	-	3,608,909	7,812,678	6,509,160	6,557,035	5,000,477
Undesignated	-	-	31,520,660	40,746,518	45,027,258	45,138,561	38,975,983
Nonspendable	4,286,374	1,780,661	-	-	-	-	-
Restricted	6,658,785	7,455,576	-	-	-	-	-
Committed	898,772	1,184,148	-	-	-	-	-
Assigned	4,572,721	993,642	-	-	-	-	-
Unassigned	33,863,477	28,415,466	-	-	-	-	-
Total general fund (1)	<u>50,280,129</u>	<u>39,829,493</u>	<u>43,746,999</u>	<u>52,094,869</u>	<u>55,130,349</u>	<u>56,042,710</u>	<u>47,450,200</u>
All other governmental funds							
Reserved	-	-	36,659,112	22,488,664	25,499,173	16,086,804	19,730,102
Unreserved, reported in:							
Special revenue funds	-	-	8,454,135	10,913,021	10,029,363	10,103,900	10,079,521
Debt service fund	-	-	8,375,003	7,032,956	7,548,761	5,842,577	6,471,929
Permanent funds	-	-	36,705	52,324	47,070	45,786	73,056
Nonspendable	5,669,095	5,695,501	-	-	-	-	-
Restricted	30,890,348	43,983,628	-	-	-	-	-
Committed	7,063,311	6,559,175	-	-	-	-	-
Assigned	338,988	205,049	-	-	-	-	-
Unassigned	-	(777,863)	-	-	-	-	-
Total all other governmental funds	<u>43,961,742</u>	<u>55,665,490</u>	<u>53,524,955</u>	<u>40,486,965</u>	<u>43,124,367</u>	<u>32,079,067</u>	<u>36,354,608</u>
Total governmental funds	<u>\$ 94,241,871</u>	<u>\$ 95,494,983</u>	<u>\$ 97,271,954</u>	<u>\$ 92,581,834</u>	<u>\$ 98,254,716</u>	<u>\$ 88,121,777</u>	<u>\$ 83,804,808</u>

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

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

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

**CITY OF CHATTANOOGA, TENNESSEE**

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

	Fiscal Year		
	2011	2010	2009
<b>Revenues</b>			
Taxes	\$ 133,486,033	\$ 114,584,911	\$ 111,959,239
Licenses and permits	5,176,412	5,368,232	4,435,320
Intergovernmental	100,441,019	97,317,492	95,014,416
Charges for services	5,602,433	6,182,979	5,302,861
Fines, forfeitures and penalties	2,705,952	3,256,983	2,835,260
Investment income	1,476,502	1,350,106	1,777,344
Contributions and donations	1,208,813	754,226	589,914
Miscellaneous	4,813,272	5,953,361	5,970,884
Total revenues	<u>254,910,436</u>	<u>234,768,290</u>	<u>227,885,238</u>
<b>Expenditures</b>			
General government	54,344,907	68,917,674	69,935,803
Public safety	83,338,295	71,310,426	72,616,829
Public works	39,260,630	31,601,596	37,185,999
Parks and recreation, education, arts & culture	18,003,988	16,979,064	16,809,777
Social Services	20,977,875	22,890,301	17,712,991
Capital outlay	24,601,428	23,446,614	42,528,781
Debt service:			
Principal	13,007,185	12,532,082	9,591,682
Interest	7,211,011	7,979,170	6,333,051
Total expenditures	<u>260,745,319</u>	<u>255,656,927</u>	<u>272,714,913</u>
Excess of revenues over (under) expenditures	(5,834,883)	(20,888,637)	(44,829,675)
<b>Other financing sources (uses)</b>			
Transfers in	33,896,437	31,587,851	31,750,605
Transfers out	(29,444,666)	(27,567,851)	(28,969,931)
Refunding bonds issued	-	14,219,204	-
Bonds issued	-	34,265,000	46,056,885
Premium on bonds issued	-	730,718	682,236
Payments to refunded bond escrow agent	-	(34,123,256)	-
Proceeds of notes payable	-	-	-
Extraordinary item	130,000	-	-
Total other financing sources (uses)	<u>4,581,771</u>	<u>19,111,666</u>	<u>49,519,795</u>
Net change in fund balances	<u>\$ (1,253,112)</u>	<u>\$ (1,776,971)</u>	<u>\$ 4,690,120</u>
Debt service as a percentage of non-capital expenditures	9.36%	9.88%	7.05%

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

2008	2007	2006	2005
\$ 109,552,362	\$ 106,062,416	\$ 103,157,615	\$ 103,878,878
4,633,755	4,754,390	4,272,090	4,092,969
83,610,126	87,768,854	83,117,431	84,821,126
5,227,764	4,760,080	4,292,707	3,916,340
2,493,879	1,424,431	1,472,402	1,410,642
4,536,219	5,899,679	3,949,483	2,209,234
2,568,829	644,561	414,713	3,761,340
8,531,832	7,663,218	8,891,546	8,404,282
<u>221,154,766</u>	<u>218,977,629</u>	<u>209,567,987</u>	<u>212,494,811</u>
65,152,105	65,854,933	63,379,025	65,458,272
72,660,880	69,319,262	63,063,290	62,237,355
35,209,087	33,619,639	32,797,851	31,623,156
16,617,304	14,735,418	13,113,632	12,707,873
3,288,257	5,405,373	3,029,762	3,839,453
24,352,978	31,430,746	28,294,636	57,463,455
10,839,021	8,453,319	7,735,136	5,777,360
7,007,893	7,215,084	6,402,538	6,498,717
<u>235,127,525</u>	<u>236,033,774</u>	<u>217,815,870</u>	<u>245,605,641</u>
(13,972,759)	(17,056,145)	(8,247,883)	(33,110,830)
40,995,521	37,882,821	28,655,193	27,789,202
(41,141,279)	(40,911,869)	(26,197,145)	(28,352,839)
-	14,520,000	-	22,906,508
-	20,732,796	-	-
-	969,489	-	1,319,753
-	(14,906,348)	-	(23,958,331)
8,445,635	8,902,195	10,106,804	7,339,369
-	-	-	-
<u>8,299,877</u>	<u>27,189,084</u>	<u>12,564,852</u>	<u>7,043,662</u>
<u>\$ (5,672,882)</u>	<u>\$ 10,132,939</u>	<u>\$ 4,316,969</u>	<u>\$ (26,067,168)</u>
9.14%	8.24%	7.99%	6.98%

**CITY OF CHATTANOOGA, TENNESSEE**

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST SEVEN FISCAL YEARS**

Fiscal Year Ended June 30	Assessed Value (3)					Original Total Taxable 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	Personalty	Public Utilities				
2005	\$ 1,078,324,365	\$ 1,561,594,535	\$ 39,015,735	\$ 429,448,247	\$ 210,866,286	\$ 3,319,249,168	\$ 2.202	\$10,323,946,674	32.15%
2006	1,324,074,615	1,798,350,685	47,481,205	455,264,664	235,281,790	3,860,452,959	2.202	11,955,447,977	32.29%
2007	1,362,719,845	1,847,946,530	46,096,515	480,080,854	231,313,627	3,968,157,371	2.202	12,310,849,619	32.23%
2008	1,421,354,257	1,910,417,410	48,320,830	456,098,873	212,569,505	4,048,760,875	2.202	12,906,102,564	31.37%
2009	1,452,977,142	1,968,057,920	50,987,075	509,493,519	222,152,961	4,167,163,278	2.202	13,293,431,306	31.35%
2010	1,732,687,931	2,296,650,350	56,261,925	522,397,863	237,696,428	4,845,694,497	1.939	15,307,270,881	31.66%
2011	1,767,475,281	2,277,144,490	52,744,350	499,813,408	211,611,981	4,808,789,510	2.309	15,187,143,683	31.66%

Source: City Treasurer

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

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

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

(3) Real property includes commercial and industrial property assessed at 40% and residential and farms assessed at 25% of the estimated actual value.

Personal property is assessed at 30% of the estimated actual value. Utilities are assessed at 55% of estimated actual value.

Mult-Use is a combination of assessment rates based on the use of the property.

**CITY OF CHATTANOOGA, TENNESSEE**

**PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	City of Chattanooga Tax Rate	Hamilton County			Total Tax Rate	Total Direct & Overlapping Rates (1)
		General Fund Tax Rate	School Fund Tax Rate	Road Fund Tax Rate		
2002	2.5160	1.4128	1.6334	0.0148	3.0610	5.5770
2003	2.5160	1.4128	1.6334	0.0148	3.0610	5.5770
2004	2.5160	1.4128	1.6334	0.0148	3.0610	5.5770
2005	2.5160	1.4128	1.6334	0.0148	3.0610	5.5770
2006	2.2020	1.3159	1.5655	0.0126	2.8940	5.0960
2007	2.2020	1.3159	1.5655	0.0126	2.8940	5.0960
2008	2.2020	1.5759	1.5655	0.0126	3.1540	5.3560
2009	1.9390	1.3816	1.3726	0.0110	2.7652	4.7042
2010	1.9390	1.3816	1.3726	0.0110	2.7652	4.7042
2011	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742

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

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

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



**CITY OF CHATTANOOGA, TENNESSEE**

**PRINCIPAL PROPERTY TAXPAYERS**

**June 30, 2011**

Taxpayer	2011			2002		
	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)	\$252,620,182	1	4.78%	\$ 96,291,812	1
Tennessee Valley Authority (Computer Center)	120,376,871	2	2.28%	80,847,036	2	2.53%
CBL & Associates	69,481,315	3	1.32%	53,690,065	5	1.68%
BlueCross BlueShield	101,417,067	4	1.92%	22,468,609	9	0.70%
AT&T (BellSouth)	51,122,612	5	0.97%	60,667,578	3	1.89%
Tennessee-American Water Co.	40,599,761	6	0.77%	38,371,122	7	1.20%
Alstom Power	37,912,749	7	0.72%	-		0.00%
Unum/Provident Ins. Co.	36,704,696	8	0.69%	45,813,011	6	1.43%
Wal Mart	30,671,852	9	0.58%	-		0.00%
Kenco Group, INC	28,599,440	10	0.54%	-		0.00%
Parkridge Medical Center	26,176,749	11	0.50%	20,970,953	10	0.65%
INVISTA (Dupont)	21,959,880	12	0.42%	57,826,419	4	1.81%
AGL Resources-Chattanooga Gas	19,188,576	13	0.36%	22,633,290	8	0.71%
Totals	<u>\$836,831,750</u>		<u>15.85%</u>	<u>\$499,579,895</u>		<u>15.61%</u>

Source: The City Treasurer

Notes:

- (1) Property taxpayers includes both property taxes and payments in-lieu of taxes.
- (2) Beginning in fiscal year 2006 EPB payments in-lieu of taxes were reported as a transfer.
- (3) Starting 2011 payment in lieu of taxes was included in the computation.

**CITY OF CHATTANOOGA, TENNESSEE**

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST SEVEN FISCAL YEARS**

Fiscal Year Ended June 30	Original Tax Levy(1)	Cumulative Adjustments to Tax Levy(2)	Adjusted Tax Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 83,512,333	\$ 22,033	\$ 83,534,366	\$ 79,901,518	95.7%	\$ 3,379,194	\$ 83,280,712	99.7%
2006	85,007,191	(267,776)	84,739,415	81,194,003	95.8%	3,566,490	84,760,493	100.0%
2007	87,378,841	107,626	87,486,467	83,848,154	95.8%	3,460,012	87,308,166	99.8%
2008	89,153,730	63,822	89,217,552	85,019,277	95.3%	3,832,305	88,851,582	99.6%
2009	91,760,952	(181,032)	91,579,920	87,144,122	95.2%	3,468,222	90,612,344	98.9%
2010	93,958,030	(1,094,716)	92,863,314	88,615,281	95.4%	2,332,533	90,947,814	97.9%
2011	111,034,964	(5,811)	111,029,153	104,399,752	94.0%	-	104,399,752	94.0%

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

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

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

**CITY OF CHATTANOOGA, TENNESSEE**

**PROPERTY VALUE AND CONSTRUCTION PERMITS  
LAST SEVEN CALENDAR YEARS**

Calendar Year (1)	Commercial Construction/Others		Residential Construction		Property Value		
	Number of Permits	Value	Number of Permits	Value	Commercial	Residential	Public Utilities
2004	690	\$ 226,955,234	1,810	\$ 120,703,243	\$ 4,026,000,322	\$ 4,313,292,300	\$ 383,393,247
2005	808	226,421,856	1,870	162,002,991	4,713,822,750	5,296,293,120	427,785,073
2006	907	234,192,365	1,760	181,022,954	4,839,133,200	5,450,878,720	420,570,231
2007	735	489,134,625 (2)	1,652	184,475,058	5,004,087,050	5,685,416,370	580,059,970
2008	471	244,137,277	715	108,132,239	5,163,673,852	5,811,908,568	620,270,613
2009	479	307,889,648	790	84,747,867	6,008,895,400	6,930,739,450	626,311,137
2010	1151	185,443,140 (3)	745	81,002,976	5,951,110,800	7,069,893,350	500,090,912

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) The value of the 2007 permits increased while the number of permits decreased as a result of a number of large Condominiums and continuing work on the Blue Cross Building Complex.

(3) Starting 2010 combined commercial and other permits such as electrical, plumings and fire permits.

Source: Permits from Land Development office. The values are based on the current industry averages as published Estimated actual values from Property Tax Assessor's Office records.

**CITY OF CHATTANOOGA, TENNESSEE**

**GENERAL FUND INTERGOVERNMENTAL REVENUE  
LAST SEVEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>County-Wide Sales Tax</u>	<u>City Allocation State Sales Tax</u>	<u>County-Wide Designated Sales Tax</u>	<u>City Allocation State Income Tax</u>	<u>Mixed Drink Tax</u>	<u>Other Revenue</u>	<u>Total</u>
2005	\$ 23,585,866	\$ 9,398,986	\$ 9,615,776	\$ 2,149,036	\$ 1,347,872	\$ 6,256,823	\$ 52,354,359
2006	25,063,557	10,379,781	10,153,916	3,071,346	1,540,706	6,150,412	56,359,718
2007	26,154,704	11,180,175	10,566,227	4,125,590	1,748,548	5,744,627	59,519,871
2008	26,604,258	11,185,750	10,767,083	4,909,130	1,818,211	5,856,223	61,140,655
2009	25,710,248	10,254,407	10,394,686	3,629,181	1,763,451	17,780,474	(1) 69,532,446
2010	25,116,025	9,904,220	10,182,243	2,578,926	1,888,061	13,749,395	(2) 63,418,868
2011	26,462,886	10,357,166	10,652,849	2,714,695	1,942,779	10,987,506	(3) 63,117,881

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

- (1) In fiscal year 2009 the City of Chattanooga began the Public Safety Interoperable Communications Grant Program (PSIC), a \$16,780,000 award. At fiscal year end the City of Chattanooga has recognized \$10,800,490 in PSIC grant revenue.
- (2) In fiscal year 2010 the City of Chattanooga began reporting Regional Planning Agency , Air Pollution Control Bureau and Scenic Cities Beautiful as Special Revenue Funds.
- (3) In fiscal year 2011 the City of Chattanooga recognized the remaining of the Public Safety Interoperable Communications (PSIC) Grant Revenue which decreased by \$5,740,453 from fiscal year 2010.

**CITY OF CHATTANOOGA, TENNESSEE**

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

<u>Fiscal Year Ended June 30</u>	<u>Residential Customers</u>	<u>Cents per KWH</u>	<u>Small Commercial Customers</u>	<u>Cents per KWH</u>	<u>Large Commercial Customers</u>	<u>Cents per KWH</u>	<u>Outdoor Lighting Customers</u>	<u>Cents per KWH</u>	<u>Total Customers</u>	<u>Cents per KWH</u>
2002	136,070	6.43	19,092	7.16	3,159	5.15	141	8.38	158,462	5.75
2003	137,477	6.39	19,307	7.15	3,190	5.28	143	8.12	160,117	5.84
2004	139,126	6.67	19,222	7.45	3,196	5.46	142	8.40	161,686	6.06
2005	140,549	6.81	20,125	7.60	3,204	5.50	139	8.66	164,017	6.15
2006	141,839	7.16	20,331	8.04	3,289	6.09	142	9.21	165,601	6.65
2007	144,288	7.56	19,630	8.46	3,363	6.39	143	9.37	167,424	7.00
2008	145,941	8.14	19,450	9.06	3,438	6.99	141	9.97	168,970	7.59
2009	147,301	9.55	19,326	10.53	3,414	8.39	139	11.35	170,180	9.01
2010	147,532	8.67	19,226	9.77	3,379	7.54	141	10.45	170,278	8.17
2011	148,033	9.56	19,157	10.69	3,524	8.32	138	11.37	170,852	9.00

Source: EPB Financial Reports

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

**CITY OF CHATTANOOGA, TENNESSEE**

**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST SEVEN FISCAL YEARS**

Fiscal Year	Governmental Activities			Business-Type Activities (1)			Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
	General Obligation Bonds	Notes Payable	Capital Leases	General Obligation Bonds	Notes Payable	Capital Leases			
2005	\$ 125,317,464	\$ 13,594,190	\$ 118,842,663	\$ 125,387,536	\$ 45,438,276	\$ 234,453	\$ 428,814,582	9.26%	\$ 2,769
2006	120,680,396	21,356,582	118,275,709	113,409,604	43,452,859	214,562	417,389,712	8.67%	2,697
2007	136,098,716	27,592,266	115,513,895	106,881,287	45,422,117	193,543	431,701,824	7.89%	2,565
2008	130,843,479	32,593,423	112,603,776	96,051,522	43,111,947	171,298	415,375,445	7.40%	2,445
2009	169,652,699	30,654,836	109,822,026	83,302,301	52,021,499	147,723	445,601,084	7.83%	2,608
2010	176,064,209	31,266,117	106,531,819	72,480,791	52,675,254	122,705	439,140,895	7.37%	2,563
2011	165,968,711	28,547,881	103,678,615	62,441,288	47,683,773	96,119	408,416,387	6.98%	2,436

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

(1) The Electric Power Board has \$288.06 million (FY09), \$285.4million (FY10) and \$282.6 million (FY11) in revenue bonds and \$0.59 million (FY09) and \$18.9million (FY10) in equipment notes outstanding. 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 SEVEN FISCAL YEARS**

Fiscal Year	Bonds	Notes and Capital Leases(1)	Total	Less: Debt Supported by Designated Revenue Streams Other Than Property Taxes					
				Hotel-Motel Debt	CDRC Capital Lease	Fannie Mae Loan	Golf Course Capital Lease	HUD Sec. 108 Notes	Republic Parking Loan
2005	\$ 250,705,000	\$ 178,109,582	\$ 428,814,582	\$ 55,174,987	\$ 115,925,472	\$ 1,534,829	\$ -	\$ -	\$ -
2006	234,090,000	183,299,712	417,389,712	55,174,987	115,925,472	2,473,620	-	-	126,923
2007	242,980,000	188,721,819	431,701,819	54,434,830	113,738,737	2,752,555	-	-	-
2008	226,895,000	188,480,445	415,375,445	53,638,980	111,411,938	-	-	4,576,000	-
2009	252,955,000	192,646,084	445,601,084	52,768,980	108,937,617	-	284,251	4,576,000	-
2010	248,545,000	188,118,187	436,663,187	53,455,510	106,308,081	-	223,738	4,271,000	-
2011	228,409,999	180,006,388	408,416,387	52,163,815	103,518,327	-	160,288	3,966,000	-

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

- (1) The Electric Power Board has \$0.59 million in equipment notes outstanding as of June 30, 2009. However the Electric Power Board submits separate disclosures to the Securities & Exchange Commission. Therefore its notes are excluded from this schedule.
- (2) See the schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.
- (3) See the schedule of Demographic and Economic Statistics for population data.
- (4) Total General Obligation Debt supported by the general property tax base

800 MHz Capital Lease	Sewer Debt	Solid Waste Debt	Water Quality Debt	Less: Debt Service Fund Balance	Total	Debt Supported by Property Tax Total (4)	% Estimated Actual Taxable Value of Property(2)	Per Capita (3)
\$ 2,917,191	\$ 127,396,823	\$ 26,041,104	\$ 17,622,338	\$ 6,471,929	\$ 353,084,673	\$ 75,729,909	0.73%	\$ 489
2,350,237	116,878,339	24,052,649	16,146,037	7,139,208	340,267,472	77,122,240	0.65%	498
1,775,158	109,164,894	28,679,013	14,653,040	8,871,564	334,069,791	97,632,028	0.79%	580
1,191,838	98,154,112	27,345,475	13,835,180	8,925,003	319,078,526	96,296,919	0.75%	567
600,159	98,468,501	24,813,108	12,189,914	8,925,003	311,563,532	134,037,552	1.01%	784
-	90,181,577	22,160,064	10,459,401	4,870,365	291,929,736	144,733,451	0.95%	845
-	82,208,790	19,377,489	8,634,900	4,954,374	274,983,983	133,432,404	0.88%	796



**CITY OF CHATTANOOGA, TENNESSEE**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

**As of June 30, 2011**

<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	\$ 185,351,638	59.5634%	\$ 110,401,738
Other debt:			
Hamilton County Notes Payable	\$ 64,294,977	59.5634%	<u>38,296,274</u>
Subtotal, overlapping debt (1)			148,698,012
City of Chattanooga net direct debt			<u>133,432,402</u>
Total direct and overlapping debt			<u><u>\$ 282,130,414</u></u>

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

Notes:

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

**CITY OF CHATTANOOGA, TENNESSEE**

**LEGAL DEBT MARGIN INFORMATION  
LAST SEVEN FISCAL YEARS**

	Fiscal Year		
	2011	2010	2009
Debt limit(1)	\$ 480,878,951	\$ 484,569,450	\$ 416,716,328
Total net debt applicable to limit(2)	133,432,402	144,733,452	134,037,551
Legal debt margin	\$ 347,446,549	\$ 339,835,998	\$ 282,678,777
Total net debt applicable to the limit as a percentage of debt limit	27.75%	29.87%	32.17%

Legal Debt Margin Calculation by Fiscal Year			
Assessed value	\$ 4,808,789,510	\$ 4,845,694,497	\$ 4,167,163,278
Debt limit (10% of total assessed value)	480,878,951	484,569,450	416,716,328
Debt applicable to limit:			
General obligation bonds	138,386,776	149,603,816	142,962,554
Less: amount set aside for repayment of general obligation debt	(4,954,374)	(4,870,365)	(8,925,003)
Total net debt applicable to limit	133,432,402	144,733,451	134,037,551
Legal debt margin	\$ 347,446,549	\$ 339,835,999	\$ 282,678,777

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.

2008	2007	2006	2005
\$ 404,876,088	\$ 396,815,737	\$ 386,045,296	\$ 331,924,917
96,296,919	97,632,033	77,122,240	75,729,909
<u>\$ 308,579,169</u>	<u>\$ 299,183,704</u>	<u>\$ 308,923,056</u>	<u>\$ 256,195,008</u>

23.78%                      24.60%                      19.98%                      22.82%

\$ 4,048,760,875	\$ 3,968,157,371	\$ 3,860,452,959	\$ 3,319,249,168
404,876,088	396,815,737	386,045,296	331,924,917
105,221,922	106,503,597	84,261,448	82,201,838
<u>(8,925,003)</u>	<u>(8,871,564)</u>	<u>(7,139,208)</u>	<u>(6,471,929)</u>
<u>96,296,919</u>	<u>97,632,033</u>	<u>77,122,240</u>	<u>75,729,909</u>
<u>\$ 308,579,169</u>	<u>\$ 299,183,704</u>	<u>\$ 308,923,056</u>	<u>\$ 256,195,008</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**HISTORICAL DEBT RATIOS**

**June 30, 2011**

	2002	2003	2004	2005
Estimated population(1)	155,992	155,582	155,289	154,853
Appraised property valuation	\$ 9,789,654,070	\$ 9,944,568,067	\$ 10,057,472,717	\$ 10,323,946,674
Assessed property valuation	3,201,743,737	3,260,023,356	3,237,183,936	3,319,249,168
Gross indebtedness (2)	244,704,834	427,890,087	434,308,264	428,814,582
Less: Self-supporting indebtedness(3)	169,036,886	344,499,352	353,562,825	346,612,744
Debt Service Fund	5,497,083	4,988,142	5,222,704	6,471,929
Net direct indebtedness	70,170,865	78,402,593	75,522,735	75,729,909
Plus: Estimated net overlapping indebtedness	109,591,857	96,147,876	107,821,749	97,486,316
Net direct and overlapping indebtedness	<u>\$ 179,762,722</u>	<u>\$ 174,550,469</u>	<u>\$ 183,344,485</u>	<u>\$ 173,216,225</u>
Gross debt per capita	\$ 1,568.70	\$ 2,750.25	\$ 2,796.77	\$ 2,769.17
Net direct debt per capita	449.84	503.93	486.34	489.04
Net direct and overlapping debt per capita	1,152.38	1,121.92	1,180.67	1,118.58
Gross debt to appraised valuation	2.50%	4.30%	4.32%	4.15%
Net direct debt to appraised valuation	0.72%	0.79%	0.75%	0.73%
Net direct debt and overlapping debt to appraised valuation	1.84%	1.76%	1.82%	1.68%
Gross debt to assessed valuation	7.64%	13.13%	13.42%	12.92%
Net direct debt to assessed valuation	2.19%	2.40%	2.33%	2.28%
Net direct and overlapping debt to assessed valuation	5.61%	5.35%	5.66%	5.22%

(1) Population figures for all years are estimates.

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

(3) The self-supporting debt includes Sewer Bonds and municipal public improvement bonds supported by Hotel Motel taxes, CDRC capital lease, HUD Sec. 108 Notes, 800 MHz Equipment Capital Lease.

2006	2007	2008	2009	2010	2011
154,762	168,293	169,884	170,880	171,349	167,674
\$ 11,955,447,979	\$ 12,310,849,619	\$ 12,906,102,564	\$ 13,294,163,310	\$ 15,307,270,881	\$ 15,187,143,683
3,860,452,959	3,968,157,371	4,048,760,875	4,167,163,278	4,845,694,497	4,808,789,510
417,389,712	431,701,818	415,375,442	445,601,083	436,663,186	408,416,390
333,128,264	325,198,221	310,153,520	302,638,530	287,059,370	270,029,615
7,139,208	8,871,564	8,925,003	8,925,003	4,870,365	4,954,374
77,122,240	97,632,033	96,296,919	134,037,550	144,733,451	133,432,402
87,645,429	89,393,466	136,287,686	149,048,842	154,968,909	148,698,012
<u>\$ 164,767,668</u>	<u>\$ 187,025,499</u>	<u>\$ 232,584,605</u>	<u>\$ 283,086,392</u>	<u>\$ 299,702,360</u>	<u>\$ 282,130,414</u>
\$ 2,696.98	\$ 2,565.18	\$ 2,445.05	\$ 2,607.68	\$ 2,548.38	\$ 2,435.78
498.33	580.13	566.84	784.40	844.67	795.78
1,064.65	1,111.31	1,369.08	1,656.64	1,749.08	1,682.61
3.49%	3.51%	3.22%	3.35%	2.85%	2.69%
0.65%	0.79%	0.75%	1.01%	0.95%	0.88%
1.38%	1.52%	1.80%	2.13%	1.96%	1.86%
10.81%	10.88%	10.26%	10.69%	9.01%	8.49%
2.00%	2.46%	2.38%	3.22%	2.99%	2.77%
4.27%	4.71%	5.74%	6.79%	6.18%	5.87%

**CITY OF CHATTANOOGA, TENNESSEE**

**REVENUE BOND COVERAGE  
LAST SEVEN 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	415,523,000	28,824,000	1,600,000	1,659,000	8.8
2008	487,442,000	443,723,000	43,719,000	1,600,000	3,018,881	9.5
2009	553,234,000	508,475,000	44,759,000	1,600,000	11,977,000	3.3
2010	513,029,000	466,913,000	46,116,000	2,670,000	3,929,000	7.0
2011	592,469,000	550,453,000	42,016,000	2,710,000	13,500,000	2.6

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

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

(2) Operating expenses are less depreciation expense.

(3) FY07 Retired \$1,600,000; refunded \$22,400,000; issued \$63,430,000

FY08 Retired \$1,600,000; issued \$219,830,000

**CITY OF CHATTANOOGA, TENNESSEE**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST SEVEN FISCAL YEARS**

Calendar Year	Population(1)	Per Capita Income(4)	Median Age(2)	Education Level	School Enrollment(2)	Unemployment Rate(3)
				In Years of Formal Schooling(2)		
2005	154,853	\$ 29,912	38.1	14.9% 4yr. Degree	39,929	4.8%
2006	154,762	\$ 31,113	38.5	16.4% 4yr. Degree	40,066	5.3%
2007	168,293	\$ 32,499	38.8	17.4% 4yr. Degree	39,020	4.7%
2008	169,884	\$ 33,051	38.9	15.3% 4yr. Degree	39,106	6.1%
2009	170,880	\$ 33,303	39.2	17.0% 4yr. Degree	39,247	9.1%
2010	171,349	\$ 34,784	39.7	16.5% 4yr. Degree (6)	41,072 (5)	9.3%
2011	167,674	\$ 34,903	39.3	16.5% 4yr. Degree (6)	42,236	9.1%

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

- (1) U.S. Census Bureau. Figures prior to 2011 were U.S. Census Bureau estimates.
- (2) Chamber of Commerce
- (3) Tennessee Department of Labor and Workforce Development
- (4) U.S. Department of Commerce Bureau of Economic Analysis
- (5) Preliminary 2010 unemployment rate is as of June, 2010 for Hamilton County
- (6) Preliminary 2010 School Enrollment not available from Chamber. Data from Hamilton County School Enrollment 04-13-10

**CITY OF CHATTANOOGA, TENNESSEE**

**PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

Employer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
BlueCross BlueShield of Tennessee	4,458	1	2.66%	4,300	4	2.76%
Hamilton County Department of Education(1)	4,347	2	2.59%	6,793	1	4.37%
Tennessee Valley Authority	3,970	3	2.37%	3,338	7	2.15%
Erlanger Health System	3,441	4	2.05%	4,300	3	2.76%
Memorial Health Care System	3,071	5	1.83%	3,500	5	2.25%
McKee Foods Corporation	2,950	6	1.76%	3,500	6	2.25%
Unum Group	2,800	7	1.67%	2,822	8	1.81%
City of Chattanooga	2,239	8	1.34%	2,627	9	1.69%
Hamilton County Government	1,837	9	1.10%	-		0.00%
Pilgrim's Pride Corp.	1,550	10	0.92%	-		0.00%
Convenant Transport	-		0.00%	5,629	2	3.62%
Synthetic Industries	-		0.00%	2,343	10	1.51%
<b>Total</b>	<b>30,663</b>		<b>17.90%</b>	<b>39,152</b>		<b>25.17%</b>

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



**CITY OF CHATTANOOGA, TENNESSEE**

**FULL-TIME EQUIVALENT CITY GOVERNMENT POSITIONS  
BY FUNCTION  
LAST SEVEN FISCAL YEARS**

FUNCTION	Full-Time Equivalent Positions as of June 30						
	2011	2010	2009	2008	2007	2006	2005
General Government	301	291	279	277	276	266	276
Public Safety							
Police							
Sworn	481	475	472	472	471	472	472
Civilian	123	130	139 <sup>(1)</sup>	213	212	206	196
Fire							
Sworn	412	400	400	400	400	400	400
Civilian	17	17	17	17	17	18	18
Public Works	338	409	326	331	333	339	338
Neighborhood Services	35	29	36	36	36	36	37
Parks & Recreation	237	236	230	229	226	217	238
Education, Arts and Culture	27	26	27	26	26	24	0
Social Services	286	293	249	289	294	339	340
Interceptor Sewer System	137	136	135	132	124	115	115
Solid Waste/Sanitation	16	16	17	14	13	14	13
Water Quality	137	59	55	47	50	49	48
EPB	453	435	398	389	394	402	407
Totals	<u>3,000</u>	<u>2,952</u>	<u>2,780</u>	<u>2,872</u>	<u>2,872</u>	<u>2,897</u>	<u>2,898</u>

Source: City Budget office Position Summary.

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

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

**CITY OF CHATTANOOGA, TENNESSEE**

**OPERATING INDICATORS BY FUNCTION  
LAST SEVEN FISCAL YEARS**

Function	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
<b>General Government</b>							
311 Service Requests Created	135,692	114,711	66,443	72,663	76,401	66,710	77,400
% of Current Tax Levy Collected	94.0	94.3	95.0	95.4	95.9	95.8	95.6
<b>Police</b>							
Crimes Committed (1)	12,158	14,385	14,577	14,219	13,999	13,843	14,315
Moving/Parking Violations	105,470	166,438	105,069	64,928	98,984	78,052	75,826
Citizen Complaints	47	56	47	35	33	96	102
<b>Fire</b>							
Emergency Calls	16,363	12,473	12,889	11,849	11,385	10,617	9,899
Inspections	4,750	5,466	7,769	5,978	3,774	2,492	2,586
<b>Public Works</b>							
Sidewalks Repaired (sq.ft.)	12,359	8,186	848	80	335	1,660	3,374
Streets Paved (sq.ft.)	1,132,286	615,038	790,988	520,896	516,146	632,793	851,511
<b>Parks, Recreation, Arts &amp; Culture</b>							
Chattanooga Zoo-Attendance	210,966	253,115	231,225	174,093	149,582	125,293	127,974
Recreation Centers-Attendance	630,178	550,496	588,927	567,444	458,331	394,660	400,959
<b>Social Services</b>							
Children Immunized	888	1014	869	897	865	768	875
Households Assisted	6,334	8,473	6,280	4,950	4,284	4,119	6,566
<b>Interceptor Sewer System</b>							
NPDES Violations	10	19	10	7	5	5	4
Combined Sewer Overflows	131	158	103	100	83	118	119
<b>Solid Waste/Sanitation</b>							
NPDES Landfill Violations	2	4	4	4	0	4	17
Violation Notices to Industry	48	40	44	59	96	61	44
<b>Water Quality</b>							
311 Service Requests Created	1727	3206	1764	1798	1,586	1,808	2,559
311 Service Requests Unresolved	89	388	69	52	34	53	269

Source: City budget office.

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

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

**CITY OF CHATTANOOGA, TENNESSEE**

**CAPITAL ASSET STATISTICS BY FUNCTION  
LAST SEVEN FISCAL YEARS**

Function	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
General Government							
City Fleet	1,769	1,774	1,773	1,769	1,709	1,670	1,663
Properties Returned to Tax Rolls	47	24	21	26	33	22	23
Police							
Stations	3	3	3	3	3	3	3
Patrol Units	(1) 450	450	450	450	450	450	450
Fire							
Stations	18	18	17	17	17	17	17
Ladder Trucks/Fire Engines/Combos	(2) 25	25	24	24	24	24	23
Public Works							
Miles of Paved Streets	1,151	1,151	1,159	1,159	1,154	1,150	1,200
Signalized Intersections	320	321	318	315	314	312	303
Garbage Trucks	21	18	23	21	21	21	21
Knuckleboom Trucks	23	20	20	21	21	21	21
Interceptor Sewer System							
Miles of Sewer	1254	1254	1,255	1,239	1,200	1,200	1,200
Pump Stations	70	70	70	67	67	67	67
Parks, Recreation, Arts & Culture							
Parks	51	51	51	50	50	50	50
Recreation Centers	16	16	16	16	16	16	15

Source: City Budget Office

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

(1) 450 marked and unmarked patrol units

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

CITY OF CHATTANOOGA, TENNESSEE

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<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Other Adjustments</u>	<u>Ending (Accrued) Deferred Grant Revenue</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
Passed Through Tennessee Department of Agriculture:							
Emergency Food Assistance Program (Admin Costs)	10.568	8680	\$ (42,441)	\$ 125,639	\$ 83,198	\$ -	\$ -
Emergency Food Assistance Program (ARRA)	10.568	8680	500	-	500	-	-
Emergency Food Assistance Program (Admin Costs)	10.568	17984	-	32,352	100,277	-	(67,925)
Emergency Food Assistance Program (Commodities-Noncash)	10.569	N/A	-	225,188	225,188	-	-
Total Emergency Food Assistance Program			<u>(41,941)</u>	<u>383,179</u>	<u>409,163</u>	<u>-</u>	<u>(67,925)</u>
Passed Through Tennessee Department of Human Services:							
2010 CHS Child Care Program	10.558	8487	(142,233)	92,545	-	49,687	(0)
2010 Child and Adult Food Program	10.558	03-47-56136-00-6&9	(36,580)	17,950	-	18,630	(0)
2011 CHS Child Care Program	10.558	8503	-	399,172	487,112	-	(87,940)
2011 Child and Adult Food Program	10.558	03-47-56136-00-6&9	-	105,344	124,834	-	(19,489)
2011 Child and Adult Food Program	10.558	03-47-55915-00-8	-	321,399	331,406	-	(10,007)
Total Child and Adult Food Program			<u>(178,813)</u>	<u>936,410</u>	<u>943,351</u>	<u>68,318</u>	<u>(117,436)</u>
Total U. S. Department of Agriculture			<u>(220,754)</u>	<u>1,319,589</u>	<u>1,352,515</u>	<u>68,318</u>	<u>(185,362)</u>
<b>U.S. DEPT OF MILITARY</b>							
Passed through TN Emergency Management Agency:							
FY07 Public Safety Interoperable Communications Grant	11.555	GG-08-26036-00	(2,720,595)	2,094,692	115,924	-	(741,827)
Total U. S. Department of Military			<u>(2,720,595)</u>	<u>2,094,692</u>	<u>115,924</u>	<u>-</u>	<u>(741,827)</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-47-0001	(684,437)	1,455,428	770,991	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-47-0001	-	534,546	1,010,119	-	(475,573)
Total Community Development Block Grants/Entitlement Grants			<u>(684,437)</u>	<u>1,989,974</u>	<u>1,781,110</u>	<u>-</u>	<u>(475,573)</u>
Shelter Plus Care	14.238	TN0010C4J000801	(93,926)	153,312	59,386	-	-
Shelter Plus Care	14.238	TN0010C4J000802	-	84,669	112,551	-	(27,882)
THDA ESG Stage	14.238	HTF-09-22	(67,688)	67,670	4	22	-
THDA NSP1	14.238	NSP1-09-044	-	205,911	303,864	-	(97,954)
THDA ESG Stage	14.231	ESG-10-23	-	46,800	83,730	-	(36,930)
Total Shelter Plus Care			<u>(161,614)</u>	<u>558,361</u>	<u>559,535</u>	<u>22</u>	<u>(162,766)</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

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<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Other Adjustments</u>	<u>Ending (Accrued) Deferred Grant Revenue</u>
(continued from previous page)							
HOME Investment Partnerships Program	14.239	M-07-MC-47-0200	\$ -	\$ 39,172	\$ 39,172	\$ -	\$ -
HOME Investment Partnerships Program	14.239	M-08-MC-47-0200	(352,467)	415,982	63,515	-	-
HOME Investment Partnerships Program	14.239	M-09-MC-47-0200	-	525,689	584,865	-	(59,176)
HOME Investment Partnerships Program	14.239	M-10-MC-47-0200	-	760,878	862,449	-	(101,571)
Total HOME Investment Partnerships Program			<u>(352,467)</u>	<u>1,741,721</u>	<u>1,550,002</u>	<u>-</u>	<u>(160,748)</u>
ARRA - Community Development Block Grant CDBG-R	14.253	B-09-MY-47-0001	-	313,240	313,240	-	-
ARRA HUD Neighborhood Stabilization	14.256	B-08-MN-47-0001	(133,555)	1,334,081	1,322,904	-	(122,377)
ARRA - Homeless Prev & Rapid ReHousng (HPRP)	14.257	S-09-MY-47-0003	(54,000)	356,183	302,182	-	-
Total ARRA			<u>(187,555)</u>	<u>2,003,503</u>	<u>1,938,326</u>	<u>-</u>	<u>(122,377)</u>
Total U. S. Department of Housing and Urban Development			<u>(1,386,073)</u>	<u>6,293,559</u>	<u>5,828,972</u>	<u>22</u>	<u>(921,464)</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>							
Passed thru Tennessee Department of Finance and Admin							
Edward Byrne Memorial Grant - Crime Prevention and Hispanic Outreach	16.579	Z-06027515-00	(6,495)	6,389	-	106	-
Edward Byrne Memorial Grant - Family Justice Alliance with Partnerships	16.579	Z-06027513-00	(11,156)	11,156	-	-	-
Edward Byrne Memorial Grant - Police Explorers	16.579	Z-06027514-00	(7,797)	5,613	-	2,184	-
Total Edward Byrne Memorial Grant			<u>(25,448)</u>	<u>23,158</u>	<u>-</u>	<u>2,289</u>	<u>-</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0479	(6,386)	6,386	-	-	0
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0546	(5,567)	19,589	27,967	-	(13,945)
Edward Byrne Memorial Justice Assistance Grant Program (Local Solicitation	16.738	2009-DJ-BX-0530	(149,776)	206,171	58,628	-	(2,233)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJBX-0825	-	4,299	4,299	-	-
2008 COPS Technology Initiative	16.71	2008-CK-WX-0391	(43,835)	202,675	261,832	-	(102,992)
2010 COPS Hiring Grant	16.71	2010-CK-WX-0391	-	144,511	304,605	-	(160,094)
Edward Byrne Memorial Justice Assistance Grant Program - ARRA	16.804	2009-SB-B9-2602	(208,031)	598,609	350,788	-	39,790
Total U. S. Department of Justice			<u>(439,042)</u>	<u>1,205,398</u>	<u>1,008,119</u>	<u>2,289</u>	<u>(239,474)</u>

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(continued from previous page)							
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
Passed Through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	PL000-009-00-237	\$ (73,864)	\$ 110,902	\$ 37,038	\$ -	\$ -
Highway Planning and Construction	20.205	PL000-0009-00-660	-	57,254	98,397	-	(41,142)
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	Z-07-036291-00	(20,712)	102,566	81,854	-	-
Highway Planning and Construction	20.205	DG-07-02041	-	123,143	198,272	-	(75,129)
U.S. Department of Transportation	20.205	33LPLM-F311,61-65	-	2,281,654	2,748,278	-	(466,624)
U.S. Department of Transportation ARRA Grant	20.205	33LPLM-F3-003	(500,000)	500,000	-	-	-
U.S. Department of Transportation-Green Way	20.205	33LPLM-F3-003	-	336,733	953,624	-	(616,892)
Governor's Highway Safety Grant	20.200	PT-11-61	-	-	1,720	-	(1,720)
Total Highway Planning and Construction			<u>(594,576)</u>	<u>3,512,252</u>	<u>4,119,183</u>	<u>-</u>	<u>(1,201,507)</u>
Federal Transit Metropolitan Planning Grant	20.205	GG-07-26092-00	(20,225)	41,774	21,549	-	-
Federal Transit Metropolitan Planning Grant	20.205	GG-11-35659	-	49,510	60,399	-	(10,889)
Total Federal Transit: Metropolitan Planning Grant			<u>(20,225)</u>	<u>91,283</u>	<u>81,947</u>	<u>-</u>	<u>(10,889)</u>
Total U. S. Department of Transportation			<u>(614,801)</u>	<u>3,603,535</u>	<u>4,201,130</u>	<u>-</u>	<u>(1,212,396)</u>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>							
Passed Through Tennessee Libraries and Archives							
Library Technology Grant	45.310	30504-00510-13	-	10,000	10,000	-	-
Library Bridging the Gap Grant	45.310	30504-00611	-	47,216	32,797	-	14,419
Library Tennessee Technology Grant	45.310	30504-00311	-	6,800	6,800	-	-
Library Material for the Disadvantaged	45.310	GG11333398	-	93,500	93,500	-	-
Total Institute of Museum and Library Services			<u>-</u>	<u>157,516</u>	<u>143,097</u>	<u>-</u>	<u>14,419</u>

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<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	Beginning (Accrued) Deferred <u>Grant Revenue</u>	Cash <u>Receipts</u>	<u>Expenditures</u>	Other <u>Adjustments</u>	Ending (Accrued) Deferred <u>Grant Revenue</u>
(continued from previous page)							
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Passed Through Tennessee Department of Environment And Conservation:							
Clean Water State Revolving Loan Program	66.458	SRF 07-204	\$ (1,697,201)	\$ -	\$ -	\$ -	\$ (1,697,201)
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95408208	(10,263)	190,341	180,079	-	-
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95440809	(3,402)	188,200	184,797	-	-
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95441209	(1,550)	57,995	78,867	-	(22,422)
Brownfields Assessment & Cleanup Cooperative Agreements	66.819	BF-95407108	(6,269)	67,938	159,650	-	(97,981)
Brownfields Assessment & Cleanup Cooperative Agreements	66.819	BF-95436309-0	(135)	161,460	161,717	-	(393)
Brownfields Assessment & Cleanup Cooperative Agreements	66.819	BF-95462910-0	-	5,722	21,086	-	(15,363)
Surveys, Studies, Investigations and Special Purpose Grants	66.001	A0040410-0	-	353,241	353,241	-	-
Air Pollution Control Program	66.034	PM-96497408-4	-	130,000	130,000	-	-
Total U. S. Environmental Protection Agency			<u>(1,718,820)</u>	<u>1,154,897</u>	<u>1,269,438</u>	<u>-</u>	<u>(1,833,361)</u>
U.S. DEPARTMENT OF ENERGY							
Passed Through Tennessee Department of Human Services:							
Weatherization Assistance for Low-Income Persons	81.042	Z-10-000403	(37,070)	-	-	37,070	-
Weatherization Assistance for Low-Income Persons - ARRA	81.042	Z-09-000422-00	(205,002)	41,511	-	35,491	(128,000)
ARRA Grant Department of Energy	81.128	SC0002685	(70,305)	404,415	449,222	-	(115,113)
Total U. S. Department of Energy			<u>(312,377)</u>	<u>445,926</u>	<u>449,222</u>	<u>72,561</u>	<u>(243,113)</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Emergency Food and Shelter National Board Program	97.024	26-7682-00-001	(22,739)	22,739	-	-	-
Total Federal Emergency Management Agency			<u>(22,739)</u>	<u>22,739</u>	<u>-</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Head Start	93.600	04/CH0047/33	(663,687)	718,271	54,584	-	-
Head Start - ARRA	93.708	04SE0047/01	(266,020)	819,570	553,551	-	-
Head Start - ARRA	93.709	04SA0047/02	-	708,258	820,661	-	(112,403)
Head Start	93.600	04/CH0047/34	-	6,733,320	7,548,769	-	(815,449)
Total Head Start			<u>(929,707)</u>	<u>8,979,420</u>	<u>8,977,566</u>	<u>-</u>	<u>(927,852)</u>

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(continued from previous page)							
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance	93.568	Z-10-00203	\$ (1,281,892)	\$ 1,281,892	\$ -	\$ -	\$ -
Low-Income Home Energy Assistance	93.568	Z-11-00203	-	3,574,060	3,608,749	-	(34,689)
Total Low-Income Home Energy Assistance			(1,281,892)	4,855,952	3,608,749	-	(34,689)
Community Services Block Grant	93.569	Z-10-000104	(79,405)	62,147	-	17,258	-
Community Services Block Grant - ARRA	93.569	Z-09-217907	(27,564)	38,265	10,701	-	-
Community Services Block Grant	93.569	Z-10-000104	-	510,129	561,888	-	(51,760)
Total Community Services Block Grant			(106,969)	610,541	572,589	17,258	(51,760)
Total U. S. Department of Health and Human Services			(2,318,568)	14,445,913	13,158,904	17,258	(1,014,301)
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES							
Foster Grandparents Program	94.011	09SF101836	(30,546)	32,236	1,690	-	-
Foster Grandparents Program	94.011	10-SF116582	-	394,403	424,854	-	(30,451)
Total Corporation for National and Community Services			(30,546)	426,639	426,544	-	(30,451)
U.S. DEPARTMENT OF HOMELAND SECURITY							
Homeland Security -2008 Buffer Zone Protection Program	97.078	GG-09-28139-00	(175)	-	-	175	-
Homeland Security IECGP 2008-IO-T8-0045	97.001	200-IO-T8-0045	(81,794)	89,354	7,560	-	-
Homeland Security IECGP 2010-IP-TO-0021	97.001	2010-IP-TO-0021	-	61,740	92,255	-	(30,515)
2009 Buffer Zone Protection Program	97.078	34101-0000003879	-	-	179,530	-	(179,530)
Passed Through Tennessee Emergency Management Agency (Disaster relief)							
FEMA 1965 DR TN - February 2011	97.036	FEMA 1965 DR TN	-	-	124,494	-	(124,494)
FEMA 1974 DR TN - April 2011	97.036	FEMA 1974 DR TN	-	-	1,453,969	-	(1,453,969)
Total U. S. Department of Homeland Security			(81,969)	151,094	1,857,808	175	(1,788,509)

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(continued from previous page)							
<u>Awards Audited by Other Auditors</u>							
Electric Power Board of Chattanooga (EPB)							
U.S. Department of Energy							
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	DE-OE0000215	\$ (7,876,792)	\$ 39,046,636	\$ 40,372,719	\$ -	\$ (9,202,875)
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed through Tennessee Department of the Military, Tennessee Emergency Management Agency:							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1965 DR TN	-	-	1,908,274	-	(1,908,274)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1974 DR TN	-	-	16,115,195	-	(16,115,195)
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			-	-	18,023,469	-	(18,023,469)
Passed through Georgia Emergency Management Agency, Georgia Office of Homeland Security:							
Emergency Services	83.516	Not Available	-	-	1,297,671	-	(1,297,671)
Total U.S. Department of Homeland Security			-	-	19,321,140	-	(19,321,140)
Total Awards Audited by Other Auditors			(7,876,792)	39,046,636	59,693,859	-	(28,524,015)
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT</b>			(17,743,077)	70,368,131	89,505,531	160,623	(36,719,854)

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(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							
Passed through Tennessee Department of Transportation							
Federal Transit - Capital Investment Grants	20.500	TN-04-0017	\$ -	\$ 13,996	\$ 13,996	\$ -	\$ -
Federal Transit - Capital Investment Grants	20.500	TN-04-0018	-	25,092	25,092	-	-
Federal Transit - Capital Investment Grants	20.500	TN-05-0031	-	3,616	3,616	-	-
Federal Transit - Capital Investment Grants	20.500	TN-05-0032	-	17,158	17,158	-	-
Federal Transit - Capital Investment Grants	20.500	TN-05-0034	-	110,411	110,411	-	-
Total Federal Transit - Capital Investment Grants			-	170,273	170,273	-	-
Federal Transit - Formula Grants	20.507	TN-90-X293	(77,214)	674,587	597,373	-	-
Federal Transit - Formula Grants	20.507	TN-90-X313	-	2,378,377	2,515,033	-	(136,656)
Federal Transit - Formula Grants / ARRA	20.507	TN-96-0002	(304,678)	1,508,354	1,453,676	-	(250,000)
Total Federal Transit - Formula Grants			(381,892)	4,561,318	4,566,082	-	(386,656)
Total Federal Transit Cluster			(381,892)	4,731,591	4,736,355	-	(386,656)
New Freedom Program	20.521	TN-57-0001	(19,837)	19,837	25,000	-	(25,000)
Job Access - Reverse Commute	20.516	TN-37-X061	(30,232)	76,760	46,528	-	-
Job Access - Reverse Commute	20.516	TN-37-X071	-	276,372	338,077	-	(61,705)
Highway Planning and Construction	20.205	TN-26-0021	-	239,966	344,358	-	(104,392)
Highway Planning and Construction	20.205	TN-15-X002	-	1,244,327	1,245,451	-	(1,124)
Transit Investments for Greenhouse Gas and Energy Reduction (TIGGER)	20.523	TN-77-0001	-	12,249	224,071	-	(211,822)
Total Expenditures of Federal Awards - CARTA			(431,961)	6,601,102	6,959,840	-	(790,699)

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(continued from previous page)							
<b>Chattanooga Metropolitan Airport Authority (CMAA)</b>							
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
Airport Improvement Program	20.106	3-47-0009-41	\$ (20,567)	\$ 73,429	\$ 52,862	\$ -	\$ -
Airport Improvement Program	20.106	3-47-0009-44	(6,590)	430,949	424,359	-	-
Airport Improvement Program	20.106	3-47-0009-45	-	59,151	59,151	-	-
Airport Improvement Program	20.106	3-47-0009-46	(1,401)	34,907	33,506	-	-
ARRA - Airport Improvement Program	20.106	3-47-0009-47	(628,945)	1,026,730	397,785	-	-
Airport Improvement Program	20.106	3-47-0009-48	(188,764)	1,075,149	1,022,198	-	(135,813)
Airport Improvement Program	20.106	3-47-0009-49	(7,600)	26,600	24,700	-	(5,700)
Airport Improvement Program	20.106	3-47-0009-50	(1,900)	1,143,613	1,153,069	-	(11,356)
Airport Improvement Program	20.106	3-47-0009-51	-	773,566	773,566	-	-
Airport Improvement Program	20.106	3-47-0009-52	-	792,954	1,061,687	-	(268,733)
Airport Improvement Program	20.106	3-47-0009-53	-	82,749	85,059	-	(2,310)
Total Expenditures of Federal Awards - CMAA			<u>(855,767)</u>	<u>5,519,797</u>	<u>5,087,942</u>	<u>-</u>	<u>(423,912)</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS - COMPONENT UNITS			<u>(1,287,728)</u>	<u>12,120,899</u>	<u>12,047,782</u>	<u>-</u>	<u>(1,214,611)</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			<u>(19,030,805)</u>	<u>82,489,030</u>	<u>101,553,313</u>	<u>160,623</u>	<u>(37,934,465)</u>
<b>STATE AWARDS</b>							
Tennessee Department of Agriculture:							
Lower Tennessee Watershed Academy		GG-08-23674-00	-	1,000	1,000	-	-
TN Dept of Economic & Community Development:							
Urban Forestry Grant		SC0002685	196,643	-	62,229	-	134,414
Advanced Manufacturing Project FDIP		GG-07-20542-00	(2,450)	-	-	2,450	-
TN Dept of Environment & Conservation							
Household Hazardous Waste		GG-08-23097-00	(48,771)	48,771	85,000	-	(85,000)
Local Park & Recreation Fund Grant (Spray park)	66.458	GG-09-26640	-	225,000	81,818	(143,182)	-
Tennessee Department of Finance & Administration:							
Tennessee Housing Development Agency							
THDA Entitlement - CNE Project		Program Income	788,859	44,596	212,328	-	621,127

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**Year Ending June 30, 2011**

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Other Adjustments</u>	<u>Ending (Accrued) Deferred Grant Revenue</u>
(continued from previous page)							
Tennessee Department of Transportation:							
TDOT - Congestion Management Air Quality (CMAQ)		33LPLM-F0-066	\$ -	\$ 453,596	\$ 1,261,832	\$ -	\$ (808,236)
TDOT - HWY 58 Imp Pedestrian and Bike Facilities		PIN#112010.00	-	-	8,500	-	(8,500)
Tennessee Secretary of State							
Omnibus Community Enhancement Grant program			30,000	-	-	-	30,000
Omnibus Community Enhancement Grant program			(20,982)	20,982	-	-	-
Lottery for Education After school Program (LEAPs)		3311902710	-	-	21,033	-	(21,033)
Tennessee Emergency Management Agency (Disaster relief)							
FEMA 1965 DR TN - February 2011	97.036	FEMA 1965 DR TN	-	-	20,749	-	(20,749)
FEMA 1974 DR TN - April 2011	97.036	FEMA 1974 DR TN	-	-	242,339	-	(242,339)
<b>TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT</b>			<b>943,299</b>	<b>793,945</b>	<b>1,996,828</b>	<b>(140,732)</b>	<b>(400,316)</b>

**Component Units**

Awards Audited by Other Auditors

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

Tennessee Department of Transportation							
State Funding for TN-37-X061	N/A	GG-1135272	(69,776)	-	192,304	-	(262,080)
State Funding for TN-57-0001	N/A	GG-1036506	(39,672)	37,192	-	-	(2,480)
State Funding for TN-05-0031	N/A	GG-0825178	(3,811)	4,278	467	-	-
State Funding for TN-05-0032	N/A	GG-1030724	(11,607)	13,751	2,144	-	-
State Funding for TN-05-0034	N/A	GG-1135886	-	-	13,801	-	(13,801)
State Funding for TN-04-0017	N/A	GG-0927223	(152,322)	152,322	1,750	-	(1,750)
State Funding for TN-90-X293	N/A	GG-0930150	(364,628)	26,601	74,773	-	(412,800)
State Funding for TN-37-X071	N/A	GG-0612858	(175,915)	175,915	-	-	-
State Funding for TN-04-0018	N/A	GG-0926769	-	3,136	3,136	-	-
State Funding for TN-90-X313	N/A	GG-1135677	-	-	314,379	-	(314,379)
State Operating		GG-1134161	-	2,094,641	2,094,641	-	-
<b>Total Expenditures of State Awards - CARTA</b>			<b>(817,731)</b>	<b>2,507,836</b>	<b>2,697,395</b>	<b>-</b>	<b>(1,007,290)</b>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ending June 30, 2011

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Other Adjustments</u>	<u>Ending (Accrued) Deferred Grant Revenue</u>
(continued from previous page)							
<b>Chattanooga Metropolitan Airport Authority (CMAA)</b>							
Airport Improvement Program		Z-08-20-0655-00	\$ (21,114)	\$ 22,504	\$ 1,390	\$ -	\$ -
Airport Improvement Program		Z-08-20-0651-00	(41,237)	33,833	(7,404)	-	-
Airport Improvement Program		Z-09-21-3917-00	(173,870)	-	11,167	-	(185,037)
Airport Improvement Program		Z-09-21-4023-00	(12,283)	-	1,557	-	(13,840)
Airport Improvement Program		Z-09-21-4074-00	(65,934)	66,816	882	-	-
Airport Improvement Program		AERO-10-117-00	(13,110)	-	26,900	-	(40,010)
Airport Improvement Program		AERO-10-118-00	(725)	-	650	-	(1,375)
Airport Improvement Program		AERO-11-113-00	(500)	-	30,344	-	(30,844)
Airport Improvement Program		Z-08-20-0695-00	(87,014)	87,014	-	-	-
Airport Improvement Program		Z-08-20-0738-00	-	-	-	-	-
Airport Improvement Program		Z-09-21-3974-00	(46,912)	46,912	-	-	-
Airport Improvement Program		Z-09-21-3973-00	(44,415)	64,709	31,127	-	(10,833)
Airport Improvement Program		Z-09-21-3966-00	(54,000)	54,000	-	-	-
Airport Improvement Program		AERO-10-100-00	(128,700)	2,082,934	3,811,641	-	(1,857,407)
Airport Improvement Program		AERO-10-188-00	-	-	67,500	-	(67,500)
Total Expenditures of State Awards - CMAA			<u>(689,814)</u>	<u>2,458,722</u>	<u>3,975,754</u>	<u>-</u>	<u>(2,206,846)</u>
TOTAL EXPENDITURES OF STATE AWARDS - COMPONENT UNITS			<u>(1,507,545)</u>	<u>4,966,558</u>	<u>6,673,149</u>	<u>-</u>	<u>(3,214,136)</u>
TOTAL EXPENDITURES OF STATE AWARDS - REPORTING ENTITY			<u>(564,246)</u>	<u>5,760,503</u>	<u>8,669,977</u>	<u>(140,732)</u>	<u>(3,614,452)</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS - PRIMARY GOVERNMENT			<u>\$ (19,595,051)</u>	<u>\$ 88,249,533</u>	<u>\$ 110,223,290</u>	<u>\$ 19,891</u>	<u>\$ (41,548,917)</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**June 30, 2011**

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 \$326,457 and \$389,324, respectively.

Note 3. Other Adjustments

Other adjustments to the schedule of expenditures of federal and state awards reflect adjustments to prior year ending accrued revenues that will not be received, adjustments to record accruals not recorded in prior years or reclassification of accrual amounts to the proper grants.

Note 4. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$1,438,943
Home Investment Partnerships Program	14.239	1,415,241



HENDERSON HUTCHERSON & McCULLOUGH, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
*Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely-presented component units, each major fund and the aggregate remaining fund information of the City of Chattanooga, Tennessee (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Chattanooga Metropolitan Airport Authority, the Chattanooga Area Regional Transit Authority, and the Electric Power Board, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

#### 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 instance of noncompliance or other matters that is 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 these specified parties.

Chattanooga, Tennessee  
December 14, 2011

Henderson Hutcherson  
of McCullough, PLLC





HENDERSON HUTCHERSON & McCULLOUGH, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Compliance

We have audited the compliance of the City of Chattanooga, Tennessee (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. We did not audit the compliance of Chattanooga Metropolitan Airport Authority, Chattanooga Area Regional Transit Authority, and Electric Power Board, whose federal and state financial assistance is \$78,414,790. The reports of the other auditors on compliance with the requirements that could have a direct and material effect on major programs have been furnished to us, and our opinion on compliance with those requirements, insofar as it relates to the amounts included for Chattanooga Metropolitan Airport Authority, Chattanooga Area Regional Transit Authority, and Electric Power Board was based solely on the reports of the other auditors. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Chattanooga Tennessee complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

### Internal Control over Compliance

The management of City of Chattanooga, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Chattanooga, Tennessee  
December 14, 2011

*Henderson Hutcherson  
& McCullough, PLLC*

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2011**

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified: yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified: yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.558	U.S. Department of Agriculture
10.569	Child and Adult Food Program
	Emergency Food Assistance Program Grant
14.218	U.S. Department of Housing and Urban Development
14.239	Community Development Block Grants/Entitlement Grants
14.253	Home Investment Partnerships Program
14.256	Home Investment Partnerships Program
	ARRA HUD Neighborhood Stabilization

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2011**

Identification of major programs (continued):

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	U.S. Department of Transportation Highway Planning and Construction
97.036	U.S. Department of Homeland Security: FEMA Disaster Relief

Dollar threshold used to distinguish between type A  
and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee?   x   yes      no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended June 30, 2011**

Finding 2010-1: Interceptor Sewer System Inventory

Condition and criteria: Interceptor Sewer System inventory at June 30, 2010 contained several discrepancies. The inventory procedures at June 30, 2010 provided limited information regarding the accuracy of the recorded inventory.

Corrective Action Taken: Management has developed written procedures to provide more thorough instructions for recording the physical count. In addition, more resources have been devoted to the Sewer inventory.



**City of Chattanooga**  
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