

CITY OF CHATTANOOGA, TENNESSEE CAFR 2012



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2012

CITY OF CHATTANOOGA, TENNESSEE

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

DEPARTMENT OF FINANCE AND ADMINISTRATION
DAISY W. MADISON, ADMINISTRATOR

CITY OF CHATTANOOGA, TENNESSEE

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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 3, 2012

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

It is my privilege to submit to you, the City's annual financial report for the fiscal year ended June 30, 2012. After two terms as Mayor, I am proud to report that the City's financial health is stronger than it has been in decades as demonstrated by our strong reserves and enhanced bond ratings. Our deliberate investment in people and public infrastructure ensure continuation of a community that is moving ahead and full of vitality. Strong leadership and unprecedented cooperation between government, citizens, and the private sector at all levels are key factors in our development and implementation of short and long term strategies that promote sustainable economic growth and fiscal stability.

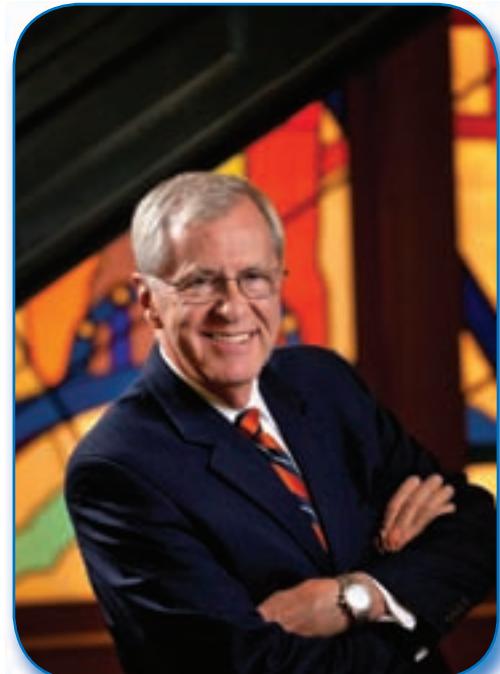
Together we have met the challenges of a global economic recession and have emerged a better community. We have not faltered in making the tough, and sometimes unpopular, decisions that are necessary to ensure the continued viability of this great city.

I look back over the past eight years with humility, pride, and gratitude for the opportunity to serve as Mayor. Chattanooga is well positioned to thrive in the years ahead and I look forward to being a part of this community for many years to come.

Sincerely,

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

Mayor Ron Littlefield



Mayor Ron Littlefield



Dan Johnson, Chief of Staff

City Council



Pam Ladd
Chairperson
District 3



Jack Benson
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
Vice Chairman
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 3, 2012

**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, 2012 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, 2012. 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



Vickie Haley, Deputy City Finance Officer



Tennessee River Gorge Photo By Chattanooga Visitors Bureau

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. 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. 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. The 2011 Census estimates show population growth that, at 1.46%, outpaces the three other major cities in Tennessee. 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 wastewater 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 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 (20.1%), government (16.1%), manufacturing (13.9%), professional and business services (16.3%), education and health (13.2%), and leisure and hospitality (10.7%) comprise 90.3% of the workforce. Employment in the retail service sector is driven, in part, by the presence of Hamilton Place Mall, which continues to anchor the area's most vibrant retail corridor along I-75 as it begins its 26th year of operation. The Hixson area north of the river continues to expand as well. A proposed \$100 million commercial and residential development is in the

planning stages near the Northgate Mall area. Downtown is continuing to attract new retail as well. A recent zoning approval has paved the way for a major grocery chain in the north shore area of downtown. Continued expansion in these areas within the city guarantees a strong base for the coming years.

Chattanooga enjoys strategic advantages related to its location, strong transportation system, natural resources and competitive cost of doing business. The local unemployment rate of 7.1% remains significantly below the state average of 8.2% and the national average of 7.9% as of October, 2012. 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 2,280 jobs in the past year.

Chattanooga remains a world leader in technology. EPB, Chattanooga's municipal power provider, offers a one-gigabit per second internet service. Few other cities in the world offer such lightning-fast service. 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 total of 600 square miles that covers urban, suburban, and rural places and a diverse population of 300,000 people. The system is 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 dramatically accelerated the installation of the Smart Grid, shortening the planned five year implementation schedule to two years. A wireless mesh network is piggybacked onto the entire system,



enhancing public safety as well. The high-speed internet has attracted competitions. In August, Chattanooga hosted a GigTank competition, bringing competitors seeking a \$100,000 prize for innovation. Planning for GigTank 2013 is underway. In September, computer pros from around the nation gathered for "Hackanooga", a 48-hour weekend challenge to develop applications that take advantage of the 1-gig speed.

Manufacturing has been in the midst of resurgence over the past four years. Since 2008, the Chattanooga area has attracted \$4 billion in foreign direct investment including a Volkswagen (VW) auto assembly plant and major investments in alternative energy. The Enterprise South Industrial Park (ESIP), home to Volkswagen AG's U.S. manufacturing headquarters, plant, and supplier park hosting numerous companies, as well as an Amazon distribution center, has essentially been filled or committed for potential expansion of the VW plant. The expansion site is undergoing a \$20 million improvement to fulfill the remaining phase of the agreement. This will enable doubling

of the existing assembly plant if VW management chooses to exercise that option. Chattanooga, as Tennessee's most recent entry into the auto manufacturing world, hosted the Southern Automotive Conference in October.

These successes and many more are the result of strong leadership among all the various civic leaders and elected officials. The third phase of the Chattanooga Chamber of Commerce "Chattanooga Can Do" campaign, being conducted from July 2011 – June 2015, has set goals for job growth. These goals include the following benchmarks (with progress as of September 2012 in parentheses):

- Increase regional employment by 15,121 (5,038 jobs have been created)
- Increase private investment by \$500 million (\$32.6 million has been announced)
- Create \$427 million in new payroll income (\$230.2 million has been achieved)

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 Hamilton County Public School System has established school for a Science, Technology, Engineering and Math (STEM) which will provide coursework based on hands-on training.

Transportation is another key to a vibrant economy. The Chattanooga area is served by three interstate highways, seven U.S. highways, two railways, airlines, bus service, and the Tennessee River system. Direct flights are available to eight major cities. Chattanooga is home to three major air cargo facilities, three public use port terminals, and four major industrial parks. 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.

Housing is continuing a healthy, steady rebound within the City. An existing apartment complex for seniors is being refurbished into 108 studio and one-bedroom units. A new, \$11 million, 100-unit complex is under construction downtown near the Aquarium. Plans are also under way to build 160 units near Finley Stadium. The local market for single family houses has also seen recent marked improvement.

The fiscal health of Chattanooga City Government



Rowers on the Tennessee River Photo By Chattanooga Visitors Bureau



Evening at Riverbend Photo By Chattanooga Visitors Bureau

remains strong. As outlined in the Management's Discussion and Analysis starting on page iii, 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 and Fitch Rating agencies affirmed the City's bond rating at AA+ Stable in September, 2011.

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." The City continues to explore growth opportunities through economic development,

regional growth plans, annexation opportunities and other strategic initiatives that involve all citizens.

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. There have been 5.8 square miles annexed since the adoption of the plan in May, 2001. Steps are being taken to annex 1 additional square mile in 2013, leaving an additional 21.5 square miles which can potentially be annexed in the future. 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 Acknowledgments

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, 2011. This was the twentieth 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.

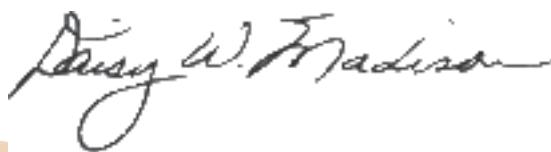
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal 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 seventeen 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 GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting was received for the fiscal year ended June 30, 2011. This is the first year for which the City applied for the award. In order to qualify, a government must publish a Popular Annual Financial Report with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

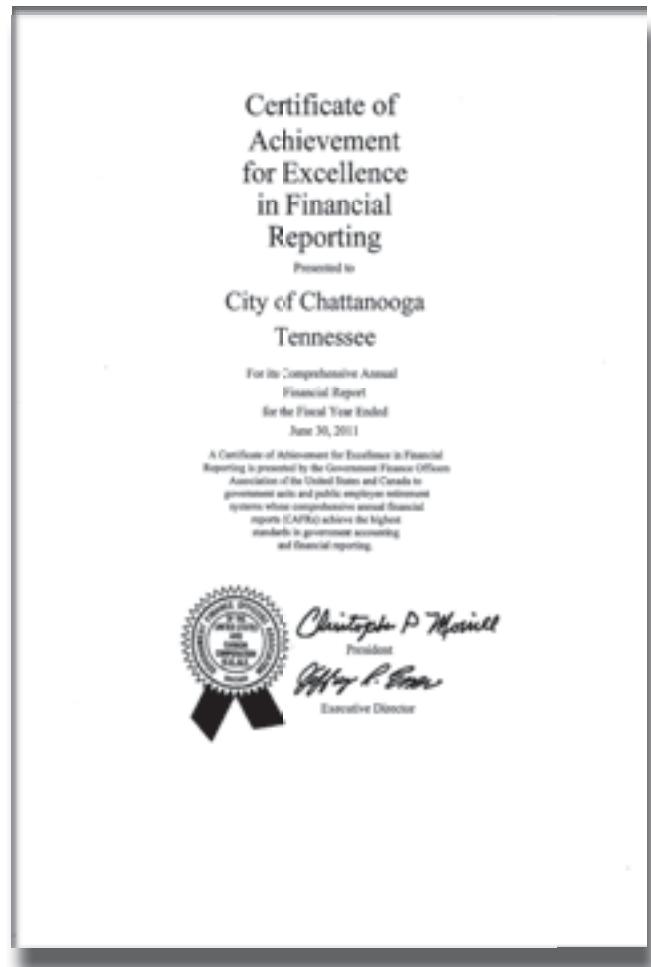
The preparation of this report could not have been accomplished without the professional and dedicated services of the entire staff of the Finance Department and the City's independent public accountants, Henderson, Hutcherson & McCullough, PLLC. We would like to express our appreciation to members of 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, 2012

L. Dan Johnson, Chief of Staff



Ron Littlefield, Mayor

CITY COUNCIL:

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

COURTS:

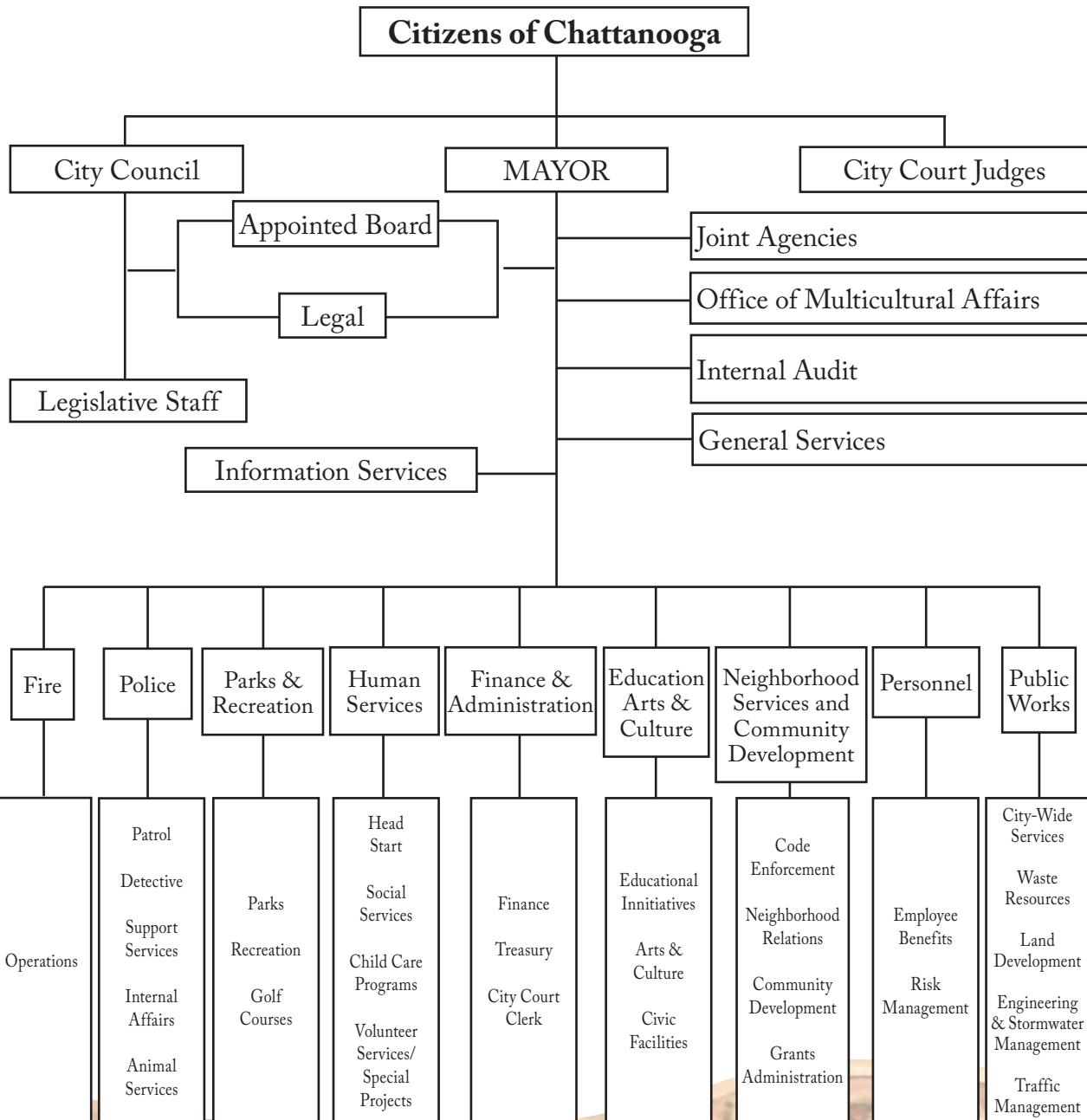
Sherry B. Paty.....	City Court Judge	Russell J. Bean.....	City Court Judge
Jan M. Turner	City Court Clerk (interim)		

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
Dan L. Thornton.....	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
Corinne M. Hill.....	Director, Chattanooga-Hamilton County Bicentennial Library
Terry L. Hart	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, 2012, 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 52 percent and 69 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee, as of June 30, 2012, 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 November 29, 2012, 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
November 29, 2012

*Henderson Hutcherson
& McCullough, PLLC*

Management's Discussion and Analysis

As management of the City of Chattanooga (City) we provide readers of the City's financial statements with this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with our Letter of Transmittal beginning on page Intro 3 and the financial statements beginning on page A-1.

Financial Highlights

- o The assets of the primary government exceeded its liabilities at the close of the most recent fiscal year by \$1.9 billion (net assets), an increase of \$31.6 million, or 1.7 percent. Of this amount, \$92.8 million may be used to meet the City's ongoing obligations to citizens and creditors (unrestricted net assets); this is a \$72.6 million or 359.2 percent, increase over last year. This is largely due to a reclassification of net assets for the business-type activities.
- o Net assets of governmental activities at June 30 were \$1.3 billion, an increase of \$12.7 million, or 1.0 percent. The increase is primarily the result of a \$9.5 million increase in reserves in the internal service fund for payment of third party liabilities, future health claims and fleet replacement.
- o Business-type activities reported ending net assets of \$561.8 million, an increase of \$19.0 million, or 3.5 percent. Over 60.0 percent of the increase is from the Electric Power Board (EPB) electric and fiber operations as the largest business-type activity. Prior year EPB operations included over \$28 million of nonrecurring costs due to damage resulting from a deadly tornado in April 2011.
- o Long-term liabilities for the City's primary government increased \$4.6 million or 0.6 percent, during the current fiscal year.
- o At the end of the current fiscal year, unassigned fund balance for the General Fund is \$45.5 million, up \$11.6 million or 34.3 percent from prior year. This increase is primarily due to conservative budgeting resulting in favorable variances in revenues and expenditures. This represents 20.7 percent of total General Fund expenditures and transfers out; the City's debt management policy recommends this to remain at or above 15.0 percent.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic 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 comprehensive financial 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 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 shows 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 employee 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.

Governmental activities and business-type activities combine to comprise the primary government.

Component Units -- Three entities that are legally separate for which the City of Chattanooga is financially accountable. These include: The Chattanooga Metropolitan Airport Authority, the Chattanooga Area Regional Transportation Authority (CARTA) and the Chattanooga Downtown Redevelopment Corporation (CDRC). The financial information for these component units is reported separately from the financial information for the primary government.

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. Other funds are established by the City to help manage money for specific purposes (i.e. economic development projects) or to demonstrate legal compliance (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 view may be useful in evaluating the City's near-term financing requirements.

Because the focus of the governmental funds statements 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 the comparison between governmental funds and governmental activities.

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. Additional details for the General Fund along with budgetary 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.

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

Proprietary Funds -- The City maintains two different types of proprietary funds: 1) enterprise funds and 2) internal service funds.

- o 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.
- o Internal service funds are used to accumulate and allocate costs internally among the various functions. The City accounts for its vehicles and risk management programs (including health costs) in the internal service fund. Because these services predominantly benefit governmental rather than business-type functions, they have been included as part of governmental activities in the government-wide financial statements.

Proprietary fund statements begin on page A-9 of this report.

Fiduciary Funds -- These funds are used to account for resources held for beneficiaries others outside the government. While the City is responsible for ensuring that the assets are used for their intended purposes, we exclude these activities from the government-wide financial statements since these assets cannot be used to finance City operations.

The City's fiduciary funds are a pension trust fund, an OPEB trust fund and an agency fund as fiduciary funds. The pension trust and OPEB trust funds report the resources held in trust for retirees and beneficiaries covered by the plans. The agency fund reports resources held in a custodial capacity for the Industrial Development and Health, Educational and Housing Facilities Boards. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fiduciary fund financial statements begin on page A-14 of this report.

Notes to the Financial Statements

An integral part of the financial statements, the notes, 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

Required supplementary information – details regarding the City's progress in funding its obligation to provide pension and OPEB benefits to its employees begins on page B-1 of this report.

Other supplementary information – begins on page C-1 and includes:

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

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of the City's financial position. Assets exceeded liabilities by \$1.9 billion at the close of the most recent fiscal year, an increase of \$31.6 million, or 1.7 percent, from last year. At the end of the fiscal year, the City 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. The same situation held true for the prior fiscal year.

City of Chattanooga's Net Assets (in thousands)

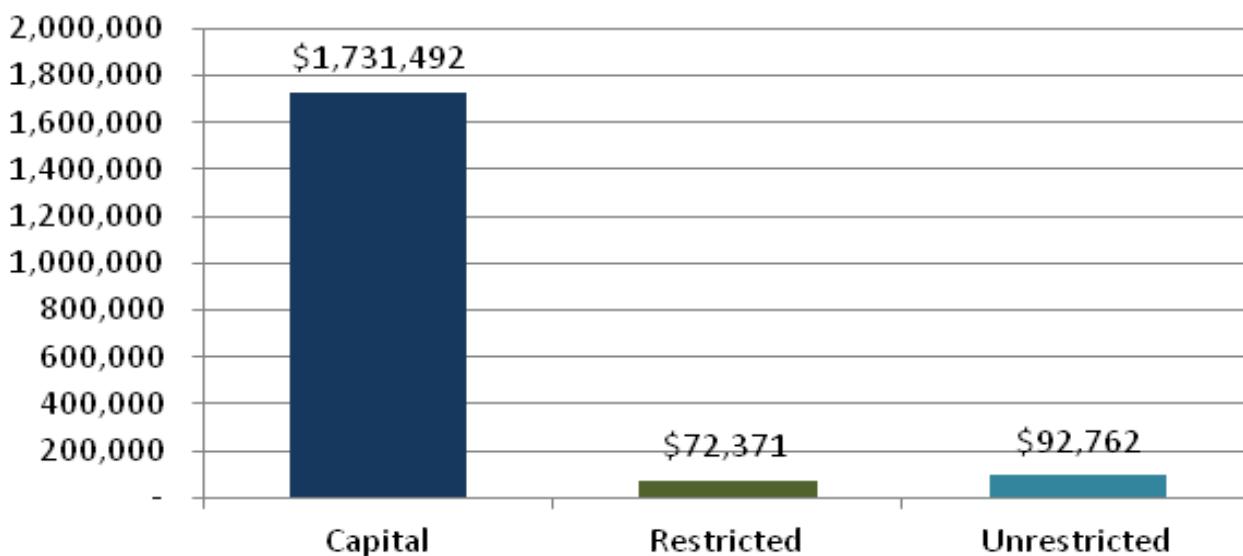
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 327,802	\$ 293,730	\$ 246,906	\$ 282,448	\$ 574,708	\$ 576,178
Capital assets	1,515,927	1,529,816	910,556	872,912	2,426,483	2,402,728
Total assets	1,843,729	1,823,546	1,157,462	1,155,360	3,001,191	2,978,906
Long-term liabilities outstanding	362,657	344,261	426,671	440,424	789,328	784,685
Other liabilities	146,234	157,110	169,004	172,105	315,238	329,215
Total liabilities	508,891	501,371	595,675	612,529	1,104,566	1,113,900
Net assets:						
Invested in capital assets, net of debt	1,203,908	1,231,353	527,584	568,186	1,731,492	1,799,539
Restricted	41,687	27,168	30,684	18,098	72,371	45,266
Unrestricted	89,243	63,654	3,519	(43,453)	92,762	20,201
Total net assets	\$ 1,334,838	\$ 1,322,175	\$ 561,787	\$ 542,831	\$ 1,896,625	\$ 1,865,006

By far the largest portion of the City's net assets, 91.3 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.

An additional portion of the City's net assets, \$72.4 million or 3.8 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$92.8 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors. While this is a \$72.6 million increase from last year, the change is mainly due to reclassification of total net assets in the business-type activities.

Government-wide Net Assets

(in thousands)



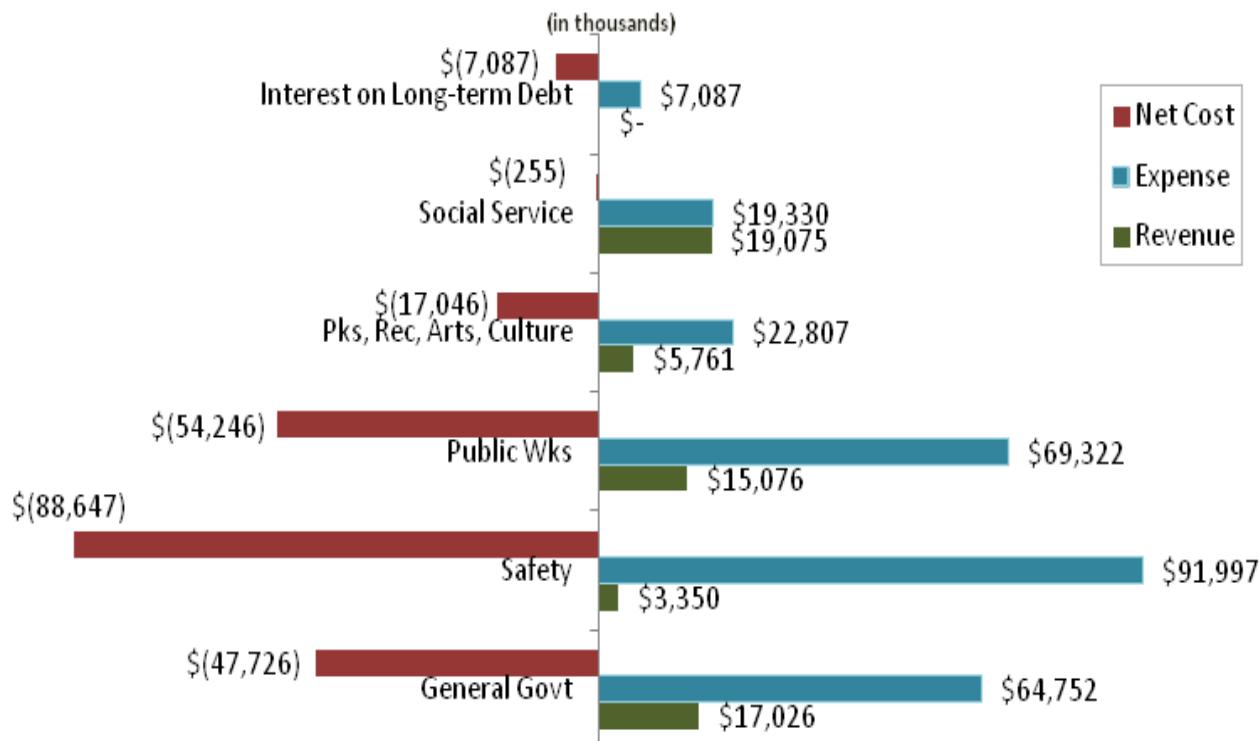
Governmental Activities

During the current fiscal year, net assets of the City's governmental activities increased \$12.7 million from the prior year for an ending balance of \$1.3 billion. Overall revenue increased \$23.5 million or 9.1 percent. Effective fiscal year 2012, the local sales tax agreement with Hamilton County expired; this brought in over \$10.0 million directly to the City. These funds were used to support jointly funded agencies that were previously shared by the County under the agreement. An additional \$15.0 million of property tax revenues erroneously deferred in prior years were recognized in fiscal year 2012. Expenses, which increased \$8.0 million or 3.0 percent, include a \$4.5 million adjustment to bring the OPEB liability up to the beginning actuarial valuation. The City began fully funding the annual required contribution for OPEB during fiscal year 2011.

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

Expenses and Program Revenues

Governmental Activities



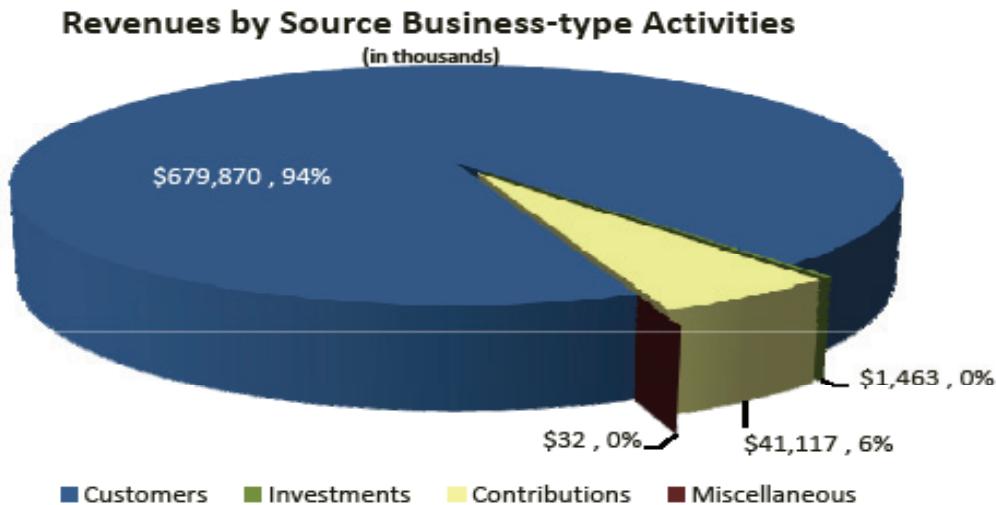
City of Chattanooga's Changes in Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 19,489	\$ 18,430	\$ 693,928	\$ 659,907	\$ 713,417	\$ 678,337
Operating grants	38,546	45,528	101	19,983	38,647	65,511
Capital grants	2,254	7,860	39,217	41,117	41,471	48,977
General revenues:						
Property taxes	133,455	112,954	-	-	133,455	112,954
Other taxes	19,891	18,700	-	-	19,891	18,700
Investment income	874	1,345	804	1,463	1,678	2,808
Miscellaneous	374	180	148	-	522	180
Unrestricted grants	66,731	53,071	-	-	66,731	53,071
Total revenues	<u>281,614</u>	<u>258,068</u>	<u>734,198</u>	<u>722,470</u>	<u>1,015,812</u>	<u>980,538</u>
Expenses						
Governmental activities:						
General government	64,752	63,958	-	-	64,752	63,958
Public safety	91,997	84,765	-	-	91,997	84,765
Public works	69,322	66,493	-	-	69,322	66,493
Parks, rec, ed & culture	22,807	24,010	-	-	22,807	24,010
Social services	19,330	20,925	-	-	19,330	20,925
Interest on long-term debt	7,087	7,127	-	-	7,087	7,127
Business-type activities:						
Electric utility	-	-	640,201	633,507	640,201	633,507
Sewer	-	-	50,174	47,790	50,174	47,790
Solid waste	-	-	5,108	5,038	5,108	5,038
Water quality	-	-	12,387	10,004	12,387	10,004
Housing management	-	-	1,028	1,106	1,028	1,106
Total expenses	<u>275,295</u>	<u>267,278</u>	<u>708,898</u>	<u>697,445</u>	<u>984,193</u>	<u>964,723</u>
Excess (deficiency) before extraordinary item and transfer	6,319	(9,210)	25,300	25,025	31,619	15,815
Extraordinary item	-	-	-	(28,000)	-	(28,000)
Transfers	<u>6,344</u>	<u>5,918</u>	<u>(6,344)</u>	<u>(5,918)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	12,663	(3,292)	18,956	(8,893)	31,619	(12,185)
Net assets, beginning	<u>1,322,175</u>	<u>1,325,467</u>	<u>542,831</u>	<u>551,724</u>	<u>1,865,006</u>	<u>1,877,191</u>
Net assets, ending	<u><u>\$ 1,334,838</u></u>	<u><u>\$ 1,322,175</u></u>	<u><u>\$ 561,787</u></u>	<u><u>\$ 542,831</u></u>	<u><u>\$ 1,896,625</u></u>	<u><u>\$ 1,865,006</u></u>

Business-type Activities

During the current year net assets of the business-type activities increased \$19.0 million or 3.5 percent to \$561.8 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.

Revenues for the City's business-type activities were \$734.2 million for the year just completed; this is a \$11.7 million or 1.6 percent increase. Expenses, including an extraordinary item for 2011, are down \$16.5 million or 2.3 percent resulting in total expense of \$708.9 million for the year. The following graph presents the major sources of revenue for business type activities.



The following table provides a summary for each business-type activity. Each is discussed in more detail with the proprietary fund information.

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

	Electric	Sewer	Solid Waste	Water Quality	Housing	Total
Expenses	\$ 640,200,589	\$ 50,173,707	\$ 5,108,430	\$ 12,386,648	\$ 1,028,404	\$ 708,897,778
Revenues	658,258,000	52,410,338	6,462,505	16,160,917	905,776	734,197,536
Transfers In (Out)	(6,683,411)	-	290,000	49,100	-	(6,344,311)
Change in net assets	\$ 11,374,000	\$ 2,236,631	\$ 1,644,075	\$ 3,823,369	\$ (122,628)	\$ 18,955,447

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to 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 is on the near-term flow of resources and balance of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's resources available for discretionary use since they represent the portion of fund balance which has not been limited for a specific purpose.

The City's governmental funds reported a combined fund balance of \$115.9 million at the end of the fiscal year. Over 39.2 percent of this amount, or \$45.5 million, is available for spending at the City's discretion (unassigned fund balance). The remainder of fund balance is either nonspendable, restricted, committed or assigned.

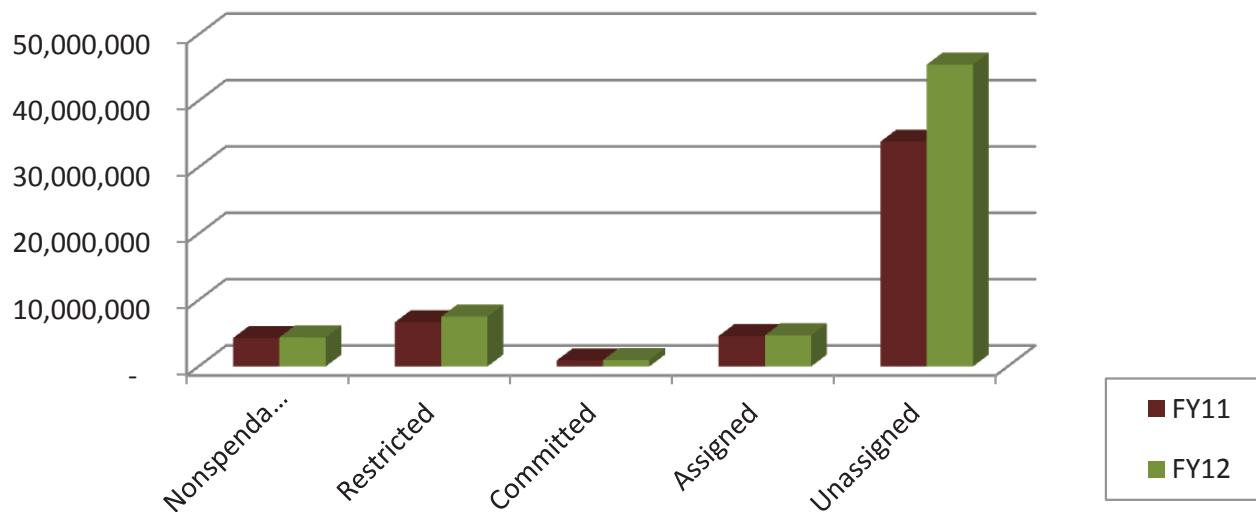
- o \$9.8 million is in nonspendable form
- o \$50.9 million is restricted for particular purposes
- o \$4.4 million is committed for specific purposes
- o \$5.3 million is assigned for particular purposes

General Fund -- This is the chief operating fund of the City. Total fund balance of the General Fund increased by 25.3 percent or \$12.7 million to \$63.0 million during the fiscal year. Unassigned fund balance increased \$11.6 million or 34.3 percent to \$45.5 million.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Unassigned fund balance represents approximately 26.5 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 36.7 percent of that same amount.

General Fund

Fund Balance



Total revenues increased \$15.9 million or 7.6 percent, from the prior year. The net increase is primarily comprised of a \$12.3 million increase in local sales tax revenue, \$10.0 of which results from the expiration of the local sales tax agreement with Hamilton County. In prior years Hamilton County received the City's allocation and dispersed the funds on our behalf. In fiscal year 2012 the City began receiving the full amount and allocating per our discretion. All major revenue sources are discussed as follows.

- o During the current fiscal year property tax, along with payments in lieu of tax, increased \$0.5 million, 0.5 percent over last year. This is inclusive of an aggressive payment-in-lieu of tax program targeting economic development. Franchise taxes increased 37.5 percent or \$0.8 million while liquor and beer taxes increased \$0.3 million or 3.6 percent.
- o Licenses and permits are up \$0.5 million or 10.6 percent. Construction related permits increased \$0.7 million or 31.8 percent from the prior year. There is \$247,000 decrease in fees as the City fully transitioned to a management agreement with Friends of the Zoo whereby these fees will no longer flow through the City.
- o Intergovernmental revenues increased \$12.8 million or 20.3 percent over the prior year. The driving force behind this is a \$12.3 million or 33.2 percent, increase in local option sales tax. Approximately \$10 million of the increased sales tax were previously allocated through the County as intergovernmental revenues in special revenue funds and jointly funded agencies. Other increases include a \$1.0 million or 9.2 percent, in state sales tax and a \$0.3 million in incremental sales state taxes for the Tourist Development Zone (TDZ). No TDZ payments were received in the prior year. These increases are partially offset by decrease in state grant revenue. Intergovernmental revenue in the prior fiscal year included FEMA reimbursements for severe tornado damage.

- o Charges for services increased 9.3 percent or \$0.5 million. The major increases include \$282,000 in court costs and \$119,000 in golf course revenues.
- o Fines, forfeitures and penalties are down \$0.6 million or 20.8 percent. While city court fines increased \$184,000, the automated traffic safety program revenue decreased by \$760,000 or 37.8 percent due to inactivity while transitioning providers.
- o Interest income increased \$122,000 or 18.6 percent. Miscellaneous revenue includes an additional \$734,000 increase in indirect costs to other programs as a result of an updated cost study.

Total expenditures increased \$17.0 million or 9.5 percent, from the previous year. Major changes during fiscal year 2012 are discussed below:

- o The largest single component, \$6.2 million or 9.0 percent increase in employee salaries consisted of: 1) a 3.0 percent increase for civilian personnel, 2) continued implementation of the career ladder program for sworn personnel and 3) six additional full time employees.
- o Employee benefit costs increased by \$6.7 million or 17.8 percent. This is largely due to \$3.1 million increase in pension costs and \$2.5 million increase in medical costs for active employees. OPEB costs have begun to stabilize showing only a \$0.8 million or 6.9 percent increase as a result of the City's decision to fully fund the annual required contributions beginning in fiscal year 2011.
- o Agencies received an additional \$1.3 million or 15.2 percent in appropriations.
- o Resources dedicated to paving doubled from \$1.0 million to \$2.0 million.
- o An additional \$1.1 million in funding was restored for the capital recovery component of the fleet lease cost which had been suspended in the prior fiscal year due to limited resources.

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 \$38.0 million in fund balance; of that amount \$1.7 million is nonspendable for long-term note receivables leaving \$36.3 million restricted for completion of capital projects. Fund balance for this fund fluctuates from year-to-year based on debt issued and project expenditures; new debt increases fund balance while construction decreases it. For fiscal year 2012 there was a \$14.6 million increase in fund balance. Analysis of project income and expenditures follows.

Project inflows for the year of \$58.8 million include \$3.2 million in intergovernmental revenue, contributions, interest, and sale of property. Transfers in include \$4.1 million of General Fund appropriation (including \$1.8 million of economic development money) and \$2.4 million transferred from special revenue funds. General obligation and refunding bonds issued during the year were \$26.5 million and \$17.5 million, respectively, plus \$3.2 million in premiums on bonds.

Current year project outflows of \$44.3 million include \$2.0 million for the mesh network (which recently won the "Coolest Broadband Community App" from the Intelligent Community Forum), \$5.5 million for improvements at Enterprise South Industrial Park, \$7.5 million for street improvements, \$1.4 million for fire hall renovations, and \$2.3 million for parks and greenways. There was an \$18.6 million payment to an escrow agent for the refunding bonds.

Proprietary Funds -- The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As the City completed the fiscal year its proprietary funds, which include both enterprise funds and an internal service fund, had combined net assets of \$592.2 million. Over \$545.0 million is invested in capital assets with an additional \$30.7 million restricted for future use, leaving \$16.2 million available to meet on-going obligations.

Enterprise Funds -- Total net assets of the enterprise funds increased \$19.0 million or 3.5 percent. Details for each fund are presented as follows:

- o **Electric Power Board** -- The largest enterprise fund is EPB, which has both an electric and a fiber optic division; total net assets increased \$11.4 million or 4.6 percent. Total revenues are up \$29.0 million mainly due to increased fiber optic sales of \$19.7 million or 48.4 percent as the customer base continues to grow. Total operating expenses decreased \$1.9 million or 0.3 percent. Electric operating expenses decreased \$20.3 million; this decrease is primarily due to nine tornados that struck the system in one 16 hour period in 2011 and less power purchased from TVA as a result of a mild winter. These decreases are offset by an increase in fiber optic expenses of \$9.8 million.
- o **Interceptor Sewer System** -- Net assets of the Interceptor Sewer System increased \$2.2 million or 1.0 percent, to \$257.8 million. Operating revenues rose \$3.4 million or 6.9 percent with an increase in sewer fees while operating expenses increased \$2.7 million or 6.1 percent. Personnel, utility and chemical costs increased while interest for long-term debt decreased. Unrestricted net assets (those available to finance on-going operations) decreased \$8.3 million or 23.4 percent to \$27.2 million. An additional \$15.2 million is restricted for future capital spending, an increase of \$8.8 million. The system has already issued contracts to begin compliance with an Environmental Protection Agency (EPA) order; please refer to Note 15 for additional information.
- o **Solid Waste** -- The City of Chattanooga operates a municipal solid waste landfill. In 1991 the 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 fiscal year net assets increased \$1.6 million following a continual improvement trend. To date the City has accrued liabilities of \$7.0 million for closure and post closure care costs for which over \$9.0 million is included in investments. The major customer of the landfill is the City itself; during the current fiscal year tipping fees from the City were \$5.8 million, 92.1 percent of total tipping fees.
- o **Water Quality Management** -- The Water Quality Fund, established to comply with EPA guidelines, now has \$46.0 million in net assets, an increase of \$3.8 million or 9.1 percent, from last year. This includes the second of four annual increases to the non-residential rate adopted in April 2010. Net assets invested in capital are \$33.8 million as a result of the aggressive capital campaign designed to continually improve drainage and discharge within the City. This is a \$2.4 million or 7.5 percent increase. The amount available to fund day-to-day operations (unrestricted) increased from \$8.9 million to \$9.5 million, a 7.0 percent increase.

- o **Housing Management** -- The Housing Management Fund reported \$883,000 in rental income, an increase of 5.2 percent from last year. During the same period operating expenses decreased 0.9 percent.

Internal Service Fund -- The internal service fund is used to account for the City's vehicle operation and maintenance program, employee medical benefits program and third party liability claims. Net assets for this fund increased \$9.5 million or 45.8 percent. This change is primarily due to increases in net assets for the City's fleet leasing program (\$4.4 million) and medical benefits program (\$3.8 million).

General Fund Budgetary Highlights

Original Budget Compared to Final Budget

The City's budget ordinance provides for the basic functions of City government, encompassing all major funds and appropriations to agencies. The budget ordinance authorizes the City Finance Officer to make reallocations within the General Fund between original and final budgets. During 2012 the budget was amended to include \$2.1 million of pay-as-you-go capital.

Final Budget Compared to Actual Results

Actual revenues exceed budget for the year by \$9.3 million. The most significant variance is in intergovernmental revenue. All major revenue categories are addressed below.

- o Total tax revenue for the year fell short of budget expectations by \$784,000 or 0.6 percent. Property taxes were down by \$2.3 million or 2.0 percent. Over \$1.0 million of the reduction is the result of the City's decision to waive 100 percent of taxes under two current and future payment in lieu of tax (PILOT) agreements to be used for education. An additional \$1 million reduction can be attributed to a net reduction in property assessments. Property tax reductions were offset by a 14.3 percent or \$0.5 million increase over budget for gross receipts.
- o Licenses and permits are \$0.9 million or 19.6 percent above budget primarily related to building permits.
- o The largest variance, intergovernmental revenue, is \$7.6 million or 11.2 percent more than budget. Federal and state grants received increased by \$3.2 million or 80.0 percent over budget. Other increases in state and local taxes include Hall income tax of \$0.8 million or 47.3 percent, over budget and state sales tax of \$0.9 or 8.6 percent, over budget. Local sales tax is \$1.8 million or 3.7 percent over budget. The City received \$308,000 in tourist development zone incremental tax, which was not budgeted. The remainder is primarily related to multi-year grants budgeted in the prior year.
- o Charges for services are \$0.4 million over budget or 7.7 percent. Court revenues are over budget by 21.0 percent or \$231,000, due to a higher number of citations written than in the prior year. Civic facility revenue was budgeted lower because of the remodeling of the community theatre; however, they came in \$115,000 or 40.5 percent, over budget.
- o Fines and forfeitures are \$0.6 million or 23.1 percent below estimates as a result of fewer citations while transitioning the automated traffic safety program to a new provider.

- o Investment income is \$0.3 million or 58.9 percent over budget.
- o Miscellaneous revenue is up \$1.5 million or 48.3 percent. Included is \$0.7 million or 26.1 percent over budget for indirect cost as a result of updating the indirect cost allocation plan. The remaining miscellaneous revenue, which fluctuates from year to year, is \$0.8 million above budget.

Expenditures were less than budgetary estimates by \$7.2 million. Personnel costs, which are budgeted at 100.0 percent of authorized positions, are \$6.0 million below budget. Lease payments for the Southside capital lease are \$1.8 million under budget due to higher than expected revenues from the operation of The Chattanooga Conference Center. Minimal expenditures were made from the \$1.1 million of contingency funding.

The General Fund budget anticipated use of \$5.4 million of fund balance during the year; instead \$12.7 million was added to fund balance.

Capital Assets 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 \$23.7 million or 1.0 percent. This investment includes land, buildings, utility system improvements, machinery and equipment, park facilities and infrastructure. The following table shows the investment in capital assets by both governmental activities and business-type activities.

City of Chattanooga's Capital Assets

(net of depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Non-depreciable:						
Land & Easements	\$ 1,037,882	\$ 1,035,729	\$ 19,604	\$ 17,147	\$ 1,057,486	\$ 1,052,876
Construction in progress	41,384	29,131	53,622	50,449	95,006	79,580
Depreciable:						
Buildings & Improvements	118,773	123,686	84,201	81,805	202,974	205,491
Vehicles & Machinery	33,746	35,344	180,511	147,347	214,257	182,691
Infrastructure	284,141	305,926	572,618	576,163	856,759	882,089
Total	\$ 1,515,926	\$ 1,529,816	\$ 910,556	\$ 872,911	\$ 2,426,482	\$ 2,402,727

Major capital asset events during the year included the following:

- o Land additions include \$2.1 million in donated roadbeds and the purchase of \$2.0 million of land for construction of combined sewer overflow facilities.
- o Construction-in-progress additions include \$1.7 million for the wireless mesh network, \$0.5 million for computer hydraulic modeling, \$0.7 million for an intelligent traffic system, \$1.2 million pump station upgrades at East Brainerd Road, \$1.5 million road improvements at Shallowford and Jenkins, \$0.8 million for sidewalks and \$0.6 million for greenways.
- o Buildings and improvement additions include \$1.3 million for the pump station at Airport Road and \$1.4 million for the fire station on Cummings Highway. EPB added \$4.9 million in buildings and improvements primarily for a new field operations headquarters for utility at the Cavalier site.
- o The increase in equipment includes \$4.0 million of new vehicles as part of the fleet leasing program in addition to \$0.9 million for camera installations in police vehicles. EPB added \$64.7 million of electric system equipment, primarily for the expansion of the Smart Grid.
- o Infrastructure decreased \$2.5 million as there was more depreciation expense than new infrastructure capitalized. Major additions include \$1.3 million in sewer construction, \$1.3 million in drainage improvements at Chapman Road, and \$1.9 million in capitalized road improvements. EPB added \$52.0 million of infrastructure.
- o 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 \$44.5 million including \$27.6 million on infrastructure assets. Business-type activities recognized depreciation expense of \$58.3 million.

More detailed information about the City's capital assets is presented in the Note 5 to the financial statements.

Debt Administration

Total long-term debt outstanding at June 30 is \$709.6 million. This is a \$0.4 million decrease or 0.1 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	
	2012	2011	2012	2011	2012	2011
General obligation bonds (backed by the City)	\$ 182,678	\$ 165,969	\$ 54,342	\$ 62,441	\$ 237,020	\$ 228,410
Revenue bonds (backed by specific revenues)	-	-	279,930	282,680	279,930	282,680
Notes payable and other	25,814	28,548	66,141	66,591	91,955	95,139
Capital leases	100,625	103,678	68	96	100,693	103,774
Total	<u>\$ 309,117</u>	<u>\$ 298,195</u>	<u>\$ 400,481</u>	<u>\$ 411,808</u>	<u>\$ 709,598</u>	<u>\$ 710,003</u>

The City of Chattanooga maintains an "AA+" rating from both Standard & Poor's and Fitch Inc. for general obligation debt. The Charter limits the City's amount of net general obligation debt to 10.0 percent of the assessed value of all taxable property within its corporate limits. The City's general obligation debt, net of self-supporting debt of \$154.8 million, is 32.1 percent of its current limit of \$482.1 million. As of year-end, EPB Electric System had \$279.9 million in revenue bond outstanding compared to \$282.7 million last year. The EPB revenue bonds are rated AA by both Fitch and Standard & Poor's.

During the year the City issued the following new debt:

- o Governmental activities issued \$26.5 million in bonds to fund various capital projects in the 2011 and 2012 capital improvement programs. Another \$17.5 million in bonds was issued to refinance a portion of both the General Obligation Bonds Series 2002 and General Obligation Bonds Series 2003A. There was also a drawdown of \$75,201 from the 2004 Tennessee Municipal Bond Fund.
- o EPB secured a \$7.5 million bank note for the benefit of the fiber optic 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 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors were taken into account when adopting the budget for 2013:

- o Anticipated revenues in the General Fund are \$233.8 million, up 7.2 percent, from the 2012 budget.
- o The City conservatively forecasts property tax at 95.0 percent of the tax levy. While assessments have not declined as a result of the recession, the City has continued to enter into PILOT agreements that promote economic development under which no property tax is received. The 2013 estimate of \$106.8 million represents 55.5 percent of the total undesignated General Fund budget.
- o Other revenues are reflective of improving economic conditions at the state and local level. Estimated state and local sales taxes are up over 11.0 percent which is indicative of increased consumer spending. Gross receipt taxes, a steady source of General Fund revenue, increased 12.0 percent.
- o Expenditures, balanced to revenues at the same \$233.8 million, reflect our continued efforts to maintain and preserve a level of high quality core services.
- o The budget provides a 5.0 percent or \$5.8 million increase in employee compensation. Major components include: fifteen additional firefighters to staff a new fire station providing service to newly annexed areas of the City; continued funding for career ladder programs for sworn personnel and a 3.0 percent increase for civilian employees. The City is committed to fully fund the increased cost of employee benefits such as pension and medical insurance for active employees and retirees.
- o Next year's budget continues to support the City's commitment to street improvements through its pavement management program which incorporates a long-term strategy that prioritizes paving requirements. Also included is \$2.0 million of pay-as-you-go capital from General Fund.
- o The City's business-type activities are expected to have modest increases in operations during 2013. The Interceptor Sewer System and Water Quality programs include approximately a 9.0 percent rate increase to address requirements imposed by EPA.
- o The capital budget for fiscal year 2013 includes \$96.6 million for the following capital projects: \$23.4 million for paving, street improvements and sidewalks; \$2.0 million toward the fleet leasing program; \$7.4 million for additions to a regional intelligent traffic system; \$2.0 million toward the completion of a new health and center; \$2.6 million for expansion and upgrade of the City's parks and park facilities; \$8.0 million for riverfront hardedge repairs; \$1.9 million for technology; \$3.2 million for police firing range and building upgrades; and \$44.2 million for various interceptor sewer, water quality system, and landfill upgrades. \$47.6 million in bonds and notes are anticipated to finance a portion of these projects. The interceptor sewer system, as discussed in Note 15 of the financial statements, is upgrading the system to comply with EPA consent decree.

Requests for Information

This financial report is designed to provide 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

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

Chattanooga Downtown Redevelopment Corporation
101 East 11th Street; Suite 101
Chattanooga, Tennessee 37402.



CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 50,883,726	\$ 105,296,390	\$ 156,180,116	\$ 14,615,016
Investments	45,530,000	30,350,000	75,880,000	-
Receivables, net of allowance for uncollectibles	168,555,236	76,340,701	244,895,937	5,448,076
Net investment in capital lease	-	-	-	100,531,341
Internal balances	6,141,000	(6,141,000)	-	-
Due from component units	1,093,204	-	1,093,204	-
Deferred charges	2,285,251	5,990,784	8,276,035	1,363,272
Inventories	2,498,864	14,550,604	17,049,468	550,084
Prepaid items	1,781,214	8,346,000	10,127,214	898,948
Other assets	-	375,000	375,000	-
Restricted assets:				
Cash and cash equivalents	10,337,744	10,146,983	20,484,727	3,993,654
Investments	22,178,583	1,637,589	23,816,172	9,756,000
Endowment investments	3,239,658	-	3,239,658	-
Receivables	128,971	12,895	141,866	253,960
Other	80,823	-	80,823	-
Net pension assets	5,463,343	-	5,463,343	-
Equity interest in joint venture	7,605,065	-	7,605,065	-
Land and other nondepreciable assets	1,079,266,382	73,226,155	1,152,492,537	29,763,306
Other capital assets, net of accumulated depreciation	436,660,110	837,329,882	1,273,989,992	83,887,180
Total assets	1,843,729,174	1,157,461,983	3,001,191,157	251,060,837
LIABILITIES				
Accounts payable and accrued liabilities	28,728,104	128,442,658	157,170,762	5,853,404
Customer deposits	-	23,124,496	23,124,496	-
Due to primary government	-	-	-	593,204
Line of credit	-	-	-	500,000
Contracts payable	354,888	192,552	547,440	138,948
Unearned revenue	117,151,386	-	117,151,386	30,432
Other liabilities	-	17,244,475	17,244,475	388,384
Long-term liabilities:				
Due within one year	22,828,674	20,188,249	43,016,923	4,662,341
Due in more than one year	339,827,660	406,482,535	746,310,195	125,711,840
Total liabilities	508,890,712	595,674,965	1,104,565,677	137,878,553
NET ASSETS				
Invested in capital assets, net of related debt	1,203,907,660	527,583,854	1,731,491,514	107,240,043
Restricted for:				
Capital projects	37,958,070	-	37,958,070	-
Debt service	-	-	-	13,920,483
Renewal and replacement	-	30,684,020	30,684,020	624,412
Permanent endowments:				
Expendable	3,716,415	-	3,716,415	-
Nonexpendable	13,005	-	13,005	-
Unrestricted	89,243,312	3,519,144	92,762,456	(8,602,654)
Total net assets	\$ 1,334,838,462	\$ 561,787,018	\$ 1,896,625,480	\$ 113,182,284

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

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 64,751,775	\$ 11,045,632	\$ 4,583,685	\$ 1,396,973
Public safety	91,995,943	654,680	2,631,167	64,231
Public works	69,321,709	3,314,133	11,617,419	144,186
Parks, recreation, education, arts & culture	22,807,242	3,728,321	1,384,336	648,199
Social services	19,329,779	746,120	18,328,982	-
Interest on long-term debt	7,087,446	-	-	-
Total governmental activities	<u>275,293,894</u>	<u>19,488,886</u>	<u>38,545,589</u>	<u>2,253,589</u>
Business-type activities:				
Electric utility, including fiber optics	640,200,589	618,552,000	-	39,206,000
Sewer	50,173,707	52,051,115	-	-
Solid waste	5,108,430	6,317,708	76,124	-
Water quality management	12,386,648	16,123,965	24,695	11,000
Housing management	1,028,404	882,897	-	-
Total business-type activities	<u>708,897,778</u>	<u>693,927,685</u>	<u>100,819</u>	<u>39,217,000</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 984,191,672</u></u>	<u><u>\$ 713,416,571</u></u>	<u><u>\$ 38,646,408</u></u>	<u><u>\$ 41,470,589</u></u>
COMPONENT UNITS				
Airport authority	\$ 11,826,412	\$ 9,640,967	\$ -	\$ 9,037,489
Transportation authority	21,349,936	6,336,805	7,455,064	6,524,086
Downtown redevelopment	16,732,730	17,643,116	-	-
TOTAL COMPONENT UNITS	<u><u>\$ 49,909,078</u></u>	<u><u>\$ 33,620,888</u></u>	<u><u>\$ 7,455,064</u></u>	<u><u>\$ 15,561,575</u></u>
General revenues:				
Property taxes				
Other taxes				
Liquor and beer taxes				
Hotel-Motel tax				
Local gross receipts tax				
Franchise taxes				
Other taxes				
Grants and contributions not allocated to specific programs:				
County-wide sales taxes				
City allocation of state sales taxes				
City allocation of state income taxes				
City allocation of TDZ tax				
City allocation of other shared taxes				
Unrestricted investment earnings				
Miscellaneous				
Endowment contributions				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning				
Net assets, ending				

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (47,725,485)	\$ -	\$ (47,725,485)	\$ -	
(88,645,865)	-	(88,645,865)	-	
(54,245,971)	-	(54,245,971)	-	
(17,046,386)	-	(17,046,386)	-	
(254,677)	-	(254,677)	-	
(7,087,446)	-	(7,087,446)	-	
<u>(215,005,830)</u>	<u>-</u>	<u>(215,005,830)</u>	<u>-</u>	
-	17,557,411	17,557,411	-	
-	1,877,408	1,877,408	-	
-	1,285,402	1,285,402	-	
-	3,773,012	3,773,012	-	
-	(145,507)	(145,507)	-	
<u>-</u>	<u>24,347,726</u>	<u>24,347,726</u>	<u>-</u>	
<u>(215,005,830)</u>	<u>24,347,726</u>	<u>(190,658,104)</u>	<u>-</u>	
6,852,044	-	-	6,852,044	
-	(1,033,981)	-	(1,033,981)	
<u>-</u>	<u>-</u>	<u>910,386</u>	<u>910,386</u>	
<u>6,852,044</u>	<u>(1,033,981)</u>	<u>910,386</u>	<u>6,728,449</u>	
133,455,222	-	133,455,222	-	
7,614,837	-	7,614,837	-	
5,001,504	-	5,001,504	-	
4,276,496	-	4,276,496	-	
2,915,030	-	2,915,030	-	
83,017	-	83,017	-	
49,419,935	-	49,419,935	-	
11,313,906	-	11,313,906	-	
2,651,353	-	2,651,353	-	
308,833	-	308,833	-	
3,037,086	-	3,037,086	-	
873,653	804,118	1,677,771	553,541	
-	147,914	147,914	2,435,855	
4,554	-	4,554	-	
370,285	-	370,285	-	
6,344,311	(6,344,311)	-	-	
<u>227,670,022</u>	<u>(5,392,279)</u>	<u>222,277,743</u>	<u>2,989,396</u>	
12,664,192	18,955,447	31,619,639	9,717,845	
1,322,174,270	542,831,571	1,865,005,841	103,464,439	
<u>\$ 1,334,838,462</u>	<u>\$ 561,787,018</u>	<u>\$ 1,896,625,480</u>	<u>\$ 113,182,284</u>	

CITY OF CHATTANOOGA, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2012

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,596,319	\$ 15,742,969	\$ 11,811,111	\$ 37,150,399
Investments	45,530,000	21,803,701	3,614,539	70,948,240
Receivables, net of allowance for uncollectibles:				
Property taxes	115,840,250	-	-	115,840,250
Accounts receivable	4,624,315	128,971	1,037,639	5,790,925
Notes	3,609,506	1,693,088	16,221,118	21,523,712
Other	1,391,004	9,367	-	1,400,371
Due from other funds	745,900	4,317,418	323,822	5,387,140
Due from component units	260,123	333,081	-	593,204
Due from other governments	19,905,482	67,844	4,076,809	24,050,135
Inventories	826,741	-	-	826,741
Prepaid items	8,000	1,764,000	9,214	1,781,214
Total assets	\$ 202,337,640	\$ 45,860,439	\$ 37,094,252	\$ 285,292,331
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 8,303,532	\$ 1,818,123	\$ 2,839,162	\$ 12,960,817
Due to other funds	4,113,000	1,069,722	204,418	5,387,140
Due to other governments	362,921	4,767,527	-	5,130,448
Deferred revenue	126,543,397	-	19,107,309	145,650,706
Contracts payable	11,398	246,997	-	258,395
Total liabilities	139,334,248	7,902,369	22,150,889	169,387,506
Fund Balances:				
Nonspendable	4,377,659	1,693,088	3,725,629	9,796,376
Restricted	7,502,063	36,264,982	7,157,431	50,924,476
Committed	967,538	-	3,456,211	4,423,749
Assigned	4,686,118	-	604,092	5,290,210
Unassigned	45,470,014	-	-	45,470,014
Total fund balances	63,003,392	37,958,070	14,943,363	115,904,825
Total liabilities and fund balances	\$ 202,337,640	\$ 45,860,439	\$ 37,094,252	\$ 285,292,331

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, 2012

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

Fund balances - total governmental funds \$ 115,904,825

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.	1,502,845,580
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.	28,499,320
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	6,141,000
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.	5,463,343
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.	7,605,065
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.	30,385,930
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.	(32,843,239)
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	\$ (182,677,809)
Add net deferred refunding, issue premiums and discounts	(2,901,715)
Less deferred issue costs	2,285,251
Notes payable	(25,814,209)
Capital leases	(100,625,099)
Compensated absences	(17,376,602)
Accrued interest payable	<u>(2,053,179)</u>
	<u>(329,163,362)</u>
Net assets of governmental activities	<u>\$ 1,334,838,462</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, 2012

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 130,221,929	\$ -	\$ 5,001,504	\$ 135,223,433
Licenses and permits	5,184,028	-	554,723	5,738,751
Intergovernmental	75,902,885	2,154,474	25,621,717	103,679,076
Charges for services	5,347,148	-	698,491	6,045,639
Fines, forfeitures and penalties	2,105,600	-	43,352	2,148,952
Investment income	777,377	211,910	181,384	1,170,671
Contributions and donations	221,687	445,358	172,554	839,599
Sale of property	177,829	424,040	16,625	618,494
Miscellaneous	4,323,860	7,754	780,719	5,112,333
Total revenues	224,262,343	3,243,536	33,071,069	260,576,948
EXPENDITURES				
Current:				
General government	47,137,930	-	5,791,355	52,929,285
Finance and administration	4,418,397	-	-	4,418,397
Public safety	90,063,876	-	423,055	90,486,931
Public works	34,479,915	-	4,803,415	39,283,330
Parks and recreation	16,982,982	-	-	16,982,982
Education, arts and culture	2,476,913	-	-	2,476,913
Social services	-	-	19,123,591	19,123,591
Capital outlay/capital assets	-	24,674,873	-	24,674,873
Debt service:				
Principal retirement	-	-	11,846,305	11,846,305
Interest and fiscal charges	-	616,865	7,067,048	7,683,913
Total expenditures	195,560,013	25,291,738	49,054,769	269,906,520
Excess (deficiency) of revenues over (under) expenditures	28,702,330	(22,048,202)	(15,983,700)	(9,329,572)
OTHER FINANCING SOURCES (USES)				
Transfers in	7,756,422	8,331,325	17,842,550	33,930,297
Transfers out	(23,735,489)	(469,816)	(7,445,681)	(31,650,986)
Refunding bonds issued	-	17,545,000	-	17,545,000
General obligation bonds issued	-	26,495,000	-	26,495,000
Premium on refunding bonds issued	-	1,372,466	-	1,372,466
Premium on general obligation bonds issued	-	1,800,288	-	1,800,288
Notes issued	-	75,201	-	75,201
Payments to refunded bonds escrow agent	-	(18,574,740)	-	(18,574,740)
Total other financing sources (uses)	(15,979,067)	36,574,724	10,396,869	30,992,526
Net change in fund balances	12,723,263	14,526,522	(5,586,831)	21,662,954
FUND BALANCES, beginning	50,280,129	23,431,548	20,530,194	94,241,871
FUND BALANCES, ending	\$ 63,003,392	\$ 37,958,070	\$ 14,943,363	\$ 115,904,825

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, 2012

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	\$ 21,662,954
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.	20,175,901
Depreciation expense for governmental capital assets are included in the governmental activities.	(41,613,957)
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.	3,205,800
The net effect of various transactions involving capital assets is to decrease net assets.	(255,049)
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.	(72,934)
Bond proceeds and notes issues provide financial resources to governmental funds while repayment of principal consumes the current financial resources of governmental funds. 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. The net effect of these differences in the treatment of long-term debt is as follows:	
Principal paid	\$ 11,846,306
Payment of capital lease	2,986,987
Bonds issued	(44,040,000)
Premiums on bonds issued	(3,172,754)
Note issued	(75,201)
Defer bond issue costs and escrow payment	19,189,101
Amortization	(13,573)
Change in accrued interest payable	<u>(96,936)</u>
	(13,376,070)
Net revenues of the internal service fund are reported with governmental activities.	9,543,558
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	(631,662)
Change in pension assets	(223,771)
Change in OPEB and pollution remediation liability	<u>(4,181,252)</u>
	(5,036,685)
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	308,000
Change in deferred revenue to earned revenue	<u>18,122,674</u>
	<u>18,430,674</u>
Change in net assets of governmental activities	<u><u>\$ 12,664,192</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, 2012

	Budget Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final	
REVENUES			
Taxes	\$ 131,006,160	\$ 131,006,160	\$ 130,221,929 \$ (784,231)
Licenses and permits	4,336,223	4,336,223	5,184,028 847,805
Intergovernmental	68,261,555	68,261,555	75,902,885 7,641,330
Charges for services	4,963,630	4,963,630	5,347,148 383,518
Fines, forfeitures and penalties	2,739,600	2,739,600	2,105,600 (634,000)
Investment income	428,339	428,339	777,377 349,038
Miscellaneous	3,250,429	3,250,429	4,723,376 1,472,947
Total revenues	214,985,936	214,985,936	224,262,343 9,276,407
EXPENDITURES			
General government	44,604,897	43,101,744	38,910,705 (4,191,039)
Executive	1,555,320	1,555,320	1,437,459 (117,861)
Finance and administration	5,131,342	5,131,342	4,418,397 (712,945)
General services	2,963,499	2,963,499	2,757,238 (206,261)
Personnel	1,983,346	1,983,346	1,730,244 (253,102)
Neighborhood services	2,282,626	2,302,284	2,302,284 -
Police	55,038,506	55,038,506	53,760,208 (1,278,298)
Fire	37,237,345	37,237,345	36,303,668 (933,677)
Public works	33,818,617	33,818,617	34,479,915 661,298
Parks and recreation	17,079,307	17,079,307	16,982,982 (96,325)
Education, arts and culture	2,558,701	2,558,701	2,476,913 (81,788)
Total expenditures	204,253,506	202,770,011	195,560,013 (7,209,998)
Excess of revenues over expenditures	10,732,430	12,215,925	28,702,330 16,486,405
OTHER FINANCING SOURCES (USES)			
Transfers in	6,139,300	6,133,192	7,756,422 1,623,230
Transfers out	(20,115,445)	(23,726,065)	(23,735,489) (9,424)
Total other financing sources (uses)	(13,976,145)	(17,592,873)	(15,979,067) 1,613,806
Net change in fund balances	(3,243,715)	(5,376,948)	12,723,263 18,100,211
FUND BALANCES, beginning	50,280,129	50,280,129	50,280,129 -
FUND BALANCES, ending	\$ 47,036,414	\$ 44,903,181	\$ 63,003,392 \$ 18,100,211

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, 2012

ASSETS	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Fund	
	Major Funds			Other Fund		Total			
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Housing Management				
CURRENT ASSETS									
Cash and cash equivalents	\$ 80,442,000	\$ 9,389,047	\$ 2,929,300	\$ 12,371,937	\$ 164,106	\$ 105,296,390	\$ 24,071,072		
Investments	-	30,350,000	-	-	-	30,350,000			
Receivables									
Customer service	62,019,000	4,938,134	24,464	2,392,127	-	69,373,725	610,552		
Other	-	24,481	6,586	22,595	6,800	60,462	-		
Less allowance for doubtful accounts	(1,222,000)	(500)	(100)	(1,394,264)	-	(2,616,864)	-		
Inventories	13,872,000	678,606	-	-	-	14,550,606	1,672,122		
Prepaid items	8,346,000	-	-	-	-	8,346,000			
Due from other governments	8,099,000	1,255,695	98,309	70,374	-	9,523,378	49,089		
Total current assets	171,556,000	46,635,463	3,058,559	13,462,769	170,906	234,883,697	26,402,835		
NONCURRENT ASSETS									
Restricted assets:									
Cash and cash equivalents	-	-	10,110,099	-	36,884	10,146,983	-		
Investments	-	1,637,589	-	-	-	1,637,589	-		
Accounts receivable	-	9,099	3,796	-	-	12,895	-		
Total restricted assets	-	1,646,688	10,113,895	-	36,884	11,797,467	-		
Capital assets:									
Land	6,098,000	10,095,817	1,517,514	1,865,986	27,000	19,604,317	-		
Construction in progress	43,215,000	9,304,319	-	1,102,519	-	53,621,838	2,223,120		
Buildings	60,806,000	55,569,530	1,921,659	10,601,459	6,804,461	135,703,109	627,799		
Equipment	234,186,000	31,152,406	3,798,862	1,140,836	9,420	270,287,524	2,842,707		
Vehicles	-	3,267,005	1,778,311	2,268,204	-	7,313,520	18,623,396		
Infrastructure	496,961,000	417,487,714	9,520,509	38,913,370	-	962,882,593	-		
	841,266,000	526,876,791	18,536,855	55,892,374	6,840,881	1,449,412,901	24,317,022		
Less accumulated depreciation	(275,511,000)	(238,558,357)	(7,816,895)	(14,419,795)	(2,550,817)	(538,856,864)	(11,236,110)		
Net capital assets	565,755,000	288,318,434	10,719,960	41,472,579	4,290,064	910,556,037	13,080,912		
Other assets:									
Deferred charges	5,178,000	514,492	212,551	85,741	-	5,990,784	-		
Discounted energy units	375,000	-	-	-	-	375,000	-		
Total other assets	5,553,000	514,492	212,551	85,741	-	6,365,784	-		
Total noncurrent assets	571,308,000	290,479,614	21,046,406	41,558,320	4,326,948	928,719,288	13,080,912		
Total assets	<u>\$ 742,864,000</u>	<u>\$ 337,115,077</u>	<u>\$ 24,104,965</u>	<u>\$ 55,021,089</u>	<u>\$ 4,497,854</u>	<u>\$ 1,163,602,985</u>	<u>\$ 39,483,747</u>		

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2012

	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	\$ 6,788,000	\$ 9,244,983	\$ 2,901,338	\$ 1,253,928	\$ -	\$ 20,188,249	\$ 171,343	
Accounts payable and accrued liabilities	129,788,000	5,030,800	1,905,202	685,526	12,478	137,422,006	967,823	
Accrued claims	-	-	-	-	-	-	7,615,821	
Customer deposits	2,202,000	-	-	-	35,497	2,237,497	-	
Contracts payable	-	66,332	126,220	-	-	192,552	96,492	
Due to other governments	-	-	-	-	-	-	19	
Other current liabilities	-	-	-	-	2,364,133	2,364,133	-	
Total current liabilities	<u>138,778,000</u>	<u>14,342,115</u>	<u>4,932,760</u>	<u>1,939,454</u>	<u>2,412,108</u>	<u>162,404,437</u>	<u>8,851,498</u>	
LONG-TERM LIABILITIES								
Notes, capital leases and other obligations	18,112,000	40,822,288	590,326	-	-	59,524,614	-	
Compensated absences	610,000	458,207	39,237	296,336	-	1,403,780	246,319	
Customer deposits	20,887,000	-	-	-	-	20,887,000	-	
Accrued closure and postclosure care	-	-	5,734,327	-	-	5,734,327	-	
Revenue bonds payable	276,965,000	-	-	-	-	276,965,000	-	
Original issue premium	7,559,000	-	-	-	-	7,559,000	-	
General obligation bonds payable	-	23,619,279	15,645,457	6,694,976	-	45,959,712	-	
Original issue premium	-	1,132,585	681,425	360,445	-	2,174,455	-	
Deferred refunding	-	(1,093,389)	(436,796)	(263,173)	-	(1,793,358)	-	
Other noncurrent liabilities	12,042,000	-	-	-	-	12,042,000	-	
Accrued postemployment benefits	8,955,000	-	-	-	-	8,955,000	-	
Total long-term liabilities	<u>345,130,000</u>	<u>64,938,970</u>	<u>22,253,976</u>	<u>7,088,584</u>	<u>-</u>	<u>439,411,530</u>	<u>246,319</u>	
Total liabilities	<u>483,908,000</u>	<u>79,281,085</u>	<u>27,186,736</u>	<u>9,028,038</u>	<u>2,412,108</u>	<u>601,815,967</u>	<u>9,097,817</u>	
NET ASSETS (DEFICIT)								
Invested in capital assets, net of related debt	278,266,000	215,464,384	2,749,518	33,803,403	1,925,931	532,209,236	13,080,912	
Restricted for renewal and replacement	-	15,163,929	12,817,281	2,702,810	-	30,684,020	-	
Unrestricted	(19,310,000)	27,205,679	(18,648,570)	9,486,838	159,815	(1,106,238)	17,305,018	
Total net assets (deficit)	<u>\$ 258,956,000</u>	<u>\$ 257,833,992</u>	<u>\$ (3,081,771)</u>	<u>\$ 45,993,051</u>	<u>\$ 2,085,746</u>	<u>\$ 561,787,018</u>	<u>\$ 30,385,930</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, 2012

	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			
OPERATING REVENUES									
Charges for sales and services									
Electric sales	\$ 544,177,000	\$ -	\$ -	\$ -	\$ -	\$ 544,177,000	\$ -		
Fiber optic revenues	60,427,000	-	-	-	-	60,427,000	-		
Sewer charges	-	51,118,786	-	-	-	51,118,786	-		
Waste disposal fees	-	-	6,272,156	-	-	6,272,156	-		
Water quality fees	-	-	-	15,974,655	-	15,974,655	-		
Property rental	-	-	-	-	882,897	882,897	-		
Other services	13,948,000	-	-	-	-	13,948,000	-		
Other	-	939,268	136,515	174,704	22,879	1,273,366	56,168,070		
Total operating revenues	618,552,000	52,058,054	6,408,671	16,149,359	905,776	694,073,860	56,168,070		
OPERATING EXPENSES									
Power purchases	434,816,000	-	-	-	-	434,816,000	-		
Other electric operations	64,165,000	-	-	-	-	64,165,000	-		
Fiber optic operations	37,317,000	-	-	-	-	37,317,000	-		
Sewer plant operations	-	32,650,371	-	-	-	32,650,371	-		
Waste disposal operations	-	-	3,092,187	-	-	3,092,187	-		
Closure/postclosure costs	-	-	550,010	-	-	550,010	-		
Water quality operations	-	-	-	10,921,490	-	10,921,490	-		
Housing operations	-	-	-	-	771,492	771,492	-		
Fleet operations	-	-	-	-	-	-	14,394,575		
Liability insurance	-	-	-	-	-	-	236,134		
Health services	-	-	-	-	-	-	33,040,431		
Depreciation	41,713,000	14,634,118	532,997	1,145,679	245,401	58,271,195	2,844,399		
Other	10,674,000	-	2,641	-	-	10,676,641	-		
Total operating expenses	588,685,000	47,284,489	4,177,835	12,067,169	1,016,893	653,231,386	50,515,539		
OPERATING INCOME (LOSS)	29,867,000	4,773,565	2,230,836	4,082,190	(111,117)	40,842,474	5,652,531		
NONOPERATING REVENUES (EXPENSES)									
Investment income	398,000	352,284	53,834	-	-	804,118	-		
Interest expense	(12,852,000)	(2,889,218)	(821,682)	(319,479)	(11,511)	(16,893,890)	-		
Other income (expense)	(38,869,589)	-	(108,913)	-	-	(38,978,502)	134,027		
Total nonoperating revenues (expenses)	(51,323,589)	(2,536,934)	(876,761)	(319,479)	(11,511)	(55,068,274)	134,027		
INCOME (LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEM									
Capital contributions	39,206,000	-	-	11,558	-	39,217,558	-		
Transfers in	-	-	290,000	49,100	-	339,100	3,757,000		
Transfers out	(6,375,411)	-	-	-	-	(6,375,411)	-		
CHANGE IN NET ASSETS	11,374,000	2,236,631	1,644,075	3,823,369	(122,628)	18,955,447	9,543,558		
NET ASSETS (DEFICIT), beginning	247,582,000	255,597,361	(4,725,846)	42,169,682	2,208,374	542,831,571	20,842,372		
NET ASSETS (DEFICIT), ending	<u>\$258,956,000</u>	<u>\$257,833,992</u>	<u>\$ (3,081,771)</u>	<u>\$ 45,993,051</u>	<u>\$ 2,085,746</u>	<u>\$ 561,787,018</u>	<u>\$ 30,385,930</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, 2012

	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			
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts from customers and users	\$ 640,474,000	\$ 52,662,566	\$ 6,286,849	\$ 16,249,891	\$ 905,664	\$ 716,578,970	\$ 55,886,060		
Receipts from operating grants			81,866			81,866			
Payments to suppliers	(518,966,000)	(23,205,858)	(847,580)	(4,456,265)	(776,255)	(548,251,958)	(47,095,588)		
Payments to employees	(31,466,000)	(7,277,784)	(3,623,714)	(6,510,491)		(48,877,989)	(333,600)		
Payments in lieu of taxes	(8,884,589)					(8,884,589)			
Net cash from operating activities	81,157,411	22,178,924	1,897,421	5,283,135	129,409	110,646,300	8,456,872		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Transfers in			290,000		49,100		339,100	3,757,000	
Transfers out	(6,375,411)						(6,375,411)		
Net cash flows used in noncapital financing activities	(6,375,411)		290,000		49,100		(6,036,311)	3,757,000	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Principal paid on capital debt	(7,432,000)	(8,879,445)	(1,538,719)	(977,260)	(35,781)	(18,863,205)			
Interest paid on capital debt	(14,174,000)	(3,448,644)	(849,372)	(404,971)	(11,511)	(18,888,498)			
Line of credit	360,000					360,000			
Proceeds from capital debt	7,500,000					7,500,000			
Capital grants and contributions	39,206,000			11,558		39,217,558			
Additions to capital assets	(125,892,000)	(7,468,982)	(513,401)	(2,466,951)		(136,341,334)	(7,454,760)		
Proceeds from the sale of capital assets	1,269,000					1,269,000	12,235		
Net cash flows used in capital and related financing activities	(99,163,000)	(19,797,071)	(2,901,492)	(3,837,624)	(47,292)	(125,746,479)	(7,442,525)		
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of investments		(90,087,589)	(14,984,883)				(105,072,472)		
Proceeds from sales and maturities of investments	5,105,000	93,771,690	20,187,855			119,064,545			
Interest	424,000	381,645	75,488			881,133			
Net cash flows from investing activities	5,529,000	4,065,746	5,278,460			14,873,206			
Net increase (decrease) in cash and cash equivalents	(18,852,000)	6,447,599	4,564,389	1,494,611	82,117	(6,263,284)	4,771,347		
Cash and cash equivalents, beginning of year	99,294,000	2,941,448	8,475,010	10,877,326	118,873	121,706,657	19,299,725		
Cash and cash equivalents, end of year	\$ 80,442,000	\$ 9,389,047	\$ 13,039,399	\$ 12,371,937	\$ 200,990	\$ 115,443,373	\$ 24,071,072		
CLASSIFIED AS:									
Current assets	\$ 80,442,000	\$ 9,389,047	\$ 2,929,300	\$ 12,371,937	\$ 164,106	\$ 105,296,390	\$ 24,071,072		
Restricted assets			10,110,099		36,884	10,146,983			
	\$ 80,442,000	\$ 9,389,047	\$ 13,039,399	\$ 12,371,937	\$ 200,990	\$ 115,443,373	\$ 24,071,072		

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended June 30, 2012

	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)	\$ 29,867,000	\$ 4,773,565	\$ 2,230,836	\$ 4,082,190	\$ (111,117)	\$ 40,842,474	\$ 5,652,531	
ADJUSTMENTS NOT AFFECTING CASH								
Depreciation and amortization	41,713,000	14,634,118	532,997	1,145,679	245,401	58,271,195	2,844,399	
Miscellaneous nonoperating expenses	1,016,000	-	-	-	-	1,016,000	134,027	
Provision for uncollectible accounts	-	223,963	-	342,385	-	566,348	-	
(Increase) decrease in:								
Accounts receivable	(10,201,000)	380,549	14,693	(406,963)	(112)	(10,212,833)	(281,373)	
Due from other funds	-	-	-	-	-	-	83	
Due from other governments	20,699,000	-	5,742	105,075	-	20,809,817	-	
Inventory	(1,349,000)	(62,809)	-	-	-	(1,411,809)	(51,550)	
Prepaid Items	4,397,000	-	-	-	-	4,397,000	-	
Deferred charges	492,000	91,337	-	-	-	583,337	-	
Increase (decrease) in:								
Accounts payable	(4,523,000)	1,677,012	1,666,799	(80,852)	(4,763)	(1,264,804)	857,762	
Accrued claims	-	417,473	6,142	35,586	-	459,201	-	
Claims liabilities	-	-	-	-	-	-	(553,237)	
Other assets/liabilities	(953,589)	20,151	(2,567,188)	-	-	(3,500,626)	-	
Compensated absences	-	23,565	7,400	60,035	-	91,000	(145,770)	
Total adjustments	<u>51,290,411</u>	<u>17,405,359</u>	<u>(333,415)</u>	<u>1,200,945</u>	<u>240,526</u>	<u>69,803,826</u>	<u>2,804,341</u>	
Net cash from operating activities	<u>\$ 81,157,411</u>	<u>\$ 22,178,924</u>	<u>\$ 1,897,421</u>	<u>\$ 5,283,135</u>	<u>\$ 129,409</u>	<u>\$ 110,646,300</u>	<u>\$ 8,456,872</u>	

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, 2012

	Other Postemployment Benefits Trust Fund	Pension Trust Fund	Agency Fund
ASSETS			
Cash	\$ -	\$ -	\$ (255,711)
Investments:			
U.S. Government securities	-	570,486	-
Corporate bonds and notes	-	9,175,875	-
Preferred securities	-	5,140,689	-
Corporate stocks	-	99,321,135	-
Foreign equity	-	5,165,309	-
Mutual funds - preferred securities	-	5,653,384	-
Mutual funds - equity	11,413,577	99,633,723	-
Mutual funds - fixed income	6,619,333	70,701,422	-
Real estate	-	32,918,036	-
Hedge funds	-	87,870,188	-
Other investments	-	6,348,176	-
Temporary investments	4,369,076	6,271,187	-
Receivables:			
Accrued income	24,781	471,652	-
Due from plan custodian	<u>1,141,601</u>	<u>-</u>	<u>255,711</u>
Total assets	<u>23,568,368</u>	<u>429,241,262</u>	<u>-</u>
LIABILITIES			
Accrued payable	-	183,406	-
Due to plan custodian	<u>407,509</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>407,509</u>	<u>183,406</u>	<u>-</u>
NET ASSETS			
Held in trust for pension and other postemployment benefits	<u>\$ 23,160,859</u>	<u>\$ 429,057,856</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, 2012

	Other Postemployment Benefits Trust Fund	Pension Trust Fund
ADDITIONS		
Contributions:		
Employer	\$ 17,636,696	\$ 17,563,231
Plan member	-	4,312,966
Other	-	<u>246,628</u>
	<u>17,636,696</u>	<u>22,122,825</u>
Investment income:		
Net appreciation (depreciation) in fair market value of investments	109,708	5,022,078
Interest	-	700,252
Dividends	<u>144,410</u>	<u>5,947,552</u>
	<u>254,118</u>	<u>11,669,882</u>
Less investment expense	<u>(8,618)</u>	<u>(1,286,006)</u>
	<u>245,500</u>	<u>10,383,876</u>
Total additions	<u>17,882,196</u>	<u>32,506,701</u>
DEDUCTIONS		
Benefits paid to participants	11,989,538	36,591,972
Administrative expenses	<u>29,069</u>	<u>929,311</u>
Total deductions	<u>12,018,607</u>	<u>37,521,283</u>
CHANGE IN NET ASSETS	5,863,589	(5,014,582)
Net assets, beginning	<u>17,297,270</u>	<u>434,072,438</u>
Net assets, ending	<u>\$ 23,160,859</u>	<u>\$ 429,057,856</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, 2012

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
ASSETS				
Cash and cash equivalents	\$ 8,831,558	\$ 1,093,797	\$ 4,689,661	\$ 14,615,016
Accounts receivable	2,019,936	2,415,821	1,012,319	5,448,076
Net investment in capital lease	-	-	100,531,341	100,531,341
Deferred charges	20,445	-	1,342,827	1,363,272
Inventories	69,907	372,535	107,642	550,084
Prepaid items	273,745	468,779	156,424	898,948
Restricted assets:				
Cash and cash equivalents	3,993,654	-	-	3,993,654
Investments	-	-	9,756,000	9,756,000
Receivables	253,960	-	-	253,960
Land and other nondepreciable assets	26,505,259	3,258,047	-	29,763,306
Other capital assets, net of accumulated depreciation	59,658,748	21,874,697	2,353,735	83,887,180
Total assets	101,627,212	29,483,676	119,949,949	251,060,837
LIABILITIES				
Accounts payable and accrued liabilities	852,054	1,770,018	3,231,332	5,853,404
Deferred revenue	30,432	-	-	30,432
Contracts payable	138,948	-	-	138,948
Due to primary government	-	593,204	-	593,204
Line of credit	-	500,000	-	500,000
Net pension obligations	-	388,384	-	388,384
Capital lease obligations	186,643	-	-	186,643
Revenue bonds payable	5,630,575	-	118,775,000	124,405,575
Original issue premium (discount)	-	-	8,690,583	8,690,583
Deferred refunding	-	-	(2,908,620)	(2,908,620)
Total liabilities	6,838,652	3,251,606	127,788,295	137,878,553
NET ASSETS				
Invested in capital assets (net of related debt)	80,346,789	24,539,519	2,353,735	107,240,043
Restricted for:				
Debt service	4,247,614	-	9,672,869	13,920,483
Renewal and replacement	-	-	624,412	624,412
Unrestricted	10,194,157	1,692,551	(20,489,362)	(8,602,654)
Total net assets	\$ 94,788,560	\$ 26,232,070	\$ (7,838,346)	\$ 113,182,284

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

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS**

Year Ended June 30, 2012

	Program Revenues				Net Revenue (Expense) and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
CHATTANOOGA METROPOLITAN AIRPORT AUTHORITY								
Airport operations	\$ 11,826,412	\$ 9,640,967	\$ -	\$ 9,037,489	\$ 6,852,044	\$ -	\$ -	\$ 6,852,044
CARTA								
CARTA operations	21,349,936	6,336,805	7,455,064	6,524,086	-	(1,033,981)	-	(1,033,981)
CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION								
CDRC operations	<u>16,732,730</u>	<u>17,643,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>910,386</u>	<u>910,386</u>
Total component units	<u>\$ 49,909,078</u>	<u>\$ 33,620,888</u>	<u>\$ 7,455,064</u>	<u>\$ 15,561,575</u>	<u>6,852,044</u>	<u>(1,033,981)</u>	<u>910,386</u>	<u>6,728,449</u>
	General revenues:							
					Investment income	16,561	1,922	535,058
					Miscellaneous	<u>1,830,919</u>	<u>292,103</u>	<u>312,833</u>
					Total general revenues	<u>1,847,480</u>	<u>294,025</u>	<u>847,891</u>
	CHANGE IN NET ASSETS							
					8,699,524	(739,956)	1,758,277	9,717,845
					Net assets, beginning	<u>86,089,036</u>	<u>26,972,026</u>	<u>(9,596,623)</u>
					Net assets, ending	<u>\$ 94,788,560</u>	<u>\$ 26,232,070</u>	<u>\$ (7,838,346)</u>
								<u>\$ 113,182,284</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, 2012**

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CITY OF CHATTANOOGA, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Description of government-wide 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 non-fiduciary activities of the primary government and its component units. Fiduciary activities are reported only in the fund financial statements. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

(B) Reporting Entity

The City of Chattanooga, Tennessee (the City) was incorporated under the Private Acts of 1869 and 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. The City Charter was amended as of June 11, 1990 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 authority formerly vested in the Board of Commissioners. The Mayor is elected at-large and is not a member of the City Council; City Council is composed of nine members, with each member elected from one of nine districts within the geographic boundaries of the City.

The accompanying financial statements present the government and its component units. The primary government includes a separately administered organization, EPB, as an enterprise fund. It is not legally separate from the City since the City affirms all board member appointments and approves all disbursements of EPB funds. Component units, entities for which the City (the primary government) is financially accountable, are also included. Financial accountability is determined if the City appoints a voting majority of the organization's governing board and it is able to impose its will on the organization or there is a potential for the organization to provide specific financial benefit to or burden on the City.

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, 2012. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize they are legally separate from the City. Each discretely presented component unit has a June 30 year-end and is presented as a proprietary type fund.

The City reports the following 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. Separately issued financial statements can be obtained from:

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

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. Separately issued financial statements can be obtained from:

CARTA
1617 Wilcox Boulevard
Chattanooga, TN 37406

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. Separately issued financial statements can be obtained from:

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

(C) Basis of Presentation:

Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the enterprise funds. Fiduciary funds are excluded from the government-wide financial statements.

Resource flows between a primary government and its discretely presented component units are reported as external transactions, that is as revenues and expenses. Transfers within governmental activities and within business-type activities are eliminated 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."

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Because the emphasis of fund financial statements is on major governmental and enterprise funds, each major fund is displayed in a separate column. Remaining funds are aggregated and reported as nonmajor funds.

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 residential and commercial customers 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 and to portions of northwest Georgia. The fund's revenues are derived primarily from user fees and investment earnings.

Solid Waste 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.

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 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.

Pension Trust Fund - The Pension Trust Fund accounts for resources held in trust for defined benefit pension plans to provide disability and retirement benefits for City employees and retirees.

Agency Fund - The Agency Fund accounts for resources held by the City as an agent for the Industrial Development Board and the Health, Educational and Housing Facilities Board in connection with 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.

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.

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 may result 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.

(D) **Measurement Focus and Basis of Accounting**

The financial statements of the City have been prepared in accordance with accounting principles generally accepted 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.

Government-wide Financial Statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

Revenues are considered 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. 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. 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.

Proprietary, Pension and Other Postemployment Benefit Trust Funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

(E) Joint Ventures and Related Organizations

Joint Ventures - 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 one joint venture, The 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.

(F) 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 in 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.

Budgets are prepared on a basis consistent with generally accepted accounting principles. Encumbrance accounting, under which purchase orders 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. All unencumbered and unexpended appropriations lapse at the end of the fiscal year.

Expenditures may not legally exceed appropriations at the fund level. All budgeted amounts shown in the financial statements and the accompanying supplementary information reflect the original budget and the final amended budget (which may have been adjusted for legally authorized revisions to the annual budgets during the year). During the year ended June 30, 2012, Council approved amendments to operating budgets for pay-as-you go capital and use of fund balance for capital.

(G) Assets, Liabilities and Fund Balance/Net Assets

(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 for assets in the proprietary funds. 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 governmental activities in the government-wide financial statements, the difference between new debt and the net carrying value of 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) 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.

(9) Pollution Remediation Obligations

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

(10) 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.

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

(11) 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 prepaid items) 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 an ordinance 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 ordinance.

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

Unassigned Fund Balance - represents the residual classification for the General Fund or deficit balances in other funds.

It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance (committed, assigned and unassigned). Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

(H) Revenues, Expenditures/Expenses

(1) Program Revenues

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.

(2) 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 2011 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 2011 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, 2012.

(3) 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.

(4) 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.

(5) Indirect Costs

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

(6) Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

(7) 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.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) Compliance with Finance Related Legal and Contractual Provisions

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

(B) Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2012, the City had no material excess of expenditures over appropriations in individual funds.

(C) Net Assets Deficit

The Solid Waste Fund has a deficit in net assets of \$3,081,771 at June 30, 2012. This deficit resulted from the recognition of cumulative landfill closure and postclosure care costs from prior years. These costs may be covered by charges to future landfill users, taxpayers, or both. The deficit decreased by \$1,644,075 from the prior fiscal year.

NOTE 3. CASH AND INVESTMENTS

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

(A) Primary Government Investments (excluding Permanent, Pension Trust and Other Postemployment Benefits Trust Funds)

At June 30, 2012, investments of the primary government (except for Permanent, Pension Trust and Other Postemployment Benefits Trust Funds) and component units consist of the following:

	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value or Carrying Amount</u>
Primary Government – Governmental Activities:		
U.S. Government agency securities	1.92	\$ 25,530,000
Certificates of deposit classified as investments	.56	<u>20,000,000</u>
Total	<u>1.32</u>	<u>\$ 45,530,000</u>
Primary Government – Business-Type Activities:		
Certificates of deposit classified as investments	<u>1.39</u>	<u>\$ 31,987,589</u>
Total	<u>1.39</u>	<u>\$ 31,987,589</u>
Component Units:		
U.S. Treasury Notes	0.00	\$ 83,835
U.S. Government agency securities	<u>0.08</u>	<u>9,672,165</u>
Total	<u>0.08</u>	<u>\$ 9,756,000</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, 2012, 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 \$83,835 were securities of the Federal National Mortgage Association which was rated AAA by S & P and Moody's.

(B) Permanent, Pension Trust Funds and Other Postemployment Benefit Trust Fund Investments

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 Public Library has an endowment consisting of nine separate endowments established by various individuals and estates. The endowment corpus is nonspendable and the earnings are used to support the 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 has an investment committee charged with 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.

The credit risk of investments of the Permanent, Pension Trust and Other Postemployment Benefit Trust Funds is summarized as follows:

	<u>S & P or Moody's Rating</u>	<u>Fair Value</u>
<u>Permanent Fund</u>		
Mutual funds – equity	Not rated	\$ 2,478,413
Mutual funds – fixed income	Not rated	1,045,107
Temporary investments	Not rated	91,019
		<u><u>\$ 3,614,539</u></u>

	<u>S & P or Moody's Rating</u>	<u>Fair Value</u>
<u>City of Chattanooga General Pension Plan</u>		
Domestic corporate bonds	BBB	\$ 128,355
Domestic corporate bonds	BBB-	292,968
Domestic corporate bonds	BB-	247,520
Domestic corporate bonds	B	2,296,994
Domestic corporate bonds	CCC	690,268
Domestic corporate bonds	Not rated	979,861
Corporate stocks	Not rated	67,780,585
Mutual funds – equity	Not rated	56,803,865
Mutual funds – fixed income	Not rated	51,352,347
Hedge funds	Not rated	36,759,573
Other investments	Not rated	3,584,993
Temporary investments	Not rated	<u>4,118,480</u>
		<u>\$ 225,035,809</u>
<u>Fire and Police Pension Fund</u>		
Domestic corporate bonds	AAA	\$ 147,031
Domestic corporate bonds	AA	359,837
Domestic corporate bonds	A	1,188,985
Domestic corporate bonds	BBB	924,811
Domestic corporate bonds	BBB-	150,035
Domestic corporate bonds	BB+	36,298
Domestic corporate bonds	Not rated	1,732,912
U.S. Government securities	Not rated	570,486
Preferred securities	Not rated	5,140,689
Corporate Stocks	Not rated	31,540,550
Foreign equity	Not rated	5,165,309
Mutual funds - preferred securities	Not rated	5,653,384
Mutual funds – equity	Not rated	42,829,858
Mutual funds - fixed income	Not rated	19,349,075
Real estate	Not rated	32,918,036
Hedge funds	Not rated	51,110,615
Other investments	Not rated	2,763,183
Temporary investments	Not rated	<u>2,152,707</u>
		<u>\$ 203,733,801</u>
<u>Other Postemployment Benefit Trust Fund</u>		
Mutual funds – equity	Not rated	\$ 11,413,577
Mutual funds – fixed income	Not rated	6,619,333
Temporary investments	Not rated	<u>4,369.076</u>
		<u>\$ 22,401,986</u>

At June 30, 2012, the fair values of the City's investments in hedge funds totaling \$87,870,188 are based on valuations for which a readily determinable fair value does not exist. These investments are not listed on national exchanges or over-the-counter markets, and quoted market prices are not available. These investments include limited partnerships, private equity funds, and other types of non-traditional investments. Management estimates the fair values of these investments based on a review of all available information provided by fund managers and general partners. These fair value estimates are evaluated on a regular basis by management and are susceptible to revisions as more information becomes available. Because of these factors, it is reasonably possible that the estimated fair values of these investments may change materially in the near term.

NOTE 4. RECEIVABLES

Receivables at June 30, 2012, consist of the following:

	Governmental Activities Funds					Business-Type Activities	Total
	General	Capital Projects	Other Governmental	Internal Service			
Primary Government							
Receivables:							
Taxes	\$ 120,268,445	\$ -	\$ -	\$ -	\$ -		\$ 120,268,445
Accounts	4,624,315	-	1,037,639	-	-		5,661,954
Notes	3,109,506	1,693,088	17,021,118	-	-		21,823,712
Customer service	-	-	-	610,552	69,373,725		69,984,277
Other	1,391,004	9,367	-	-	60,462		1,460,833
Restricted	-	128,971	-	-	12,895		141,866
Intergovernmental	<u>19,905,482</u>	<u>67,844</u>	<u>4,076,809</u>	<u>49,089</u>	<u>9,523,378</u>		<u>33,622,602</u>
Gross receivables	149,298,752	1,899,270	22,135,566	659,641	78,970,460		253,463,689
Less:							
Allowance for Uncollectibles	<u>(4,428,199)</u>	<u>-</u>	<u>(800,000)</u>	<u>-</u>	<u>(2,616,864)</u>		<u>(7,845,063)</u>
Net receivables	<u>\$ 144,870,553</u>	<u>\$ 1,899,270</u>	<u>\$ 21,335,566</u>	<u>\$ 659,641</u>	<u>\$ 76,353,596</u>		<u>\$245,118,626</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, 2012.

(A) Note from Dogwood Manor, LLC

Notes include a receivable from Dogwood Manor, LLC. The City of Chattanooga paid the balance of their bank loan for capital improvements recorded as a portion of capital assets in the Housing Management Fund, an enterprise fund. The balance of the note is currently \$2,364,133.

(B) Note from Friends of the Zoo

During 2008, the City entered into a loan agreement with Friends of the Zoo, Inc. (FOZ) for improvements to the Chattanooga Zoo at Warner Park. The City advanced \$2,000,000 to FOZ to pay for construction improvements, which the City retained right, title, and interest in the improvements. 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 or 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 donations for capital improvements, up to a maximum of \$250,000 per year subject to annual appropriation.

(C) Note from CARTA

In 2009 CARTA, a component unit of the City, entered into an \$854,288 repayment agreement with the City for the costs of a downtown shuttle service and a parking garage on the North Shore. The loan agreements were for \$375,000 and \$479,288 respectively to be repaid over 120 months with an interest rate of 4% per annum. The current balances are \$260,123 and \$333,081, respectively.

In 2012 CARTA entered into a revolving line of credit promissory note with the City as gap financing awaiting receipt of Federal grant money. The \$1,500,000 line of credit carries a 2.75% interest per annum. Prior fiscal year amounts must be repaid before additional draws are allowed. The current balance is \$500,000.

(D) Community Development Loans

Included in the \$17,021,118 notes receivables in the chart above are \$15,242,083 of various loans made from community development funds received from HUD, including CDBG, HOME, and other special grants. These loans are provided to low income recipients for the purchase and repair of homes. Of this amount, \$3,207,250 represent title transfer loans, which are payable only upon the transfer of title by the current loan recipient.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
PRIMARY GOVERNMENT				
Governmental Activities:				
Non-depreciable assets:				
Land and land improvements	\$ 1,035,729,486	\$ 2,407,789	\$ 255,049	\$ 1,037,882,226
Construction in progress	<u>29,130,669</u>	<u>20,895,489</u>	<u>8,642,002</u>	<u>41,384,156</u>
Total non-depreciable assets	<u>1,064,860,155</u>	<u>23,303,278</u>	<u>8,897,051</u>	<u>1,079,266,382</u>
Depreciable assets:				
Buildings and improvements	213,708,501	2,363,256	-	216,071,757
Vehicles and machinery	131,249,681	8,023,747	1,384,367	137,889,061
Infrastructure	<u>681,880,539</u>	<u>5,806,079</u>	<u>-</u>	<u>687,686,618</u>
Total depreciable assets	<u>1,026,838,721</u>	<u>16,193,082</u>	<u>1,384,367</u>	<u>1,041,647,436</u>
Less accumulated depreciation for:				
Buildings and improvements	90,022,552	7,275,918	-	97,298,470
Vehicles and machinery	95,906,130	9,591,436	1,354,746	104,142,820
Infrastructure	<u>375,954,525</u>	<u>27,591,511</u>	<u>-</u>	<u>403,546,036</u>
Total accumulated depreciation	<u>561,883,207</u>	<u>44,458,865</u>	<u>1,354,746</u>	<u>604,987,326</u>
Depreciable assets, net	<u>464,955,514</u>	<u>(28,265,783)</u>	<u>29,621</u>	<u>436,660,110</u>
Governmental activities capital assets, net	<u>\$ 1,529,815,669</u>	<u>\$ (4,962,505)</u>	<u>\$ 8,926,672</u>	<u>\$ 1,515,926,492</u>
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 17,146,899	\$ 2,457,418	\$ -	\$ 19,604,317
Construction in progress	<u>50,449,353</u>	<u>4,618,485</u>	<u>1,446,000</u>	<u>53,621,838</u>
Total non-depreciable assets	<u>67,596,252</u>	<u>7,075,903</u>	<u>1,446,000</u>	<u>73,226,155</u>
Depreciable assets:				
Buildings and improvements	129,968,576	6,346,533	612,000	135,703,109
Vehicles and machinery	196,901,629	66,166,270	21,483,856	241,584,043
Sewer system	415,978,366	1,509,348	-	417,487,714
Solid waste system	9,520,509	-	-	9,520,509
Water quality management system	36,600,744	2,312,626	-	38,913,370
Electric system	424,155,000	49,154,000	28,422,000	444,887,000
Communication system	<u>85,883,000</u>	<u>2,880,000</u>	<u>672,000</u>	<u>88,091,000</u>
Total depreciable assets	<u>1,299,007,824</u>	<u>128,368,777</u>	<u>51,189,856</u>	<u>1,376,186,745</u>
Less accumulated depreciation for:				
Buildings and improvements	48,163,351	3,950,534	612,000	51,501,885
Vehicles and machinery	49,554,693	17,201,634	5,683,857	61,072,470
Sewer system	<u>179,448,199</u>	<u>10,477,998</u>	<u>-</u>	<u>189,926,197</u>
Solid waste system	1,092,758	317,350	-	1,410,108
Water quality management system	7,656,524	775,679	-	8,432,203
Electric system	182,295,000	14,719,000	6,722,000	190,292,000
Communication system	<u>25,482,000</u>	<u>10,829,000</u>	<u>89,000</u>	<u>36,222,000</u>
Total accumulated depreciation	<u>493,692,525</u>	<u>58,271,195</u>	<u>13,106,857</u>	<u>538,856,863</u>
Depreciable assets, net	<u>805,315,299</u>	<u>70,097,582</u>	<u>38,082,999</u>	<u>837,329,882</u>
Business-type activities capital assets, net	<u>\$ 872,911,551</u>	<u>\$ 77,173,485</u>	<u>\$ 39,528,999</u>	<u>\$ 910,556,037</u>

Discretely Presented Component Units

Non-depreciable assets:				
Land	\$ 7,101,608	\$ -	\$ -	\$ 7,101,608
Construction in progress	<u>21,452,844</u>	<u>5,013,150</u>	<u>3,804,296</u>	<u>22,661,698</u>
Total non-depreciable assets	<u>28,554,452</u>	<u>5,013,150</u>	<u>3,804,296</u>	<u>29,763,306</u>
Depreciable assets:				
Buildings	122,877,233	6,598,537	374,746	129,101,024
Vehicle and machinery	<u>63,396,194</u>	<u>5,691,735</u>	<u>68,793</u>	<u>69,019,136</u>
Total depreciable assets	<u>186,273,427</u>	<u>12,290,272</u>	<u>443,539</u>	<u>198,120,160</u>
Less accumulated depreciation for:				
Buildings	54,687,791	6,298,454	-	60,986,245
Vehicles and machinery	<u>50,648,121</u>	<u>2,666,922</u>	<u>68,308</u>	<u>53,246,735</u>
Total accumulated depreciation	<u>105,335,912</u>	<u>8,965,376</u>	<u>68,308</u>	<u>114,232,980</u>
Depreciable assets, net	<u>80,937,515</u>	<u>3,324,896</u>	<u>375,231</u>	<u>83,887,180</u>
Component units capital assets, net	<u>\$ 109,491,967</u>	<u>\$ 8,338,046</u>	<u>\$ 4,179,527</u>	<u>\$ 113,650,486</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:				
General government				\$ 11,802,535
Public safety				2,240,745
Public works				26,677,701
Parks, recreation, education, arts & culture				3,643,518
Social services				<u>94,366</u>
Total				<u>\$ 44,458,865</u>
Primary Government – Business-Type Activities:				
Sewer				\$ 14,634,118
Solid Waste				532,997
Water Quality Management				1,145,679
Housing Management				245,401
Electric Utility				<u>41,713,000</u>
Total				<u>\$ 58,271,195</u>
Discretely Presented Component Units:				
Transportation Authority				\$ 4,307,765
Airport Authority				4,122,899
Downtown Redevelopment				<u>534,712</u>
Total				<u>\$ 8,965,376</u>

NOTE 6. LONG-TERM LIABILITIES

(A) Governmental Activities

Debt related to governmental activities at June 30, 2012, consisted of the following:

(1) 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>Series</u>	<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2012</u>
General Obligations Refunding Bonds, Series 1998	\$ 7,292,600	5.25% - 5.50%	09/01/17	\$ 1,999,700
General Obligations Refunding Bonds, Series 2002	15,390,900	4.38% - 5.38%	09/01/15	3,390,000
General Obligations Refunding Bonds, Series 2002 A	6,037,950	3.60% - 5.00%	09/01/14	678,855
General Obligations Refunding Bonds, Series 2005 A	17,436,520	3.50% - 5.00%	09/01/19	13,466,162
Hotel-Motel Tax Refunding Bonds, Series 2005 A	6,469,987	3.50% - 5.00%	09/01/19	5,378,495
General Obligations Bonds, Series 2006 A	20,732,796	4.00% - 5.00%	11/01/26	15,549,597
General Obligations Refunding Bonds, Series 2007 A	14,520,000	4.30% - 5.00%	03/01/26	14,520,000
General Obligations Bonds, Series 2009	45,415,000	3.00% - 4.63%	11/01/28	38,590,000
General Obligations Bonds, Series 2010 A	6,725,000	2.00% - 4.00%	02/01/30	6,045,000
General Obligation Refunding Bonds, Series 2010 B	4,707,460	2.00% - 4.00%	02/01/30	4,515,123
Hotel-Motel Tax Refunding Bonds, Series 2010 B	29,557,540	2.00% - 4.00%	02/01/30	28,349,877
General Obligation Bonds, Series 2010C	6,840,000	2.00% - 4.00%	02/01/30	6,155,000
General Obligation Bonds, Series 2011A	26,495,000	2.00% - 4.00%	10/01/26	26,495,000
General Obligation Refunding Bonds, Series 2011B	1,949,250	2.00% - 4.00%	10/01/27	1,949,250
Hotel-Motel Tax Refunding Bonds, Series 2011B	<u>15,595,750</u>	2.00% - 4.00%	10/01/27	<u>15,595,750</u>
Total payable from Debt Service Fund	<u>\$ 225,165,753</u>			<u>\$ 182,677,809</u>

(2) Notes and Loans Payable

Tennessee Municipal Bond Fund Loan (2003) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$6,000,000 for the purpose of paying for certain general government capital projects. The loan is being 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, 2012, is \$2,746,001 of which \$2,493,161 is due from Governmental Activities and \$252,840 is due from Solid Waste Fund.

Tennessee Municipal Bond Fund Loan (2004) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$25,000,000 for the purpose of paying for certain general government capital projects. The loan is being 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, 2012, is \$16,954,319, of which \$16,548,878 is due from Governmental Activities and \$405,441 is due from Solid Waste Fund.

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 which bears interest at 9.5% is being repaid over a 15-year period. The balance at June 30, 2012, is \$9,478.

Hennen Land Note - In December 2007, the City purchased the Narrow Bridge Property from Jenkins Road, LLC. The note is being repaid from 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, 2012, is \$323,821. Negotiations are underway to extend this note another five years beginning January 2013; the fixed parking prices have not yet been agreed between City and Jenkins Road, LLC.

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 is being amortized over 15 years with an optional redemption after 10 years. The balance at June 30, 2012 is \$3,661,000.

IDB Foreign Trade Zone Note Payable - In July 2008, the City entered into an agreement with Volkswagen Group of America, Inc. to jointly cover the cost 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, 2012, is \$27,871.

U.S. General Services Administration Land Note Payable - The City entered into an agreement with the U.S. General Services Administration to jointly purchase land with Hamilton County for economic development. The balance at June 30, 2012 of \$2,750,000 is due in full in 2015.

(3) Capital Leases

Chattanooga Downtown Redevelopment Corporation Capital Lease - In October 2000, the City entered into a non-cancelable 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 semi-annual 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 are funded by the City's share of the 0.5% 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, 2012, was \$9,700,350, of which \$2,986,987 was a reduction of principal. The recorded liability under this capital lease at June 30, 2012 is \$100,531,340.

The debt service reserve fund held by the fiscal agent at June 30, 2012 is \$9,756,000. 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, 2012 is \$93,758.

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.

(B) Business-type Activities

Debt related to business-type activities at June 30, 2012, consisted of the following:

(1) Revenue and General Obligation Bonds

The City periodically issues general obligation bonds for the acquisition and construction of major capital facilities. These bonds are direct obligations of each business type activities and are supported by the operation of the fund. Certain bonds are subject to federal arbitrage regulations. These bonds are generally issued as 15 to 30-year serial bonds.

Business-type activities bonds are summarized by issue as follows:

<u>Series</u>		<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2012</u>
Electric Power Board					
2006B Electric System Refunding Revenue Bonds	\$ 23,430,000	4.00% - 4.25%	09/01/25	\$ 23,430,000	
2006A Electric System Revenue Bonds	40,000,000	4.00% - 5.00%	09/01/31	36,670,000	
2008A Electric System Revenue Bonds	219,830,000	3.00% - 5.00%	09/01/33	219,830,000	
Interceptor Sewer System					
General Obligations Refunding Bonds, Series 1998	13,612,700	5.25% - 5.50%	09/01/17	7,815,300	
General Obligations Refunding Bonds, Series 2002	24,642,272	4.38% - 5.38%	09/01/14	7,183,792	
General Obligations Refunding Bonds, Series 2002A	32,252,050	3.60% - 5.00%	09/01/14	3,626,145	
General Obligations Refunding Bonds, Series 2005A	12,545,129	3.50% - 5.00%	09/01/19	11,008,029	
Solid Waste Fund					
General Obligation Refunding Bonds, Series 2002	10,526,302	4.38% - 5.38%	09/01/15	2,095,351	
General Obligation Refunding Bonds, Series 2005A	9,877,293	3.50% - 5.00%	09/01/19	8,354,735	
General Obligation Bonds, Series 2006A	5,667,204	4.00% - 5.00%	11/01/26	4,250,404	
General Obligation Refunding Bonds, Series 2007A	2,480,000	4.30% - 5.00%	03/01/26	2,480,000	
Water Quality Fund					
General Obligation Refunding Bonds, Series 2002	7,570,526	4.38% - 5.38%	09/01/15	1,565,857	
General Obligation Refunding Bonds, Series 2005A	6,046,071	3.50% - 5.00%	09/01/19	5,212,579	
General Obligation Refunding Bonds, Series 2007A	<u>750,000</u>	24.30% - 5.00%	03/01/26	<u>750,000</u>	
Total payable from Business-type Activities	<u>\$ 409,229,547</u>				<u>\$ 334,272,192</u>

(2) Notes and Loans Payable

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 is being repaid in monthly installments through 2013 with interest at 3.98%. The remaining balance at June 30, 2012 is shared equally by Interceptor Sewer Fund and Water Quality Fund of \$258,413.

1998 Georgia Environmental Facilities Authority - Pursuant to a loan agreement with the Georgia State Revolving Loan Fund, the City of Chattanooga was authorized to incur indebtedness up to \$7,255,000 for the purpose of financing sewer expansion in Northwest Georgia. The loan is being repaid over a 20-year period at 4% interest through 2020. In January 2012 Walker County fully paid their share of this debt of \$328,946, which shortened the payment period from October 2019 to January 2019. The balance at June 30, 2012 to be paid from Interceptor Sewer Fund is \$2,977,925.

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 is being repaid in monthly installments through 2025 at 2.98% interest. The balance at June 30, 2012 to be paid from Interceptor Sewer Fund is \$27,889,153.

Tennessee Municipal Bond Fund Loan (2003) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$6,000,000 for the purpose of paying for certain general government capital projects. The loan is being 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, 2012 is \$2,746,001, of which \$2,493,161 is due from Governmental Activities and \$252,840 is due from Solid Waste Fund.

Tennessee Municipal Bond Fund Loan (2004) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$25,000,000 for the purpose of paying for certain general government capital projects. The loan is being 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, 2012 is \$16,954,319, of which \$16,548,878 is due from Governmental Activities and \$405,441 is due from Solid Waste Fund.

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 is being repaid in monthly installments through September 2031 at 2.79% interest. The balance at June 30, 2012 to be paid from Interceptor Sewer Fund is \$12,631,963.

2011 Secured (Telecom) Term Note – In March 2011, EPB obtained a bank loan for \$19,500,000 million with principal and interest due in sixty monthly installments for the benefit of the Telecom System, which is guaranteed by the revenue and assets of the Telecom System. The balance of the loan of \$15,000,000 million was amended in March 2012 with a new amortization schedule. The outstanding balance bears interest equal to 30 day LIBOR plus 1.75%, subject to a 1% floor of the LIBOR rate. The remaining balance at June 30, 2012 is \$14,412,000 million.

2011 Secured (Internet) Term Note – In October 2011, EPB obtained a bank loan for \$7,500,000 million with quarterly principal payments of \$93,750 with a maturity of October 2012 for the benefit of the Video and Internet System which is guaranteed by the revenue of the Video and Internet System. In August 2012, the outstanding balance of the loan was retired in connection with the issuance of a three year credit facility. The outstanding balance bears an interest rate of 1.75% over the LIBOR rate. The remaining balance at June 30, 2012 is \$7,313,000 million.

(3) Capital Lease

Collegedale Capital Lease - The City has a capital lease agreement with the City of Collegedale to 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, 2012 to be paid from Interceptor Sewer Fund is \$67,833.

(C) Component Units

Component Units debt at June 30, 2012, consisted of the following:

(1) Business-type activities bonds are summarized by issue as follows:

<u>Series</u>	<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2012</u>
Metropolitan Airport Authority Taxable Refunding Revenue Bonds, Series 2009	\$ 6,600,000	3.54% - 5.41%	04/01/19	\$ 5,630,575
Chattanooga Downtown Redevelopment Corporation 2007 Chatt Lease Rental Rev Ref Bonds	56,110,000	4.00% - 5.00%	10/01/30	52,485,000
2010 Chatt Lease Rental Rev Ref Bonds	<u>66,955,000</u>	3.00% - 5.00%	10/01/24	<u>66,290,000</u>
Total payable from Component Units	<u>\$ 129,665,000</u>			<u>\$ 124,405,575</u>

(2) Capital Lease

Fuel Facility Capital Lease – Effective July 1, 2012, the Authority entered into a leasing arrangement for a fuel facility which is classified as a capital lease. The lease agreement specified no rental payment for the first twelve months of the lease. The Authority has recorded lease expense on the straight-line method over the life of the lease and has accrued lease expense as of June 30, 2012. The balance on this capital lease at June 30, 2012 to be paid from the Chattanooga Metropolitan Airport Authority is \$186,643.

(D) Refunding

The City issued \$17,545,000 in General Obligation Refunding Bonds with interest rates ranging from 2.0% to 4.0%. The proceeds were used to refund \$18,360,000 of outstanding General Obligation Bonds, Series 2002 and 2003A, which had interest rates ranging from 3.2% to 4.5%. The net proceeds, including a \$1,372,466 premium and \$342,727 in underwriting fees and other issue costs, were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the refunded bonds are considered defeased, and the liability for those bonds has been removed from the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$193,779. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City achieved an estimated \$1,621,942 economic gain (difference between the present values of the debt service payments on the old and new debt).

In prior years, the City refunded certain 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, 2012, the remaining liabilities for the bonds refunded were as follows:

<u>Year Refunded</u>	<u>Primary Government</u>	<u>Component Units</u>
1992	\$ 4,590,000	\$ -
1998	9,845,000	-
2002	14,760,000	-
2003	4,785,000	-
2005	44,035,000	-
2007	17,715,000	52,030,000
2010	31,485,000	-
2011	18,360,000	66,290,000

(E) Changes in Long-term Liabilities

Changes in long-term liabilities for the fiscal year ended June 30, 2012, were as follows:

<u>Primary Government</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
General obligation serial bonds					
Notes payable	\$ 165,968,711	\$ 44,040,000	\$ 27,330,902	\$ 182,677,809	\$ 10,937,524
Capital leases payable	28,547,882	75,201	2,808,874	25,814,209	2,250,690
Accrued pollution remediation costs	103,678,615	-	3,053,517	100,625,098	3,233,918
Accrued postemployment benefits	1,580,000	36,593	273,643	1,342,950	115,852
Compensated absences	27,081,987	18,707,003	14,288,701	31,500,289	-
	<u>17,137,030</u>	<u>11,020,769</u>	<u>10,363,535</u>	<u>17,794,264</u>	<u>6,290,690</u>
Total governmental activities	<u>\$ 343,994,225</u>	<u>\$ 73,879,566</u>	<u>\$ 58,119,172</u>	<u>359,754,619</u>	<u>\$ 22,828,674</u>
Net deferred refunding and original issue premiums and discounts				<u>2,901,715</u>	
				<u><u>\$ 362,656,334</u></u>	
BUSINESS-TYPE ACTIVITIES					
EPB:					
Revenue bonds	\$ 282,680,000	\$ -	\$ 2,750,000	\$ 279,930,000	\$ 2,965,000
Notes payable	18,907,000	7,500,000	4,682,000	21,725,000	3,613,000
Accrued postemployment benefits	8,830,000	1,888,000	1,763,000	8,955,000	-
Compensated absences	608,000	<u>512,000</u>	<u>300,000</u>	<u>820,000</u>	<u>210,000</u>
	<u>311,025,000</u>	<u>9,900,000</u>	<u>9,495,000</u>	<u>311,430,000</u>	<u>6,788,000</u>
Interceptor Sewer System:					
General obligation serial bonds	35,469,891	-	5,836,625	29,633,266	6,013,985
Notes payable	46,642,781	-	3,014,534	43,628,247	2,843,661
Capital leases payable	96,119	-	28,286	67,833	30,133
Compensated absences	791,847	<u>659,232</u>	<u>635,668</u>	<u>815,411</u>	<u>357,204</u>
	<u>83,000,638</u>	<u>659,232</u>	<u>9,515,113</u>	<u>74,144,757</u>	<u>9,244,983</u>
Solid Waste/Sanitation Fund					
General obligation serial bonds	18,653,205	-	1,472,715	17,180,490	1,535,033
Notes payable	724,284	-	66,003	658,281	67,955
Accrued landfill closure costs	9,458,837	550,010	3,008,285	7,000,562	1,266,235
Compensated absences	63,952	<u>65,802</u>	<u>58,401</u>	<u>71,353</u>	<u>32,115</u>
	<u>28,900,278</u>	<u>615,812</u>	<u>4,605,404</u>	<u>24,910,686</u>	<u>2,901,338</u>

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
Water Quality/Management Fund:					
General obligation serial bonds	8,318,194	-	789,758	7,528,436	833,459
Notes payable	316,707	-	187,500	129,207	129,207
Compensated absences	527,564	637,571	577,536	587,599	291,262
	<u>9,162,465</u>	<u>637,571</u>	<u>1,554,794</u>	<u>8,245,242</u>	<u>1,253,928</u>
Total business-type activities	<u>\$ 432,088,381</u>	<u>\$ 11,812,615</u>	<u>\$ 25,170,311</u>	418,730,685	<u>\$20,188,249</u>
Net deferred refunding and original issue premiums and discounts				<u>7,940,097</u>	
					<u>\$ 426,670,782</u>
Discretely Presented Component Units					
Metropolitan Airport Authority:					
Revenue bond	\$ 5,955,989	\$ -	\$ 325,414	\$ 5,630,575	\$ 375,680
Capital lease	-	186,643	-	186,643	46,661
Chattanooga Downtown					
Redevelopment Corporation:					
Revenue bonds	122,835,000	-	4,060,000	118,775,000	4,240,000
Total component units	<u>\$ 128,790,989</u>	<u>\$ -</u>	<u>\$ 4,385,414</u>	124,592,218	<u>\$ 4,662,341</u>
Net deferred refunding and original issue premiums and discounts and swap option derivative				<u>5,781,963</u>	
					<u>\$ 130,374,181</u>

Total reductions in Long-Term Liabilities for Governmental Activities above are different than principal retirement expenditures in Governmental Funds. The difference is due to the principal portion of capital lease payments of \$2,986,987 to Chattanooga Downtown Redevelopment Corporation (CDRC), which is budgeted in general government expenditures.

Principal and interest requirements to maturity for bonds and notes payable are as follows:

<u>Year</u>	Primary Government			
	Governmental Activities		Business-Type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 13,188,214	\$ 7,063,560	\$ 18,001,299	\$ 17,524,506
2014	12,827,048	6,654,922	20,190,665	16,782,354
2015	15,905,178	6,300,307	21,624,364	15,967,551
2016	13,262,248	5,888,953	27,783,992	14,925,404
2017	11,754,211	5,491,239	18,924,623	14,079,005
2018-2022	60,786,395	21,575,059	83,016,978	58,820,180
2023-2027	58,168,724	10,475,181	81,702,813	41,018,374
2028-2032	22,600,000	1,925,188	88,813,193	21,210,477
2033-2037	-	-	40,355,000	2,042,375
	<u>\$ 208,492,018</u>	<u>\$ 65,374,409</u>	<u>\$ 400,412,927</u>	<u>\$ 202,370,226</u>
<u>Year</u>	Component Units			
		<u>Principal</u>	<u>Interest</u>	
2013		\$ 4,662,341	\$ 5,532,420	
2014		4,838,629	5,353,153	
2015		4,977,912	5,204,245	
2016		5,147,708	5,027,599	
2017		5,331,378	4,791,784	
2018-2022		31,869,250	19,492,966	
2023-2027		34,775,000	12,204,338	
2028-2032		32,990,000	3,438,250	
		<u>\$ 124,592,218</u>	<u>\$ 61,044,755</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
2013	\$ 3,233,918	\$ 6,522,599	\$ 30,133	\$ 3,520
2014	3,384,017	6,314,687	32,138	1,515
2015	3,570,878	6,096,546	5,562	46
2016	3,797,017	5,864,967	-	-
2017	4,039,430	5,618,723	-	-
2018-2022	24,325,515	23,821,510	-	-
2023-2027	33,010,861	14,876,548	-	-
2028-2032	<u>25,263,462</u>	<u>3,344,220</u>	-	-
	<u>\$ 100,625,098</u>	<u>\$ 72,459,800</u>	<u>\$ 67,833</u>	<u>\$ 5,081</u>

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS

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 another postemployment benefit plan. All permanent 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 another 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:

(A) Plans Administered by the City of Chattanooga

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.

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 12.95 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 firefighters and police officers employed by the City. The Plan is designed for each plan participant to contribute 8 or 9 percent of base salary. The City is currently contributing 27.74 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 normal retirement benefit is 68.75 percent of average base salary, calculated as 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 (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.

(3) Other Postemployment Benefits

The City maintains a single-employer defined benefit postemployment healthcare plan for retirees and their dependents. 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. Employees who did not meet eligibility requirements by July 1, 2010 will no longer be eligible to receive post-employment healthcare benefits upon attaining Medicare eligibility.

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 established an Other Postemployment Benefits Trust (the Trust) in 2008 to partially pre-fund benefits. Beginning in 2011, the City began funding the 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. The City is currently contributing 14.9 percent of the total covered payroll of participants. All obligations are liquidated from the OPEB trust.

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 substantive 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.

Current membership in each of these plans was comprised of the following as of June 30, 2012:

<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	842	706	1,038
Vested terminated employees	97	9	-
Active employees	1,431	820	1,991
Actuarial update	1/1/2012	1/1/2012	1/1/2012

Annual Pension Cost and Net Pension Obligation:

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

	<u>General Pension Plan</u>	<u>Fire and Police Pension Fund</u>	<u>Other Postemployment Benefits</u>
Annual required contribution	\$ 7,203,000	\$ 9,692,292	\$ 14,288,701
Interest on net pension/OPEB obligation (asset)	(100,906)	(339,846)	2,371,488
Adjustment to annual required contribution	<u>112,937</u>	<u>262,696</u>	<u>(2,490,461)</u>
Annual pension/OPEB cost	7,215,031	9,615,142	14,169,688
Adjustment to NPO prior contributions	-	-	-
Contributions made	<u>(6,682,722)</u>	<u>(9,923,681)</u>	<u>(14,288,701)</u>
Increase in net pension/OPEB obligation (asset)	532,309	(308,539)	(119,013)
Net pension/OPEB obligation (asset) at beginning of year	<u>(1,302,008)</u>	<u>(4,385,105)</u>	<u>31,619,302</u>
Net pension/OPEB obligation (asset at end of year)	<u>\$ (769,699)</u>	<u>\$ (4,693,644)</u>	<u>\$ 31,500,289</u>

The city's Annual Pension Cost (APC), percentage of APC contributed, and Net Pension Obligation (Assets) for the plan for the current year and each of the two preceding years were as follows:

	<u>Year Ended</u>	Annual Pension/OPEB Cost (APC)	Percentage of APC Contributed	Net Pension/ OPEB Obligation (Assets)
General Pension Plan	6/30/12	\$ 7,215,031	92.62%	\$ (769,699)
	6/30/11	6,340,774	69.02%	(1,302,008)
	6/30/10	3,817,842	99.01%	(4,100,566)
Fire and Police Pension Fund	6/30/12	9,615,142	103.21%	(4,693,644)
	6/30/11	8,526,415	96.58%	(4,385,105)
	6/30/10	7,818,280	107.01%	(4,677,104)
Other Postemployment Benefits	6/30/12	14,169,688	100.84%	31,500,289
	6/30/11	13,718,933	100.87%	31,619,302
	6/30/10	18,190,921	57.30%	27,201,450

Funded Status and Progress

For the General Pension Plan, the Unfunded Actuarial Accrued Liability and Funded Ratio as of the most recent Actuarial Valuation Date of January 1, 2012, were \$43,238,126 and 85.08% respectively.

For the Fire and Police Pension Plan, the Unfunded Actuarial Accrued Liability and Funded Ratio as of the most recent Actuarial Valuation Date of January 1, 2012, were \$131,792,588 and 66.23% respectively.

For the Other Postemployment Benefit Plan, the Unfunded Actuarial Accrued Liability and Funded Ratio as of the most recent Actuarial Valuation Date of January 1, 2012 were \$126,894,926 and 13.53% respectively.

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

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	12.95%	27.74%	14.9%
Contribution rates for plan members	2.00%	8.00%-9.00%	Varies
Annual pension/OPEB cost	\$7,215,031	\$9,615,142	\$14,169,688
Contributions made by employer	6,682,722	9,784,174	14,288,701
Contributions made by plan members	1,255,397	3,177,386	-
Actuarial valuation date for current contributions	January 1, 2012	January 1, 2012	January 1, 2012
Actuarial cost methods	Entry Age	Entry Age	Entry Age
Amortization method	Level Dollar	Level Percent	Level Dollar
Remaining amortization period	30 Years Open	27 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%	3.25%	3.00%

In the January 1, 2012, actuarial valuation for the City's OPEB Plan, the investment rate of return above is the assumed rate of return on trust fund assets. The actuarial valuation also uses an annual healthcare cost trend rate of 9%, reducing incrementally to an ultimate rate of 5.0%.

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 Pension Plan	Fire and Police Pension Fund	Total
ASSETS			
Receivables:			
Accrued income	\$ 318,006	\$ 153,646	\$ 471,652
Total receivables	<u>318,006</u>	<u>153,646</u>	<u>471,652</u>
Investments, at fair value:			
U.S. Government securities	-	570,486	570,486
Corporate bonds and notes	4,635,966	4,539,909	9,175,875
Preferred securities	-	5,140,689	5,140,689
Corporate stocks	67,780,585	31,540,550	99,321,135
Foreign equity	-	5,165,309	5,165,309
Mutual funds – preferred securities	-	5,653,384	5,653,384
Mutual funds – equity	56,803,865	42,829,858	99,633,723
Mutual funds – fixed income	51,352,347	19,349,075	70,701,422
Real estate	-	32,918,036	32,918,036
Hedge funds	36,759,573	51,110,615	87,870,188
Other investments	3,584,993	2,763,183	6,348,176
Temporary investments	<u>4,118,480</u>	<u>2,152,707</u>	<u>6,271,187</u>
Total investments	<u>225,035,809</u>	<u>203,733,801</u>	<u>428,769,610</u>
Total assets	<u>225,353,815</u>	<u>203,887,447</u>	<u>429,241,262</u>
LIABILITIES			
Accrued expenses	<u>106,806</u>	<u>76,600</u>	<u>183,406</u>
Total liabilities	<u>106,806</u>	<u>76,600</u>	<u>183,406</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 225,247,009</u>	<u>\$ 203,810,847</u>	<u>\$ 429,057,856</u>

Combining Statement of Changes in Plan Net Assets:

	General Pension Plan	Fire and Police Pension Fund	Total
ADDITIONS			
Contributions:			
Employer	\$ 7,170,684	\$ 10,392,547	\$ 17,563,231
Employee	1,117,385	3,195,581	4,312,966
Other	-	246,628	246,628
Total contributions	<u>8,288,069</u>	<u>13,834,756</u>	<u>22,122,825</u>
Investment income:			
Net appreciation in fair market value of investments	(1,312,998)	6,335,076	5,022,078
Interest	420,127	280,125	700,252
Dividends	<u>1,991,902</u>	<u>3,955,650</u>	<u>5,947,552</u>
Less investment expense	1,099,031	10,570,851	11,669,882
Net investment income (loss)	<u>(576,236)</u>	<u>(709,770)</u>	<u>(1,286,006)</u>
Total additions	<u>522,795</u>	<u>9,861,081</u>	<u>10,383,876</u>

DEDUCTIONS			
Benefits paid to participants	13,443,646	23,148,326	36,591,972
Administrative expenses	<u>194,485</u>	<u>734,826</u>	<u>929,311</u>
Total deductions	<u>13,638,131</u>	<u>23,883,152</u>	<u>37,521,283</u>
NET INCREASE	(4,827,267)	(187,315)	(5,014,582)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
Beginning of year	<u>230,074,275</u>	<u>203,998,163</u>	<u>434,072,438</u>
End of year	<u>\$ 225,247,008</u>	<u>\$ 203,810,848</u>	<u>\$ 429,057,856</u>

(4) 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, 2011	\$ 19,291,044
Deferrals of compensation	1,558,823
Earnings (losses)	15,938
Withdrawals	(1,173,973)
Administrative expenses	<u>(8,105)</u>
Asset balance at June 30, 2012	<u>\$ 19,683,727</u>

(B) Plans not Administered by the City of Chattanooga

(1) EPB Pension Plan

The Electric Power Board of Chattanooga Retirement Plan (the "Plan") is a single-employer defined benefit pension 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. A stand-alone financial report is not issued for this plan.

Contribution requirements of Plan members and EPB are established and may 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 9.83 percent of annual covered payroll.

EPB's annual pension cost of the Plan for the current year was approximately \$2,796,000. EPB has no net pension obligation at June 30, 2012, as calculated by actuarial valuation. The annual required contribution was determined as part of an actuarial valuation performed as of August 1, 2011, using the cost method. The cost method does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used in the valuation include: (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 postemployment benefit increases, and (d) a discount rate of 7.5% for preretirement and a blend of 7.5% and 4.0% for post-employment.

Funded Status and Progress:

The Unfunded Actuarial Accrued Liability and Funded Ratio as of the most recent Actuarial Valuation Date of August 1, 2011, were \$8,090,000 and 79.18% respectively. Complete funded status and funding progress may be found on page B-1.

Trend Information:

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 2,796,000	100.0%	\$ -
6/30/11	2,726,000	100.0%	-
6/30/10	2,048,000	100.0%	-

(2) EPB Other Postemployment Benefits

The Electric Power Board of Chattanooga Postemployment 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.

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 2012, EPB contributed approximately \$1.8 million for current claims.

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

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. 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	9.83%	7.1%
Contribution rates for plan members	-	Varies
Annual pension/OPEB cost	\$2,796,000	\$ 1,888,000
Contributions made by employer	2,796,000	1,763,000
Contributions made by plan members	-	-
Actuarial valuation date for current contributions	August 1, 2011	July 1, 2011
Actuarial cost methods	Aggregate Cost Method	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%

Funded Status and Progress:

The Unfunded Actuarial Accrued Liability and Funded Ratio as of the most recent Actuarial Valuation Date of July 1, 2011, were \$10,063,000 and 59.2% respectively. Complete funded status and funding progress may be found on page B-1.

Trend Information:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	\$ 1,888,000	93%	\$ 8,955,000
6/30/11	1,764,000	125%	8,830,000
6/30/10	1,766,000	93%	9,272,000

In the July 1, 2011, 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 2019. 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, 2011, 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	\$ 2,796,000	\$ 1,888,000
Interest on net pension/OPEB obligation	-	-
Adjustment to annual required contribution	<u>-</u>	<u>-</u>
Annual pension/OPEB cost	2,796,000	1,888,000
Contributions made	<u>(2,796,000)</u>	<u>(1,763,000)</u>
Increase in net pension/OPEB obligation	-	125,000
Net pension/OPEB obligation at beginning of year	<u>-</u>	<u>8,830,000</u>
Net pension/OPEB obligation at end of year	<u>\$ -</u>	<u>\$ 8,955,000</u>

(3) 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. Participating employees are immediately fully vested. For the year ended June 30, 2012, EPB contributions were approximately \$1.0 million while employee contributions were approximately \$2.4 million.

(C) 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>
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Disability and Retirement Plan:

6/30/12	\$816,672	100.0%	\$ -
6/30/11	931,980	100.0%	-
6/30/10	686,159	100.0%	-

Defined Benefit Plan:

6/30/12	\$160,995	0.0%	\$ 383,541
6/30/11	89,461	0.0%	222,546
6/30/10	79,922	62.6%	133,085

NOTE 8. FUND BALANCE

The City Council has adopted a policy to maintain a minimum level of unrestricted fund balance (the total of committed, assigned and unassigned components of fund balance) in the General Fund. The target level is a balance equal to a minimum of 15% of General Fund revenues and transfers in. This amount is intended to provide for one-time capital needs or for emergency expenditures which meet specific guidelines. If fund balance falls below the minimum target level, the policy provides for actions to replenish the amount to the minimum target level within a three-year period. For the year ended June 30, 2012, the minimum fund balance per policy is \$34.8 million. The current unrestricted fund balance is \$51.1 million.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances:				
Nonspendable				
Endowments	\$ -	\$ -	\$ 3,716,415	\$ 3,716,415
Inventory	826,741	-	-	826,741
Long-term notes receivable	3,542,918	1,693,088	-	5,236,006
Prepaid expenses	8,000	-	9,214	17,214
Restricted				
Law enforcement	67,393	-	918,761	986,154
Economic development	4,774,067	-	11,780	4,785,847
African-American Museum	42,794	-	-	42,794
Special programs	2,617,809	-	-	2,617,809
Capital projects	-	36,264,982	-	36,264,982
Library Endowment	-	-	13,055	13,055
Human services program	-	-	821,962	821,962
State street aid	-	-	1,102,499	1,102,499
Community development	-	-	1,249,441	1,249,441
Hotel-Motel tax revenue pledge	-	-	2,340,079	2,340,079
Regional Planning Agency	-	-	75,844	75,844
Air Pollution Control Bureau	-	-	624,010	624,010
Committed				
Law enforcement	529,218	-	-	529,218
Economic development	234,706	-	-	234,706
Free Public Library	160,820	-	-	160,820
African-American Museum	42,794	-	-	42,794
Regional Planning Agency	-	-	2,075,878	2,075,878
Air Pollution Control Bureau	-	-	449,790	449,790
Scenic Cities Beautiful Commission	-	-	231,988	231,988
Tennessee Valley Regional Communications	-	-	45,855	45,855
Debt service	-	-	652,700	652,700
Assigned				
Public Library	1,595,053	-	-	1,595,053
Special programs	1,232,974	-	-	1,232,974
Human services program	-	-	126,789	126,789
River Pier garage	-	-	477,303	477,303
Other purposes	1,858,091	-	-	1,858,091
Unassigned	<u>45,470,014</u>	<u>-</u>	<u>-</u>	<u>45,470,014</u>
Total fund balances	<u>\$ 63,003,392</u>	<u>\$ 37,958,070</u>	<u>\$ 14,943,363</u>	<u>\$115,904,825</u>
Summary for Governmental Funds				
Balance Sheet (page A - 4):				
Nonspendable	\$ 4,377,659	\$ 1,693,088	\$ 3,725,629	\$ 9,796,376
Restricted	7,502,063	36,264,982	7,157,431	50,924,476
Committed	967,538	-	3,456,211	4,423,749
Assigned	4,686,118	-	604,092	5,290,210
Unassigned	<u>45,470,014</u>	<u>-</u>	<u>-</u>	<u>45,470,014</u>
Total fund balances	<u>\$ 63,003,392</u>	<u>\$ 37,958,070</u>	<u>\$ 14,943,363</u>	<u>\$115,904,825</u>

NOTE 9. INTERFUND BALANCES

Interfund receivables and payables are due to charges between funds that are outstanding as of June 30, 2012, as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Project Fund	\$ 745,900
Nonmajor Governmental Funds (Debt Service)	Capital Projects Fund	323,822
Capital Projects Fund	General Fund	4,113,000
Capital Projects Fund	Nonmajor Governmental Funds (Hotel/Motel)	204,418
		<u>\$ 5,387,140</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 10. INTERFUND TRANSFERS

	Transfers In:						Total
	General Fund	Capital Projects	Nonmajor Governmental	Solid Waste	Water Quality Management	Internal Service Fund	
Transfer out:							
General Fund	\$ -	\$ 5,938,819	\$ 14,039,670	\$ -	\$ -	\$ 3,757,000	\$ 23,735,489
Capital Projects Fund	48,660	-	131,156	290,000	-	-	469,816
Nonmajor Governmental Funds:							
Bicentennial Library	1,308,852	-	-	-	-	-	1,308,852
Narcotics Program	-	600,000	-	-	-	-	600,000
Community Development	23,499	512,285	478,505	-	49,100	-	1,063,389
Hotel/Motel Tax	-	1,200,000	3,193,219	-	-	-	4,393,219
TN Valley Regional Communications	-	80,221	-	-	-	-	80,221
Electric Power Board	6,375,411	-	-	-	-	-	6,375,411
Total	<u>\$ 7,756,422</u>	<u>\$ 8,331,325</u>	<u>\$ 17,842,550</u>	<u>\$ 290,000</u>	<u>\$ 49,100</u>	<u>\$ 3,757,000</u>	<u>\$ 38,026,397</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.

NOTE 11. 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 the deductible amount which is ranging from \$25,000 to \$75,000 depending on the type of damage. 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, 2012, 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, 2012, the Internal Service Fund liability consists of \$4,733,000 related to torts and \$2,882,821 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, 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	284,568	7,866,034
Incurred claims, including IBNRs/reduction in estimated liabilities	1,466,033	23,944,066
Claim payments	<u>(1,503,458)</u>	<u>(24,194,279)</u>
Unpaid claims, June 30, 2012	<u>\$ 247,143</u>	<u>\$ 7,615,821</u>
Due within one year	<u>\$ 247,143</u>	<u>\$ 7,615,821</u>

NOTE 12. COMMITMENTS AND CONTINGENCIES

(A) Construction Commitments

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, 2012. The total contractual commitments outstanding as of June 30, 2012, aggregated approximately \$31,105,393.

(B) Airport Debt

The Chattanooga Metropolitan Airport Authority, a component unit of the City, issued bonds in 1990 to build a new terminal. The original bonds were subsequently refunded to achieve economic savings. The bonds are collateralized through an Airport Operations Service Contract with the City. The City is obligated for any shortfall between Airport revenues and the principal and interest payments due on the debt. Since inception of the original bonds, assistance of the City has not been required.

(C) 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 6.6 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, 2012, are as follows:

Estimated liability, June 30, 2011	\$ 9,458,837
Expenses recognized	550,010
Costs incurred	<u>(3,008,285)</u>
Estimated liability, June 30, 2012	<u>\$ 7,000,562</u>
Due within one year	<u>\$ 1,266,235</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, 2012. 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.

(D) 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 party 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 spent \$273,643 in pollution remediation obligation related activities. At June 30, 2012, the City had an outstanding pollution remediation liability of \$3,705,971 with an estimated \$2,363,021 in grant revenue and donated services to offset these costs leaving a net pollution remediation obligation of \$1,342,949.

Site investigation, planning, cleanup and site monitoring are typical remediation activities underway across the City. One Brownfield remediation site had been identified last fiscal year for remediation activities to address contamination from hazardous substances. Cleanup activities at an old construction landfill on 36th Street and dumping at a railroad overpass on Tennessee Avenue is nearing completion.

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; 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 \$1,272,098 at the end of fiscal year 2012.

(E) 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.

(F) 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 currently has twenty-one (21) outstanding bond issues, the original amounts of which were \$266,170,000. The Health, Educational and Housing Facility Board currently has forty (40) bond issues, the original amount of which were \$628,255,727. The Boards have no means of determining the outstanding amount of these bonds.

NOTE 13. SEGMENT INFORMATION

EPB, the electric utility of the City of Chattanooga, issued revenue bonds to finance a portion of its electric system. In addition to providing electricity, EPB offers a range of fiber optic services. Both the electric and fiber optic divisions are accounted for in a single fund. Because investors in the revenue bonds rely on the revenue generated by electric activities for repayment, summary financial information for the electric and fiber divisions is presented below.

CONDENSED STATEMENT OF NET ASSETS

	<u>Electric Division</u>	<u>Fiber Optics Division</u>	<u>Eliminations</u>	<u>Total</u>
Assets:				
Current assets	\$ 166,573,000	\$ 6,280,000	\$ (1,297,000)	\$ 171,556,000
Due from other division	45,874,000	-	(45,874,000)	-
Restricted assets	5,403,000	150,000	-	5,553,000
Capital assets	<u>498,594,000</u>	<u>67,161,000</u>	<u>-</u>	<u>565,755,000</u>
Total assets	<u>716,444,000</u>	<u>73,591,000</u>	<u>(47,171,000)</u>	<u>742,864,000</u>
Liabilities:				
Current liabilities	125,196,000	14,879,000	(1,297,000)	138,778,000
Due to other division	-	45,874,000	(45,874,000)	-
Noncurrent liabilities	<u>323,346,000</u>	<u>21,784,000</u>	<u>-</u>	<u>345,130,000</u>
Total liabilities	<u>448,542,000</u>	<u>82,537,000</u>	<u>(47,171,000)</u>	<u>483,908,000</u>
Net assets:				
Invested in capital assets, net of related debt	211,105,000	67,161,000	-	278,266,000
Restricted	-	-	-	-
Unrestricted	<u>56,797,000</u>	<u>(76,107,000)</u>	<u>-</u>	<u>(19,310,000)</u>
Total net assets	<u>\$ 267,902,000</u>	<u>\$ (8,946,000)</u>	<u>\$ -</u>	<u>\$ 258,956,000</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	<u>Electric Division</u>	<u>Fiber Optics Division</u>	<u>Eliminations</u>	<u>Total</u>
Customer charges	\$ 560,996,000	\$ 66,502,000	\$ (8,946,000)	\$ 618,552,000
Depreciation expense	(30,884,000)	(10,829,000)	-	(41,713,000)
Other operating expense	<u>(509,048,000)</u>	<u>(46,870,000)</u>	<u>8,946,000</u>	<u>(546,972,000)</u>
Operating income	21,064,000	8,803,000	-	29,867,000
Nonoperating revenues (expenses):				
Investment earnings	1,471,000	-	(1,073,000)	398,000
Interest expense	(12,370,000)	(1,555,000)	1,073,000	(12,852,000)
Other nonoperating	336,411	-	-	336,411
Transfer to General Fund	<u>(5,752,411)</u>	<u>(623,000)</u>	<u>-</u>	<u>(6,375,411)</u>
Change in net assets	4,749,000	6,625,000	-	11,374,000
Beginning net assets	<u>263,153,000</u>	<u>(15,571,000)</u>	<u>-</u>	<u>247,582,000</u>
Ending net assets	<u>\$ 267,902,000</u>	<u>\$ (8,946,000)</u>	<u>\$ -</u>	<u>\$ 258,956,000</u>

CONDENSED STATEMENT OF CASH FLOWS

	<u>Electric Division</u>	<u>Fiber Optics Division</u>	<u>Eliminations</u>	<u>Total</u>
Net cash provided (used) by:				
Operating activities	\$ 58,340,000	\$ 16,442,000	\$ -	\$ 74,782,000
Capital and related financing activities	(85,634,000)	(15,576,000)	2,047,000	(99,163,000)
Investing activities	<u>7,576,000</u>	<u>-</u>	<u>(2,047,000)</u>	<u>5,529,000</u>
Net increase (decrease)	(19,718,000)	866,000	-	(18,852,000)
Beginning cash and cash equivalents	<u>98,520,000</u>	<u>774,000</u>	<u>-</u>	<u>99,294,000</u>
Ending cash and cash equivalents	<u>\$ 78,802,000</u>	<u>\$ 1,640,000</u>	<u>\$ -</u>	<u>\$ 80,442,000</u>

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 convention 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	\$ 11,407,597
Multiplied by two-thirds	<u>x 2/3</u>
City's equity interest	<u>\$ 7,605,065</u>

Condensed financial information for Carter Street Corporation as of June 30, 2012, is as follows:

ASSETS	
Cash	\$ 1,623,550
Accounts receivable, net	124,478
Prepaid expenses	36,053
Inventories	51,228
Other current assets	5,750
Capital assets, net	<u>10,013,236</u>
Total assets	<u>\$ 11,854,295</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 105,214
Accrued expenses	108,314
Advanced deposits	<u>233,170</u>
Total liabilities	<u>446,698</u>
NET ASSETS	
Invested in capital assets, net of related debt	10,013,236
Restricted	95,169
Unrestricted	<u>1,299,192</u>
Total net assets	<u>11,407,597</u>
Total liabilities and net assets	<u>\$ 11,854,295</u>
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	
Total operating revenues	\$ 5,879,250
Total operating expenses	<u>6,500,578</u>
Loss from operations	(621,328)
Nonoperating revenues	511,927
Capital contributions	<u>-</u>
Net decrease	(109,401)
Net assets, beginning of year	<u>11,516,998</u>
Net assets, end of year	<u>\$ 11,407,597</u>

Complete financial statement can be obtained from:

Carter Street Corporation
P.O. Box 6008
Chattanooga, TN 37401

NOTE 15. 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:

On July 17, 2012, the City announced it had reached an agreement with the U.S. Environmental Protection Agency (EPA), the State of Tennessee and the Tennessee Clean Water Network on a multi-year program to significantly minimize, and eliminate where possible, sanitary sewer overflows and improve the operation of the sewer system. This is a comprehensive, two-phase plan expected to cost \$250 million over a 15 year period which will be paid through user fees. Over \$55 million is included in the capital budget for the year ended June 30, 2013 to implement the plan. Chattanooga is the last of the large cities in Tennessee to address these issues through a settlement with EPA.

CITY OF CHATTANOOGA, TENNESSEE

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

June 30, 2012

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

General Pension Plan

January 1, 2012	\$ 246,465,076	\$ 289,703,202	\$ 43,238,126	85.08%	\$57,976,515	74.58%
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%)

Fire and Police Pension Fund

January 1, 2012	\$ 258,421,800	\$ 390,214,388	\$ 131,792,588	66.23%	\$37,288,914	353.44%
January 1, 2011	269,345,372	374,289,017	104,943,645	71.96%	34,940,022	300.35%
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%

Other Postemployment Benefits

January 1, 2012	\$ 19,853,844	\$ 146,748,770	\$ 126,894,926	13.53%	\$95,280,557	133.18%
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, 2011	\$ 14,604,000	\$ 24,667,000	\$ 10,063,000	59.20%	\$29,998,000	33.55%
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, 2012

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
2012	\$ 7,203,000	92.8%	\$ 9,692,292	102.4%	\$14,288,701	100.0%
2011	6,302,882	69.4%	8,613,696	95.6%	13,838,396	100.0%
2010	3,780,000	100.0%	7,903,392	105.9%	18,459,218	57.3%
2009	3,351,000	100.0%	7,686,489	108.5%	17,921,571	44.3%
2008	3,502,000	100.0%	7,504,469	99.0%	20,360,866	53.2%
2007	3,786,128	100.0%	7,540,220	89.0%	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
	1/1/2012	1/1/2012	1/1/2012
Valuation date	1/1/2012	1/1/2012	1/1/2012
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	27 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.

Bicentennial Library Fund accounts for revenues and expenditures of the Chattanooga-Hamilton County Bicentennial Library. As of fiscal year 2012, this became The Public Library solely operated by the City of Chattanooga and is now part of the General Fund.

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

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

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

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

Community Development Fund accounts for Community Development Block Grant funds received from the federal government for the purpose of enhancing the economic condition and meeting various types of housing needs 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 Bureau 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 Public Library.

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2012

	Special Revenue							
	Bicentennial Library	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax	
	ASSETS							
Cash and cash equivalents	\$ -	\$ 11,780	\$ 590,366	\$ 2,472,321	\$ 1,062,697	\$ 1,457,362	\$ 2,093,078	
Investments	-	-	-	-	-	-	-	
Receivables, net of allowance for uncollectibles:								
Accounts receivable	-	-	1,493	1,796	-	16,718	964,073	
Notes	-	-	-	-	-	16,221,118	-	
Due from other funds	-	-	-	-	-	-	-	
Due from other governments:								
Federal	-	-	523,520	-	77,848	1,853,267	-	
State of Tennessee	-	-	298,442	-	783,270	80,179	-	
Other	-	-	-	-	-	60,289	-	
Prepaid items	-	-	-	-	-	8,214	-	
Total assets	\$ -	\$ 11,780	\$ 1,413,821	\$ 2,474,117	\$ 1,923,815	\$ 19,697,147	\$ 3,057,151	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities:								
Accounts payable	\$ -	\$ -	\$ 209,048	\$ 1,555,356	\$ 353,759	\$ 224,793	\$ -	
Accrued payroll	-	-	256,022	-	71,446	16,155	-	
Due to other funds	-	-	-	-	-	-	204,418	
Deferred revenue	-	-	-	-	396,111	18,198,544	512,654	
Total liabilities	-	-	465,070	1,555,356	821,316	18,439,492	717,072	
Fund Balances:								
Nonspendable	-	-	-	-	-	8,214	-	
Restricted	-	11,780	821,962	918,761	1,102,499	1,249,441	2,340,079	
Committed	-	-	-	-	-	-	-	
Assigned	-	-	126,789	-	-	-	-	
Total fund balances	-	11,780	948,751	918,761	1,102,499	1,257,655	2,340,079	
Total liabilities and fund balances	\$ -	\$ 11,780	\$ 1,413,821	\$ 2,474,117	\$ 1,923,815	\$ 19,697,147	\$ 3,057,151	

River Pier Garage	Regional Planning Agency	Air Pollution Control Bureau	Scenic Cities Beautiful Commission	Tenn Valley Regional Communications	Total Special Revenue	Debt Service	Permanent Fund Library Endowment	Total Nonmajor Funds
\$ 425,984	\$ 2,159,518	\$ 784,709	\$ 233,570	\$ 75,917	\$ 11,367,302	\$ 328,878	\$ 114,931	\$ 11,811,111
-	-	-	-	-	-	-	3,614,539	3,614,539
51,319	-	2,240	-	-	1,037,639	-	-	1,037,639
-	-	-	-	-	16,221,118	-	-	16,221,118
-	-	-	-	-	-	323,822	-	323,822
-	19,674	324,150	-	-	2,798,459	-	-	2,798,459
-	48,425	-	-	-	1,210,316	-	-	1,210,316
-	7,745	-	-	-	68,034	-	-	68,034
-	-	-	-	1,000	9,214	-	-	9,214
<u>\$ 477,303</u>	<u>\$ 2,235,362</u>	<u>\$ 1,111,099</u>	<u>\$ 233,570</u>	<u>\$ 76,917</u>	<u>\$ 32,712,082</u>	<u>\$ 652,700</u>	<u>\$ 3,729,470</u>	<u>\$ 37,094,252</u>
\$ -	\$ 12,112	\$ 1,276	\$ -	\$ 9,644	\$ 2,365,988	\$ -	\$ -	\$ 2,365,988
-	71,528	36,023	1,582	20,418	473,174	-	-	473,174
-	-	-	-	-	204,418	-	-	204,418
-	-	-	-	-	19,107,309	-	-	19,107,309
<u>-</u>	<u>83,640</u>	<u>37,299</u>	<u>1,582</u>	<u>30,062</u>	<u>22,150,889</u>	<u>-</u>	<u>-</u>	<u>22,150,889</u>
-	-	-	-	1,000	9,214	-	3,716,415	3,725,629
-	75,844	624,010	-	-	7,144,376	-	13,055	7,157,431
-	2,075,878	449,790	231,988	45,855	2,803,511	652,700	-	3,456,211
<u>477,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>604,092</u>	<u>-</u>	<u>-</u>	<u>604,092</u>
<u>477,303</u>	<u>2,151,722</u>	<u>1,073,800</u>	<u>231,988</u>	<u>46,855</u>	<u>10,561,193</u>	<u>652,700</u>	<u>3,729,470</u>	<u>14,943,363</u>
<u>\$ 477,303</u>	<u>\$ 2,235,362</u>	<u>\$ 1,111,099</u>	<u>\$ 233,570</u>	<u>\$ 76,917</u>	<u>\$ 32,712,082</u>	<u>\$ 652,700</u>	<u>\$ 3,729,470</u>	<u>\$ 37,094,252</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2012

	Special Revenue						
	Bicentennial Library	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,001,504
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental:							
Federal	-	-	8,927,827	2,413	6,171	4,450,103	-
State	-	-	4,345,728	250	4,328,944	538,508	-
County	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Charges for services	-	-	65,825	-	-	277,836	-
Fines, forfeitures and penalties	-	-	-	43,352	-	-	-
Investment income	-	-	7,330	1,933	-	108,198	-
Sale of property	-	-	-	16,625	-	-	-
Contributions and donations	-	-	66,816	-	-	-	-
Miscellaneous	-	-	3,453	255,766	-	313,396	-
Total revenues	-	-	13,416,979	320,339	4,335,115	5,688,041	5,001,504
EXPENDITURES							
General government:							
General government	-	-	-	-	-	-	156,960
General services	-	-	-	-	-	-	-
Public safety:							
Police	-	-	-	423,055	-	-	-
Public works	-	-	-	-	4,803,415	-	-
Social services							
Human services	-	-	14,585,182	-	-	-	-
Community development	-	-	-	-	-	4,538,409	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	-	-	14,585,182	423,055	4,803,415	4,538,409	156,960
Excess (deficiency) of revenues over (under) expenditures	-	-	(1,168,203)	(102,716)	(468,300)	1,149,632	4,844,544
OTHER FINANCING SOURCES (USES)							
Transfers in	11,214	-	945,057	-	-	236,396	-
Transfers out	(1,308,852)	-	(211,580)	(600,000)	-	(1,284,982)	(4,393,219)
Total other financing sources (uses)	(1,297,638)	-	733,477	(600,000)	-	(1,048,586)	(4,393,219)
Net change in fund balances	(1,297,638)	-	(434,726)	(702,716)	(468,300)	101,046	451,325
FUND BALANCES, beginning	1,297,638	11,780	1,383,477	1,621,477	1,570,799	1,156,609	1,888,754
FUND BALANCES, ending	\$ -	\$ 11,780	\$ 948,751	\$ 918,761	\$ 1,102,499	\$ 1,257,655	\$ 2,340,079

River Pier Garage	Regional Planning Agency	Air Pollution Control Bureau	Scenic Cities Beautiful Commission	Tenn Valley Regional Communications	Total Special Revenue	Debt Service	Permanent Fund		Other Eliminations	Total Nonmajor Funds
							Library Endowment			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,001,504	\$ -	\$ -	\$ -	\$ -	\$ 5,001,504
	86,935	467,788			554,723					554,723
-	48,856	793,208		2,195	14,230,773					14,230,773
-	255,201	-	35,200	18,350	9,522,181					9,522,181
-	500,000	188,548	-	244,860	933,408	436,091				1,369,499
-	68,767	-	-	430,497	499,264					499,264
268,974	-	-	-	85,856	698,491					698,491
-	-	-	-	-	43,352					43,352
-	-	-	-	-	117,461		63,923			181,384
-	-	-	-	-	16,625					16,625
-	105,000	-	738	-	172,554					172,554
	1,356	-	-	206,748	780,719					780,719
268,974	1,066,115	1,449,544	35,938	988,506	32,571,055	436,091	63,923			33,071,069
106,095	2,933,787	1,424,320	66,671	-	4,687,833		70,360			4,758,193
-	-	-	-	1,033,162	1,033,162					1,033,162
-	-	-	-	-	423,055					423,055
-	-	-	-	-	4,803,415					4,803,415
-	-	-	-	-	14,585,182					14,585,182
-	-	-	-	-	4,538,409					4,538,409
-	-	-	-	-	-	11,846,305				11,846,305
-	-	-	-	-	-	7,067,048				7,067,048
106,095	2,933,787	1,424,320	66,671	1,033,162	30,071,056	18,913,353	70,360			49,054,769
162,879	(1,867,672)	25,224	(30,733)	(44,656)	2,499,999	(18,477,262)	(6,437)			(15,983,700)
-	2,702,112	270,820	5,000	-	4,170,599	14,175,588		(4,755,559)		13,590,628
-	(70,464)	-	-	(80,221)	(7,949,318)			4,755,559		(3,193,759)
-	2,631,648	270,820	5,000	(80,221)	(3,778,719)	14,175,588				10,396,869
162,879	763,976	296,044	(25,733)	(124,877)	(1,278,720)	(4,301,674)	(6,437)			(5,586,831)
314,424	1,387,746	777,756	257,721	171,732	11,839,913	4,954,374	3,735,907			20,530,194
\$ 477,303	\$ 2,151,722	\$ 1,073,800	\$ 231,988	\$ 46,855	\$ 10,561,193	\$ 652,700	\$ 3,729,470	\$ -		\$ 14,943,363

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, 2012

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
OPERATING REVENUES				
Charges for services	\$ 9,640,967	\$ 6,336,805	\$ 13,120,712	\$ 29,098,484
Other	-	292,103	4,835,237	5,127,340
Total operating revenues	<u>9,640,967</u>	<u>6,628,908</u>	<u>17,955,949</u>	<u>34,225,824</u>
OPERATING EXPENSES				
Airport operations	6,773,270	-	-	6,773,270
CARTA operations	-	16,991,591	-	16,991,591
CDRC operations	-	-	10,493,196	10,493,196
Management fees	246,086	-	392,267	638,353
Maintenance	371,967	-	-	371,967
Depreciation and amortization	<u>4,125,855</u>	<u>4,307,765</u>	<u>534,711</u>	<u>8,968,331</u>
Total operating expenses	<u>11,517,178</u>	<u>21,299,356</u>	<u>11,420,174</u>	<u>44,236,708</u>
OPERATING INCOME (LOSS)	<u>(1,876,211)</u>	<u>(14,670,448)</u>	<u>6,535,775</u>	<u>(10,010,884)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	-	7,455,064	-	7,455,064
Investment income	16,561	1,922	474,848	493,331
Interest expense	(309,234)	(50,580)	(5,252,346)	(5,612,160)
Other income (expense)	<u>1,830,919</u>	<u>-</u>	<u>-</u>	<u>1,830,919</u>
Total nonoperating revenues (expenses)	<u>1,538,246</u>	<u>7,406,406</u>	<u>(4,777,498)</u>	<u>4,167,154</u>
INCOME (LOSS) BEFORE CONTRIBUTION	<u>(337,965)</u>	<u>(7,264,042)</u>	<u>1,758,277</u>	<u>(5,843,730)</u>
Capital contributions	<u>9,037,489</u>	<u>6,524,086</u>	<u>-</u>	<u>15,561,575</u>
CHANGE IN NET ASSETS	8,699,524	(739,956)	1,758,277	9,717,845
Net assets, beginning	<u>86,089,036</u>	<u>26,972,026</u>	<u>(9,596,623)</u>	<u>103,464,439</u>
Net assets, ending	<u>\$ 94,788,560</u>	<u>\$ 26,232,070</u>	<u>\$ (7,838,346)</u>	<u>\$ 113,182,284</u>

CITY OF CHATTANOOGA, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS

Year Ended June 30, 2012

	Chattanooga Metropolitan Airport Authority	CARTA	Chattanooga Downtown Redevelopment Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 9,500,198	\$ 7,404,580	\$ 18,364,904	\$ 35,269,682
Payments to suppliers	(7,908,176)	(6,929,488)	(10,555,477)	(25,393,141)
Payments to employees	-	(10,619,556)	-	(10,619,556)
Net cash from operating activities	<u>1,592,022</u>	<u>(10,144,464)</u>	<u>7,809,427</u>	<u>(743,015)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental payments received	-	7,455,064	-	7,455,064
Net cash from noncapital financing activities	<u>-</u>	<u>7,455,064</u>	<u>-</u>	<u>7,455,064</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital debt	(325,414)	(78,333)	(4,060,000)	(4,463,747)
Principal received on capital lease	-	-	2,986,986	2,986,986
Interest paid on capital debt	(319,474)	(50,579)	(5,527,719)	(5,897,772)
Capital contributions	10,378,848	4,858,241	-	15,237,089
Net increase in revolving line of credit	(10,872,739)	(2,164,605)	-	(13,037,344)
Additions to capital assets	-	-	(507,268)	(507,268)
Passenger/customer facility charges collected	<u>1,811,950</u>	<u>-</u>	<u>-</u>	<u>1,811,950</u>
Net cash flows from capital and related financing activities	<u>673,171</u>	<u>2,564,724</u>	<u>(7,108,001)</u>	<u>(3,870,106)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	-	-	(87,205,224)	(87,205,224)
Proceeds from sales and maturities of investments	-	-	87,246,017	87,246,017
Interest on investments	<u>16,561</u>	<u>1,923</u>	<u>474,848</u>	<u>493,332</u>
Net cash flows from investing activities	<u>16,561</u>	<u>1,923</u>	<u>515,641</u>	<u>534,125</u>
Net increase (decrease) in cash and cash equivalents	2,281,754	(122,753)	1,217,067	3,376,068
Cash and cash equivalents, beginning of year	<u>10,543,458</u>	<u>1,216,550</u>	<u>3,472,594</u>	<u>15,232,602</u>
Cash and cash equivalents, end of year	<u>\$ 12,825,212</u>	<u>\$ 1,093,797</u>	<u>\$ 4,689,661</u>	<u>\$ 18,608,670</u>
CLASSIFIED AS:				
Current assets	\$ 8,831,558	\$ 1,093,797	\$ 4,689,661	\$ 14,615,016
Restricted assets	3,993,654	-	-	3,993,654
	<u>\$ 12,825,212</u>	<u>\$ 1,093,797</u>	<u>\$ 4,689,661</u>	<u>\$ 18,608,670</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS

Year Ended June 30, 2012

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)	<u>\$ (1,876,211)</u>	<u>\$ (14,670,448)</u>	<u>\$ 6,535,775</u>	<u>\$ (10,010,884)</u>
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**ADJUSTMENTS TO RECONCILE OPERATING
INCOME (LOSS) TO NET CASH FROM
OPERATING ACTIVITIES**

Depreciation and amortization	4,125,855	4,307,765	534,711	8,968,331
Loss on disposal of property and equipment	(2,284)	-	-	(2,284)
Provision for uncollectible account:	-	-	(34,913)	(34,913)
Bad debt expense	3,811	-	-	3,811
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(144,921)	775,672	443,868	1,074,619
(Increase) decrease in inventory	(69,907)	(179,039)	35,927	(213,019)
(Increase) decrease in prepaid items	(168,850)	(254,681)	-	(423,531)
Decrease in other assets	-	312,566	-	312,566
Increase (decrease) in accounts payable and accrued liabilities	(279,623)	(436,299)	260,105	(455,817)
Increase in deferred revenue	4,152	-	-	4,152
Increase (decrease) in other assets/liabilities	-	-	33,954	33,954

TOTAL ADJUSTMENTS	<u>3,468,233</u>	<u>4,525,984</u>	<u>1,273,652</u>	<u>9,267,869</u>
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NET CASH FROM OPERATING ACTIVITIES	<u>\$ 1,592,022</u>	<u>\$ (10,144,464)</u>	<u>\$ 7,809,427</u>	<u>\$ (743,015)</u>
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**SIGNIFICANT NONCASH INVESTING, CAPITAL
AND FINANCING ACTIVITIES**

Additions to property and equipment included in contracts payable	<u>\$ 325,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,591</u>
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CITY OF CHATTANOOGA, TENNESSEE

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

June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS				
Cash	\$ (7,842,433)	\$ 15,821,082	\$ 8,234,360	\$ (255,711)
Due from others	<u>7,842,433</u>	<u>8,234,360</u>	<u>15,821,082</u>	<u>255,711</u>
Total Assets	<u>\$ -</u>	<u>\$ 24,055,442</u>	<u>\$ 24,055,442</u>	<u>\$ -</u>
LIABILITIES				
Due to Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
REVENUES				
Taxes:				
Property taxes	\$110,732,960	\$110,732,960	\$109,681,901	\$ (1,051,059)
Payments in lieu of tax:				
PILOT CHA	143,400	143,400	99,622	(43,778)
PILOT TVA	1,838,400	1,838,400	1,980,252	141,852
PILOT JCT	2,300	2,300	2,280	(20)
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	500	500	480	(20)
PILOT Chattem	60,100	60,100	-	(60,100)
PILOT Signal Mtn Cement	94,100	94,100	-	(94,100)
PILOT Covenant Transport	49,800	49,800	25,864	(23,936)
PILOT The Bread Factory	1,900	1,900	1,938	38
PILOT LJT of Tennessee	37,600	37,600	41,598	3,998
PILOT Provident Life & Accident	11,700	11,700	30,205	18,505
PILOT South Market LLC	1,800	1,800	1,762	(38)
PILOT American Plastic	95,900	95,900	44,508	(51,392)
PILOT DuPont Sabanci	14,800	14,800	10,380	(4,420)
PILOT Frazier Partners	600	600	618	18
PILOT Invista	34,500	34,500	30,257	(4,243)
PILOT Adv Tech Ceramic	7,900	7,900	-	(7,900)
PILOT United Enertach Corp	9,000	9,000	10,053	1,053
PILOT Aerisyn Inc	45,300	45,300	-	(45,300)
PILOT TAG Manufacturing	47,400	47,400	50,932	3,532
PILOT Wm Wrigley Jr Co	72,100	72,100	58,267	(13,833)
PILOT Astec Industries	41,800	41,800	38,879	(2,921)
PILOT Blue Cross Blue Shield	933,500	933,500	930,200	(3,300)
PILOT East Tech Co	27,700	27,700	-	(27,700)
PILOT Heatec, Inc	5,200	5,200	6,820	1,620
PILOT Roadtec	31,300	31,300	27,777	(3,523)
PILOT Sphere One Inc	19,900	19,900	-	(19,900)
PILOT Steel Warehouse of TN	54,200	54,200	51,650	(2,550)
PILOT US Express Inc	54,500	54,500	51,369	(3,131)
PILOT United Packers of Chatt	59,800	59,800	38,421	(21,379)
PILOT MK LLC	2,000	2,000	2,457	457
PILOT Jarnigan Road-EMJ Corp	28,900	28,900	35,691	6,791
PILOT National Print	20,000	20,000	18,318	(1,682)
PILOT Southern Champion Tray	17,700	17,700	14,415	(3,285)
PILOT Vision Chestnut Hotel Group LLC	75,100	75,100	96,116	21,016
PILOT Alstom Power Inc.	941,500	941,500	-	(941,500)
PILOT Gestamp Chattanooga, LLC	151,900	151,900	-	(151,900)
PILOT Scannell Properties - Fedex, Inc.	22,600	22,600	54,760	32,160
PILOT Riverset Apartments	5,000	5,000	5,693	693
PILOT Westinghouse Electric Co.	-	-	92,773	92,773
PILOT U.S. Real Estate Ltd. Partner	-	-	47,713	47,713
PILOT Refunds	-	-	(6,894)	(6,894)
Interest and penalty on taxes:				
Current year	150,000	150,000	146,936	(3,064)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2012

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Taxes: (continued)				
Prior years	\$ 725,000	\$ 725,000	\$ 1,338,599	\$ 613,599
Collection fees - delinquent taxes	285,600	285,600	266,715	(18,885)
Corporate excise tax - intangible property	41,000	41,000	80,282	39,282
Other local taxes:				
Franchise taxes	2,882,500	2,882,500	2,915,030	32,530
Liquor taxes	1,958,200	1,958,200	2,062,772	104,572
Beer taxes	5,353,000	5,353,000	5,552,065	199,065
Local litigation tax City Court	2,800	2,800	2,735	(65)
Gross receipts tax	3,742,000	3,742,000	4,276,496	534,496
Total taxes	131,006,160	131,006,160	130,221,929	(784,231)
Licenses, fees & permits:				
Business Licenses	3,400	3,400	465	(2,935)
Business License Int & Pen	500	500	160	(340)
Wrecker Business License	5,800	5,800	6,850	1,050
Annual Electrical Contractor Lic	53,200	53,200	-	(53,200)
Electrical License Int & Pen	200	200	-	(200)
Liquor by Drink License	141,200	141,200	160,230	19,030
Liquor by Drink Int & Pen	2,200	2,200	1,420	(780)
Transient Vendor License	1,500	1,500	-	(1,500)
Motor Vehicle License	378,900	378,900	390,895	11,995
Original Business License Fee	24,300	24,300	26,235	1,935
Over & Under Business License	-	-	10	10
Building Permits	785,400	785,400	1,360,945	575,545
Electrical Permits	287,900	287,900	285,455	(2,445)
Plumbing Fixtures Connection Permits	161,600	161,600	154,311	(7,289)
Street Cut-in Permits	350,000	350,000	275,424	(74,576)
Mechanical Code Permits	125,000	125,000	138,269	13,269
Hotel Permits	5,000	5,000	3,200	(1,800)
Gas Permits	25,000	25,000	26,724	1,724
Sign Permits	136,300	136,300	141,155	4,855
Taxicab Driver Permits	1,900	1,900	6,900	5,000
Temporary Use Permits	4,000	4,000	4,005	5
Moving Permit Investigation Fee	-	-	100	100
Going Out of Business Permits	200	200	-	(200)
Traffic Eng Special Events Permits	13,000	13,000	8,268	(4,732)
Fortwood Parking Permits	1,700	1,700	2,435	735
Push Cart Permits	200	200	125	(75)
Goat Permit	-	-	100	100
Mobile Food Unit	-	-	100	100
Business License Issuance Fees	58,100	58,100	62,738	4,638
Plumbing Examiners Fees	30,000	30,000	36,405	6,405
Electrical Examiners Fees	30,000	30,000	135,784	105,784
Gas Examiners Fees	30,000	30,000	33,415	3,415
Beer Permit Application Fees	93,000	93,000	97,442	4,442
Mechanical Exam Fees	60,000	60,000	55,770	(4,230)
Permit Issuance Fees	43,000	43,000	44,673	1,673
Exhibitors Fees	1,200	1,200	-	(1,200)
Subdivision Review & Inspection Fees	15,000	15,000	12,975	(2,025)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2012

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Licenses, fees & permits: (continued)				
Adult Entertain Application Fees	\$ 13,000	\$ 13,000	\$ 15,100	\$ 2,100
Zoning Letter Fees	11,000	11,000	11,475	475
Variance Request Fees	8,100	8,100	7,300	(800)
Certificate of Occupancy Fees	19,100	19,100	17,920	(1,180)
Sewer Verification Letter Fees	1,000	1,000	225	(775)
Code Compliance Letter Fees	400	400	1,150	750
Modular Home Site Investigation Fees	400	400	250	(150)
Plan Checking Fees	146,200	146,200	248,507	102,307
Phased Construction Plan Review Fees	9,000	9,000	145,275	136,275
Construction Board of Appeals Fees	7,300	7,300	1,150	(6,150)
Sign Board of Appeals Fees	3,700	3,700	5,600	1,900
Dead Animal Pickup at Vet Fees	1,000	1,000	4,295	3,295
Hardship-Appropriateness Construction Fee	-	-	50	50
Northshore Design Appeal Fee	400	400	1,400	1,000
Northshore-Downtown Plan Review Fee	500	500	525	25
Floodplain Variance Request Fee	-	-	800	800
Fire Permits	8,900	8,900	12,500	3,600
Designated revenues:				
Parking meters	1,237,523	1,237,523	1,237,523	-
Total licenses, fees & permits	4,336,223	4,336,223	5,184,028	847,805
Intergovernmental revenues:				
Federal Funds	-	-	1,573,193	1,573,193
State:				
State Operations Funds	-	-	18,536	18,536
State Operations Funds TEMA	-	-	256,687	256,687
State Operations Funds Training Supplement F&P	469,800	469,800	486,600	16,800
State Shared Ops Maintenance of Streets	320,000	320,000	337,800	17,800
State Shared City Alloc State Sales Tax	10,420,100	10,420,100	11,313,906	893,806
State Shared City Alloc State Income Tax	1,800,000	1,800,000	2,651,352	851,352
State Shared City Alloc State Beer Tax	81,400	81,400	82,308	908
State Shared Mixed Drink Tax	1,919,000	1,919,000	2,095,770	176,770
State Shared Telecommunications Sales Tax	11,000	11,000	10,332	(668)
State Shared Alcoholic Beverage Tax	107,500	107,500	109,225	1,725
State Shared Gas Inspection Fees	335,500	335,500	344,195	8,695
State Shared Commission Gross Receipts	275,800	275,800	395,256	119,456
County:				
Ham Co Oper Ross's Landing	1,093,740	1,093,740	1,199,191	105,451
Ham Co Shared County-wide Sales Tax	36,657,700	36,657,700	38,054,892	1,397,192
Other Intergovernmental	-	-	57,300	57,300
Designated revenues:				
County-wide Sales Tax	10,983,200	10,983,200	11,365,043	381,843
TDZ	-	-	308,833	308,833
Other designated revenue	3,786,815	3,786,815	5,242,466	1,455,651
Total intergovernmental revenues	68,261,555	68,261,555	75,902,885	7,641,330

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2012

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Charges for services:				
Court Cost Current	\$ 200,000	\$ 200,000	\$ 274,119	\$ 74,119
Court Commissions	8,200	8,200	7,751	(449)
Court Clerk's Fee Current	868,400	868,400	1,005,399	136,999
Court Clerk's Fee Delinquent	-	-	1,741	1,741
Court Service of Process	-	-	940	940
Court Processing of Release Forms	12,800	12,800	18,188	5,388
Court Administrative Cost	10,800	10,800	13,732	2,932
Court Current State Cost	2,500	2,500	1,355	(1,145)
Court Copy Record Income	-	-	36	36
Court Transalation Service Fee	-	-	10,914	10,914
Facility Rents	304,100	304,100	262,429	(41,671)
Property Rental Revenue	86,200	86,200	94,119	7,919
Ballfield Income	57,900	57,900	108,019	50,119
Skateboard Park Fees	32,300	32,300	25,198	(7,102)
Carousel Ridership	90,900	90,900	88,731	(2,169)
Walker Pavilion Rent	22,200	22,200	15,439	(6,761)
Coolidge Park Table Rental	700	700	100	(600)
Heritage Park House Rent	34,500	34,500	25,770	(8,730)
Renaissance Park Rent	-	-	1,650	1,650
Greenway Facility Rent	17,000	17,000	16,420	(580)
Fitness Center Fees	46,000	46,000	48,809	2,809
Parking Lots	-	-	3,614	3,614
Dock Rental	44,300	44,300	64,505	20,205
Ross' Landing Rent	1,300	1,300	10,720	9,420
Champion's Club Fees	51,000	51,000	49,972	(1,028)
Recreation Center Rental	58,600	58,600	67,634	9,034
Carousel Room Rental	5,000	5,000	5,280	280
Coolidge Park Rental	3,500	3,500	9,750	6,250
Walnut Street Bridge Rental	-	-	500	500
Preservation Fee	103,000	103,000	146,224	43,224
Box Office Fee	164,000	164,000	209,596	45,596
Ticket Stock Charge	-	-	2,866	2,866
Overtime Reimbursement	3,300	3,300	11,967	8,667
Program Fees	-	-	1,350	1,350
Park Event Fees	22,000	22,000	27,522	5,522
Kidz Kamp Fees	60,600	60,600	39,495	(21,105)
Sports Program Fees	14,500	14,500	29,812	15,312
Non-Traditional Program Fees	3,800	3,800	3,657	(143)
OutVenture Fees	20,000	20,000	35,656	15,656
Therapeutic Fees	3,000	3,000	1,975	(1,025)
Swimming Pool Fees	106,100	106,100	127,854	21,754
Arts & Culture Fees	13,100	13,100	16,898	3,798
Police Report Fees	42,100	42,100	47,272	5,172
ID Card Fees	900	900	-	(900)
Credit Card Processing Fee	100,500	100,500	121,527	21,027
Concessions	100,000	100,000	83,703	(16,297)
Civic Facilities Show Merchandise	12,500	12,500	26,819	14,319
Financial Service EPB	7,200	7,200	7,200	-
Fire & Ambulance Service Fees	400	400	410	10

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2012

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Charges for services: (continued)				
General Pension Admin Cost	\$ 40,000	\$ 40,000	\$ 45,000	\$ 5,000
Returned Check Fee	3,300	3,300	2,535	(765)
Waste Container Purchases	21,000	21,000	25,200	4,200
Nonprofit Request Fee	-	-	1,750	1,750
Revenue Adjustment	-	-	(62)	(62)
Chargebacks	-	-	(552)	(552)
Over & Under	-	-	(753)	(753)
Designated revenues	2,164,130	2,164,130	2,099,393	(64,737)
 Total charges for services	 4,963,630	 4,963,630	 5,347,148	 383,518
Fines & forfeitures:				
City Court fines	543,900	543,900	698,418	154,518
Criminal Court fines	110,000	110,000	137,080	27,080
Traffic Court fines	560,500	560,500	426,595	(133,905)
Air pollution penalties	1,200	1,200	15,340	14,140
Designated revenues	1,524,000	1,524,000	828,167	(695,833)
 Total fines and forfeitures	 2,739,600	 2,739,600	 2,105,600	 (634,000)
Miscellaneous revenues:				
Interest earned	428,300	428,300	680,733	252,433
Sale of property	34,600	34,600	177,576	142,976
Donations	-	-	20,020	20,020
Settlements	69,200	69,200	76,146	6,946
Departmental billings	2,815,900	2,815,900	3,549,581	733,681
Miscellaneous revenue	156,200	156,200	536,351	380,151
Designated revenues	174,568	174,568	460,346	285,778
 Total miscellaneous revenues	 3,678,768	 3,678,768	 5,500,753	 1,821,985
 Total revenues	 214,985,936	 214,985,936	 224,262,343	 9,276,407
 EXPENDITURES:				
General Government & Agencies:				
City Council	784,432	784,432	798,612	14,180
City Judges	800,306	800,306	807,975	7,669
City Attorney	1,389,708	1,389,708	1,341,818	(47,890)
Internal Audit	545,567	545,567	512,058	(33,509)
Information Services:				
Information Services Admin	3,907,698	3,907,698	4,368,599	460,901
Telephone Systems	61,812	61,812	108,982	47,170
311 Call Center	606,980	606,980	538,513	(68,467)
External Appropriations:				
CARCOG & Economic Dev Dist	36,038	38,535	38,535	-
Allied Arts Council Fund, Inc.	176,472	176,472	176,472	-
Carter Street Corporation	200,000	200,000	200,000	-
Chatt Neighborhood Enterprise	1,150,000	1,150,000	910,717	(239,283)
WTCI-TV Channel 45	80,000	80,000	80,000	-
Tennessee River Park	1,050,701	1,050,701	963,372	(87,329)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2012

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
External Appropriations: (continued)				
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	50,000	50,000	50,000	-
Bessie Smith Cultural Center	54,000	54,000	54,000	-
Chatt History Center	15,200	15,200	15,200	-
Community Impact Fund	100,000	100,000	75,000	(25,000)
Railroad Authority	10,311	10,311	16,262	5,951
Enterprise Center	160,500	160,500	160,500	-
Enterprise South Nature Park	1,239,750	669,750	615,695	(54,055)
Front Porch Alliance	22,800	22,800	-	(22,800)
Choose Chattanooga	16,900	16,900	16,900	-
Friends of Moccasin Bend Natl Park	30,000	30,000	30,000	-
ESIP Security Services	53,827	53,827	53,061	(766)
Alexian Brothers Senior Neighbors	12,720	12,720	12,720	-
River City Company	67,500	67,500	67,500	-
Homeless Coalition	15,000	15,000	15,000	-
Partneship Rape Crisis	56,522	56,522	56,522	-
Children's Home Chamblis	275,000	275,000	275,000	-
The Team Centers	50,000	50,000	50,000	-
Fortwood Center	105,000	105,000	105,000	-
Joe Johnson Mental Health	60,156	60,156	60,156	-
Speech & Hearing Center	67,700	67,700	67,700	-
Orange Grove	32,000	32,000	32,000	-
Signal Center	30,006	30,006	30,006	-
East Chattanooga Improvement	20,000	20,000	20,000	-
Interfaith Homeless Network	-	-	12,790	12,790
The Engel Foundation	-	-	5,000	5,000
Component Unit Appropriations:				
CARTA Subsidy	4,675,000	4,675,000	4,675,000	-
Unemployment Insurance	133,000	133,000	57,219	(75,781)
Contingency Fund	1,521,224	1,251,223	178,600	(1,072,623)
Renewal & Replacement	1,681,524	1,681,524	1,224,330	(457,194)
Audits, Dues & Surveys	326,176	326,176	118,247	(207,929)
Intergovernmental Relations	374,935	374,935	187,983	(186,952)
City Water Quality Mgmt Fees	356,300	356,300	408,758	52,458
Liability Insurance Premiums	1,000,000	1,000,000	1,000,000	-
Tuition Assistance Program	-	20,000	19,084	(916)
Designated expenditures:				
CARTA Parking Meters	1,237,523	1,237,523	1,237,523	-
Automated Traffic Enforcement	1,524,000	1,524,000	981,219	(542,781)
Office of Sustainability Programs	-	-	18,430	18,430
ARRA - Office of Sustainability	1,344,773	1,344,773	1,287,652	(57,121)
EPA - Brownfield Revolving Loan Brightbridge	-	-	220,607	220,607
EPA - Brownfield at TN Ave and 36th St	-	-	45,741	45,741
Economic Development	\$ 10,983,200	\$ 10,297,551	\$ 8,543,179	\$ (1,754,372)
Library	5,979,036	5,979,036	5,831,868	(147,168)
Total general government	44,604,897	43,101,744	38,910,705	(4,191,039)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2012

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Executive Office of the Mayor:				
Executive Office Admin	972,200	972,200	1,009,995	37,795
Multicultural Affairs	400,620	400,620	270,800	(129,820)
Great Ideas Competition	-	-	1,500	1,500
Comprehensive Gang Initiative	182,500	182,500	145,856	(36,644)
Designated expenditures:				
Go Fest	-	-	7,808	7,808
Multicultural Affairs Programs	-	-	1,500	1,500
Total executive office	1,555,320	1,555,320	1,437,459	(117,861)
Finance & Administration:				
Finance Office	3,029,058	3,029,058	2,536,254	(492,804)
Office of the City Treasurer	939,133	939,133	738,354	(200,779)
City Court Clerk's Office	1,163,151	1,163,151	1,140,591	(22,560)
Designated expenditures:				
City Court Technology	-	-	3,198	3,198
Total finance & administration	5,131,342	5,131,342	4,418,397	(712,945)
General Services:				
General Services Administration	582,416	582,416	463,756	(118,660)
Purchasing	846,623	846,623	799,881	(46,742)
Building Maintenance	1,184,339	1,184,339	1,150,108	(34,231)
Real Estate	41,575	41,575	48,569	6,994
Farmer's Market	16,065	16,065	17,805	1,740
Designated expenditures:				
Heritage Hall & Museum	126,532	126,532	109,836	(16,696)
DRC Building Operations	165,949	165,949	149,814	(16,135)
PSIC Grant	-	-	17,469	17,469
Total general services	2,963,499	2,963,499	2,757,238	(206,261)
Personnel:				
Personnel Administration	1,496,659	1,496,659	1,321,667	(174,992)
Insurance Office and Programs	486,687	486,687	408,577	(78,110)
Total personnel	1,983,346	1,983,346	1,730,244	(253,102)
Neighborhood Services:				
Neighborhood Services Administration	705,862	705,863	575,748	(130,115)
Codes & Community Services	1,530,878	1,530,878	1,607,183	76,305
Designated expenditures:				
Neighborhood Partners Projects & Initiatives	\$ 45,885	\$ 65,543	\$ 119,353	\$ 53,810
Total neighborhood services	2,282,625	2,302,284	2,302,284	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2012

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Police:				
Police Administration	13,379,118	13,379,118	14,245,338	866,220
Uniform Services	25,155,523	25,155,523	22,807,302	(2,348,221)
Investigative Services	8,404,886	8,404,886	8,653,197	248,311
Support Services	6,623,817	6,623,817	6,494,572	(129,245)
Designated expenditures:				
Reduction of Part 1 Offenses	-	-	55,158	55,158
Police Special Programs	-	-	19,594	19,594
Law Enforcement Planning	239,821	239,821	239,211	(610)
Other Police Grants	1,235,341	1,235,341	1,245,836	10,495
Total police	55,038,506	55,038,506	53,760,208	(1,278,298)
Fire:				
Fire Administration	1,773,603	1,773,603	723,555	(1,050,048)
Fire Station Operations	31,444,906	31,444,906	31,182,513	(262,393)
Fire Safety & Training	2,180,569	2,180,569	2,545,786	365,217
Fire Marshall	1,475,234	1,475,234	1,473,559	(1,675)
Designated expenditures:				
Fire Programs and Grants	363,033	363,033	378,255	15,222
Total fire	37,237,345	37,237,345	36,303,668	(933,677)
Public works:				
Public Works Admin	1,285,471	1,285,471	881,603	(403,868)
City Engineer	2,229,746	2,229,746	2,380,006	150,260
Utilities	170,013	170,013	167,052	(2,961)
Solid Waste Subsidy	5,773,587	5,773,587	5,773,587	-
City-wide Services:				
CWS Admin	3,331,173	3,331,173	3,185,473	(145,700)
CWS Emergency	930,558	930,558	928,701	(1,857)
CWS Street Cleaning	2,395,620	2,395,620	2,566,662	171,042
Waste Pickup	7,075,200	7,075,200	6,901,357	(173,843)
Municipal Forestry	706,040	706,040	778,049	72,009
Land Development Office	2,835,186	2,835,186	2,681,875	(153,311)
Traffic Engineering Admin	897,758	897,758	999,941	102,183
Street Lighting	3,261,400	3,261,400	3,434,417	173,017
Traffic Operations	2,101,675	2,101,675	2,073,021	(28,654)
Storm Stations	96,300	96,300	70,585	(25,715)
Designated expenditures:				
Public Works Designated Programs	181,930	181,930	130,389	(51,541)
Municipal Forestry Grants & Tree Commission	-	-	30,881	30,881
Other Public Works Grants	546,960	546,960	1,496,316	949,356
Total public works	33,818,617	33,818,617	34,479,915	661,298

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2012

(continued from previous page)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Parks & Recreation:				
Parks & Rec Administration	\$ 1,082,631	\$ 1,082,631	\$ 786,455	\$ (296,176)
Recreation Admin	1,712,513	1,712,513	1,656,861	(55,652)
Recreation Programs:				
Youth Development	240,514	240,514	312,342	71,828
Kidz Kamp	195,168	195,168	243,105	47,937
Sports	231,781	231,781	268,544	36,763
Recreation Services:				
Aquatics Programs	181,276	181,276	229,025	47,749
Therapeutic Programs	129,876	129,876	122,344	(7,532)
Fitness Center	232,896	232,896	234,614	1,718
Recreation Facilities:				
Skatepark	88,702	88,702	52,652	(36,050)
Champion's Club	293,607	293,607	282,489	(11,118)
Heritage House	600	600	2,109	1,509
Summit of Softball	587,209	587,209	606,471	19,262
Recreation Centers	3,116,430	3,116,430	3,281,266	164,836
Outdoor Recreation	389,098	389,098	323,570	(65,528)
Park Admin	905,595	905,595	807,334	(98,261)
Park Maint & Security	2,846,511	2,846,511	2,765,699	(80,812)
Hamilton County Shared Maintenance:				
Tenn Riverpark Downtown	1,794,493	1,794,493	1,755,540	(38,953)
Other Shared Maintenance	666,483	666,483	677,389	10,906
Chattanooga Zoo at Warner Park	658,561	658,561	657,847	(714)
Designated expenditures:				
Brainerd Golf Course	818,887	818,887	863,219	44,332
Brown Acres Golf Course	903,976	903,976	942,463	38,487
Parks & Rec Special Programs & Grants	2,500	2,500	87,684	85,184
Public Art Initiative	-	-	23,960	23,960
Total parks & recreation	17,079,307	17,079,307	16,982,982	(96,325)
Education, Arts & Culture:				
EAC Administration	401,515	401,515	380,489	(21,026)
Civic Facilities:				
Memorial Auditorium	505,647	505,647	513,030	7,383
Tivoli Theatre	344,944	344,944	349,411	4,467
Civic Facilities Concessions	47,606	47,606	7,742	(39,864)
Civic Facilities Administration	881,147	881,147	837,891	(43,256)
Arts & Culture Facilities	313,666	313,666	318,961	5,295
Cultural Arts Programs	19,224	19,224	24,437	5,213
Designated expenditures:				
Ed, Arts & Culture Special Programs	44,952	44,952	44,952	-
Total education, arts & culture	2,558,701	2,558,701	2,476,913	(81,788)
Total expenditures	204,253,505	202,770,011	195,560,013	(7,209,998)
Excess of revenues over expenditures	10,732,431	12,215,925	28,702,330	16,486,405

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2012

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	6,139,300	6,133,192	7,756,422	1,623,230
Transfers out	(20,115,445)	(23,726,065)	(23,735,489)	(9,424)
Total other financing sources (uses)	(13,976,145)	(17,592,873)	(15,979,067)	1,613,806
Net change in fund balance	(3,243,714)	(5,376,948)	12,723,263	18,100,211
FUND BALANCE, Beginning	50,280,129	50,280,129	50,280,129	-
FUND BALANCE, Ending	<u>\$ 47,036,415</u>	<u>\$ 44,903,181</u>	<u>\$ 63,003,392</u>	<u>\$ 18,100,211</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2012

	Final Budget						Total
	Licenses & Permits	Intergovernmental	Charges for Services	Forfeitures & penalties	Fines, Miscellaneous Revenue		
Reduction Part I Programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal Golf Course	-	-	1,798,000	-	-	-	1,798,000
Law Enforcement Planning	-	1,475,123	-	-	39	39	1,475,162
Economic Development	-	10,983,200	-	-	-	-	10,983,200
Bessie Smith Hall Maintenance	-	62,653	-	-	-	-	62,653
Special Programs	1,237,523	2,249,039	159,930	1,524,000	88,629	88,629	5,259,121
Library	-	-	206,200	-	85,900	85,900	292,100
Total designated revenues	\$ 1,237,523	\$ 14,770,015	\$ 2,164,130	\$ 1,524,000	\$ 174,568	\$ 174,568	\$ 19,870,236

		Actual							
Licenses & Permits	Intergovernmental	Charges for Services	Fines, Forfeitures & penalties		Miscellaneous Revenue		Total	Variance Over (Under)	
\$ -	\$ 8,411	\$ -	\$ -	\$ 22,590	\$ 31,001	\$ 31,001	\$ 31,001	\$ 77,346	
-	-	1,863,246	-	12,100	1,875,346				
-	1,485,792	-	-	39	1,485,831			10,669	
-	11,673,876	(251,703)	-	40,529	11,462,702			479,502	
-	62,653	-	-	-	62,653			-	
1,237,523	3,623,191	243,625	828,167	218,221	6,150,727			891,606	
-	62,419	244,225	-	166,867	473,511			181,411	
\$ 1,237,523	\$ 16,916,342	\$ 2,099,393	\$ 828,167	\$ 460,346	\$ 21,541,771			\$ 1,671,535	

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
PUBLIC LIBRARY FUND

Year Ended June 30, 2012

	Budget Amounts		Actual	Final Budget-Over (Under)
	Original	Final	Amounts	
REVENUES				
Hamilton County, Tennessee funds	\$ -	\$ -	\$ -	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Central branch and administration	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	11,214	11,214	11,214	-
Transfers out	<u>(1,308,852)</u>	<u>(1,308,852)</u>	<u>(1,308,852)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,297,638)</u>	<u>(1,297,638)</u>	<u>(1,297,638)</u>	<u>-</u>
Net change in fund balances	(1,297,638)	(1,297,638)	(1,297,638)	-
FUND BALANCES, beginning	1,297,638	1,297,638	1,297,638	-
FUND BALANCES, ending	\$ -	\$ -	\$ -	\$ -

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2012

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

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
HUMAN SERVICES PROGRAM FUND

Year Ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 8,348,724	\$ 8,348,724	\$ 8,927,827	\$ 579,103
State of Tennessee funds	5,439,384	5,439,384	4,345,728	(1,093,656)
United Way	31,940	31,940	1,254	(30,686)
Project Warm Neighbors	13,439	13,439	15,934	2,495
Day care fees	83,000	83,000	65,825	(17,175)
Donations	30,000	30,000	49,628	19,628
Investment income	5,000	5,000	7,330	2,330
Miscellaneous	-	-	3,453	3,453
Total revenues	<u>13,951,487</u>	<u>13,951,487</u>	<u>13,416,979</u>	<u>(534,508)</u>
EXPENDITURES				
Administration	624,341	624,341	736,847	112,506
Headstart program	8,836,859	8,836,859	8,820,221	(16,638)
Day care	739,355	739,355	625,321	(114,034)
Food program	124,833	124,833	140,748	15,915
Weatherization program	-	-	4,303	4,303
Foster grandparent program	502,643	502,643	510,462	7,819
Low-income energy assistance	3,129,132	3,129,132	2,919,438	(209,694)
Community services block grant	693,234	693,234	542,187	(151,047)
Title II commodities	67,085	67,085	54,031	(13,054)
Emergency food and shelter	30,686	30,686	30,686	-
Other programs	104,602	104,602	82,103	(22,499)
Capital outlay	20,055	20,055	118,835	98,780
Total expenditures	<u>14,872,825</u>	<u>14,872,825</u>	<u>14,585,182</u>	<u>(287,643)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(921,338)</u>	<u>(921,338)</u>	<u>(1,168,203)</u>	<u>(246,865)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,124,755	1,124,755	945,057	(179,698)
Transfers out	(83,580)	(211,580)	(211,580)	-
Total other financing sources (uses)	<u>1,041,175</u>	<u>913,175</u>	<u>733,477</u>	<u>(179,698)</u>
Net change in fund balances	119,837	(8,163)	(434,726)	(426,563)
FUND BALANCES, beginning	<u>1,383,477</u>	<u>1,383,477</u>	<u>1,383,477</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 1,503,314</u>	<u>\$ 1,375,314</u>	<u>\$ 948,751</u>	<u>\$ (426,563)</u>

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
NARCOTICS PROGRAM FUND

Year Ended June 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget-Over (Under)
REVENUES				
Federal funds	\$ 50,000	\$ 50,000	\$ 2,413	\$ (47,587)
State of Tennessee funds	12,000	12,000	250	(11,750)
Confiscations	200,000	200,000	205,546	5,546
Investment income	-	-	1,933	1,933
Miscellaneous	50,000	50,000	110,197	60,197
 Total revenues	 312,000	 312,000	 320,339	 8,339
EXPENDITURES				
Narcotics program	312,000	312,000	330,524	18,524
Capital outlay	-	112,000	92,531	(19,469)
 Total expenditures	 312,000	 424,000	 423,055	 (945)
Excess (deficiency) of revenues over (under) expenditures	-	(112,000)	(102,716)	9,284
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(600,000)	(600,000)	(600,000)	-
 Total other financing sources (uses)	 (600,000)	 (600,000)	 (600,000)	 -
Net change in fund balances	(600,000)	(712,000)	(702,716)	9,284
FUND BALANCES, beginning	1,621,477	1,621,477	1,621,477	-
FUND BALANCES, ending	\$ 1,021,477	\$ 909,477	\$ 918,761	\$ 9,284

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
STATE STREET AID FUND

Year Ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ -	\$ -	\$ 6,171	\$ 6,171
State of Tennessee funds	<u>4,315,000</u>	<u>4,315,000</u>	<u>4,328,944</u>	<u>13,944</u>
Total revenues	<u>4,315,000</u>	<u>4,315,000</u>	<u>4,335,115</u>	<u>20,115</u>
EXPENDITURES				
Salaries and wages	1,828,262	2,128,262	1,960,973	(167,289)
Fringe benefits	986,601	986,601	1,044,232	57,631
Purchased services	88,000	88,000	39,072	(48,928)
Vehicle operations	664,788	664,788	868,489	203,701
Materials and supplies	671,199	671,199	539,620	(131,579)
Other expense	76,350	76,350	4,723	(71,627)
Capital outlay	<u>346,306</u>	<u>346,306</u>	<u>346,306</u>	<u>-</u>
Total expenditures	<u>4,661,506</u>	<u>4,961,506</u>	<u>4,803,415</u>	<u>(158,091)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(346,506)</u>	<u>(646,506)</u>	<u>(468,300)</u>	<u>178,206</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(346,506)</u>	<u>(646,506)</u>	<u>(468,300)</u>	<u>178,206</u>
FUND BALANCES, beginning	<u>1,570,799</u>	<u>1,570,799</u>	<u>1,570,799</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 1,224,293</u>	<u>\$ 924,293</u>	<u>\$ 1,102,499</u>	<u>\$ 178,206</u>

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
COMMUNITY DEVELOPMENT FUND

Year Ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 4,655,531	\$ 4,655,531	\$ 4,450,103	\$ (205,428)
State of Tennessee funds	84,000	84,000	538,508	454,508
Investment income	-	-	108,198	108,198
Miscellaneous	<u>650,017</u>	<u>650,017</u>	<u>591,232</u>	<u>(58,785)</u>
Total revenues	<u>5,389,548</u>	<u>5,389,548</u>	<u>5,688,041</u>	<u>298,493</u>
EXPENDITURES				
Administration	451,986	451,986	451,987	1
Community development programs	920,831	920,831	920,831	-
Home investment programs	2,002,600	2,002,600	2,002,600	-
Emergency shelter programs	62,118	62,118	62,118	-
Other programs	1,100,873	1,100,873	1,100,656	(217)
Capital outlay	<u>217</u>	<u>217</u>	<u>217</u>	<u>-</u>
Total expenditures	<u>4,538,625</u>	<u>4,538,625</u>	<u>4,538,409</u>	<u>(216)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>850,923</u>	<u>850,923</u>	<u>1,149,632</u>	<u>298,709</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	236,396	236,396
Transfers out	<u>(1,534,618)</u>	<u>(1,534,618)</u>	<u>(1,284,982)</u>	<u>249,636</u>
Total other financing sources (uses)	<u>(1,534,618)</u>	<u>(1,534,618)</u>	<u>(1,048,586)</u>	<u>486,032</u>
Net change in fund balances	(683,695)	(683,695)	101,046	784,741
FUND BALANCES, beginning	<u>1,156,609</u>	<u>1,156,609</u>	<u>1,156,609</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 472,914</u>	<u>\$ 472,914</u>	<u>\$ 1,257,655</u>	<u>\$ 784,741</u>

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
HOTEL/MOTEL TAX FUND

Year Ended June 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget-Over (Under)
REVENUES				
Hotel/Motel tax	\$ 4,548,500	\$ 4,548,500	\$ 5,001,504	\$ 453,004
Total revenues	<u>4,548,500</u>	<u>4,548,500</u>	<u>5,001,504</u>	<u>453,004</u>
EXPENDITURES				
Contracted services	120,970	124,970	124,960	(10)
Capital outlay	<u>-</u>	<u>32,000</u>	<u>32,000</u>	<u>-</u>
Total expenditures	<u>120,970</u>	<u>156,970</u>	<u>156,960</u>	<u>(10)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,427,530</u>	<u>4,391,530</u>	<u>4,844,544</u>	<u>453,014</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers out	<u>(4,427,530)</u>	<u>(5,258,506)</u>	<u>(4,393,219)</u>	<u>865,287</u>
Total other financing sources (uses)	<u>(4,427,530)</u>	<u>(5,258,506)</u>	<u>(4,393,219)</u>	<u>865,287</u>
Net change in fund balances	<u>-</u>	<u>(866,976)</u>	<u>451,325</u>	<u>1,318,301</u>
FUND BALANCES, beginning	<u>1,888,754</u>	<u>1,888,754</u>	<u>1,888,754</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 1,888,754</u>	<u>\$ 1,021,778</u>	<u>\$ 2,340,079</u>	<u>\$ 1,318,301</u>

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
RIVER PIER GARAGE FUND

Year Ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Parking garage income	\$ 250,000	\$ 250,000	\$ 268,974	\$ 18,974
Miscellaneous	-	60,000	-	(60,000)
Total revenues	250,000	310,000	268,974	(41,026)
EXPENDITURES				
Contracted services	250,000	250,000	106,095	(143,905)
Capital outlay	-	60,000	-	(60,000)
Total expenditures	250,000	310,000	106,095	(203,905)
Excess (deficiency) of revenues over (under) expenditures	-	-	162,879	162,879
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	162,879	162,879
FUND BALANCES, beginning	314,424	314,424	314,424	-
FUND BALANCES, ending	\$ 314,424	\$ 314,424	\$ 477,303	\$ 162,879

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
REGIONAL PLANNING AGENCY FUND

Year Ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget-Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ -	\$ -	\$ 48,856	\$ 48,856
State of Tennessee funds	744,856	744,856	255,201	(489,655)
Hamilton County funds	500,000	500,000	500,000	-
Other intergovernmental	-	-	68,767	68,767
Contributions	-	-	105,000	105,000
Miscellaneous	80,000	80,000	88,291	8,291
Total revenues	<u>1,324,856</u>	<u>1,324,856</u>	<u>1,066,115</u>	<u>(258,741)</u>
EXPENDITURES				
Administration	3,419,532	3,419,532	2,205,166	(1,214,366)
Transportation planning	856,944	856,944	364,236	(492,708)
Brownfield cleanups	-	-	48,856	48,856
Other program			271,000	
Capital outlay	63,927	63,927	44,529	(19,398)
Total expenditures	<u>4,340,403</u>	<u>4,340,403</u>	<u>2,933,787</u>	<u>(1,677,616)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,015,547)</u>	<u>(3,015,547)</u>	<u>(1,867,672)</u>	<u>1,418,875</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,702,209	2,702,209	2,702,112	(97)
Transfers out	(70,561)	(70,561)	(70,464)	97
Total other financing sources (uses)	<u>2,631,648</u>	<u>2,631,648</u>	<u>2,631,648</u>	<u>-</u>
Net change in fund balances	(383,899)	(383,899)	763,976	1,418,875
FUND BALANCES, beginning	<u>1,387,746</u>	<u>1,387,746</u>	<u>1,387,746</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 1,003,847</u>	<u>\$ 1,003,847</u>	<u>\$ 2,151,722</u>	<u>\$ 1,418,875</u>

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
AIR POLLUTION CONTROL FUND

Year Ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 501,806	\$ 501,806	\$ 793,208	\$ 291,402
Hamilton County funds	188,548	188,548	188,548	-
Permits	<u>435,012</u>	<u>435,012</u>	<u>467,788</u>	<u>32,776</u>
Total revenues	<u>1,125,366</u>	<u>1,125,366</u>	<u>1,449,544</u>	<u>324,178</u>
EXPENDITURES				
Operations	1,362,813	1,362,813	1,341,128	(21,685)
Special programs	162,748	162,748	46,617	(116,131)
Capital outlay	<u>19,355</u>	<u>19,355</u>	<u>36,575</u>	<u>17,220</u>
Total expenditures	<u>1,544,916</u>	<u>1,544,916</u>	<u>1,424,320</u>	<u>(120,596)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(419,550)</u>	<u>(419,550)</u>	<u>25,224</u>	<u>444,774</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	270,820	270,820	270,820	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>270,820</u>	<u>270,820</u>	<u>270,820</u>	<u>-</u>
Net change in fund balances	(148,730)	(148,730)	296,044	444,774
FUND BALANCES, beginning	<u>777,756</u>	<u>777,756</u>	<u>777,756</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 629,026</u>	<u>\$ 629,026</u>	<u>\$ 1,073,800</u>	<u>\$ 444,774</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 30,000	\$ 30,000	\$ 35,200	\$ 5,200
Donations	-	-	738	738
Total revenues	30,000	30,000	35,938	5,938
EXPENDITURES				
Operations	113,408	113,408	66,671	(46,737)
Total expenditures	113,408	113,408	66,671	(46,737)
Excess (deficiency) of revenues over (under) expenditures	(83,408)	(83,408)	(30,733)	52,675
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	5,000	5,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	5,000	5,000	5,000	-
Net change in fund balances	(78,408)	(78,408)	(25,733)	52,675
FUND BALANCES, beginning	257,721	257,721	257,721	-
FUND BALANCES, ending	\$ 179,313	\$ 179,313	\$ 231,988	\$ 52,675

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
TENNESSEE VALLEY REGIONAL COMMUNICATIONS FUND

Year Ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 29,471	\$ 29,471	\$ 18,350	\$ (11,121)
Hamilton County funds	181,624	181,624	244,860	63,236
Other intergovernmental	683,565	683,565	430,497	(253,068)
Charges for services	91,745	91,745	85,856	(5,889)
Miscellaneous	2,195	2,195	208,943	206,748
Total revenues	988,600	988,600	988,506	(94)
EXPENDITURES				
Operations	970,945	970,945	959,887	(11,058)
Capital outlay	63,000	63,000	73,275	10,275
Total expenditures	1,033,945	1,033,945	1,033,162	(783)
Excess (deficiency) of revenues over (under) expenditures	(45,345)	(45,345)	(44,656)	689
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(80,221)	(80,221)	(80,221)	-
Total other financing sources (uses)	(80,221)	(80,221)	(80,221)	-
Net change in fund balances	(125,566)	(125,566)	(124,877)	689
FUND BALANCES, beginning	171,732	171,732	171,732	-
FUND BALANCES, ending	\$ 46,166	\$ 46,166	\$ 46,855	\$ 689

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

Year Ended June 30, 2012

	Budget Amounts	Actual Amounts	Variance with Final Budget-Over (Under)
	Original	Final	
REVENUES			
Hamilton County funds	\$ 476,834	\$ 476,834	\$ 436,091 \$ (40,743)
Total revenues	476,834	476,834	436,091 (40,743)
EXPENDITURES			
Principal retirement	11,762,154	11,762,154	11,846,305 84,151
Interest	7,756,246	7,756,246	6,976,936 (779,310)
Fiscal charges	100,000	100,000	90,112 (9,888)
Total expenditures	19,618,400	19,618,400	18,913,353 (705,047)
Excess (deficiency) of revenues over (under) expenditures	(19,141,566)	(19,141,566)	(18,477,262) 664,304
OTHER FINANCING SOURCES (USES)			
Transfers in	19,141,566	15,041,566	14,175,588 (865,978)
Transfers out	-	-	-
Total other financing sources (uses)	19,141,566	15,041,566	14,175,588 (865,978)
Net change in fund balances	-	(4,100,000)	(4,301,674) (201,674)
FUND BALANCES, beginning	4,954,374	4,954,374	4,954,374 -
FUND BALANCES, ending	\$ 4,954,374	\$ 854,374	\$ 652,700 \$ (201,674)

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, 2012

	Interest Rate	Maturity Date	Amount
GENERAL FUND			
Federal Farm Credit Bank	0.42%	5/23/2014	\$ 25,530,000
Certificate of Deposit	0.75%	10/31/2012	5,000,000
Certificate of Deposit	0.76%	12/4/2012	5,000,000
Certificate of Deposit	0.96%	3/6/2013	<u>10,000,000</u>
			<u>45,530,000</u>
CAPITAL PROJECTS			
Certificate of Deposit	0.68%	7/18/2012	758,858
Certificate of Deposit	0.64%	7/26/2012	1,010,543
Certificate of Deposit	0.65%	8/13/2012	104,666
Certificate of Deposit	0.65%	8/14/2012	759,703
Certificate of Deposit	0.75%	9/19/2012	7,053,306
Certificate of Deposit	0.81%	10/19/2012	1,215,000
Certificate of Deposit	0.84%	11/19/2012	468,750
Certificate of Deposit	0.90%	11/29/2012	1,081,696
Certificate of Deposit	0.86%	2/19/2013	790,565
Certificate of Deposit	0.93%	3/28/2013	760,614
Certificate of Deposit	0.90%	5/20/2013	600,000
Certificate of Deposit	0.93%	8/19/2013	200,000
Certificate of Deposit	0.99%	11/19/2013	<u>7,000,000</u>
			<u>21,803,702</u>
Total governmental fund investments excluding permanent funds			<u>\$ 67,333,702</u>
ENTERPRISE FUNDS			
Interceptor Sewer Fund:			
Certificate of Deposit	0.95%	11/29/2012	\$ 1,637,589
Certificate of Deposit	0.97%	2/27/2013	4,000,000
Federal Farm Credit Bank	0.42%	5/23/2014	<u>26,350,000</u>
			<u>31,987,589</u>
Total enterprise fund investments			<u>\$ 31,987,589</u>

CITY OF CHATTANOOGA, TENNESSEE

COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE

Year Ended June 30, 2012

TAX YEAR (1)	Property Taxes Receivable		Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs		Property Taxes Receivable Balance June 30, 2012	Allowance for Uncollectibles	Net Receivable Balance June 30, 2012
	June 30, 2011	Property Tax Levied		Collections				
2012	\$ -	\$ -	\$ 107,973,491	\$ -	\$ -	\$ 107,973,491	\$ -	\$ 107,973,491
2011	-	111,312,877	-	(738,673)	104,399,752	6,174,452	935,430	5,239,022
2010	6,610,908	-	-	55,554	4,200,038	2,466,424	705,397	1,761,027
2009	2,324,089	-	-	101,486	1,005,290	1,420,285	668,244	752,041
2008	1,385,549	-	-	51,202	816,678	620,073	518,319	101,754
2007	416,930	-	-	(2,285)	94,215	320,430	307,519	12,913
2006	228,173	-	-	(4,073)	11,105	212,995	212,995	-
2005	330,857	-	-	(5,806)	3,988	321,063	321,063	-
2004	267,013	-	-	(1,882)	526	264,605	264,605	-
2003	196,845	-	-	(382)	541	195,922	195,922	-
2002	299,140	-	-	(382)	53	298,705	298,705	-
	<u>\$ 12,059,504</u>	<u>\$ 111,312,877</u>	<u>\$ 107,973,491</u>	<u>\$ (545,241)</u>	<u>\$ 110,532,186</u>	<u>\$ 120,268,445</u>	<u>\$ 4,428,199</u>	<u>\$ 115,840,248</u>

Note:

- (1) All years prior to 2011 have been turned over to the Clerk and Master for collection.
- (2) Accrual of the anticipated current year levy is required by GASB Statement No. 33. The accrual is recorded net of the allowance for uncollectible amounts.

CITY OF CHATTANOOGA, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2012

	Principal	Interest	Total
GOVERNMENTAL ACTIVITIES			
2013	\$ 16,422,132	\$ 13,586,159	\$ 30,008,291
2014	16,211,065	12,969,609	29,180,674
2015	19,476,056	12,396,853	31,872,909
2016	17,059,265	11,753,920	28,813,185
2017	15,793,641	11,109,962	26,903,603
2018	17,447,209	10,483,126	27,930,335
2019	16,128,950	9,772,456	25,901,406
2020	16,563,402	9,068,951	25,632,353
2021	17,173,601	8,427,369	25,600,970
2022	17,798,748	7,644,667	25,443,415
2023	18,457,175	6,857,180	25,314,355
2024	19,047,596	5,970,375	25,017,971
2025	18,085,123	5,101,056	23,186,179
2026	18,845,425	4,192,581	23,038,006
2027	16,744,266	3,230,537	19,974,803
2028	14,616,391	2,430,278	17,046,669
2029	15,220,579	1,722,933	16,943,512
2030	13,706,492	943,397	14,649,889
2031	4,320,000	172,800	4,492,800
Total governmental activities	309,117,116	137,834,208	446,951,324
BUSINESS-TYPE ACTIVITIES			
2013	18,031,432	17,528,026	35,353,231
2014	20,222,803	16,783,869	44,113,445
2015	21,629,926	15,967,597	37,391,296
2016	27,783,992	14,925,404	35,362,025
2017	18,924,623	14,079,005	33,003,627
2018	19,692,775	13,266,745	32,959,520
2019	18,737,626	12,411,675	31,149,301
2020	14,221,328	11,683,504	25,904,832
2021	14,861,045	11,062,296	25,923,341
2022	15,504,204	10,395,961	25,900,165
2023	16,174,976	9,699,593	25,874,569
2024	16,893,465	8,969,058	25,862,523
2025	17,152,487	8,203,335	25,355,822
2026	15,695,736	7,454,544	23,150,280
2027	15,786,149	6,691,844	22,477,993
2028	16,248,776	5,922,830	22,171,606
2029	17,030,364	5,122,382	22,152,746
2030	17,852,552	4,283,022	22,135,574
2031	18,710,376	3,401,255	22,111,631
2032	18,971,123	2,480,989	21,452,112
2033	19,685,000	1,525,625	21,210,625
2034	20,670,000	516,750	21,186,750
Total business-type activities	400,480,758	202,375,306	602,203,012
Total primary government indebtedness	\$ 709,597,874	\$ 340,209,514	\$ 1,049,154,336

CITY OF CHATTANOOGA, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2012

COMPONENT UNITS	Principal	Interest	Total
2013	\$ 4,662,341	\$ 5,532,420	\$ 10,194,761
2014	4,838,629	5,353,153	10,191,782
2015	4,977,912	5,204,245	10,182,157
2016	5,147,708	5,027,699	10,175,407
2017	5,331,378	4,791,784	10,123,162
2018	5,582,258	4,526,553	10,108,811
2019	5,768,592	4,232,671	10,001,263
2020	8,378,400	3,871,150	12,249,550
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>\$ 124,592,218</u>	<u>\$ 61,044,854</u>	<u>\$ 185,637,072</u>

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2012

	Outstanding July 1, 2011	Interest Paid FY2012	Issued FY2012	Retired FY2012	Refunded FY2012	Outstanding June 30, 2012	Maturing FY 2013	Interest Payable FY 2013
GOVERNMENTAL ACTIVITIES								
Serial Bonds:								
1998 Public Improvement Refunding	\$ 2,271,700	\$ 112,124	\$ -	\$ 272,000	\$ -	\$ 1,999,700	\$ 288,300	\$ 97,416
2002 Municipal Public Refunding	4,160,000	183,419	-	770,000	-	3,390,000	805,000	141,341
2002 Series A Refunding	1,050,215	36,593	-	371,360	-	678,855	364,264	20,023
2002 Hotel-Motel Tax Pledge	17,440,000	385,400	-	1,120,000	16,320,000	-	-	-
2003 Series A General Obligation	2,040,000	-	-	-	2,040,000	-	-	-
2005A Municipal Public Improvement Refunding	14,757,064	651,708	-	1,290,902	-	13,466,162	1,328,320	599,323
2005A Hotel-Motel Tax Pledge Refunding	5,403,495	238,433	-	25,000	-	5,378,495	1,245,000	213,033
2006A Municipal Public Improvement	16,586,237	659,562	-	1,036,640	-	15,549,597	1,036,640	618,097
2007A Municipal Public Refunding	14,520,000	690,785	-	-	-	14,520,000	-	690,805
2009 Series A General Obligation	40,865,000	1,489,762	-	2,275,000	-	38,590,000	2,270,000	1,421,587
2010 Series A GO Bond	6,385,000	208,937	-	340,000	-	6,045,000	340,000	202,138
2010 Series B Refunding Hotel Motel Tax Pledge	29,320,320	572,694	-	970,443	-	28,349,877	987,695	968,621
2010 Series B Refunding GO bonds	4,669,680	572,694	-	154,557	-	4,515,123	157,305	154,267
2010 Series C Recovery Zone Bonds	6,500,000	206,300	-	345,000	-	6,155,000	345,000	199,400
2011 Series A General Obligation	-	403,888	26,495,000	-	-	26,495,000	1,770,000	838,925
2011 Series B Refunding Hotel Motel Tax Pledge	-	274,082	15,595,750	-	-	15,595,750	-	587,318
2011 Series B Refunding GO bonds	-	34,256	1,949,250	-	-	1,949,250	-	73,406
Total serial bonds	165,968,711	6,720,637	44,040,000	8,970,902	18,360,000	182,677,809	10,937,524	6,825,700
Notes Payable:								
1997 TML Bond Fund	746,023	3,775	-	746,023	-	-	-	-
1999 Fire Hall Land Note	13,984	1,133	-	4,506	-	9,478	4,953	686
2003 TML Bond Fund	2,864,500	9,916	-	371,339	-	2,493,161	383,144	9,786
2004 TML Bond Fund	17,648,334	61,793	75,201	1,174,657	-	16,548,878	1,205,901	64,954
2008 Hennen Land Note	389,170	-	-	65,349	-	323,821	323,821	-
2008 HUD Section 108 Loan Program	3,966,000	173,505	-	305,000	-	3,661,000	305,000	162,434
2009 IDB Foreign Trade Zone	39,871	-	-	12,000	-	27,871	27,871	-
2010 VAAP Land Note	2,750,000	-	-	-	-	2,750,000	-	-
2010 Tennessee Temple University Note	130,000	-	-	130,000	-	-	-	-
Total notes payable	28,547,882	250,122	75,201	2,808,874	-	25,814,209	2,250,690	237,860
Capital leases payable:								
CDRC Capital Lease	103,518,327	6,713,363	-	2,986,987	-	100,531,340	3,164,158	6,519,651
2009 Golf Course Capital Lease	160,288	6,178	-	66,530	-	93,758	69,760	2,948
Total capital leases payable	103,678,615	6,719,541	-	3,053,517	-	100,625,098	3,233,918	6,522,599
Total governmental activities	\$ 298,195,208	\$ 13,690,300	\$ 44,115,201	\$ 14,833,293	\$ 18,360,000	\$ 309,117,116	\$ 16,422,132	\$ 13,586,159

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CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2012

(continued from previous page)

	<u>Outstanding July 1, 2011</u>	<u>Interest Paid FY2012</u>	<u>Issued FY2012</u>	<u>Retired FY2012</u>	<u>Refunded FY2012</u>	<u>Outstanding June 30, 2012</u>	<u>Maturing FY 2013</u>	<u>Interest Payable FY 2013</u>
BUSINESS TYPE ACTIVITIES:								
Interceptor Sewer System								
Serial Bonds:								
1998 Sewer & Sewage Facilities Refunding	\$ 8,878,300	\$ 438,207	\$ -	\$ 1,063,000	\$ -	\$ 7,815,300	\$ 1,126,700	\$ 380,727
2002 Municipal Public Refunding	9,971,738	412,855	-	2,787,947	-	7,183,791	2,932,214	270,995
2002 Series A Refunding	5,609,785	195,462	-	1,983,640	-	3,626,145	1,945,736	106,957
2005A Municipal Public Improvement Refunding	11,010,067	550,258	-	2,038	-	11,008,029	9,335	550,031
Total serial bonds	<u>35,469,890</u>	<u>1,596,782</u>	<u>-</u>	<u>5,836,625</u>	<u>-</u>	<u>29,633,265</u>	<u>6,013,985</u>	<u>1,308,710</u>
Notes payable:								
1992 CSO State Revolving Loan	316,706	9,209	-	187,500	-	129,206	129,206	1,936
1998 State of Georgia Revolving Loan	3,678,673	142,484	-	700,749	-	2,977,924	400,255	113,163
2003 State Revolving Loan	29,647,402	859,624	-	1,758,249	-	27,889,153	1,811,364	806,508
2007 State Revolving Loan	13,000,000	347,451	-	368,037	-	12,631,963	502,836	346,032
Total notes payable	<u>46,642,781</u>	<u>1,358,768</u>	<u>-</u>	<u>3,014,535</u>	<u>-</u>	<u>43,628,246</u>	<u>2,843,661</u>	<u>1,267,639</u>
Capital leases payable:								
2001 Capital Lease City of Collegedale	96,119	5,367	-	28,285	-	67,834	30,133	3,520
Total capital leases payable	<u>96,119</u>	<u>5,367</u>	<u>-</u>	<u>28,285</u>	<u>-</u>	<u>67,834</u>	<u>30,133</u>	<u>3,520</u>
Total interceptor sewer system	<u>\$ 82,208,790</u>	<u>\$ 2,960,917</u>	<u>\$ -</u>	<u>\$ 8,879,445</u>	<u>\$ -</u>	<u>\$ 73,329,345</u>	<u>\$ 8,887,779</u>	<u>\$ 2,579,869</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2012

(continued from previous page)

	Outstanding July 1, 2011	Interest Paid FY2012	Issued FY2012	Retired FY2012	Refunded FY2012	Outstanding June 30, 2012	Maturing FY 2013	Interest Payable FY 2013
Solid Waste & Sanitation Fund:								
Serial Bonds:								
2002 Municipal Public Improvement Refunding	\$ 3,063,732	\$ 134,619	\$ -	\$ 968,381	\$ -	\$ 2,095,351	\$ 1,020,308	\$ 81,173
2005A Municipal Public Improvement Refunding	8,575,709	413,979	-	220,974	-	8,354,735	231,365	404,933
2006A Municipal Public Improvement	4,533,764	180,288	-	283,360	-	4,250,404	283,361	168,954
2007A Municipal Public Improvement Refunding	2,480,000	117,990	-	-	-	2,480,000	-	117,990
Total serial bonds	<u>18,653,205</u>	<u>846,876</u>	<u>-</u>	<u>1,472,715</u>	<u>-</u>	<u>17,180,490</u>	<u>1,535,034</u>	<u>773,050</u>
Notes payable:								
2003 TML Bond Fund	290,501	1,006	-	37,661	-	252,840	38,856	992
2004 TML Bond Fund	433,783	1,491	-	28,342	-	405,441	29,099	1,591
Total Notes Payable	<u>724,284</u>	<u>2,497</u>	<u>-</u>	<u>66,003</u>	<u>-</u>	<u>658,281</u>	<u>67,955</u>	<u>2,583</u>
Total Solid Waste & Sanitation Fund	<u>19,377,489</u>	<u>849,373</u>	<u>-</u>	<u>1,538,718</u>	<u>-</u>	<u>17,838,771</u>	<u>1,602,989</u>	<u>775,633</u>
Water Quality Fund								
Serial Bonds:								
2002 Municipal Public Improvement Refunding	2,289,528	100,601	-	723,672	-	1,565,856	762,478	60,661
2005A Municipal Public Improvement Refunding	5,278,665	259,478	-	66,086	-	5,212,579	70,981	256,737
2007A Municipal Public Improvement Refunding	750,000	35,682	-	-	-	750,000	-	35,682
Total serial bonds	<u>8,318,193</u>	<u>395,761</u>	<u>-</u>	<u>789,758</u>	<u>-</u>	<u>7,528,435</u>	<u>833,459</u>	<u>353,080</u>
Notes payable:								
1992 CSO State Revolving Loan	316,707	9,211	-	187,500	-	129,207	129,207	1,936
Total Notes Payable	<u>316,707</u>	<u>9,211</u>	<u>-</u>	<u>187,500</u>	<u>-</u>	<u>129,207</u>	<u>129,207</u>	<u>1,936</u>
Total Water Quality Fund	<u>8,634,900</u>	<u>404,972</u>	<u>-</u>	<u>977,258</u>	<u>-</u>	<u>7,657,642</u>	<u>962,666</u>	<u>355,016</u>
Total Business-Type Activities	<u>110,221,179</u>	<u>4,215,262</u>	<u>-</u>	<u>11,395,421</u>	<u>-</u>	<u>98,825,758</u>	<u>11,453,434</u>	<u>3,710,518</u>
TOTAL GENERAL OBLIGATION DEBT	<u>\$ 408,416,387</u>	<u>\$ 17,905,562</u>	<u>\$ 44,115,201</u>	<u>\$ 26,228,714</u>	<u>\$ 18,360,000</u>	<u>\$ 407,942,874</u>	<u>\$ 27,875,566</u>	<u>\$ 17,296,677</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, 2012

	Outstanding July 1, 2011	Interest Paid FY2012	Issued FY2012	Retired FY2012	Refunded FY2012	Outstanding June 30, 2012	Maturing FY 2013	Interest Payable FY 2013
PRIMARY GOVERNMENT:								
Electric Power Board								
Revenue Bonds:								
2000 Electric System Revenue Bonds	\$ 1,600,000	\$ 40,000	\$ -	\$ 1,600,000	\$ -	\$ -	\$ -	\$ -
2006B Electric System Refunding Revenue Bond	23,430,000	957,556	-	-	-	23,430,000	1,770,000	922,156
2006A Electric System Revenue Bonds	37,820,000	1,615,525	-	1,150,000	-	36,670,000	1,195,000	1,568,625
2008A Electric System Revenue Bonds	219,830,000	10,764,500	-	-	-	219,830,000	-	10,764,500
Total Revenue Bonds	<u>282,680,000</u>	<u>13,377,581</u>	<u>-</u>	<u>2,750,000</u>	<u>-</u>	<u>279,930,000</u>	<u>2,965,000</u>	<u>13,255,281</u>
Notes Payable								
2011 Secured Term Note - Telecom	18,907,000	570,000		4,495,000	-	14,412,000	3,613,000	356,000
2011 Secured Term Note - Internet	-	227,000	7,500,000	187,000	-	7,313,000	-	206,227
Total Notes Payable	<u>18,907,000</u>	<u>797,000</u>	<u>7,500,000</u>	<u>4,682,000</u>	<u>-</u>	<u>21,725,000</u>	<u>3,613,000</u>	<u>562,227</u>
Total Electric Power Board	<u>301,587,000</u>	<u>14,174,581</u>	<u>7,500,000</u>	<u>7,432,000</u>	<u>-</u>	<u>301,655,000</u>	<u>6,578,000</u>	<u>13,817,508</u>
Total Primary Government	<u><u>\$ 710,003,387</u></u>	<u><u>\$ 32,080,143</u></u>	<u><u>\$ 51,615,201</u></u>	<u><u>\$ 33,660,714</u></u>	<u><u>\$ 18,360,000</u></u>	<u><u>\$ 709,597,874</u></u>	<u><u>\$ 34,453,566</u></u>	<u><u>\$ 31,114,185</u></u>
COMPONENT UNITS								
Revenue Bonds:								
Metropolitan Airport Authority								
2009 Refunding	\$ 5,955,989	\$ 319,475	\$ -	\$ 325,414	\$ -	\$ 5,630,575	\$ 375,680	\$ 193,366
2012 Fuel Facility Capital Lease	-	-	186,643	-	-	186,643	46,661	5,335
Total Metropolitan Airport Authority	<u>5,955,989</u>	<u>319,475</u>	<u>186,643</u>	<u>325,414</u>	<u>-</u>	<u>5,817,218</u>	<u>422,341</u>	<u>198,701</u>
Chatt Downtown Redevelopment Corporation								
2007 Chatt Lease Rental Rev Ref Bonds	55,880,000	2,606,325	-	3,395,000	-	52,485,000	3,555,000	2,432,575
2010 Chatt Lease Rental Rev Ref Bonds	66,955,000	2,921,394	-	665,000	-	66,290,000	685,000	2,901,144
Total Chatt. Downtown Redev. Corp.	<u>122,835,000</u>	<u>5,527,719</u>	<u>-</u>	<u>4,060,000</u>	<u>-</u>	<u>118,775,000</u>	<u>4,240,000</u>	<u>5,333,719</u>
Total Component Units	<u><u>\$ 128,790,989</u></u>	<u><u>\$ 5,847,194</u></u>	<u><u>\$ 186,643</u></u>	<u><u>\$ 4,385,414</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 124,592,218</u></u>	<u><u>\$ 4,662,341</u></u>	<u><u>\$ 5,532,420</u></u>

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

DIRECT INDEBTEDNESS

Fiscal Year							Total
Ended		Interest		Due		Interest	
June 30	Issue	Rate	Principal	Interest		and Principal	
2013	1998 Municipal Public Improvement Refunding	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	10,027		392,027	
			<u>1,999,700</u>	<u>332,248</u>		<u>2,331,948</u>	
2013	1999 Fire Hall Land Note	9.500%	4,953	686		5,639	
2014		9.500%	4,525	198		4,723	
			<u>9,478</u>	<u>884</u>		<u>10,362</u>	
2013	2002 Municipal Public Improvement Refunding	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>3,390,000</u>	<u>318,700</u>		<u>3,708,700</u>	
2013	2002 Series A Refunding	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>678,855</u>	<u>32,728</u>		<u>711,583</u>	
2013	2003 Note Payable - Tennessee Municipal Bond Fund	0.395%	383,144	9,786		392,930	
2014		0.395%	395,854	8,282		404,136	
2015		0.395%	408,565	6,728		415,293	
2016		0.395%	421,276	5,124		426,400	
2017		0.395%	434,895	3,471		438,366	
2018		0.395%	449,427	1,764		451,191	
			<u>2,493,161</u>	<u>35,155</u>		<u>2,528,316</u>	

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2013	CDRC Capital Lease	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>100,531,340</u>	<u>72,456,614</u>	<u>172,987,954</u>
2013	2004 Note Payable - Tennessee Municipal Bond Fund	0.395%	1,205,901	64,954	1,270,855
2014		0.395%	1,238,123	60,221	1,298,344
2015		0.395%	1,271,322	55,362	1,326,684
2016		0.395%	1,305,497	50,372	1,355,869
2017		0.395%	1,340,649	45,248	1,385,897
2018		0.395%	1,375,801	39,985	1,415,786
2019		0.395%	1,412,905	34,585	1,447,490
2020		0.395%	1,450,986	29,040	1,480,026
2021		0.395%	1,489,067	23,345	1,512,412
2022		0.395%	1,529,101	17,500	1,546,601
2023		0.395%	1,570,112	11,498	1,581,610
2024		0.395%	1,359,414	5,336	1,364,750
			<u>16,548,878</u>	<u>437,446</u>	<u>16,986,324</u>
2013	2005 A Hotel-Motel Tax Refunding	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>5,378,495</u>	<u>1,330,424</u>	<u>6,708,919</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2013	2005 Series A Refunding	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>13,466,162</u>	<u>2,728,935</u>	<u>16,195,097</u>
2013	2006 A Municipal Public Improvement	4.00%	1,036,640	618,097	1,654,737
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	1,525,157
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%	1,036,639	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	1,265,997
2023		4.00%	1,036,640	186,595	1,223,235
2024		4.00%	1,036,640	145,130	1,181,770
2025		4.00%	1,036,640	103,664	1,140,304
2026		4.00%	1,036,639	62,198	1,098,837
2027		4.00%	1,036,639	20,733	1,057,372
			<u>15,549,597</u>	<u>4,757,531</u>	<u>20,307,128</u>
2013	2007 A Municipal Public Improvement Refund	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>8,046,713</u>	<u>22,566,713</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30		Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2013		2008 Hennen Notes Payable	0.00%	\$ 323,821	\$ -	\$ 323,821
				323,821	-	323,821
2013	2008 Section 108 HUD Loan		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
				3,661,000	1,064,726	4,725,726
2013	2009 Series A General Obligation		3.00%	2,270,000	1,421,587	3,691,587
2014			3.00%	2,270,000	1,353,488	3,623,488
2015			3.00%	2,270,000	1,285,387	3,555,387
2016			3.00%	2,270,000	1,217,288	3,487,288
2017			3.00%	2,270,000	1,149,187	3,419,187
2018			3.25%	2,270,000	1,078,250	3,348,250
2019			3.50%	2,270,000	1,001,637	3,271,637
2020			4.00%	2,270,000	916,513	3,186,513
2021			4.00%	2,270,000	825,712	3,095,712
2022			4.00%	2,270,000	734,913	3,004,913
2023			4.00%	2,270,000	644,112	2,914,112
2024			4.13%	2,270,000	551,894	2,821,894
2025			4.25%	2,270,000	456,837	2,726,837
2026			4.38%	2,270,000	358,944	2,628,944
2027			4.50%	2,270,000	258,212	2,528,212
2028			4.50%	2,270,000	156,063	2,426,063
2029			4.63%	2,270,000	52,494	2,322,494
				38,590,000	13,462,518	52,052,518
2013	2009 IDB Foreign Trade Zone		0.00%	27,871	-	27,871
				27,871	-	27,871
2013	2009 Golf Course Capital Lease		4.75%	69,760	2,948	72,708
2014			4.75%	23,998	238	24,236
				93,758	3,186	96,944

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30		Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2013	2010 Series A General Obligation		2.00%	\$ 340,000	\$ 202,138	\$ 542,138
2014			2.00%	340,000	195,337	535,337
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	143,212	478,212
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>6,045,000</u>	<u>2,137,900</u>	<u>8,182,900</u>
2013	2010 Series B Refunding Hotel Motel		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	2,338,887
2018			3.00%	1,626,031	757,366	2,383,397
2019			3.00%	133,705	708,585	842,290
2020			3.25%	138,019	704,240	842,259
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	2,810,920
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	530,682
2028			4.00%	103,514	427,512	531,026
2029			4.00%	3,334,011	423,372	3,757,383
2030			4.00%	3,523,787	290,012	3,813,799
2031			4.00%	3,726,501	149,060	3,875,561
				<u>28,349,877</u>	<u>11,552,726</u>	<u>39,902,603</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30		Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2013	2010 Series B Refunding General Obligation		2.00%	\$ 157,305	\$ 154,267	\$ 311,572
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	489,333
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	134,141
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	447,680
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	84,518
2028			4.00%	16,486	68,087	84,573
2029			4.00%	530,989	67,428	598,417
2030			4.00%	561,213	46,188	607,401
2031			4.00%	593,499	23,740	617,239
				<u>4,515,123</u>	<u>1,839,937</u>	<u>6,355,060</u>
2013	2010 Series C Recovery Zone		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>6,155,000</u>	<u>2,083,075</u>	<u>8,238,075</u>
2013	2010 VAAP Note		0.00%	-	-	-
2014			0.00%	-	-	-
2015			0.00%	<u>2,750,000</u>	<u>-</u>	<u>2,750,000</u>
				<u>2,750,000</u>	<u>-</u>	<u>2,750,000</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2013	2011 Series A General Obligation	3.00%	\$ 1,770,000	\$ 838,925	\$ 2,608,925
2014		4.00%	1,770,000	741,575	2,511,575
2015		4.00%	1,770,000	706,175	2,476,175
2016		4.00%	1,765,000	635,475	2,400,475
2017		1.50%	1,770,000	586,900	2,356,900
2018		2.00%	1,765,000	555,975	2,320,975
2019		3.00%	1,765,000	511,850	2,276,850
2020		3.00%	1,765,000	458,900	2,223,900
2021		4.00%	1,765,000	397,125	2,162,125
2022		4.00%	1,765,000	326,525	2,091,525
2023		2.50%	1,765,000	269,162	2,034,162
2024		3.00%	1,765,000	220,625	1,985,625
2025		3.00%	1,765,000	167,675	1,932,675
2026		4.00%	1,765,000	105,900	1,870,900
2027		4.00%	1,765,000	35,300	1,800,300
			<u>26,495,000</u>	<u>6,558,087</u>	<u>33,053,087</u>
2013	2011 Series B Refunding Hotel Motel	0.00%	-	587,318	587,318
2014		0.00%	-	587,319	587,319
2015		0.00%	-	587,318	587,318
2016		0.00%	-	587,319	587,319
2017		0.00%	-	587,318	587,318
2018		3.00%	1,008,901	572,185	1,581,086
2019		2.00%	22,223	556,829	579,052
2020		2.00%	22,223	556,385	578,608
2021		2.25%	26,667	555,862	582,529
2022		2.50%	26,667	555,229	581,896
2023		2.63%	26,667	554,546	581,213
2024		4.00%	2,555,587	503,084	3,058,671
2025		4.00%	2,715,590	397,661	3,113,251
2026		4.00%	2,888,925	285,570	3,174,495
2027		4.00%	3,062,260	166,547	3,228,807
2028		3.25%	<u>3,240,040</u>	<u>52,651</u>	<u>3,292,691</u>
			<u>15,595,750</u>	<u>7,693,141</u>	<u>23,288,891</u>
2013	2011 Series B Refunding General Obligation	0.00%	-	73,406	73,406
2014		0.00%	-	73,407	73,407
2015		0.00%	-	73,406	73,406
2016		0.00%	-	73,407	73,407
2017		0.00%	-	73,406	73,406
2018		3.00%	126,099	71,515	197,614
2019		2.00%	2,777	69,596	72,373
2020		2.00%	2,777	69,540	72,317
2021		2.25%	3,333	69,475	72,808
2022		2.50%	3,333	69,396	72,729
2023		2.63%	3,333	69,310	72,643
2024		4.00%	319,413	62,879	382,292
2025		4.00%	339,410	49,702	389,112
2026		4.00%	361,075	35,692	396,767
2027		4.00%	382,740	20,816	403,556
2028		3.25%	<u>404,960</u>	<u>6,581</u>	<u>411,541</u>
			<u>1,949,250</u>	<u>961,534</u>	<u>2,910,784</u>
Total direct indebtedness			<u>309,117,116</u>	<u>137,834,208</u>	<u>446,951,324</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2013	1998 Municipal Public Improvement Refunding	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>7,815,300</u>	<u>1,298,532</u>	<u>9,113,832</u>
2013	1992 State Revolving Sewer Loan	3.98%	129,206	1,936	131,142
			<u>129,206</u>	<u>1,936</u>	<u>131,142</u>
2013	Georgia Environmental Facilities Authority	4.00%	400,255	113,163	513,418
2014		4.00%	416,507	96,911	513,418
2015		4.00%	433,419	79,999	513,418
2016		4.00%	451,017	62,401	513,418
2017		4.00%	469,331	44,087	513,418
2018		4.00%	488,387	25,031	513,418
2019		4.00%	319,008	5,803	324,811
			<u>2,977,924</u>	<u>427,395</u>	<u>3,405,319</u>
2013	2001 Capital Lease City of Collegedale	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>67,833</u>	<u>5,081</u>	<u>72,914</u>
2013	2002 Municipal Public Improvement Refunding	4.25%	2,932,214	270,995	3,203,209
2014		4.25%	3,076,578	125,571	3,202,149
2015		4.50%	1,175,000	26,437	1,201,437
			<u>7,183,792</u>	<u>423,003</u>	<u>7,606,795</u>
2013	2002 Series A Refunding	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>3,626,145</u>	<u>174,822</u>	<u>3,800,967</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2013	2003 State Revolving Loan	2.98%	\$ 1,811,364	\$ 806,508	\$ 2,617,872
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%	1,980,540	637,332	2,617,872
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%	2,367,768	250,104	2,617,872
2023		2.98%	2,439,300	178,572	2,617,872
2024		2.98%	2,512,992	104,880	2,617,872
2025		2.98%	2,151,611	26,541	2,178,152
			<u>27,889,153</u>	<u>5,703,465</u>	<u>33,592,618</u>
2013	2005 Series A Refunding	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>11,008,029</u>	<u>2,526,891</u>	<u>13,534,920</u>
2013	2007 State Revolving Loan	2.79%	502,836	346,032	848,868
2014		2.79%	517,044	331,824	848,868
2015		2.79%	531,660	317,208	848,868
2016		2.79%	546,684	302,184	848,868
2017		2.79%	562,128	286,740	848,868
2018		2.79%	578,016	270,852	848,868
2019		2.79%	594,348	254,520	848,868
2020		2.79%	611,148	237,720	848,868
2021		2.79%	628,416	220,452	848,868
2022		2.79%	646,176	202,692	848,868
2023		2.79%	664,428	184,440	848,868
2024		2.79%	683,208	165,660	848,868
2025		2.79%	702,516	146,352	848,868
2026		2.79%	722,376	126,492	848,868
2027		2.79%	742,788	106,080	848,868
2028		2.79%	763,776	85,092	848,868
2029		2.79%	785,364	63,504	848,868
2030		2.79%	807,552	41,316	848,868
2031		2.79%	830,376	18,492	848,868
2032		2.79%	211,124	1,001	212,125
			<u>12,631,964</u>	<u>3,708,653</u>	<u>16,340,617</u>
Total Interceptor Sewer System indebtedness			<u>73,329,346</u>	<u>14,269,778</u>	<u>87,599,124</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

(continued from previous page)

SOLID WASTE/SANITATION FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Due		Total Interest and Principal
			Principal	Interest	
2013	2002 Municipal Public Improvement Refunding	5.000%	\$ 1,020,308	\$ 81,173	\$ 1,101,481
2014		4.375%	1,075,043	26,876	1,101,919
			<u>2,095,351</u>	<u>108,049</u>	<u>2,203,400</u>
2013	2003 Note Payable - Tennessee Municipal Bond Fund	0.395%	38,856	992	39,848
2014		0.395%	40,146	840	40,986
2015		0.395%	41,435	682	42,117
2016		0.395%	42,724	520	43,244
2017		0.395%	44,105	352	44,457
2018		0.395%	45,574	179	45,753
			<u>252,840</u>	<u>3,565</u>	<u>256,405</u>
2013	2004 Note Payable - Tennessee Municipal Bond Fund	0.395%	29,099	1,591	30,690
2014		0.395%	29,877	1,477	31,354
2015		0.395%	30,678	1,360	32,038
2016		0.395%	31,503	1,239	32,742
2017		0.395%	32,351	1,116	33,467
2018		0.395%	33,199	989	34,188
2019		0.395%	34,095	859	34,954
2020		0.395%	35,014	725	35,739
2021		0.395%	35,933	587	36,520
2022		0.395%	36,899	446	37,345
2023		0.395%	37,888	301	38,189
2024		0.395%	38,905	153	39,058
			<u>405,441</u>	<u>10,843</u>	<u>416,284</u>
2013	2005 Series A Refunding	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>8,354,735</u>	<u>1,856,140</u>	<u>10,210,875</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

(continued from previous page)

SOLID WASTE/SANITATION FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2013	2006 Series A Municipal Public Improvement	4.00%	\$ 283,361	\$ 168,954	\$ 452,315
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	416,893
2017		4.00%	283,361	120,782	404,143
2018		4.00%	283,360	109,448	392,808
2019		4.00%	283,360	98,113	381,473
2020		4.13%	283,360	86,602	369,962
2021		4.25%	283,360	74,736	358,096
2022		4.25%	283,361	62,693	346,054
2023		4.00%	283,360	51,005	334,365
2024		4.00%	283,360	39,671	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>4,250,404</u>	<u>1,300,446</u>	<u>5,550,850</u>
2013	2007 Series A Municipal Public Improvement	5.00%	-	117,990	117,990
2014	Refunding	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>1,374,988</u>	<u>3,854,988</u>
Total SolidWaste/Sanitation Fund indebtedness			<u>17,838,771</u>	<u>4,654,031</u>	<u>22,492,802</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

(continued from previous page)

WATER QUALITY FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2013	1992 State Revolving Fund	3.980%	\$ 129,207	\$ 1,936	\$ 131,143
			<u>129,207</u>	<u>1,936</u>	<u>131,143</u>
2013	2002 Municipal Public Improvement Refunding	5.000%	762,476	60,661	823,137
2014		4.375%	803,381	20,085	823,466
			<u>1,565,857</u>	<u>80,746</u>	<u>1,646,603</u>
2013	2005 Series A Refunding	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>5,212,579</u>	<u>1,178,242</u>	<u>6,390,821</u>
2013	2007 Series A Municipal Public Improvement	5.000%	-	35,682	35,682
2014		5.000%	-	35,683	35,683
2015		5.000%	-	35,682	35,682
2016		5.000%	-	35,683	35,683
2017		5.000%	-	35,682	35,682
2018		5.000%	-	35,683	35,683
2019		5.000%	-	35,682	35,682
2020		5.000%	-	35,683	35,683
2021		5.000%	110,000	35,682	145,682
2022		4.300%	115,000	30,183	145,183
2023		5.000%	120,000	25,237	145,237
2024		4.750%	130,000	19,238	149,238
2025		4.750%	135,000	13,062	148,062
2026		4.750%	140,000	6,650	146,650
			<u>750,000</u>	<u>415,512</u>	<u>1,165,512</u>
	Total Water Quality Fund		<u>7,657,643</u>	<u>1,676,436</u>	<u>9,334,079</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

(continued from previous page)

Fiscal Year Ended June 30		Issue	<u>EPB</u>		Due Interest	Total Interest and Principal
			Interest Rate	Principal		
2013		2006B Electric System Refunding Revenue 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>6,609,041</u>	<u>30,039,041</u>
2013		2006A Electric System Revenue Bonds	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>36,670,000</u>	<u>18,343,594</u>	<u>55,013,594</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

(continued from previous page)

Fiscal Year Ended June 30		Issue	<u>EPB</u>		Due Interest	Total Interest and Principal
			Interest Rate	Principal		
2013		2008 A Electric System Revenue Bonds		\$ -	\$ 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>155,368,375</u>	<u>375,198,375</u>
2013		2011 Fiber Optics System Secured	3.50%	3,613,000	356,000	3,969,000
2014		Term Promissory Note	3.50%	3,715,000	254,000	3,969,000
2015			3.50%	3,820,000	149,000	3,969,000
2016			3.50%	3,264,000	42,000	3,306,000
				<u>14,412,000</u>	<u>801,000</u>	<u>15,213,000</u>
2013		2011 Internet System Secured	2.82%	-	206,227	206,227
2014		Term Promissory Note	2.82%	-	206,227	206,227
2015			2.82%	-	206,227	206,227
2016			2.82%	<u>7,313,000</u>	<u>34,371</u>	<u>7,347,371</u>
				<u>7,313,000</u>	<u>653,052</u>	<u>7,966,052</u>
		Total Electric Power Board		<u>301,655,000</u>	<u>181,775,061</u>	<u>483,430,061</u>
		Total Primary Government		<u>\$ 709,597,876</u>	<u>\$ 340,209,514</u>	<u>\$ 1,049,807,390</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

(continued from previous page)

METROPOLITAN AIRPORT AUTHORITY

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2013	2009 Taxable Refunding Revenue Bonds		\$ 375,680	\$ 193,366	\$ 569,046
2014			396,968	179,624	576,592
2015			411,251	165,341	576,592
2016			426,048	150,544	576,592
2017			441,378	135,215	576,593
2018			457,258	119,334	576,592
2019			393,592	86,902	480,494
2019			2,728,400	-	2,728,400
			<u>5,630,575</u>	<u>1,030,326</u>	<u>6,660,901</u>
2013	2012 Fuel Facility Capital Lease		46,661	5,335	51,996
2014			46,661	5,335	51,996
2015			46,661	5,335	51,996
2016			46,660	5,336	51,996
			<u>186,643</u>	<u>21,341</u>	<u>207,984</u>
	Total Airport Authority		<u>5,817,218</u>	<u>1,051,667</u>	<u>6,868,885</u>

CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

2013	2007 Lease Rental Revenue Refunding Bonds	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>52,485,000</u>	<u>37,643,421</u>	<u>90,128,421</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2012

(continued from previous page)

CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2013	2010 IDB Revenue Refunding	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		5.000%	6,565,000	478,159	7,043,159
2025		5.000%	6,860,000	171,500	7,031,500
			<u>66,290,000</u>	<u>22,349,766</u>	<u>88,639,766</u>
Total Chatt. Downtown Redevelopment Corp			<u>118,775,000</u>	<u>59,993,187</u>	<u>178,768,187</u>
Total component unit indebtedness			<u>\$ 124,592,218</u>	<u>\$ 61,044,854</u>	<u>\$ 185,637,072</u>

CITY OF CHATTANOOGA, TENNESSEE

STATISTICAL SECTION (Unaudited)

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CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
Expenses								
Governmental activities:								
General government	\$ 64,751,775	\$ 63,957,991	\$ 73,098,750	\$ 88,028,404	\$ 75,282,935	\$ 61,386,402	\$ 60,152,675	\$ 59,850,789
Public safety	91,995,943	84,765,514	76,368,786	70,745,129	72,595,048	68,559,200	64,367,574	63,805,046
Public works	69,321,709	66,493,039	61,734,669	61,147,976	55,935,906	55,075,495	55,077,404	54,323,539
Parks and recreation	22,807,242	24,010,501	20,271,088	17,223,313	17,370,233	15,263,490	13,785,184	13,562,609
Social services	19,329,779	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	7,087,446	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>275,293,894</u>	<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	640,200,589	633,506,721	539,720,000	542,811,000	472,115,000	441,556,000	417,792,000	371,630,000
Sewer	50,173,707	47,790,192	44,686,829	40,311,413	37,859,312	35,307,852	35,395,214	33,606,869
Solid waste	5,108,430	5,037,895	4,753,430	4,373,161	4,973,585	4,956,281	4,678,270	4,260,270
Water quality management	12,386,648	10,003,657	8,385,351	5,638,936	5,058,524	4,937,896	4,475,706	4,709,090
Housing management	1,028,404	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>708,897,778</u>	<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>984,191,672</u>	<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>
Program Revenues								
Governmental activities:								
Charges for services:								
General government	11,045,632	10,434,649	11,523,433	12,239,326	11,592,555	11,913,650	9,279,550	8,523,871
Public safety	654,680	880,936	977,577	630,281	807,649	298,434	1,121,281	864,536
Public works	3,314,133	2,652,857	2,443,705	1,893,443	2,523,650	1,901,136	2,392,789	2,390,699
Parks and recreation	3,728,321	3,815,671	4,212,077	4,069,218	4,132,026	3,366,016	2,910,484	2,768,211
Social services	746,120	646,768	834,020	700,179	1,203,478	117,114	1,163,593	2,997,590
Operating grants and contributions	38,545,589	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	2,253,589	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>60,288,064</u>	<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	618,552,000	589,475,000	504,599,000	544,635,000	484,458,000	441,881,000	422,143,000	373,490,000
Sewer	52,051,115	48,702,486	45,761,756	43,749,143	42,473,352	39,217,346	36,509,866	35,976,537
Solid waste	6,317,708	6,597,533	6,389,727	6,871,844	5,171,586	5,563,236	5,475,554	5,881,486
Water quality management	16,123,965	14,292,397	13,480,137	5,796,188	5,627,095	5,549,732	5,730,458	5,491,938
Housing management	882,897	839,126	816,476	807,058	751,350	1,168,471	1,204,120	1,367,348
Operating grants and contributions	100,819	19,983,313	2,398,436	191,575	189,973	175,675	76,532	83,652
Capital grants and contributions	39,217,000	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>733,245,504</u>	<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>\$ 793,533,568</u>	<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>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

(continued from previous page)

	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
Net (expense)/revenue:								
Governmental activities	\$ (215,005,830)	\$ (195,459,286)	\$ (187,951,065)	\$ (194,169,080)	\$ (171,623,708)	\$ (164,379,137)	\$ (158,369,684)	\$ (156,402,920)
Business-type activities	24,347,726	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	(190,658,104)	(171,896,614)	(183,498,272)	(183,732,065)	(152,293,869)	(157,138,173)	(147,744,463)	(148,123,107)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes:								
Property taxes	133,455,222	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	7,614,837	7,352,383	7,062,700	7,394,591	6,951,057	6,589,468	6,393,852	6,245,169
Gross receipts tax	4,276,496	4,437,883	3,790,913	3,905,913	3,931,405	3,773,166	3,510,891	3,695,782
Franchise tax	2,915,030	2,119,546	2,248,279	2,210,697	2,507,204	1,764,684	1,755,878	1,664,863
Hotel-motel tax	5,001,504	4,746,845	4,058,621	3,893,990	4,067,597	3,747,137	3,640,518	2,583,318
Other taxes	83,017	43,520	227,546	2,578,385	2,605,700	2,542,465	2,471,256	198,958
Unrestricted investment earnings	873,653	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	66,731,113	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	370,285	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	4,554	-	-	-	19,306	11,044	500	-
Transfers	6,344,311	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	227,670,022	192,166,944	172,181,432	159,355,041	176,694,703	165,681,472	169,112,657	153,443,769
Business-type activities:								
Unrestricted investment earnings	804,118	1,463,002	3,632,413	8,991,904	5,249,845	5,001,647	3,015,706	1,942,076
Miscellaneous	147,914	-	16,427	808,000	816,803	108,928	817,415	184,682
Transfers	(6,344,311)	(5,917,771)	(4,089,754)	(3,061,998)	(4,321,107)	(44,999)	(2,458,048)	563,637
Extra ordinary - tornado damage	(28,000,000)	-	-	-	-	-	-	-
Total business-type activities	(5,392,279)	(32,454,769)	(440,914)	6,737,906	1,745,541	5,065,576	1,375,073	2,690,395
Total primary government	222,277,743	159,712,175	171,740,518	166,092,947	178,440,244	170,747,048	170,487,730	156,134,164
Change in Net Assets								
Governmental activities	12,664,192	(3,292,342)	(15,769,633) ⁽²⁾	(34,814,039) ⁽¹⁾	5,070,995	1,302,335	10,742,973	(2,959,151)
Business-type activities	18,955,447	(8,892,097)	4,011,879	17,174,921	21,075,380	12,306,540	12,000,294	10,970,208
Total primary government	\$ 31,619,639	\$ (12,184,439)	\$ (11,757,754)	\$ (17,639,118)	\$ 26,146,375	\$ 13,608,875	\$ 22,743,267	\$ 8,011,057

Note: The city began to report accrual information when it implemented GASB Statement 34 in FY2002. However, this schedule was not required until FY06; 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 the City appropriated \$5,164,968 to the IDB for the VW Project. Also, the OPEB obligation increased \$7,767,233 during the fiscal year.

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year		
	2012	2011	2010
Governmental activities			
Invested in capital assets, net of related debt	\$ 1,203,907,660	\$ 1,231,353,280	\$ 1,259,985,302
Restricted	41,687,490	27,167,455	13,118,922
Unrestricted	89,243,312	63,653,535	52,362,388
Total governmental activities net assets	<u>\$ 1,334,838,462</u>	<u>\$ 1,322,174,270</u>	<u>\$ 1,325,466,612</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 527,583,854	\$ 568,185,846	\$ 533,433,835
Restricted	30,684,020	18,097,653	22,728,886
Unrestricted (1)	3,519,144	(43,451,928)	(4,439,053)
Total business-type activities net assets	<u>\$ 561,787,018</u>	<u>\$ 542,831,571</u>	<u>\$ 551,723,668</u>
Primary government			
Invested in capital assets, net of related debt	\$ 1,731,491,514	\$ 1,799,539,126	\$ 1,793,419,137
Restricted	72,371,510	45,265,108	35,847,808
Unrestricted	92,762,456	20,201,607	47,923,335
Total primary government net assets	<u>\$ 1,896,625,480</u>	<u>\$ 1,865,005,841</u>	<u>\$ 1,877,190,280</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 2008 significant investment was made in the EPB utility plant reallocating net assets between invested in capital and unrestricted.

In 2011 EPB suffered \$28,000,000 in extraordinary losses from the worst year of tornadoes in recent history.

2009	2008	2007	2006	2005
\$ 1,259,405,543	\$ 1,276,307,361	\$ 1,267,302,733	\$ 1,269,926,195	\$ 1,277,883,814
24,162,165	12,295,632	16,780,377	6,312,540	7,713,513
57,668,537	87,447,291	86,896,179	93,438,219	73,336,654
<u>\$ 1,341,236,245</u>	<u>\$ 1,376,050,284</u>	<u>\$ 1,370,979,289</u>	<u>\$ 1,369,676,954</u>	<u>\$ 1,358,933,981</u>
\$ 559,872,034	\$ 563,418,374	\$ 478,366,634	\$ 491,351,965	\$ 457,612,822
24,501,372	27,476,571	18,789,364	17,944,835	18,300,530
(36,661,617)	(60,528,077)	12,305,490	(12,141,852)	9,241,302
<u>\$ 547,711,789</u>	<u>\$ 530,366,868</u>	<u>\$ 509,461,488</u>	<u>\$ 497,154,948</u>	<u>\$ 485,154,654</u>
\$ 1,819,277,577	\$ 1,839,725,735	\$ 1,745,669,367	\$ 1,761,278,160	\$ 1,735,496,636
48,663,537	39,772,203	35,569,741	24,257,375	26,014,043
21,006,920	26,919,214	99,201,669	81,296,367	82,577,956
<u>\$ 1,888,948,034</u>	<u>\$ 1,906,417,152</u>	<u>\$ 1,880,440,777</u>	<u>\$ 1,866,831,902</u>	<u>\$ 1,844,088,635</u>

CITY OF CHATTANOOGA, TENNESSEE

GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE

LAST EIGHT 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	(2)	\$ 106,836,458
2006	87,484,889	(1) 1,658,004	4,735,848	3,510,891	1,755,878	3,640,518	2,471,256	(2)	105,257,284
2007	89,934,837	1,748,944	4,840,524	3,773,166	1,764,684	3,747,137	2,542,465	(2)	108,351,757
2008	91,847,883	1,860,774	5,090,283	3,931,405	2,507,204	4,067,597	2,605,700	(2)	111,910,846
2009	94,274,504	1,957,072	5,437,519	3,905,913	2,210,697	3,893,990	2,578,385	(2)	114,258,080
2010	96,982,279	(3) 1,973,682	5,089,018	3,790,913	2,248,279	4,058,621	227,546		114,370,338
2011	112,953,898	(3) 1,964,432	5,387,951	4,437,883	2,119,546	4,746,845	43,520		131,654,075
2012	133,455,222	(3) 2,062,772	5,552,065	4,276,496	2,915,030	5,001,504	83,017		153,346,106

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).

(3) Beginning FY2010 change in unearned revenue is included in property tax. Amounts are as follows: 2010 \$(324,571); 2011 \$(1,831,958); 2012 \$18,122,674. Property tax increased effective FY2011.

CITY OF CHATTANOOGA, TENNESSEE

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST EIGHT FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year							
	2012	2011	2010 (1)	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	4,377,659	4,286,374	1,780,661	-	-	-	-	-
Restricted	7,502,063	6,658,785	7,455,576	-	-	-	-	-
Committed	967,538	898,772	1,184,148	-	-	-	-	-
Assigned	4,686,118	4,572,721	993,642	-	-	-	-	-
Unassigned	45,470,014	33,863,477	28,415,466	-	-	-	-	-
Total general fund (2)	<u>63,003,392</u>	<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	5,418,717	5,669,095	5,695,501	-	-	-	-	-
Restricted	43,422,413	30,890,348	43,983,628	-	-	-	-	-
Committed	3,456,211	7,063,311	6,559,175	-	-	-	-	-
Assigned	604,092	338,988	205,049	-	-	-	-	-
Unassigned	-	-	(777,863)	-	-	-	-	-
Total all other governmental funds	<u>52,901,433</u>	<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><u>\$115,904,825</u></u>	<u><u>\$ 94,241,871</u></u>	<u><u>\$ 95,494,983</u></u>	<u><u>\$ 97,271,954</u></u>	<u><u>\$ 92,581,834</u></u>	<u><u>\$ 98,254,716</u></u>	<u><u>\$ 88,121,777</u></u>	<u><u>\$ 83,804,808</u></u>

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

(1) The City implemented GASB Statement 54 in fiscal year 2010.

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

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year		
	2012	2011	2010
Revenues			
Taxes	\$ 135,223,433	\$ 133,486,033	\$ 114,584,911
Licenses and permits	5,738,751	5,176,412	5,368,232
Intergovernmental	103,679,076	100,441,019	97,317,492
Charges for services	6,045,639	5,602,433	6,182,979
Fines, forfeitures and penalties	2,148,952	2,705,952	3,256,983
Investment income	1,170,671	1,476,502	1,350,106
Contributions and donations	839,599	1,208,813	754,226
Miscellaneous	5,730,827	4,813,272	5,953,361
Total revenues	<u>260,576,948</u>	<u>254,910,436</u>	<u>234,768,290</u>
Expenditures			
General government	57,347,682	54,344,907	68,917,674
Public safety	90,486,931	83,338,295	71,310,426
Public works	39,283,330	39,260,630	31,601,596
Parks and recreation, education, arts & culture	19,459,895	18,003,988	16,979,064
Social Services	19,123,591	20,977,875	22,890,301
Capital outlay	24,674,873	24,601,428	23,446,614
Debt service:			
Principal	11,846,305	13,007,185	12,532,082
Interest	7,683,913	7,211,011	7,979,170
Total expenditures	<u>269,906,520</u>	<u>260,745,319</u>	<u>255,656,927</u>
Excess of revenues over (under) expenditures	(9,329,572)	(5,834,883)	(20,888,637)
Other financing sources (uses)			
Transfers in	33,930,297	33,896,437	31,587,851
Transfers out	(31,650,986)	(29,444,666)	(27,567,851)
Refunding bonds issued	17,545,000	-	14,219,204
Bonds issued	26,495,000	-	34,265,000
Premium on bonds issued	3,172,754	-	730,718
Payments to refunded bond escrow agent	(18,574,740)	-	(34,123,256)
Proceeds of notes payable	75,201	130,000	-
Total other financing sources (uses)	<u>30,992,526</u>	<u>4,581,771</u>	<u>19,111,666</u>
Net change in fund balances	<u><u>\$ 21,662,954</u></u>	<u><u>\$ (1,253,112)</u></u>	<u><u>\$ (1,776,971)</u></u>
Debt service as a percentage of non-capital expenditures	7.82%	8.56%	9.00%

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

2009	2008	2007	2006	2005
\$ 111,959,239	\$ 109,552,362	\$ 106,062,416	\$ 103,157,615	\$ 103,878,878
4,435,320	4,633,755	4,754,390	4,272,090	4,092,969
95,014,416	83,610,126	87,768,854	83,117,431	84,821,126
5,302,861	5,227,764	4,760,080	4,292,707	3,916,340
2,835,260	2,493,879	1,424,431	1,472,402	1,410,642
1,777,344	4,536,219	5,899,679	3,949,483	2,209,234
589,914	2,568,829	644,561	414,713	3,761,340
5,970,884	8,531,832	7,663,218	8,891,546	8,404,282
<u>227,885,238</u>	<u>221,154,766</u>	<u>218,977,629</u>	<u>209,567,987</u>	<u>212,494,811</u>
69,935,803	65,152,105	65,854,933	63,379,025	65,458,272
72,616,829	72,660,880	69,319,262	63,063,290	62,237,355
37,185,999	35,209,087	33,619,639	32,797,851	31,623,156
16,809,777	16,617,304	14,735,418	13,113,632	12,707,873
17,712,991	3,288,257	5,405,373	3,029,762	3,839,453
42,528,781	24,352,978	31,430,746	28,294,636	57,463,455
9,591,682	10,839,021	8,453,319	7,735,136	5,777,360
6,333,051	7,007,893	7,215,084	6,402,538	6,498,717
<u>272,714,913</u>	<u>235,127,525</u>	<u>236,033,774</u>	<u>217,815,870</u>	<u>245,605,641</u>
(44,829,675)	(13,972,759)	(17,056,145)	(8,247,883)	(33,110,830)
31,750,605	40,995,521	37,882,821	28,655,193	27,789,202
(28,969,931)	(41,141,279)	(40,911,869)	(26,197,145)	(28,352,839)
-	-	14,520,000	-	22,906,508
46,056,885	-	20,732,796	-	-
682,236	-	969,489	-	1,319,753
-	-	(14,906,348)	-	(23,958,331)
-	8,445,635	8,902,195	10,106,804	7,339,369
<u>49,519,795</u>	<u>8,299,877</u>	<u>27,189,084</u>	<u>12,564,852</u>	<u>7,043,662</u>
<u>\$ 4,690,120</u>	<u>\$ (5,672,882)</u>	<u>\$ 10,132,939</u>	<u>\$ 4,316,969</u>	<u>\$ (26,067,168)</u>
6.59%	8.37%	7.61%	7.40%	6.53%

CITY OF CHATTANOOGA, TENNESSEE

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

Fiscal Year Ended June 30	Assessed Value						Direct Tax Rate	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value			
	Real Property (3)			Personalty	Public Utilities	Original Total Taxable Value (1) (2)						
	Residential Property	Commercial Property	Multi-Use Property									
2005	\$1,078,324,365	\$1,561,594,535	\$ 39,015,735	\$ 429,448,247	\$ 210,866,286	\$ 3,319,249,168	\$ 2.516	\$ 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%			
2012	1,782,714,560	2,256,432,695	53,283,085	509,661,044	218,734,193	4,820,825,577	2.309	15,239,117,325	31.63%			

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) Assessments for tax exempt properties are excluded from taxable value. The Hamilton County Tax Assessor does not maintain assessments for these 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.

Mulit-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 Direct & Overlapping Rates (1)	
		General Fund Tax Rate	School Fund Tax Rate	Road Fund Tax Rate		
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	2.2020	1.3816	1.3726	0.0110	2.7652	4.9672
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
2012	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742

Source: 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

CURRENT YEAR AND NINE YEARS AGO

Taxpayer (1)	2012		2003			
	Taxable (2) Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Electric Power Board (2)	\$ 265,936,683	1	5.05%	\$ -	-	0.00%
BlueCross BlueShield	96,664,762	2	1.84%	25,392,415	7	0.78%
Tennessee Valley Authority (Computer Center)	90,838,370	3	1.73%	37,693,440	6	1.16%
CBL & Associates	82,182,774	4	1.56%	47,253,730	3	1.46%
AT&T (BellSouth)	52,313,494	5	0.99%	59,414,805	2	1.83%
Tennessee-American Water Co.	43,289,410	6	0.82%	38,003,494	5	1.17%
Unum/Provident Ins. Co.	36,870,633	7	0.70%	45,704,995	4	1.41%
Wal Mart	31,081,157	8	0.59%	-	-	0.00%
Kenco Group, INC	30,425,320	9	0.58%	-	-	0.00%
Parkridge Medical Center	23,751,344	10	0.45%	19,703,738	10	0.61%
INVISTA (Dupont)				60,614,487	1	1.87%
AGL Resources-Chattanooga Gas				24,316,240	8	0.75%
Totals	\$ 753,353,947		14.31%	\$ 358,097,344		11.04%

Source: The City Treasurer

Notes:

(1) Property taxpayers includes both property taxes and payments in-lieu of taxes.

(2) Starting 2011 payment in lieu of taxes was included in the computation.

CITY OF CHATTANOOGA, TENNESSEE

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST EIGHT 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%	\$ 3,379,720	\$ 83,281,238	99.7%
2006	85,007,191	(267,776)	84,739,415	81,194,003	95.8%	3,570,478	84,764,481	100.0%
2007	87,378,841	107,626	87,486,467	83,848,154	95.8%	3,471,117	87,319,271	99.8%
2008	89,153,730	63,822	89,217,552	85,019,277	95.3%	3,926,520	88,945,797	99.7%
2009	91,760,952	(192,739)	91,568,213	87,144,122	95.2%	4,284,900	91,429,022	99.8%
2010	93,958,030	(1,124,645)	92,833,385	88,615,281	95.5%	3,337,822	91,953,103	99.1%
2011	111,034,964	(129,888)	110,905,076	104,399,752	94.1%	4,200,038	108,599,790	97.9%
2012	111,312,877	(258,563)	111,054,314	104,608,676	94.2%	-	104,608,676	94.2%

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 EIGHT 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
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	(3) 185,443,140	745	81,002,976	5,951,110,800	7,069,893,350	500,090,912
2011	1444	322,226,474	661	69,817,203	5,908,284,300	7,130,854,966	501,109,262

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.

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 FY2006; 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, plumbings and fire permits.

CITY OF CHATTANOOGA, TENNESSEE

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

Fiscal Year	County-Wide Sales Tax	City Allocation State Sales Tax	County-Wide Designated Sales Tax	City Allocation State Income Tax	Mixed Drink Tax	Other Revenue	Total
2005	\$ 23,585,866	\$ 9,398,986	\$ 9,615,776	\$ 2,149,036	\$ 1,347,872	\$ 6,256,823	\$ 52,354,359
2006	25,063,557	10,379,781	10,153,916	3,071,346	1,540,706	6,150,412	56,359,718
2007	26,154,704	11,180,175	10,566,227	4,125,590	1,748,548	5,744,627	59,519,871
2008	26,604,258	11,185,750	10,767,083	4,909,130	1,818,211	5,856,223	61,140,655
2009	25,710,248	10,254,407	10,394,686	3,629,181	1,763,451	17,780,474	(1) 69,532,446
2010	25,116,025	9,904,220	10,182,243	2,578,926	1,888,061	13,749,395	(2) 63,418,868
2011	26,462,886	10,357,166	10,652,849	2,714,695	1,942,779	10,987,506	(3) 63,117,881
2012	38,054,892 (4)	11,313,906	11,365,043	2,651,353	2,095,770	10,421,921	75,902,885

Note: 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 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.

(4) In fiscal year 2012 the 1966 Sales Tax agreement with Hamilton County expired returning the City's portion of the sales tax dollars to the City.

CITY OF CHATTANOOGA, TENNESSEE

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

Fiscal Year Ended June 30	Residential Customers	Cents per KWH	Small Commercial Customers	Cents per KWH	Large Commercial Customers	Cents per KWH	Outdoor Lighting Customers	Cents per KWH	Total Customers	Cents per KWH
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
2012	149,141	10.22	19,670	11.31	3,488	8.13	140	11.89	172,439	9.12

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 EIGHT 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
2012	182,677,809	25,814,209	100,625,098	54,342,190	44,415,734	67,834	407,942,874	6.92%	2,398

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

(1) 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 EIGHT FISCAL YEARS**

Fiscal Year	Notes and Capital Leases(1)			Less: Debt Supported by Designated Revenue Streams Other Than Property Taxes						
	Bonds	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	-	-
2012	237,019,999	170,922,875	407,942,874	49,324,122	100,531,340	-	93,758	3,661,000	-	-

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

(1) The Electric Power Board submits separate disclosures to the Securities & Exchange Commission. Therefore its debt is 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.

800 MHz Capital Lease	Less:				Debt Supported by Property Tax	Actual Taxable Value of Property(2)	% Estimated Per Capita (3)
	Sewer Debt	Solid Waste Debt	Water Quality Debt	Debt Service Fund Balance			
\$ 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
-	73,329,345	17,838,771	7,657,642	652,699	257,402,376	154,854,197	1.02% 910

CITY OF CHATTANOOGA, TENNESSEE

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2012

<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	\$ 223,317,917	59.5814%	\$ 133,055,941
Other debt:			
Hamilton County Notes Payable	\$ 32,726,834	59.5814%	<u>19,499,106</u>
Subtotal, overlapping debt (1)			152,555,047
City of Chattanooga net direct debt			<u>154,854,195</u>
Total direct and overlapping debt			<u><u>\$ 307,409,242</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 EIGHT FISCAL YEARS**

	Fiscal Year		
	2012	2011	2010
Debt limit(1)	\$ 482,082,558	\$ 480,878,951	\$ 484,569,450
Total net debt applicable to limit(2)	<u>154,854,195</u>	<u>133,432,402</u>	<u>144,733,452</u>
Legal debt margin	<u>\$ 327,228,363</u>	<u>\$ 347,446,549</u>	<u>\$ 339,835,998</u>
Total net debt applicable to the limit as a percentage of debt limit	32.12%	27.75%	29.87%

Legal Debt Margin Calculation by Fiscal Year			
Assessed value	\$ 4,820,825,577	\$ 4,808,789,510	\$ 4,845,694,497
Debt limit (10% of total assessed value)	482,082,558	480,878,951	484,569,450
Debt applicable to limit:			
General obligation bonds	155,506,895	138,386,776	149,603,816
Less: amount set aside for repayment of general obligation debt	<u>(652,700)</u>	<u>(4,954,374)</u>	<u>(4,870,365)</u>
Total net debt applicable to limit	<u>154,854,195</u>	<u>133,432,402</u>	<u>144,733,451</u>
Legal debt margin	<u>\$ 327,228,363</u>	<u>\$ 347,446,549</u>	<u>\$ 339,835,999</u>

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

(1) The City of Chattanooga's outstanding general obligation debt should not exceed 10 percent of total assessed property value.

(2) General obligation debt may be offset by amounts set aside for repaying general obligation bonds. See "Ratio's of General Bonded Debt Outstanding" on page F-16 for details.

2009	2008	2007	2006	2005
\$ 416,716,328	\$ 404,876,088	\$ 396,815,737	\$ 386,045,296	\$ 331,924,917
<u>134,037,551</u>	<u>96,296,919</u>	<u>97,632,033</u>	<u>77,122,240</u>	<u>75,729,909</u>
<u><u>\$ 282,678,777</u></u>	<u><u>\$ 308,579,169</u></u>	<u><u>\$ 299,183,704</u></u>	<u><u>\$ 308,923,056</u></u>	<u><u>\$ 256,195,008</u></u>

32.17% 23.78% 24.60% 19.98% 22.82%

\$ 4,167,163,278	\$ 4,048,760,875	\$ 3,968,157,371	\$ 3,860,452,959	\$ 3,319,249,168
416,716,328	404,876,088	396,815,737	386,045,296	331,924,917
142,962,554	105,221,922	106,503,597	84,261,448	82,201,838
(8,925,003)	(8,925,003)	(8,871,564)	(7,139,208)	(6,471,929)
<u>134,037,551</u>	<u>96,296,919</u>	<u>97,632,033</u>	<u>77,122,240</u>	<u>75,729,909</u>
<u><u>\$ 282,678,777</u></u>	<u><u>\$ 308,579,169</u></u>	<u><u>\$ 299,183,704</u></u>	<u><u>\$ 308,923,056</u></u>	<u><u>\$ 256,195,008</u></u>

CITY OF CHATTANOOGA, TENNESSEE

HISTORICAL DEBT RATIOS

June 30, 2012

	Fiscal Year			
	2012	2011	2010	2009
Estimated population	170,136	167,674	171,349	170,880
Appraised property valuation	\$ 15,239,117,325	\$ 15,187,143,683	\$ 15,307,270,881	\$ 13,294,163,310
Assessed property valuation	4,820,825,577	4,808,789,510	4,845,694,497	4,167,163,278
Gross indebtedness (1)	407,942,874	408,416,390	436,663,186	445,601,083
Less: Self-supporting indebtedness(2)	252,435,979	270,029,615	287,059,370	302,638,530
Debt Service Fund	<u>652,700</u>	<u>4,954,374</u>	<u>4,870,365</u>	<u>8,925,003</u>
Net direct indebtedness	154,854,195	133,432,402	144,733,451	134,037,550
Plus: Estimated net overlapping indebtedness	<u>152,555,047</u>	<u>148,698,012</u>	<u>154,968,909</u>	<u>149,048,842</u>
Net direct and overlapping indebtedness	<u><u>\$ 307,409,242</u></u>	<u><u>\$ 282,130,414</u></u>	<u><u>\$ 299,702,360</u></u>	<u><u>\$ 283,086,392</u></u>
Gross debt per capita	\$ 2,397.75	\$ 2,435.78	\$ 2,548.38	\$ 2,607.68
Net direct debt per capita	910.18	795.78	844.67	784.40
Net direct and overlapping debt per capita	1,806.84	1,682.61	1,749.08	1,656.64
Gross debt to appraised valuation	2.68%	2.69%	2.85%	3.35%
Net direct debt to appraised valuation	1.02%	0.88%	0.95%	1.01%
Net direct debt and overlapping debt to appraised valuation	2.02%	1.86%	1.96%	2.13%
Gross debt to assessed valuation	8.46%	8.49%	9.01%	10.69%
Net direct debt to assessed valuation	3.21%	2.77%	2.99%	3.22%
Net direct and overlapping debt to assessed valuation	6.38%	5.87%	6.18%	6.79%

(1) Gross indebtedness excludes revenue bonds payable by the EPB of Chattanooga and the Metropolitan Airport Authority.

(2) 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.

Fiscal Year						
2008	2007	2006	2005	2004	2003	
169,884	168,293	154,762	154,853	155,289	155,582	
\$ 12,906,102,564	\$ 12,310,849,619	\$ 11,955,447,979	\$ 10,323,946,674	\$ 10,057,472,717	\$ 9,944,568,067	
4,048,760,875	3,968,157,371	3,860,452,959	3,319,249,168	3,237,183,936	3,260,023,356	
415,375,442	431,701,818	417,389,712	428,814,582	434,308,264	427,890,087	
310,153,520	325,198,221	333,128,264	346,612,744	353,562,825	344,499,352	
8,925,003	8,871,564	7,139,208	6,471,929	5,222,704	4,988,142	
96,296,919	97,632,033	77,122,240	75,729,909	75,522,735	78,402,593	
136,287,686	89,393,466	87,645,429	97,486,316	107,821,749	96,147,876	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
\$ 232,584,605	\$ 187,025,499	\$ 164,767,668	\$ 173,216,225	\$ 183,344,485	\$ 174,550,469	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
\$ 2,445.05	\$ 2,565.18	\$ 2,696.98	\$ 2,769.17	\$ 2,796.77	\$ 2,750.25	
566.84	580.13	498.33	489.04	486.34	503.93	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
1,369.08	1,111.31	1,064.65	1,118.58	1,180.67	1,121.92	
3.22%	3.51%	3.49%	4.15%	4.32%	4.30%	
0.75%	0.79%	0.65%	0.73%	0.75%	0.79%	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
1.80%	1.52%	1.38%	1.68%	1.82%	1.76%	
10.26%	10.88%	10.81%	12.92%	13.42%	13.13%	
2.38%	2.46%	2.00%	2.28%	2.33%	2.40%	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
5.74%	4.71%	4.27%	5.22%	5.66%	5.35%	

CITY OF CHATTANOOGA, TENNESSEE

**REVENUE BOND COVERAGE
LAST EIGHT FISCAL YEARS**

Fiscal Year Ended June 30	EPB Revenue Bonds						Times Coverage	
	Total Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service (3)				
				Principal	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		
2012	618,950,000	553,709,000	65,241,000	6,412,000	13,947,581	3.2		

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 EIGHT FISCAL YEARS**

Calendar Year	Personal Income (4)		Per Capita Income(4)	Median Age(2)	Education Level		School Enrollment(5)	Unemployment Rate(3)
	Population(1)	Income (4)			In Years of Formal Schooling(2)			
2005	\$ 4,631,962,936	154,853	\$ 29,912	38.1	14.9% 4yr. Degree		39,929	4.8%
2006	\$ 4,815,110,106	154,762	\$ 31,113	38.5	16.4% 4yr. Degree		40,066	5.3%
2007	\$ 5,469,354,207	168,293	\$ 32,499	38.8	17.4% 4yr. Degree		39,020	4.7%
2008	\$ 5,614,836,084	169,884	\$ 33,051	38.9	15.3% 4yr. Degree		39,106	6.1%
2009	\$ 5,690,816,640	170,880	\$ 33,303	39.2	17.0% 4yr. Degree		39,247	9.1%
2010	\$ 5,960,203,616	171,349	\$ 34,784	39.7	16.5% 4yr. Degree		41,072	9.3%
2011	\$ 5,852,325,622	167,674	\$ 34,903	39.3	16.5% 4yr. Degree		41,913	9.1%
2012	\$ 5,892,149,952	170,136	\$ 34,632	39.0	23.3% 4yr. Degree		42,236	8.2%

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

(1) U.S. Census Bureau

(2) Chamber of Commerce

(3) Tennessee Department of Labor and Workforce Development

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

(5) Hamilton County 20th Day Enrollment Comparison

CITY OF CHATTANOOGA, TENNESSEE

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Hamilton County Department of Education	4,489	1	2.64%	6,793	1	4.37%
BlueCross BlueShield of Tennessee	4,337	2	2.55%	4,300	4	2.76%
Tennessee Valley Authority	4,217	3	2.48%	3,338	7	2.15%
Erlanger Health System	3,447	4	2.03%	4,300	3	2.76%
Memorial Health Care System	3,171	5	1.86%	3,500	5	2.25%
McKee Foods Corporation	2,950	6	1.73%	3,500	6	2.25%
Unum	2,800	7	1.65%	2,822	8	1.81%
Volkswagen Chattanooga	2,487	8	1.46%			
City of Chattanooga	2,274	9	1.34%	2,627	9	1.69%
Hamilton County Government	1,763	10	1.04%	-		0.00%
Pilgrim's Pride Corp.	-		0.00%	-		0.00%
Convenient Transport	-		0.00%	5,629	2	3.62%
Synthetic Industries	-		0.00%	2,343	10	1.51%
Total	<u>31,935</u>		<u>18.77%</u>	<u>39,152</u>		<u>25.17%</u>

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 EIGHT FISCAL YEARS**

FUNCTION	Full-Time Equivalent Positions as of June 30							
	2012	2011	2010	2009	2008	2007	2006	2005
General Government	300	301	291	279	277	276	266	276
Public Safety								
Police								
Sworn	475	481	475	472	472	471	472	472
Civilian	129	123	130	139 ⁽¹⁾	213	212	206	196
Fire								
Sworn	414	412	400	400	400	400	400	400
Civilian	17	17	17	17	17	17	18	18
Public Works	337	338	409	326	331	333	339	338
Neighborhood Services	35	35	29	36	36	36	36	37
Parks & Recreation	230	237	236	230	229	226	217	238
Education, Arts and Culture	27	27	26	27	26	26	24	0
Social Services	305	286	293	249	289	294	339	340
Interceptor Sewer System	139	137	136	135	132	124	115	115
Solid Waste/Sanitation	19	16	16	17	14	13	14	13
Water Quality	138	137	59	55	47	50	49	48
EPB	499	453	435	398	389	394	402	407
Totals	<u>3,064</u>	<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 EIGHT FISCAL YEARS**

Function	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
General Government								
311 Service Requests Created	110,247	135,692	114,711	66,443	72,663	76,401	66,710	77,400
% of Current Tax Levy Collected	94.0	94.0	94.3	95.0	95.4	95.9	95.8	95.6
Police								
Crimes Committed (1)	12,037	12,158	14,385	14,577	14,219	13,999	13,843	14,315
Moving/Parking Violations	102,067	105,470	166,438	105,069	64,928	98,984	78,052	75,826
Citizen Complaints	44	47	56	47	35	33	96	102
Fire								
Emergency Calls	16,161	16,363	12,473	12,889	11,849	11,385	10,617	9,899
Inspections	4,298	4,750	5,466	7,769	5,978	3,774	2,492	2,586
Public Works								
Sidewalks Repaired (sq.ft.)	13,344	12,359	8,186	848	80	335	1,660	3,374
Streets Paved (sq.ft.)	1,706,200	1,132,286	615,038	790,988	520,896	516,146	632,793	851,511
Parks, Recreation, Arts & Culture								
Chattanooga Zoo-Attendance	177,723	210,966	253,115	231,225	174,093	149,582	125,293	127,974
Recreation Centers-Attendance	630,178	630,178	550,496	588,927	567,444	458,331	394,660	400,959
Social Services								
Children Immunized	1,223	888	1014	869	897	865	768	875
Households Assisted	10,905	6,334	8,473	6,280	4,950	4,284	4,119	6,566
Interceptor Sewer System								
NPDES Violations	29	10	19	10	7	5	5	4
Combined Sewer Overflows	113	131	158	103	100	83	118	119
Solid Waste/Sanitation								
NPDES Landfill Violations	4	2	4	4	4	0	4	17
Violation Notices to Industry	26	48	40	44	59	96	61	44
Water Quality								
311 Service Requests Created	1,632	1,727	3,206	1,764	1,798	1,586	1,808	2,559
311 Service Requests Unresolved	58	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 EIGHT FISCAL YEARS**

Function	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
General Government								
City Fleet	1,854	1,769	1,774	1,773	1,769	1,709	1,670	1,663
Properties Returned to Tax Rolls	65	47	24	21	26	33	22	23
Police								
Stations	3	3	3	3	3	3	3	3
Patrol Units	555	450	450	450	450	450	450	450
Fire								
Stations	18	18	18	17	17	17	17	17
Ladder Trucks/Fire Engines/Combos	(1)	25	25	25	24	24	24	23
Public Works								
Miles of Paved Streets	1,151	1,151	1,151	1,159	1,159	1,154	1,150	1,200
Signalized Intersections	320	320	321	318	315	314	312	303
Garbage Trucks	21	21	18	23	21	21	21	21
Knuckleboom Trucks	19	23	20	20	21	21	21	21
Interceptor Sewer System								
Miles of Sewer	1254	1254	1254	1,255	1,239	1,200	1,200	1,200
Pump Stations	70	70	70	70	67	67	67	67
Parks, Recreation, Arts & Culture								
Parks	51	51	51	51	50	50	50	50
Recreation Centers	16	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) Only includes front line apparatus. Does not include reserve or support equipment.

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDING JUNE 30, 2012

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued)</u>	<u>Deferred Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Other Adjustments</u>	<u>Ending (Accrued)</u>
								Deferred Grant Revenue
U.S. DEPARTMENT OF AGRICULTURE								
Passed Through Tennessee Department of Agriculture:								
Emergency Food Assistance Program (Admin Costs)	10.568	17984	\$ (67,925)	\$ 56,099	\$ -	\$ 11,826	\$ -	\$ -
Emergency Food Assistance Program (Admin Costs)	10.568	20779	-	32,179	54,719	-	-	(22,540)
Emergency Food Assistance Program (Commodities-Noncash)	10.569	N/A	-	182,299	182,299	-	-	-
Total Emergency Food Assistance Program			<u>(67,925)</u>	<u>270,577</u>	<u>237,018</u>	<u>11,826</u>	<u>-</u>	<u>(22,540)</u>
Passed Through Tennessee Department of Human Services:								
2011 CHS Child Care Program	10.558	N/A	(87,940)	87,940	-	-	-	-
2012 CHS Child Care Program	10.558	N/A	-	312,566	381,508	-	-	(68,942)
2011 Child and Adult Food Program	10.558	03-47-56136-00-6&9	(19,489)	19,489	-	-	-	-
2012 Child and Adult Food Program	10.558	03-47-56136-00-6&9	-	109,962	131,012	-	-	(21,050)
2011 Child and Adult Food Program	10.558	03-47-55915-00-8	(10,008)	10,008	-	-	-	-
2012 Child and Adult Food Program	10.558	03-47-55915-00-8	-	291,427	298,266	-	-	(6,839)
Total Child and Adult Food Program			<u>(117,437)</u>	<u>831,392</u>	<u>810,786</u>	<u>-</u>	<u>-</u>	<u>(96,831)</u>
Total U. S. Department of Agriculture			<u>(185,362)</u>	<u>1,101,969</u>	<u>1,047,804</u>	<u>11,826</u>	<u>-</u>	<u>(119,371)</u>
U.S. DEPT OF MILITARY								
Passed through TN Emergency Management Agency:								
FY07 Public Safety Interoperable Communications Grant	11.555	GG-08-26036-00	<u>(741,827)</u>	<u>741,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total U. S. Department of Military			<u>(741,827)</u>	<u>741,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
Community Development Block Grants/Entitlement Grants								
Community Development Block Grants/Entitlement Grants	14.218	B-01-MC-47-0001	-	22,344	22,344	-	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-08-MC-47-0001	-	253	253	-	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-47-0001	(475,573)	667,041	694,586	-	-	(503,118)
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-47-0001	-	483,993	1,253,252	-	-	(769,259)
Total Community Development Block Grants/Entitlement Grants			<u>(475,573)</u>	<u>1,173,631</u>	<u>1,970,435</u>	<u>-</u>	<u>-</u>	<u>(1,272,377)</u>
Shelter Plus Care								
Shelter Plus Care	14.238	TN0010C4J000801	-	19,661	19,661	-	-	-
Shelter Plus Care	14.238	TN0010C4J000802	(27,882)	75,888	48,006	-	-	-
Shelter Plus Care	14.238	TN0010C4J001003	-	180,702	180,702	-	-	-
Shelter Plus Care	14.238	TN0144C4J001001	-	24,140	24,140	-	-	-
THDA NSP1	14.238	NSP1-09-044	(97,955)	464,339	446,564	-	-	(80,180)
THDA ESG Stage	14.231	ESG-10-23	(36,930)	36,930	-	-	-	-
THDA ESG Stage	14.238	ESG-11-23	-	65,118	65,118	-	-	-
Total Shelter Plus Care			<u>(162,767)</u>	<u>866,778</u>	<u>784,191</u>	<u>-</u>	<u>-</u>	<u>(80,180)</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDING JUNE 30, 2012

<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>
HOME Investment Partnerships Program	14.239	M-08-MC-47-0200	-	9,103	9,103	-	-
HOME Investment Partnerships Program	14.239	M-09-MC-47-0200	(59,176)	59,567	391	-	-
HOME Investment Partnerships Program	14.239	M-10-MC-47-0200	(101,571)	1,162,803	1,093,931	-	(32,699)
HOME Investment Partnerships Program	14.239	M-10-MC-47-0200	-	-	392,608	-	(392,608)
Total HOME Investment Partnerships Program			(160,747)	1,231,473	1,496,033	-	(425,307)
ARRA - Community Development Block Grant CDBG-R	14.253	B-09-MY-47-0001	-	46,808	92,622	-	(45,814)
ARRA HUD Neighborhood Stabilization	14.256	B-08-MN-47-0001	(122,377)	504,061	464,626	-	(82,942)
ARRA - Homeless Prevention & Rapid ReHousng (HPRP)	14.257	S-09-MY-47-0003	-	193,198	220,023	-	(26,825)
Total ARRA			(122,377)	744,067	777,271	-	(155,581)
Total U. S. Department of Housing and Urban Development			(921,464)	4,015,949	5,027,930	-	(1,933,445)
U.S. DEPARTMENT OF JUSTICE							
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0546	(13,945)	20,108	6,163	-	-
Edward Byrne Memorial Justice Assistance Grant Program (Local Solicitation)	16.738	2009-DJ-BX-0530	(2,233)	14,748	12,515	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0825	-	95,095	105,474	-	(10,379)
Edward Byrne Memorial Grant - Police Explorers	16.738	2011-DJ-BX-3041	-	92,578	98,763	-	(6,185)
Edward Byrne Memorial Justice Assistance Grant Program - ARRA	16.804	2009-SB-B9-2602	39,790	39	16,905	-	22,924
Total Edward Byrne Memorial Grant			23,612	222,568	239,820	-	6,360
2008 COPS Technology Initiative	16.710	2008-CK-WX-0391	(102,992)	255,749	152,757	-	-
2010 COPS Hiring Grant	16.710	2010-UL-WX-0022	(160,094)	1,127,588	1,052,035	-	(84,541)
Total COPS Grant			(263,086)	1,383,337	1,204,792	-	(84,541)
Total U. S. Department of Justice			(239,474)	1,605,905	1,444,612	-	(78,181)

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDING JUNE 30, 2012

<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>
U.S. DEPARTMENT OF TRANSPORTATION							
Passed Through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	PL000-0009-00-660	(41,142)	72,242	31,100	-	-
Highway Planning and Construction	20.205	PL000-0009-00-660	-	20,231	38,724	-	(18,493)
Total GA Highway Planning and Construction			(41,142)	92,473	69,824	-	(18,493)
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	DG-07-02041	(75,129)	134,311	59,182	-	-
Highway Planning and Construction	20.205	DG-07-02041	-	120,234	150,484	-	(30,250)
Highway Planning and Construction	20.205	33LPLM-F311,61-65	(466,624)	666,794	228,170	-	(28,000)
Highway Planning and Construction	20.205	33LPLM-F3-003	(616,892)	1,265,090	648,198	-	-
Governor's Highway Safety Grant	20.607	PT-11-61	(1,720)	12,577	10,857	-	-
Governor's Highway Safety Grant	20.607	Z12GHS054	-	-	3,393	-	(3,393)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F0-066	(808,237)	1,445,720	721,186	-	(83,703)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F3-076	-	-	546,960	-	(546,960)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	TN-95-X034-00	-	-	52,181	-	(52,181)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F0-095	-	-	-	-	-
TDOT - SR 27 Construction Pedestrian and Bike Facilities	20.205	33LPLM-F3-038	-	-	-	-	-
Total TN Highway Planning and Construction			(1,968,602)	3,644,726	2,420,611	-	(744,487)
Federal Transit Metropolitan Planning Grant	20.205	GG-11-35659	(10,889)	25,211	14,322	-	-
Federal Transit Metropolitan Planning Grant	20.205	GG-11-35659	-	14,370	21,797	-	(7,427)
Total Federal Transit: Metropolitan Planning Grant			(10,889)	39,581	36,119	-	(7,427)
Total U. S. Department of Transportation			(2,020,633)	3,776,780	2,526,554	-	(770,407)
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed Through Tennessee Libraries and Archives							
Library Bridging the Gap Grant	45.310	30504-00611	14,419	-	14,419	-	-
General Library Service	45.310	30504-00412	-	48,000	48,000	-	-
Total Institute of Museum and Library Services			14,419	48,000	62,419	-	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDING JUNE 30, 2012

<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>
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95441209	(22,422)	120,671	176,486	-	(78,237)
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95462810-0	-	26,420	36,593	-	(10,173)
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95407108	(97,981)	97,981	-	-	-
Brownfields Assessment & Cleanup Cooperative Agreements	66.815	BF-95436309-0	(394)	394	-	-	-
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95462910-0	(15,363)	44,545	48,856	-	(19,674)
Surveys, Studies, Investigations and Special Purpose Grants	66.001	A0040410-0	-	630,459	630,459	-	-
Air Pollution Control Program	66.034	PM-96497408-5	-	130,000	130,000	-	-
Air Pollution Control Program	66.034	PM-96497408-6	-	-	32,748	-	(32,748)
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	-	-	-
Clean Water State Revolving Loan Program	66.458	SRF 2011-289	-	-	1,255,695	-	(1,255,695)
Total U. S. Environmental Protection Agency			(1,833,361)	2,747,671	2,310,837	-	(1,396,527)
U.S. DEPARTMENT OF ENERGY							
Passed Through Tennessee Department of Human Services:							
Weatherization Assistance for Low-Income Persons - ARRA	81.042	Z-09-000422-00	(128,000)	-	-	128,000	-
ARRA Grant Department of Energy	81.128	SC0002685	(115,113)	742,194	1,287,652	-	(660,571)
Total U. S. Department of Energy			(243,113)	742,194	1,287,652	128,000	(660,571)
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Emergency Food and Shelter National Board Program	97.024	29-7682-00-001 E1	-	30,686	30,686	-	-
Total Federal Emergency Management Agency			-	30,686	30,686	-	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDING JUNE 30, 2012

<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>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Head Start - ARRA	93.709	04SA0047/02	(112,403)	406,815	294,412	-	-
Head Start	93.600	04/CH0047/34	(815,449)	855,933	40,484	-	-
Head Start	93.600	04/CH0047/35	-	7,745,281	8,265,391	-	(520,110)
Total Head Start			(927,852)	9,008,029	8,600,287	-	(520,110)
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance	93.568	Z-11-00203	(34,689)	34,689	-	-	-
Low-Income Home Energy Assistance	93.568	Z 12-253	-	416,568	416,568	-	-
Low-Income Home Energy Assistance	93.568	Z 12-203	-	2,396,037	2,508,293	-	(112,256)
Total Low-Income Home Energy Assistance			(34,689)	2,847,294	2,924,861	-	(112,256)
Community Services Block Grant	93.569	Z-10-000104	(51,760)	51,760	-	-	-
Community Services Block Grant	93.569	Z 12-154	-	97,976	97,976	-	-
Community Services Block Grant	93.569	Z 12-104	-	377,396	444,211	-	(66,815)
Total Community Services Block Grant			(51,760)	527,132	542,187	-	(66,815)
Total U. S. Department of Health and Human Services			(1,014,301)	12,382,455	12,067,335	-	(699,181)
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES							
Foster Grandparents Program	94.011	10SFSTN004	(30,451)	30,451	-	-	-
Foster Grandparents Program	94.011	10SFSTN004	-	421,444	424,854	-	(3,410)
Total Corporation for National and Community Services			(30,451)	451,895	424,854	-	(3,410)
U.S. DEPARTMENT OF HOMELAND SECURITY							
Homeland Security IECGP 2010-IP-TO-0021	97.001	2010-IP-TO-0021	(30,515)	30,515	17,469	-	(17,469)
2009 Buffer Zone Protection Program	97.078	34101-0000003879	(179,530)	190,200	10,670	-	-
2010 Buffer Zone Protection Program	97.078	2009-BF-T9-0011	-	169,056	169,056	-	-
Fire Prevention and Safety	97.044	EMW-2010-FP-00276	-	-	37,659	-	(37,659)
Total Homeland Security Grant			(210,045)	389,771	234,854	-	(55,128)
Passed Through Tennessee Emergency Management Agency - Disaster Relief							
FEMA 1965 DR TN - February 2011	97.036	FEMA 1965 DR TN	(124,494)	102,175	-	3,414	(18,905)
FEMA 1974 DR TN - April 2011	97.036	FEMA 1974 DR TN	(1,453,969)	1,998,631	1,551,096	-	(1,006,434)
Total FEMA Grant			(1,578,463)	2,100,806	1,551,096	3,414	(1,025,339)
Total U. S. Department of Homeland Security			(1,788,508)	2,490,577	1,785,950	3,414	(1,080,467)

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDING JUNE 30, 2012

<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>
<u>Awards Audited Under Separate Contract</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	(9,202,875)	37,560,690	29,767,362	-	(1,409,547)
Total U.S. Department of Energy			(9,202,875)	37,560,690	29,767,362	-	(1,409,547)
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)	1,431,205	-	-	(477,069)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1974 DR TN	(16,115,195)	12,100,635	2,685,865	-	(6,700,425)
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			(18,023,469)	13,531,840	2,685,865	-	(7,177,494)
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)	14,829,511	2,685,865	-	(7,177,494)
Total Awards Audited by Other Auditors			(28,524,015)	52,390,201	32,453,227	-	(8,587,041)
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			(37,528,090)	82,526,109	60,469,860	143,240	(15,328,601)

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDING JUNE 30, 2012

<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>
Component Units							
<u>Awards Audited by Other Auditors</u>							
Chattanooga Area Regional Transportation Authority (CARTA)							
U.S. DEPARTMENT OF TRANSPORTATION							
Federal Transit - Capital Investment Grants	20.500	TN-04-0017	-	11,056	11,056	-	-
Federal Transit - Capital Investment Grants	20.500	TN-05-0036	-	30,782	30,782	-	-
Total Federal Transit - Capital Investment Grants			-	41,838	41,838	-	-
Federal Transit - Formula Grants	20.507	TN-90-X313	(136,656)	932,680	781,003	-	15,021
Federal Transit - Formula Grants	20.507	TN-90-0340	-	2,822,991	3,223,349	(15,940)	(416,298)
Federal Transit - Formula Grants	20.507	TN-90-0349	-	-	410,632	-	(410,632)
Federal Transit - Formula Grants / ARRA	20.507	TN-96-0002	(250,000)	470,620	513,097	-	(292,477)
Total Federal Transit - Formula Grants			(386,656)	4,226,291	4,928,081	(15,940)	(1,104,386)
New Freedom Program	20.521	TN-57-6001	(25,000)	25,000	-	-	-
New Freedom Program	20.521	TN-57-0013	-	59,669	79,167	-	(19,498)
Total New Freedom Program			(25,000)	84,669	79,167	-	(19,498)
Job Access - Reverse Commute	20.516	TN-37-4071	(61,705)	263,383	202,560	882	-
Job Access - Reverse Commute	20.516	TN-37-4086	-	156,095	184,335	-	(28,240)
Highway Planning and Construction	20.205	TN-26-0021	(104,392)	217,326	112,934	-	-
Highway Planning and Construction	20.205	TN-15-X002	(1,124)	1,124	-	-	-
CMAQ - FHWA Transfer	20.507	TN-95-0034	-	279,004	411,129	-	(132,125)
ITS Deployment Project	20.507	TN-95-0022	-	161,838	162,912	-	(1,074)
Transit Investments for Greenhouse Gas and Energy Reduction (TIGGER)	20.523	TN-77-0001	(211,822)	605,725	393,903	-	-
Total Expenditures of Federal Awards - CARTA			(790,699)	6,037,293	6,516,859	(15,058)	(1,285,323)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDING JUNE 30, 2012

<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>
Chattanooga Metropolitan Airport Authority (CMAA)							
U.S. DEPARTMENT OF TRANSPORTATION							
Airport Improvement Program	20.106	3-47-0009-44	-	2,373	241,711	-	(239,338)
Airport Improvement Program	20.106	3-47-0009-45	-	5,019	5,019	-	-
Airport Improvement Program	20.106	3-47-0009-48	(135,813)	129,228	72,210	-	(78,795)
Airport Improvement Program	20.106	3-47-0009-49	(5,700)	11,305	12,655	-	(7,050)
Airport Improvement Program	20.106	3-47-0009-50	(11,356)	11,356	-	-	-
Airport Improvement Program	20.106	3-47-0009-52	(268,733)	537,523	315,716	-	(46,926)
Airport Improvement Program	20.106	3-47-0009-53	(2,310)	3,792,237	3,882,473	-	(92,546)
Airport Improvement Program	20.106	3-47-0009-54	-	3,563,261	3,601,642	-	(38,381)
Airport Improvement Program	20.106	3-47-0009-55	-	-	130,207	-	(130,207)
Total Expenditures of Federal Awards - CMAA			(423,912)	8,052,302	8,261,633	-	(633,243)
TOTAL EXPENDITURES OF FEDERAL AWARDS - COMPONENT UNITS			(1,214,611)	14,089,595	14,778,492	(15,058)	(1,918,566)
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			(38,742,701)	96,615,704	75,248,352	128,182	(17,247,167)

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDING JUNE 30, 2012

<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>
STATE AWARDS							
Tennessee Commission on Aging & Disability Southeast Tennessee Development District	N/A	GG1235589	-	44,952	44,952	-	-
Tennessee Department of Agriculture: Lower Tennessee Watershed Academy	N/A	GG-08-23674-00	-	3,500	19,500	-	(16,000)
Tennessee Department of Economic & Community Development: Urban Forestry Grant Urban Forestry Grant Urban Forestry Grant	N/A N/A N/A	GG-09-28278-00 DG1131266 DG1235484	134,415 - -	- 7,712 5,982	17,187 7,712 5,982	- - -	117,228
Tennessee Department of Environment & Conservation Household Hazardous Waste	N/A	GG-08-23097-00	(85,000)	85,000	73,443	-	(73,443)
Tennessee Department of Finance & Administration: Tennessee Housing Development Agency THDA Entitlement - CNE Project	N/A N/A	Program Income	621,126	51,120	-	(15,785)	656,461
Tennessee Department of Transportation: TDOT - HWY 58 Imp Pedestrian and Bike Facilities	N/A	PIN#112010.00	(8,500)	-	-	8,500	-
Tennessee Secretary of State Omnibus Community Enhancement Grant program Lottery for Education After school Program (LEAPs)	N/A N/A	Not Available 3311902710	30,000 (21,033)	(30,000) 21,033	- -	- -	-
Tennessee Emergency Management Agency - Disaster relief) FEMA 1965 DR TN - February 2011 FEMA 1974 DR TN - April 2011	N/A N/A	FEMA 1965 DR TN FEMA 1974 DR TN	(20,749) (242,339)	17,355 340,929	569 258,506	(2,825) -	(159,916)
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT			407,920	547,583	427,282	(6,716)	521,505

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDING JUNE 30, 2012

<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>
Component Units							
<u>Awards Audited by Other Auditors</u>							
Chattanooga Area Regional Transportation Authority (CARTA)							
Tennessee Department of Transportation							
State Funding for TN-37-X061	N/A	GG-1135272	(262,080)	231,225	10,022	443	(40,434)
State Funding for TN-57-0001	N/A	GG-1036506	(2,480)	-	-	-	(2,480)
State Funding for TN-05-0013	N/A	GG-1237067	-	-	9,896	-	(9,896)
State Funding for TN-05-0034	N/A	GG-1135886	(13,801)	-	-	-	(13,801)
State Funding for TN-05-0036	N/A	GG-1237531	-	-	3,848	-	(3,848)
State Funding for TN-04-0017	N/A	GG-0927223	(1,750)	-	1,382	-	(3,132)
State Funding for TN-90-X293	N/A	GG-0930150	(412,800)	367,916	-	-	(44,884)
State Funding for TN-37-X071	N/A	GG-0612858	-	-	93,963	-	(93,963)
State Funding for TN-37-X086	N/A	Not Available	-	-	89,462	-	(89,462)
State Funding for TN-95-0022	N/A	GG-1135363	-	-	20,364	-	(20,364)
State Funding for TN-90-0340	N/A	GG-1238070	-	-	402,919	(1,993)	(404,912)
State Funding for TN-90-X313	N/A	GG-1135677	(314,379)	326,195	97,625	-	(85,809)
State Funding for TN-90-X349	N/A	Not Available	-	-	51,329	-	(51,329)
State Operating	N/A	GG-1134161	-	2,094,642	2,094,642	-	-
Total Expenditures of State Awards - CARTA			(1,007,290)	3,019,978	2,875,452	(1,550)	(864,314)
Chattanooga Metropolitan Airport Authority (CMAA)							
Airport Improvement Program	N/A	Z-09-21-3917-00	(185,037)	5,422	-	(190,459)	
Airport Improvement Program	N/A	Z-09-21-4023-00	(13,840)	2	-	(13,842)	
Airport Improvement Program	N/A	AERO-10-117-00	(40,010)	1,325	-	(41,335)	
Airport Improvement Program	N/A	AERO-10-118-00	(1,375)	333	-	(1,708)	
Airport Improvement Program	N/A	AERO-11-113-00	(30,844)	-	-	(30,844)	
Airport Improvement Program	N/A	Z-09-21-3973-00	(10,833)	261,935	-	(272,768)	
Airport Improvement Program	N/A	AERO-10-100-00	(1,857,407)	2,259,046	506,839	-	(105,200)
Airport Improvement Program	N/A	AERO-10-188-00	(67,500)	67,500	-	-	-
Total Expenditures of State Awards - CMAA			(2,206,846)	2,326,546	775,856	-	(656,156)
TOTAL EXPENDITURES OF STATE AWARDS - COMPONENT UNITS			(3,214,136)	5,346,524	3,651,308	(1,550)	(1,520,470)
TOTAL EXPENDITURES OF STATE AWARDS - REPORTING ENTITY			(2,806,216)	5,894,107	4,078,590	(8,266)	(998,965)
TOTAL EXPENDITURE OF FEDERAL AND STATE AWARDS - REPORTING ENTITY			\$ (41,548,917)	\$ 102,509,811	\$ 79,326,942	\$ 119,916	\$ (18,246,132)

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

June 30, 2012

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 \$352,988 and \$485,066, 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	\$1,518,232
Home Investment Partnerships Program	14.239	1,372,547



**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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 29, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

Management of the City of Chattanooga is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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
November 29, 2012

*Henderson Hutcherson
& 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, 2012. We did not audit the compliance of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority, whose federal and state financial assistance is \$18,429,800. 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 the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority was based solely on the reports of the other auditors. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Chattanooga Tennessee complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

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

November 29, 2012

*Henderson Hutcherson
& McCullough, PLLC*

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

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 Child and Adult Food Program
14.256 14.257	U.S. Department of Housing and Urban Development HUD Neighborhood Stabilization Homelessness Prevention
16.710	U.S. Department of Justice COPS Hiring Grant

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Identification of major programs (continued):

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.001	U.S. Environmental Protection Agency Surveys, Studies, Investigations and Special Purpose Grants
66.458	Wastewater Treatment Plant Upgrades
81.128	U.S. Department of Energy ARRA Grant Department of Energy
93.568	U.S. Department of Health and Human Services Low-Income Home Energy Assistance
93.600	Head Start

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

Auditee qualified as low-risk auditee? 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, 2012

None reported