



City of Chattanooga

Office of the Mayor

City Hall 101 East 11th Street
Chattanooga, Tennessee 37402
(423) 757-5152

Ron Littlefield
Mayor

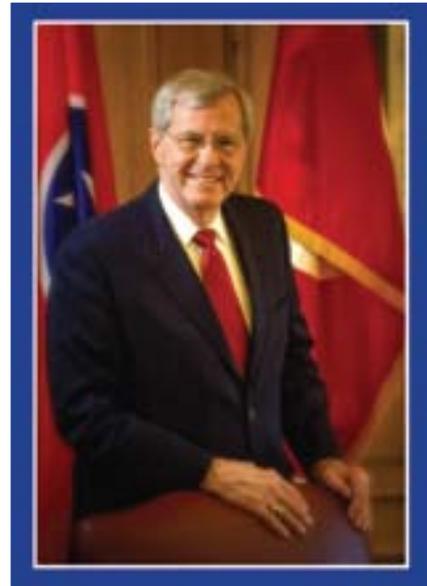
December 15, 2008

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

It is my pleasure to present my third annual financial report to the City of Chattanooga for the fiscal year ended June 30, 2008. Chattanooga continues to grow and is maintaining a strong standing in these turbulent economic times. With the recent announcement of over \$3 billion in new and expanding facilities by Volkswagen, Alstom Power, Watts Bar Nuclear Plant, and others, Chattanooga and the surrounding region are poised for unprecedented growth.

Chattanooga's housing market is fairing better and our local economy is more stable than most cities. The infusion of nearly \$3 billion over the next two years will continue to energize the area allowing us to weather the current economic downturn. The city's bond rating was recently upgraded to AA+ by Standard & Poor's and affirmed at AA by Fitch. Rating analysts cited the city's diverse and strong economic base, robust fiscal position and sound management practices as major factors.

While economic development is a primary focus of this administration, we continue to improve neighborhoods and efficiently deliver government services. Our monthly neighborhood meetings have proven to be a valuable resource for the citizens and the administration in addressing important community issues. Major strides have been made in making our neighborhoods cleaner and safer. A citizen recently credited the City codes enforcement with transforming her neighborhood. She stated "Now, it's (her neighborhood) restored to the peaceful place she moved into 40 years ago."



Mayor Ron Littlefield
Photo by Lawson Whitaker



Dan Johnson, Chief of Staff
Photo by Lawson Whitaker



Mayor Littlefield at the grand re-opening of Warner Park
Photo by Lawson Whitaker

We continue to emphasize sustainability and a clean environment through projects such as the Green Initiative, the Take Root Initiative, and promoting Leadership in Energy and Environmental Design (LEED). The changes made in our recycling program have resulted in an increase in materials diverted from the landfill.

The McKamey Animal Care and Adoption Center opened in July, 2008. Go!Fest continues to be a successful celebration of our citizens with all abilities. The Warner Park and Summit of Softball complexes are major recreational facilities for our local use as well as a major attraction for national events, such as the Amateur Softball Association national girls' tournament scheduled for 2010.

With the help of the City Council, we implemented a new pay plan that provides a mechanism that allows the city to successfully attract and maintain a professional and competent workforce. This, along with the introduction of the on-site pharmacy component to the city's Wellness Program, is an indication of the commitment to our most valuable resource – our employees.

We have much to be proud of in this community, however, the future brings with it many challenges and opportunities. Like the state and the nation, the city is facing revenue shortfalls, increased unemployment, and declining market conditions. My management team is already beginning to develop plans to address these changing times with minimal impact on service delivery. I am confident that with your continued support and cooperation, we will make the necessary adjustments to ensure that Chattanooga continues as one of the best places in the nation to live, work and play.

Sincerely,

Ron Littlefield

A handwritten signature in blue ink, appearing to read "Ron Littlefield". The signature is stylized and includes a long horizontal stroke extending to the right.

Mayor

Chattanooga City Council



Photos by Lawson Whitaker



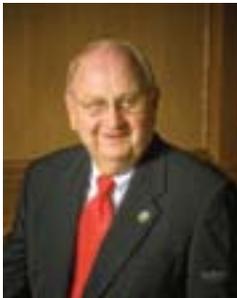
District 1
Linda Bennett
Chairman



District 2
Sally L. Robinson



District 3
Dan B. Page



District 4
W. Jack Benson, Sr.
Vice Chairman



District 5
Luther Shockley



District 6
Carol B. Berz



District 7
Manuel Rico



District 8
Leamon Pierce



District 9
Debbie Gaines



City of Chattanooga

Office of the Mayor

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Chattanooga, Tennessee 37402

Phone: (423) 757-5234 Fax: (423) 757-0681

Ron Littlefield
Mayor

Daisy W. Madison, CPA
City Finance Officer

December 15, 2008

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



Daisy W. Madison, City Finance Officer

Photo by Lawson Whitaker

In compliance with state and local statutes, I am submitting the Comprehensive Annual Financial Report (CAFR) of the City of Chattanooga for the fiscal year ended June 30, 2008. These ordinances and statutes require that the City of Chattanooga issue annually a report on its financial position and activities, and that an independent firm of certified public accountants audit this report.

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

The City of Chattanooga's financial statements have been audited by Hazlett, Lewis & Bieter, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Chattanooga's financial statements for the fiscal year ended June 30, 2008, are fairly presented in

conformity with GAAP. The independent auditor's report is presented as the first item in the financial section of this report.

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

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

GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND MAJOR INITIATIVES

PROFILE OF THE GOVERNMENT

Founded as a ferry landing and warehouse site in 1815, the City of Chattanooga was incorporated under State of Tennessee Private Acts of 1839. The City is the county seat of Hamilton County and is located near the southeastern corner of the state on the Tennessee-Georgia border. It encompasses an area of 144.16 square miles. The official 2000 Census showed the city with a population of 155,554. The census estimate for 2007 shows the city has grown to a population of 169,884. Chattanooga is centrally located in relation to other major population centers of the southeast, being within a 150-mile radius of Knoxville and Nashville, Tennessee; Birmingham, Alabama; and Atlanta, Georgia. Over 11 million people live within a 2 to 2½ hour drive of Chattanooga. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also has the power to extend its corporate limits by annexation in accordance with procedures under an "Urban Growth Plan" agreed to between the city and the county.

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

The City provides a full range of municipal services including but not limited to fire and police protection; sanitation services and recycling; construction and maintenance of highways, streets and infrastructure; recreation and cultural activities; public library; community development; planning and zoning; neighborhood services; social services; and general administrative services. It also operates a water quality maintenance program and a sewer and sewage facility system for its residents and for other communities in southeast Tennessee and northwest Georgia.

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

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

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.



Site preparation for the Volkswagen plant at Enterprise South

The City's Economic Future: Employment in the Chattanooga area is diverse. The top employment sectors of trades, transportation, and utilities (22.8%), government (14%), manufacturing (14%), professional and business services (10.1%), education and health (11.8%), and leisure and hospitality (9.4%) comprise 82.1% of the workforce. Employment in the retail service sector is driven, in part, by the presence of Hamilton Place Mall, Tennessee's largest. The 1.4 million-square-foot mall has brought in many tourists and locals with a mix of new and familiar stores, theme restaurants and movie theaters. Thanks to the mall, the area has become a retail hotbed with more than 22 million visitors a year. A 76,000 square foot headquarter building was recently completed on site.

Chattanooga enjoys strategic advantages related to its location, strong transportation system, natural resources and competitive cost of doing business. The local unemployment rate of 6.3% remains significantly below the state average of 7.2% and is comparable to the

national average of 6.1% as of September, 2008.

The recent announcement that Volkswagen AG will locate its new U.S. manufacturing headquarters here along with others such as Alstom Power's \$280 million expansion could not have come at a better time for Chattanooga. Site preparation at Enterprise South for the VW manufacturing facility is well under way and bids for construction are under review. This \$1 billion capital investment brings a total permanent direct workforce of 2,000 jobs worth \$100 million in annual payroll. Additional investment by support industries is expected to bring and additional \$500 million investment and 12,000 jobs. In total, a \$600 million annual economic benefit to the area is expected. Volkswagen is Europe's largest carmaker and the third largest in the world. Annual production of 150,000 cars is expected to begin in 2011. Plant expansion could begin shortly after production startup.

The Enterprise South Industrial Park continues to be a prize asset for additional growth. The old Volunteer Army Ammunition Plant has been reborn as perhaps the finest industrial park in the Southeastern United States. This TVA-certified Megasite has been the focus of the City, County, State, and Federal investment. In addition to the portion dedicated for Volkswagen, another 1400 acres will be ready for industrial use within the next two years. The park was recently granted Foreign Trade Zone status. Including federal, state, and local dollars, the total investment leading up to the VW announcement was \$85 million. The land is located within the corporate limits of Chattanooga and represents the greatest regional development site the City has seen. It is served by a new interstate connection with I-75 as well as by two competing rail lines. Continuing efforts are underway by the City and County Mayors, the Chamber of Commerce, the states of Tennessee and Georgia and other regional entities to recruit additional businesses and manufacturers to the area. The City has achieved the EPA clean air standard for five of the past six years, Local officials are committed to maintaining a sustainable community and a clean environment as demonstrated by projects such as the Green Initiative and promotion of construction projects that conform to the Leadership in Energy and Environmental Design certification.

Economic news outside the industrial park continues to be good as well. Alstom Power chose Chattanooga as the location for its new

steam turbine manufacturing facility. This is a \$280 million expansion at their current location, bringing with it an additional 350 new jobs without any negative environmental impact. Westinghouse Electric Co. has announced a \$9.5 million expansion in Chattanooga citing the city's central location.

A solid foundation has been laid for Chattanooga's future through two major recent initiatives within the heart of the city. The opening of the 21st Century Waterfront in April 2005 marked the culmination of a vision first conceived by Chattanoogaans in the early 1980's. Through the work of the publicly commissioned Moccasin Bend Task Force, Chattanoogaans created a shared dream for riverfront redevelopment over twenty years and across 22 miles. With the opening of the \$120 million development on the waterfront, the connection was completed twenty years to the month from the publication of the Tennessee Riverpark Master Plan. The \$120 million waterfront initiative includes major expansions to the Tennessee Aquarium, the Creative Discovery Museum and the Hunter Museum featuring new attractions ranging from a glass-floored walking bridge to a 160-foot pier illuminated by towering light columns. It also include public green spaces, and urban wetland, boat docks and a downtown-to river-side pedestrian link with dazzling artwork that evokes American Indian history. The public-private investment in the waterfront came on the heels of a \$129 million investment in Chattanooga's Southside area which was completed in 2003. The Southside project provided an expanded Convention and Trade Center, parking garage, a Development Resource Center, and The Chattanooga, a premier meeting facility.

Fiscally, the City of Chattanooga is well positioned to weather the current economic downturn. We have a history of strong fiscal discipline, healthy reserves, and constant review of operations, being ever vigilant to find new efficiencies and cost reduction measures. Further, as construction of the \$300 million Blue Cross Blue Shield campus comes to a close in 2009, the \$1 billion WV plant project has begun. Residential construction for single family homes remains strong during the first quarter of the new fiscal year compared to fiscal year 2008, having retracted by only 4% in the number of permits issued. Hotel tax receipts rose 5.4% during fiscal year 2008 compared to



New Summit Ballfield to open Spring 2009

the prior year, indicating that tourism remains strong. We have in place a vibrant engine for the growth of our tax base.

The overall health of our existing employers is good. Since the Chattanooga Chamber of Commerce announced its goal of producing more than 20,000 new jobs in the MSA over a 4 year period, there has been more than 132 projects with an investment of over \$1.4 billion and 17,500 new jobs announced. The second phase of an initiative to market Chattanooga, referred to as 'Chattanooga Can Do', will last from July 2007 to June 2011. The Chamber goals include the following benchmarks (with progress as of July 2008 in parentheses):

- Increase regional employment by 15,573 (9448 jobs have been created)
- Increase private investment by \$500 million (\$1.351 billion has been announced)
- Create \$526.8 million in new payroll income (\$437.4 million has been achieved)
- Increase disposable income by \$421.5 million (\$349.9 million has been achieved)
- Increase net personal consumption by \$390.1 million (\$323.9 million has been achieved)

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

At Your Leisure!



Each year, the City focuses on a department of city government describing in detail services provided. This year's focus is on the Parks and Recreation Department.

Reflections on the water at the canoe/kayak launch at Sterchi Farms Outventure

Photo by Lawson Whitaker

The City of Chattanooga Department of Parks and Recreation strives to provide an excellent variety of leisure opportunities to enhance the individual's quality of life through exceptional programs in attractive, safe and well maintained parks and facilities.

Parks and Recreation oversees seven operational divisions: Administration, Parks, Recreation, Golf, Chattanooga Zoo, Outdoor Chattanooga, and Public Art. A staff of 187 employees, maintains a facility inventory of 65 city parks consisting of over 750 acres of city and neighborhood park plus 2800 acres of the Enterprise South Nature Park, 16 recreation centers, 74 ball fields, 83 tennis courts, 2 football fields, and 40 miles of greenway and trails. Under the leadership of administrator Larry Zehnder, a field certified professional, the department offers diverse recreation and leisure opportunities for all ages and abilities in a fun and safe environment. The management and staff work to build relationships, create partnerships, and accommodate the overall interests and needs of the community. Here are just a few of the outstanding programs available to the City of Chattanooga community:

Recreation Centers Programs 4-H Teen, Virtual Class Room, Arts Builds Communities, Centered on Seniors, Money Management 101, and In the Swim are offered at recreation facilities through out the City. Recreation centers work with local organizations to provide a variety of art, educational, and fitness activities that can be enjoyed by the entire community.

Go! Fest is an annual festival to raise awareness of the services and resources available locally for young people with physical or mental disabilities. The focus of the event is to celebrate "life without limitations" and provides opportunities for companies, groups, and organization to display and present therapeutic equipment, services and programs.

Public Art Program is a partnership with the Benwood Foundation, Lyndhurst Foundation, and Allied Arts of Greater Chattanooga, with the mission of creating aesthetic sophistication and

spontaneity throughout the city including the riverfront, the central business district, and the revitalization of city's south side quarter. The Public Art Committee, comprised of talented leaders in the arts community, provides the expertise to attract world class artists and works of art that reflect the character of the area and enhance the civic environment.

First Tee Golf uses the game of golf to help children from all economic and racial backgrounds assimilate valuable life skills, leadership characteristics, as well as First Tees' nine core values; integrity, sportsmanship, respect, confidence, responsibility, perseverance, courtesy, judgment, and honesty.

OutVenture the programming office for Outdoor Chattanooga Division, offers hiking, mountain biking, canoeing, camping and white water paddling trips for both the general public and private groups.

Environmental conservation and the security of natural resources are an important focus of Parks and Recreation. Several recent projects have been completed demonstrating the City's dedication to the recreational use, education, and stewardship of the region's natural resources. These world class facilities confirm the City's commitment to ecological preservation and environmental stewardship and provide significant economic impact by attracting national/regional events to the city.

Warner Park Renovation completed this summer, marked the first phase of renovations to one of the city's oldest parks. Today the excitement and grandeur of the past returns in the Chattanooga Zoo's \$3.9 million dollar new entrance and welcome center. The \$2.8 million restoration of the park's softball facilities now offers state of the art accommodations for local and regional/national programs and tournaments. Scheduled to be completed by the summer of 2009 is the construction of an exciting new "sprayground" which guarantees cool refreshing fun for all ages. This attraction will be located adjacent to the existing swimming pool and will feature playground style equipment that spurt, shoot, and squirt water. It is anticipated that the new park will create an annual economic impact of almost \$3.5 million.

The Summit of Softball, formally an abandoned landfill, has been transformed into an 83 acre sports complex featuring 8 ASA/NSA certified softball fields, concessions and restroom facilities, a playground, picnic area,



The new facade of Warner Park

Photo by Dottie Swasey



Kayakers launch at Outventure

amphitheater and passive park space. National competition for men's, women's, and youth softball will create an economic impact of \$10 million annually.

Renaissance Park and Outdoor Green Roof Pavilion was the 2007 recipient of the Tennessee Governor's Environmental Stewardship Award, recognized for the restoration of a past industrial area to a model of ecologic conservation. This 23 acre urban park collects polluted water from urban runoff, naturally filters this water using native plants and other natural systems, and releases improved quality water back into the ecological system that flows into the Tennessee River. The 5,000 square foot Outdoor Pavilion showcases several "new-age" design features and provides an educational community meeting space. The Pavilion is the first public building in the city to have a "green" living roof, waterless urinals, and other energy efficient features.

South Chickamauga Creek Greenway Trail and Canoe/Kayak Launches project will be funded by the City, Federal Highway Enhancement dollars, and funds pledged by local foundations. The trail meanders for two miles along the South Chickamauga Creek near the Sterchi Farm/Waterhaven subdivision and features picnic tables and benches. The canoe/kayak launches, located at Sterchi Farm and River Point (near the Chattanooga Riverwalk) feature parking, picnic area w/tables, benches and grills, and ADA accessible restrooms.

Enterprise South Nature Park This 2800 acre natural wildlife park featuring 33 miles of trail is currently under development in partnership with the Hamilton County Parks and Recreation Department and opened to the public, on a limited basis, in the fall of 2008.

*View of downtown
Chattanooga from
Renaissance Park*



Photo by Dottie Swasey

of Princeton Review's Best Business School guidebook for the second year.

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

Another major asset which has been highlighted by the extreme regional drought is the Tennessee River which flows through the heart of the city. In addition to providing the backdrop for the waterfront development projects, it is an invaluable source of clean water for consumption, recreation, transportation, and industrial use. The estimated annual economic impact for waterfront events is several million dollars per year. The river is also critical for electric power generation in the area and for other industries heavily dependent on water.

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

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

During the past five years, general fund revenues have grown at a slower pace than expenditures. This is primarily due to use of reserves to fund a large portion of the capital budget. Revenues and transfers in have increased 14.4% while expenditures and transfers out have increased 19.6%. Increase in expenditures and transfers out excluding capital funding from the general fund increased by 14.1%. The City's two biggest local revenue sources, property tax and sales tax, grew 5.5% and 24.1% respectively during that period. The sales tax increase is net of the portion earmarked for education which is now collected by Hamilton County. Property tax rates were decreased by 31.7 cents (from \$2.519 to \$2.202/\$100 assessed valuation) in 2005 due to a property reappraisal. This favorable revenue trend along with sound management has allowed the City to increase its general fund balance from \$40,677,980 to \$52,094,869 or 28.1% over the past five years. The City's unreserved fund balance increased from \$30,784,700 to \$40,746,518 or 32.4%. Over \$10.8 million of these reserves have been appropriated as pay-go-capital for Fiscal Year 2009.

Budget Highlights

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

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

Cash Management Policies and Practices

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

Risk Management

The City manages exposure to risk of loss through several methods including contracts with commercial carriers for property insurance, surety bond coverage of officials and employees, and commercial liability coverage. The City assumes the risk of loss for general liability not covered by commercial carriers. To minimize its losses, the City has implemented various risk control techniques such as safety inspections and safety training classes. As part of the City's risk management program, resources are being accumulated in an Internal Service Fund to meet potential losses relating to general liabilities and



Coolidge Park

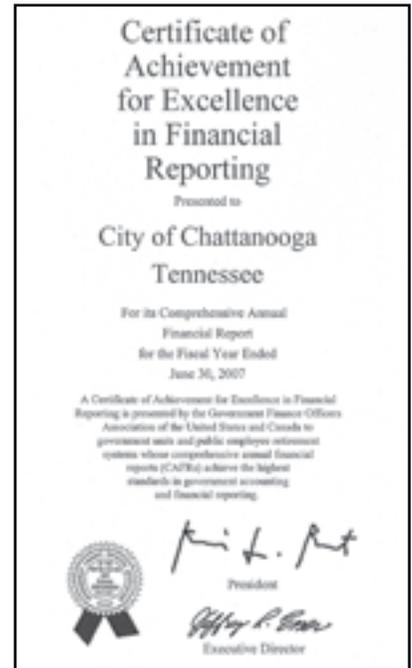
tort claims. Reserves are accumulated in the General Fund to meet potential losses for all other exposures. Additional information on the City's risk management activity can be found in the notes to the financial statements.

Pension and Other Postemployment Benefits

The City provides retirement benefits through three single-employer defined benefit pension plans that cover all employees. One plan covers general City employees; a second plan covers employees of the Electric Power Board; and the third covers firefighters and police officers. Each of these plans is maintained separately and engages an independent actuary to calculate the amount of annual contribution that must be made to each plan to ensure the plans will be able to fully meet their obligations to retired employees on a timely basis.

The City also provides postemployment health care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 1,014 retired employees receiving these benefits, which have been traditionally funded on a pay-as-you-go basis. Effective this fiscal year, a trust was established to provide for advance funding of this obligation in the future. Total contributions to the trust to date are \$4.5 million. Additional information on the City's pension and other and postemployment benefits can be found in the notes to the financial statements.

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, 2007. This was the sixteenth 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 thirteen fiscal years for which it applied. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

The preparation of this report could not have been accomplished without the professional and dedicated services of the entire staff of the Finance Department and the City's independent public accountants, Hazlett, Lewis & Bieter, PLLC. We would like to express our appreciation to members of various City departments who assisted and contributed to the preparation of this report. Further appreciation is extended to the Mayor and the City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

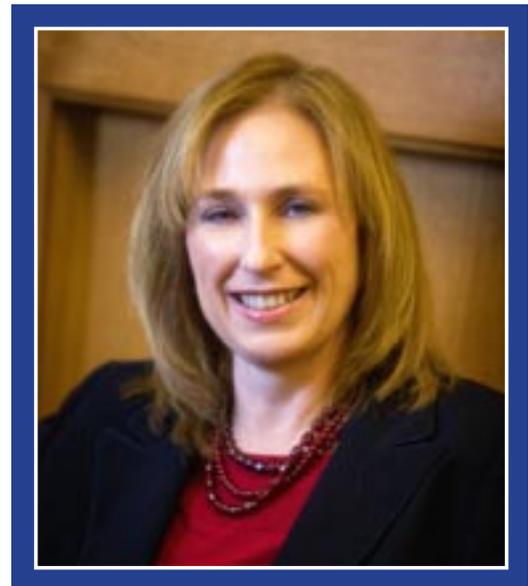
Respectfully submitted,

Daisy W. Madison
City Finance Officer



Staff members of the City Court Clerk's Office

Photo by Lawson Whitaker



Vickie C. Haley,
Deputy City Finance Officer

Photo by Lawson Whitaker



Ron Littlefield, Mayor

L. Dan Johnson, Chief of Staff

CITY COUNCIL:

Linda G. Bennett, Chairperson.....District 1

W. Jack Benson, Sr., Vice Chairperson . District 4	Carol B. Berz District 6
Sally L. Robinson..... District 2	Manual Rico..... District 7
Dan B. Page District 3	Leamon Pierce..... District 8
Luther Shockley..... District 5	Deborah C. Gaines..... District 9

COURTS:

Sherry B. PatyCity Court Judge
 Russell J. BeanCity Court Judge
 Edward C. Hammonds City Court Clerk

DEPARTMENT ADMINISTRATORS AND DIRECTORS:

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

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

Organizational Chart

