

“ Our mission is to break down the barriers that prevent people ”
from living the lives they want in our community.

SAFER STREETS | GROWING ECONOMY | STRONGER NEIGHBORHOODS

CITY OF CHATTANOOGA

CAFR

2018

Comprehensive Annual Financial Report for the Year Ended June 30, 2018

CHATTANOOGA, TENNESSEE

HIGH PERFORMING GOVERNMENT | SMARTER STUDENTS, STRONGER FAMILIES

About the Cover

Through Budgeting for Outcomes, Chattanooga Mayor Andy Berke has ensured the priorities of City Government are aligned with those established by the community – safer streets, smarter students and stronger families, a growing economy, stronger neighborhoods, and high performing government. Whether it's working alongside neighborhood volunteers to clean up graffiti, investing in technology training to prepare workers for the innovation economy, or providing great essential services like street-sweeping and collecting recyclables, the City of Chattanooga City is committed to providing the very best services as we build the best mid-size city in America.

CITY OF CHATTANOOGA, TENNESSEE

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

DEPARTMENT OF FINANCE AND ADMINISTRATION
DAISY W. MADISON, ADMINISTRATOR

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



Mayor Andy Berke

December 20, 2018

To the Citizens and City Council of the City of Chattanooga:

I am honored to present the City of Chattanooga's annual financial report for the year ended June 30, 2018. Chattanooga is a city of creators, where we work every day to build a brighter, better future for everyone in our community. Over the past year, we see where this has been achieved through strategic investments in public safety, neighborhood quality of life, and economic growth. Responsibly managing our assets and making strategic use of taxpayer dollars makes these investments possible.

For instance last year, Chattanooga had the sixth highest wage growth of any metro in the United States, but we know not all wage growth is dispersed equally. The launch of our workforce development program is targeted at providing Chattanoogaans with the skills training and job placement where wages and opportunities can grow. As our economy flourishes oftentimes so do taxes, we ensured protection for some of our most vulnerable Chattanoogaans -- seniors -- with the implementation of our senior tax freeze program.

We're building smarter students and stronger families by choosing to invest in them from the earliest stages. By expanding our Baby University and Head Start programs, we can deliver wraparound support to our city's most vulnerable children and their families.

Creating safer streets happens when we invest in both sophisticated crime-fighting technology and building stronger relationships within communities. By putting the right tools in the hands of officers, we are helping them predict trends and investigate crimes. By fostering closer and more collaborative relationships with neighborhoods, our residents participate in keeping our streets safe. We continue to invest in new programs to help people successfully re-enter their communities after contact with the criminal justice system, while also working hard to prevent juveniles from running afoul of the law.

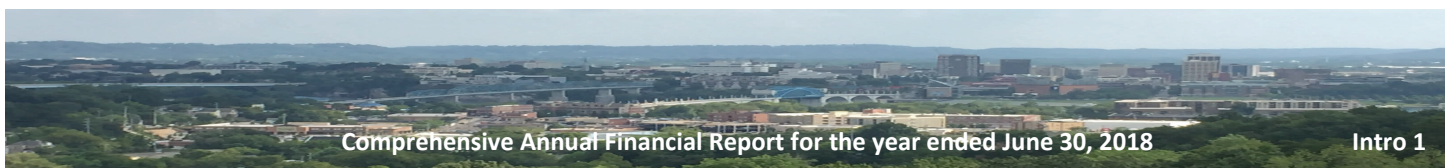
When Chattanooga's neighborhoods are stronger, our community wins. While continuing to provide services and investing in infrastructure to connect people and places, we are also empowering community leaders to take ownership of preservation, progress and prosperity where they live through initiatives like Block Leaders Connect. Our investment in paving continues to grow to ensure smooth and safe passage to school, home and work.

When we break down barriers, we can empower Chattanoogaans to live the life of their choosing. From creating safer routes in neighborhoods to increasing early learning and supporting local businesses, we are building a stronger Chattanooga and leading citizens to a higher quality of life.

Sincerely,

A handwritten signature in black ink that reads "Andy Berke".

Mayor Andy Berke
City of Chattanooga



City Council



Chip Henderson
District 1



Jerry Mitchell
District 2



Ken Smith
Chair
District 3



Darrin Ledford
District 4



Russell J. Gilbert, Sr.
District 5



Carol Berz
District 6



Erskine Oglesby, Jr.
Vice-Chair
District 7



Anthony Byrd
District 8



Demetrus Coonrod
District 9

Letter of Transmittal



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

December 20, 2018

To the Honorable Mayor Andy Berke, 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, 2018 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, 2018. The independent auditor’s report is presented as the first item in the financial section of this report.



Daisy W. Madison,
City Finance Officer

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.



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 148 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 most recent Census Bureau estimate shows the city with a population growth rate of over 1% in 2017, with a current estimate of 179,139. The City is empowered to levy a property tax on both real and personal property located within its boundaries. Corporate limits may be extended at the request of an adjacent property owner or by a referendum of the people in the affected proposed annex areas who want to petition to be brought into the city boundary.

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; youth and family development; public library; community development; planning and zoning; neighborhood services; social services; and administrative services for the government as a whole. It also operates a water quality program, a solid waste program and a wastewater treatment system for its residents and for other communities in southeast Tennessee and northwest Georgia. The City's Electric Power Board (EPB) provides electric service and fiber-to-home to support phone, cable, and internet services. Other services are provided through legally separate Chattanooga Downtown Redevelopment Corporation which is reported along with EPB as an enterprise fund. Additional services are provided through the legally separate Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transportation Authority (CARTA), both 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 plan. In lieu of the traditional approach, the City develops its annual budget utilizing the Budgeting for Outcomes (BFO) approach. BFO is a process designed to operate a government that works better and cost less. While the "price of government" is fixed, the cost of providing services is increasing. Budgeting for Outcomes focuses on results and priorities, not cost. The budget process shifts from paying for costs to buying results. It puts citizens and their priorities, not status quo, first. It emphasizes accountability, innovation, and partnerships. The City Finance Officer obtains budget offers from all City departments and agencies to address the major results area communicated by the citizens. These results areas are safer streets, a growing economy, stronger neighborhoods, smarter students and stronger families, and high performing government. Citizen engagement meetings to obtain input are held in November. Departments and agencies present offers to deliver on these priorities and results areas in February. Offers are then evaluated by a Results Team and allocations are recommended by the Mayor based on citizens' priorities and available funding. During the months of May and June, advertised public hearings are held by the council whereby 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. The City Finance Officer is authorized to make intra-fund transfers if necessary. Budgetary comparison schedules are provided in the budget document 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: The City of Chattanooga is well positioned for future growth. Employment in the Chattanooga area is diverse. The top employment sectors of trades, transportation, and utilities (20%), government (14%), manufacturing (13%), professional and business services (18%), education and health (13%), and leisure and hospitality (11%) comprise 89% of the workforce. The local unemployment rate of 3.4% for the Chattanooga Metropolitan Statistical Area is comparable to the state and national averages of 3.7% each as of September, 2018, according to information from the U.S. Bureau of Labor Statistics.

Chattanooga enjoys strategic advantages related to its location, strong transportation system, natural resources and competitive cost of doing business. The Chattanooga area is served by three interstate highways, seven U.S. highways, two railways, airlines, bus service, and the Tennessee River system. The widening of US Highway 27 through downtown has entered its final phase, expected to be completed in January, 2020 at a total cost to exceed \$143 million. Work is still underway in the Tennessee River on the new Chickamauga Lock. Construction to cost an estimated \$850 million will replace the existing 60 by 360 foot lock with one that is 110 by 600 feet. The project could be completed as early as 2024. The Chattanooga Metropolitan Airport is served by four airlines. Direct flights are available to nine major cities. During 2017, enplanements totaled 484,517, up 15.6% over 2016, indicating a robust increase in business and leisure travel. Enplanements in 2018 could approach 500,000. The aircraft repair and maintenance facility, which opened in 2015, has a goal of employing 225 by 2020. Additionally, a \$4 million state grant was awarded in 2018 for the airport to develop the adjacent former 13-acre National Guard site. 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.



Employment in the retail service sector continues to thrive. Hamilton Place Mall, which is in its 32nd year of operation, anchors the area's I-75 retail corridor. Adaptation to change is the key to continued success of big-box retail as internet sales shift the shopping experience. Key additions to the mall include a new stand-alone upscale restaurant, as well as plans to infill the former Sears anchor store with additional retail and hotel space. The mall's owners, with 40 years in the shopping center industry, are confident there will always be a strong physical retail presence parallel with internet sales growth. The retail area just north of the mall saw the opening of a major outdoor retailer and a grocery chain in 2018 as part of a \$100 million retail and residential expansion announced over two years ago. This development, known as Waterside, could ultimately include 350,000 square feet of retail space, restaurants, and up to 300 apartments in this mixed use development encompassing over 60 acres.

Downtown is thriving. An extension of M. L. King Blvd. west to the Tennessee River has begun, with expected completion toward the end of 2019. Development in the area, partially funded by a \$4 million Tax Increment Financing plan, will include a medical office building and up to 200 new apartments. Adjacent to the area is the former Alstom plant site, recently purchased by a private development group. This 112-acre parcel along the river is envisioned as additional manufacturing, office, and residential uses. The "Gold Building", former headquarters of Blue Cross Blue Shield of Tennessee, reopened last year as a 260 room luxury hotel with a ballroom and meeting rooms. The hotel is an anchor point for what is now known as "West Village". The area now includes the recently re-opened Read House, an historic hotel revived in a 1920's theme. The downtown core, the Southside, and North Shore areas continue to attract new development, with numerous housing and hotel additions underway or in the planning stages.



Chattanooga continues to receive recognition as a world leader in technology. The Electric Power Board (EPB)

began offering one-gig high-speed internet in 2010. This service was upgraded to a ten-gigabit connection offered to all 170,000 homes in Chattanooga beginning in 2015, the first city to do so. The Fiber-to-the-Home (FITH) network is available to individuals, schools, and businesses in a service area covering 600 square miles including urban, suburban, and rural places and a diverse population of 300,000 people. Beginning in 2016, EPB added 4K ultra high definition TV service, the first in the area. The utility surpassed 100,000 customers in 2018. 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 in 2010 dramatically accelerated the installation in 2012 of the Smart Grid, allowing for an implementation schedule to taking only two years. A wireless mesh network is piggy-backed onto the entire system, enhancing public safety as well. The network represents a total \$320 million investment. One way the City has chosen to take advantage of the 10-gig speed, is through the establishment of NoogaNet in city-owned spaces and buildings to provide free Wi-Fi. The service is currently offered in 55 locations.

The economic impact to the area as a result of the EPB fiber optic network has approached \$1 billion since its inception according to a study published in 2015 by the University of Tennessee at Chattanooga, with an estimated creation of 2800 jobs. The high-speed internet continues to attract competition and international visitors. TenGig, a new style of gaming festival, hosted its second annual event this October, made possible by the high speed network. TenGig is currently constructing additional space for its annual event.

Manufacturing continues the resurgence that began in 2008 with the announcement that Volkswagen AG would locate its United States manufacturing headquarters in Chattanooga. Since that time, the area has attracted \$4 billion in foreign direct investment. The Enterprise South Industrial Park (ESIP), home to Volkswagen AG, hosts numerous companies associated with automobile manufacturing, as well as an Amazon distribution center. The 3000 acre industrial site has essentially been filled or committed for additional potential expansion of the VW plant. A new SUV, designed and built specifically for the U.S. market, began production in December, 2016, with sales beginning in May, 2017. Having now achieved sales of over 100,000 units there is current talk of adding a 3rd shift and up to 1,000 additional employees as VW prepares to produce a 5-seat model to complement the current 7-seat version, investing an additional \$340 million. The \$900 million expansion includes \$600 million by VW, \$230 million from state and local government, and up to \$70 million in additional incentives and infrastructure improvements over the next decade. The City and County share equally a \$52.5 million direct investment in this expansion. VW retains an option on 900 additional acres adjacent to their 1300 acre facility, in anticipation of significant additional future expansion. Spanish supplier Gestamp, a world leader in hot-stamp technology and a Tier 1 supplier for

VW, BMW, and Mercedes-Benz, has expanded its original facility and added a second plant within the park and a third location in an existing building near the park on Jersey Pike. The company, which already had a significant presence as a supplier of cold-stamped components, says the \$180 in expansions will ultimately add 510 new jobs. Another Tier I supplier, Chattanooga Seating Systems, completed a \$5.4 million expansion with 190 new jobs to fill seat orders for the new SUV.

Chattanooga remains a leader in the state for business start-ups. Large announcements get the headlines, but small business growth can make up the bulk of our job growth and diversity. Most employment announcements over the past year range from 10 to 100 in a variety of industries, including manufacturing, freight logistics, data analytics, and marketing. Our success is driven by technology, capital venture funding, business incubators, and a City initiative known as the “Innovation District”, designed to connect entrepreneurs who have creative ideas with existing businesses to jump start new successful companies. Chattanooga was recognized in 2018 by CNBC as one of the top seven cities for business startups, citing tech sector industry advantages. The online personal finance website SmartAsset recently cited “relatively cheap office space, wages, and legal and accounting rates” and the country’s least expensive gigabit-per-second internet service

<u>Goal to increase</u>	<u>4 Year Target</u>	<u>Actual (3 years)</u>
Regional Employment	15,121	5,776
Private Investment	\$500 M	\$489 M
Payroll	\$439 M	\$288 M

for being the least expensive city for business startups

The fourth phase of the Chattanooga Chamber of Commerce “Chattanooga Can Do” campaign, conducted from July 2015 – June 2019, set goals for job growth. These goals include the following benchmarks (with progress as of July 2018):

Quality education is also the centerpiece of a successful community. A study released in 2015 by the Manhattan Institute shows the number of adults age 25 and over in the Chattanooga MSA with a bachelor’s degree or higher increased over 40% since 2000. Chattanooga State Technical Community College maintains five training partnerships to provide industry-specific training to students, allowing flexibility so programs can be tailored to current needs. 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 a school for Science, Technology, Engineering

and Math (STEM), located on the Chattanooga State campus, which provides coursework based in hands-on training and offers internships or apprenticeships to the students. The University of Tennessee at Chattanooga (UTC) offers undergraduate and graduate degree opportunities in twenty-nine academic departments. The Chattanooga Smart Community Collaborative, a joint effort by EPB, UTC, Erlanger Hospital, Chattanooga and Hamilton County governments, and local business accelerator groups, will work to attract new research projects in energy, transportation, and health care.

Other contributions to the local economy are tourism and several national events which are held here. Downtown remains a popular tourist destination, anchored by the Tennessee River and the Tennessee Aquarium, which just celebrated its 26th anniversary, and in November welcomed its 25-millionth visitor. Hotel tax receipts within the city are up over 44% over five years ago. Among national events which took place over the past year were Ironman competitions, the 7 Bridges Marathon, and the Head of the Hooch rowing competition, attracting continued national attention. The Tennessee Riverwalk and Riverpark system encompasses nearly 13 miles of walkway along the southern bank of the river, stretching from the Chickamauga Dam, through the northern edge of downtown, and terminating near the historic St. Elmo neighborhood. Chattanooga has become nationally recognized as a destination for those seeking outdoor activities which include hiking, hang-gliding, rock climbing, biking, and water sports. Outdoor competition and activities bring millions to the local economy and help keep Chattanooga in the forefront.



The fiscal health of Chattanooga City Government remains strong. As outlined in the Management’s Discussion and Analysis 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 Ratings Services raised the City’s bond rating to AAA in November, 2013, which was reaffirmed as AAA Stable in January, 2017. Fitch Ratings affirmed their bond rating for the City at AA+ Stable in December, 2016. The EPB maintains AA+ ratings from S&P and Fitch.



Long-term financial planning: The City takes a long range approach to capital spending by the adoption of a five year capital plan. As part of the strategic plan, the administration has restructured operations to include a department of economic and community development and hired a capital planner to focus intensely on long term sustainability and economic growth. The City continues to explore growth opportunities through economic development, regional growth plans, and other strategic initiatives that involve all citizens.

The City's Budgeting for Outcomes approach to budget preparation and management began with the Fiscal Year 2014 budget. This approach, in its sixth year with the Fiscal Year 2019 budget, is designed to measure results against goals and benchmarks used in determining funding levels for all city operations. It provides accountability by requiring 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. An

Open Data portal is in place to improve transparency and promote citizen engagement and includes regular updates to the budget and spending for the public to view on the City's website.

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: Over five (5.8) square miles have been annexed since May, 2001. Chattanooga is a major participant in a 40-year regional growth plan, known as the Greater Chattanooga Regional Growth Initiative, or "Thrive 2055". The participants include sixteen counties and their major cities from southeast Tennessee, northwest Georgia, and northeast Alabama, including the three metropolitan statistical areas. This public-private initiative 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, 2017. This was the twenty-sixth 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.

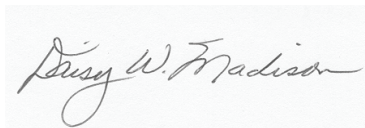
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal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

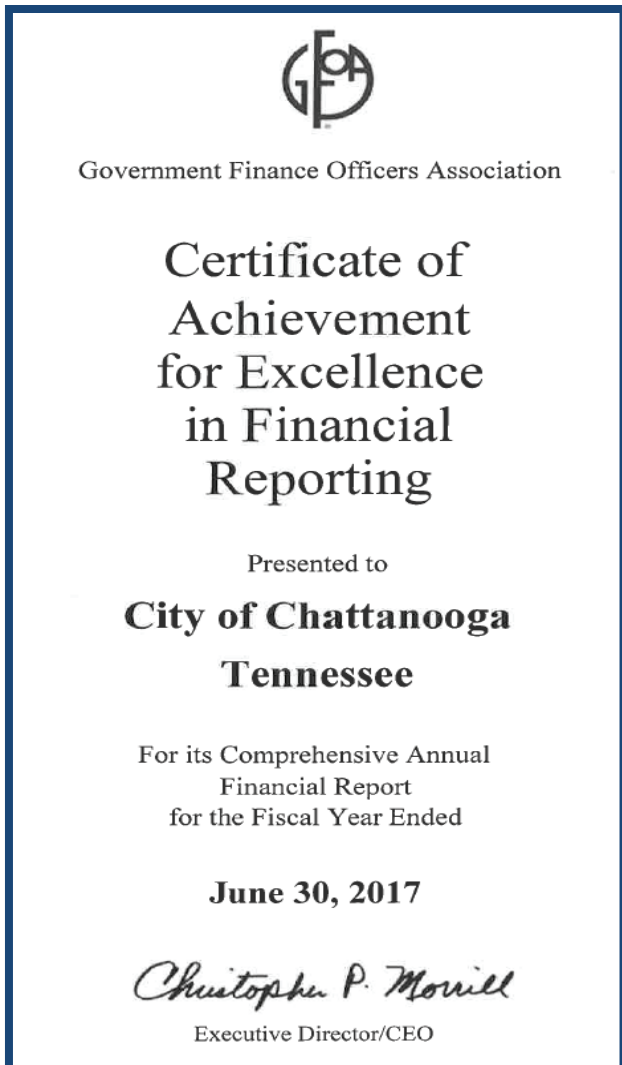
The GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting was received for the fiscal year ended June 30, 2017. This is the seventh consecutive year for which the City applied for the award. In order to qualify, a government must publish a Popular Annual Financial Report with contents 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, 2018



EXECUTIVE BRANCH:

Andy Berke, Mayor
Stacy Richardson, Chief of Staff
Maura Sullivan, Chief Operating Officer
Anthony Sammons, Deputy Chief Operating Officer

CITY COUNCIL:

Ken Smith, Chair.....District 3	
Erskine Oglesby, Jr, Vice Chair.....District 7	Russel J. Gilbert, Sr.....District 5
Chip Henderson.....District 1	Carol Berz.....District 6
Jerry Mitchell.....District 2	Anthony Byrd.....District 8
Darrin Ledford.....District 4	Demetrus Coonrod.....District 9

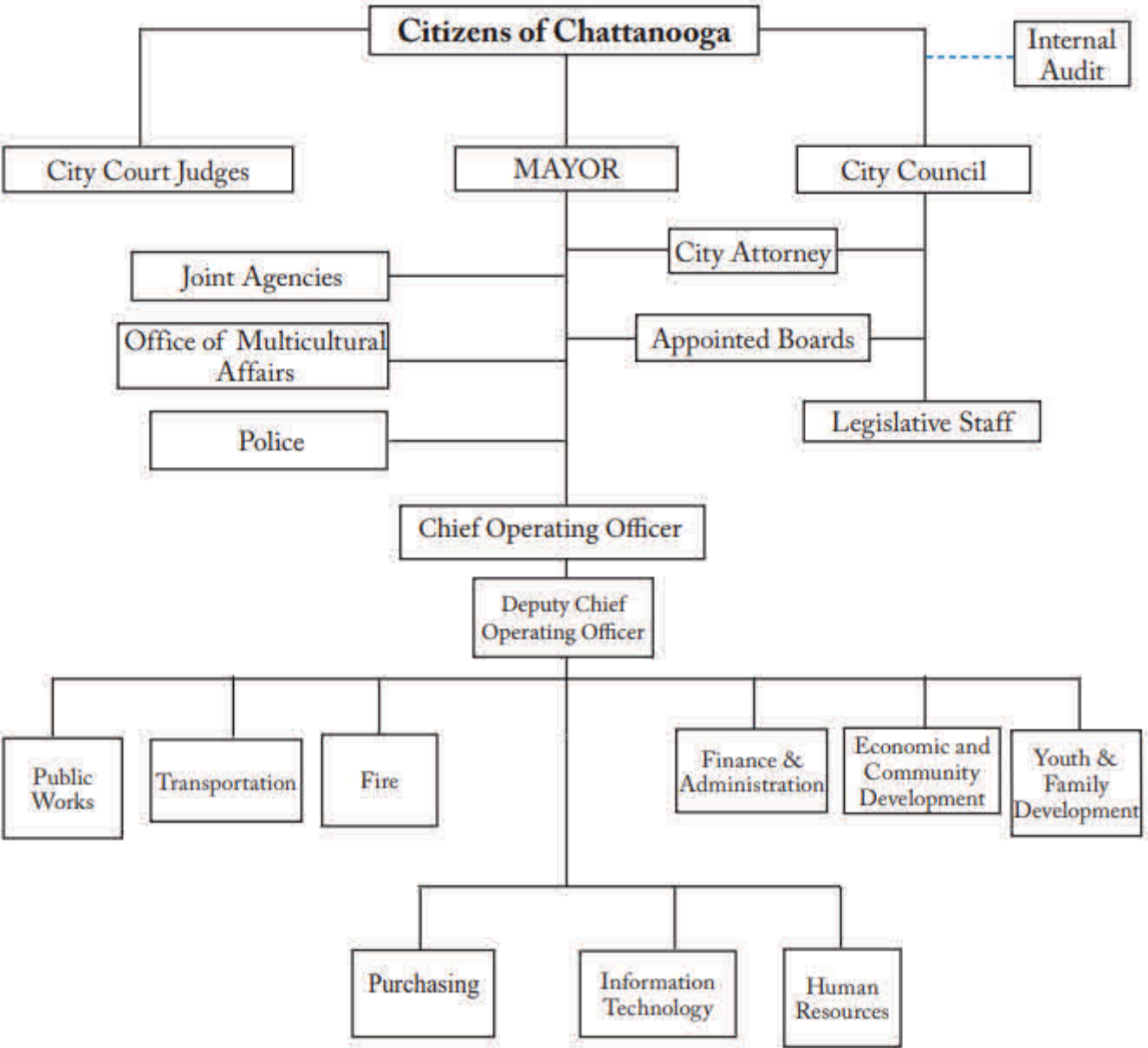
COURTS:

Sherry B. Paty.....City Court Judge	Russell J. Bean.....City Court Judge
Ron Swafford.....City Court Clerk	

DEPARTMENT ADMINISTRATORS

Legal.....	Phil Noblett.....	Assistant City Attorney
Legislative.....	Nicole Gwyn.....	Clerk of Council
Finance and Administration.....	Daisy W. Madison.....	Administrator
Fire.....	Chief Phil Hyman.....	Administrator
Economic and Community Development	Donna Williams.....	Administrator
Police.....	Chief David Roddy.....	Administrator
Public Works.....	Justin Holland.....	Administrator
Youth and Family Development.....	Lurone Jennings.....	Administrator
Transportation.....	Blythe Bailey.....	Administrator

Organization Chart







CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements 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 (the City), as of and for the year ended June 30, 2018, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Chattanooga Metropolitan Airport Authority and Chattanooga Area Regional Transit Authority, which represent 100 percent of the assets, net position, and revenues of the discretely-presented component units. Additionally, we did not audit the financial statements of EPB, which represent 56 percent, 47 percent, and 85 percent, respectively, of the assets, net position, and operating revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Chattanooga Metropolitan Airport Authority, Chattanooga Area Regional Transit Authority and EPB 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of 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, 2018, and the respective changes in financial position and, where applicable, cash flows 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iv through xxii of the Financial Section and the required supplementary information on pages B-1 through B-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chattanooga's 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, statistical tables and schedule of expenditures of federal and state awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) 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, financial schedules, and schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund and component unit financial statements, the budgetary comparison schedules included as other supplementary information, financial schedules, and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Chattanooga, Tennessee
December 19, 2018

Henderson Hutcherson
& McCullough, PLLC

Management's Discussion and Analysis

As management of the City of Chattanooga (the "City"), we provide readers of the City's financial statements with this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. 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

- Assets and deferred outflow of resources for the primary government exceeded liabilities and deferred inflow of resources by \$2.0 billion (net position), an increase of \$121.7 million or 6.3 percent, at the close of the fiscal year. Of this amount there is a \$97.4 million deficit unrestricted net position. The deficit in unrestricted net position decreased by \$45.6 million; governmental activities increased \$12.5 million while business-type activities increased \$33.1 million.
- Net position of governmental activities at June 30, 2018 was \$1.2 billion, an increase of \$25.1 million, or 2.2 percent. Business-type activities reported ending net position of \$878.1 million, an increase of \$96.6 million, or 12.4 percent due to favorable operations trend in all business-type activities.
- Long-term liabilities for the City's primary government decreased \$33.3 million or 2.8 percent, during the current fiscal year. Governmental activities long-term liabilities decreased \$20.1 million. This primarily consists of an increase in pensions of \$3.0 million, offset by a decrease in Other Post-Employment Benefits (OPEB) of \$4.3 million and a \$19.8 million decrease in bonded debt. For business-type activities pension liabilities increased \$1.1 million; this was offset by net decreases in debt and debt premiums for a net decrease of \$7.0 million and a decrease in OPEB of \$6.9 million.
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$80.5 million, an increase of \$2.7 million or 3.5 percent from prior year. This is primarily due to appropriation of \$11.5 million of fund balance for one time capital expenditures offset by favorable operations against budget of \$13.4 million. Unassigned fund balance represents 29.4 percent of total General Fund expenditures and transfers out.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Chattanooga's basic financial statements which 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 intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The first statements presented 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 Position - This statement presents information about the City's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Statement of Activities - This statement presents information showing how the City's net position 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 items that will only result in cash flows in future fiscal years (e.g., revenue includes uncollected taxes and expenses include earned but unused vacation leave).

The government-wide financial statements reflect three distinct activities:

Governmental Activities - These activities are primarily supported by taxes and intergovernmental revenues. The governmental activities of the City include general government, economic and community development, public safety, public works and transportation, and youth and family development.

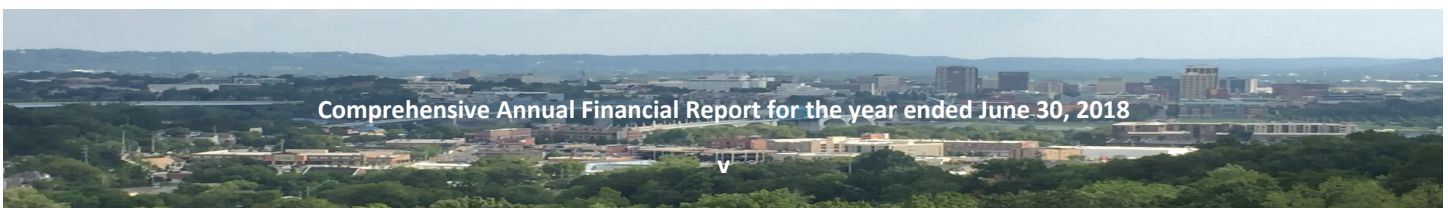
Business-type Activities - These activities are supported by user fees and charges for service which are intended to recover all of their costs. Included are electric, sewer, water quality systems, solid waste disposal, as well as a communications system. Also included is The Chattanooga Downtown Redevelopment Corporation, a legally separate entity that functions as an enterprise of the City and therefore has been included as an integral part of the primary government.

Component Units - There are two entities that are legally separate and reported separately from the primary government, however the City of Chattanooga is financially accountable for them. These include: The Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transportation Authority (CARTA).

Governmental activities and business-type activities combine to comprise 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) or to show that it is meeting legal responsibilities for how certain monies are used (i.e. grants received from the U.S. Department of Housing and Urban Development or hotel-motel taxes).

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

Governmental Funds - These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However the focus of these funds is on: 1) how cash and other financial assets that can readily be converted to cash were received and used, and 2) what remains at the end of the fiscal year for future spending. This information 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 in the government-wide financial statements.

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 non-major governmental funds provided in the other supplementary information section of this report.

The City of Chattanooga adopts an annually appropriated 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 of Chattanooga maintains two types of proprietary funds: (1) enterprise funds and (2) internal service funds.

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements but provide more detail and additional information, such as cash flows. The Electric Power Board (EPB), Interceptor Sewer System, Water Quality Management, Solid Waste, Tennessee Valley Regional Communications System and Chattanooga Downtown Redevelopment Corporation are considered major funds.



- **Internal service funds** are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Chattanooga accounts for fleet maintenance, technology replacement and risk financing (e.g. medical cost and third party liability claims) in the internal service fund. The internal service funds are combined into a single column in the proprietary fund statements. 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 funds statements begin on page A-9 of this report.

Fiduciary Funds - These funds are used to account for resources held for the benefit of others outside the government. 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 of Chattanooga maintains a pension trust fund and an other post-employment benefits (OPEB) trust fund as fiduciary funds to account for resources held on behalf of participants in the City pensions plans and OPEB plan. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fiduciary fund financial statements begin on page A-15 of this report.

Notes to the Financial Statements

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

The notes to the financial statements begin on page A-19 of this report.

Supplemental Information

Required supplementary information - in addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* regarding the City's progress in funding its obligation to provide pension and OPEB benefits to its employees.

Required supplementary information begins on page B-1 of this report.

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

- Combining statements for non-major governmental funds
- Combining statements for discretely presented component units
- A more detailed budget to actual comparison for the General Fund
- Budget to actual comparisons for special revenue funds and the debt service fund

Government-wide Overall Financial Analysis

Net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$2.0 billion at the close of the most recent fiscal year, an increase of \$121.7 million, or 6.33 percent, from last year. At the end of the fiscal year, the City of Chattanooga is once again able to report a positive net position for the government as a whole, as well as for its governmental and business-type activities individually.

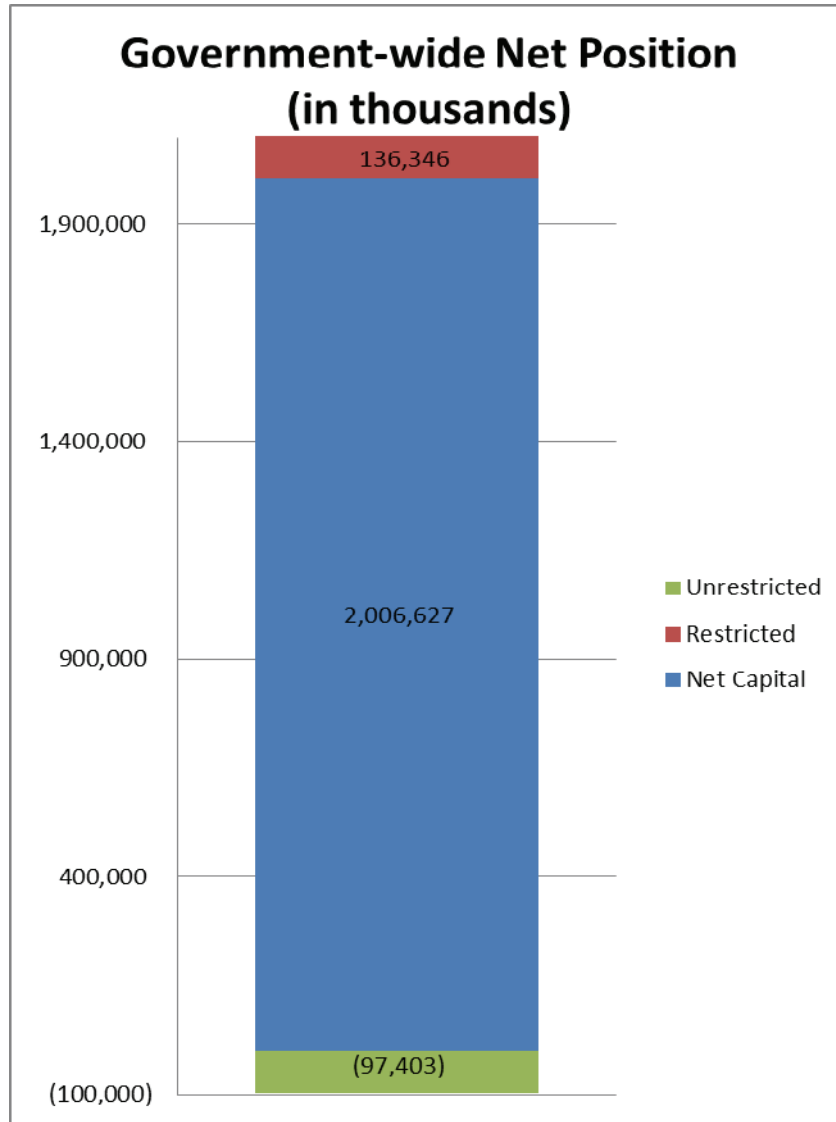
City of Chattanooga's Net Position

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 355,288	\$ 379,492	\$ 508,640	\$ 468,354	\$ 863,928	\$ 847,846
Capital assets	1,474,617	1,485,121	1,133,732	1,065,410	2,608,349	2,550,531
Total assets	1,829,905	1,864,613	1,642,372	1,533,764	3,472,277	3,398,377
Total deferred outflows of resources	115,090	110,921	38,593	37,982	153,683	148,903
Long-term liabilities outstanding	576,109	596,241	578,656	591,872	1,154,765	1,188,113
Other liabilities	29,991	91,278	217,386	196,865	247,377	288,143
Total liabilities	606,100	687,519	796,042	788,737	1,402,142	1,476,256
Total deferred inflows of resources	171,440	145,682	6,808	1,486	178,248	147,168
Net position:						
Net investment						
in capital assets	1,285,941	1,277,950	720,686	652,037	2,006,627	1,929,987
Restricted	65,361	60,727	70,985	76,122	136,346	136,849
Unrestricted	(183,847)	(196,344)	86,444	53,364	(97,403)	(142,980)
Total net position	\$ 1,167,455	\$ 1,142,333	\$ 878,115	\$ 781,523	\$ 2,045,570	\$ 1,923,856

By far the largest portion of the City’s net position, \$2.0 billion, reflects its investment in capital assets (land, buildings, equipment, infrastructure, etc.), less any related outstanding debt that was issued to acquire those assets. While capital assets are used to provide services to citizens, these 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 since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position, \$136.3 million, represents resources that are subject to external restrictions on how they may be used. There is a \$97.4 million deficit in unrestricted net position due to recording of unfunded OPEB liabilities of \$123.0 million and unfunded pension liabilities of \$261.0 million. Please refer to Note 7.



The next chart provides revenue and expense details for Governmental Activities, Business-type Activities and the Primary Government as a whole.



City of Chattanooga's Changes in Net Position

(in thousands)

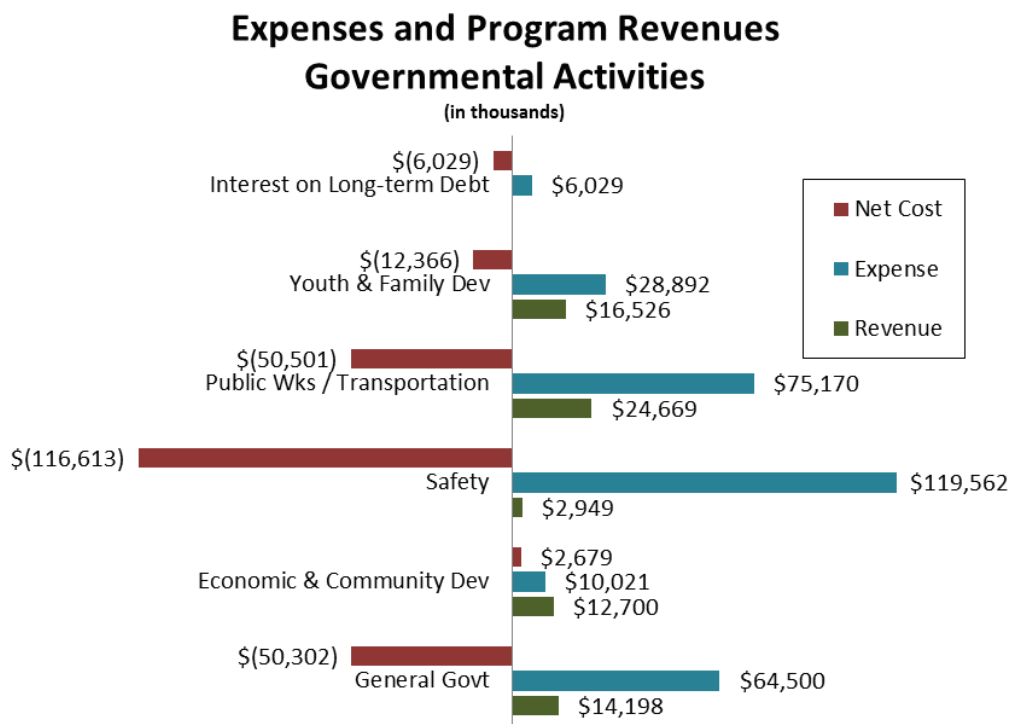
	Governmental		Business-type		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 20,206	\$ 21,146	\$ 860,299	\$ 843,276	\$ 880,505	\$ 864,422
Operating grants	36,569	33,640	-	-	36,569	33,640
Capital grants	14,266	8,761	2,178	2,639	16,444	11,400
General revenues:						
Property taxes	146,284	134,943	-	-	146,284	134,943
Other taxes	26,769	26,977	-	-	26,769	26,977
Investment income	3,080	2,993	3,058	1,899	6,138	4,892
Miscellaneous	1,118	1,061	-	-	1,118	1,061
Unrestricted grants and contributions	91,052	82,924	-	-	91,052	82,924
Total revenues	339,344	312,445	865,535	847,814	1,204,879	1,160,259
Expenses						
Governmental activities:						
General government	64,500	74,481	-	-	64,500	74,481
Economic and community development	10,021	11,380	-	-	10,021	11,380
Public safety	119,562	116,347	-	-	119,562	116,347
Public works and transportation	75,170	64,443	-	-	75,170	64,443
Youth and family development	28,892	27,234	-	-	28,892	27,234
Interest on long-term debt	6,029	6,380	-	-	6,029	6,380
Business-type activities:						
Electric utility	-	-	689,008	683,959	689,008	683,959
Sewer	-	-	55,484	51,041	55,484	51,041
Solid waste	-	-	3,431	3,949	3,431	3,949
Water quality	-	-	15,371	14,526	15,371	14,526
Regional communications	-	-	2,617	1,039	2,617	1,039
Downtown redevelopment	-	-	16,140	17,795	16,140	17,795
Total expenses	304,174	300,265	782,051	772,309	1,086,225	1,072,574
Excess (deficiency) before transfers	35,170	12,180	83,484	75,505	118,654	87,685
Transfers	(10,048)	-	10,048	-	-	-
Increase (decrease) in net position	25,122	12,180	93,532	75,505	118,654	87,685
Net position, beginning	1,142,333	1,130,153	781,523	718,763	1,923,856	1,848,916
Change in accounting principal - EPB	-	-	3,060	(12,745)	3,060	(12,745)
Net position, restated	1,142,333	-	784,583	-	1,926,916	-
Net position, ending	\$ 1,167,455	\$ 1,142,333	\$ 878,115	\$ 781,523	\$ 2,045,570	\$ 1,923,856

Governmental Activities

During the current fiscal year, net position of the City’s governmental activities increased \$25.1 million from the prior year for an ending balance of \$1.2 billion. Overall revenue increased \$16.9 million or 5.4 percent. The combination of sales tax, both local option and tourist development zone, increased \$7.5 million or 12.1 percent. Property tax increased by \$11.3 million or 8.4 percent. Private donations for infrastructure increased by \$2.2 million or 67.8 percent. Streets completed by developers and donated to the City increased by \$4.0 million or 50.6 percent. These were offset by a \$10.0 million transfer from our Capital Projects Fund for the creation of a new enterprise fund to account for our Radio Telecommunication System.

Expenses for the current year increased \$3.9 million or 1.3 percent. The increase primarily consists of an increase in public safety of \$3.2 million, or 2.8 percent due to salary increases of \$1.9 million, pensions and other post-employment benefits increase of \$6.0 million, increase of \$1.5 million for health insurance, offset by a \$2.7 million reduction in operations and a \$3.8 million reduction in capital outlay. The remaining increase was a combination of a decrease in general government of \$10 million, or 13.4 percent, offset by an increase in Public Works and Transportation of \$10.7 million, or 16.6 percent. This was due to the General Services Department, which reports under general government, being folded into the Public Works Department in FY18.

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



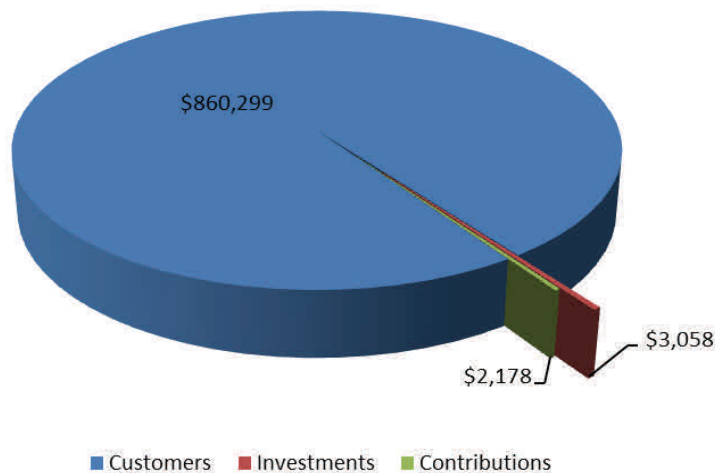
Business-type Activities

During the current year, net position of the business-type activities increased \$96.6 million or 12.4 percent, to \$878.1 million. This net position is dedicated solely to finance the continuing operations of the electric, sewer, water quality systems, solid waste disposal, regional communications systems and downtown redevelopment operations.

Revenues for the City’s business-type activities were \$865.5 million for the year just completed; this is a \$17.7 million or 2.1 percent increase. Expenses increased \$9.7 million or 1.3 percent resulting in total expense of \$782.1 million for the year. Please see Enterprise Fund detail for additional information.

As you can see from the following graph, the major source of revenue for business-type activities is customer charges.

Revenues by Source Business-type Activities
(in thousands)



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	Regional Communication System	Downtown Revelopment	Total
Expenses	\$ 689,008	\$ 55,484	\$ 3,431	\$ 15,371	\$ 2,616	\$ 16,141	\$ 782,051
Revenues	732,149	83,456	6,048	19,444	2,505	18,875	862,477
Change in net position	\$ 43,141	\$ 27,972	\$ 2,617	\$ 4,073	\$ (111)	\$ 2,734	\$ 80,426

Financial Analysis of the City's Funds

As noted earlier, the City of Chattanooga uses fund accounting to help control and manage money for particular purposes or to demonstrate compliance with legal requirements. The following provides a more detailed analysis of the City's funds.

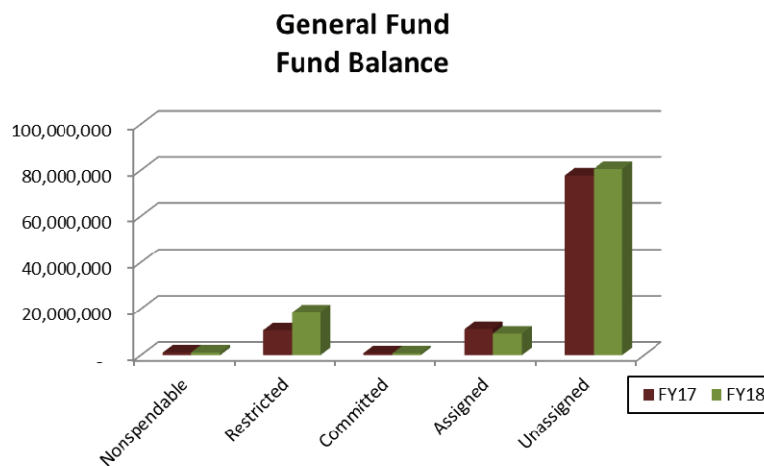
Governmental Funds

Governmental funds focus on 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 it represents 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 \$198.2 million at the end of the fiscal year. Of this amount 40.6 percent or \$80.5 million, is available for spending at the City's discretion (unassigned fund balance). Total fund balance is made up of the following:

- \$6.3 million is in non-spendable form such as inventories and notes receivable.
- \$91.6 million is restricted for particular purposes due to restrictions placed by grants, bond covenants, other governments or by City ordinance.
- \$8.9 million is committed for specific purposes based on City resolutions.
- \$11.0 million is assigned for particular purposes such as under control of boards or designated purpose by management.
- \$80.5 million is unassigned for General Fund discretionary use.

General Fund: This is the chief operating fund of the City. Total fund balance of the General Fund increased by 8.6 percent or \$8.7 million to \$110.1 million during the fiscal year. Unassigned fund balance increased \$2.7 million or 3.5 percent to \$80.5 million. During fiscal year 2018 there was a \$7.9 million planned use of fund balance for pay-as-you-go capital and economic development incentives.



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 29.4 percent of total General Fund expenditures and transfers out, while total fund balance represents 40.3 percent.

Revenues - Total revenues increased \$15.6 million or 5.8 percent, from the prior year, mainly due to the increase in property tax revenue of \$12.7 million. All major revenue sources are discussed as follows.

- Tax revenue is \$9.3 million or 6.0 percent higher than in the prior year. Property tax revenue increased by \$12.5 million or 7.8 percent, from the prior year. This was offset by a \$2.9 million decrease in PILOT revenue. The decrease in PILOT revenue is almost entirely from a one-time settlement of \$3.3 million received in FY17.
- Licenses and permits decreased \$663,000 or 9.5 percent. Building related permits decreased \$360,000 or 15.5 percent. Other fees, including examiners fees and plan checking fees decreased \$300,000.
- Intergovernmental revenues increased \$7.9 million or 9.0 percent over the prior year. This is primarily from an increase in local option sales tax of \$5.5 million. TDZ incremental sales tax increased by \$1.4 million, both locally and at the state level. State shared sales tax is up \$300,000 or 2.4 percent. Overall increases in sales tax is an indicator of the health of the local economy. Also, federal funding from the Environmental Protection Agency and the Federal Emergency Management Agency increased by \$600,000.
- Charges for services decreased 4.1 percent or \$169,000. The main reasons for the reduction was a decline in property rental revenue of \$86,000 and golf course sales of \$73,000, which was largely due to a hot and humid summer.
- Fines, forfeitures and penalties decreased \$753,000 or 36.3 percent. The reduction mainly stems from a decrease of \$753,000 or 54.1 percent in automated traffic enforcement. State law is imposing limits on this type of enforcement.
- Investment income increased \$276,000 or 11.5 percent. The city is placing greater emphasis on ensuring all idle funds are invested at the maximum rate of return allowed by law and taking advantage of rising interest rates.
- Contributions and donations decreased \$356,000 or 51.2 percent. This was due to a decrease in private grant funding in FY18 versus FY17, primarily for Public Art.
- Sale of property decreased \$358,000 or 45.0 percent. This was largely due to a reduction in the sale of surplus city equipment.
- Major changes in the \$328,000 or 5.8 percent increase in miscellaneous income include a \$676,000 increase in indirect costs recouped from other funds. This was offset by a \$136,000 decrease in damage settlements and a \$145,000 decrease in revenue from the Chattanooga Opportunity Fund.

Expenditures - Total expenditures increased \$15.3 million or 7.1 percent, from the previous year. Major changes during fiscal year 2018 are discussed below.

- Employee Compensation increased by \$14.2 million or 11.0 percent. Salaries for full-time employees increased \$3.8 million or 4.8 percent. Civilian personnel earning less than \$50,000 received a lump sum increase of \$1,000 while all other civilians received a 2.0 percent increase in base pay. Sworn personnel increases were provided based on a career ladder program. The largest increase in personnel costs relates to pension costs. The General Pension contribution increase was \$1.3 million or 22.7 percent and the Fire and Police Pension contribution increase was \$5.3 million or 40.2 percent. Other increases include healthcare costs and other post employment benefits, which increased \$2.8 million and \$950,000 respectively.
- Operations costs increased by \$1.1 million or 1.3 percent. The largest increases include an increase of appropriations to internal agencies and IDB for \$2.0 million or 12.7 percent and an increase of street lighting of \$1.2 million or 55.4%. These were offset by a decrease of on-the job injury (OJI) claims of \$800,000 or 24.9 percent, a decrease of \$700,000 or 7.0 percent in our fleet maintenance program, and a decrease of \$700,000 or 80.1 percent for fire protective gear and body worn cameras.

Transfers - Total transfers out increased \$10.1 million primarily due to an increase in general fund dollars for capital in the amount of \$8.0 million and a \$1.9 million increase for debt service.

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 \$60.0 million in fund balance, an increase of \$4.3 million. Fund balance for this fund fluctuates from year-to-year based on debt issued and project expenditures; new debt increases fund balance while project expenditures decreases it. Analysis of project income and expenditures follows.

Funding sources during the current fiscal year include transfers in of \$22.0 million, including \$16.1 million from General Fund, \$4.7 million from Hotel Motel Tax, \$1.0 million from State Street Aid, and \$200,000 from Community Development; and \$8.2 million of revenue primarily from intergovernmental and private donations.

Current year expenditures of \$25.3 million include \$6.0 million for the new Miller Park and MLK renovations, \$1.0 million for IT upgrades, \$9.0 million for street, sidewalk, bridge and tunnel projects, \$2.5 million for ball fields, parks and family centers and \$3.6 million for safety building improvements and equipment.

Proprietary Funds

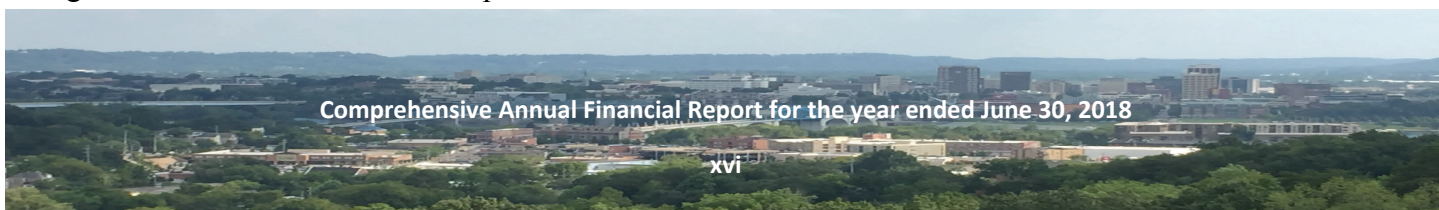
The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As the City completed the fiscal year its proprietary funds, which include both enterprise funds and an internal service fund, have combined net position of \$924.0 million. Net investment in capital assets is \$736.3 million, with an additional \$71.0 million restricted for future use, leaving \$116.8 million available to meet on-going obligations.



Enterprise Funds - Total net position of the enterprise funds is \$878.1 million, an increase of \$96.6 million or 12.4 percent. Details for each fund are presented below:

- **Electric Power Board** – The largest enterprise fund is EPB, which has both an electric and a fiber optic division. Total net position increased \$43.8 million or 11.8 percent to \$416.4 million, mainly due to an increase in utility plant of \$17.2 million, increases in cash and investments of \$17.1 million and an increase in accounts receivable of \$4.9 million, offset by decreases of \$11.6 million in bonds outstanding. Operating revenues are up \$13.0 million or 1.8 percent, mainly due to an increase of \$12.1 million in fiber optic sales due to the continued success of the residential service offerings. Combined operating expenses, which includes tax equivalents and depreciation, remain even to prior year.
- **Interceptor Sewer System** – Net position of the Interceptor Sewer System increased \$29.2 million or 8.8 percent, to \$362.0 million. Operating revenues rose \$5.3 million or 6.8 percent while operating expenses increased by \$4.3 million or 8.7 percent. Unrestricted net position (available to finance on-going operations) increased \$8.6 million or 22.0 percent to \$47.7 million. An additional \$51.1 million is restricted for future capital spending, which is a decrease of \$2.8 million. Capital net position increased \$23.4 million or 9.8 percent, mainly due to capitalization of \$50.3 million offset by \$26.2 million of changes in related debt and accumulated depreciation.
- **Solid Waste** – The City of Chattanooga operates a municipal solid waste landfill. The fund has a net position of \$9.4 million. To date the City has accrued liabilities of \$4.8 million for closure and post closure care costs with adequate investments earmarked to cover these costs, in compliance with the Environmental Protection Agency (EPA) mandate establishing closure and post closure requirements.
- **Water Quality Management** – The Water Quality Fund, established to comply with EPA guidelines, now has \$73.6 million in net position, an increase of \$4.2 million or 6.1 percent from last year. Net investment in capital is \$49.5 million, leaving the amount available to fund day-to-day operations (unrestricted net position) at \$21.0 million. An additional \$3.1 million is restricted for future capital spending.
- **Tennessee Valley Regional Communications System** – The Tennessee Valley Regional Communications System Fund accounts for a regional communication system that services a multi-county/multi-state region. The fund has a net position of \$11.2 million, and increase of \$9.9 million from last year, due to a \$10 million transfer from capital projects for the creation of a new enterprise fund.
- **Chattanooga Downtown Redevelopment Corporation** – The Chattanooga Downtown Redevelopment Corporation (CDRC) has a net position of \$5.7 million, an increase of \$3.6 million from last year.

Internal Service Fund - The internal service fund is used to account for the City's vehicle operation and maintenance program, employee medical benefits program, technology replacement and third party liability claims. Net position for this fund increased \$4.7 million or 11.5 percent. This increase is primarily comprised of \$1.6 million of healthcare costs under premiums and \$2.4 million increase in fleet program reserves for future vehicle purchases.



General Fund Budgetary Highlights

Original Budget Compared to Final Budget

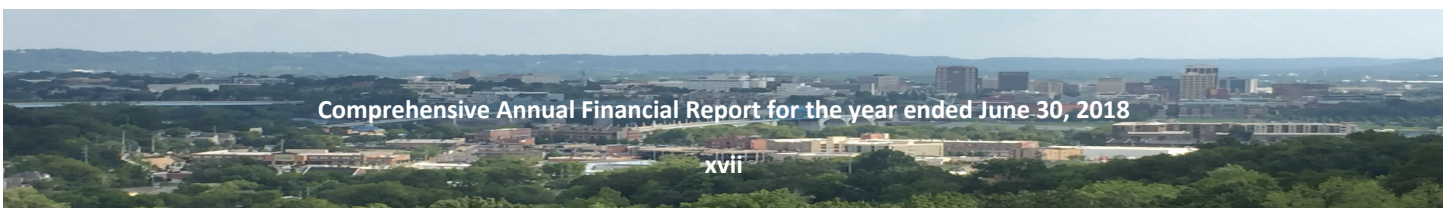
The City's budget ordinance provides the strategic financial plan of City government, encompassing all major funds and appropriations to agencies. The budget ordinance authorizes the City Finance Officer to make reallocations within the General Fund as necessary.

Final Budget Compared to Actual Results

Revenues exceeded budget for the year by \$9.61 million or 3.53 percent. All revenue categories with the exception of taxes and licenses and permits exceeded expectations. All major revenue categories are addressed below.

- Total tax revenue for the year was lower than budget by \$3.65 million or 2.16 percent. This was mainly due to Property taxes, inclusive of payments in lieu of tax, being lower than budget by \$3.43 million or 2.29 percent.
- Licenses and permits are \$117,000 or 1.82 percent below budget primarily from building related permits.
- Intergovernmental revenue is \$12.24 million or 14.73 percent more than budget, primarily due to sales tax, including the tourism development zone. Local option sales tax is \$6.13 million or 10.47 percent over budget while state shared sales tax exceeds budget by \$5.47 million or 27.87 percent.
- Charges for services are \$153,000 over budget or 4.04 percent primarily from an unexpected increase in court costs of \$130,000 during the year.
- Fines and forfeitures are \$92,000 above estimates. This is primarily due to higher than expected court fines.
- Miscellaneous revenue is \$892,000 or 10.47 percent above budget primarily due to investment income exceeded budget of \$785,000.

Expenditures were less than budget by \$13.41 million or 5.49 percent. All departments were under budget. Employee compensation is \$7.28 million or 4.86 percent below budget due to vacancies. Operations are also under budget by \$6.13 million or 6.48 percent.



Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the City had a \$2.6 billion net investment in capital assets, an increase of \$57.8 million or 2.3 percent. This investment includes land, buildings, utility system improvements, machinery and equipment, park facilities and infrastructure. Net investment in capital assets for governmental funds decreased \$10.5 million or 0.7 percent while business-type net investment in capital assets increased by \$68.3 million or 6.4 percent. The following table shows the net investment in capital assets by both governmental activities and business-type activities.

City of Chattanooga's Capital Assets

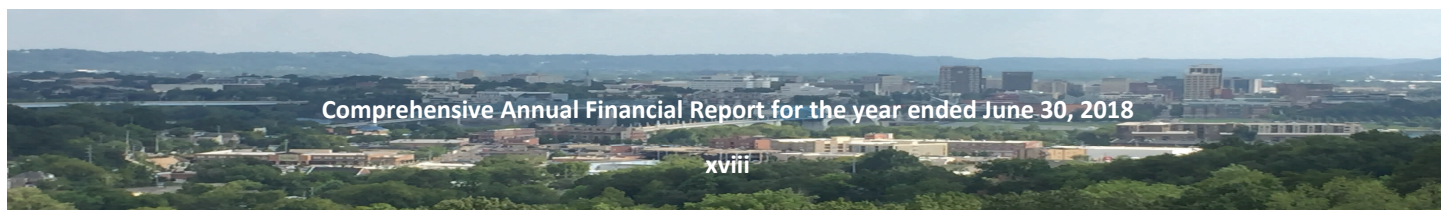
(net of depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Non-depreciable:						
Land & Easements	\$ 1,079,177	\$ 1,068,656	\$ 21,990	\$ 21,460	\$ 1,101,167	\$ 1,090,116
Construction in progress	50,857	69,048	130,336	113,351	\$ 181,193	\$ 182,399
Depreciable:						
Buildings & Improvements	101,475	103,851	82,556	83,385	\$ 184,031	\$ 187,236
Vehicles & Machinery	31,397	36,885	83,672	81,744	\$ 115,069	\$ 118,629
Infrastructure	211,710	206,681	815,178	765,470	\$ 1,026,888	\$ 972,151
Total	\$ 1,474,617	\$ 1,485,121	\$1,133,732	1,065,410	\$ 2,608,349	\$ 2,550,531

The majority of capital asset changes are in the construction in progress and infrastructure areas.

- Construction-in-progress (CIP) additions for governmental activities include \$8.4 million for paving/sidewalks/road improvements, \$7.7 million in park improvements, including the Miller Park renovation, \$1.5 million for a new fire station, \$1.5 million for a new Youth and Family Development Center in Avondale, and \$1.8 million for technology. CIP projects of \$39.7 million were capitalized for governmental activities. Construction of projects related to the sewer system's consent decree and water quality projects comprised the majority of the increase in business-type activities. More information on the City's consent decree agreement can be found in the Note 13 to the financial statements.
- The infrastructure increase of \$5.0 million in governmental activities is primarily due to the \$30.3 million of CIP infrastructure that was capitalized, offset by depreciation of \$25.3 million of roads. Business-type activities infrastructure assets increased by \$49.7 million primarily from a \$22.8 million addition to the electric system, \$11.6 million increase in the fiber optic system and \$39.0 million in sewer infrastructure. The net increase was offset by depreciation of \$26.1 million.
- 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 \$25.3 million while business-type activities recognized depreciation expense of \$26.1 million.

More detailed information about the City's capital assets is presented in the Note 4 to the financial statements.



Debt Administration

At June 30 the City had \$678.3 million in long-term debt outstanding. This is a \$24.2 million decrease or 3.4 percent, from last year. This is mostly due to the City not issuing any new general obligation debt during fiscal year 2018. Detail is provided in the table and narrative that follows.

The City of Chattanooga maintains a “AAA” rating from Standard & Poor’s and “AA+” from Fitch Inc. for general obligation debt. The City Charter limits the amount of net general obligation debt to 10 percent of the assessed value of all taxable property within its corporate limits. The City’s general obligation debt, net of self-supporting debt, is \$149.4 million; this is 25.28 percent of its current limit of \$590.9 million. As of year-end, EPB had \$256.7 million in revenue bond debt outstanding compared to \$266.5 million last year; these bonds are rated “AA+” by Standard & Poor’s and Fitch. CDRC had \$90.9 million in revenue bonds outstanding compared to \$96.1 million last year; these bonds are rated “AA” by Standard & Poor’s and Fitch.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds (backed by the City)	\$ 166,408	\$ 181,621	\$ 21,427	\$ 29,189	\$ 187,835	\$210,810
Revenue bonds (backed by specific revenues)	-	-	347,590	362,550	347,590	362,550
Notes payable and other	14,775	18,866	122,573	104,170	137,348	123,036
Capital leases	5,487	6,028	-	-	5,487	6,028
Total	<u>\$ 186,670</u>	<u>\$ 206,515</u>	<u>\$ 491,590</u>	<u>\$ 495,909</u>	<u>\$ 678,260</u>	<u>\$702,424</u>

During the year the City issued the following new debt:

- A new lease for golf carts and tasers was entered into for \$346,000 and \$499,200 respectively; the leases relate to governmental activities only.
- The Interceptor Sewer System drew down \$24.8 million from a state revolving loan fund for EPA consent decree projects.
- A total of \$49.8 million in debt was retired during the fiscal year; \$37.9 million in bond principal payments were made with an additional \$11.9 million in note and lease repayments.

More detailed information about the City’s long-term liabilities is presented in Note 5 to the financial statements.



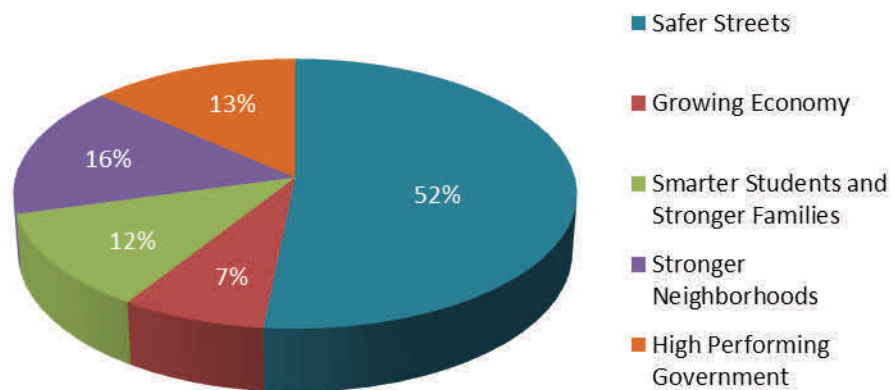
Economic Factors and Next Year's Budgets and Rates

The following factors were taken into account when adopting the budget for 2019:

- Anticipated revenues in the General Fund are \$282.7 million, up \$10.8 million or 4.0 percent from the 2018 budget. The City conservatively forecasts property tax at 95 percent of the tax levy. The fiscal year 2019 budget includes no increase in the property tax rate yet provides sufficient revenue to fund the priorities of residents and meet the City's financial obligations.
- Major revenue increases include property tax revenue of \$1.0 million or 0.7 percent and additional inter-governmental (revenue from other agencies) revenue of \$9.2 million or 11.2 percent.
- Expenditures of \$215.9 million reflect an elevated awareness of constituent priorities in the following areas: safer streets; growing the local economy; smarter students/stronger families; stronger neighborhoods; and a high performing government. Expenditures are expected to be \$1.6 million or 0.8 percent more in 2019.
- The City of Chattanooga employs a method called *Budgeting for Outcomes* for undesignated general funds (\$262,020,000). This approach ensures accountability, collaboration, and transparency throughout the entire budgetary process to reflect the priorities of our citizenry. Budget requests in the form of offers are prioritized by results areas and funded as revenue permits.
 - Safer Streets - The 2019 budget funds 34 offers totaling \$135,191,472 (51.6 percent) of the budget to build a safer Chattanooga. This provides funding for an additional 14 sworn fire fighters to 443 total, while the total number of police officers remained at 500. Also included is funding for our Victim Services Unit to help families and neighborhoods heal following incidents of crime and to reduce retaliatory acts of violence and maintain critical support for ex-offender reentry and domestic survivor services at the Family Justice Center.
 - Growing Economy - 23 offers for a total of \$19,514,412 (7.4 percent) were funded for building a more prosperous Chattanooga. These offers include developing the employability of every Chattanoogaan, advancing the future of our downtown Innovation District, and meeting the needs of Chattanoogaans experiencing homelessness.
 - Smarter Students, Stronger Families - \$30,565,525 (11.7 percent) of the budget provides funding for 45 offers that build a smarter, healthier Chattanooga. These dollars will focus on early learning to ensure every child is ready to enter kindergarten as well as ensuring students have access to literacy resources. New moms will have more resources to raise healthy babies and families with support through effective youth and family development centers throughout Chattanooga.

- Stronger Neighborhoods - Received \$41,487,754 (15.8 percent) to fund 21 offers to build a more connected Chattanooga. We will continue our work to provide high quality affordable homes, recreation opportunities for residents, efficient and customer-focused services and increased access to transportation options.
- High Performing Government - Building a more effective Chattanooga means operating a high-performing, constituent-focused local government. The 28 offers totaling \$35,260,837 (13.5 percent) ensure the long-term financial health of the City and funds all essential services.

Funding of Results Areas



Requests for Information

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

City of Chattanooga Finance Department

101 East 11th Street; Suite 101
Chattanooga, Tennessee 37402
(423) 643-7363
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
(423) 855-2202
www.chattairport.com

CARTA

1617 Wilcox Boulevard
Chattanooga, TN 37406
(423) 629-1411
www.gocarta.org



CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 85,165,348	\$ 175,347,404	\$ 260,512,752	\$ 21,726,077
Investments	117,842,050	76,346,211	194,188,261	-
Receivables, net of allowance for uncollectible	189,128,706	115,691,902	304,820,608	5,635,586
Internal balances	(78,312,272)	78,312,272	-	-
Due from component units	51,295	-	51,295	-
Inventories	3,314,076	16,634,438	19,948,514	1,007,882
Prepaid items	21,357	11,016,390	11,037,747	1,020,263
Restricted assets:				
Cash and cash equivalents	23,055,062	9,002,197	32,057,259	3,006,703
Investments	2,254,224	26,197,363	28,451,587	-
Endowment investments	5,113,813	-	5,113,813	-
Receivables	33,125	-	33,125	429,240
Other	-	90,578	90,578	-
Equity interest in joint venture	7,621,600	-	7,621,600	-
Land and other nondepreciable assets	1,130,034,502	152,326,464	1,282,360,966	16,932,741
Other capital assets, net of accumulated depreciation	344,582,341	981,406,295	1,325,988,636	122,446,934
Total assets	1,829,905,227	1,642,371,514	3,472,276,741	172,205,426
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	3,233,465	14,838,131	18,071,596	-
Deferred pension	96,668,397	20,193,306	116,861,703	2,987,366
Deferred OPEB	15,188,285	3,561,998	18,750,283	-
Total deferred outflows of resources	115,090,147	38,593,435	153,683,582	2,987,366
LIABILITIES				
Accounts payable and accrued liabilities	28,545,939	181,792,293	210,338,232	4,234,088
Customer deposits	-	21,119,000	21,119,000	-
Contracts payable	782,097	3,272,634	4,054,731	-
Unearned grants revenue	662,327	5,929,000	6,591,327	-
Other liabilities	-	5,272,000	5,272,000	-
Long-term liabilities:				
Due within one year	23,058,309	28,835,394	51,893,703	422,625
Due in more than one year	553,051,340	549,821,334	1,102,872,674	25,312,083
Total liabilities	606,100,012	796,041,655	1,402,141,667	29,968,796
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	145,323,924	-	145,323,924	107,029
Deferred pension	23,369,285	6,808,460	30,177,745	-
Deferred OPEB	2,747,037	-	2,747,037	-
Total deferred inflows of resources	171,440,246	6,808,460	178,248,706	107,029
NET POSITION				
Net investment in capital assets	1,285,941,167	720,686,418	2,006,627,585	130,114,048
Restricted for:				
Capital projects	60,040,452	-	60,040,452	-
Debt service reserve	-	9,938,566	9,938,566	3,435,943
Renewal and replacement	-	61,046,217	61,046,217	-
Permanent endowments:				
Expendable	206,821	-	206,821	-
Nonexpendable	5,113,813	-	5,113,813	-
Unrestricted	(183,847,137)	86,443,633	(97,403,504)	11,566,976
Total net position	\$ 1,167,455,116	\$ 878,114,834	\$ 2,045,569,950	\$ 145,116,967

The notes to basic financial statements are an integral part of this statement.

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 65,121,331	\$ 11,968,056	\$ 2,851,621	\$ -
Economic and community development	10,036,209	4,811,693	7,902,601	-
Public safety	119,561,798	691,340	1,733,236	524,629
Public works and transportation	75,170,258	2,256,844	8,034,054	14,377,878
Youth and family development	28,892,158	478,048	16,047,856	-
Interest on long-term debt	6,028,962	-	-	-
Total governmental activities	<u>304,810,716</u>	<u>20,205,981</u>	<u>36,569,368</u>	<u>14,902,507</u>
Business-type activities:				
Electric utility, including fiber optics	689,008,000	729,971,000	-	2,178,000
Sewer	55,483,626	83,455,871	-	-
Solid waste	3,431,188	6,048,011	-	-
Water quality management	15,370,685	19,443,914	-	-
Regional Communications	2,616,794	2,505,410	-	-
Downtown redevelopment	16,140,720	18,875,249	-	-
Total business-type activities	<u>782,051,013</u>	<u>860,299,455</u>	<u>-</u>	<u>2,178,000</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,086,861,729</u>	<u>\$ 880,505,436</u>	<u>\$ 36,569,368</u>	<u>\$ 17,080,507</u>
COMPONENT UNITS				
Airport authority	\$ 23,564,618	\$ 22,072,440	\$ -	\$ 5,195,943
Transportation authority	25,740,052	10,350,540	7,775,723	6,531,507
TOTAL COMPONENT UNITS	<u>\$ 49,304,670</u>	<u>\$ 32,422,980</u>	<u>\$ 7,775,723</u>	<u>\$ 11,727,450</u>

General revenues:

Property 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

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Change in accounting principle, GASB 75

Net position, ending

The notes to basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (50,301,654)	\$ -	\$ (50,301,654)	\$ -
2,678,085	-	2,678,085	-
(116,612,593)	-	(116,612,593)	-
(50,501,482)	-	(50,501,482)	-
(12,366,254)	-	(12,366,254)	-
(6,028,962)	-	(6,028,962)	-
<u>(233,132,860)</u>	<u>-</u>	<u>(233,132,860)</u>	<u>-</u>
-	43,141,000	43,141,000	-
-	27,972,245	27,972,245	-
-	2,616,823	2,616,823	-
-	4,073,229	4,073,229	-
-	(111,384)	(111,384)	-
-	2,734,529	2,734,529	-
<u>-</u>	<u>80,426,442</u>	<u>80,426,442</u>	<u>-</u>
<u>(233,132,860)</u>	<u>80,426,442</u>	<u>(152,706,418)</u>	<u>-</u>
-	-	-	3,703,765
-	-	-	(1,082,282)
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,621,483</u>
146,283,546	-	146,283,546	-
8,330,478	-	8,330,478	-
7,206,593	-	7,206,593	-
5,748,596	-	5,748,596	-
4,824,817	-	4,824,817	-
658,303	-	658,303	-
63,940,538	-	63,940,538	-
14,285,790	-	14,285,790	-
2,416,453	-	2,416,453	-
5,749,536	-	5,749,536	-
4,659,265	-	4,659,265	-
3,079,718	3,058,133	6,137,851	162,623
8,025	-	8,025	2,837,122
1,110,365	-	1,110,365	44,880
<u>(10,047,603)</u>	<u>10,047,603</u>	<u>-</u>	<u>-</u>
<u>258,254,420</u>	<u>13,105,736</u>	<u>271,360,156</u>	<u>3,044,625</u>
25,121,560	93,532,178	118,653,738	5,666,108
1,142,333,556	781,522,656	1,923,856,212	139,904,420
-	3,060,000	3,060,000	(453,561)
<u>\$ 1,167,455,116</u>	<u>\$ 878,114,834</u>	<u>\$ 2,045,569,950</u>	<u>\$ 145,116,967</u>

The notes to basic financial statements are an integral part of this statement.

CITY OF CHATTANOOGA, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2018

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,885,066	\$ 47,720,760	\$ 23,753,360	\$ 76,359,186
Investments	117,842,050	2,254,224	5,113,813	125,210,087
Receivables, net of allowance for uncollectibles:				
Property taxes	136,726,732	-	-	136,726,732
Other taxes	13,266,802	-	1,303,530	14,570,332
Notes	393,468	72,978	10,586,054	11,052,500
Other	1,092,452	33,173	373,659	1,499,284
Due from other funds	-	14,938,569	-	14,938,569
Due from other governments	19,833,032	231,154	2,588,507	22,652,693
Inventories	992,060	-	-	992,060
Prepaid items	4,000	-	17,357	21,357
	<u>\$ 295,035,662</u>	<u>\$ 65,250,858</u>	<u>\$ 43,736,280</u>	<u>\$ 404,022,800</u>
LIABILITIES				
Accounts payable and accrued liabilities:				
Accounts payable	\$ 5,707,310	\$ 3,966,674	\$ 1,564,970	\$ 11,238,954
Accrued payroll	7,658,019	-	740,129	8,398,148
Due to other funds	14,938,569	462,609	-	15,401,178
Due to other governments	233,541	-	268	233,809
Contracts payable	975	781,123	-	782,098
Unearned grants revenue	7,921	-	654,406	662,327
	<u>28,546,335</u>	<u>5,210,406</u>	<u>2,959,773</u>	<u>36,716,514</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	145,582,080	-	-	145,582,080
Unavailable revenue - other local taxes	2,385,308	-	634,878	3,020,186
Unavailable revenue - shared tax revenue	7,892,210	-	511,993	8,404,203
Unavailable revenue - CDBG loans	-	-	11,594,634	11,594,634
Unavailable revenue - other	489,227	-	-	489,227
	<u>156,348,825</u>	<u>-</u>	<u>12,741,505</u>	<u>169,090,330</u>
FUND BALANCES				
Nonspendable	1,131,708	-	5,131,170	6,262,878
Restricted	18,515,906	60,040,452	13,004,655	91,561,013
Committed	808,990	-	8,103,627	8,912,617
Assigned	9,194,748	-	1,795,550	10,990,298
Unassigned	80,489,150	-	-	80,489,150
	<u>110,140,502</u>	<u>60,040,452</u>	<u>28,035,002</u>	<u>198,215,956</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 295,035,662</u>	<u>\$ 65,250,858</u>	<u>\$ 43,736,280</u>	<u>\$ 404,022,800</u>

The notes to basic financial statements are an integral part of this statement.

CITY OF CHATTANOOGA, TENNESSEE

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

June 30, 2018

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

Fund balances - total governmental funds \$ 198,215,956

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 1,459,039,024

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. 23,766,406

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. 7,621,600

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 position 45,913,535

Contributions to pension plans made after the measurement date are recorded as expenditures in governmental fund but must be deferred in the statement of net position in addition to certain other items:

Deferred pension	\$ 96,668,397	
Deferred OPEB	<u>15,188,285</u>	111,856,682

The City's other post-employment benefit plan has not been fully funded. This OPEB obligation is considered a long term obligation and is not reported in the funds. (106,339,698)

The City's pollution remediation obligation is considered a long term obligation (107,434)

Net pension liabilities are not due and payable in the current period and are not reported in the funds:

General pension	\$ (55,505,920)	
Fire and police pension	<u>(188,483,848)</u>	(243,989,768)

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 position. This item consists of:

General obligation serial bonds	\$ (166,407,896)	
Add net deferred refunding, issue premiums and discounts	(11,413,377)	
Notes payable	(14,775,559)	
Capital leases	(5,486,668)	
Capital lease payable to CDRC - reported as internal balance	(78,312,272)	
Compensated absences	(23,945,742)	
Accrued interest payable	<u>(2,063,351)</u>	(302,404,865)

Certain amounts related to the net pension liability are deferred and amortized over time. These are not reported in the funds:

Deferred pension	\$ (23,369,285)	
Deferred OPEB	<u>(2,747,037)</u>	(26,116,322)

Net position of governmental activities	<u><u>\$ 1,167,455,116</u></u>
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CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 165,804,410	\$ -	\$ 7,175,882	\$ 172,980,292
Licenses and permits	6,322,290	-	616,373	6,938,663
Intergovernmental	95,381,643	1,806,335	25,541,972	122,729,950
Charges for services	3,941,195	-	453,654	4,394,849
Fines, forfeitures and penalties	1,322,265	-	45,587	1,367,852
Investment income	2,671,878	277,840	501,680	3,451,398
Contributions and donations	339,274	4,981,171	2,008	5,322,453
Sale of property	437,601	1,085,632	8,276	1,531,509
Miscellaneous	5,966,315	-	1,264,773	7,231,088
Total revenues	282,186,871	8,150,978	35,610,205	325,948,054
EXPENDITURES				
Current:				
General government	51,902,925	-	5,673,123	57,576,048
Finance and administration	5,572,409	-	-	5,572,409
Economic and community development	7,470,259	-	2,298,549	9,768,808
Public safety	111,456,136	-	229,103	111,685,239
Public works and transportation	43,540,320	-	3,748,209	47,288,529
Youth and family development	11,026,569	-	17,045,154	28,071,723
Capital outlay/capital assets	-	25,286,422	-	25,286,422
Debt service:				
Principal retirement	-	-	20,689,981	20,689,981
Interest and fiscal charges	-	-	7,454,385	7,454,385
Total expenditures	230,968,618	25,286,422	57,138,504	313,393,544
Excess (deficiency) of revenues over (under) expenditures	51,218,253	(17,135,444)	(21,528,299)	12,554,510
OTHER FINANCING SOURCES (USES)				
Transfers in	-	21,960,431	33,257,190	55,217,621
Transfers out	(42,483,644)	(1,324,800)	(11,409,177)	(55,217,621)
Capital leases	-	845,200	-	845,200
Total other financing sources (uses)	(42,483,644)	21,480,831	21,848,013	845,200
Net change in fund balances	8,734,609	4,345,387	319,714	13,399,710
FUND BALANCES, beginning	101,405,893	55,695,065	27,715,288	184,816,246
FUND BALANCES, ending	<u>\$ 110,140,502</u>	<u>\$ 60,040,452</u>	<u>\$ 28,035,002</u>	<u>\$ 198,215,956</u>

The notes to basic financial statements are an integral part of this statement

CITY OF CHATTANOOGA, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds \$ 13,399,710

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 position.	22,876,198
Depreciation expense for governmental capital assets are included in the governmental activities.	(34,685,654)
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.	12,610,649
The net effect of various transactions involving capital assets is to decrease net positions.	(9,709,146)
The gain of equity interest in joint venture is reported in the statement of activities. This gain does not use current financial resources and is not reflected in the governmental funds.	(96,490)

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	\$ 20,689,982	
Payment of capital lease	4,287,566	
Radio Lease	(845,200)	
Amortization	1,151,769	
Change in accrued interest payable	210,737	25,494,854

Net loss of the internal service fund are reported with governmental activities. 4,730,188

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	(2,668,381)	
Change in pension expense	(8,466,055)	
Change in pollution remediation liability	46,836	
Change in OPEB liability	1,244,689	(9,842,911)

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:

Change in deferred revenue to earned revenue	344,162	344,162
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Change in net position of governmental activities \$ 25,121,560

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 169,457,045	\$ 169,457,045	\$ 165,804,410	\$ (3,652,635)
Licenses and permits	6,439,708	6,439,708	6,322,290	(117,418)
Intergovernmental	83,138,930	83,138,930	95,381,643	12,242,713
Charges for services	3,788,156	3,788,156	3,941,195	153,039
Fines, forfeitures and penalties	1,230,500	1,230,500	1,322,265	91,765
Investment income	1,800,000	1,800,000	2,671,878	871,878
Miscellaneous	6,722,650	6,722,650	6,743,190	20,540
Total revenues	272,576,989	272,576,989	282,186,871	9,609,882
EXPENDITURES				
General government	54,425,785	54,425,785	47,784,388	(6,641,397)
Executive	2,300,934	2,300,934	2,289,255	(11,679)
Finance and administration	6,433,155	6,433,155	5,572,409	(860,746)
Human resources	1,920,350	1,920,350	1,829,282	(91,068)
Economic and community development	8,181,966	8,181,966	7,470,259	(711,707)
Police	71,153,283	71,153,283	68,456,399	(2,696,884)
Fire	44,315,464	44,315,464	42,999,737	(1,315,727)
Public works	35,552,000	35,552,000	34,838,640	(713,360)
Transportation	8,956,571	8,956,571	8,701,680	(254,891)
Youth and family development	11,135,697	11,135,697	11,026,569	(109,128)
Total expenditures	244,375,205	244,375,205	230,968,618	(13,406,587)
Excess of revenues over expenditures	28,201,784	28,201,784	51,218,253	23,016,469
OTHER FINANCING SOURCES (USES)				
Transfers in	(48,000)	(48,000)	-	48,000
Transfers out	(42,483,644)	(42,483,644)	(42,483,644)	-
Total other financing sources (uses)	(42,531,644)	(42,531,644)	(42,483,644)	48,000
Net change in fund balances	(14,329,860)	(14,329,860)	8,734,609	23,064,469
FUND BALANCES, beginning	101,405,893	101,405,893	101,405,893	-
FUND BALANCES, ending	\$ 87,076,033	\$ 87,076,033	\$ 110,140,502	\$ 23,064,469

The notes to basic financial statements are an integral part of this statement

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2018

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment	Regional Communications		Total
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 105,886,000	\$ 33,872,792	\$ 7,404,173	\$ 14,993,780	\$ 9,709,694	\$ 3,480,965	\$ 175,347,404	\$ 31,861,221
Investments	4,966,000	71,380,211	-	-	-	-	76,346,211	-
Receivables:								
Customer service	70,925,000	22,007,459	47,704	5,695,846	-	-	98,676,009	2,623,449
Other	-	594,598	742	2,057	1,209,582	994	1,807,973	-
Less allowance for doubtful accounts	(1,407,000)	(9,844,374)	(100)	(2,980,792)	(64,160)	-	(14,296,426)	-
Inventories	13,566,000	2,975,051	-	-	93,387	-	16,634,438	2,322,015
Due from other funds	-	-	-	-	-	-	-	462,609
Due from other governments	-	29,454,725	49,621	-	-	-	29,504,346	88,135
Prepaid items	8,815,000	-	-	-	164,390	1,000	8,980,390	-
Total current assets	<u>202,751,000</u>	<u>150,440,462</u>	<u>7,502,140</u>	<u>17,710,891</u>	<u>11,112,893</u>	<u>3,482,959</u>	<u>393,000,345</u>	<u>37,357,429</u>
Noncurrent Assets:								
Restricted Assets:								
Cash and cash equivalents	-	-	1,411,185	7,591,012	-	-	9,002,197	-
Investments	-	-	4,996,500	10,848,260	10,352,603	-	26,197,363	-
Investment in capital lease	-	-	-	-	78,312,272	-	78,312,272	-
Other	2,036,000	-	29,007	61,571	-	-	2,126,578	-
Total restricted assets	<u>2,036,000</u>	<u>-</u>	<u>6,436,692</u>	<u>18,500,843</u>	<u>88,664,875</u>	<u>-</u>	<u>115,638,410</u>	<u>-</u>
Capital Assets:								
Land	6,499,000	11,752,893	1,517,514	2,180,121	40,541	-	21,990,069	-
Construction in progress	17,532,000	91,677,521	274,077	20,852,797	-	-	130,336,395	152,447
Buildings	67,244,000	67,612,385	1,955,387	10,601,459	766,146	-	148,179,377	5,328,860
Equipment	108,859,000	41,962,806	4,589,415	2,394,838	6,502,503	15,500,302	179,808,864	3,548,848
Vehicles	-	3,431,534	1,216,676	2,685,153	23,465	-	7,356,828	34,886,480
Infrastructure	839,980,000	487,987,213	9,520,509	45,422,607	-	-	1,382,910,329	-
	<u>1,040,114,000</u>	<u>704,424,352</u>	<u>19,073,578</u>	<u>84,136,975</u>	<u>7,332,655</u>	<u>15,500,302</u>	<u>1,870,581,862</u>	<u>43,916,635</u>
Less accumulated depreciation	(376,910,000)	(316,616,675)	(10,190,786)	(21,692,531)	(4,260,191)	(7,178,920)	(736,849,103)	(28,338,816)
Net capital assets	<u>663,204,000</u>	<u>387,807,677</u>	<u>8,882,792</u>	<u>62,444,444</u>	<u>3,072,464</u>	<u>8,321,382</u>	<u>1,133,732,759</u>	<u>15,577,819</u>
Total noncurrent assets	<u>665,240,000</u>	<u>387,807,677</u>	<u>15,319,484</u>	<u>80,945,287</u>	<u>91,737,339</u>	<u>8,321,382</u>	<u>1,249,371,169</u>	<u>15,577,819</u>
Total assets	<u>867,991,000</u>	<u>538,248,139</u>	<u>22,821,624</u>	<u>98,656,178</u>	<u>102,850,232</u>	<u>11,804,341</u>	<u>1,642,371,514</u>	<u>52,935,248</u>
DEFERRED OUTFLOWS OF RESOURCES								
Deferred refunding	12,807,000	59,950	167,484	11,077	1,792,620	-	14,838,131	-
Deferred pension	11,632,000	4,154,909	409,680	3,787,693	-	209,024	20,193,306	-
Deferred OPEB	1,582,000	1,015,332	107,579	806,473	-	50,614	3,561,998	-
Total deferred outflows of resources	<u>\$ 26,021,000</u>	<u>\$ 5,230,191</u>	<u>\$ 684,743</u>	<u>\$ 4,605,243</u>	<u>\$ 1,792,620</u>	<u>\$ 259,638</u>	<u>\$ 38,593,435</u>	<u>\$ -</u>

The notes to basic financial statements are an integral part of this statement

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2018

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment	Regional Communications		Total
LIABILITIES								
Current liabilities:								
Accounts payable and accrued liabilities:								
Accounts payable	\$ 140,448,000	\$ 37,438,047	\$ 134,149	\$ 186,301	\$ 1,119,359	\$ 2,603	\$ 179,328,459	\$ 6,462,461
Accrued payroll	-	517,685	15,068	324,521	-	28,288	885,562	146,753
Other accrued liabilities	-	101,912	90,874	173,709	1,069,905	-	1,436,400	-
Due to other governments	-	-	-	-	141,872	-	141,872	2,457
Current maturities of long-term liabilities:								
Bonds payable	10,205,000	893,504	1,782,408	1,340,002	5,375,000	-	19,595,914	-
Notes payable	-	8,468,544	34,191	-	-	-	8,502,735	-
Compensated absences	200,000	77,462	4,198	64,589	-	7,428	353,677	33,788
Landfill postclosure costs	-	-	383,068	-	-	-	383,068	-
Contracts payable	-	2,492,831	-	779,803	-	-	3,272,634	-
Unearned revenue	5,929,000	-	-	-	-	-	5,929,000	-
Total current liabilities	156,782,000	49,989,985	2,443,956	2,868,925	7,706,136	38,319	219,829,321	6,645,459
Long-term liabilities:								
Bonds payable	274,186,000	1,481,268	5,453,081	12,991,023	91,269,672	-	385,381,044	-
Notes payable	-	113,885,708	184,277	-	-	-	114,069,985	-
Compensated absences	435,000	862,605	46,743	719,256	-	82,717	2,146,321	376,254
OPEB liability	2,572,000	7,108,774	753,203	5,646,457	-	354,367	16,434,801	-
Pension liability	12,802,000	7,047,142	694,858	6,424,307	-	354,525	27,322,832	-
Landfill postclosure costs	-	-	4,466,351	-	-	-	4,466,351	-
Customer deposits	21,119,000	-	-	-	-	-	21,119,000	-
Other noncurrent liabilities	5,272,000	-	-	-	-	-	5,272,000	-
Total long-term liabilities	316,386,000	130,385,497	11,598,513	25,781,043	91,269,672	791,609	576,212,334	376,254
Total liabilities	473,168,000	180,375,482	14,042,469	28,649,968	98,975,808	829,928	796,041,655	7,021,713
DEFERRED INFLOWS OF RESOURCES								
Deferred pension	4,484,000	1,137,930	113,552	1,015,815	-	57,163	6,808,460	-
Total deferred inflows of resources	4,484,000	1,137,930	113,552	1,015,815	-	57,163	6,808,460	-
NET POSITION								
Net investment in capital assets	391,620,000	263,138,603	5,069,471	49,464,497	3,072,465	8,321,382	720,686,418	15,577,819
Restricted for renewal and replacement	-	51,135,811	6,825,322	3,083,583	-	1,501	61,046,217	-
Restricted for debt service	-	-	-	-	9,938,566	-	9,938,566	-
Unrestricted	24,740,000	47,690,504	(2,544,447)	21,047,558	(7,343,987)	2,854,005	86,443,633	30,335,716
Total net position	\$ 416,360,000	\$ 361,964,918	\$ 9,350,346	\$ 73,595,638	\$ 5,667,044	\$ 11,176,888	\$ 878,114,834	\$ 45,913,535

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 POSITION
 PROPRIETARY FUNDS

Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment	Regional Communications		Total
OPERATING REVENUES								
Charges for services:								
Electric	\$ 557,293,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 557,293,000	\$ -
Fiber optic	148,627,000	-	-	-	-	-	148,627,000	-
Sewer	-	82,194,557	-	-	-	-	82,194,557	-
Waste disposal	-	-	5,858,276	-	-	-	5,858,276	-
Water quality	-	-	-	19,443,830	-	-	19,443,830	-
Lease rental revenue	-	-	-	-	4,341,629	-	4,341,629	-
Conference center	-	-	-	-	13,097,112	-	13,097,112	-
Parking garage	-	-	-	-	1,046,530	-	1,046,530	-
Regional Communications Services	-	-	-	-	-	2,262,190	2,262,190	-
Other services	23,774,000	1,238,855	122,210	-	-	243,220	25,378,285	59,076,959
Other	-	1,426	115	84	-	-	1,625	4,977,007
Total operating revenues	<u>729,694,000</u>	<u>83,434,838</u>	<u>5,980,601</u>	<u>19,443,914</u>	<u>18,485,271</u>	<u>2,505,410</u>	<u>859,544,034</u>	<u>64,053,966</u>
OPERATING EXPENSES								
Power purchases	435,995,000	-	-	-	-	-	435,995,000	-
Other electric operations	66,329,000	-	-	-	-	-	66,329,000	-
Fiber optic operations	97,467,000	-	-	-	-	-	97,467,000	-
Sewer plant operations	-	41,730,442	-	-	-	-	41,730,442	-
Waste disposal operations	-	-	2,563,153	-	-	-	2,563,153	-
Closure/postclosure costs	-	-	121,984	-	-	-	121,984	-
Water quality operations	-	-	-	13,591,058	-	-	13,591,058	-
Conference center operations	-	-	-	-	10,952,529	-	10,952,529	-
Parking garage operations	-	-	-	-	365,390	-	365,390	-
Regional Communication Services	-	-	-	-	-	867,586	867,586	-
Fleet operations	-	-	-	-	-	-	-	12,332,168
Liability insurance	-	-	-	-	-	-	-	337,069
Health services	-	-	-	-	-	-	-	42,306,967
Technology replacement	-	-	-	-	-	-	-	556,155
Depreciation	57,060,000	11,668,920	539,212	1,517,190	617,968	1,749,208	73,152,498	3,791,419
Other	13,615,000	-	-	-	171,399	-	13,786,399	-
Total operating expenses	<u>670,466,000</u>	<u>53,399,362</u>	<u>3,224,349</u>	<u>15,108,248</u>	<u>12,107,286</u>	<u>2,616,794</u>	<u>756,922,039</u>	<u>59,323,778</u>
OPERATING INCOME (LOSS)	<u>59,228,000</u>	<u>30,035,476</u>	<u>2,756,252</u>	<u>4,335,666</u>	<u>6,377,985</u>	<u>(111,384)</u>	<u>102,621,995</u>	<u>4,730,188</u>

(Continued on next page)

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 POSITION
 PROPRIETARY FUNDS

Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment	Regional Communications		Total
(Continued from previous page)								
NONOPERATING REVENUES (EXPENSES)								
Investment income	647,000	1,184,259	236,536	132,322	858,016	-	3,058,133	-
Interest expense	(9,017,000)	(2,084,264)	(206,839)	(262,437)	(4,033,434)	-	(15,603,974)	-
Tax equivalent	(7,347,000)	-	-	-	-	-	(7,347,000)	-
Other income	277,000	21,033	67,410	-	389,978	-	755,421	-
Other expense	(2,178,000)	-	-	-	-	-	(2,178,000)	-
Total nonoperating revenues (expenses)	(17,618,000)	(878,972)	97,107	(130,115)	(2,785,440)	-	(21,315,420)	-
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	41,610,000	29,156,504	2,853,359	4,205,551	3,592,545	(111,384)	81,306,575	4,730,188
Capital contributions	2,178,000	-	-	-	-	-	2,178,000	-
Transfers in	-	-	-	-	-	10,047,603	10,047,603	-
CHANGE IN NET POSITION	43,788,000	29,156,504	2,853,359	4,205,551	3,592,545	9,936,219	93,532,178	4,730,188
NET POSITION, beginning, as previously reported	369,512,000	332,808,414	6,496,987	69,390,087	2,074,499	1,240,669	781,522,656	41,183,347
CHANGE IN ACCOUNTING PRINCIPAL	3,060,000	-	-	-	-	-	3,060,000	-
NET POSITION, beginning, as restated	372,572,000	332,808,414	6,496,987	69,390,087	2,074,499	1,240,669	784,582,656	41,183,347
NET POSITION, ending	\$ 416,360,000	\$ 361,964,918	\$ 9,350,346	\$ 73,595,638	\$ 5,667,044	\$ 11,176,888	\$ 878,114,834	\$ 45,913,535

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, 2018

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Development	Regional Communications		Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	\$ 731,007,169	\$ 72,533,327	\$ 371,321	\$ 19,979,906	\$ 18,116,903	\$ 1,536,015	\$ 843,544,641	\$ 62,103,435
Receipts from interfund services provided	5,288,831	810,152	5,483,200	527,586	-	969,874	13,079,643	-
Receipts from operating grants	-	-	135,681	-	-	-	135,681	-
Payments to suppliers	(556,045,000)	(20,434,896)	(1,966,720)	(7,651,894)	(10,718,721)	(355,352)	(597,172,583)	(54,031,277)
Payments to employees	(48,548,000)	(10,380,296)	(1,340,103)	(7,722,783)	-	(481,681)	(68,472,863)	(3,714,564)
Payments in lieu of taxes	(19,978,000)	-	-	-	-	-	(19,978,000)	-
Net cash from operating activities	111,725,000	42,528,287	2,683,379	5,132,815	7,398,182	1,668,856	171,136,519	4,357,594
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers in	-	-	-	-	-	10,047,603	10,047,603	7,041,621
Transfers out	-	-	-	-	-	-	-	(7,041,621)
Net cash flows used in noncapital financing	-	-	-	-	-	10,047,603	10,047,603	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Principal paid on capital debt	(9,835,000)	(10,285,942)	(1,917,677)	(1,999,738)	(5,125,000)	-	(29,163,357)	-
Interest paid on capital debt	(11,607,000)	(2,591,081)	(303,479)	(597,303)	(4,407,219)	-	(19,506,082)	-
Line of credit	(83,000)	-	-	-	-	-	(83,000)	-
Proceeds from capital debt	-	24,843,915	-	-	4,287,566	-	29,131,481	-
Capital grants and contributions	2,178,000	-	-	-	-	-	2,178,000	-
Additions to capital assets	(75,973,000)	(49,168,864)	(78,725)	(7,635,829)	(247,281)	(10,047,605)	(143,151,304)	(2,352,462)
Proceeds from sale of capital assets	-	-	-	-	-	-	-	156,866
Net cash flows used in capital and related financing activities	(95,320,000)	(37,201,972)	(2,299,881)	(10,232,870)	(5,491,934)	(10,047,605)	(160,594,262)	(2,195,596)
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of investments	(4,960,000)	(43,453,127)	(7,157,685)	(3,835,681)	(68,014,842)	-	(127,421,335)	-
Proceeds from sales and maturities of investments	3,000,000	20,088,984	2,161,185	(7,012,579)	67,879,493	-	86,117,083	-
Interest	737,000	1,184,259	213,521	177,026	858,015	-	3,169,821	-
Net cash flows from investing activities	(1,223,000)	(22,179,884)	(4,782,979)	(10,671,234)	722,666	-	(38,134,431)	-
Net increase (decrease) in cash and cash equivalents	15,182,000	(16,853,569)	(4,399,481)	(15,771,289)	2,628,914	1,668,854	(17,544,571)	2,161,998
Cash and cash equivalents, beginning of year	90,704,000	50,726,361	13,214,839	38,356,081	7,080,780	1,812,111	201,894,172	29,699,223
Cash and cash equivalents, end of year	\$ 105,886,000	\$ 33,872,792	\$ 8,815,358	\$ 22,584,792	\$ 9,709,694	\$ 3,480,965	\$ 184,349,601	\$ 31,861,221

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Development	Regional Communications		Total
(Continued from previous page)								
CLASSIFIED AS:								
Current assets	\$ 105,886,000	\$ 33,872,792	\$ 7,404,173	\$ 14,993,780	\$ 9,709,694	\$ 3,480,965	\$ 175,347,404	\$ 31,861,221
Restricted assets	-	-	1,411,185	7,591,012	-	-	9,002,197	-
	<u>\$ 105,886,000</u>	<u>\$ 33,872,792</u>	<u>\$ 8,815,358</u>	<u>\$ 22,584,792</u>	<u>\$ 9,709,694</u>	<u>\$ 3,480,965</u>	<u>\$ 184,349,601</u>	<u>\$ 31,861,221</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES								
OPERATING INCOME (LOSS)	\$ 59,228,000	\$ 30,035,476	\$ 2,756,252	\$ 4,335,666	\$ 6,377,985	\$ (111,384)	\$ 102,621,995	\$ 4,730,188
ADJUSTMENTS NOT AFFECTING CASH								
Depreciation and amortization	58,208,000	11,668,920	539,212	1,517,190	617,968	1,749,208	74,300,498	3,791,419
Loss/disposal of capital assets	-	-	-	-	508,662	-	508,662	-
Miscellaneous nonoperating expenses	264,000	-	-	-	-	-	264,000	-
Tax equivalents transferred to City	(7,347,000)	-	-	-	-	-	(7,347,000)	-
Provision for uncollectible accounts	-	2,130,694	-	(616,843)	(1,066)	-	1,512,785	-
(Increase) decrease in:								
Accounts receivable	(8,209,000)	(12,243,086)	(3,870)	904,816	(367,302)	479	(19,917,963)	(1,953,487)
Due from other governments	-	-	13,471	782,712	-	-	796,183	-
Inventory	(65,000)	(768,751)	-	-	1,388	-	(832,363)	(316,851)
Prepaid Items	(2,743,000)	-	-	-	-	-	(2,743,000)	-
Increase (decrease) in:								
Accounts payable	11,451,000	11,437,202	(236,671)	(2,387,763)	62,202	(3,025)	20,322,945	1,341,754
Accrued claims	-	-	-	-	(263,303)	-	(263,303)	-
Accrued liabilities	-	71,002	(458,983)	(18,395)	-	4,226	(402,150)	-
Claims liabilities	-	-	-	-	-	-	-	(3,181,100)
Other assets/liabilities	1,124,000	259,825	98,264	(409,911)	461,648	18,154	1,551,980	-
Net pension liability	176,000	-	6,044	1,260,305	-	-	1,442,349	-
OPEB	(362,000)	-	(30,340)	(227,855)	-	-	(620,195)	-
Compensated absences	-	(62,995)	-	(7,107)	-	11,198	(58,904)	(54,329)
Total adjustments	<u>52,497,000</u>	<u>12,492,811</u>	<u>(72,873)</u>	<u>797,149</u>	<u>1,020,197</u>	<u>1,780,240</u>	<u>68,514,524</u>	<u>(372,594)</u>
Net cash from operating activities	<u>\$ 111,725,000</u>	<u>\$ 42,528,287</u>	<u>\$ 2,683,379</u>	<u>\$ 5,132,815</u>	<u>\$ 7,398,182</u>	<u>\$ 1,668,856</u>	<u>\$ 171,136,519</u>	<u>\$ 4,357,594</u>

Notes to basic financial statements are an integral part of this statement

CITY OF CHATTANOOGA, TENNESSEE

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

June 30, 2018

	Other Postemployment Benefits and Pension Trust Fund
ASSETS	
Investments:	
Corporate bonds and notes	\$ 11,853,389
Corporate stocks	64,812,820
Foreign equity	46,966,020
Mutual funds - preferred securities	2,097,462
Private debt	14,812,220
Mutual funds - equity	179,982,787
Mutual funds - fixed income	109,320,479
Real estate	54,839,808
Hedge funds	69,114,533
Other investments	23,959,661
Temporary investments	10,590,726
Receivables:	
Accrued income	167,132
Due from plan custodian	1,393,771
	<hr/>
Total assets	589,910,808
LIABILITIES	
Accounts payable and accrued liabilities:	
Accrued payable	197,957
Due to plan custodian	462,095
	<hr/>
Total liabilities	660,052
NET POSITION	
Net position restricted for OPEB	66,443,741
Net position restricted for pensions	522,807,015
	<hr/>
Total net position	\$ 589,250,756

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Other Postemployment Benefits and Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 43,887,432
Plan member	8,488,022
Other	<u>135,260</u>
Total contributions	<u>52,510,714</u>
Investment income:	
Net appreciation (depreciation) in fair market value of investments	41,899,765
Interest	456,367
Dividends	<u>6,659,930</u>
	49,016,062
Less investment expense	<u>(1,081,753)</u>
Net investment income (loss)	<u>47,934,309</u>
Total additions	<u>100,445,023</u>
DEDUCTIONS	
Benefits paid to participants	62,839,271
Administrative expenses	<u>1,498,036</u>
Total deductions	<u>64,337,307</u>
CHANGE IN NET POSITION	36,107,716
NET POSITION - beginning	<u>553,143,040</u>
NET POSITION - ending	<u><u>\$ 589,250,756</u></u>

Notes to basic financial statements are an integral part of this statement

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS**

June 30, 2018

	Chattanooga Metropolitan Airport Authority	CARTA	Total
ASSETS			
Cash and cash equivalents	\$ 20,432,028	\$ 1,294,049	\$ 21,726,077
Accounts receivable	2,299,006	3,336,580	5,635,586
Inventories	223,104	784,778	1,007,882
Prepaid items	402,097	618,166	1,020,263
Restricted assets:			
Cash and cash equivalents	3,006,703	-	3,006,703
Receivables	429,240	-	429,240
Land and other nondepreciable assets	12,723,056	4,209,685	16,932,741
Other capital assets, net of accumulated depreciation	104,683,756	17,763,178	122,446,934
Total assets	<u>144,198,990</u>	<u>28,006,436</u>	<u>172,205,426</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	1,208,173	1,779,193	2,987,366
Total deferred outflows of resources	<u>1,208,173</u>	<u>1,779,193</u>	<u>2,987,366</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,490,922	2,743,166	4,234,088
Net pension obligation	2,497,670	12,939,069	15,436,739
Net OPEB obligation	368,945	240,773	609,718
Compensated absences payable	-	422,625	422,625
Notes payable	-	51,295	51,295
Revenue bonds payable	9,214,331	-	9,214,331
Total liabilities	<u>13,571,868</u>	<u>16,396,928</u>	<u>29,968,796</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	107,029	-	107,029
Total deferred inflows of resources	<u>107,029</u>	<u>-</u>	<u>107,029</u>
NET POSITION			
Net investment in capital assets	108,192,481	21,921,567	130,114,048
Restricted for debt service and construction	3,435,943	-	3,435,943
Unrestricted	20,099,842	(8,532,866)	11,566,976
Total net position	<u>\$ 131,728,266</u>	<u>\$ 13,388,701</u>	<u>\$ 145,116,967</u>

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, 2018

	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Chattanooga Metropolitan Airport Authority	CARTA	Total
CHATTANOOGA METROPOLITAN AIRPORT AUTHORITY							
Airport operations	\$ 23,564,618	\$ 22,072,440	\$ -	\$ 5,195,943	\$ 3,703,765	\$ -	\$ 3,703,765
CARTA							
CARTA operations	25,740,052	10,350,540	7,775,723	6,531,507	-	(1,082,282)	(1,082,282)
Total component units	<u>\$ 49,304,670</u>	<u>\$ 32,422,980</u>	<u>\$ 7,775,723</u>	<u>\$ 11,727,450</u>	3,703,765	(1,082,282)	2,621,483
			General revenues:				
			Investment income		158,464	4,159	162,623
			Gain on disposal of property		44,880	-	44,880
			Miscellaneous		2,829,700	7,422	2,837,122
			Total general revenues		3,033,044	11,581	3,044,625
			CHANGE IN NET POSITION		6,736,809	(1,070,701)	5,666,108
			Net position, beginning, as originally stated		125,174,747	14,729,673	139,904,420
			Change in accounting principle		(183,290)	(270,271)	(453,561)
			Net position, beginning, as restated		124,991,457	14,459,402	139,450,859
			Net position, ending		<u>\$ 131,728,266</u>	<u>\$ 13,388,701</u>	<u>\$ 145,116,967</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, 2018

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CITY OF CHATTANOOGA, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting Entity

The City of Chattanooga, Tennessee (the City) was incorporated under the Private Acts of 1839. The Mayor, who is elected at-large, has all executive and administrative authority. The City Council has all legislative authority and is composed of nine members, with each member elected from one of nine districts within the geographic boundaries of the City. The Mayor is not a member of the City Council.

The accompanying financial statements present the City and its component units, entities for which the City is financially accountable. The primary government includes EPB and the Chattanooga Downtown Redevelopment Corporation (CDRC) as enterprise funds. EPB, a separately administered organization, is not legally separate since the City affirms all board member appointments and approves all disbursements of EPB funds. The CDRC is a blended component unit which, in substance, is part of the primary government's operations, even though it is a legally separate entity. Discretely-presented component units are reported in a separate column from the primary government in the government-wide financial statements to emphasize they are legally separate from the City.

The City reports the following blended component unit:

Chattanooga Downtown Redevelopment Corporation (CDRC) – The CDRC facilitates redevelopment projects in downtown Chattanooga. The Mayor, City Council Chairperson, and Chief Finance Officer are permanent members of the board; the Mayor, subject to the approval of the City Council, appoints the remaining board members. The CDRC's governing body is substantially the same as the governing body of the primary government and there is a financial benefit or burden relationship between the primary government and CDRC. The CDRC has the authority to issue its own debt, but the City has agreed to finance any operating deficit of CDRC. The CDRC is reported as an enterprise fund and does not issue separate financial statements.

The City reports the following discretely-presented component units:

Chattanooga Metropolitan Airport Authority (Airport Authority) – The Airport Authority was established under Tennessee Code Annotated Section 42-4-101 for the management, operation and maintenance of Lovell Field. The City appoints all board members and is secondarily responsible for retirement of a portion 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) – CARTA was established under Tennessee Code Annotated (TCA) 7-56; CARTA is responsible for the public transportation system. The City Council appoints ten members of the twelve-member board. CARTA has the authority to issue its own debt; the City finances the majority of CARTA's operating deficits. Separately issued financial statements can be obtained from:

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CARTA
1617 Wilcox Boulevard
Chattanooga, TN 37406

Chattanooga Land Bank Authority – This entity was established by the City of Chattanooga on February 27, 2015, under Tennessee Code Annotated 13-30, as amended. This entity is currently in the start-up phase and will potentially be reported as a component unit once operations commence. To date there have been no financial transactions.

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.

As discussed earlier, the City has two discretely-presented component units. Neither the Chattanooga Metropolitan Airport Authority nor the Chattanooga Area Regional Transit Authority is considered to be a major component unit; they are combined into a single column in the government-wide financial statements.

Transfers within governmental activities and business-type activities are eliminated upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities, including a capital lease, are reported in the government-wide financial statements as "internal balances." Transactions between the primary government and its discretely-presented component units are reported as external transactions, that is as revenues and expenses.

Fund Financial Statements

The fund financial statements provide information about City funds, including fiduciary funds and the blended component unit. 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 is the City's primary operating fund. It accounts for all financial resources of the general government except those accounted for in another fund. Revenues are derived primarily from taxes and intergovernmental revenues.

Capital Projects - The Capital Projects Fund accounts for the acquisition or construction of capital projects, other than those financed by proprietary funds. Revenues are derived primarily from the sale of general obligation bonds and notes, loans, intergovernmental revenues, and earnings on investments.

The City reports the following major enterprise funds:

EPB - The EPB Fund accounts for the cost of providing electric and fiber optic service for residential and commercial customers of Chattanooga and Hamilton County, Tennessee.

Interceptor Sewer System - The Interceptor Sewer System Fund accounts for sanitary sewer services provided to the residents of the City and to portions of northwest Georgia.

Solid Waste - The Solid Waste Fund accounts for the costs associated with the disposal of solid waste and recyclable materials.

Water Quality Management - 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.

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Chattanooga Downtown Redevelopment Corporation - The Chattanooga Downtown Redevelopment Corporation Fund accounts for the operations of The Chattanooga Hotel, the Southside Parking Garage, and other activities including redevelopment financing. The CDRC is a blended component unit of the City.

Additionally, the City reports the following fund types:

Special Revenue - 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 - 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 - 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 - The Internal Service Fund is used to account for medical and pharmaceutical services, fleet services, technology replacement and risk management activities provided to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

Other Postemployment Benefits Trust - 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 - The Pension Trust Fund accounts for resources held in trust for both the General and the Fire and Police defined benefit pension plans to provide disability and retirement benefits for City employees and retirees.

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. Any residual balances outstanding at year end are reported as due to/due from other funds or component units.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The City considers revenues as 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.

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary, Pension and Other Postemployment Benefit Trust Funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, special revenue funds and the debt service fund. The capital projects fund is appropriated on a project-length basis.

The appropriated budget is approved by fund and department. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the fund level. The City Finance Officer has been delegated the authority to make intrafund transfers within the general fund. Amounts transferred are reported to City Council as required by TCA 6-56-209.

All unencumbered and unexpended appropriations lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders). Encumbrance accounting is utilized to assure effective budgetary control and accountability. Encumbrances are carried forward to the subsequent year and become part of the subsequent year's budget for annually budgeted funds.

Appropriations for capital projects 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.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

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

Investments

Investments, including pension and other post-employment benefit investments, are reported at fair value, except for interest-earning investment contracts that have a remaining maturity of one year or less at the time of purchase. 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. Any change in the value of investments recorded at fair value is included in investment income.

Internal Balances

Residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances. Internal balances include a capital lease payable in governmental activities with a corresponding capital lease receivable in CDRC, a blended component unit, in business-type activities.

Inventories and Prepaid Items

Inventories, principally materials, supplies, and replacement parts to be used by the government, are valued at cost. Inventories held for resale are valued at the lower of cost or market, using either the first-in, first-out (FIFO) or the weighted average method. Prepaid items include certain payments to vendors which reflect costs applicable to future accounting periods. The costs of inventories and prepaid items are recorded as expenditures/expenses at the time individual inventory items are consumed (consumption method).

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (such as roads, bridges, sidewalks, sewers, lighting systems, drainage systems, and similar items) are reported in the government-wide and proprietary fund financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (\$15,000 for software, \$25,000 for infrastructure) and an estimated useful life of three years or greater.

Donated capital assets, donated works of art and similar items are reported at acquisition value rather than fair value.

The initial capitalization of infrastructure assets reported by governmental activities was based on replacement cost deflated to the acquisition year. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs. Donated capital assets are recorded at their estimated fair value at the date of contribution.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets construction. 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.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method 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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The City reports deferred gains on refunding and deferred contributions on pension plans. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred contributions for the pension plans were made during the fiscal year but are after the measurement date of the actuarial report. These amounts will be recognized during the next measurement period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and will not be recognized as inflow of resources (revenue) until that period. The City has four items that qualify for reporting in this category: (1) Unavailable revenue for property taxes recorded as receivables for the current calendar year tax levy which is not due until October 1. This amount, reported on the governmental funds balance sheet, will be recognized as revenue next year as it is received. (2) Unavailable revenue received after the availability period. This includes property taxes received after 60 days plus other local taxes and intergovernmental revenues received after 30. They are reported as deferred inflows on the governmental funds balance sheet and will be recognized as revenue next year. (3) Unavailable revenue relating to loans. (4) Certain amounts related to pensions must be deferred.

Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years. Changes in pension plan assumptions are deferred and amortized over the expected remaining service lives of employees.

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, OPEB, pension expense, and OPEB expense, information about the fiduciary net position of the General Pension Plan, the Fire and Police Pension Plan, the OPEB Plan and additions/deductions from the plan net positions have been determined on the same basis as they are reported by the plans.

Benefit payments related to the pension plans (including refunds of employee contributions) are recognized in the fund financial statements when due and payable in accordance with the benefit terms. Benefit payments related to the OPEB plan are recognized when due and payable in accordance with the benefit terms. Payments made after the measurement date are deferred in government-wide statements.

Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report for each category of fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. 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. 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.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes.

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 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.

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

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues, Expenditures/Expenses

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. All taxes and other internally dedicated resources are reported as general revenues rather than program revenues.

Property Taxes

Property taxes are levied annually by the City 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.

Indirect Costs

Certain indirect costs are included in program expense reported for individual functions.

Compensated Absences

The City of Chattanooga allows employees to accumulate earned but unused personal leave benefits which are eligible for payment upon separation from employment. The benefit is set 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.

Expenditures for compensated absences are reported in governmental funds as they mature (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 general fund and special revenue funds are used to liquidate this liability. 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.

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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These assumptions 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. CASH AND INVESTMENTS

Cash Deposits with Financial Institutions

The City utilizes a pooled cash concept for its funds which are collateralized. 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.

Investments

The City utilizes a pooled investment concept. 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. At June 30, 2018, investments of the primary government (except for Permanent, Restricted, Pension Trust and Other Postemployment Benefits Trust Funds) consist of the following:

Weighted Average	<u>Fair Value or Maturity (Years)</u>	<u>Carrying Amount</u>
Primary Government – Governmental Activities:		
U.S. Government agency securities	3.55	<u>\$ 117,842,050</u>
Primary Government – Business-Type Activities:		
Certificates of deposit classified as investments	2.94	\$ 92,190,971
U.S. Government agency securities	0.00	<u>10,352,603</u>
		<u>\$ 102,543,574</u>

Fair value investments classified at Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fair value investments classified as Level 2 of the fair value hierarchy are valued using the active market rates for the underlying securities. Fair value investments classified as Level 3 of the fair value hierarchy are valued using non-observable inputs.

	<u>S&P or Moody's Rating</u>	Fair Value Measurements Using:	
		<u>Fair Value</u>	<u>Level 1</u>
Primary Government – Governmental Activities:			
Corporate Bonds – Federal Home Loan Bank	AA+	\$ 26,744,000	\$ 26,744,000
Corporate Bonds – Federal Home Credit Bank	AA+	<u>91,098,050</u>	<u>91,098,050</u>
		<u>\$117,842,050</u>	<u>\$117,842,050</u>

	<u>S&P or Moody's Rating</u>	Fair Value Measurements Using:	
		<u>Fair Value</u>	<u>Level 1</u>
Certificates of Deposit classified as investments			
Corporate Bonds - Federal Home Loan Bank	N/A	\$ 92,190,971	\$ 92,190,971
Discount Note	AA+	<u>10,352,603</u>	<u>10,352,603</u>
		<u>\$ 102,543,574</u>	<u>\$102,543,574</u>

(Continued)

NOTE 2. CASH AND INVESTMENTS (Continued)

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. T.C.A. 9-1-107(a) (1) authorizes municipalities to deposit and invest funds. All deposits in excess of the insurance coverage must be collateralized at 105% of value unless backed by the full faith and credit of the United States Government or its agencies. T.C.A. 6-56-106 details the types of allowable investments for public funds and states in part, "In order to provide a safe temporary medium for investment of idle funds, municipalities are authorized to invest in the following: (1) Bonds, notes or treasury bills of the United States; (2) Non-convertible debt securities of (a) The Federal Home Loan Bank, (b) the Federal National Mortgage Association, (c) the Federal Farm Credit Bank, and (d) the Federal Home Loan Mortgage Corporation; (3) Any other obligations not listed which are guaranteed as to principal and interest by the United States or any of its agencies; (4) Certificates of deposit and other evidences of deposit at state and federal chartered banks and savings and loan associations; (5) Obligations of the United States or its agencies; (6) The Tennessee Local Government Investment Pool; and (7) Repurchase Agreements (provided a master repurchase agreement has been executed and approved by the state director of local finance, such as that investments are made in accordance with procedures established by the state funding board)".

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

	S&P or Moody's Rating	Fair Value	Fair Value Measurements Using:	
			Level 1	Level 2
Permanent Fund				
Mutual funds – equity	Not rated	\$ 2,952,266	\$ 2,952,266	\$ -
Mutual funds – fixed income	Not rated	1,384,298	1,384,298	-
Other investments	Not rated	628,822	-	628,822
Temporary investments	Not rated	148,427	148,427	-
		<u>\$ 5,113,813</u>	<u>\$ 4,484,991</u>	<u>\$ 628,822</u>

(Continued)

NOTE 2. CASH AND INVESTMENTS (Continued)

	S&P or Moody's Rating	Fair Value	Fair Value Measurements Using:	
			Level 1	Level 2
City of Chattanooga General Pension Plan				
Domestic corporate bonds	Not rated	\$ 6,255,599	\$ 6,255,599	\$ -
Corporate stocks	Not rated	54,698,528	54,698,528	-
Foreign equity	Not rated	38,748,114	38,748,114	-
Private debt	Not rated	14,812,220	14,812,220	-
Mutual funds – equity	Not rated	26,492,820	26,492,820	-
Mutual funds – fixed income	Not rated	62,024,667	62,024,667	-
Real estate	Not rated	32,259,161	-	32,259,161
Hedge funds	Not rated	51,905,350	-	51,905,350
Other investments	Not rated	10,514,687	-	10,514,687
Temporary investments	Not rated	1,300,706	1,300,706	-
		<u>\$ 299,011,852</u>	<u>\$ 204,332,654</u>	<u>\$ 94,679,198</u>
Fire and Police Pension Fund				
Corporate bonds and notes	Not rated	\$ 5,597,790	\$ 5,597,790	\$ -
Corporate stocks	Not rated	10,114,292	10,114,292	-
Mutual funds – equity	Not rated	124,388,345	124,388,345	-
Mutual funds – fixed income	Not rated	34,081,446	34,081,446	-
Mutual funds – preferred securities	Not rated	2,097,462	2,097,462	-
Real estate	Not rated	18,042,686	-	18,042,686
Hedge funds	Not rated	13,660,667	-	13,660,667
Other investments	Not rated	12,068,845	-	12,068,845
Temporary investments	Not rated	3,781,514	3,781,514	-
		<u>\$ 223,833,047</u>	<u>\$ 180,060,849</u>	<u>\$ 43,772,198</u>
Other Postemployment Benefit Trust Fund				
Mutual funds – equity	Not rated	\$ 29,101,622	\$ 29,101,622	\$ -
Mutual funds – fixed income	Not rated	13,214,366	13,214,366	-
Foreign equity	Not rated	8,217,906	8,217,906	-
Real estate	Not rated	4,537,961	-	4,537,961
Hedge Funds	Not rated	3,548,516	-	3,548,516
Other investments	Not rated	1,376,129	-	1,376,129
Temporary investments	Not rated	5,508,506	5,508,506	-
		<u>\$ 65,505,006</u>	<u>\$ 56,042,400</u>	<u>\$ 9,462,606</u>

At June 30, 2018, the fair values of the City's investments in items classified as Level 2 on the fair value hierarchy totaling \$147,914,002 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 hedge funds, 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 3. RECEIVABLES

Amounts in the financial statements are shown net of allowance for uncollectibles. Below is the detail of receivables including the applicable allowances for uncollectible accounts:

	Governmental Activities Funds					Total
	General	Capital Projects	Other Governmental	Internal Service	Business-Type Activities	
Primary Government						
Receivables:						
Taxes	\$ 141,252,266	\$ -	\$ -	\$ -	\$ -	\$ 141,252,266
Accounts	13,266,802	-	1,303,530	-	-	14,570,332
Notes	393,468	72,978	11,301,443	-	-	11,767,889
Customer service	-	-	-	2,623,449	98,676,009	101,299,458
Other	1,092,452	33,173	373,661	-	1,807,973	3,307,259
Intergovernmental	<u>19,833,033</u>	<u>231,154</u>	<u>2,588,507</u>	<u>88,135</u>	<u>29,504,346</u>	<u>52,245,175</u>
Gross receivables	175,838,021	337,305	15,567,141	2,711,584	129,988,328	324,442,379
Less:						
Allowance for uncollectibles	<u>(4,525,534)</u>	<u>-</u>	<u>(715,389)</u>	<u>-</u>	<u>(14,296,426)</u>	<u>(19,537,349)</u>
Net receivables	<u>\$ 171,312,487</u>	<u>\$ 337,305</u>	<u>\$ 14,851,752</u>	<u>\$ 2,711,584</u>	<u>\$ 115,691,902</u>	<u>\$ 304,905,030</u>

Taxes Receivable

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 of \$4,525,534 is the weighted average percentage of prior year collections on delinquent taxes to the total delinquent taxes receivable at June 30, 2018.

Notes 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 \$21,683 and \$29,612, respectively.

Community Development Loans

Notes receivable of \$11,301,443, represent 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, \$23,205 represents forgivable loans and \$2,811,247 represents title transfer loans, which are payable only upon the transfer of title by the current loan recipient. The allowance for uncollectable loans is \$715,389.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
PRIMARY GOVERNMENT				
Governmental Activities:				
Non-depreciable assets:				
Land and land improvements	\$1,068,655,812	\$ 11,047,755	\$ 526,166	\$ 1,079,177,401
Construction in progress	<u>69,047,710</u>	<u>21,462,142</u>	<u>39,652,751</u>	<u>50,857,101</u>
Total non-depreciable assets	<u>1,137,703,522</u>	<u>32,509,897</u>	<u>40,178,917</u>	<u>1,130,034,502</u>
Depreciable assets:				
Buildings and improvements	236,085,277	4,699,283	-	240,784,560
Vehicles and machinery	160,168,276	10,841,273	17,768,063	153,241,486
Infrastructure	<u>741,402,015</u>	<u>30,325,047</u>	<u>-</u>	<u>771,727,062</u>
Total depreciable assets	<u>1,137,655,568</u>	<u>45,865,603</u>	<u>17,768,063</u>	<u>1,165,753,108</u>
Less accumulated depreciation for:				
Buildings and improvements	132,234,670	7,075,116	-	139,309,786
Vehicles and machinery	123,282,274	6,106,368	7,544,269	121,844,373
Infrastructure	<u>534,721,527</u>	<u>25,295,588</u>	<u>507</u>	<u>560,016,608</u>
Total accumulated depreciation	<u>790,238,471</u>	<u>38,477,072</u>	<u>7,544,776</u>	<u>821,170,767</u>
Depreciable assets, net	<u>347,417,097</u>	<u>7,388,531</u>	<u>10,223,287</u>	<u>344,582,341</u>
Governmental activities capital assets, net	<u>\$ 1,485,120,619</u>	<u>\$ 39,898,428</u>	<u>\$ 50,402,204</u>	<u>\$ 1,474,616,843</u>
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 21,460,155	\$ 1,045,926	\$ 516,012	\$ 21,990,069
Construction in progress	<u>113,350,907</u>	<u>60,525,479</u>	<u>43,539,991</u>	<u>130,336,395</u>
Total non-depreciable assets	<u>134,811,062</u>	<u>61,571,405</u>	<u>44,056,003</u>	<u>152,326,464</u>
Depreciable assets:				
Buildings and improvements	148,044,068	817,000	681,691	148,179,377
Vehicles and machinery	168,560,009	25,626,095	7,020,411	187,165,693
Sewer system	448,953,954	39,033,260	-	487,987,214
Solid waste system	9,520,509	-	-	9,520,509
Water quality management system	43,068,962	2,353,646	-	45,422,608
Electric system	705,971,000	41,519,000	18,716,000	728,774,000
Communication system	<u>99,595,000</u>	<u>16,399,000</u>	<u>4,788,000</u>	<u>111,206,000</u>
Total depreciable assets	<u>1,623,713,502</u>	<u>125,748,001</u>	<u>31,206,102</u>	<u>1,718,255,401</u>
Less accumulated depreciation for:				
Buildings and improvements	64,659,074	1,646,011	681,692	65,623,393
Vehicles and machinery	86,815,741	21,909,684	5,231,867	103,493,558
Sewer system	236,363,983	8,241,260	-	244,605,243
Solid waste system	2,996,859	317,349	-	3,314,208
Water quality management system	12,563,510	903,194	-	13,466,704
Electric system	243,837,000	26,257,000	18,716,000	251,378,000
Communication system	<u>45,878,000</u>	<u>13,878,000</u>	<u>4,788,000</u>	<u>54,968,000</u>
Total accumulated depreciation	<u>693,114,167</u>	<u>73,152,498</u>	<u>29,417,559</u>	<u>736,849,106</u>
Depreciable assets, net	<u>930,599,335</u>	<u>52,595,503</u>	<u>1,788,543</u>	<u>981,406,295</u>
Business-type activities capital assets, net	<u>\$ 1,065,410,397</u>	<u>\$114,166,908</u>	<u>\$ 45,844,546</u>	<u>\$ 1,133,732,759</u>

(Continued)

NOTE 4. CAPITAL ASSETS (Continued)

DISCRETELY-PRESENTED COMPONENT UNITS

Non-depreciable assets:

Land	\$ 11,785,419	\$ 13,052	\$ -	\$ 11,798,471
Construction in progress	<u>440,958</u>	<u>4,866,950</u>	<u>173,638</u>	<u>5,134,270</u>
Total non-depreciable assets	<u>12,226,377</u>	<u>4,880,002</u>	<u>173,638</u>	<u>16,932,741</u>

Depreciable assets:

Buildings and improvements	200,839,632	3,961,620	-	204,801,252
Vehicles and equipment	<u>69,973,228</u>	<u>2,641,194</u>	<u>474,678</u>	<u>72,139,744</u>
Total depreciable assets	<u>270,812,860</u>	<u>6,602,814</u>	<u>474,678</u>	<u>276,940,996</u>

Less accumulated depreciation	<u>143,938,743</u>	<u>11,024,872</u>	<u>469,553</u>	<u>154,494,062</u>
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Depreciable assets, net	<u>126,874,117</u>	<u>(4,422,058)</u>	<u>5,125</u>	<u>122,446,934</u>
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Component units capital assets, net	<u>\$ 139,100,494</u>	<u>\$ 457,944</u>	<u>\$ 178,763</u>	<u>\$ 139,379,675</u>
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Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:

General Government	\$ 5,825,500
Public Safety	1,634,018
Economic Development	8,186
Public Works	28,915,854
Youth & Family Development	286,570
Transportation	<u>1,806,944</u>

Total	<u>\$ 38,477,072</u>
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Primary Government – Business-Type Activities:

Electric Utility	\$ 57,060,000
Sewer	11,668,920
Solid Waste	539,212
Water Quality Management	1,517,190
Tennessee Valley Regional Communications	1,749,208
Downtown Redevelopment	<u>617,968</u>

Total	<u>\$ 73,152,498</u>
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Discretely-Presented Component Units:

CARTA	\$ 3,382,112
Airport Authority	<u>7,642,760</u>

Total	<u>\$ 11,024,872</u>
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NOTE 5. LONG-TERM LIABILITIES

Governmental Activities

Debt related to governmental activities at June 30, 2018, consisted of the following:

General Obligation Bonds

The City periodically issues general obligation bonds for the acquisition and construction of major capital facilities. These bonds are direct obligations and are backed by the full faith and credit of the City. Certain bonds are subject to federal arbitrage regulations. These bonds are generally issued as 15 to 20-year serial bonds.

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

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, 2018</u>
General Obligations Bonds, Series 2009	\$ 45,415,000	3.00% - 4.63%	11/01/20	\$ 6,810,000
General Obligations Bonds, Series 2010 A	6,725,000	2.00% - 4.00%	02/01/30	2,680,000
General Obligation Refunding Bonds, Series 2010 B	4,707,460	2.00% - 4.00%	02/01/30	2,828,048
Hotel-Motel Tax Refunding Bonds, Series 2010 B	29,557,540	2.00% - 4.00%	02/01/30	17,756,952
General Obligation Bonds, Series 2010 C	6,840,000	2.00% - 4.00%	02/01/30	4,085,000
General Obligation Bonds, Series 2011 A	26,495,000	2.00% - 4.00%	10/01/26	15,885,000
General Obligation Refunding Bonds, Series 2011 B	1,949,250	2.00% - 4.00%	10/01/27	1,823,151
Hotel-Motel Tax Refunding Bonds, Series 2011 B	15,595,750	2.00% - 4.00%	10/01/27	14,586,849
General Obligation Bonds, Series 2013	19,355,000	2.00% - 5.00%	10/01/28	14,450,000
Hotel-Motel Tax Pledge, Series 2013	7,420,000	2.00% - 5.00%	10/01/28	5,540,000
General Obligation Refunding Bonds, Series 2014 A	13,792,100	1.75% - 5.00%	11/01/26	13,041,963
Hotel-Motel Tax Refunding Bonds, Series 2014 A	3,961,340	1.75% - 5.00%	11/01/26	3,745,933
General Obligation Bonds, Series 2015 A	28,245,000	5.00%	09/01/30	24,475,000
General Obligation Refunding Bonds, Series 2015 B	18,955,000	3.00% - 5.00%	11/01/28	18,955,000
General Obligation Bonds, Series 2017 A	8,200,000	5.00%	03/01/31	7,105,000
General Obligation Refunding Bonds, Series 2017 B	<u>12,640,000</u>	3.00% - 5.00%	03/01/26	<u>12,640,000</u>
 Total payable from Debt Service Fund	 <u>\$ 249,853,440</u>			 <u>\$ 166,407,896</u>

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, 2018, is \$0.

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, 2018, is \$9,241,868, of which \$9,023,400 is due from Governmental Activities and \$218,468 is due from Solid Waste Fund (a Business-type Activity).

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, 2018 is \$1,831,000.

Hamilton County Department of Education Note Payable - In July 2014, the Chancery Court for Hamilton County approved a joint motion by the Hamilton County Department of Education (HCDE) and the City of Chattanooga for compromise of litigation whereby HCDE filed a declaratory judgment action asking the Court to declare the rights and responsibilities of the parties under TCA § 57-4-306(2) relative to past liquor-by-the-drink tax revenues. Under provisions of the Compromise, the City of Chattanooga will pay \$11,763,477 to the HCDE in six equal annual payments of \$1,960,580 over a five-year period commencing on August 1, 2014 and ending in August 2019. The balance at June 30, 2018 is \$3,921,159.

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

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 (IDB) 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, 2018, was \$9,532,219, of which \$5,125,000 was a reduction of principal. The debt service reserve fund held by the fiscal agent at June 30, 2018 is \$9,938,566. 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.

Per GASB 61, CDRC is reported as a blended component unit presented as a business-type activity. The capital lease payable in governmental activities and the capital lease receivable in business-type activities are eliminated for purposes of government-wide financial statements as a component of internal balances.

Golf Course Capital Lease - In April 2013, the City entered into an equipment lease-purchase agreement to finance golf carts at the Brainerd and Brown Acres Golf Courses totaling \$301,493. The lease term is five years and provides for monthly payments which began April 1, 2013. The recorded liability under this capital lease at June 30, 2018 is \$0.

Regional Communication Capital Lease - In August 2016, the City entered into an equipment lease-purchase agreement to finance radio communication equipment totaling \$5,977,735. The lease term is five years and provides for annual payments which begin August 1, 2017. The recorded liability under this capital lease at June 30, 2018 is \$4,782,188.

Golf Course Capital Lease - In January 2018, the City entered into an equipment lease-purchase agreement to finance golf carts at the Brainerd and Brown Acres Golf Courses totaling \$346,000. The lease term is five years and provides for monthly payments which began April 1, 2018. The recorded liability under this capital lease at June 30, 2018 is \$330,080.

Tasers Capital Lease - In November 2016, the City entered into an equipment lease-purchase agreement to finance tasers for the Chattanooga Police Department totaling \$625,799. The lease term is five years and provides for annual payments which began June 1, 2018. The recorded liability under this capital lease at June 30, 2018 is \$374,400.

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 investment in capital assets.

Business-type Activities

Debt related to business-type activities at June 30, 2018, consisted of the following:

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.

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

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

Series	Original Principal	Interest Rates	Final Maturity	Principal June 30, 2018
Electric Power Board				
2015A Electric System Refunding Revenue Bonds	\$ 218,855,000	2.88%-5.00%	09/01/33	\$ 217,485,000
2008B Electric System Revenue Bonds	15,355,000	0.70%-3.38%	09/01/25	13,295,000
2008C Electric System Revenue Bonds	25,880,000	4.00%-5.00%	09/01/40	25,880,000
Interceptor Sewer System				
General Obligation Refunding Bonds, Series 2014A	2,343,620	1.75%-5.00%	11/01/26	2,216,170
Solid Waste Fund				
General Obligation Refunding Bonds, Series 2014A	4,674,278	1.75%-5.00%	11/01/26	4,420,034
General Obligation Refunding Bonds, Series 2017A	2,155,000	3.00%-5.00%	03/01/26	2,155,000
Water Quality Fund				
General Obligation Bonds, Series 2013	5,245,000	2.00%-5.00%	10/01/28	3,910,000
General Obligation Refunding Bonds, Series 2014A	1,153,663	1.75%-5.00%	11/01/26	1,090,900
General Obligation Bonds, Series 2015A	8,100,000	5.00%	09/01/30	7,020,000
General Obligation Refunding Bonds, Series 2017B	615,000	3.00%-5.00%	03/01/26	615,000
Chattanooga Downtown Redevelopment Corporation				
2007 Chatt Lease Rental Rev Ref Bonds	56,110,000	4.00%-5.00%	10/01/30	48,450,000
2010 Chatt Lease Rental Rev Ref Bonds	<u>66,995,000</u>	3.00%-5.00%	10/01/24	<u>42,480,000</u>
Total payable from Business-type Activities	<u>\$ 407,481,561</u>			<u>\$ 369,017,104</u>

Notes, Loans, and Line of Credit Payable

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 20 year loan is being repaid at 4% interest through 2019. The balance at June 30, 2018 to be paid from Interceptor Sewer Fund is \$319,008.

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, 2018 to be paid from Interceptor Sewer Fund is \$16,166,759.

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, 2018, is \$0.

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, 2018, is \$9,241,868, of which \$9,023,400 is due from Governmental Activities and \$218,468 is due from Solid Waste Fund (a Business-type Activity).

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 \$13,000,000 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, 2018 to be paid from Interceptor Sewer Fund is \$9,393,595.

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

State Revolving Loan 2011 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a \$20,000,000 loan for the purpose of financing sewer projects. The loan will be repaid in monthly installments after 90 percent of the loan has been drawn down at 2.00% interest. The balance at June 30, 2018 to be paid from Interceptor Sewer Fund is \$18,165,984.

State Revolving Loan 2012 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a \$33,100,000 loan for the purpose of financing sewer projects. The loan will be repaid in monthly installments after 90 percent of the loan has been drawn down at 1.15% interest. The balance at June 30, 2018 to be paid from Interceptor Sewer Fund is \$29,050,833.

State Revolving Loan 2013 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a \$66,800,000 loan for the purpose of financing sewer projects. The loan will be repaid in monthly installments after 90 percent of the loan has been drawn down at 1.67% interest. The balance at June 30, 2018 to be paid from Interceptor Sewer Fund is \$44,791,387.

State Revolving Loan 2016 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a \$42,500,000 loan for the purpose of financing sewer projects. The loan will be repaid in monthly installments after 90 percent of the loan has been drawn down at 1.29% interest. The balance at June 30, 2018 to be paid from Interceptor Sewer Fund is \$4,496,686.

Capitalized Interest

The following business-type activities capitalized a portion of interest incurred during the construction phase of assets:

	<u>Total Interest</u>	<u>Capitalized Interest</u>	<u>Interest Expense</u>
Interceptor Sewer System	\$ 2,516,558	\$ 432,294	\$ 2,084,264
Water Quality Fund	412,364	149,927	262,437

Component Units

Component Units debt at June 30, 2018, consisted of the following:

Revenue Bonds

<u>Series</u>	<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2018</u>
Metropolitan Airport Authority				
Taxable Refunding Revenue Bonds, Series 2009	\$ 6,600,000	2.95%	04/01/19	\$ 3,085,663
Tax Exempt Revenue Bonds, Series 2014	5,086,077	2.67%	01/10/24	2,674,575
Taxable Revenue Bonds, Series 2014	<u>4,913,923</u>	4.03%	01/10/24	<u>3,454,092</u>
Total payable from Component Units	<u>\$ 16,600,000</u>			<u>\$ 9,214,330</u>

Refunding

During fiscal year 2018, the City did not issue any new general obligation bonds.

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 accounts assets and the liabilities for the refunded bonds are not included in the City's financial statements. At June 30, 2018, the remaining liabilities for the bonds refunded were as follows.

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

Year <u>Refunded</u>	Primary <u>Government</u>
2005	13,735,000
2007	66,280,000
2010	20,090,000
2011	42,480,000
2012	16,320,000
2014	13,545,002
2015	19,500,000
2017	17,750,000

Changes in Long-term Liabilities

Changes in long-term liabilities for the fiscal year ended June 30, 2018, were as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
GOVERNMENTAL ACTIVITIES					
General obligation serial bonds	\$ 181,621,215	\$ -	\$ 15,213,319	\$166,407,896	\$ 15,919,085
Notes payable	18,866,275	-	4,090,716	14,775,559	3,678,388
Capital leases payable	6,027,412	845,200	1,385,944	5,486,668	1,385,419
Accrued pollution remediation costs	154,268	27,408	74,242	107,434	68,500
Accrued postemployment benefits	110,622,674	-	4,282,976	106,339,698	-
Accrued general pension costs	51,861,019	3,644,901	-	55,505,920	-
Accrued fire and police pension costs	189,178,689	-	694,841	188,483,848	-
Compensated absences	<u>21,741,731</u>	<u>20,555,031</u>	<u>17,940,978</u>	<u>24,355,784</u>	<u>2,006,917</u>
Total governmental activities	<u>\$ 580,073,283</u>	<u>\$25,072,540</u>	<u>\$ 43,683,016</u>	561,462,807	<u>\$ 23,058,309</u>
Original issue premiums and discounts				<u>14,646,842</u>	
				<u>\$576,109,649</u>	
BUSINESS-TYPE ACTIVITIES					
EPB:					
Revenue bonds	\$ 266,495,000	\$ -	\$ 9,835,000	\$256,660,000	\$ 10,205,000
Accrued postemployment benefits	8,896,000	-	6,324,000	2,572,000	-
Accrued pension costs	13,415,000	-	613,000	12,802,000	-
Compensated absences	657,000	-	22,000	635,000	200,000
	<u>289,463,000</u>	<u>-</u>	<u>16,794,000</u>	<u>272,669,000</u>	<u>10,405,000</u>
Interceptor Sewer System:					
General obligation serial bonds	6,139,299	-	3,923,129	2,216,170	893,504
Notes payable	103,873,150	24,843,915	6,362,813	122,354,252	8,468,544
Accrued postemployment benefits	7,395,117	-	286,343	7,108,774	-
Accrued general pension costs	6,606,754	440,388	-	7,047,142	-
Compensated absences	1,003,062	1,117,153	1,180,148	940,067	77,462
	<u>125,017,382</u>	<u>26,401,456</u>	<u>11,752,433</u>	<u>139,666,405</u>	<u>9,439,510</u>
Solid Waste Fund:					
General obligation serial bonds	8,413,848	-	1,838,814	6,575,034	1,782,408
Notes payable	297,331	-	78,863	218,468	34,191
Accrued landfill closure costs	5,331,055	32,530	514,166	4,849,419	383,068
Accrued postemployment benefits	783,543	-	30,340	753,203	-
Accrued general pension costs	688,814	6,044	-	694,858	-
Compensated absences	94,594	23,749	67,402	50,941	4,198
	<u>15,609,185</u>	<u>62,323</u>	<u>2,529,585</u>	<u>13,141,923</u>	<u>2,203,865</u>

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Water Quality Management Fund:					
General obligation serial bonds	14,635,639	-	1,999,739	12,635,900	1,340,002
Accrued postemployment benefits	5,874,312	-	227,855	5,646,457	-
Accrued general pension costs	5,164,002	1,260,305	-	6,424,307	-
Compensated absences	<u>790,952</u>	<u>935,108</u>	<u>942,215</u>	<u>783,845</u>	<u>64,589</u>
	<u>26,464,905</u>	<u>2,195,413</u>	<u>3,169,809</u>	<u>25,490,509</u>	<u>1,404,591</u>
Tennessee Valley Regional Communication Systems Fund:					
Accrued postemployment benefits	368,641	-	14,274	354,367	-
Accrued general pension costs	324,074	30,451	-	354,525	-
Compensated absences	<u>78,947</u>	<u>62,543</u>	<u>51,345</u>	<u>90,145</u>	<u>7,428</u>
	<u>771,662</u>	<u>92,994</u>	<u>65,619</u>	<u>799,037</u>	<u>7,428</u>
Chattanooga Downtown Redevelopment Corporation:					
Revenue bonds	<u>96,055,000</u>	<u>-</u>	<u>5,125,000</u>	<u>90,930,000</u>	<u>5,375,000</u>
Total business-type activities	<u>\$ 553,381,134</u>	<u>\$28,752,186</u>	<u>\$ 39,436,446</u>	542,696,874	<u>\$ 28,835,394</u>
Original issue premiums and discounts				<u>35,959,854</u>	
				<u>\$578,656,728</u>	
Discretely-Presented Component Units					
Airport Authority:					
Revenue bonds	\$ 9,963,131	\$ -	\$ 748,801	\$ 9,214,330	\$ 3,384,115
Accrued postemployment benefits	383,806	-	14,861	368,945	-
Accrued general pension costs	<u>2,541,413</u>	<u>-</u>	<u>43,743</u>	<u>2,497,670</u>	<u>-</u>
	<u>12,888,350</u>	<u>-</u>	<u>807,405</u>	<u>12,080,945</u>	<u>3,384,115</u>
CARTA:					
Notes payable	150,864	-	99,569	51,295	51,295
Accrued postemployment benefits	235,961	4,812	-	240,773	-
Accrued general pension costs	<u>13,478,020</u>	<u>3,157,342</u>	<u>3,696,293</u>	<u>12,939,069</u>	<u>-</u>
	<u>13,864,845</u>	<u>3,162,154</u>	<u>3,795,862</u>	<u>13,231,137</u>	<u>51,295</u>
Total component units	<u>\$ 26,753,195</u>	<u>\$3,162,154</u>	<u>\$ 4,603,267</u>	<u>\$ 25,312,082</u>	<u>\$ 3,435,410</u>

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

Year	Primary Government			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 19,597,473	\$ 6,656,338	\$ 28,098,649	\$ 18,537,475
2020	16,417,070	6,055,788	27,175,827	17,472,636
2021	16,061,087	5,533,054	27,356,161	16,415,525
2022	16,277,422	4,927,552	29,130,664	15,298,547
2023-2027	77,080,403	15,353,105	155,144,166	59,064,857
2028-2032	35,750,000	3,016,431	158,966,948	29,307,984
2033-2037	-	-	58,114,159	4,393,573
2038-2041	-	-	<u>7,603,250</u>	<u>638,267</u>
	<u>\$ 181,183,455</u>	<u>\$ 41,452,268</u>	<u>\$ 491,589,824</u>	<u>\$ 161,128,864</u>

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

<u>Year</u>	<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 3,383,764	\$ 281,318
2020	308,916	198,389
2021	319,752	187,554
2022	330,981	176,324
2023-2026	<u>4,869,853</u>	<u>255,657</u>
	<u>\$ 9,213,266</u>	<u>\$ 1,099,242</u>

Principal and interest requirements to maturity for capital leases are as follows:

<u>Year</u>	<u>Primary Government</u>	
	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,385,419	\$ 10,369
2020	1,387,701	8,088
2021	1,390,063	5,726
2022	1,267,707	3,281
2023	<u>55,778</u>	<u>805</u>
	<u>\$ 5,486,668</u>	<u>\$ 28,269</u>

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS

The City acts as Trustee for the General Pension Plan, the Fire and Police Pension Plan, and the Other Postemployment Benefit (OPEB) Plan, which are included in the accompanying financial statements as Fiduciary Funds.

General Pension Plan

The City of Chattanooga General Pension Plan (GPP) is a single-employer defined benefit pension plan that covers all permanent, full-time general City employees and employees of the Chattanooga Metropolitan Airport Authority.

Plan Description

Plan administration - Management of the GPP is vested in the GPP Board of Trustees, which consists of seven members. The Mayor is an ex-officio member with the other six appointed by the Mayor with the approval of a majority vote of the City Council.

Plan membership - Pension plan membership as of January 1, 2018, the valuation date, consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	1,180
Inactive plan members entitled to but not yet receiving benefits	122
Active plan members	<u>1,395</u>
Total	<u>2,697</u>

Benefits - The GPP provides retirement and disability benefits. The normal retirement benefit is two percent of average compensation 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 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 two and one-half 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. Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is 3.0 percent. Chapter 2, Article III, Division 17 of the City Code provides for the General Pension Plan. Future amendments to the plan provisions can be authorized by City ordinance upon recommendation from the Board of Trustees of the GPP, upon advice by the Mayor and upon receipt of an actuarial report as to the costs and actuarial soundness of such changes.

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Deferred Retirement Option Provision - The Deferred Retirement Option Provision (DROP) of the GPP offers participants the option of receiving a portion of total pension benefit as a lump-sum cash payment at the time of retirement. When a participant elects the DROP, monthly benefit payments are reduced. The DROP payment is paid as a lump sum during the first month of retirement. The amount of the lump sum is dependent upon the participant's total credited service. The participant must have 26 years of credited service to be eligible for a one-year DROP payment, 27 years for a two-year DROP payment and at least 28 years for a three-year DROP payment.

Contributions - The GPP Board of Trustees establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate and amount is determined as of January 1 and projected to July 1, so that the City's contributions are based on their fiscal year. The contribution as determined in the January 1, 2017 valuation, for the year ended June 30, 2018, is 19.58% of projected payroll. The active member contribution rate was 2% of payroll.

Plan Investments

Investment policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the GPP Board of Trustees. It is the policy of the GPP Board of Trustees to pursue an investment strategy that provides sufficient return to meet its actuarial assumptions without undue investment risk. The following was the adopted asset allocation policy as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
US large cap equity	38%
US small cap equity	7
International equity	15
US core fixed income	10
US high yield fixed income	5
International fixed developed	5
Equity hedge funds	7
Diversified hedge funds	7
Private equity	3
Private real estate	<u>3</u>
Total	<u>100%</u>

Rate of return - For the year ended June 30, 2018, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 8.07 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the City at June 30, 2018 were as follows:

Total pension liability	\$ 363,710,846
Plan fiduciary net position	<u>(298,984,939)</u>
Net pension liability	<u>\$ 64,725,907</u>
Plan fiduciary net position as a percentage of the total pension liability	82.20%

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2018 using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.75 percent
Salary increases	4.0 - 5.0 percent
Investment rate of return	7.00 percent, net of investment expenses

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Mortality rates for both pre-retirement and post-retirement individuals were based on the RP 2000 combined mortality table set forward four years for males and set forward two years for females and using a Scale AA projection to 2025. Post-disability mortality rates were based on the RP 2000 disabled retiree mortality table set forward eight years for males and set forward nine years for females.

Actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study, dated January 7, 2014. The investment rate of return was decreased from 7.25 percent to 7.00 percent as of January 1, 2018.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as listed in the last actuarial experience study, dated January 7, 2014 are summarized as follows:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return*</u>
US large cap equity	8.5%
US small cap equity	8.2
International equity	8.3
US core fixed income	1.0
US high yield fixed income	4.8
International fixed developed	1.7
Equity hedge funds	7.5
Diversified hedge funds	7.0
Private equity	15.0
Private real estate	8.0
*Arithmetic mean	

Discount rate - The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan members contribute 2 percent of pay and that the Board of Trustees adopts the actuarially determined contribution rate for the employer. Projected future benefit payments for all current plan members were projected through 2128.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the sensitivity of the net pension liability of the Plan to changes in the discount rate. Analysis is calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
GPP net pension liability	\$ <u>105,019,174</u>	\$ <u>64,725,907</u>	\$ <u>30,495,499</u>

Fire and Police Pension Plan

The City of Chattanooga Fire and Police Pension Fund (CFPPF) is a single-employer defined benefit pension plan that provides pensions for all permanent full-time police officers and firefighters.

Plan Description

Plan administration - Management of the CFPPF is vested in the CFPPF Board of Directors, which consists of eight members; three active members of the fire department, three active members of the police department, one appointee by the Mayor and one appointee by the City Council. There is a fulltime administrative staff that oversees daily operations.

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Plan membership – Pension plan membership as of January 1, 2018, the valuation date, consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	788
Inactive plan members entitled to but not yet receiving benefits	27
Active plan members	<u>858</u>
	<u>1,673</u>

Benefits - The CFPPF provides retirement, disability and death benefits. Pension benefits are as follows:

For participants vested prior to July 1, 2014, the normal retirement benefit is based upon 25 years of credited service and is calculated as 2.75% of final average monthly salary for each year of service up to 25 years plus 1.25% of final average monthly salary for each year of service greater than 25 up to 30 years. For participants hired prior to July 1, 2014 and not vested, the normal retirement benefit is based upon the earlier of 28 years of credited service and age 50 with 25 years of service and is calculated as 2.75% of final average monthly salary for each year of service up to 25 years plus 1.25% of final average monthly salary for each year of service greater than 25 up to 30 years. For participants hired after July 1, 2014, the normal retirement benefit is based upon the earlier of 30 years of credited service and age 55 with 25 years of credited service and is calculated as 2.5% of final average monthly salary for each year of service up to 30 years.

For all participants, benefit is capped at 75% of final average monthly salary. Reduced benefit provisions are available for participants who have attained age 55 and have completed at least 10 years of credited service. Additional benefits are available in the event of death for pre-retirement employees, based on predetermined formulas. Effective July 1, 2014, cost of living adjustments are provided to retirees based on rates contingent on plan funded status percentages and increases in the consumer price index with a maximum increase of 3% per year.

Effective July 1, 2014, cost of living adjustments are provided to retirees based on rates contingent on plan funded status percentages and increases in the consumer price index with a maximum increase of 3% per year.

Chapter 2, Article III, Division 18 of the City Code provides for the Fire and Police Pension Fund. Future amendments to the plan provisions can be authorized by City ordinance upon recommendation from the Board of the City of Chattanooga Fire and Police Pension Fund, upon advice by the Mayor provided that such an amendment is not inconsistent with sound actuarial principles.

Deferred Retirement Option Program - Two deferred retirement option plans (DROP) are available for participants:

For plan members previously contributing 9% of pay that began contribution 10% as of July 1, 2014 and who had at least 24 years of service as of July 1, 2014, a participant may retire at any time after completing at least 25 years of service and no more than 30 years of service with the option to back-DROP for up to three years but not prior to 25 years of service. The retirement benefit amount is calculated, based upon service at the back-DROP date and final average salary at retirement. Up to 36 months of this benefit amount will be used in determining the DROP lump-sum. The DROP account along with employee contributions made during the back-DROP period is credited with 7% interest annually, compounded monthly from the back-DROP date. Eligibility for this DROP was closed in fiscal year 2009. Participant contributions are 8%.

All other participants are eligible for a modified DROP. A participant may retire at any time after completing at least 25 years of service and no more than 33 years of service with the option to back-DROP for up to three years but not prior to 25 years of service. The retirement benefit amount is calculated based upon service at the back-DROP date and final average salary at the beginning for the DROP period. Up to 36 months of this benefit amount will be used in determining the DROP lump-sum. No COLA or interest will be applied to either the DROP annuity or DROP lump-sum.

Contributions - The CFPPF Board of Directors establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate and amount is determined as of January 1 and projected to July 1, so that the City's contributions are based on their fiscal year. The contribution as determined in the January 1, 2018 valuation, for the year ended June 30, 2018, is 42.95% of projected payroll. The active member contribution rate was 11% of payroll.

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Plan Investments

Investment policy - The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the CFPPF Board of Directors. It is the policy of the CFPPF Board of Directors to pursue an investment strategy that provides sufficient return to meet its actuarial assumptions without undue investment risk. The following was the adopted asset allocation policy as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Large cap equity	20%
Mid cap equity	15
Small cap equity	5
International equity	10
Emerging markets	10
Private equity	5
Real estate	5
Timber	5
Farmland	5
Fixed income	<u>20</u>
Total	<u>100%</u>

Rate of return - For the year ended June 30, 2018, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 6.35 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the City at June 30, 2018 were as follows:

Total pension liability	\$ 438,535,735
Plan fiduciary net position	<u>(223,822,076)</u>
Net pension liability	<u>\$ 214,713,659</u>
Plan fiduciary net position as a percentage of the total pension liability	51.04%

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.75 percent
Salary increases	1.50 percent – 2.75 percent
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation
COLA	1.50 percent

Pre-retirement mortality rates were based on the RP-2014 Blue Collar Employee Mortality Table set forward two years. Healthy annuitant mortality rates are based on the RP-2014 Blue Collar Healthy Mortality Table set forward three years. Disabled annuitant mortality rates are based on the RP-2014 Disabled Retiree Mortality Table set forward three years. All mortality tables are projected generationally with a modified version of scale MP-2017 (previously a modified version of MP-2014).

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an experience study for the period January 1, 2010 through December 31, 2014, with subsequent changes to the discount rate and mortality improvement scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation.

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2016 (see the discussion of the pension plan’s investment policy) are summarized in the table below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return*</u>
Large cap equity	6.10%
Mid cap equity	7.10
Small cap equity	8.00
International equity	7.40
Emerging markets	9.80
Private equity	10.70
Real estate	5.10
Timber	5.90
Farmland	6.90
Fixed income	1.75

Discount rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current 11% of pay contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the CFPPF, calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
CFPPF net pension liability	<u>\$ 265,445,309</u>	<u>\$ 214,713,659</u>	<u>\$ 172,273,807</u>

Combining Statements for Pension Trust Fund

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:

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Combining Statement of Pension Trust Net Position:

	<u>General Pension Plan</u>	<u>Fire and Police Pension Fund</u>	<u>Total</u>
ASSETS			
Receivables:			
Accrued income	\$ 151,930	\$ 8,143	\$ 160,073
Total receivables	<u>151,930</u>	<u>8,143</u>	<u>160,073</u>
Investments:			
Corporate bonds and notes	6,255,599	5,597,790	11,853,389
Corporate stocks	54,698,528	10,114,292	64,812,820
Foreign equity	38,748,114	-	38,748,114
Mutual funds – preferred securities	-	2,097,462	2,097,462
Private debt	14,812,220	-	14,812,220
Mutual funds – equity	26,492,820	124,388,345	150,881,165
Mutual funds – fixed income	62,024,667	34,081,446	96,106,113
Real estate	32,259,161	18,042,686	50,301,847
Hedge funds	51,905,350	13,660,667	65,566,017
Other investments	10,514,687	12,068,845	22,583,532
Temporary investments	<u>1,300,706</u>	<u>3,781,514</u>	<u>5,082,220</u>
Total investments	<u>299,011,852</u>	<u>223,833,047</u>	<u>522,844,899</u>
Total assets	<u>299,163,782</u>	<u>223,841,190</u>	<u>523,004,972</u>
LIABILITIES			
Accrued expenses	<u>178,843</u>	<u>19,114</u>	<u>197,957</u>
Total liabilities	<u>178,843</u>	<u>19,114</u>	<u>197,957</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 298,984,939</u>	<u>\$ 223,822,076</u>	<u>\$ 522,807,015</u>

Combining Statement of Changes in Plan Net Position:

ADDITIONS			
Contributions:			
Employer	\$ 11,659,818	\$ 18,036,218	\$ 29,696,036
Employee	1,203,981	4,456,026	5,660,007
Other	-	135,260	135,260
Total contributions	<u>12,863,799</u>	<u>22,627,504</u>	<u>35,491,303</u>
Investments income:			
Net appreciation in fair value of investments	25,849,750	11,016,685	36,866,435
Interest	322,159	134,208	456,367
Dividends	<u>2,289,808</u>	<u>3,688,821</u>	<u>5,978,629</u>
Less investment expense	<u>(523,273)</u>	<u>(506,560)</u>	<u>(1,029,833)</u>
Net investment income (loss)	<u>27,938,444</u>	<u>14,333,154</u>	<u>42,271,598</u>
Total additions	<u>40,802,243</u>	<u>36,960,658</u>	<u>77,762,901</u>
DEDUCTIONS			
Benefits paid to participants	21,695,787	30,063,677	51,759,464
Administrative expenses	<u>393,230</u>	<u>1,054,284</u>	<u>1,447,514</u>
Total deductions	<u>22,089,017</u>	<u>31,117,961</u>	<u>53,206,978</u>
NET CHANGE	18,713,226	5,842,697	24,555,923
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of year	<u>280,271,713</u>	<u>217,979,379</u>	<u>498,251,092</u>
End of year	<u>\$ 298,984,939</u>	<u>\$ 223,822,076</u>	<u>\$ 522,807,015</u>

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Other Postemployment Benefits Plan (OPEB) - Trust

The City’s OPEB plan is a single employer defined benefit plan that is used to provide postemployment benefits other than pensions for all permanent, full-time City employees and employees of the Chattanooga Metropolitan Airport Authority. A stand-alone Financial Report is not issued for this trust.

Plan Description

Plan administration – Management of the OPEB Plan is vested in the General Pension Plan (GPP) Board of Trustees, which consists of seven members. The Mayor is an ex-officio member with the other six appointed by the Mayor with the approval of a majority vote of the City Council.

Plan membership – OPEB plan membership as of January 1, 2018, the date of the valuation, consisted of the following:

Inactive members or their beneficiaries currently receiving benefits	1,309
Active members	<u>2,217</u>
Total	<u>3,526</u>

Benefits – 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; those requirements are different for general employees and sworn safety employees. Those members meeting the above eligibility conditions as of July 1, 2010 receive health benefits for life. Those not meeting the eligibility conditions as of July 1, 2010 receive health benefits until eligible for Medicare. Chapter 2, Article III, Division 17 of the City Code provides for the OPEB Plan. Future amendments to the plan provisions can be authorized by City ordinance upon recommendation from the Board of Trustees of the GPP, upon advice by the Mayor and upon receipt of an actuarial report as to the costs and actuarial soundness of such changes.

Contributions - The City contributes to the plan at an actuarially determined rate. 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 increased amount on the member of years’ service less than 25 years. 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 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 14.18 percent of the total covered payroll of participants. All obligations are liquidated from the OPEB trust.

Plan Investments

Investment policy - The OPEB plan’s policy in regard to the allocation of invested assets is established and may be amended by the GPP Board of Trustees. It is the policy of the GPP Board of Trustees to pursue an investment strategy that provides sufficient return to meet its actuarial assumptions without undue investment risk. The following was the adopted asset allocation policy as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
US equity - large cap	38.0%
US equity - small cap	5.0
International equity	15.0
Global fixed income	15.0
E.M. debt	5.0
Private debt	5.0
Equity hedge funds	3.5
Diversified hedge funds	3.5
Real Estate	<u>10.0</u>
Total	<u>100.0%</u>

Rate of return - For the year ended June 30, 2018, the annual money-weighted rate of return on OPEB investments, net of OPEB plan investment expense, was 8.30 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

OPEB Liability

The components of the net OPEB liability of the City at June 30, 2018 were as follows:

Total OPEB liability	\$ 199,856,844
Plan fiduciary net position	<u>(66,443,741)</u>
City's net OPEB liability	<u>\$ 133,413,103</u>
Plan fiduciary net position as a percentage of the total OPEB liability	33.25%

Actuarial assumptions - The total OPEB liability was determined by an actuarial valuation as of January 1, 2018 using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	3.00 percent
Salary increases	1.50 to 5.00 percent, including inflation
Investment rate of return	7.00 percent compounded annually, net of OPEB plan investment expense, including inflation
Single equivalent interest rate	7.00%
Healthcare cost trend rates:	
Pre-Medicare eligible	7.00%
Medicare eligible	5.75%
Ultimate trend rates:	
Pre-Medicare eligible	5.00%
Medicare eligible	5.00%
Year of Ultimate trend rate	2023

Mortality – General Employee Deaths After Retirement: According to the RP-2000 Combined Mortality Table set forward four years for males and set forward two years for females and using a Scale AA projection to 2025, for service retirements and beneficiaries of retired participants. The RP-2000 Disabled Mortality Table set forward eight years for males and set forward nine years for females and using a Scale AA projection to 2025 is used for the period after disability retirement. Fire and Police Employee Deaths After Retirement: According to the RP 2014 Blue Collar Mortality fully generational using a modified MP-2014 projection scale and set forward three years for males and female for service retirements and beneficiaries of retired participants. The RP 2014 Disabled Mortality fully generational using a modified MP-2014 projection scale and set forward three years for both males and females is used for the period after disability retirement.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the January 1, 2018 valuation for general employees were based on the results of the last actuarial experience study, dated January 7, 2014. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases for fire and police employees reflect the results of the experience investigation of the Fire and Police Pension Fund for the period ending December 31, 2014.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the January 1, 2016 valuation were based on a review of recent plan experience done concurrently with the January 1, 2016 valuation.

The long-term expected rate of return on plan assets is to be reviewed as part of regular experience studies prepared for the Plan every four to five years. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in the current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions to be developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Upon adoption of the long-term rate of return by the Plan, the target asset allocation and best estimates of expected geometric real rates of return for each major asset class, as provided by the Plan’s investment consultant, are to be summarized in a manner suggested by the following table:

Asset Class	3-yr Expected Real Rate of Return
US equity - large cap	4.0 %
US equity - small cap	5.0 %
International equity	5.5 %
Global fixed income	-1.5 %
E.M. debt	4.5 %
Private debt	7.0 %
Equity hedge funds	4.5 %
Diversified hedge funds	4.0 %
Real Estate	7.0 %

Discount rate - The discount rate used to measure the OPEB liability was 7.00%. The plan will be funded based on the actuarially determined contribution each year in the future and therefore will not be projected to run out of money.

Based on these assumptions, the Plan’s Fiduciary Net Position (FNP) was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability (TOL). The discount rate determination does not use the Municipal Bond Index Rate. There was a change in the discount rate from the Prior Measurement Date from 7.50% to 7.00%.

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current discount rate:

	<u>1% Decrease</u> (6.00%)	<u>Discount Rate</u> (7.00%)	<u>1% Increase</u> (8.00%)
Net OPEB liability	\$ 154,272,981	\$ 133,413,103	\$ 115,436,498

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (6.00% decreasing to 4.00% for pre-Medicare, 4.75% decreasing 4.00% for Medicare) or 1-percentage point higher (8.00% decreasing to 6.00% for pre-Medicare, 6.75% decreasing to 6.00% for Medicare) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 113,146,007	\$ 133,413,103	\$ 157,222,473

Alternative measurement method – January 1, 2018 is the actuarial valuation date upon which the total OPEB liability is based. The result was rolled forward using standard actuarial techniques to the measurement date of June 30, 2018. The roll forward calculation adds the normal cost (also called the service cost) for six months of 2018, subtracts the actual benefits payments for the same period and then applies the expected investment rate of return for the period. If applicable, actuarial gains and losses arising from benefit changes, the differences between estimates and actual experience, and changes in assumptions or other inputs are reconciled to the total OPEB liability as of the Measurement Date.

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

The procedure was used to determine the total OPEB liability as of June 30, 2018, as shown in the following:

Total OPEB Liability Roll Forward	
Total OPEB Liability as of June 30, 2017	\$ 177,873,426
Actual benefit payment and refunds for July1, 2017 – June 30, 2018	(8,251,792)
Interest on TOL	13,031,065
Service cost for the period July 1, 2017 – June 30, 2018 at the end of period	3,796,244
Experience (Gain)/Loss	167,505
Assumption Change (Gain/Loss)	<u>13,240,396</u>
Total OPEB liability rolled forward to June 30, 2018	<u>\$ 199,856,844</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 Electric Power Board of Chattanooga Retirement Plan. All permanent employees are eligible to participate in one of these retirement benefit pension plans. The component units provide retirement benefits as well. The Airport participates in the General Pension Plan while CARTA employees are covered by a separate defined benefit plan.

The primary government also provides benefits through two single-employer other postemployment benefit plans (OPEB), one for EPB employees and one for all other city employees.

The information below provides an aggregate view of these plans for both the primary government and its component units:

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2016	\$ 775,791,341	\$ 508,325,439	\$ 267,465,902
Changes for the year:			
Service cost	15,560,201	-	15,560,201
Interest expense	57,032,008	-	57,032,008
Experience losses (gains)	1,422,337	-	1,422,337
Changes of assumptions	13,379,854	-	13,379,854
Contributions – city	-	28,207,671	(28,207,671)
Contributions – members	-	5,276,801	(5,276,801)
Net investment income	-	50,882,478	(50,882,478)
Benefits paid	(55,765,885)	(55,765,885)	-
Plan administrative expenses	-	(970,386)	970,386
Other	-	151,146	(151,146)
Net changes	<u>31,628,515</u>	<u>27,781,825</u>	<u>3,846,690</u>
Balances at 6/30/2017	<u>\$ 807,419,856</u>	<u>\$ 536,107,264</u>	<u>\$ 271,312,592</u>

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

	Component Units Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balances at 6/30/2016	\$ 38,356,929	\$ 22,565,085	\$ 15,791,844
Changes for the year:			
Service cost	1,115,927	-	1,115,927
Interest expense	2,747,090	-	2,747,090
Experience losses (gains)	631,595	-	631,595
Changes of assumptions	90,598	-	90,598
Contributions – city	-	1,845,305	(1,845,305)
Contributions – members	-	383,430	(383,430)
Net investment income	-	2,729,457	(2,729,457)
Benefits paid	(2,173,534)	(2,173,534)	-
Plan administrative expenses	-	(17,880)	17,880
Other	-	-	-
Net changes	<u>2,411,676</u>	<u>2,766,778</u>	<u>(355,102)</u>
Balances at 6/30/2017	<u>\$ 40,768,605</u>	<u>\$ 25,331,863</u>	<u>\$ 15,436,742</u>

	<u>General Pension Plan</u>	<u>Fire & Police Pension Plan</u>	<u>EPB Pension Plan</u>	<u>CARTA Pension Plan</u>	<u>Totals</u>
Net pension liability	\$ 72,524,422	\$188,483,848	\$ 12,801,995	\$ 12,939,069	\$ 286,749,334
Deferred pension outflows					
Contributions	11,659,818	18,036,218	334,370	-	30,030,406
Change in assumptions	12,219,476	23,005,314	3,570,196	-	38,794,986
Difference between expected and actual experience	2,555,666	4,905,461	6,928,339	852,341	15,241,807
Net difference between projected and actual earnings on pension plan investments	<u>16,324,556</u>	<u>9,563,872</u>	<u>798,295</u>	<u>1,957</u>	<u>26,688,680</u>
	<u>42,759,516</u>	<u>55,510,865</u>	<u>11,631,200</u>	<u>854,298</u>	<u>110,755,879</u>
Deferred pension inflows					
Change in assumptions	1,691,474	-	-	-	1,721,177
Difference between expected and actual experience	142,903	7,421,004	-	-	7,563,907
Net difference between projected and actual earnings on pension plan investments	<u>7,986,557</u>	<u>-</u>	<u>-</u>	<u>29,703</u>	<u>7,986,557</u>
	<u>9,820,934</u>	<u>7,421,004</u>	<u>-</u>	<u>29,703</u>	<u>17,271,641</u>
Pension expense (income)	15,751,715	23,603,427	5,761,300	1,883,559	47,000,001

The following is a summary of each of these plans:

City of Chattanooga General Pension Plan

General Information

Plan administration - The City of Chattanooga General Pension Plan (GPP) provides pensions for all permanent, full-time general City employees and employees of the Chattanooga Metropolitan Airport Authority. Chapter 2, Article III, Division 17 of the City Code provides for the General Pension Plan. Future amendments to the plan provisions can be authorized by City ordinance upon recommendation from the Board of Trustees of the GPP, upon advice by the Mayor and upon receipt of an actuarial report as to the costs and actuarial soundness of such changes.

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Benefits provided - The GPP provides retirement and disability benefits. The normal retirement benefit is two percent of average compensation 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 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 two and one-half 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. Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual cost-of-living adjustment will be made each January 1 and shall be equal to 3.0 percent.

A Partial Lump Sum Option (PLOP) of the GPP offers participants the option of receiving a portion of total pension benefit as a lump-sum cash payment at the time of retirement. When a participant elects the PLOP, monthly benefit payments are reduced. The PLOP payment can be paid in annual installments up to three years, depending on the participant's total credited service. The participant must have 26 years of credited service to be eligible for a one-year PLOP payment, 27 years for a two-year PLOP payment and at least 28 years for a three-year PLOP payment.

Employees covered by benefit terms - The following employees were covered by the benefit terms as of January 1, 2017, the valuation date:

Inactive employees or beneficiaries currently receiving benefits	1,128
Inactive employees entitled to but not yet receiving benefits	108
Active employees	<u>1,403</u>
	<u>2,639</u>

Contributions - The GPP Board of Trustees establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, the active member contribution rate was 2.0 percent of annual pay and the City's contribution rate was 16.57 percent of the total covered payroll of participants.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017, rolled-forward to June 30, 2017 using standard roll forward techniques.

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.75 percent
Salary increases	4.0 - 5.0 percent, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expenses, including inflation
COLA	3.0 percent

Both pre-retirement and post-retirement mortality rates were based on the RP 2000 combined mortality table set forward four years for males and set forward two years for females and using a Scale AA projection to 2025. Post-disability mortality rates were based on the RP 2000 disabled retiree mortality table set forward eight years for males and set forward nine years for females. The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study, dated January 7, 2014. The investment rate of return was decreased from 7.25% to 7.00% as of January 1, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation.

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US large cap equity	38.0%	8.5%
US small cap equity	7.0	8.2
International equity	15.0	8.3
US core fixed income	10.0	1.0
US high yield fixed income	5.0	4.8
International fixed developed	5.0	1.7
Equity hedge funds	7.0	7.5
Diversified hedge funds	7.0	7.0
Private equity	3.0	15.0
Private real estate	<u>3.0</u>	8.0
	<u>100.0%</u>	

Discount rate - The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate of 2% of pay and that City contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Net Position (b)</u>	<u>Net Pension Liability (a) – (b)</u>
Balances at 6/30/2016	\$ 331,252,472	\$ 264,066,396	\$ 67,186,076
Changes for the year:			
Service cost	6,982,512	-	6,982,512
Interest expense	23,280,746	-	23,280,746
Changes of assumptions	2,630,676	-	2,630,676
Difference between expected and actual experience	8,927,192	-	8,927,192
Contributions – city	-	9,717,412	(9,717,412)
Contributions – members	-	1,179,685	(1,179,685)
Net investment income	-	25,744,473	(25,744,473)
Benefits paid	(20,277,462)	(20,277,462)	-
Plan administrative expenses	-	(158,790)	158,790
Net changes	<u>21,543,664</u>	<u>16,205,318</u>	<u>5,338,346</u>
Balances at 6/30/2017	<u>\$ 352,796,136</u>	<u>\$ 280,271,714</u>	<u>\$ 72,524,422</u>

Changes in actuarial assumptions – Since the prior measurement date the discount rate used in the measurement of the total pension liability has been changed from 7.25% to 7.00%.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.00 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City’s net pension liability	<u>\$ 112,166,375</u>	<u>\$ 72,524,422</u>	<u>\$ 38,875,598</u>

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Pension plan fiduciary net position – The plan does not issue a separate financial report. Detailed information about the pension plan’s fiduciary net position is found in Note 6.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City recognized pension expense of \$15,209,241 with an additional \$542,474 for the Airport Authority, a component unit of the City.

Deferred outflows of resources related to pensions are as follows:

	<u>Primary Government</u>	<u>Airport Authority</u>	<u>Total</u>
Deferred contributions	\$ 11,258,265	\$ 401,553	\$ 11,659,818
Net difference between projected and actual earnings on pension plan investments	15,762,354	562,202	16,324,556
Difference between expected and actual experience	2,467,651	88,015	2,555,666
Change of assumptions	<u>11,798,649</u>	<u>420,827</u>	<u>12,219,476</u>
Total deferred outflow of resources	<u>\$ 41,286,919</u>	<u>\$ 1,472,597</u>	<u>\$ 42,759,516</u>

Deferred inflows of resources related to pensions are as follows:

	<u>Primary Government</u>	<u>Airport Authority</u>	<u>Total</u>
Changes of assumptions	\$ 1,633,221	\$ 58,253	\$ 1,691,474
Difference between expected and actual experience	137,982	4,921	142,903
Net difference between projected and actual earnings on pension plan investments	<u>7,711,507</u>	<u>275,050</u>	<u>7,986,557</u>
Total deferred inflow of resources	<u>\$ 9,482,710</u>	<u>\$ 338,224</u>	<u>\$ 9,820,934</u>

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	<u>Primary Government</u>	<u>Airport Authority</u>	<u>Total</u>
2019	\$ 5,125,558	\$ 182,815	\$ 5,308,373
2020	7,867,683	280,620	8,148,303
2021	6,435,505	229,538	6,665,043
2022	1,006,705	35,907	1,042,612
2023	<u>110,492</u>	<u>3,941</u>	<u>114,433</u>
	<u>\$ 20,545,943</u>	<u>\$ 732,821</u>	<u>\$ 21,278,764</u>

Payable to the Pension Plan

At June 30, 2018, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan.

Fire and Police Pension Fund

General Information

Plan administration - The City of Chattanooga Fire and Police Pension Fund (CFPPF) provides pensions for all sworn members of the City’s Fire and Police Departments. Chapter 2, Article III, Division 18 of the City Code provides for the Fire and Police Pension Fund. Future amendments to the plan provisions can be authorized by City ordinance upon recommendation from the Board of the City of Chattanooga Fire and Police Pension Fund, upon advice by the Mayor provided that such an amendment is not inconsistent with sound actuarial principles.

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Benefits provided - The CFPPF provides retirement, disability and death benefits.

For participants vested as of July 1, 2014, the normal retirement benefit is based upon 25 years of credited service and is calculated as 2.75% of final average monthly salary for each year of service up to 25 years plus 1.25% of final average monthly salary for each year of service greater than 25 up to 30 years. For participants hired prior to July 1, 2014 but not vested as of July 1, 2014, the normal retirement benefit is based upon the earlier of 28 years of credited service or age 50 with 25 years of credited service and is calculated as 2.75% of final average monthly salary for each year of service up to 25 years plus 1.25% of final average monthly salary for each year of service greater than 25 up to 30 years.

For participants hired after July 1, 2014, the normal retirement benefit is based the earlier of 30 years of credited service or age 55 with 25 years of credited service and is calculated as 2.50% of final average monthly salary for each year of service up to 30 years.

For all participants, benefit is capped at 75% of final average monthly salary. Reduced benefit provisions are available for participants who have attained age 55 and have completed at least 10 years of credited service. Additional benefits are available in the event of death for pre-retirement employees, based on predetermined formulas. Benefit terms provide for potential cost-of-living adjustments. Effective July 1, 2014, cost-of-living adjustments are provided to retirees based on rates contingent on plan funded status percentages and increases in the consumer price index with a maximum increase of 3% per year.

Two deferred retirement option plans (DROP) are available for participants:

The original DROP applies to members who previously contributed 9% of pay and began contributing 10% as of July 1, 2014 and who had at least 24 years of service as of July 1, 2014. Those participants may retire at any time after completing at least 25 years of service and no more than 30 years of service with the option to back-DROP for up to three years but not prior to 25 years of service. The retirement benefit amount is calculated, based upon service at the back-DROP date and final average salary at retirement. Up to 36 months of this benefit amount will be used in determining the DROP lump-sum. The DROP account along with employee contributions made during the back-DROP period is credited with 7% interest annually, compounded monthly from the back-DROP date.

All other participants are eligible for a modified DROP. A participant may retire at any time after completing at least 25 years of service and no more than 33 years of service with the option to back-DROP for up to three years but not prior to 25 years of service. The retirement benefit amount is calculated based upon service at the back-DROP date and final average salary at the beginning for the DROP period. Up to 36 months of this benefit amount will be used in determining the DROP lump-sum. No COLA or interest will be applied to either the DROP annuity or DROP lump-sum.

Employees covered by benefit terms – The following employees were covered by the benefit terms as of January 1, 2017, the valuation date:

Inactive plan members or beneficiaries currently receiving benefits	781
Inactive plan members entitled to but not yet receiving benefits	22
Active plan members	<u>832</u>
	<u>1,635</u>

Contributions - The CFPPF Board of Directors establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, the active member contribution rate was either 11 or 12 percent of payroll. The City's contribution rate was 32.93% of the total covered payroll of participants.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017, rolled-forward to June 30, 2017.

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.75 percent
Salary increases	2.75 percent plus service based merit increases
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation
COLA	1.50 percent

Pre-retirement mortality rates were based on the RP-2014 Blue Collar Employee Mortality Table set forward two years. Healthy annuitant mortality rates are based on the RP-2014 Blue Collar Healthy Mortality Table set forward three years. Disabled annuitant mortality rates are based on the RP-2014 Disabled Retiree Mortality Table set forward three years. All mortality tables are projected generationally with a modified version of scale MP-2014. The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an experience study for the period January 1, 2010 through December 31, 2014 and based on changes to the retirement rate and COLA assumptions made in the conjunction with plan changes effective July 1, 2014. The investment return and administrative expense assumptions were further modified in the January 1, 2017 valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	16%	6.71%
International equity	17	7.71
Fixed income	21	2.11
Real estate	14	5.21
Hedge funds	25	3.91
Private equity	<u>7</u>	10.91
	<u>100%</u>	

Discount rate - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at their applicable rates and that City contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at 6/30/2016	\$ 397,770,631	\$ 208,591,942	\$ 189,178,689
Changes for the year:			
Service cost	5,398,371	-	5,398,371
Interest expense	30,121,491	-	30,121,491
Difference between expected and actual experience	(8,657,838)	-	(8,657,838)
Change of assumptions	10,839,776	-	10,839,776
Contributions - city	-	12,999,917	(12,999,917)
Contributions - members	-	4,137,743	(4,137,743)
Net investment income	-	21,850,184	(21,850,184)
Benefits paid	(29,009,204)	(29,009,204)	-
Plan administrative expenses	-	(742,349)	742,349
Other	-	151,146	(151,146)
Net changes	<u>8,692,596</u>	<u>9,387,437</u>	<u>(694,841)</u>
Balances at 6/30/2017	<u>\$ 406,463,227</u>	<u>\$ 217,979,379</u>	<u>\$ 188,483,848</u>

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Changes in actuarial assumptions – There have been no changes in actuarial assumptions and methods used in the measurement of the total pension liability since the prior measurement date.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.50 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City’s net pension liability	<u>\$ 237,146,607</u>	<u>\$ 188,483,848</u>	<u>\$ 147,838,196</u>

Pension plan fiduciary net position – The plan does not issue a separate financial report. Detailed information about the pension plan’s fiduciary net position is found in Note 6.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City recognized \$23,603,427 in pension expense. Deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,905,461	\$ 7,421,004
Change of assumptions	23,005,314	-
Deferred contributions	18,036,218	-
Net difference between projected and actual earnings on pension plan investments	<u>9,563,872</u>	<u>-</u>
Total	<u>\$ 55,510,865</u>	<u>\$ 7,421,004</u>

Deferred outflows of resources totaling \$18,036,218 represent contributions made after the plan’s valuation date. Amounts reported as deferred outflows of resources and deferred inflows of resources, excluding deferred contributions, related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2019	\$ 7,313,045
2020	10,811,172
2021	8,605,307
2022	2,675,692
2023	336,722
Thereafter	<u>311,705</u>
	<u>\$ 30,053,643</u>

Payable to the Pension Plan

At June 30, 2018, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan.

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Electric Power Board of Chattanooga Retirement Plan

General Information

Plan administration - The Electric Power Board of Chattanooga Retirement Plan (Plan) provides retirement benefits to all employees who have completed six months of employment. The Plan assigns the authority to establish and amend benefit provisions to EPB. A stand-alone financial report is not issued for this plan.

Benefits provided – The Plan provides retirement and death benefits. The normal monthly retirement benefit formula provides that each participant will receive a monthly payment in the form of a single life annuity with sixty monthly guaranteed payments. The monthly payments are computed at the rate of 2% of final monthly salary for the first twenty years of service; 1.25% for the next ten years of service; 0.5% for the next five years of service. Computation is capped at 35 years.

A participant who has completed five or more years of credited service and who has attained age fifty-five may be entitled to receive an early retirement benefit. The early retirement benefit is equal to the amount of the accrued benefit reduced by 0.4% for each month by which the early retirement date precedes the normal retirement date.

The death benefit is a survivor annuity benefit if the participant was vested and married under prescribed conditions. Final monthly salary is the three-year average of base salary on the actual retirement date and the two previous August 1sts. The normal retirement date is the first day of the month coincident with the participant’s 65th birthday or having five years of participation in the plan.

Employees covered by benefit terms – The following employees were covered by the benefit terms as of June 30, 2018:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	128
Active plan members	<u>542</u>
	<u>685</u>

Contributions – Plan members are not required to contribute to the Plan. EPB’s contributions are calculated based on an actuarially determined rate, which is currently 13.60% of annual covered payroll.

Net Pension Liability

EPB’s net pension liability was measured as of August 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of August 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	1.5 percent
Salary increases	3.0 percent
Investment rate of return	7.0 percent

Mortality rates were based on the UP-1984 Mortality Table for males and females.

The actuarial assumptions used in the August 1, 2017 valuation were based on the results of an experience study for the period August 1, 2014 through July 31, 2017. The actuarial assumptions used in the August , 2016 valuation were based on the results of an actuarial experience study for the period August 1, 2013 – July 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	30-45%	6.5%
International equity	25-40	6.0
Fixed income	20-30	2.5
Real estate	0-10	5.5
Cash	0-10	0.0

Discount rate - The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that EPB contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Net Position</u> <u>(b)</u>	<u>Net Pension Liability</u> <u>(a) – (b)</u>
Balances at 6/30/2016	\$ 58,176,248	\$ 44,761,287	\$ 13,414,961
Changes for the year:			
Service cost	3,419,789	-	3,419,789
Interest expense	4,431,537	-	4,431,537
Difference between expected and actual experience	1,460,427	-	1,460,427
Contributions – EPB	-	5,825,000	(5,825,000)
Net investment income	-	4,174,435	(4,174,435)
Benefits paid	(7,177,555)	(7,177,555)	-
Plan administrative expenses	-	(74,716)	74,716
Net changes	<u>2,134,198</u>	<u>2,747,164</u>	<u>(612,966)</u>
Balance at 6/30/2017	<u>\$ 60,310,446</u>	<u>\$ 47,508,451</u>	<u>\$ 12,801,995</u>

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	<u>1% Decrease</u> <u>(6.0%)</u>	<u>Current Discount Rate</u> <u>(7.0%)</u>	<u>1% Increase</u> <u>(8.0%)</u>
City's net pension liability	<u>\$ 22,604,181</u>	<u>\$ 12,801,995</u>	<u>\$ 4,558,948</u>

The plan does not issue a separate report.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2018, EPB recognized \$5,761,300 in pension expense. Deferred outflows of resources related to pensions are as follows:

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 6,928,339
Deferred contributions	334,370
Change in assumption	3,570,196
Net difference between projected and actual earnings on pension plan investments	<u>798,295</u>
Total	<u>\$ 11,631,200</u>

Deferred outflows of resources totaling \$334,370 represent contributions made after the plan’s valuation date. Amounts reported as deferred outflows of resources and deferred inflows of resources, excluding deferred contributions, related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2019	\$ 745,305
2020	1,351,731
2021	1,150,123
2022	479,118
2023	731,996
Thereafter	<u>6,838,557</u>
	<u>\$ 11,296,830</u>

Payable to the Pension Plan

At June 30, 2018, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan.

Other Postemployment Benefits (City Fund)

General Information

Plan Description - The City’s OPEB plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions for all permanent, full-time general City employees and employees of the Chattanooga Metropolitan Airport Authority. Management of the OPEB Plan vested in the General Pension Plan (GPP) Board of Trustees, which consists of seven members. The Mayor is an ex-officio member with the other six appointed by the Mayor with the approval of a majority vote of the City Council. A stand-alone Financial Report is not issued for this plan.

Benefits provided - 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; those requirements are different for general employees and sworn safety employees. Those members meeting the eligibility conditions as of July 1, 2010 receive health benefits for life. Those not meeting the eligibility conditions as of July 1, 2010 receive health benefits until eligible for Medicare. A stand-alone financial report is not issued for the plan. Chapter 2, Article III, Division 17 of the City Code provides for the General Pension Plan (GPP) and OPEB Plan. Future amendments to the plan provisions can be authorized by City ordinance upon recommendation from the Board of Trustees of the GPP, upon advice by the Mayor and upon receipt of an actuarial report as to the costs and actuarial soundness of such changes.

Employees covered by benefit terms. The following employees were covered by the benefit terms as of January 1, 2016, the date of the valuation used to determine the June 30, 2017:

Inactive members or their beneficiaries currently receiving benefits	1,316
Active members	<u>2,225</u>
Total	<u>3,541</u>

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Contributions - The City contributes to the plan at an actuarially determined rate. 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 increased amount on the member of years' service less than 25 years. 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 13.90 percent of the total covered payroll of participants. All obligations are liquidated from the OPEB trust.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2016, rolled-forward to June 30, 2017.

Actuarial assumptions. The total OPEB liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 %
Salary increases	1.50 to 5.00 %, including inflation
Investment rate of return	7.50% compounded annually, net of investment expense, and including inflation
Single equivalent interest rate	7.50%
Healthcare cost trend rates	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.75 %
Ultimate trend rate	
Pre-Medicare Eligible	5.00 %
Medicare Eligible	5.00 %
Year of Ultimate trend rate	2021

Mortality – General Employee Deaths After Retirement: According to the RP-2000 Combined Mortality Table set forward four years for males and set forward two years for females and using a Scale AA projection to 2025, for service retirements and beneficiaries of retired participants. The RP-2000 Disabled Mortality Table set forward eight years for males and set forward nine years for females and using a Scale AA projection to 2025 is used for the period after disability retirement. Fire and Police Employee Deaths After Retirement: According to the RP 2014 Blue Collar Mortality fully generational using a modified MP-2014 projection scale and set forward three years for males and female for service retirements and beneficiaries of retired participants. The RP 2014 Disabled Mortality fully generational using a modified MP-2014 projection scale and set forward three years for both males and females is used for the period after disability retirement.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the January 1, 2016 valuation for general employees were based on the results of the last actuarial experience study, dated January 7, 2014. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases for fire and police employees reflect the results of the experience investigation of the Fire and Police Pension Fund for the period ending December 31, 2014.

The remaining actuarial assumptions (e.g., initial per capital costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the January 1, 2016 valuation were based on a review of recent plan experience done concurrently with the January 1, 2016 valuation.

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The long-term expected rate of return on plan assets is to be reviewed as part of regular experience studies prepared for the Plan every four to five years. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in the current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions to be developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Upon adoption of the long-term rate of return by the Plan, the target asset allocation and best estimates of expected geometric real rates of return for each major asset class, as provided by the Plan’s investment consultant, are to be summarized in a manner suggested by the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>3-yr Expected Real Rate of Return</u>
US equity - large cap	38.0 %	4.0 %
US equity - small cap	5.0 %	5.0 %
International equity	15.0 %	5.5 %
Global fixed income	15.0 %	-1.5 %
E.M. debt	5.0 %	4.5 %
Private debt	5.0 %	7.0 %
Equity hedge funds	3.5 %	4.5 %
Diversified hedge funds	3.5 %	4.0 %
Real Estate	<u>10.0 %</u>	7.0 %
	<u>100.0 %</u>	

Discount rate - The discount rate used to measure the OPEB liability was 7.5 percent. The plan will be funded based on the actuarially determined contribution each year in the future therefore will not be projected to run out of money.

Based on these assumptions, the Plan’s fiduciary net position (FNP) was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (TOL). The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the Prior Measurement Date.

Changes in Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balances at 6/30/2016	\$ 169,492,863	\$ 41,557,660	\$ 127,935,203
Changes for the year:			
Service cost	3,285,014	-	3,285,014
Interest expense	12,436,672	-	12,436,672
Contributions – employer	-	13,403,639	(13,403,639)
Net investment income	-	7,313,765	(7,313,765)
Benefits paid	(7,341,124)	(7,341,124)	-
Plan administrative expenses	-	(41,992)	41,992
Net changes	<u>8,380,562</u>	<u>13,334,288</u>	<u>(4,953,726)</u>
Balance at 6/30/2017	<u>\$ 177,873,425</u>	<u>\$ 54,891,948</u>	<u>\$ 122,981,477</u>

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current discount rate:

	<u>1% Decrease</u> <u>(6.50%)</u>	<u>Discount Rate</u> <u>(7.50%)</u>	<u>1% Increase</u> <u>(8.50%)</u>
Net OPEB liability	\$ 141,165,305	\$ 122,981,478	\$ 107,265,166

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (6.00% decreasing to 4.00% for pre-Medicare, 4.75% decreasing 4.00% for Medicare) or 1-percentage point higher (8.00% decreasing to 6.00% for pre-Medicare, 6.75% decreasing to 6.00% for Medicare) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost</u> <u>Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability	\$ 103,612,393	\$ 122,981,478	\$ 145,807,569

OPEB plan fiduciary net position. The plan does not issue a separate financial report. Detailed information about the OPEB plan's fiduciary net position is found in Note 6.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$12,463,311. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Primary</u> <u>Government</u>	<u>Airport</u> <u>Authority</u>	<u>Total</u>
Deferred outflow of resources:			
Deferred contribution	\$ 13,870,717	\$ 320,679	\$ 14,191,396
2016 investment loss	<u>3,297,566</u>	<u>76,237</u>	<u>3,373,803</u>
Total	<u>\$ 17,168,283</u>	<u>\$ 396,916</u>	<u>\$ 17,565,199</u>
Deferred inflow of resources:			
2017 investment gain	<u>\$ 3,105,149</u>	<u>\$ 71,788</u>	<u>\$ 3,176,937</u>
Total	<u>\$ 3,105,149</u>	<u>\$ 71,788</u>	<u>\$ 3,176,937</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>Primary</u> <u>Government</u>	<u>Airport</u> <u>Authority</u>	<u>Total</u>
Year ended June 30,			
2019	\$ 1,875,476	\$ 43,359	\$ 1,918,835
2020	1,875,476	43,359	1,918,835
2021	1,875,476	43,359	1,918,835
2022	1,875,476	43,359	1,918,835
2023	<u>776,287</u>	<u>17,947</u>	<u>794,234</u>
	<u>\$ 8,278,191</u>	<u>\$ 191,383</u>	<u>\$ 8,469,574</u>

Payable to the OPEB Plan

At June 30, 2018, the City reported a payable of \$0 for the outstanding amount of contribution to the OPEB plan.

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Other Postemployment Benefits (EPB)

Plan Description - The Electric Power Board of Chattanooga Post Employment 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 assigns the authority to establish and amend benefit provisions to EPB. A stand-alone Financial Report is not issued for this plan.

Benefits provided - The plan provides health and life insurance benefits. These benefits are subject to deductibles, co-payments provisions, and other limitations. Eligible retirees and their dependents may continue healthcare coverage through EPB, and retirees after July 1, 1994 received a death benefit from the plan.

Employees Covered by Benefit Terms - At June 30, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	450
Inactive plan members entitled to but not yet receiving benefits	55
Active plan members	<u>602</u>
	<u>1,107</u>

Contributions - The contribution requirements of plan members and EPB are established and may be amended by EPB. Plan members receiving benefits contribute based on retiree’s age, retirement date, and years of service. Contribution rates for FY 2018 are as shown in the table below.

Category	Retirement After March 1, 1991				
	Years of Service/percent of Contributions				
	<u>5-9/85%</u>	<u>10-14/75%</u>	<u>15-19/55%</u>	<u>20-24/35%</u>	<u>25+/15%</u>
Pre-Age 65, EPO					
Individual	\$ 475	\$ 419	\$ 308	\$ 196	\$ 84
Employee +1	951	839	615	392	168
Family	1,426	1,258	923	587	252
Pre-Age 65, PPO					
Individual	\$ 380	\$ 336	\$ 246	\$ 157	\$ 67
Employee +1	761	671	492	313	134
Family	1,141	1,007	738	470	201
Age 65 & Over					
Individual	\$ 130	\$ 118	\$ 88	\$ 57	\$ 27
Spouse	130	118	88	57	27

EPB’s contributions are calculated based on claims actually paid under the plan, which were 4.0% of annual covered payroll as of June 30, 2017.

Net OPEB Liability

EPB’s net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Healthcare cost trend	7.50 percent initial, 5.50 percent ultimate
Investment rate of return	6.50 percent

Mortality rates were based on the UP-1984 Mortality Table for Males or Females. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period August 1, 2014 - July 31, 2017.

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	30-40%	6.5 %
International equity	30-50	6.0 %
Fixed income	15-25	3.5 %
Real estate	0-10	5.5 %
Cash	0-10	0.5 %

Discount rate - The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that EPB contributions will be made at the expected level of future claims under the plan. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table shows the changes in the net OPEB liability:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u> <u>(a)</u>	<u>Plan Net Position</u> <u>(b)</u>	<u>Net Pension Liability</u> <u>(a) – (b)</u>
Balances at 6/30/2017	\$ 28,484,000	\$ 20,962,000	\$ 7,522,000
Changes for the year:			
Service cost	1,191,000	-	1,191,000
Interest expense	1,851,000	-	1,851,000
Difference between expected and actual experience	(3,860,000)	-	(3,860,000)
Contributions – employer	-	1,686,000	(1,686,000)
Net investment income	-	2,495,000	(2,495,000)
Benefits paid	(1,716,000)	(1,716,000)	-
Plan administrative expenses	-	(49,000)	49,000
Net changes	<u>(2,534,000)</u>	<u>2,416,000</u>	<u>(4,950,000)</u>
Balance at 6/30/2018	<u>\$ 25,950,000</u>	<u>\$ 23,378,000</u>	<u>\$ 2,572,000</u>

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of the Plan, calculated using the discount rate of 6.5 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

	<u>1% Decrease</u> <u>(5.50%)</u>	<u>Discount Rate</u> <u>(6.50%)</u>	<u>1% Increase</u> <u>(7.50%)</u>
Net OPEB liability	\$ 5,859,000	\$ 2,572,000	\$ (162,000)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB

For the year ended June 30, 2018, EPB recognized an OPEB expense of \$1.2 million. At June 30, 2018, EPB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 3,575,000
Employer contributions made after plan year	1,582,000	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>909,000</u>
Total	<u>\$ 1,582,000</u>	<u>\$ 4,484,000</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense (revenue) as follows:

Year ended June 30,	
2019	\$ (512,000)
2020	(512,000)
2021	(512,000)
2022	(512,000)
2023	(284,000)
Thereafter	<u>(2,152,000)</u>
	<u>\$ (4,484,000)</u>

Deferred outflows of resources totaling \$1.6 million represent contributions made after the Plan’s valuation date. These contributions will be used to reduce the net OPEB liability during 2019.

Payable to the OPEB Plan

At June 30, 2018, EPB reported \$0 payable balances for required outstanding contributions to the Plan.

City 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, 2017	\$ 32,096,267
Deferrals of compensation	3,429,307
Earnings (losses)	2,432,200
Withdrawals	(3,430,368)
Administrative expenses	<u>(43,169)</u>
Asset balance at June 30, 2018	<u>\$ 34,484,237</u>

EPB 401(k) Plan

Effective August 1, 1984, EPB implemented a 401(k) defined contribution plan, the EPB Retirement Savings Plan, which allows employees to invest up to 100% of their salary in a tax-deferred savings plan. EPB contributes 100% matching contribution up to 4.0% of an employee’s salary after one year of employment. All employees who have completed three months of employment and have attained age 18 are eligible to participate in the 401(k) defined contribution plan. Participating employees are immediately fully vested in EPB contributions, which amounted to approximately \$1.4 million in fiscal year 2018. Employee contributions were approximately \$3.3 million. The EPB Retirement Savings Plan is administered by an individual designated by EPB; the EPB Retirement Savings Plan assigns the authority to establish and amend the plan to EPB.

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Pension Plans of Component Units

Chattanooga Area Regional Transportation Authority (CARTA or Authority) is the only component unit with separate defined benefit pension plans. As of June 30, 2018, CARTA has two plans, The Disability and Retirement Plan and The Defined Benefit Plan. Condensed disclosures for CARTA's defined benefit pension plans are as follows:

General Information

Plan administration – The Disability and Retirement Plan of the Chattanooga Area Regional Transportation Authority and Local 1212 of the Amalgamated Transit Union (Plan) is administered by a committee of four persons, two appointed by Union and two appointed by CARTA. The Plan issues a stand-alone financial report which may be obtained by writing to CARTA, 1617 Wilcox Boulevard, Chattanooga, Tennessee, 37406. The Chattanooga Area Regional Transportation Authority Defined Benefit Plan covers only one retiree. Complete pension disclosures are in CARTA's separately-issued financial statements.

Benefits provided – All full-time, permanent employees who have completed at least 60 days of employment are eligible to participate in the Plan. Participants who retire at or after age 65 with 5 years of continuous service, or when the sum of the employee's age and number of completed continuous years of service equals or exceeds 85, are entitled to a monthly benefit.

Employees covered by benefit terms – The following employees were covered by the benefit terms as of January 1, 2018, the valuation date, inclusive of both plans:

Inactive employees or beneficiaries currently receiving benefits	105
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>166</u>
	<u>278</u>

Contributions – All participants are required to make a contribution equal to 4.0 percent of their earnings, with CARTA contributing 12.6 percent. There are no contributions associated with the single member plan.

Net Pension Liability

The Authority's net pension liability was measured as of January 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Discount rate - The discount rate used to measure the total pension liability was 7.5 percent and 5.5 percent (single member plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and member rates.

Changes in Net Pension Liability

The following is the combined net pension liability combined for both defined benefit plans.

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 1/1/17	\$ 26,948,919	\$ 13,470,899	\$ 13,478,020
Changes for the year:			
Service cost	875,456	-	875,456
Interest expense	1,945,324	-	1,945,324
Experience losses/ (gains)	324,151	-	324,151
Contributions – CARTA	-	1,510,647	(1,510,647)
Contributions – members	-	342,803	(342,803)
Net investment income	-	1,842,843	(1,842,843)
Benefits paid	(1,475,198)	(1,475,198)	-
Plan administrative expenses	-	(12,411)	12,411
Other	-	-	-
Net changes	<u>1,669,733</u>	<u>2,208,684</u>	<u>(538,951)</u>
Balances at 1/1/18	<u>\$ 28,618,652</u>	<u>\$ 15,679,583</u>	<u>\$ 12,939,069</u>

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the Authority, calculated using the discount rate of 7.5 percent for the Disability and Retirement Plan and 5.5 percent for the Defined Benefit Plan, as well as what the Authority’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.5% & 4.5%)	Current Discount Rate (7.5% & 5.5%)	1% Increase (8.5% & 6.5%)
Authority’s net pension liability:			
Disability and Retirement Plan	\$ 15,851,668	\$ 12,706,962	\$ 10,063,689
Defined Benefit Plan	333,886	232,107	145,118

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Authority recognized pension expense of \$1,883,559. Deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 852,341	\$ -
Net difference between projected and actual earnings on pension plan investments	<u>1,957</u>	<u>29,703</u>
Total	<u>\$ 854,298</u>	<u>\$ 29,703</u>

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	\$ 392,197
2019	341,085
2020	97,308
2021	(65,286)
2022	55,140
Thereafter	<u>4,151</u>
	<u>\$ 824,595</u>

Other Postemployment Benefits of Component Units

Plan Description

CARTA provides health care, life insurance, and supplemental retirement benefits for certain members of management and their spouses. The plan is a single-employer defined benefit plan; participants of this plan who retire are entitled to a monthly benefit.

Funding Policy

CARTA pays for all of the costs of the health care, life insurance, and supplemental retirement benefits. The contribution requirements are established and may be amended by CARTA’s Board of Directors. Plan members are currently not required to contribute.

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2018, the annual OPEB cost is equal to the annual required contribution of \$32,105 as determined by actuarial valuations performed as of July 1, 2016, respectively.

The Authority's Annual OPEB Cost, percentage of OPEB Cost contributed, and Net OPEB Obligation for the current year and each of the two preceding years were as follows:

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
Other Postemployment	6/30/18	\$ 4,812	2.56%	\$ 240,961
Benefits	6/30/17	33,930	36.6%	(34,310)
	6/30/16	42,165	40.3%	(60,935)

Actuarial Methods and Assumptions

The annual required contribution for the plan is as follows:

Actuarial cost method	Projected Unit
Credit remaining amortization period	10 Years
Inflation rate	3.00%
Projected salary increases	0.00%
Interest rate	3.00%
Healthcare cost trend rate	7.25%

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, 2018, the minimum fund balance per policy is \$42.3 million. The current unrestricted fund balance is \$90.5 million.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances:				
Nonspendable				
Endowments	\$ -	\$ -	\$ 5,113,813	\$ 5,113,813
Inventory	992,060	-	-	992,060
Long-term notes receivable	135,648	-	-	135,648
Prepaid expenses	4,000	-	17,357	21,357
Restricted				
Law enforcement	67,393	-	1,357,870	1,425,263
Economic development	17,957,197	-	11,780	17,968,977
African-American Museum	40,788	-	-	40,788
Special programs	450,528	-	-	450,528
Capital projects	-	60,040,452	-	60,040,452
Library Endowment	-	-	206,821	206,821
Social services program	-	-	566,363	566,363
State street aid	-	-	5,565,812	5,565,812
Community development	-	-	2,025,241	2,025,241
Hotel-Motel tax revenue pledge	-	-	2,667,920	2,667,920
Regional Planning Agency	-	-	278,236	278,236
Air Pollution Control Bureau	-	-	324,612	324,612
Committed				
Law enforcement	260,063	-	-	260,063
Economic development	391,130	-	-	391,130
Free Public Library	117,008	-	-	117,008
African-American Museum	40,789	-	-	40,789
Regional Planning Agency	-	-	4,606,607	4,606,607
Air Pollution Control Bureau	-	-	486,917	486,917
Scenic Cities Beautiful Commission	-	-	20,014	20,014
Debt service	-	-	2,990,089	2,990,089
Assigned				
Public Library	1,631,005	-	-	1,631,005
Special programs	4,678,202	-	-	4,678,202
River Pier garage	-	-	1,795,550	1,795,550
Other purposes	2,885,541	-	-	2,885,541
Unassigned	<u>80,489,150</u>	<u>-</u>	<u>-</u>	<u>80,489,150</u>
Total fund balances	<u>\$ 110,140,502</u>	<u>\$ 60,040,452</u>	<u>\$ 28,035,002</u>	<u>\$ 198,215,956</u>
Summary for Governmental Funds				
Balance Sheet:				
Nonspendable	\$ 1,131,708	\$ -	\$ 5,131,170	\$ 6,262,878
Restricted	18,515,906	60,040,452	13,004,655	91,561,013
Committed	808,990	-	8,103,627	8,912,617
Assigned	9,194,748	-	1,795,550	10,990,298
Unassigned	<u>80,489,150</u>	<u>-</u>	<u>-</u>	<u>80,489,150</u>
Total fund balances	<u>\$ 110,140,502</u>	<u>\$ 60,040,452</u>	<u>\$ 28,035,002</u>	<u>\$ 198,215,956</u>

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 14,938,569
Internal Service Fund	Capital Project Fund	<u>462,609</u>
		<u>\$ 15,401,178</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

	<u>Transfers In:</u>		
	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers out:			
General Fund	\$ 16,078,569	\$ 26,405,075	\$ 42,483,644
Capital Projects Fund	-	1,324,800	1,324,800
Nonmajor Governmental Funds:			
Community Development	206,714	402,956	609,670
State Street Aid	975,148	-	975,148
Hotel/Motel Tax	<u>4,700,000</u>	<u>5,124,359</u>	<u>9,824,359</u>
Total	<u>\$ 21,960,431</u>	<u>\$ 33,257,190</u>	<u>\$ 55,217,621</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) move unrestricted revenues from the General Fund to the Capital Projects Fund for ongoing projects. (5) move revenues from the Narcotics Program, Community Development Fund, State Street Aid, and Hotel/Motel Fund to Capital Projects Fund for going projects.

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 \$500 to \$100,000 depending on the type of damage. As of June 30, 2018, there were no significant reductions in insurance coverage in the prior year.

The Internal Service Fund accounts for all exposures, except on-the-job-injury claims. To minimize its losses, the City has established a limited risk management program. Premiums are paid by all funds and are available to pay claims, claim reserves, and administrative costs of the program. The 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 non-incremental 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.

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. At June 30, 2018, the Internal Service Fund liability consists of \$1,427,000 related to torts and \$3,793,712 related to medical benefits. Assets are sufficient in the fund to cover unpaid claims.

(Continued)

NOTE 11. RISK MANAGEMENT (Continued)

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, 2016	\$ 362,296	\$ 7,483,718
Incurred claims, including IBNRs/reduction in estimated liabilities	3,578,190	27,678,820
Claim payments	<u>(3,384,182)</u>	<u>(28,834,737)</u>
Unpaid claims, June 30, 2017 (adj)	556,304	6,327,801
Incurred claims, including IBNRs/reduction in estimated liabilities	2,851,072	29,884,571
Claim payments	<u>(2,926,335)</u>	<u>(31,823,565)</u>
Unpaid claims, June 30, 2018	<u>\$ 481,041</u>	<u>\$ 4,388,807</u>

All unpaid claims are estimated to be paid within one year.

NOTE 12. TAX ABATEMENTS

The City of Chattanooga currently offers two types of tax abatement programs: (1) Downtown Housing Development and (2) Commercial and Industrial Development. Pursuant to Tennessee Code Annotated (TCA) 7-53-305, the Industrial Development Board (IDB) of the City of Chattanooga and the Health and Education Board (HEB) are allowed to own property within the city. The city may delegate the authority to the IDB and the HEB to negotiate and accept payments in lieu of ad valorem taxes (PILOT) from the corporation's lessees, provided that such payments are deemed to be in furtherance of the corporation's public purposes. Every PILOT has to be for business operations, which are defined as a project under TCA 7-53-101 (13). The IDB is allowed by state law to be exempt from taxation and to lease property as a method of security so that PILOT payments may be accepted by cities and counties.

Downtown Housing Development

This program was renewed via Resolution No. 27968 on August 5, 2015 to encourage the development of single family rental housing in the downtown Chattanooga area. The program is effective for ten years expiring in August 2025. The City has delegated to the Health and Education Housing Facility Board (HEB) the authority to negotiate and accept PILOTs from lessees of the HEB upon findings by the City that such payments are deemed to be in furtherance HEB's public purposes. Applications must be made to and in a form prescribed by River City Company and accompanied by a \$3,500 fee for administration and processing. Criteria are as follows:

1. Housing development must be located within the Downtown area, must be occupied by persons of low and/or moderate income, and/or elderly, and/or handicapped persons, and must qualify as a "project" under the state legislation, for which the HEB was incorporated. Both existing housing that is to be rehabilitated and new housing construction are eligible for the program.
2. The value of all new construction, building renovations and site improvements must be equal to at least 60% of the value of the property prior to the making of any improvements.
3. The PILOT is effectively a freeze on the amount of property taxes paid for a period of ten years, plus two additional years if the project involves the rehabilitation of an existing building and two more years if the rehabilitation is a Certified Historic Rehabilitation. Additionally, after the PILOT freeze period, qualifying projects shall have the benefit of a PILOT phase-in period of four years in which taxes on the new construction and/or rehabilitation are paid at the rates 20%, 40%, 60% and 80%.
4. Projects must be approved by resolutions of the City Council and Hamilton County Commission. There are currently no recapture provisions when terms are not met and no other commitments are made by the City.

(Continued)

NOTE 12. TAX ABATEMENTS (Continued)

Commercial and Industrial Development

The City promotes economic development and growth through commercial and industrial projects that involve a significant capital investment and the generation of new jobs with wages in excess of the annual average wage in the City of Chattanooga.

This program offers tax abatements for a specified period in exchange for benefits received by the city due to an increase in real and personal property investments, as well as the creation of jobs. Application is made to the Chamber of Commerce, with approval by the Industrial Development Board (IDB) and City Council. To be eligible for a tax reduction, you must either relocate into the city or expand business within the city. Qualified businesses will be eligible for abatement of all or a portion of property taxes dependent on the dollar amount of the investment and the number and average wage of jobs created. There are provisions for recapturing abated taxes if certain terms of the agreement are not met. Other commitments made by the city include roadway improvements, rail services, and sewer improvements, just to name a few.

In 2015, an economic development fee was added to a few of these PILOTs which equates to approximately 15% of the total taxes that would be required if the taxpayer were to pay 100% of the total tax levy. This fee shall be collected by the City Treasurer and distributed to the City of Chattanooga’s IDB to be used for economic development purposes, as directed by the Mayor. In the coming years, more PILOTs will be required to pay such a fee.

Information relevant to disclosure of these programs includes the following:

	Number of New Abatements During the Fiscal Year	Number of Abatements as of End of the Fiscal Year	Number of Future Abatements Approved by Council	Amounts of Abatements During the Fiscal Year
Downtown Housing Development Commercial and Industrial Development	1	7	3	\$ 173,152
	<u>1</u>	<u>33</u>	<u>3</u>	<u>13,868,559</u>
Total	<u>2</u>	<u>40</u>	<u>6</u>	<u>\$ 14,041,711</u>

NOTE 13. COMMITMENTS AND CONTINGENCIES

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. As of June 30, 2018 the City’s commitment with contractors was \$74,764,438.

Operating Lease Agreements

In September 2017, the City entered into a rental lease agreement with Dew Edney, LLC, for offices in the Edney Building for the period December 1, 2017 through November 31, 2021. The annual rent for the first three years will be \$164,213.20 and \$169,139.60 for the fourth year

Airport Debt

In May 2009, the City guaranteed the 10-year, \$6.6 million Taxable Revenue Refunding Bonds of the Chattanooga Metropolitan Airport Authority, a legally separate component unit of the City of Chattanooga, through an Airport Operation Service Contract. The bonds mature annually through April 1, 2019, with semiannual interest payments. In the event the Airport is unable to make payment, the City will be required to make that payment. The balance at June 30, 2018 is \$3,085,663. The Airport issued an additional \$10,000,000 in Taxable and Tax-Exempt bonds in 2014 which are not guaranteed by the City.

(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

Landfill Closure and Post Closure 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 post closure 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 post closure care costs based on the amount of the landfill used during the year. The estimated liability is based on 16.6 percent of the City Landfill Area III capacity and 100 percent usage of the Summit Landfill and the City Landfill Area II. Estimated remaining life is calculated based on anticipated usage. Currently, the City diverts all its waste, under contract, to the Bradley County Landfill. This has reduced utilization of Area III by approximately 65,000 cubic yards per year below normal. The contract expires on February 3, 2020. At the current utilization rate of approximately 9500 cubic yards, the landfill is estimated to have a remaining life of 443 years. Absent renewal of the contract, the useful life will be only 57 years.

Changes in the estimated liability for landfill closure and post closure care costs for the year ended June 30, 2018, are as follows:

Estimated liability, June 30, 2017	\$ 5,331,055
Expenses recognized	32,530
Costs incurred	<u>(514,165)</u>
Estimated liability, June 30, 2018	<u>\$ 4,849,420</u>
Due within one year	<u>\$ 383,068</u>

The estimated costs of closure and post closure 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 year-end. However, the actual costs of closure and post closure 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 post closure requirements may need to be covered by charges to future landfill users, taxpayers, or both.

Consent Decree

The Interceptor Sewer System was established in 1952 to provide sewers for the City in a planned and orderly manner. The system encompasses approximately 1,263 miles of sewer lines, 8 sewage pumping stations, 9 storm stations, 63 underground, submersible sewage pump stations, approximately 195 residential/grinder stations, 9 combined sewer overflow treatment facilities and 1 regional wastewater treatment plant.

On April 24, 2013, a Consent Decree negotiated between the City, Environmental Protection Agency, Tennessee Department of Environment and Conservation, and the Tennessee Clean Water Network became effective. The City agreed to begin a program of rehabilitation of the sewer system for the purpose of reducing sanitary sewer overflows. This comprehensive, two-phase plan is expected to cost \$250 million over a 16-year period. The first phase is a 5-year program of specific projects identified by the City; the second phase consists of additional projects determined necessary by the City to meet the intent of the Consent Decree based on the success of the Phase 1 projects. The projects will be paid through user fees.

Pollution Remediation

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

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

(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

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 \$74,242 in pollution remediation obligation related activities and received \$27,408 reimbursement from grant agency. At June 30, 2018, the City had an outstanding pollution remediation cost of \$281,760 with additional \$174,434 in grant revenue to offset these costs leaving a net pollution remediation obligation of \$107,434.

In November 2014, the State of Tennessee Department of Environment and Conservation notified the City and the Hamilton County, joint owners of the firing range on Moccasin Bend, to remediate, prevent or reduce pollutant lead from the firing range which is jointly owned, to leak into the storm water drainage channels and possibly get into the Tennessee River. In response, the City developed a Storm Water Pollution Prevention Plan to remove the contaminated soils, to install structural controls, and to maintain a schedule to inspect and repair the measures. The cost is budgeted at \$40,000 and the project is final completed in fiscal year 2018.

In the early 2000's, City took possession of the Butcher Block in a land swap deal worked out with EPB. At the same time, Butcher Block revealed contamination from former uses within the block: One Hour Valet Cleaners and a gas station. As part of the land swap agreement, the City agreed to remediate the pollution. The City applied and was granted assistance by the Dry Cleaner Environmental Remediation Program (DCERP) with the cleanup efforts and costs. DCERP is a state program funded by fees charged to drycleaner facilities to help clean up the contaminated property that has been affected by dry cleaning solvent. Based on the most recent work authorizations from DCERP and monitoring reports from S&ME, the company under contract with City to perform the remediation, it has been estimated that the remaining remediation could take up to ten (10) years to complete. Excluding the assistance from DCERP, the cost for the City to complete the remediation is estimated currently at \$67,434 at the end of fiscal year 2018.

In 2016, a new EPA grant was applied and granted for remediating a 50 foot buffer zone along approximately 2,050 lineal feet of Chattanooga Creek. This property is in the Chattanooga Creek floodway and has been responsible for depositing contaminants from former manufacturing sites upstream. The total project cost is \$240,000, with \$200,000 grant revenue from EPA, City will fund the remaining \$40,000 and complete the remediation around the September of 2019.

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.

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.

(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

The Industrial Development Board currently has nine (9) outstanding bond issues, the original amounts of which were \$256,650,000. The Health, Educational and Housing Facility Board currently has twenty-nine (29) bond issues, the original amount of which were \$655,125,727. The Boards have no means of determining the outstanding amount of these bonds.

Tax Increment Financing (TIF)

The City of Chattanooga has adopted the Tax Increment Financing Program established by the Industrial Development Board (IDB) of the City of Chattanooga. TIF is an economic development tool that allocates all or a portion of the new, additional taxes generated by a development over a limited period of time to pay for public infrastructure such as utilities and road and traffic improvements, related to that development. Tax increment is the difference in tax revenues generated by the property in the development area after a project has been completed compared with the tax revenues generated by a property before the development plan was adopted. The difference in tax revenues pays towards the cost of improvements to the public infrastructure serving the development area. This enables the City to complete public infrastructure that it otherwise could not afford.

The TIF Program is primarily for the economic development projects that provide improvements in blighted and under-utilize areas in the City of Chattanooga and in other properties designated by City Council and the Hamilton County Commission. This program applies only to projects initiated by a private developer and supported by tax increment property tax revenues. It is a discretionary program and does not create or vest any rights in any person or entity.

As of June 30, 2018, the City has committed \$96,287 to the Industrial Development Board.

NOTE 14. 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 POSITION

	<u>Electric Division</u>	<u>Fiber Optics Division</u>	<u>Eliminations</u>	<u>Total</u>
Assets and deferred outflows of resources:				
Current assets	\$ 175,650,000	\$ 30,311,000	\$ (1,174,000)	\$ 204,787,000
Capital assets	572,114,000	106,690,000	(15,600,000)	663,204,000
Deferred outflows of resources	<u>24,580,000</u>	<u>1,441,000</u>	<u>-</u>	<u>26,021,000</u>
Total assets and deferred Outflows of resources	<u>772,344,000</u>	<u>138,442,000</u>	<u>(16,774,000)</u>	<u>894,012,000</u>
Liabilities and deferred inflows of resources:				
Current liabilities	137,250,000	20,706,000	(1,174,000)	156,782,000
Noncurrent liabilities	330,258,000	1,728,000	(15,600,000)	316,386,000
Deferred inflows of resources	<u>4,218,000</u>	<u>266,000</u>	<u>-</u>	<u>4,484,000</u>
Total liabilities and deferred Inflows of resources	<u>471,726,000</u>	<u>22,700,000</u>	<u>(16,774,000)</u>	<u>477,652,000</u>
Net position:				
Net investment in capital assets	300,530,000	91,090,000	-	391,620,000
Unrestricted	<u>88,000</u>	<u>24,652,000</u>	<u>-</u>	<u>24,740,000</u>
Total net position	<u>\$ 300,618,000</u>	<u>\$ 115,742,000</u>	<u>\$ -</u>	<u>\$ 416,360,000</u>

(Continued)

NOTE 14. SEGMENT INFORMATION (Continued)**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	<u>Electric Division</u>	<u>Fiber Optics Division</u>	<u>Eliminations</u>	<u>Total</u>
Customer charges	\$ 582,689,000	\$ 163,150,000	\$ (16,145,000)	\$ 729,694,000
Depreciation expense	(39,739,000)	(17,321,000)	-	(57,060,000)
Other operating expenses	<u>(515,272,000)</u>	<u>(114,279,000)</u>	<u>16,145,000</u>	<u>(613,406,000)</u>
Operating income	27,678,000	31,550,000	-	59,228,000
Nonoperating revenues (expenses):				
Investment earnings	647,000	-	-	647,000
Interest expense	(8,979,000)	(38,000)	-	(9,017,000)
Other nonoperating	181,000	96,000	-	277,000
Tax equivalent	<u>(6,710,000)</u>	<u>(637,000)</u>	<u>-</u>	<u>(7,347,000)</u>
Change in net position	<u>12,817,000</u>	<u>30,971,000</u>	<u>-</u>	<u>43,788,000</u>
Net position, beginning, as previously stated	286,695,000	82,817,000	-	369,512,000
Change in accounting principle	<u>1,210,000</u>	<u>1,850,000</u>	<u>-</u>	<u>3,060,000</u>
Net position, end of year	<u>\$ 300,722,000</u>	<u>\$ 115,638,000</u>	<u>\$ -</u>	<u>\$ 416,360,000</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	\$ 67,526,000	\$ 44,199,000	\$ -	\$ 111,725,000
Capital and related financing activities	(64,278,000)	(31,042,000)	-	(95,320,000)
Investing activities	<u>(1,319,000)</u>	<u>96,000</u>	<u>-</u>	<u>(1,223,000)</u>
Net increase (decrease)	1,929,000	(13,253,000)	-	15,182,000
Beginning cash and cash equivalents	<u>88,142,000</u>	<u>2,562,000</u>	<u>-</u>	<u>90,704,000</u>
Ending cash and cash equivalents	<u>\$ 90,071,000</u>	<u>\$ (10,691,000)</u>	<u>\$ -</u>	<u>\$ 105,886,000</u>

NOTE 15. 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 position	\$ 11,432,400
Multiplied by two-thirds	x <u>2/3</u>
City's equity interest	<u>\$ 7,621,600</u>

(Continued)

NOTE 15. JOINT VENTURE (Continued)

Condensed financial information for Carter Street Corporation as of June 30, 2018, is as follows:

STATEMENT OF NET POSITION

Assets:	
Cash	\$ 2,561,495
Accounts receivable, net	480,495
Prepaid expenses	4,657
Inventories	73,457
Capital assets, net	<u>8,958,702</u>
Total assets	<u>\$ 12,078,806</u>
Liabilities:	
Accounts payable	\$ 198,505
Accrued expenses	192,034
Advanced deposits	<u>255,867</u>
Total liabilities	<u>646,406</u>
Net Position:	
Net investment in capital assets	8,958,702
Unrestricted	<u>2,473,698</u>
Total net position	<u>11,432,400</u>
Total liabilities and net position	<u>\$ 12,078,806</u>

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Total operating revenues	\$ 3,947,632
Total operating expenses	<u>4,592,367</u>
Loss from operations	(644,735)
Nonoperating revenues	300,000
Capital contributions	<u>200,000</u>
Net increase	(144,735)
Net position, beginning of year	<u>11,577,135</u>
Net position, end of year	<u>\$ 11,432,400</u>

Complete financial statements can be obtained from: Carter Street Corporation
P.O. Box 6008
Chattanooga, TN 37401

NOTE 16. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet 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. On October 5, 2018, the Chattanooga Downtown Redevelopment Corporation (CDRC) opted to sell the Conference Hotel and Training Center (The Chattanooga Hotel) to a private developer for \$27 million. One hundred percent of the proceeds from the sale were used to defease a pro-rata share of the outstanding bonds. To facilitate the sale, all the existing bonds were refinanced at a lower interest rate. It is estimated the City will save over \$3 million in debt service. The related capital assets have been written off.

NOTE 17. CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In accordance with implementation of this statement, prior period adjustments are required in the business-type activities (Electric Power Board) to properly state OPEB liabilities to their actuarial value. The cumulative effects of these changes are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net position, as previously reported	\$ 1,142,333,556	\$ 781,522,656	\$ 1,923,856,212
Change in accounting principle	<u>-</u>	<u>3,060,000</u>	<u>3,060,000</u>
Net position, as restated	<u>\$ 1,142,333,556</u>	<u>\$ 784,582,656</u>	<u>\$ 1,926,916,212</u>



Required Supplementary Information

Pension and OPEB Trust Fund

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
PENSION TRUST FUND - GENERAL (Reporting per GASB 67)

Last 10 Fiscal Years

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 7,437,871	\$ 6,982,512	\$ 6,379,426	\$ 6,381,168	\$ 6,069,090
Interest	23,936,377	23,280,746	22,693,730	21,950,480	22,247,450
Differences between expected and actual experience	1,236,249	2,630,676	735,472	(333,439)	-
Changes of assumptions	-	8,927,192	8,345,787	-	(5,893,894)
Benefit payments, including refund of member contributions	(21,695,787)	(20,277,462)	(18,970,026)	(17,206,397)	(16,420,492)
Net change in total pension liability	10,914,710	21,543,664	19,184,389	10,791,812	6,002,154
Total pension liability - beginning	352,796,136	331,252,472	312,068,083	301,276,271	295,274,117
Total pension liability - ending (a)	\$ 363,710,846	\$ 352,796,136	\$ 331,252,472	\$ 312,068,083	\$ 301,276,271
Plan fiduciary net position					
Contributions - employer	\$ 11,659,818	\$ 9,717,412	\$ 8,076,989	\$ 7,925,195	\$ 7,751,909
Contributions - member	1,203,981	1,179,685	1,158,835	1,140,121	1,130,354
Net investment income	27,938,443	25,744,473	193,190	9,290,101	31,178,197
Benefit payments, including refund of member contributions	(21,695,787)	(20,277,462)	(18,970,026)	(17,206,397)	(16,420,492)
Administrative expense	(393,230)	(158,790)	(161,500)	(205,580)	(192,205)
Net change in plan fiduciary net position	18,713,225	16,205,318	(9,702,512)	943,440	23,447,763
Plan fiduciary net position - beginning	280,271,714	264,066,396	273,768,908	272,825,468	249,377,705
Plan fiduciary net position - ending (b)	\$ 298,984,939	\$ 280,271,714	\$ 264,066,396	\$ 273,768,908	\$ 272,825,468
Net pension liability - ending (a) - (b)	\$ 64,725,907	\$ 72,524,422	\$ 67,186,076	\$ 38,299,175	\$ 28,450,803
Plan fiduciary net position as a percentage of the total pension liability	82.20%	79.44%	79.72%	87.73%	90.56%
Covered payroll	\$ 60,195,485	\$ 59,220,510	\$ 57,608,950	\$ 57,555,196	\$ 55,815,216
Net pension liability as a percentage of covered payroll	107.53%	122.47%	116.62%	66.54%	50.97%

Notes to Schedule:

Benefit changes. None

Changes in actuarial assumptions and methods:

2017:

*The assumed investment rate of return was lowered from 7.25% to 7.00%.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
PENSION TRUST FUND - FIRE AND POLICE (Reporting per GASB 67)
Last 10 Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 5,486,963	\$ 5,398,371	\$ 5,599,755	\$ 5,754,036	\$ 5,858,028
Interest	29,768,876	30,121,491	29,255,906	27,011,054	30,728,527
Changes of benefit terms	-	-	-	-	(65,257,551)
Differences between expected and actual experience	18,629,233	(8,657,838)	175,120	1,007,292	9,811,157
Changes of assumptions	8,251,113	10,839,776	-	23,999,640	-
Benefit payments, including refund of member contributions	(30,063,677)	(29,009,204)	(29,511,435)	(28,100,924)	(30,114,186)
Net change in total pension liability	<u>32,072,508</u>	<u>8,692,596</u>	<u>5,519,346</u>	<u>29,671,098</u>	<u>(48,974,025)</u>
Total pension liability - beginning	<u>406,463,227</u>	<u>397,770,631</u>	<u>392,251,285</u>	<u>362,580,187</u>	<u>411,554,212</u>
Total pension liability - ending (a)	<u>\$ 438,535,735</u>	<u>\$ 406,463,227</u>	<u>\$ 397,770,631</u>	<u>\$ 392,251,285</u>	<u>\$ 362,580,187</u>
Plan fiduciary net position					
Contributions - employer	\$ 18,036,218	\$ 12,999,917	\$ 11,987,641	\$ 11,115,222	\$ 13,495,433
Contributions - member	4,456,026	4,137,743	3,869,165	3,528,823	3,199,093
Net investment income	14,333,154	21,850,184	(5,439,852)	6,760,919	33,750,882
Benefit payments, including refund of member contributions	(30,063,677)	(29,009,204)	(29,511,435)	(28,100,924)	(30,114,186)
Administrative expense	(1,054,284)	(742,349)	(1,269,308)	(889,162)	(608,924)
Other	135,260	151,146	326,393	162,076	167,314
Net change in plan fiduciary net position	<u>5,842,697</u>	<u>9,387,437</u>	<u>(20,037,396)</u>	<u>(7,423,046)</u>	<u>19,889,612</u>
Plan fiduciary net position - beginning	<u>217,979,379</u>	<u>208,591,942</u>	<u>228,629,338</u>	<u>236,052,384</u>	<u>216,162,772</u>
Plan fiduciary net position - ending (b)	<u>\$ 223,822,076</u>	<u>\$ 217,979,379</u>	<u>\$ 208,591,942</u>	<u>\$ 228,629,338</u>	<u>\$ 236,052,384</u>
Net pension liability - ending (a) - (b)	<u>\$ 214,713,659</u>	<u>\$ 188,483,848</u>	<u>\$ 189,178,689</u>	<u>\$ 163,621,947</u>	<u>\$ 126,527,803</u>
Plan fiduciary net position as a percentage of the total pension liability	51.04%	53.63%	52.44%	58.29%	65.10%
Covered payroll	\$ 41,312,393	\$ 38,432,299	\$ 38,954,094	\$ 39,282,422	\$ 36,187,624
Net pension liability as a percentage of covered payroll	519.73%	490.43%	485.65%	416.53%	349.64%

Notes to Schedule:

Benefit changes: None.

Changes in assumptions: The discount rate was lowered from 7.75% to 7.50% and the administrative expense assumption was increased from \$600,000 to \$800,000 between June 30, 2016 and June 30, 2017 disclosures. The discount rate was lowered from 7.50% to 7.25% and the generational mortality scale was changed from a modified version of Scale MP-2014 to Scale MP-2017 between June 30, 2017 and June 30, 2018 disclosures.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

**SCHEDULE OF CITY CONTRIBUTIONS
PENSION TRUST FUND - GENERAL (Reporting per GASB 67)
Last 10 Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 11,599,926	\$ 9,550,286	\$ 8,120,912	\$ 7,771,920	\$ 7,717,400	\$ 7,806,000	\$ 7,203,000	\$ 6,302,882	\$ 3,779,597	\$ 3,600,000
Contributions in relation to the actuarially determined contribution	11,659,818	9,717,412	8,076,989	7,925,195	7,751,909	7,599,939	6,682,722	4,376,484	3,779,597	3,600,000
Contribution deficiency (excess)	<u>\$ (59,892)</u>	<u>\$ (167,126)</u>	<u>\$ 43,923</u>	<u>\$ (153,275)</u>	<u>\$ (34,509)</u>	<u>\$ 206,061</u>	<u>\$ 520,278</u>	<u>\$ 1,926,398</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 60,195,485	\$ 59,220,510	\$ 57,608,950	\$ 57,555,196	\$ 55,815,216	\$ 56,270,053	\$ 57,976,515	\$ 57,061,358	\$ 58,140,286	\$ 59,645,747
Contributions as a percentage of covered payroll	19.37%	16.41%	14.02%	13.77%	13.89%	13.51%	11.53%	7.67%	6.50%	6.04%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, eighteen months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	27.7 years
Asset valuation method	10-year smoothed market with a 20% corridor
Inflation	2.75%
Salary increases	4.0-5.0%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Cost of living adjustments	3.0%
Mortality	Pre-retirement and post-retirement: RP2000 Combined Mortality Table set forward four years for males and set forward two years for females and using a Scale AA projection to 2025. Post-retirement mortality: RP-2000 Disabled Mortality Table set forward eight years for males and set forward nine years for females.

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CITY CONTRIBUTIONS

PENSION TRUST FUND - FIRE AND POLICE (Reporting per GASB 67)

Last 10 Calendar Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 16,504,790	\$ 12,829,325	\$ 12,030,640	\$ 9,478,900	\$ 13,346,490	\$ 11,859,505	\$ 9,692,292	\$ 8,613,696	\$ 7,903,392	\$ 7,686,489
Contributions in relation to the actuarially determined contribution	18,036,218	12,999,917	11,987,641	11,115,222	13,495,433	12,258,360	10,542,423	9,004,655	7,522,018	8,390,161
Contribution deficiency (excess)	\$ (1,531,428)	\$ (170,592)	\$ 42,999	\$ (1,636,322)	\$ (148,943)	\$ (398,855)	\$ (850,131)	\$ (390,959)	\$ 381,374	\$ (703,672)
Covered payroll	\$ 38,432,299	\$ 38,954,094	\$ 39,282,422	\$ 36,187,624	\$ 37,215,933	\$ 37,288,914	\$ 34,940,022	\$ 34,573,261	\$ 34,715,838	\$ 33,237,063
Contributions as a percentage of covered payroll	46.93%	33.37%	30.52%	30.72%	36.26%	32.87%	30.17%	26.05%	21.67%	25.24%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	100% level dollar
Remaining amortization period	Separate 30-year bases established annually for level dollar method.
Asset valuation method	10-year smoothed market; the actuarial value of assets is adjusted, if necessary, to be within 20% of the market value
Inflation	2.75%
Salary increases	1.50%-2.75%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost of living adjustments	1.50% (starting January 1 after third anniversary of retirement date)

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF INVESTMENT RETURNS

Last 10 Fiscal Years

PENSION TRUST FUND

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense					
General Plan	8.07%	11.46%	-0.78%	2.93%	16.11%
Fire & Police Plan	6.35%	10.59%	-2.61%	2.89%	16.15%

Notes to Schedule:

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

**SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
OPEB TRUST FUND (Reporting Per GASB 74)
Last 10 Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability			
Service cost	\$ 3,796,244	\$ 3,285,014	\$ 3,078,079
Interest	13,031,065	12,436,672	12,016,977
Difference between expected and actual experience	167,505	-	-
Change in assumption	13,240,396	-	-
Benefit payments, including refund of member contributions	<u>(8,251,792)</u>	<u>(7,341,124)</u>	<u>(11,657,111)</u>
Net change in total OPEB liability	21,983,418	8,380,562	3,437,945
Total OPEB liability - beginning	<u>177,873,426</u>	<u>169,492,864</u>	<u>166,054,919</u>
Total OPEB liability - ending (a)	<u>\$ 199,856,844</u>	<u>\$ 177,873,426</u>	<u>\$ 169,492,864</u>
Plan fiduciary net position			
Contributions - employer	\$ 14,191,396	\$ 13,403,639	\$ 12,917,243
Contributions - member	-	-	2,739,171
Net investment income	5,662,711	7,313,765	(2,469,379)
Benefit payments, including refund of member contributions	(8,251,792)	(7,341,124)	(11,657,111)
Administrative expense	<u>(50,522)</u>	<u>(41,992)</u>	<u>(41,906)</u>
Net change in plan fiduciary net position	11,551,793	13,334,288	1,488,018
Plan fiduciary net position - beginning	<u>54,891,948</u>	<u>41,557,660</u>	<u>40,069,642</u>
Plan fiduciary net position - ending (b)	<u>\$ 66,443,741</u>	<u>\$ 54,891,948</u>	<u>\$ 41,557,660</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 133,413,103</u>	<u>\$ 122,981,478</u>	<u>\$ 127,935,204</u>
Plan fiduciary net position as a percentage of the total OPEB liability	33.25%	30.86%	24.52%
Covered payroll	\$ 100,062,772	\$ 96,436,271	\$ 96,436,271
Net OPEB liability as a percentage of covered payroll	133.33%	127.53%	132.66%

Benefit changes. None

Changes in actuarial assumptions and methods:

January 1, 2018 valuation: Discount rate was changed to 7.00%. Healthcare trend assumption was updated.

January 1, 2016 valuation: The demographic assumptions for retirement, disability incidence, withdrawal, and salary increases for fire and police employees reflect the results of the experience of the Fire and Police Pension Fund for the period ended December 31, 2014

Notes to Schedule:

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

**SCHEDULE OF CITY CONTRIBUTIONS
OPEB TRUST FUND (Reporting Per GASB 74)
Last 10 Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 13,163,283	\$ 13,163,283	\$ 12,759,200	\$ 12,759,200	\$ 13,275,679	\$ 12,857,800	\$ 14,288,701	\$ 13,838,396	\$ 18,459,218	\$ 17,921,571
Contributions in relation to the actuarially determined contribution	14,191,396	13,403,639	12,917,243	15,754,457	15,071,389	12,857,800	14,288,701	13,838,396	10,423,688	7,876,951
Contribution deficiency (excess)	\$ (1,028,113)	\$ (240,356)	\$ (158,043)	\$ (2,995,257)	\$ (1,795,710)	\$ -	\$ -	\$ -	\$ 8,035,530	\$ 10,044,620
Covered payroll	\$ 100,062,772	\$ 96,436,271	\$ 96,436,271	\$ 95,390,933	\$ 95,390,933	\$ 95,280,557	\$ 95,280,557	\$ 89,710,458	\$ 89,710,458	\$ 78,155,219
Contributions as a percentage of covered payroll	14.18%	13.90%	13.39%	16.52%	15.80%	13.49%	15.00%	15.43%	11.62%	10.08%

Notes to Schedule:

Valuation date:

Valuations are performed every other year. The last valuation was January 1, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Inflation	3.00%
Healthcare cost trend rate	
Pre-Medicare eligible	7.00%
Medicare eligible	5.75%
Ultimate trend rate	
Pre-Medicare eligible	5.00%
Medicare eligible	5.00%
Year of ultimate trend rate	2021
Salary increases	1.50% to 5.00%, including inflation
Investment rate of return	7.50%, including inflation
Retirement:	
General employees:	Minimum 5 years of service and age 62 or Rule of 80 or 55.
Fire / Police:	Age 55 with 10 years of service or any age with 25 years of service (30 years if hired after July 1, 2014)
Disability:	Immediate eligibility if duty-related disability, otherwise 10 years of service
Mortality	
General employee deaths after retirement:	According to the RP-2000 Combined Mortality Table set forward 4 years for males and set forward 2 years for females and using a Scale AA projection to 2025, for service retirements and beneficiaries of retired participants. The RP-2000 Disabled Mortality Table set forward 8 years for males and set forward 9 years for females and using a Scale AA projection to 2025 is used for the period after disability retirement.
Fire and Police employee deaths after retirement:	According to the RP-2014 Blue Collar Mortality fully generational using a modified MP-2014 projection scale and set forward 3 years for males and females for service retirements and beneficiaries of retired participants. The RP-2014 Disabled Retiree Mortality fully generational using a modified MP-2014 projection scale and set forward 3 years for both males and females is used for the period after disability retirement.
Other information:	None

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF INVESTMENT RETURNS

OPEB TRUST (Reporting Per GASB 74)

Last 10 Fiscal Years

OPEB TRUST FUND

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense			
OPEB	8.30%	12.86%	-0.77%

Notes to Schedule:

This schedule will be 10 years as information is available.

Required Supplementary Information

City Pension and OPEB Plans

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
GENERAL PENSION PLAN (Reporting per GASB 68)

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 6,982,512	\$ 6,379,426	\$ 6,381,168	\$ 6,069,090
Interest	23,280,746	22,693,730	21,950,480	22,247,450
Changes of assumptions	8,927,192	8,345,787	-	(5,893,894)
Difference between expected and actual experience	2,630,676	735,472	(333,439)	-
Benefit payments, including refund of member contributions	<u>(20,277,462)</u>	<u>(18,970,026)</u>	<u>(17,206,397)</u>	<u>(16,420,492)</u>
Net change in total pension liability	21,543,664	19,184,389	10,791,812	6,002,154
Total pension liability - beginning	331,252,472	312,068,083	301,276,271	295,274,117
Total pension liability - ending (a)	<u>\$ 352,796,136</u>	<u>\$ 331,252,472</u>	<u>\$ 312,068,083</u>	<u>\$ 301,276,271</u>
Plan fiduciary net position				
Contributions - employer	9,717,412	8,076,989	7,925,195	7,751,909
Contributions - member	1,179,685	1,158,835	1,140,121	1,130,354
Net investment income	25,744,473	193,190	9,290,101	31,178,197
Benefit payments, including refund of member contributions	<u>(20,277,462)</u>	<u>(18,970,026)</u>	<u>(17,206,397)</u>	<u>(16,420,492)</u>
Administrative expense	<u>(158,790)</u>	<u>(161,500)</u>	<u>(205,580)</u>	<u>(192,205)</u>
Net change in plan fiduciary net position	16,205,318	(9,702,512)	943,440	23,447,763
Plan fiduciary net position - beginning	264,066,396	273,768,908	272,825,468	249,377,705
Plan fiduciary net position - ending (b)	<u>\$ 280,271,714</u>	<u>\$ 264,066,396</u>	<u>\$ 273,768,908</u>	<u>\$ 272,825,468</u>
Net pension liability - ending (a) - (b)	<u>\$ 72,524,422</u>	<u>\$ 67,186,076</u>	<u>\$ 38,299,175</u>	<u>\$ 28,450,803</u>
Plan fiduciary net position as a percentage of the total pension liability	79.44%	79.72%	87.73%	90.56%
Covered payroll	\$ 59,220,510	\$ 57,608,950	\$ 57,555,196	\$ 55,815,216
Net pension liability as a percentage of covered payroll	122.47%	116.62%	66.54%	50.97%

Notes to Schedule:

Benefit changes: None

Assumption changes: The assumed investment rate of return was lowered from 7.25% to 7.00% in 2017.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
FIRE AND POLICE PENSION FUND (Reporting per GASB 68)
Last 10 Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 5,398,371	\$ 5,599,755	\$ 5,754,036	\$ 5,858,028
Interest	30,121,491	29,255,906	27,011,054	30,728,527
Changes of benefit terms	-	-	-	(65,257,551)
Differences between expected and actual experience	(8,657,838)	175,120	1,007,292	9,811,157
Changes of assumptions	10,839,776	-	23,999,640	-
Benefit payments, including refund of member contributions	<u>(29,009,204)</u>	<u>(29,511,435)</u>	<u>(28,100,924)</u>	<u>(30,114,186)</u>
Net change in total pension liability	8,692,596	5,519,346	29,671,098	(48,974,025)
Total pension liability - beginning	397,770,631	392,251,285	362,580,187	411,554,212
Total pension liability - ending (a)	<u>\$ 406,463,227</u>	<u>\$ 397,770,631</u>	<u>\$ 392,251,285</u>	<u>\$ 362,580,187</u>
Plan fiduciary net position				
Contributions - employer	\$ 12,999,917	\$ 11,987,641	\$ 11,115,222	\$ 13,495,433
Contributions - member	4,137,743	3,869,165	3,528,823	3,199,093
Net investment income	21,850,184	(5,439,852)	6,760,919	33,750,882
Benefit payments, including refund of member contributions	(29,009,204)	(29,511,435)	(28,100,924)	(30,114,186)
Administrative expense	(742,349)	(1,269,308)	(889,162)	(608,924)
Other	151,146	326,393	162,076	167,314
Net change in plan fiduciary net position	9,387,437	(20,037,396)	(7,423,046)	19,889,612
Plan fiduciary net position - beginning	208,591,942	228,629,338	236,052,384	216,162,772
Plan fiduciary net position - ending (b)	<u>\$ 217,979,379</u>	<u>\$ 208,591,942</u>	<u>\$ 228,629,338</u>	<u>\$ 236,052,384</u>
Net pension liability - ending (a) - (b)	<u>\$ 188,483,848</u>	<u>\$ 189,178,689</u>	<u>\$ 163,621,947</u>	<u>\$ 126,527,803</u>
Plan fiduciary net position as a percentage of the total pension liability	53.63%	52.44%	58.29%	65.10%
Covered payroll	\$ 38,432,299	\$ 38,954,094	\$ 39,282,422	\$ 36,187,624
Net pension liability as a percentage of covered payroll	490.43%	485.65%	416.53%	349.64%

Notes to Schedule:

Benefit changes: None.

Changes in assumptions: The assumed investment rate of return was lowered from 7.75% to 7.50% in 2017.

The administrative expense assumption was increased from \$600,000 to \$850,000.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
ELECTRIC POWER BOARD OF CHATTANOOGA RETIREMENT PLAN
Last 10 Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 3,419,789	\$ 3,191,879	\$ 2,765,420	\$ 2,395,069
Interest	4,431,537	4,250,696	4,043,136	3,637,040
Differences between expected and actual experience	1,460,427	734,695	2,594,311	3,608,092
Changes in assumptions	-	4,049,739	-	-
Benefit payments, including refund of member contributions	<u>(7,177,555)</u>	<u>(6,568,775)</u>	<u>(5,237,213)</u>	<u>(2,455,053)</u>
Net change in total pension liability	2,134,198	5,658,234	4,165,654	7,185,148
Total pension liability - beginning	<u>58,176,248</u>	<u>52,518,014</u>	<u>48,352,360</u>	<u>41,167,212</u>
Total pension liability - ending (a)	<u>\$ 60,310,446</u>	<u>\$ 58,176,248</u>	<u>\$ 52,518,014</u>	<u>\$ 48,352,360</u>
Plan fiduciary net position				
Contributions - employer	\$ 5,825,000	\$ 7,000,000	\$ 5,700,000	\$ 3,630,048
Net investment income	4,174,435	(345,933)	2,142,992	5,735,092
Benefit payments, including refund of member contributions	(7,177,555)	(6,568,775)	(5,237,213)	(2,455,053)
Administrative expense	<u>(74,716)</u>	<u>(74,572)</u>	<u>(73,572)</u>	<u>(86,522)</u>
Net change in plan fiduciary net position	2,747,164	10,720	2,532,207	6,823,565
Plan fiduciary net position - beginning	<u>44,761,287</u>	<u>44,750,567</u>	<u>42,218,360</u>	<u>35,394,795</u>
Plan fiduciary net position - ending (b)	<u>\$ 47,508,451</u>	<u>\$ 44,761,287</u>	<u>\$ 44,750,567</u>	<u>\$ 42,218,360</u>
Net pension liability - ending (a) - (b)	<u>\$ 12,801,995</u>	<u>\$ 13,414,961</u>	<u>\$ 7,767,447</u>	<u>\$ 6,134,000</u>
Plan fiduciary net position as a percentage of the total pension liability	78.77%	76.94%	85.21%	87.31%
Covered payroll	\$ 37,195,884	\$ 37,808,796	\$ 35,014,644	\$ 32,127,132
Net pension liability as a percentage of covered payroll	34.42%	35.48%	22.18%	19.09%

Notes to Schedule:

Benefit changes. None.

Changes in assumptions. None.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

**SCHEDULE OF CITY CONTRIBUTIONS
GENERAL PENSION FUND (Reporting per GASB 68)
Last 10 Fiscal Years**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 9,550,286	\$ 8,120,912	\$ 7,771,920	\$ 7,717,400	\$ 7,806,000	\$ 7,203,000	\$ 6,302,882	\$ 3,779,597	\$ 3,600,000	\$ 3,502,000
Contributions in relation to the actuarially determined contribution	9,717,412	8,076,989	7,925,195	7,751,909	7,599,939	6,682,722	4,376,484	3,779,597	3,600,000	3,502,000
Contribution deficiency (excess)	\$ (167,126)	\$ 43,923	\$ (153,275)	\$ (34,509)	\$ 206,061	\$ 520,278	\$ 1,926,398	\$ -	\$ -	\$ -
Covered payroll	\$ 59,220,510	\$ 57,608,950	\$ 57,555,196	\$ 55,815,216	\$ 56,270,053	\$ 57,976,515	\$ 57,061,358	\$ 58,140,286	\$ 59,645,747	\$ 56,581,858
Contributions as a percentage of covered payroll	16.41%	14.02%	13.77%	13.89%	13.51%	11.53%	7.67%	6.50%	6.04%	6.19%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, eighteen months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	27.8 years
Asset valuation method	10-year smoothed market with a 20% corridor
Inflation	3.0%
Salary increases	4.0-5.0%, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CITY CONTRIBUTIONS

FIRE AND POLICE PENSION FUND (Reporting per GASB 68)

Last 10 Calendar Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 12,829,325	\$ 12,030,640	\$ 9,478,900	\$ 13,346,490	\$ 11,859,505	\$ 9,692,292	\$ 8,613,696	\$ 7,903,392	\$ 7,686,489	\$ 7,504,469
Contributions in relation to the actuarially determined contribution	12,999,917	11,987,641	11,115,222	13,495,433	12,258,360	10,542,423	9,004,655	7,522,018	8,390,161	8,291,088
Contribution deficiency (excess)	\$ (170,592)	\$ 42,999	\$ (1,636,322)	\$ (148,943)	\$ (398,855)	\$ (850,131)	\$ (390,959)	\$ 381,374	\$ (703,672)	\$ (786,619)
Covered payroll	\$ 38,954,094	\$ 39,282,422	\$ 36,187,624	\$ 37,215,933	\$ 37,288,914	\$ 34,940,022	\$ 34,573,261	\$ 34,715,838	\$ 33,237,063	\$ 31,983,375
Contributions as a percentage of covered payroll	33.37%	30.52%	30.72%	36.26%	32.87%	30.17%	26.05%	21.67%	25.24%	25.92%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed with level dollar phase-in
Remaining amortization period	30 years
Asset valuation method	10-year smoothed market with 20% corridor
Inflation	2.75%
Salary increases	1.50%-2.75%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost of living adjustment	1.50%, (starting January 1 after third anniversary of retirement date)

CITY OF CHATTANOOGA, TENNESSEE

**SCHEDULE OF CITY CONTRIBUTIONS
ELECTRIC POWER BOARD OF CHATTANOOGA RETIREMENT PLAN
Last 10 Calendar Years**

	2017	2016	2015	2014
Actuarially determined contribution	\$ 5,058,640	\$ 4,758,552	\$ 3,561,883	\$ 3,646,080
Contributions in relation to the actuarially determined contribution	5,075,000	4,500,000	3,700,000	3,630,048
Contribution deficiency (excess)	<u>\$ (16,360)</u>	<u>\$ 258,552</u>	<u>\$ (138,117)</u>	<u>\$ 16,032</u>
Covered payroll	\$ 37,195,884	\$ 35,295,564	\$ 34,480,956	\$ 32,127,132
Contributions as a percentage of covered payroll	13.64%	12.75%	10.73%	11.30%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of August 1, 23 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Asset valuation method	Three year smoothing
Inflation	1.50%
Salary increases	3.00%
Investment rate of return	7.00%

Changes in assumptions

The investment rate of return was changed from 7.5% to 7.0% beginning in 2016.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

CITY'S OPEB FUND (Reporting Per GASB 75)

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>
Total OPEB liability		
Service cost	\$ 3,285,014	\$ 3,078,078
Interest	12,436,672	12,016,977
Benefit payments	<u>(7,341,124)</u>	<u>(11,657,111)</u>
Net change in total OPEB liability	8,380,562	3,437,944
Total OPEB liability - beginning	<u>169,492,863</u>	<u>166,054,919</u>
Total OPEB liability - ending (a)	<u><u>\$ 177,873,425</u></u>	<u><u>\$ 169,492,863</u></u>
Plan fiduciary net position		
Contributions - employer	13,403,639	12,917,243
Contributions - member	-	2,739,171
Net investment income	7,313,765	(2,469,379)
Benefit payments, net of member contributions	<u>(7,341,124)</u>	<u>(11,657,111)</u>
Administrative expense	<u>(41,992)</u>	<u>(41,906)</u>
Net change in plan fiduciary net position	13,334,288	1,488,018
Plan fiduciary net position - beginning	<u>41,557,660</u>	<u>40,069,642</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 54,891,948</u></u>	<u><u>\$ 41,557,660</u></u>
Net OPEB liability - ending (a) - (b)	<u><u>\$ 122,981,477</u></u>	<u><u>\$ 127,935,203</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	30.86%	24.52%
Covered payroll	\$ 96,436,271	\$ 96,436,271
City's net OPEB liability as a percentage of covered payroll	127.53%	132.66%

Notes to Schedule:

Benefit changes: None

Assumption changes: January 1, 2018 valuation: Discount rate was changed to 7.00%. Healthcare trend assumption was updated.

January 1, 2016 valuation: The demographic assumptions for retirement, disability incidence, withdrawal, and salary increases for fire and police employees reflect the results of the experience of the Fire and Police Pension Fund for the period ended December 31, 2014.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

**SCHEDULE OF CITY CONTRIBUTIONS
CITY'S OPEB FUND (Reporting Per GASB 75)
Last 10 Fiscal Years**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 13,163,283	\$ 12,759,200	\$ 12,759,200	\$ 13,275,679	\$ 12,857,800	\$ 14,288,701	\$ 13,838,396	\$ 18,459,218	\$ 17,921,571	\$ 20,360,866
Contributions in relation to the actuarially determined contribution	13,403,639	12,917,243	15,754,457	15,071,389	12,857,800	14,288,701	13,838,396	10,423,688	7,876,951	10,839,827
Contribution deficiency (excess)	\$ (240,356)	\$ (158,043)	\$ (2,995,257)	\$ (1,795,710)	\$ -	\$ -	\$ -	\$ 8,035,530	\$ 10,044,620	\$ 9,521,039
Covered payroll	\$ 96,436,271	\$ 96,436,271	\$ 95,390,933	\$ 95,390,933	\$ 95,280,557	\$ 95,280,557	\$ 89,710,458	\$ 89,710,458	\$ 78,155,219	\$ 78,155,219
Contributions as a percentage of covered payroll	13.90%	13.39%	16.52%	15.80%	13.49%	15.00%	15.43%	11.62%	10.08%	13.87%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, eighteen months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Inflation	3.00%
Healthcare cost trend rate	
Pre-Medicare eligible	7.00%
Medicare eligible	5.75%
Ultimate trend rate	
Pre-Medicare eligible	5.00%
Medicare eligible	5.00%
Year of ultimate trend rate	2021
Salary increases	1.50% to 5.00%, including inflation
Investment rate of return	7.50%, including inflation
Retirement:	
General employees:	Minimum 5 years of service and age 62 or Rule of 80 or 55.
Fire / Police:	Age 55 with 10 years of service or any age with 25 years of service (30 years if hired after July 1, 2014)
Disability:	Immediate eligibility if duty-related disability, otherwise 10 years of service
Mortality	
General employee deaths after retirement:	According to the RP-2000 Combined Mortality Table set forward 4 years for males and set forward 2 years for females and using a Scale AA projection to 2025, for service retirements and beneficiaries of retired participants. The RP-2000 Disabled Mortality Table set forward 8 years for males and set forward 9 years for females and using a Scale AA projection to 2025 is used for the period after disability retirement.
Fire and Police employee deaths after retirement:	According to the RP-2014 Blue Collar Mortality fully generational using a modified MP-2014 projection scale and set forward 3 years for males and females for service retirements and beneficiaries of retired participants. The RP-2014 Disabled Retiree Mortality fully generational using a modified MP-2014 projection scale and set forward 3 years for both males and females is used for the period after disability retirement.
Other information:	None

CITY OF CHATTANOOGA, TENNESSEE

**SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
ELECTRIC POWER BOARD OF CHATTANOOGA OPEB PLAN
Last 10 Fiscal Years**

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 1,191,000
Interest	1,851,000
Difference between expected and actual experience	(3,860,000)
Refunds of contributions	(1,716,000)
Net change in total OPEB liability	<u>(2,534,000)</u>
Total OPEB liability - beginning	28,483,000
Plan fiduciary net position	
Contributions - employer	1,686,000
Net investment income	2,495,000
Benefit payments, net of member contributions	(1,716,000)
Administrative expense	(49,000)
Net change in plan fiduciary net position	<u>2,416,000</u>
Plan fiduciary net position - beginning	20,962,000
Plan fiduciary net position - ending (b)	<u><u>\$ 23,378,000</u></u>
Net OPEB liability - ending (a) - (b)	<u><u>\$ 2,571,000</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	90.09%
Covered payroll	\$ 42,611,000
Net OPEB liability as a percentage of covered payroll	6.03%

Notes to Schedule:

Benefit changes: None

Assumption changes: None

This schedule will be 10 years as information is available.



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.

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

Social 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 located 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.

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

Year Ended June 30, 2018

	Special Revenue					
	Downtown Development	Social Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax
ASSETS						
Cash and cash equivalents	\$ 11,780	\$ 364,548	\$ 2,408,193	\$ 4,961,248	\$ 3,388,053	\$ 2,019,678
Investments	-	-	-	-	-	-
Receivables, net of allowance for uncollectibles:						
Other taxes	-	-	-	-	-	1,303,530
Notes	-	-	-	-	10,586,054	-
Other	-	817	1,551	-	258,695	47
Due from other governments:						
Federal	-	603,285	-	-	180,366	-
State of Tennessee	-	306,347	-	1,220,273	-	-
Prepaid items	-	-	-	-	17,357	-
Total assets	\$ 11,780	\$ 1,274,997	\$ 2,409,744	\$ 6,181,521	\$ 14,430,525	\$ 3,323,255
LIABILITIES						
Accounts payable and accrued liabilities:						
Accounts payable	-	257,007	1,051,874	30,295	117,895	20,457
Accrued payroll	-	449,385	-	73,421	22,966	-
Due to other funds	-	-	-	-	-	-
Due to other governments	-	268	-	-	-	-
Unearned grants revenue	-	1,974	-	-	652,432	-
Total liabilities	-	708,634	1,051,874	103,716	793,293	20,457
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - other local taxes	-	-	-	-	-	634,878
Unavailable revenue - shared tax revenue	-	-	-	511,993	-	-
Unavailable revenue - CDBG loans	-	-	-	-	11,594,634	-
Total deferred inflows of resources	-	-	-	511,993	11,594,634	634,878
FUND BALANCES						
Unassigned	11,780	566,363	1,357,870	5,565,812	2,042,598	2,667,920
Total fund balances	11,780	566,363	1,357,870	5,565,812	2,042,598	2,667,920
Total liabilities, deferred inflows of resources and fund balances	\$ 11,780	\$ 1,274,997	\$ 2,409,744	\$ 6,181,521	\$ 14,430,525	\$ 3,323,255

River Pier Garage	Special Revenue				Total Special Revenue	Debt Service	Permanent	Total Nonmajor Funds
	Regional Planning Agency	Air Pollution Control Bureau	Scenic Cities Beautiful Commission	Library Endowment				
\$1,686,786	\$ 4,809,794	\$ 872,769	\$ 19,707	\$ 20,542,556	\$ 3,003,921	\$ 206,883	\$ 23,753,360	
-	-	-	-	-	-	5,113,813	5,113,813	
-	-	-	-	1,303,530	-	-	1,303,530	
-	-	-	-	10,586,054	-	-	10,586,054	
108,764	-	-	3,785	373,659	-	-	373,659	
-	51,658	-	-	835,309	-	-	835,309	
-	226,578	-	-	1,753,198	-	-	1,753,198	
-	-	-	-	17,357	-	-	17,357	
<u>\$1,795,550</u>	<u>\$ 5,088,030</u>	<u>\$ 872,769</u>	<u>\$ 23,492</u>	<u>\$ 35,411,663</u>	<u>\$ 3,003,921</u>	<u>\$ 5,320,696</u>	<u>\$ 43,736,280</u>	
-	65,239	7,975	334	1,551,076	13,832	62	1,564,970	
-	137,948	53,265	3,144	740,129	-	-	740,129	
-	-	-	-	-	-	-	-	
-	-	-	-	268	-	-	268	
-	-	-	-	654,406	-	-	654,406	
-	203,187	61,240	3,478	2,945,879	13,832	62	2,959,773	
-	-	-	-	634,878	-	-	634,878	
-	-	-	-	511,993	-	-	511,993	
-	-	-	-	11,594,634	-	-	11,594,634	
-	-	-	-	12,741,505	-	-	12,741,505	
1,795,550	4,884,843	811,529	20,014	19,724,279	2,990,089	5,320,634	28,035,002	
1,795,550	4,884,843	811,529	20,014	19,724,279	2,990,089	5,320,634	28,035,002	
<u>\$1,795,550</u>	<u>\$ 5,088,030</u>	<u>\$ 872,769</u>	<u>\$ 23,492</u>	<u>\$ 35,411,663</u>	<u>\$ 3,003,921</u>	<u>\$ 5,320,696</u>	<u>\$ 43,736,280</u>	

CITY OF CHATTANOOGA, TENNESSE

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

Year Ended June 30, 2018

	Special Revenue						
	Downtown Development	Social Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax	River Pier Garage
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,175,882	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental:							
Federal	-	12,208,441	17,626	-	2,218,524	-	-
State	-	3,235,162	-	5,781,628	-	-	-
County	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Charges for services	-	24,787	-	-	-	-	428,867
Fines, forfeitures and penalties	-	-	45,587	-	-	-	-
Investment income	-	-	6,093	57,057	93,257	-	-
Contributions and donations	-	2,008	-	-	-	-	-
Sale of property	-	-	8,276	-	-	-	-
Miscellaneous	-	-	335,272	(39)	930,029	-	-
Total revenues	-	15,470,398	412,854	5,838,646	3,241,810	7,175,882	428,867
EXPENDITURES							
Current:							
General government:							
General government	-	-	-	-	-	315,833	189,790
Economic and community development	-	-	-	-	2,298,549	-	-
Public safety:							
Police	-	-	229,103	-	-	-	-
Public works and transportation:							
Public works	-	-	-	3,748,209	-	-	-
Youth and family development:							
Youth and family development	-	17,045,154	-	-	-	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	-	17,045,154	229,103	3,748,209	2,298,549	315,833	189,790
Excess (deficiency) of revenues over (under) expenditures	-	(1,574,756)	183,751	2,090,437	943,261	6,860,049	239,077
OTHER FINANCING SOURCES (USES)							
Transfers in	-	2,139,207	-	-	100,708	-	-
Transfers out	-	(683,097)	-	(975,148)	(739,840)	(9,824,359)	-
Total other financing sources (uses)	-	1,456,110	-	(975,148)	(639,132)	(9,824,359)	-
Net change in fund balances	-	(118,646)	183,751	1,115,289	304,129	(2,964,310)	239,077
FUND BALANCES, beginning	11,780	685,009	1,174,119	4,450,523	1,738,469	5,632,230	1,556,473
FUND BALANCES, ending	\$ 11,780	\$ 566,363	\$ 1,357,870	\$ 5,565,812	\$ 2,042,598	\$ 2,667,920	\$ 1,795,550

Regional Planning Agency	Special Revenue				Total Special Revenue	Debt Service	Permanent	Other Eliminations	Total Nonmajor Funds
	Air Pollution Control Bureau	Scenic Cities Beautiful Commission	Interfund Eliminations	Fund Library Endowment					
\$ -	\$ -	\$ -	\$ -	\$ 7,175,882	\$ -	\$ -	\$ -	\$ 7,175,882	
130,380	485,993	-	-	616,373	-	-	-	616,373	
-	294,843	-	-	14,739,434	-	-	-	14,739,434	
610,972	-	47,985	-	9,675,747	-	-	-	9,675,747	
767,521	188,548	-	-	956,069	-	-	-	956,069	
170,233	-	-	-	170,233	-	-	-	170,233	
-	-	-	-	453,654	-	-	-	453,654	
-	-	-	-	45,587	-	-	-	45,587	
-	-	-	-	156,407	-	345,273	-	501,680	
-	-	-	-	2,008	-	-	-	2,008	
-	-	-	-	8,276	-	-	-	8,276	
-	-	-	-	1,265,262	-	-	-	1,265,262	
<u>1,679,106</u>	<u>969,384</u>	<u>47,985</u>	<u>-</u>	<u>35,264,932</u>	<u>-</u>	<u>345,273</u>	<u>-</u>	<u>35,610,205</u>	
3,556,279	1,472,105	82,066	-	5,616,073	-	57,050	-	5,673,123	
-	-	-	-	2,298,549	-	-	-	2,298,549	
-	-	-	-	229,103	-	-	-	229,103	
-	-	-	-	3,748,209	-	-	-	3,748,209	
-	-	-	-	17,045,154	-	-	-	17,045,154	
-	-	-	-	-	20,689,981	-	-	20,689,981	
-	-	-	-	-	7,454,386	-	-	7,454,386	
<u>3,556,279</u>	<u>1,472,105</u>	<u>82,066</u>	<u>-</u>	<u>28,937,088</u>	<u>28,144,367</u>	<u>57,050</u>	<u>-</u>	<u>57,138,505</u>	
<u>(1,877,173)</u>	<u>(502,721)</u>	<u>(34,081)</u>	<u>-</u>	<u>6,327,844</u>	<u>(28,144,367)</u>	<u>288,223</u>	<u>-</u>	<u>(21,528,300)</u>	
2,312,563	546,981	-	(1,198,328)	3,901,131	29,356,059	-	-	33,257,190	
(108,900)	(276,161)	-	1,198,328	(11,409,177)	-	-	-	(11,409,177)	
<u>2,203,663</u>	<u>270,820</u>	<u>-</u>	<u>-</u>	<u>(7,508,046)</u>	<u>29,356,059</u>	<u>-</u>	<u>-</u>	<u>21,848,013</u>	
326,490	(231,901)	(34,081)	-	(1,180,202)	1,211,692	288,223	-	319,713	
<u>4,558,353</u>	<u>1,043,430</u>	<u>54,095</u>	<u>-</u>	<u>20,904,481</u>	<u>1,778,396</u>	<u>5,032,411</u>	<u>-</u>	<u>27,715,288</u>	
<u>\$ 4,884,843</u>	<u>\$ 811,529</u>	<u>\$ 20,014</u>	<u>\$ -</u>	<u>\$ 19,724,279</u>	<u>\$ 2,990,088</u>	<u>\$ 5,320,634</u>	<u>\$ -</u>	<u>\$ 28,035,001</u>	

DISCRETELY PRESENTED COMPONENT UNITS

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

Chattanooga Metropolitan Airport Authority accounts for the 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.

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Chattanooga Metropolitan Airport Authority	CARTA	Total
OPERATING REVENUES			
Charges for services	\$ 22,072,440	\$ 10,350,540	\$ 32,422,980
Total operating revenues	<u>22,072,440</u>	<u>10,350,540</u>	<u>32,422,980</u>
OPERATING EXPENSES			
Airport operations	15,605,053	-	15,605,053
CARTA operations	-	22,354,050	22,354,050
Management fees	-	-	-
Maintenance	-	-	-
Depreciation and amortization	7,642,760	3,382,112	11,024,872
Total operating expenses	<u>23,247,813</u>	<u>25,736,162</u>	<u>48,983,975</u>
OPERATING INCOME (LOSS)	<u>(1,175,373)</u>	<u>(15,385,622)</u>	<u>(16,560,995)</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	-	7,775,723	7,775,723
Investment income	158,464	4,159	162,623
Interest expense	(316,805)	(3,890)	(320,695)
Other income (expense)	2,874,580	7,422	2,882,002
Total nonoperating revenues (expenses)	<u>2,716,239</u>	<u>7,783,414</u>	<u>10,499,653</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	1,540,866	(7,602,208)	(6,061,342)
Capital contributions	<u>5,195,943</u>	<u>6,531,507</u>	<u>11,727,450</u>
CHANGE IN NET POSITION	6,736,809	(1,070,701)	5,666,108
NET POSITION, beginning, as previously reported	125,174,747	14,729,673	139,904,420
Change in accounting principle	<u>(183,290)</u>	<u>(270,271)</u>	<u>(453,561)</u>
NET POSITION, beginning, as restated	<u>124,991,457</u>	<u>14,459,402</u>	<u>139,450,859</u>
NET POSITION, ending	<u><u>\$ 131,728,266</u></u>	<u><u>\$ 13,388,701</u></u>	<u><u>\$ 145,116,967</u></u>

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS**

Year Ended June 30, 2018

	Chattanooga Metropolitan Airport Authority	CARTA	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 21,919,776	\$ 10,234,321	\$ 32,154,097
Payments to suppliers	(12,487,339)	(10,192,515)	(22,679,854)
Payments to employees	(3,200,583)	(13,501,620)	(16,702,203)
Net cash from operating activities	<u>6,231,854</u>	<u>(13,459,814)</u>	<u>(7,227,960)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental payments received	-	7,794,627	7,794,627
Net cash from noncapital financing activities	<u>-</u>	<u>7,794,627</u>	<u>7,794,627</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	(748,800)	(95,671)	(844,471)
Principal paid on capital lease	-	-	-
Interest paid on capital debt	(318,752)	(15,335)	(334,087)
Capital contributions	4,183,298	8,128,994	12,312,292
Net decrease in revolving line of credit	-	(400,000)	(400,000)
Additions to capital assets	(9,298,858)	(2,516,499)	(11,815,357)
Passenger/customer facility charges collected	2,628,942	-	2,628,942
Net cash flows from capital and related financing activities	<u>(3,554,170)</u>	<u>5,101,489</u>	<u>1,547,319</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of certificates of deposit	(12,000,000)	-	(12,000,000)
Proceeds from sale of equipment	50,005	75,324	125,329
Interest on investments	158,464	5,570	164,034
Net cash flows from investing activities	<u>(11,791,531)</u>	<u>80,894</u>	<u>(11,710,637)</u>
Net increase (decrease) in cash and cash equivalents	(9,113,847)	(482,804)	(9,596,651)
Cash and cash equivalents, beginning of year	20,552,578	2,150,755	22,703,333
Cash and cash equivalents, end of year	<u>\$ 11,438,731</u>	<u>\$ 1,667,951</u>	<u>\$ 13,106,682</u>
CLASSIFIED AS:			
Current assets	\$ 8,432,028	\$ 1,667,951	\$ 10,099,979
Restricted assets	3,006,703	-	3,006,703
	<u>\$ 11,438,731</u>	<u>\$ 1,667,951</u>	<u>\$ 13,106,682</u>

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS**

Year Ended June 30, 2018

	Chattanooga Metropolitan Airport Authority	CARTA	Total
	<u> </u>	<u> </u>	<u> </u>
(Continued from previous page)			
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
OPERATING INCOME (LOSS)	<u>\$ (1,175,373)</u>	<u>\$ (15,385,622)</u>	<u>\$ (16,560,995)</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Depreciation and amortization	7,642,760	3,229,653	10,872,413
Net general pension expense (benefit)	451,277	-	451,277
Net general other post-employment benefit	(286,285)	-	(286,285)
Bad debt expense	-	-	-
Change in operating assets and liabilities:			
Trade receivables, net	(169,282)	(50,010)	(219,292)
Inventory	(120,524)	(50,957)	(171,481)
Prepaid items	485,356	21,809	507,165
Other assets	-	26,625	26,625
Accounts payable and accrued liabilities	(612,693)	(2,040,478)	(2,653,171)
Unearned revenue	16,618	-	16,618
Deferred pension items	-	(31,423)	(31,423)
	<u> </u>	<u> </u>	<u> </u>
TOTAL ADJUSTMENTS	<u>7,407,227</u>	<u>1,105,219</u>	<u>8,512,446</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 6,231,854</u>	<u>\$ (14,280,403)</u>	<u>\$ (8,048,549)</u>
SIGNIFICANT NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Additions to property and equipment included in contracts payable	<u>\$ (722,112)</u>	<u>\$ -</u>	<u>\$ (722,112)</u>



CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 137,028,000	\$ 137,028,000	\$ 133,715,312	\$ (3,312,688)
Payments in lieu of tax:				
PILOT CHA	140,900	140,900	166,901	26,001
PILOT TVA	1,930,000	1,930,000	1,944,355	14,355
PILOT JCT	-	-	4,560	4,560
PILOT Good Neighbors	2,800	2,800	2,808	8
PILOT Dev Corp O Knob	500	500	488	(12)
PILOT Chattem	65,400	65,400	64,454	(946)
PILOT The Bread Factory	11,000	11,000	12,632	1,632
PILOT UnumProvident Corporation	31,100	31,100	86,102	55,002
PILOT South Market LLC	1,762	1,762	4,164	2,402
PILOT Frazier Partners	11,900	11,900	17,780	5,880
PILOT Invista	18,700	18,700	18,642	(58)
PILOT Wm Wrigley Jr Co	29,100	29,100	29,290	190
PILOT Blue Cross Blue Shield	900,000	900,000	973,266	73,266
PILOT Heatec, Inc	16,100	16,100	15,878	(222)
PILOT Roadtec	17,970	17,970	18,690	720
PILOT MK LLC	2,000	2,000	4,335	2,335
PILOT Jarnigan Road-EMJ Corp	46,900	46,900	51,081	4,181
PILOT Southern Champion Tray	44,200	44,200	-	(44,200)
PILOT Gestamp Chattanooga, LLC	198,200	198,200	292,325	94,125
PILOT Scannell- Fedex, Inc	90,000	90,000	19,077	(70,923)
PILOT Westinghouse Electric Co.	92,200	92,200	64,826	(27,374)
PILOT EPB	7,046,523	7,046,523	7,044,573	(1,950)
PILOT American Plastic 2	29,800	29,800	30,484	684
PILOT Plastic Omnium Auto Exteriors LLC	-	-	98,591	98,591
PILOT UTC Two LLC	10,100	10,100	10,148	48
PILOT UTC Three LLC	5,790	5,790	5,790	-
PILOT Van De Wiele, Inc.	-	-	8,518	8,518
Interest and penalty on taxes				
Current year	300,000	300,000	908	(299,092)
Prior years	1,309,000	1,309,000	1,297,425	(11,575)
Collection fees on delinquent taxes	300,000	300,000	246,265	(53,735)
Total property taxes	149,679,945	149,679,945	146,249,668	(3,430,277)
Other local taxes:				
Franchise taxes	4,480,100	4,480,100	4,739,367	259,267
Liquor taxes	3,000,000	3,000,000	2,716,942	(283,058)
Beer taxes	5,976,000	5,976,000	5,652,286	(323,714)
Local litigation tax city court	3,000	3,000	3,031	31
Gross receipts tax	6,118,000	6,118,000	5,787,844	(330,156)
Corporate excise tax - intangible property	200,000	200,000	655,272	455,272
Total other taxes	19,777,100	19,777,100	19,554,742	(222,358)
Total taxes	169,457,045	169,457,045	165,804,410	(3,652,635)

(Continue on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Licenses, fees and permits:				
Licenses:				
Wrecker Business License	5,200	5,200	7,465	2,265
Liquor by Drink License	130,000	130,000	176,435	46,435
Liquor by Drink Int & Pen	2,000	2,000	4,845	2,845
Transient Vendor License	2,200	2,200	2,800	600
Motor Vehicle License	412,700	412,700	411,205	(1,495)
Original Business License Fee	21,100	21,100	25,515	4,415
Special Gathering Permit	-	-	2,880	2,880
Manufacturing of Intoxicants License	-	-	2,000	2,000
Over & Under Business License	-	-	109	109
Permits:				
Building Permits	1,650,600	1,650,600	1,549,182	(101,418)
Electrical Permits	353,700	353,700	409,530	55,830
Plumbing Fixtures Connection Permits	216,500	216,500	269,670	53,170
Street Cut-in Permits	380,000	380,000	326,239	(53,761)
Mechanical Code Permits	250,000	250,000	260,700	10,700
Hotel Permits	4,000	4,000	4,350	350
Gas Permits	45,000	45,000	45,240	240
Sign Permits	145,000	145,000	137,325	(7,675)
Taxicab Driver Permits	7,000	7,000	5,650	(1,350)
Temporary Use Permits	4,900	4,900	3,980	(920)
Going Out of Business Permits	200	200	-	(200)
Traffic Eng Special Events Permits	10,300	10,300	35,558	25,258
Push Cart Permits	200	200	100	(100)
Mobile Food Unit	-	-	750	750
Tree Ordinance Permit	-	-	1,650	1,650
Tire Haulers Permit	-	-	140	140
Fees:				
Business License Issuance Fees	56,800	56,800	63,237	6,437
Plumbing Examiners Fees	26,320	26,320	17,960	(8,360)
Electrical Examiners Fees	72,000	72,000	51,935	(20,065)
Gas Examiners Fees	24,000	24,000	14,330	(9,670)
Beer Permit Application Fees	120,000	120,000	124,943	4,943
Mechanical Exam Fees	110,000	110,000	111,380	1,380
Permit Issuance Fees	55,000	55,000	54,273	(727)
Exhibitors Fees	750	750	1,104	354
Subdivision Review & Inspection Fees	26,000	26,000	28,565	2,565
Adult Entertain Application Fees	8,000	8,000	9,600	1,600
Zoning Letter Fees	17,000	17,000	12,525	(4,475)
Variance Request Fees	9,000	9,000	7,600	(1,400)
Certificate of Occupancy Fees	25,700	25,700	31,550	5,850
Sewer Verification Letter Fees	200	200	-	(200)
Code Compliance Letter Fees	1,700	1,700	1,600	(100)
Modular Home Site Investigation Fees	50	50	200	150
Plan Checking Fees	320,000	320,000	259,260	(60,740)
Phased Construction Plan Review Fees	12,000	12,000	7,665	(4,335)
Construction Board of Appeals Fees	1,200	1,200	500	(700)
Sign Board of Appeals Fees	1,100	1,100	1,400	300

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Historic Zone Construction Fee	-	-	150	150
Hardship-Appropriateness Construction Fee	-	-	275	275
Northshore Design Appeal Fee	500	500	6,475	5,975
Northshore-Downtown Plan Review Fee	-	-	2,575	2,575
Fire Permits City Code 16-29	200,000	200,000	172,933	(27,067)
Fire Re-Inspection of Business & Hotels	-	-	800	800
Parking Lot Fee	24,500	24,500	14,906	(9,594)
Wine in Grocery Store	-	-	3,400	3,400
Designated revenue:				
Parking meters and other fees	1,687,288	1,687,288	1,637,831	(49,457)
Total licenses, fees & permits	6,439,708	6,439,708	6,322,290	(117,418)
Intergovernmental:				
State funds:				
State Operations Funds Training Supplement F&P	535,800	535,800	498,000	(37,800)
State Shared Ops Maintenance of Streets	235,000	235,000	133,184	(101,816)
State Shared City Alloc State Sales Tax	13,852,000	13,852,000	14,236,065	384,065
State Shared City Alloc State Income Tax	2,500,000	2,500,000	2,866,453	366,453
State Shared City Alloc State Beer Tax	82,000	82,000	78,222	(3,778)
State Shared Mixed Drink Tax	3,254,000	3,254,000	3,312,240	58,240
State Shared Telecommunications Sales Tax	14,000	14,000	251,753	237,753
State Shared Alcoholic Beverage Tax	135,000	135,000	142,024	7,024
State Shared Gas Inspection Fees	338,000	338,000	337,842	(158)
State Shared Commission Gross Receipts	510,000	510,000	537,185	27,185
County funds:				
Ham Co Operations Funds	-	-	6,855	6,855
Ham Co Oper Ross's Landing	1,489,052	1,489,052	1,229,027	(260,025)
Ham Co Local Option Sales Tax	45,800,000	45,800,000	49,450,575	3,650,575
Other intergovernmental	-	-	89,021	89,021
Designated revenue:				
Ham Co Local Option Sales Tax (Economic Dev)	12,782,850	12,782,850	13,937,254	1,154,404
State Shared TDZ Sales Tax	-	-	4,421,397	4,421,397
Ham Co Local Option Sales Tax TDZ	-	-	1,328,139	1,328,139
Other	1,611,228	1,611,228	2,526,408	915,180
Total intergovernmental revenues	83,138,930	83,138,930	95,381,644	12,242,714
Charges for services				
Court charges:				
Court Cost Current	193,000	193,000	185,419	(7,581)
Court Commissions	5,000	5,000	4,160	(840)
Court Clerk's Fee Current	473,610	473,610	601,590	127,980
Court Service of Process Current	-	-	379	379
Court Processing of Release Forms	15,000	15,000	15,748	748
Court Administrative Cost	500	500	718	218
Court Current State Cost	1,000	1,000	1,242	242
Court Translation Service Fee	-	-	8,975	8,975

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Facility charges:				
Facility Rents	5,000	5,000	2,105	(2,895)
Property Rental Revenue	178,000	178,000	121,143	(56,857)
Ballfield Income	43,000	43,000	57,450	14,450
Skateboard Park Fees	27,000	27,000	27,008	8
Carousel Ridership	123,000	123,000	127,840	4,840
Walker Pavilion Rent	19,600	19,600	31,948	12,348
Heritage Park House Rent	21,800	21,800	22,910	1,110
Renaissance Park Rent	-	-	2,995	2,995
Greenway Facility Rent	11,000	11,000	18,035	7,035
Fitness Center Fees	30,000	30,000	36,119	6,119
Golf Green Fees	-	-	40	40
Dock Rental	30,000	30,000	48,370	18,370
Ross' Landing Rent	65,000	65,000	68,880	3,880
Champion's Club Fees	35,700	35,700	37,273	1,573
Recreation Center Rental	50,000	50,000	49,516	(484)
Carousel Room Rental	16,900	16,900	14,820	(2,080)
Coolidge Park Rental	18,000	18,000	15,160	(2,840)
Walnut Street Bridge Rental	-	-	2,050	2,050
Program charges:				
Program Fees	-	-	6,860	6,860
Park Event Fees	5,000	5,000	5,938	938
Kidz Kamp Fees	-	-	3,920	3,920
Sports Program Fees	9,800	9,800	-	(9,800)
Non-Traditional Program Fees	2,100	2,100	3,452	1,352
OutVenture Fees	23,000	23,000	19,645	(3,355)
Therapeutic Fees	1,100	1,100	1,216	116
Swimming Pool Fees	105,690	105,690	108,592	2,902
Arts & Culture Fees	900	900	1,017	117
Counter sales:				
Police Report Fees	11,000	11,000	12,423	1,423
Memberships	-	-	(380)	(380)
Credit Card Processing Fee	56,600	56,600	47,340	(9,260)
Concessions	79,700	79,700	87,109	7,409
Other charges:				
Financial Service EPB	7,200	7,200	5,400	(1,800)
General Pension Admin Cost	45,000	45,000	45,000	-
Returned Check Fee	3,300	3,300	1,901	(1,399)
Waste Container Purchases	16,400	16,400	13,310	(3,090)
Non Profit Request Fee	-	-	2,650	2,650
Recycle Container Purchases	-	-	125	125
Revenue adjustments:				
Over & Under	-	-	6,812	6,812
Designated revenue:	2,059,256	2,059,256	2,066,972	7,716
Total charges for services	3,788,156	3,788,156	3,941,195	153,039

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Fines, forfeitures and penalties				
City court fines	388,300	388,300	501,702	113,402
Criminal court fines	137,000	137,000	118,340	(18,660)
Traffic court fines	49,500	49,500	52,228	2,728
Air pollution penalties	-	-	11,427	11,427
Designated revenue	655,700	655,700	638,568	(17,132)
Total fines and forfeitures	1,230,500	1,230,500	1,322,265	91,765
Miscellaneous:				
Investment income	1,800,000	1,800,000	2,585,389	785,389
Sale of property	623,000	623,000	437,601	(185,399)
Donations	-	-	5,178	5,178
Settlements	15,000	15,000	10,293	(4,707)
Departmental billings	5,423,780	5,423,780	5,423,780	-
Miscellaneous revenue	311,203	311,203	486,787	175,584
Designated revenue:				
Investment income	-	-	86,489	86,489
Donations	299,009	299,009	334,096	35,087
Miscellaneous revenue	50,658	50,658	45,455	(5,203)
Total miscellaneous revenue	8,522,650	8,522,650	9,415,068	892,418
Total revenues	272,576,989	272,576,989	282,186,872	9,609,883
EXPENDITURES				
General government:				
City Council	811,805	811,805	639,908	(171,897)
City Judges	992,363	992,363	965,202	(27,161)
City Attorney	1,707,777	1,707,777	1,531,899	(175,878)
Records Retention Management	50,000	50,000	14,437	(35,563)
Internal Audit	692,608	692,608	661,806	(30,802)
Information Services:				
Information Services	8,382,448	8,382,448	6,673,938	(1,708,510)
Telecommunication Bill Clearing	606,492	606,492	-	(606,492)
Purchasing	846,266	846,266	813,570	(32,696)
311 Call Center	683,916	683,916	606,647	(77,269)
External Appropriations:				
Allied Arts Council Fund, Inc.	275,000	275,000	275,000	-
Carter Street Corporation	200,000	200,000	200,000	-
Chatt Neighborhood Enterprise	747,480	747,480	747,480	-
WTCL-TV Channel 45	75,000	75,000	75,000	-
Tennessee River Park	1,363,171	1,363,171	1,208,649	(154,522)
Children's Advocacy Center	65,000	65,000	65,000	-

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Community Foundation Scholarships	106,300	106,300	106,300	-
Chatt Area Urban League	115,000	115,000	115,000	-
Bessie Smith Cultural Center	80,000	80,000	80,000	-
Enterprise Center	270,000	270,000	270,000	-
Enterprise South Nature Park	700,585	700,585	570,922	(129,663)
ESIP Security Services	55,352	55,352	-	(55,352)
Homeless Coalition	70,000	70,000	70,000	-
Partnership Rape Crisis	65,000	65,000	65,000	-
Children's Home - Chamblis Shelter	350,000	350,000	350,000	-
Fortwood Center	62,000	62,000	46,500	(15,500)
Joe Johnson Mental Health	60,000	60,000	60,000	-
Speech & Hearing Center	67,700	67,700	67,700	-
Orange Grove	105,188	105,188	105,188	-
Signal Center	75,000	75,000	75,000	-
Interfaith Homeless Network	111,600	111,600	111,600	-
AIM Center, Inc	60,000	60,000	60,000	-
Bethlehem Center	65,000	65,000	65,000	-
Girls, Inc.	110,000	110,000	110,000	-
Greater Chattanooga Sports & Events	225,000	225,000	225,000	-
Chattanooga Zoo	25,000	25,000	25,000	-
Chattanooga Room in the Inn	25,000	25,000	25,000	-
LaPaz Chattanooga	50,000	50,000	50,000	-
Green Spaces	15,000	15,000	15,000	-
Chattanooga Goodwill Industries	10,000	10,000	10,000	-
Habitat for Humanity of Greater Chattanooga	50,000	50,000	50,000	-
United Way of Greater Chattanooga	135,000	135,000	135,000	-
TechTown Foundation	40,000	40,000	40,000	-
Chattanooga Room in the Inn	20,000	20,000	20,000	-
Component Unit Appropriations:				
CARTA Subsidy	5,109,594	5,109,594	5,084,598	(24,996)
City Code Revision	16,920	16,920	16,029	(891)
Unemployment Insurance	60,000	60,000	6,036	(53,964)
Contingency Fund	1,771,447	1,771,447	42,140	(1,729,307)
Renewal & Replacement	1,331,339	1,331,339	927,312	(404,027)
Audits, Dues & Surveys	306,630	306,630	112,200	(194,430)
Intergovernmental Relations	291,555	291,555	184,695	(106,860)
City Water Quality Mgmt Fees	458,000	458,000	435,974	(22,026)
Liability Insurance Premiums	2,000,000	2,000,000	2,000,000	-
Education Per TCA 57-4-306	1,363,500	1,363,500	1,787,810	424,310
ESIP Administration	10,500	10,500	2,546	(7,954)
Tuition Assistance Program	25,000	25,000	11,959	(13,041)

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Designated expenditures:				
General government programs:				
CARTA Parking Meters	1,637,831	1,637,831	1,637,831	-
Automated Traffic Enforcement	655,700	655,700	619,715	(35,985)
General government grants:				
EPA - Brownfield Revolving Loan Brightbridge	200,000	200,000	200,000	-
EPA - Brownfield at E 38th St at Workman Rd	25,674	25,674	25,674	-
Public Library	6,896,195	6,896,195	6,593,838	(302,357)
Economic Development	11,642,849	11,642,849	10,694,285	(948,564)
Total general government	<u>54,425,785</u>	<u>54,425,785</u>	<u>47,784,388</u>	<u>(6,641,397)</u>
Executive Office of the Mayor:				
Executive Office Admin	1,541,613	1,541,613	1,516,600	(25,013)
Multicultural Affairs	362,299	362,299	355,327	(6,972)
Designated expenditures:				
Go Fest	10,500	10,500	5,681	(4,819)
Peak Academy	2,000	2,000	-	(2,000)
Violent Gang & Gun Crime Reduction Program	83,870	83,870	83,870	-
STOP 2018 Chattanooga Family Justice Center	-	-	27,125	27,125
Chattanooga FJC VOCA Grant	244,643	244,643	244,643	-
OVW Abuse in Later Life Program Grant	56,009	56,009	56,009	-
Total executive office	<u>2,300,934</u>	<u>2,300,934</u>	<u>2,289,255</u>	<u>(11,679)</u>
Finance and administration:				
Finance Office	3,877,164	3,877,164	3,556,375	(320,789)
Office of the City Treasurer	1,173,545	1,173,545	862,010	(311,535)
City Court Clerk's Office	1,382,446	1,382,446	1,139,802	(242,644)
Designated expenditures:				
City Court Technology	-	-	14,222	14,222
Municipal Billing and Collection	1,055,566	1,055,566	1,041,493	(14,073)
Municipal Billing and Collection - Offset	(1,055,566)	(1,055,566)	(1,041,493)	14,073
Total finance and administration	<u>6,433,155</u>	<u>6,433,155</u>	<u>5,572,409</u>	<u>(860,746)</u>
Human resources:				
Human Resource Administration	1,355,278	1,355,278	1,259,308	(95,970)
Insurance Officer and Programs	565,072	565,072	569,974	4,902
Total human resources	<u>1,920,350</u>	<u>1,920,350</u>	<u>1,829,282</u>	<u>(91,068)</u>

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Economic and community development:				
Neighborhood Services Administration	1,589,905	1,589,905	1,366,290	(223,615)
Codes & Community Services	2,651,629	2,651,629	2,115,368	(536,261)
Outdoor Chattanooga	785,034	785,034	509,548	(275,486)
Economic & Community Development Initiatives	100,000	100,000	100,000	-
Public Art Initiative	212,663	212,663	160,184	(52,479)
Land Development Office	2,601,895	2,601,895	2,769,824	167,929
Designated expenditures:				
Neighborhood Partners Projects & Initiatives	-	-	500	500
Special Projects	19,000	19,000	19,000	-
Public Art Initiative	196,840	196,840	426,295	229,455
Open Spaces	25,000	25,000	3,250	(21,750)
Total economic and community development	<u>8,181,966</u>	<u>8,181,966</u>	<u>7,470,259</u>	<u>(711,707)</u>
Police:				
Police Administration	3,886,412	3,886,412	1,999,443	(1,886,969)
Uniform Services	32,631,877	32,631,877	30,263,923	(2,367,954)
Investigative Services	11,899,926	11,899,926	11,383,331	(516,595)
Support Services	22,611,711	22,611,711	24,507,971	1,896,260
Designated expenditures:				
Reduction of Part 1 Offenses	-	-	13,522	13,522
Police Special Programs	16,094	16,094	43,262	27,168
Law Enforcement Planning	-	-	60,766	60,766
Other Police Grants	107,263	107,263	184,181	76,918
Total police	<u>71,153,283</u>	<u>71,153,283</u>	<u>68,456,399</u>	<u>(2,696,884)</u>
Fire:				
Fire Administration	1,441,751	1,441,751	623,413	(818,338)
Station Operations	39,017,666	39,017,666	37,957,920	(1,059,746)
Safety, Training and Tactical Services	3,748,567	3,748,567	3,574,962	(173,605)
Designated expenditures:				
Fire Programs and Grants	107,480	107,480	843,442	735,962
Total fire	<u>44,315,464</u>	<u>44,315,464</u>	<u>42,999,737</u>	<u>(1,315,727)</u>
Public works:				
Public Works Administration	787,129	787,129	1,089,672	302,543
City Engineer's Office	1,391,934	1,391,934	1,524,409	132,475
Field Surveyors	171,276	171,276	161,125	(10,151)
Facilities Management	279,529	279,529	290,183	10,654
Mail Room	75,629	75,629	46,902	(28,727)
Office of Sustainability	110,612	110,612	99,513	(11,099)
Building Maintenance	2,120,981	2,120,981	1,854,008	(266,973)
Storage on Main Street	55,420	55,420	70,255	14,835
Heritage Hall Maintenance	141,308	141,308	155,107	13,799
Utilities	615,505	615,505	315,914	(299,591)
Solid Waste Disposal	-	-	42,157	42,157
Utilities	199,600	199,600	179,864	(19,736)

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Solid Waste Disposal	6,210,400	6,210,400	6,056,902	(153,498)
Farmer's Market	15,098	15,098	-	(15,098)
City-wide Services Administration	1,544,763	1,544,763	1,334,721	(210,042)
Emergency	666,674	666,674	700,908	34,234
Street Cleaning	25,925	25,925	115,081	89,156
Central Business District	369,236	369,236	364,209	(5,027)
Street Cleaning Crews	687,905	687,905	643,825	(44,080)
Mowing Tractors/Leaf Collection	1,014,215	1,014,215	801,059	(213,156)
Street Sweeping	1,089,261	1,089,261	779,772	(309,489)
Waste Pickup	7,924,319	7,924,319	8,187,136	262,817
Municipal Forestry	871,170	871,170	1,003,898	132,728
Storm Stations	13,359	13,359	5,202	(8,157)
Park Management	2,666,416	2,666,416	2,939,883	273,467
Hamilton County Shared Parks Maintenance	3,210,658	3,210,658	2,609,880	(600,778)
Zoo	675,000	675,000	675,000	-
Brainerd Golf Course	808,178	808,178	794,559	(13,619)
Brown Acres Golf Course	846,358	846,358	869,989	23,631
Civic Facilities	750,095	750,095	750,000	(95)
Designated expenditures:				
Public Works Programs	34,625	34,625	200,604	165,979
Building Operations	179,422	179,422	176,903	(2,519)
Total public works	<u>35,552,000</u>	<u>35,552,000</u>	<u>34,838,640</u>	<u>(713,360)</u>
Transportation:				
Transportation Administration	1,559,690	1,559,690	1,565,535	5,845
Traffic Engineering Administration	1,166,244	1,166,244	1,074,052	(92,192)
Street Lighting	3,709,424	3,709,424	3,698,747	(10,677)
Smart Cities Operations	134,655	134,655	1,769	(132,886)
Traffic Operations	2,386,558	2,386,558	2,347,253	(39,305)
Designated expenditures:				
Transportation Programs	-	-	14,324	14,324
Total transportation	<u>8,956,571</u>	<u>8,956,571</u>	<u>8,701,680</u>	<u>(254,891)</u>
Youth and family development:				
Youth & Family Development Administration	433,164	433,164	454,646	21,482
Recreation Administration	1,803,079	1,803,079	2,071,791	268,712
Youth Development	39,728	39,728	42,388	2,660
Kidz Kamp	336,144	336,144	363,091	26,947
Sports Programs	431,654	431,654	492,882	61,228
Aquatics Programs	223,548	223,548	245,527	21,979
Therapeutic Programs	184,219	184,219	172,428	(11,791)
Fitness Center	259,780	259,780	275,299	15,519
Youth Dev - CAPS	271,154	271,154	242,684	(28,470)
Youth Dev - Education	300,839	300,839	245,037	(55,802)
Youth Dev - Career Development	127,809	127,809	101,613	(26,196)
Youth Dev - Alton Park Partnership	28,790	28,790	-	(28,790)
Skatepark	76,538	76,538	28,602	(47,936)

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Champion's Club	341,999	341,999	335,160	(6,839)
Summit of Softball	532,569	532,569	406,000	(126,569)
North River Soccer Complex	-	-	1,056	1,056
Recreation Centers	4,135,394	4,135,394	3,941,935	(193,459)
North River Center Programs	107,998	107,998	99,479	(8,519)
Eastgate Center Programs	226,076	226,076	220,535	(5,541)
Heritage House Programs	102,198	102,198	94,359	(7,839)
Designated expenditures:				
Recreation Special Programs	-	-	1,196	1,196
Senior & Youth Programming	1,173,017	1,173,017	1,190,862	17,845
Total youth and family development	<u>11,135,697</u>	<u>11,135,697</u>	<u>11,026,570</u>	<u>(109,127)</u>
Total expenditures	<u>244,375,205</u>	<u>244,375,205</u>	<u>230,968,619</u>	<u>(13,406,586)</u>
Excess of revenues over expenditures	<u>28,201,784</u>	<u>28,201,784</u>	<u>51,218,253</u>	<u>23,016,469</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(42,531,644)</u>	<u>(42,531,644)</u>	<u>(42,483,644)</u>	<u>48,000</u>
Total other financing sources (uses)	<u>(42,531,644)</u>	<u>(42,531,644)</u>	<u>(42,483,644)</u>	<u>48,000</u>
Net change in fund balances	(14,329,860)	(14,329,860)	8,734,609	23,064,469
FUND BALANCES, beginning	<u>101,405,893</u>	<u>101,405,893</u>	<u>101,405,893</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 87,076,033</u>	<u>\$ 87,076,033</u>	<u>\$ 110,140,502</u>	<u>\$ 23,064,469</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
FUND BALANCES, beginning	<u>11,780</u>	<u>11,780</u>	<u>11,780</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 11,780</u>	<u>\$ 11,780</u>	<u>\$ 11,780</u>	<u>\$ -</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 12,058,381	\$ 12,058,381	\$ 12,208,441	\$ 150,060
State of Tennessee funds	3,394,236	3,394,236	3,235,162	(159,074)
Project Warm Neighbors	22,286	22,286	549	(21,737)
Day care fees	39,013	39,013	24,787	(14,226)
Donations	1,200	1,200	1,459	259
Miscellaneous	522	522	-	(522)
Total revenues	15,515,638	15,515,638	15,470,398	(45,240)
EXPENDITURES				
Administration	861,435	861,435	863,151	1,716
Headstart program	12,357,455	12,357,455	12,184,834	(172,621)
Day care	252,034	252,034	262,495	10,461
Food program	91,726	91,726	84,649	(7,077)
Foster grandparent program	497,370	497,370	512,021	14,651
Low-income energy assistance	2,204,898	2,204,898	2,197,628	(7,270)
Community services block grant	610,847	610,847	608,560	(2,287)
Emergency food and shelter	20,480	20,480	20,030	(450)
Other programs	47,808	47,808	48,761	953
Capital outlay	86,818	86,818	263,025	176,207
Total expenditures	17,030,871	17,030,871	17,045,154	14,283
Excess (deficiency) of revenues over (under) expenditures	(1,515,233)	(1,515,233)	(1,574,756)	(59,523)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,511,407	1,511,407	2,139,207	627,800
Transfers out	-	-	(683,097)	(683,097)
Total other financing sources (uses)	1,511,407	1,511,407	1,456,110	(55,297)
Net change in fund balances	(3,826)	(3,826)	(118,646)	(114,820)
FUND BALANCES, beginning	685,009	685,009	685,009	-
FUND BALANCES, ending	\$ 681,183	\$ 681,183	\$ 566,363	\$ (114,820)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 100,000	\$ 100,000	\$ 17,626	\$ (82,374)
State of Tennessee funds	-	-	-	-
Confiscations	250,000	250,000	334,042	84,042
Investment income	5,000	5,000	6,093	1,093
Miscellaneous	60,000	60,000	55,093	(4,907)
Total revenues	415,000	415,000	412,854	(2,146)
EXPENDITURES				
Narcotics program	560,000	560,000	213,056	(346,944)
Capital outlay	-	-	16,047	16,047
Total expenditures	560,000	560,000	229,103	(330,897)
Excess (deficiency) of revenues over (under) expenditures	(145,000)	(145,000)	183,751	328,751
OTHER FINANCING SOURCES (USES)				
Transfers out	(250,000)	(250,000)	-	250,000
Total other financing sources (uses)	(250,000)	(250,000)	-	250,000
Net change in fund balances	(395,000)	(395,000)	183,751	578,751
FUND BALANCES, beginning	1,174,118	1,174,118	1,174,119	-
FUND BALANCES, ending	\$ 779,118	\$ 779,118	\$ 1,357,870	\$ 578,751

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 5,653,148	\$ 5,653,148	\$ 5,781,628	\$ 128,480
Investment Income	-	-	57,057	57,057
Miscellaneous	-	-	(39)	(39)
Total revenues	5,653,148	5,653,148	5,838,646	185,498
EXPENDITURES				
Salaries and wages	1,684,364	1,684,364	1,442,233	(242,131)
Fringe benefits	972,590	972,590	844,789	(127,801)
Purchased services	160,051	160,051	212,375	52,324
Vehicle operations	896,550	896,550	645,382	(251,168)
Materials and supplies	858,682	858,682	418,423	(440,259)
Other expense	7,000	7,000	6,728	(272)
Capital outlay	432,630	432,630	178,279	(254,351)
Total expenditures	5,011,867	5,011,867	3,748,209	(1,263,658)
Excess (deficiency) of revenues over (under) expenditures	641,281	641,281	2,090,437	1,449,156
OTHER FINANCING SOURCES (USES)				
Transfers out	(975,148)	(975,148)	(975,148)	-
Total other financing sources (uses)	(975,148)	(975,148)	(975,148)	-
Net change in fund balances	(333,867)	(333,867)	1,115,289	1,449,156
FUND BALANCES, beginning	4,450,523	4,450,523	4,450,523	-
FUND BALANCES, ending	\$ 4,116,656	\$ 4,116,656	\$ 5,565,812	\$ 1,449,156

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 2,615,031	\$ 2,615,031	\$ 2,218,524	\$ (396,507)
Investment income	-	-	93,257	93,257
Miscellaneous	724,696	724,696	930,029	205,333
Total revenues	3,339,727	3,339,727	3,241,810	(97,917)
EXPENDITURES				
Administration	355,000	355,000	467,941	112,941
Community development programs	881,160	881,160	659,872	(221,288)
Home investment programs	1,159,240	1,159,240	952,137	(207,103)
Emergency shelter programs	149,029	149,029	139,131	(9,898)
Other programs	238,550	238,850	61,960	(176,890)
Capital outlay	17,808	17,808	17,508	(300)
Total expenditures	2,800,787	2,801,087	2,298,549	(502,538)
Excess (deficiency) of revenues over (under) expenditures	538,940	538,640	943,261	404,621
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	100,708	100,708
Transfers out	(538,940)	(538,940)	(739,840)	(200,900)
Total other financing sources (uses)	(538,940)	(538,940)	(639,132)	(100,192)
Net change in fund balances	-	(300)	304,129	304,429
FUND BALANCES, beginning	1,738,468	1,738,468	1,738,469	-
FUND BALANCES, ending	\$ 1,738,468	\$ 1,738,168	\$ 2,042,598	\$ 304,429

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Hotel/Motel tax	\$ 7,250,000	\$ 7,250,000	\$ 7,175,882	\$ (74,118)
Total revenues	7,250,000	7,250,000	7,175,882	(74,118)
EXPENDITURES				
Contracted services	290,500	290,500	215,833	(74,667)
Capital outlay	100,000	100,000	100,000	-
Total expenditures	390,500	390,500	315,833	(74,667)
Excess (deficiency) of revenues over (under) expenditures	6,859,500	6,859,500	6,860,049	549
OTHER FINANCING SOURCES (USES)				
Transfers out	(9,824,526)	(9,824,526)	(9,824,359)	167
Total other financing sources (uses)	(9,824,526)	(9,824,526)	(9,824,359)	167
Net change in fund balances	(2,965,026)	(2,965,026)	(2,964,310)	716
FUND BALANCES, beginning	5,632,230	5,632,230	5,632,230	-
FUND BALANCES, ending	\$ 2,667,204	\$ 2,667,204	\$ 2,667,920	\$ 716

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Parking garage income	\$ 325,000	\$ 325,000	\$ 428,867	\$ 103,867
Total revenues	325,000	325,000	428,867	103,867
EXPENDITURES				
Contracted services	325,000	325,000	189,790	(135,210)
Total expenditures	325,000	325,000	189,790	(135,210)
Excess (deficiency) of revenues over (under) expenditures	-	-	239,077	239,077
Net change in fund balances	-	-	239,077	239,077
FUND BALANCES, beginning	1,556,472	1,556,472	1,556,473	-
FUND BALANCES, ending	\$ 1,556,472	\$ 1,556,472	\$ 1,795,550	\$ 239,077

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 144,722	\$ 144,722	\$ -	\$ (144,722)
State of Tennessee funds	484,053	484,053	610,972	126,919
Hamilton County funds	767,521	767,521	767,521	-
Other intergovernmental	19,203	19,203	170,233	151,030
Miscellaneous	97,500	97,500	130,380	32,880
Total revenues	1,513,000	1,513,000	1,679,106	166,106
EXPENDITURES				
Administration	3,212,865	3,212,865	2,613,703	(599,162)
Transportation planning	700,765	700,765	854,959	154,194
Other program	7,152	7,152	79,091	71,939
Capital outlay	33,706	33,706	8,526	(25,180)
Total expenditures	3,954,489	3,954,489	3,556,279	(398,210)
Excess (deficiency) of revenues over (under) expenditures	(2,441,489)	(2,441,489)	(1,877,173)	564,317
OTHER FINANCING SOURCES (USES)				
Transfers in	2,138,337	2,138,337	2,312,563	174,226
Transfers out	-	-	(108,900)	(108,900)
Total other financing sources (uses)	2,138,337	2,138,337	2,203,663	65,326
Net change in fund balances	(303,152)	(303,152)	326,490	629,643
FUND BALANCES, beginning	4,558,353	4,558,353	4,558,353	-
FUND BALANCES, ending	\$ 4,255,200	\$ 4,255,200	\$ 4,884,843	\$ 629,643

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 294,843	\$ 294,843	\$ 294,843	\$ -
Hamilton County funds	195,865	195,865	188,548	(7,317)
Permits	505,980	505,980	485,993	(19,987)
Total revenues	996,688	996,688	969,384	(27,304)
EXPENDITURES				
Operations	1,409,001	1,409,001	1,384,495	(24,506)
Special programs	-	-	27,306	27,306
Capital outlay	-	133,623	60,304	(73,319)
Total expenditures	1,409,001	1,542,624	1,472,105	(70,519)
Excess (deficiency) of revenues over (under) expenditures	(412,313)	(545,936)	(502,721)	43,215
OTHER FINANCING SOURCES (USES)				
Transfers in	270,820	270,820	546,981	276,161
Transfers out	-	-	(276,161)	(276,161)
Total other financing sources (uses)	270,820	270,820	270,820	-
Net change in fund balances	(141,493)	(275,116)	(231,901)	43,215
FUND BALANCES, beginning	1,043,430	1,043,430	1,043,430	-
FUND BALANCES, ending	\$ 901,937	\$ 768,314	\$ 811,529	\$ 43,215

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 44,485	\$ 44,485	\$ 47,985	\$ 3,500
Total revenues	44,485	44,485	47,985	3,500
EXPENDITURES				
Operations	82,109	82,109	82,066	(43)
Total expenditures	82,109	82,109	82,066	(43)
Excess (deficiency) of revenues over (under) expenditures	(37,624)	(37,624)	(34,081)	3,543
Net change in fund balances	(37,624)	(37,624)	(34,081)	3,543
FUND BALANCES, beginning	54,095	54,095	54,095	-
FUND BALANCES, ending	\$ 16,471	\$ 16,471	\$ 20,014	\$ 3,543

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
EXPENDITURES				
Principal retirement	\$ 21,119,858	\$ 21,119,858	\$ 20,689,981	\$ (429,877)
Interest	6,925,866	6,925,866	7,391,467	465,601
Fiscal charges	110,502	110,502	62,919	(47,583)
Total expenditures	<u>28,156,225</u>	<u>28,156,225</u>	<u>28,144,367</u>	<u>(11,858)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,156,225)</u>	<u>(28,156,225)</u>	<u>(28,144,367)</u>	<u>11,858</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>28,156,225</u>	<u>28,156,225</u>	<u>29,356,059</u>	<u>1,199,834</u>
Total other financing sources (uses)	<u>28,156,225</u>	<u>28,156,225</u>	<u>29,356,059</u>	<u>1,199,834</u>
Net change in fund balances	-	-	1,211,692	1,211,692
FUND BALANCES, beginning	<u>1,778,396</u>	<u>1,778,396</u>	<u>1,778,396</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 1,778,396</u>	<u>\$ 1,778,396</u>	<u>\$ 2,990,088</u>	<u>\$ 1,211,692</u>



FINANCIAL SCHEDULES

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

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF INVESTMENTS BY FUND

June 30, 2018

	Interest Rate	Maturity Date	Amount
	%		
GOVERNMENTAL FUNDS			
General fund			
Federal Home Loan Bank	1.350	3/20/2019	6,996,500
Federal Home Loan Bank	1.250	3/29/2019	5,000,000
Federal Home Loan Bank	1.390	9/13/2019	3,997,500
Federal Home Loan Bank	1.374	9/13/2019	2,500,000
Federal Farm Credit Bank	1.240	10/22/2019	4,998,050
Federal Farm Credit Bank	1.160	11/1/2019	4,250,000
Federal Farm Credit Bank	1.400	2/24/2020	11,335,000
Federal Farm Credit Bank	1.400	2/24/2020	10,515,000
Federal Home Loan Bank	1.670	3/27/2020	2,500,000
Federal Farm Credit Bank	1.240	4/6/2020	30,000,000
Federal Home Loan Bank	1.250	5/18/2020	5,750,000
Federal Farm Credit Bank	1.360	11/9/2020	30,000,000
			<u>117,842,050</u>
Capital projects			
Federal Home Loan Bank	1.450	8/28/2019	2,254,224
			<u>2,254,224</u>
Total governmental fund investments excluding permanent funds			<u>\$ 120,096,274</u>
ENTERPRISE FUNDS			
Interceptor Sewer Fund			
Private Export Fund	1.770	7/15/2018	3,181,113
TVA	1.866	10/15/2018	7,794,540
Federal Home Loan Bank	1.750	12/14/2018	10,089,900
Federal Home Loan Bank	1.500	6/28/2019	8,002,000
Federal Farm Credit Bank	1.256	1/13/2020	10,224,169
Federal Farm Credit Bank	1.360	11/9/2020	4,700,000
Federal Farm Credit Bank	1.740	11/25/2020	5,000,000
Federal Home Loan Bank	2.000	11/27/2020	2,075,320
Federal Farm Credit Bank	2.840	9/20/2021	2,700,000
Federal Farm Credit Bank	2.804	2/14/2022	6,482,125
Federal Farm Credit Bank	2.929	2/7/2023	9,411,044
Federal Home Loan Bank	3.000	3/15/2023	1,720,000
			<u>71,380,211</u>
Solid waste			
TVA	2.200	10/15/2018	4,996,500
			<u>4,996,500</u>
Water quality			
Federal Farm Credit Bank	1.840	9/13/2021	10,848,260
			<u>10,848,260</u>
Chattanooga Downtown Redevelopment Corporation			
Federal Home Loan Bank Discount Note	0.00%	10/24/2018	10,532,603
			<u>10,532,603</u>
Electric Power Board			
US Treasury Bonds	N/A	N/A	4,966,000
			<u>4,966,000</u>
Total enterprise fund investments			<u>\$ 102,723,574</u>

CITY OF CHATTANOOGA, TENNESSEE

COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE

Year Ended June 30, 2018

TAX YEAR (1)	Property Taxes Receivable Balance 6/30/2017	Property Tax Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance 6/30/2018	Allowance for Uncollectibles	Net Receivable Balance 6/30/2018
2018	\$ -	\$ -	\$ 130,706,070	\$ -	\$ -	\$ 130,706,070	\$ -	130,706,070
2017	-	134,748,526	-	(1,282,267)	128,784,910	4,681,349	608,575	4,072,774
2016	4,713,252	-	-	(730,473)	2,328,776	1,654,003	430,041	1,223,962
2015	1,936,974	-	-	583,663	1,417,806	1,102,831	485,246	617,585
2014	117,061	-	-	1,191,104	859,129	449,036	368,209	80,827
2013	560,044	-	-	25,045	74,806	510,283	484,769	25,514
2012	505,442	-	-	31,609	33,933	503,118	503,118	-
2011	435,645	-	-	39,982	19,765	455,862	455,862	-
2010	415,722	-	-	58,908	8,913	465,717	465,717	-
2009	312,614	-	-	54,596	4,152	363,058	363,058	-
2008	312,101	-	-	49,824	986	360,939	360,939	-
	<u>\$ 9,308,855</u>	<u>\$ 134,748,526</u>	<u>\$ 130,706,070</u>	<u>\$ 21,991</u>	<u>\$ 133,533,176</u>	<u>\$ 141,252,266</u>	<u>\$ 4,525,534</u>	<u>\$ 136,726,732</u>

Note:

- (1) All years prior to 2014 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

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
2019	\$ 20,982,892	\$ 6,666,707	\$ 27,649,599
2020	17,804,771	6,063,876	23,868,647
2021	17,451,150	5,538,780	22,989,930
2022	17,545,129	4,930,833	22,475,962
2023	16,417,088	4,348,649	20,765,737
2024	16,743,771	3,702,432	20,446,203
2025	15,150,762	3,085,147	18,235,909
2026	15,480,490	2,446,690	17,927,180
2027	13,344,070	1,770,992	15,115,062
2028	10,880,000	1,280,456	12,160,456
2029	10,940,000	930,225	11,870,225
2030	7,185,000	558,700	7,743,700
2031	6,745,000	247,050	6,992,050
	<u>186,670,123</u>	<u>41,570,537</u>	<u>228,240,660</u>
BUSINESS-TYPE ACTIVITIES			
2019	28,098,649	18,537,475	46,636,124
2020	27,175,827	17,472,636	44,648,463
2021	27,356,161	16,415,525	43,771,686
2022	29,130,664	15,298,547	44,429,211
2023	30,112,646	14,186,866	44,299,512
2024	31,156,072	13,042,880	44,198,952
2025	31,853,162	11,794,950	43,648,112
2026	30,670,206	10,534,105	41,204,311
2027	31,352,080	9,506,056	40,858,136
2028	31,343,769	8,494,459	39,838,228
2029	32,848,547	7,166,973	40,015,520
2030	33,865,534	5,859,011	39,724,545
2031	35,129,803	4,531,067	39,660,870
2032	25,779,295	3,256,474	29,035,769
2033	23,043,379	1,848,918	24,892,297
2034	24,093,995	926,843	25,020,838
2035	4,660,335	677,004	5,337,339
2036	4,441,419	553,274	4,994,693
2037	1,875,031	387,534	2,262,565
2038	1,958,250	299,725	2,257,975
2039	1,790,000	207,667	1,997,667
2040	1,880,000	114,417	1,994,417
2041	1,975,000	16,458	1,991,458
	<u>491,589,824</u>	<u>161,128,864</u>	<u>652,718,688</u>
Total primary government indebtedness	<u>\$ 678,259,947</u>	<u>\$ 202,699,401</u>	<u>\$ 880,959,348</u>

CITY OF CHATTANOOGA

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
COMPONENT UNITS			
2019	3,435,396	281,953	3,717,349
2020	308,890	198,415	507,305
2021	319,724	187,582	507,306
2022	330,952	176,353	507,305
2023	342,592	164,714	507,306
2024	4,528,071	90,991	4,619,062
	<u>4,528,071</u>	<u>90,991</u>	<u>4,619,062</u>
Total component units indebtedness	<u>\$ 9,265,625</u>	<u>\$ 1,100,008</u>	<u>\$ 10,365,633</u>

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2018

	Outstanding June 30, 2017	Interest Paid FY2018	Issued FY2018	Retired FY2018	Refunded FY2018	Outstanding June 30, 2018	Maturing FY 2019	Interest Payable FY 2019
GOVERNMENTAL ACTIVITIES:								
Serial Bonds:								
Tax Supported								
1998 Public Improvement Refunding	\$ 382,000	\$ 10,028	\$ -	\$ 382,000	\$ -	\$ -	\$ -	\$ -
2005A Municipal Public Improvement Refunding	1,859,276	48,510	-	1,859,276	-	-	-	-
2009 Series A General Obligation	9,080,000	297,938	-	2,270,000	-	6,810,000	2,270,000	221,325
2010 Series A GO Bond	3,015,000	110,550	-	335,000	-	2,680,000	335,000	100,500
2010 Series B Refunding GO bonds	3,087,017	120,621	-	258,969	-	2,828,048	21,295	112,852
2010 Series C Recovery Zone Bonds	4,430,000	156,275	-	345,000	-	4,085,000	345,000	145,925
2011 Series A General Obligation	17,650,000	555,975	-	1,765,000	-	15,885,000	1,765,000	511,850
2011 Series B Refunding GO bonds	1,949,250	71,515	-	126,099	-	1,823,151	2,777	69,596
2013 Series General Improvement Bond	15,765,000	599,369	-	1,315,000	-	14,450,000	1,315,000	553,344
2014 Municipal Public Improvement Refunding	13,792,100	492,796	-	750,137	-	13,041,963	5,258,941	381,054
2015 Series A GO Bond	26,360,000	1,214,325	-	1,885,000	-	24,475,000	1,885,000	1,120,075
2015 Series B Refunding GO bonds	18,955,000	707,350	-	-	-	18,955,000	-	707,350
2017 Series A GO Bond	7,655,000	382,750	-	550,000	-	7,105,000	550,000	355,250
2017 Series B Refunding GO Bond	12,640,000	632,000	-	-	-	12,640,000	-	632,000
Total Tax Supported Bonds	136,619,643	5,400,002	-	11,841,481	-	124,778,162	13,748,013	4,911,121
Self Supported								
2005A Hotel-Motel Tax Pledge Refunding	16,499	51,318	-	16,499	-	-	-	-
2010 Series B Refunding Hotel Motel Tax Pledge	19,382,983	757,366	-	1,626,031	-	17,756,952	133,705	708,585
2011 Series B Refunding Hotel Motel Tax Pledge	15,595,750	572,185	-	1,008,901	-	14,586,849	22,223	556,829
2013 Series Hotel-Motel Tax Pledge	6,045,000	229,806	-	505,000	-	5,540,000	505,000	212,131
2014 Hotel Motel Refunding	3,961,340	141,510	-	215,407	-	3,745,933	1,510,144	109,422
Total Self Supported Bonds	45,001,572	1,752,185	-	3,371,838	-	41,629,734	2,171,072	1,586,967
Total Serial Bonds	181,621,215	7,152,187	-	15,213,319	-	166,407,896	15,919,085	6,498,088
Notes Payable:								
Tax Supported								
2003 TML Bond Fund	449,430	5,290	-	449,430	-	-	-	-
2004 TML Bond Fund	10,399,107	132,167	-	1,375,707	-	9,023,400	1,412,809	74,293
2014 Hamilton County	5,881,738	-	-	1,960,579	-	3,921,159	1,960,579	-
Total Tax Supported Notes Payable	16,730,275	137,457	-	3,785,716	-	12,944,559	3,373,388	74,293
Self Supported								
2008 HUD Section 108 Loan Program	2,136,000	97,957	-	305,000	-	1,831,000	305,000	83,957
Total Self Supported Notes Payable	2,136,000	97,957	-	305,000	-	1,831,000	305,000	83,957
Total Notes Payable	18,866,275	235,414	-	4,090,716	-	14,775,559	3,678,388	158,250

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2018

(continued from previous page)

	Outstanding June 30, 2017	Interest Paid FY2018	Issued FY2018	Retired FY2018	Refunded FY2018	Outstanding June 30, 2018	Maturing FY 2019	Interest Payable FY 2019
GOVERNMENTAL ACTIVITIES: (continued)								
Capital leases payable:								
Tax Supported								
2018 Tasers Capital Lease	\$ -	\$ -	\$ 499,200	\$ 124,800	\$ -	\$ 374,400	\$ 124,800	\$ -
Total Tax Supported Capital Leases Payable	-	-	499,200	124,800	-	374,400	124,800	-
Self Supported								
2013 Golf Course Capital Lease	49,677	-	-	49,677	-	-	-	-
2016 Regional Communication Capital Lease	5,977,735	-	-	1,195,547	-	4,782,188	1,195,547	-
2018 Golf Course Capital Lease	-	2,940	346,000	15,920	-	330,080	65,072	10,369
Total Self Supported Capital Leases Payable	6,027,412	2,940	346,000	1,261,144	-	5,112,268	1,260,619	10,369
Total governmental activities	206,514,902	7,390,541	845,200	20,689,979	-	186,670,123	20,982,892	6,666,707
BUSINESS TYPE ACTIVITIES:								
Interceptor Sewer System:								
Serial Bonds:								
1998 Sewer & Sewage Facilities Refunding	1,493,000	39,191	-	1,493,000	-	-	-	-
2005A Municipal Public Improvement Refunding	2,302,679	30,364	-	2,302,679	-	-	-	-
2014 Municipal Public Improvement Refunding	2,343,620	83,727	-	127,450	-	2,216,170	893,504	64,742
Total serial bonds	6,139,299	153,282	-	3,923,129	-	2,216,170	893,504	64,742
Notes payable:								
1998 State of Georgia Revolving Loan	807,395	25,031	-	488,387	-	319,008	319,008	5,803
2003-168 State Revolving Loan	18,268,775	515,856	-	2,102,016	-	16,166,759	2,165,820	452,052
2007-204 State Revolving Loan	9,971,611	270,852	-	578,016	-	9,393,595	594,348	254,520
2011-289 State Revolving Loan	16,712,736	385,320	2,136,798	683,550	-	18,165,984	835,428	378,696
2012-307 State Revolving Loan	26,067,842	347,531	3,844,572	861,581	-	29,050,833	1,490,496	362,904
2013-318 State Revolving Loan	30,254,860	854,390	16,155,790	1,649,263	-	44,761,387	2,864,928	1,066,152
2016-357 State Revolving Loan	1,789,931	38,819	2,706,755	-	-	4,496,686	198,516	58,007
Total notes payable	103,873,150	2,437,799	24,843,915	6,362,813	-	122,354,252	8,468,544	2,578,134
Total Interceptor Sewer System	110,012,449	2,591,081	24,843,915	10,285,942	-	124,570,422	9,362,048	2,642,876

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CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2018

(continued from previous page)

	Outstanding June 30, 2017	Interest Paid FY2018	Issued FY2018	Retired FY2018	Refunded FY2018	Outstanding June 30, 2018	Maturing FY 2019	Interest Payable FY 2019
BUSINESS TYPE ACTIVITIES: (continued)								
Solid Waste Fund:								
Serial Bonds:								
2005A Municipal Public Improvement Refunding	\$ 1,584,570	\$ 24,981	\$ -	\$ 1,584,570	\$ -	\$ -	\$ -	\$ -
2014 Municipal Public Improvement Refunding	4,674,278	167,023	-	254,244	-	4,420,034	1,782,408	129,150
2017 Series B Refundng GO Bond	2,155,000	107,750	-	-	-	2,155,000	-	107,750
Total serial bonds	8,413,848	299,754	-	1,838,814	-	6,575,034	1,782,408	236,900
Notes payable:								
2003 TML Bond Fund	45,570	537	-	45,570	-	-	-	-
2004 TML Bond Fund	251,761	3,189	-	33,293	-	218,468	34,191	1,799
Total Notes Payable	297,331	3,726	-	78,863	-	218,468	34,191	1,799
Total Solid Waste & Sanitation Fund	8,711,179	303,480	-	1,917,677	-	6,793,502	1,816,599	238,699
Water Quality Fund								
Serial Bonds:								
2005A Municipal Public Improvement Refunding	1,041,976	14,952	-	1,041,976	-	-	-	-
2013 Water Quality Bonds	4,265,000	162,069	-	355,000	-	3,910,000	360,000	149,594
2014 Municipal Public Improvement Refunding	1,153,663	41,231	-	62,763	-	1,090,900	440,002	31,882
2015 Series A GO Bond	7,560,000	348,300	-	540,000	-	7,020,000	540,000	321,300
2017 Series B Refundng GO Bond	615,000	30,750	-	-	-	615,000	-	30,750
Total serial bonds	14,635,639	597,302	-	1,999,739	-	12,635,900	1,340,002	533,526
Total Water Quality Fund	14,635,639	597,302	-	1,999,739	-	12,635,900	1,340,002	533,526
Total Business-Type Activities	133,359,267	3,491,863	24,843,915	14,203,358	-	143,999,824	12,518,649	3,415,101
TOTAL GENERAL OBLIGATION DEBT	339,874,169	10,882,404	25,689,115	34,893,337	-	330,669,947	33,501,541	10,081,808

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2018

(continued from previous page)

	Outstanding June 30, 2017	Interest Paid FY2018	Issued FY2018	Retired FY2018	Refunded FY2018	Outstanding June 30, 2018	Maturing FY 2019	Interest Payable FY 2019
Electric Power Board								
Revenue Bonds:								
2008A Electric System Revenue Bonds	6,575,000	49,313	-	6,575,000	-	-	-	-
2015A Electric System Refunding Revenue Bonds	218,855,000	9,737,115	-	1,370,000	-	217,485,000	8,380,000	9,378,815
2015B Electric System Revenue Bonds	15,185,000	348,328	-	1,890,000	-	13,295,000	1,825,000	321,290
2015C Electric System Revenue Bonds	25,880,000	1,276,500	-	-	-	25,880,000	-	1,276,500
Total Revenue Bonds	<u>266,495,000</u>	<u>11,411,256</u>	<u>-</u>	<u>9,835,000</u>	<u>-</u>	<u>256,660,000</u>	<u>10,205,000</u>	<u>10,976,605</u>
Total Electric Power Board	<u>266,495,000</u>	<u>11,411,256</u>	<u>-</u>	<u>9,835,000</u>	<u>-</u>	<u>256,660,000</u>	<u>10,205,000</u>	<u>10,976,605</u>
Chattanooga Downtown Redevelopment Corporation:								
Revenue Bonds:								
2007 Chattanooga Lease Rental Rev Ref Bonds	48,555,000	2,326,600	-	105,000	-	48,450,000	105,000	2,322,400
2010 Chattanooga Lease Rental Rev Ref Bonds	47,500,000	2,080,619	-	5,020,000	-	42,480,000	5,270,000	1,823,369
Total Chattanooga Downtown Redevelopment Corp.	<u>96,055,000</u>	<u>4,407,219</u>	<u>-</u>	<u>5,125,000</u>	<u>-</u>	<u>90,930,000</u>	<u>5,375,000</u>	<u>4,145,769</u>
Total Primary Government	<u>\$ 702,424,169</u>	<u>\$ 26,700,879</u>	<u>\$ 25,689,115</u>	<u>\$ 49,853,337</u>	<u>\$ -</u>	<u>\$ 678,259,947</u>	<u>\$ 49,081,541</u>	<u>\$ 25,204,182</u>
COMPONENT UNITS								
Metropolitan Airport Authority:								
Revenue Bonds:								
2009 Refunding	\$ 3,546,112	\$ 99,798	\$ -	\$ 460,449	\$ -	\$ 3,085,663	\$ 3,085,663	\$ 72,485
2014 Tax Exempt	2,809,549	74,395	-	134,974	-	2,674,575	138,674	70,695
2014 Taxable	3,607,470	144,559	-	153,378	-	3,454,092	159,764	138,173
Total Revenue Bonds	<u>9,963,131</u>	<u>318,752</u>	<u>-</u>	<u>748,801</u>	<u>-</u>	<u>9,214,330</u>	<u>3,384,101</u>	<u>281,353</u>
Total Metropolitan Airport Authority	<u>9,963,131</u>	<u>318,752</u>	<u>-</u>	<u>748,801</u>	<u>-</u>	<u>9,214,330</u>	<u>3,384,101</u>	<u>281,353</u>
CARTA								
Note Payable:								
Republic Parking System, Inc.	150,864	4,222	-	99,569	-	51,295	51,295	600
Total CARTA	<u>150,864</u>	<u>4,222</u>	<u>-</u>	<u>99,569</u>	<u>-</u>	<u>51,295</u>	<u>51,295</u>	<u>600</u>
Total Component Units	<u>\$ 10,113,995</u>	<u>\$ 322,974</u>	<u>\$ -</u>	<u>\$ 848,370</u>	<u>\$ -</u>	<u>\$ 9,265,625</u>	<u>\$ 3,435,396</u>	<u>\$ 281,953</u>

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2018

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2019	2004 Note Payable - Tennessee Municipal Bond Fund	0.823%	1,412,809	74,293	1,487,102
2020		0.823%	1,450,887	62,661	1,513,548
2021		0.823%	1,488,966	50,715	1,539,681
2022		0.823%	1,528,997	38,456	1,567,453
2023		0.823%	1,570,004	25,867	1,595,871
2024		0.823%	1,571,737	12,941	1,584,678
			<u>9,023,400</u>	<u>264,933</u>	<u>9,288,333</u>
2019	2008 Section 108 HUD Loan	4.00%	305,000	83,957	388,957
2020		4.00%	305,000	69,485	374,485
2021		4.00%	305,000	54,494	359,494
2022		4.00%	305,000	39,229	344,229
2023		4.00%	305,000	23,705	328,705
2024		4.00%	306,000	7,941	313,941
			<u>1,831,000</u>	<u>278,811</u>	<u>2,109,811</u>
2019	2009 Series A General Obligation	3.50%	2,270,000	221,325	2,491,325
2020		4.00%	2,270,000	136,200	2,406,200
2021		4.00%	2,270,000	45,400	2,315,400
			<u>6,810,000</u>	<u>402,925</u>	<u>7,212,925</u>
2019	2010 A Series General Obligation	3.25%	335,000	100,500	435,500
2020		3.25%	335,000	89,612	424,612
2021		3.50%	335,000	78,725	413,725
2022		4.00%	-	67,000	67,000
2023		4.00%	-	67,000	67,000
2024		4.00%	-	67,000	67,000
2025		4.00%	-	67,000	67,000
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>2,680,000</u>	<u>737,837</u>	<u>3,417,837</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2018

(continued from previous page)

<u>DIRECT INDEBTEDNESS</u>					
Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2019	2010 Series B Refunding Hotel Motel	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
			17,756,952	6,303,168	24,060,120
2019	2010 Series B Refunding General Obligation	3.00%	21,295	112,852	134,147
2020		3.00%	21,981	112,160	134,141
2021		3.25%	319,418	111,391	430,809
2022		3.50%	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
			2,828,048	1,003,869	3,831,917
2019	2010 Series C Recovery Zone	3.00%	345,000	145,925	490,925
2020		3.00%	340,000	135,575	475,575
2021		2.00%	340,000	125,375	465,375
2022		3.13%	340,000	115,175	455,175
2023		3.25%	340,000	104,550	444,550
2024		3.50%	340,000	93,500	433,500
2025		4.00%	340,000	81,600	421,600
2026		4.00%	340,000	68,000	408,000
2027		4.00%	340,000	54,400	394,400
2028		4.00%	340,000	40,800	380,800
2029		4.00%	340,000	27,200	367,200
2030	4.00%	340,000	13,600	353,600	
			4,085,000	1,005,700	5,090,700

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2018

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2019	2011 Series A General Obligation	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>15,885,000</u>	<u>2,493,062</u>	<u>18,378,062</u>
2019	2011 Series B Refunding Hotel Motel	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%	3,240,040	52,651	3,292,691
			<u>14,586,849</u>	<u>4,184,364</u>	<u>18,771,213</u>
2019	2011 Series B Refunding General Obligation	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%	404,960	6,581	411,541
			<u>1,823,151</u>	<u>522,987</u>	<u>2,346,138</u>
2019	2013 General Improvement Bond	2.00%	1,315,000	553,344	1,868,344
2020		5.00%	1,315,000	507,319	1,822,319
2021		5.00%	1,315,000	441,569	1,756,569
2022		5.00%	1,315,000	375,819	1,690,819
2023		5.00%	1,315,000	310,068	1,625,068
2024		3.00%	1,315,000	257,468	1,572,468
2025		3.00%	1,315,000	218,018	1,533,018
2026		3.13%	1,315,000	177,747	1,492,747
2027		4.00%	1,310,000	131,000	1,441,000
2028		4.00%	1,310,000	78,600	1,388,600
2029		4.00%	1,310,000	26,200	1,336,200
			<u>14,450,000</u>	<u>3,077,152</u>	<u>17,527,152</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2018

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2019	2013 Hotel-Motel Tax	2.00%	505,000	212,131	717,131
2020		5.00%	505,000	194,456	699,456
2021		5.00%	505,000	169,206	674,206
2022		5.00%	505,000	143,956	648,956
2023		5.00%	505,000	118,706	623,706
2024		3.00%	505,000	98,506	603,506
2025		3.00%	505,000	83,355	588,355
2026		3.13%	505,000	67,890	572,890
2027		4.00%	500,000	50,000	550,000
2028		4.00%	500,000	30,000	530,000
2029	4.00%	500,000	10,000	510,000	
			<u>5,540,000</u>	<u>1,178,206</u>	<u>6,718,206</u>
2019	2014 Hamilton County Dept. of Education	0.00%	1,960,579	-	1,960,579
2020		0.00%	1,960,580	-	1,960,580
				<u>3,921,159</u>	<u>-</u>
2019	2014 Refunding Hotel Motel Tax Pledge	4.00%	1,510,144	109,422	1,619,566
2020		5.00%	792,119	59,417	851,536
2021		3.00%	214,644	36,394	251,038
2022		2.00%	211,588	31,058	242,646
2023		2.25%	207,769	26,605	234,374
2024		3.00%	205,477	21,186	226,663
2025		3.00%	203,186	15,056	218,242
2026		3.00%	200,894	8,994	209,888
2027		3.00%	200,112	2,990	203,102
				<u>3,745,933</u>	<u>311,122</u>
2019	2014 General Obligation Refunding	4.00%	5,258,941	381,054	5,639,995
2020		5.00%	2,758,484	206,913	2,965,397
2021		3.00%	747,477	126,739	874,216
2022		2.00%	736,837	108,158	844,995
2023		2.25%	723,537	92,650	816,187
2024		3.00%	715,557	73,777	789,334
2025		3.00%	707,576	52,430	760,006
2026		3.00%	699,596	31,322	730,918
2027		3.00%	693,958	10,414	704,372
				<u>13,041,963</u>	<u>1,083,457</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2018

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2019	2015 A Series GO Bond	5.00%	1,885,000	1,120,075	3,005,075
2020		5.00%	1,885,000	1,025,825	2,910,825
2021		5.00%	1,885,000	931,575	2,816,575
2022		5.00%	1,885,000	865,600	2,750,600
2023		5.00%	1,885,000	799,625	2,684,625
2024		5.00%	1,885,000	705,375	2,590,375
2025		5.00%	1,885,000	611,125	2,496,125
2026		5.00%	1,880,000	517,000	2,397,000
2027		5.00%	1,880,000	423,000	2,303,000
2028		5.00%	1,880,000	329,000	2,209,000
2029		5.00%	1,880,000	235,000	2,115,000
2030		5.00%	1,880,000	141,000	2,021,000
2031	5.00%	1,880,000	47,000	1,927,000	
			<u>24,475,000</u>	<u>7,751,200</u>	<u>32,226,200</u>
2019	2015 B Series GO Bond Refunding	3.00%	-	707,350	707,350
2020		3.00%	-	707,350	707,350
2021		3.00%	-	707,350	707,350
2022		3.00%	2,580,000	668,650	3,248,650
2023		3.00%	2,550,000	591,700	3,141,700
2024		3.00%	2,520,000	515,650	3,035,650
2025		5.00%	2,515,000	414,975	2,929,975
2026		5.00%	2,205,000	296,975	2,501,975
2027		5.00%	2,215,000	186,475	2,401,475
2028		3.00%	2,205,000	98,025	2,303,025
2029	3.00%	2,165,000	32,475	2,197,475	
			<u>18,955,000</u>	<u>4,926,975</u>	<u>23,881,975</u>
2019	2016 Regional Communication Capital Lease	0.00%	1,195,547	-	1,195,547
2020		0.00%	1,195,547	-	1,195,547
2021		0.00%	1,195,547	-	1,195,547
2022		0.00%	1,195,547	-	1,195,547
			<u>4,782,188</u>	<u>-</u>	<u>4,782,188</u>
2019	2017A Series GO Bond	5.00%	550,000	355,250	905,250
2020		5.00%	550,000	327,750	877,750
2021		5.00%	550,000	300,250	850,250
2022		5.00%	550,000	272,750	822,750
2023		5.00%	545,000	245,250	790,250
2024		5.00%	545,000	218,000	763,000
2025		5.00%	545,000	190,750	735,750
2026		5.00%	545,000	163,500	708,500
2027		5.00%	545,000	136,250	681,250
2028		5.00%	545,000	109,000	654,000
2029		5.00%	545,000	81,750	626,750
2030		5.00%	545,000	54,500	599,500
2031	5.00%	545,000	27,250	572,250	
			<u>7,105,000</u>	<u>2,482,250</u>	<u>9,587,250</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2018

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2019	2017A Series GO Bond Refunding	3.00%	-	632,000	632,000
2020		3.00%	-	632,000	632,000
2021		3.00%	1,985,000	632,000	2,617,000
2022		3.00%	2,045,000	532,750	2,577,750
2023		3.00%	1,980,000	430,500	2,410,500
2024		3.00%	2,090,000	331,500	2,421,500
2025		3.00%	2,210,000	227,000	2,437,000
2026		3.00%	2,330,000	116,500	2,446,500
			<u>12,640,000</u>	<u>3,534,250</u>	<u>16,174,250</u>
2019	2018 Golf Course Capital Lease	3.45%	65,072	10,369	75,441
2020		3.45%	67,354	8,088	75,442
2021		3.45%	69,716	5,726	75,442
2022		3.45%	72,160	3,281	75,441
2023		3.45%	55,778	805	56,583
			<u>330,080</u>	<u>28,269</u>	<u>358,349</u>
2019	2018 Tasers Capital Lease	0.00%	124,800	-	124,800
2020		0.00%	124,800	-	124,800
2021		0.00%	124,800	-	124,800
			<u>374,400</u>	<u>-</u>	<u>374,400</u>
	Total direct indebtedness		<u>186,670,123</u>	<u>41,570,537</u>	<u>228,240,660</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2018

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2019	1998 Georgia Environmental Facilities Authority	4.00%	319,008	5,803	324,811
			<u>319,008</u>	<u>5,803</u>	<u>324,811</u>
2019	2003 State Revolving Loan	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%	2,151,608	26,541	2,178,149
			<u>16,166,759</u>	<u>1,718,625</u>	<u>17,885,384</u>
2019	2007 State Revolving Loan	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%	211,123	1,001	212,124
			<u>9,393,595</u>	<u>1,853,813</u>	<u>11,247,408</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2018

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2019	2011-289 State Revolving Loan	2.00%	835,428	378,696	1,214,124
2020		2.00%	852,288	361,836	1,214,124
2021		2.00%	869,496	344,628	1,214,124
2022		2.00%	887,040	327,084	1,214,124
2023		2.00%	904,944	309,180	1,214,124
2024		2.00%	923,208	290,916	1,214,124
2025		2.00%	941,844	272,280	1,214,124
2026		2.00%	960,852	253,272	1,214,124
2027		2.00%	980,244	233,880	1,214,124
2028		2.00%	1,000,032	214,092	1,214,124
2029		2.00%	1,020,216	193,908	1,214,124
2030		2.00%	1,040,808	173,316	1,214,124
2031		2.00%	1,061,820	152,304	1,214,124
2032		2.00%	1,083,252	130,872	1,214,124
2033		2.00%	1,105,116	109,008	1,214,124
2034		2.00%	1,127,424	86,700	1,214,124
2035		2.00%	1,150,188	63,936	1,214,124
2036	2.00%	1,421,784	40,728	1,462,512	
			<u>18,165,984</u>	<u>3,936,636</u>	<u>22,102,620</u>
2019	2012-307 State Revolving Loan	1.15%	1,490,496	362,904	1,853,400
2020		1.15%	1,507,728	345,672	1,853,400
2021		1.15%	1,525,164	328,236	1,853,400
2022		1.15%	1,542,792	310,608	1,853,400
2023		1.15%	1,560,624	292,776	1,853,400
2024		1.15%	1,578,672	274,728	1,853,400
2025		1.15%	1,596,924	256,476	1,853,400
2026		1.15%	1,615,380	238,020	1,853,400
2027		1.15%	1,634,052	219,348	1,853,400
2028		1.15%	1,652,952	200,448	1,853,400
2029		1.15%	1,672,056	181,344	1,853,400
2030		1.15%	1,691,388	162,012	1,853,400
2031		1.15%	1,710,948	142,452	1,853,400
2032		1.15%	1,730,724	122,676	1,853,400
2033		1.15%	1,750,728	102,672	1,853,400
2034		1.15%	1,770,972	82,428	1,853,400
2035		1.15%	1,791,444	61,956	1,853,400
2036	1.15%	1,227,789	41,244	1,269,033	
			<u>29,050,833</u>	<u>3,726,000</u>	<u>32,776,833</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2018

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2019	2013-318 State Revolving Loan	1.67%	2,864,928	1,066,152	3,931,080
2020		1.67%	2,913,144	1,017,936	3,931,080
2021		1.67%	2,962,164	968,916	3,931,080
2022		1.67%	3,012,012	919,068	3,931,080
2023		1.67%	3,062,700	868,380	3,931,080
2024		1.67%	3,114,240	816,840	3,931,080
2025		1.67%	3,166,644	764,436	3,931,080
2026		1.67%	3,219,936	711,144	3,931,080
2027		1.67%	3,274,116	656,964	3,931,080
2028		1.67%	3,329,220	601,860	3,931,080
2029		1.67%	3,385,248	545,832	3,931,080
2030		1.67%	3,442,212	488,868	3,931,080
2031		1.67%	3,500,136	430,944	3,931,080
2032	1.67%	3,514,687	372,036	3,886,723	
			<u>44,761,387</u>	<u>10,229,376</u>	<u>54,990,763</u>
2019	2014 General Obligation Refunding	5.00%	893,504	64,742	958,246
2020		3.00%	468,672	35,155	503,827
2021		2.00%	126,998	21,533	148,531
2022		2.25%	125,190	18,376	143,566
2023		3.00%	122,930	15,742	138,672
2024		3.00%	121,574	12,535	134,109
2025		3.00%	120,219	8,908	129,127
2026		3.00%	118,863	5,322	124,185
2027		3.00%	118,220	1,769	119,989
			<u>2,216,170</u>	<u>184,082</u>	<u>2,400,252</u>
2019	2016-357 State Revolving Loan	1.29%	198,516	58,007	256,523
2020		1.29%	201,077	55,446	256,523
2021		1.29%	203,671	52,853	256,524
2022		1.29%	206,298	50,225	256,523
2023		1.29%	208,959	47,564	256,523
2024		1.29%	211,655	44,868	256,523
2025		1.29%	214,385	42,138	256,523
2026		1.29%	217,151	39,372	256,523
2027		1.29%	219,952	36,571	256,523
2028		1.29%	222,789	33,734	256,523
2029		1.29%	225,663	30,860	256,523
2030		1.29%	228,574	27,949	256,523
2031		1.29%	231,523	25,000	256,523
2032		1.29%	234,509	22,014	256,523
2033		1.29%	237,535	18,988	256,523
2034		1.29%	240,599	15,924	256,523
2035		1.29%	243,703	12,820	256,523
2036		1.29%	246,846	9,677	256,523
2037		1.29%	250,031	6,492	256,523
2038	1.29%	253,250	3,267	256,517	
			<u>4,496,686</u>	<u>633,769</u>	<u>5,130,455</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2018

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Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
	Total Interceptor Sewer System indebtedness		124,570,422	22,288,104	146,858,526
<u>SOLID WASTE FUND</u>					
2019	2004 Note Payable - Tennessee Municipal	0.823%	34,191	1,799	35,990
2020	Bond Fund	0.823%	35,113	1,517	36,630
2021		0.823%	36,034	1,228	37,262
2022		0.823%	37,003	931	37,934
2023		0.823%	37,996	627	38,623
2024		0.823%	38,131	314	38,445
			<u>218,468</u>	<u>6,416</u>	<u>224,884</u>
2019	2014 General Obligation Refunding	4.00%	1,782,408	129,150	1,911,558
2020		5.00%	934,930	70,129	1,005,059
2021		3.00%	253,342	42,955	296,297
2022		2.00%	249,736	36,658	286,394
2023		2.25%	245,228	31,402	276,630
2024		3.00%	242,523	25,005	267,528
2025		3.00%	239,818	17,770	257,588
2026		3.00%	237,114	10,616	247,730
2027		3.00%	234,936	3,529	238,465
			<u>4,420,035</u>	<u>367,214</u>	<u>4,787,249</u>
2019	2017B Series GO Bond Refunding	3.00%	-	107,750	107,750
2020		3.00%	-	107,750	107,750
2021		3.00%	340,000	107,750	447,750
2022		3.00%	350,000	90,750	440,750
2023		3.00%	335,000	73,250	408,250
2024		3.00%	355,000	56,500	411,500
2025		3.00%	375,000	38,750	413,750
2026		5.00%	400,000	20,000	420,000
			<u>2,155,000</u>	<u>602,500</u>	<u>2,757,500</u>
	Total Solid Waste Fund indebtedness		<u>6,793,503</u>	<u>976,130</u>	<u>7,769,633</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2018

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WATER QUALITY FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2019	2013 General Obligation	2.000%	360,000	149,594	509,594
2020		5.000%	355,000	137,119	492,119
2021		5.000%	355,000	119,369	474,369
2022		5.000%	355,000	101,619	456,619
2023		5.000%	355,000	83,869	438,869
2024		3.000%	355,000	69,668	424,668
2025		3.000%	355,000	59,017	414,017
2026		3.125%	355,000	48,147	403,147
2027		4.000%	355,000	35,500	390,500
2028		4.000%	355,000	21,300	376,300
2029	4.000%	355,000	7,100	362,100	
			<u>3,910,000</u>	<u>832,302</u>	<u>4,742,302</u>
2019	2014 General Obligation Refunding	5.00%	440,002	31,882	471,884
2020		3.00%	230,795	17,312	248,107
2021		2.00%	62,540	10,604	73,144
2022		2.25%	61,649	9,049	70,698
2023		3.00%	60,537	7,752	68,289
2024		3.00%	59,869	6,173	66,042
2025		3.00%	59,201	4,387	63,588
2026		3.00%	58,534	2,621	61,155
2027		3.00%	57,773	871	58,644
				<u>1,090,900</u>	<u>90,651</u>
2019	2015A General Obligation	5.00%	540,000	321,300	861,300
2020		5.00%	540,000	294,300	834,300
2021		5.00%	540,000	267,300	807,300
2022		5.00%	540,000	248,400	788,400
2023		5.00%	540,000	229,500	769,500
2024		5.00%	540,000	202,500	742,500
2025		5.00%	540,000	175,500	715,500
2026		5.00%	540,000	148,500	688,500
2027		5.00%	540,000	121,500	661,500
2028		5.00%	540,000	94,500	634,500
2029		5.00%	540,000	67,500	607,500
2030		5.00%	540,000	40,500	580,500
2031	5.00%	540,000	13,500	553,500	
			<u>7,020,000</u>	<u>2,224,800</u>	<u>9,244,800</u>
2019	2017B Series GO Bond Refunding	3.00%	-	30,750	30,750
2020		3.00%	-	30,750	30,750
2021		3.00%	95,000	30,750	125,750
2022		3.00%	100,000	26,000	126,000
2023		3.00%	95,000	21,000	116,000
2024		3.00%	100,000	16,250	116,250
2025		3.00%	110,000	11,250	121,250
2026		5.00%	115,000	5,750	120,750
			<u>615,000</u>	<u>172,500</u>	<u>787,500</u>
Total Water Quality Fund indebtedness			<u>12,635,900</u>	<u>3,320,253</u>	<u>15,956,153</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2018

(continued from previous page)

ELECTRIC POWER BOARD

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2019	2015 A Electric System Refunding Revenue Bond	5.000%	8,380,000	9,378,815	17,758,815
2020		5.000%	8,880,000	8,938,981	17,818,981
2021		5.000%	9,410,000	8,472,898	17,882,898
2022		5.000%	9,970,000	7,979,065	17,949,065
2023		5.000%	10,545,000	7,456,606	18,001,606
2024		5.000%	11,160,000	6,903,731	18,063,731
2025		5.000%	11,810,000	6,318,648	18,128,648
2026		5.000%	12,485,000	5,700,023	18,185,023
2027		2.880%	14,735,000	5,242,955	19,977,955
2028		3.000%	15,160,000	4,793,350	19,953,350
2029		5.000%	15,610,000	4,067,133	19,677,133
2030		4.000%	16,395,000	3,390,550	19,785,550
2031		4.000%	17,050,000	2,712,917	19,762,917
2032		5.000%	17,730,000	1,860,500	19,590,500
2033	5.000%	18,615,000	937,125	19,552,125	
2034	4.000%	19,550,000	130,333	19,680,333	
			<u>217,485,000</u>	<u>84,283,630</u>	<u>301,768,630</u>
2019	2015 B Electric System Revenue Bonds	1.550%	1,825,000	321,290	2,146,290
2020		2.050%	1,765,000	286,423	2,051,423
2021		2.300%	1,720,000	247,426	1,967,426
2022		2.600%	1,675,000	204,541	1,879,541
2023		2.900%	1,635,000	157,770	1,792,770
2024		3.050%	1,595,000	109,328	1,704,328
2025		3.200%	1,560,000	59,620	1,619,620
2026		3.380%	1,520,000	8,550	1,528,550
			<u>13,295,000</u>	<u>1,394,948</u>	<u>14,689,948</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2018

(continued from previous page)

ELECTRIC POWER BOARD

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2019	2015 C Electric System Revenue Bonds	5.000%	-	1,276,500	1,276,500
2020		5.000%	-	1,276,500	1,276,500
2021		5.000%	-	1,276,500	1,276,500
2022		5.000%	795,000	1,243,375	2,038,375
2023		4.000%	835,000	1,208,917	2,043,917
2024		5.000%	870,000	1,167,100	2,037,100
2025		4.000%	915,000	1,129,350	2,044,350
2026		5.000%	950,000	1,083,667	2,033,667
2027		5.000%	995,000	1,034,292	2,029,292
2028		5.000%	1,045,000	982,458	2,027,458
2029		5.000%	1,100,000	927,917	2,027,917
2030		5.000%	1,155,000	870,625	2,025,625
2031		5.000%	1,210,000	810,583	2,020,583
2032		5.000%	1,275,000	747,375	2,022,375
2033		5.000%	1,335,000	681,125	2,016,125
2034		5.000%	1,405,000	611,458	2,016,458
2035		5.000%	1,475,000	538,292	2,013,292
2036		5.000%	1,545,000	461,625	2,006,625
2037		5.000%	1,625,000	381,042	2,006,042
2038	5.000%	1,705,000	296,458	2,001,458	
2039	5.000%	1,790,000	207,667	1,997,667	
2040	5.000%	1,880,000	114,417	1,994,417	
2041	5.000%	1,975,000	16,458	1,991,458	
			<u>25,880,000</u>	<u>18,343,701</u>	<u>44,223,701</u>
Total Electric Power Board indebtedness			<u>256,660,000</u>	<u>104,022,279</u>	<u>360,682,279</u>

CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

2019	2007 Lease Rental Revenue Refunding	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	2,292,027	2,427,027
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>48,450,000</u>	<u>23,538,746</u>	<u>71,988,746</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2018

(continued from previous page)

CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2019	2010 IDB Revenue Refunding	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	1,269,243	7,084,243
2022		5.000%	6,090,000	971,619	7,061,619
2023		3.250%	6,340,000	716,343	7,056,343
2024		5.000%	6,565,000	478,159	7,043,159
2025		5.000%	6,860,000	171,500	7,031,500
			<u>42,480,000</u>	<u>6,983,352</u>	<u>49,463,352</u>
	Total Chattanooga Downtown Redevelopment Corporation indebtedness		<u>90,930,000</u>	<u>30,522,098</u>	<u>121,452,098</u>
	Total Primary Government		<u>\$ 678,259,948</u>	<u>\$ 202,699,401</u>	<u>\$ 880,959,349</u>

METROPOLITAN AIRPORT AUTHORITY

2019	2009 Refunding Revenue Bonds	2.950%	3,085,663	72,485	3,158,148
			<u>3,085,663</u>	<u>72,485</u>	<u>3,158,148</u>
2019	2014 Tax Exempt Revenue Bonds	2.670%	138,674	70,695	209,369
2020		2.670%	142,475	66,894	209,369
2021		2.670%	146,380	62,989	209,369
2022		2.670%	150,392	58,977	209,369
2023		2.670%	154,514	54,855	209,369
2024		2.670%	1,942,140	30,200	1,972,340
			<u>2,674,575</u>	<u>344,610</u>	<u>3,019,185</u>
2019	2014 Taxable Revenue Bonds	4.030%	159,764	138,173	297,937
2020		4.030%	166,415	131,521	297,936
2021		4.030%	173,344	124,593	297,937
2022		4.030%	180,560	117,376	297,936
2023		4.030%	188,078	109,859	297,937
2024		4.030%	2,585,931	60,791	2,646,722
			<u>3,454,092</u>	<u>682,313</u>	<u>4,136,405</u>
	Total Airport Authority indebtedness		<u>9,214,330</u>	<u>1,099,408</u>	<u>10,313,738</u>

CARTA

2019	Notes Payable	4.000%	51,295	600	51,895
	Total CARTA indebtedness		<u>51,295</u>	<u>600</u>	<u>51,895</u>
	Total component unit indebtedness		<u>\$ 9,265,625</u>	<u>\$ 1,100,008</u>	<u>\$ 10,365,633</u>



CITY OF CHATTANOOGA, TENNESSEE

STATISTICAL SECTION (Unaudited)

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CITY OF CHATTANOOGA, TENNESSEE

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities:										
General government	\$64,499,674	\$ 74,480,647	\$ 68,405,139	\$ 68,922,709	\$ 70,744,329	\$ 68,097,422	\$ 64,751,775	\$ 63,957,991	\$ 73,098,750	\$ 88,028,404
Economic & community development	10,021,209	11,379,757	18,390,875	25,728,093	6,785,001	-	-	-	-	-
Public safety	119,561,798	116,346,808	104,952,395	82,128,786	38,174,721	90,260,439	91,995,943	84,765,514	76,368,786	70,745,129
Public works	-	-	-	-	-	61,278,623	69,321,709	66,493,039	61,734,669	61,147,976
Public works & transportation	75,170,258	64,442,601	63,429,352	66,224,659	64,730,037	-	-	-	-	-
Youth & family development	28,892,158	27,234,006	26,048,987	23,455,413	21,716,619	-	-	-	-	-
Parks and recreation	-	-	-	-	-	22,884,259	22,807,242	24,010,501	20,271,088	17,223,313
Social services	-	-	-	-	-	17,513,922	19,329,779	20,924,562	23,531,828	20,440,264
Interest on long-term debt	6,028,962	6,380,122	6,854,540	6,904,505	6,819,652	6,763,002	7,087,446	7,126,810	7,237,128	6,693,847
Total governmental activities expenses	<u>304,174,059</u>	<u>300,263,941</u>	<u>288,081,288</u>	<u>273,364,165</u>	<u>208,970,359</u>	<u>266,797,667</u>	<u>275,293,894</u>	<u>267,278,417</u>	<u>262,242,249</u>	<u>264,278,933</u>
Business-type activities:										
Electric utility	689,008,000	683,959,000	653,115,000	655,053,000	639,502,000	630,133,000	640,200,589	633,506,721	539,720,000	542,811,000
Sewer	55,483,626	51,040,686	46,229,974	48,140,754	48,359,508	51,882,717	50,173,707	47,790,192	44,686,829	40,311,413
Solid waste	3,431,188	3,948,930	4,145,986	4,126,419	4,392,822	6,457,957	5,108,430	5,037,895	4,753,430	4,373,161
Water quality management	15,370,685	14,525,893	13,688,806	13,151,961	13,175,781	12,868,856	12,386,648	10,003,657	8,385,351	5,638,936
Housing management	-	-	-	-	-	602,886	1,028,404	1,105,718	1,042,569	941,834
Downtown redevelopment	16,140,720	17,794,859	16,759,306	16,760,841	16,049,380	16,196,291	-	-	-	-
Regional communication	2,616,794	1,039,599	931,065	-	-	-	-	-	-	-
Total business-type activities expenses	<u>782,051,013</u>	<u>772,308,967</u>	<u>734,870,137</u>	<u>737,232,975</u>	<u>721,479,491</u>	<u>718,141,707</u>	<u>708,897,778</u>	<u>697,444,183</u>	<u>598,588,179</u>	<u>594,076,344</u>
Total primary government expenses	<u>1,086,225,072</u>	<u>1,072,572,908</u>	<u>1,022,951,425</u>	<u>1,010,597,140</u>	<u>930,449,850</u>	<u>984,939,374</u>	<u>984,191,672</u>	<u>964,722,600</u>	<u>860,830,428</u>	<u>858,355,277</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	11,968,056	14,166,467	14,530,075	16,177,423	15,401,345	11,696,397	11,045,632	10,434,649	11,523,433	12,239,326
Economic & community development	4,811,693	4,949,579	4,130,813	3,645,519	3,537,586	-	-	-	-	-
Public safety	691,340	960,516	878,733	934,476	820,316	1,854,727	654,680	880,936	977,577	630,281
Public works	-	-	-	-	-	3,195,233	3,314,133	2,652,857	2,443,705	1,893,443
Public works & transportation	2,256,844	536,615	524,452	581,137	501,462	-	-	-	-	-
Youth & family development	478,048	532,507	553,403	559,531	599,463	-	-	-	-	-
Parks and recreation	-	-	-	-	-	3,649,255	3,728,321	3,815,671	4,212,077	4,069,218
Social services	-	-	-	-	-	344,385	746,120	646,768	834,020	700,179
Operating grants and contributions	36,569,368	33,639,774	30,519,758	36,065,180	28,078,849	38,425,404	38,545,589	45,528,069	43,695,157	39,564,910
Capital grants and contributions	14,265,850	8,761,232	28,317,766	1,556,749	215,908	1,472,538	2,253,589	7,860,181	10,605,215	11,012,496
Total governmental activities program revenues	<u>71,041,199</u>	<u>63,546,690</u>	<u>79,455,000</u>	<u>59,520,015</u>	<u>49,154,929</u>	<u>60,637,939</u>	<u>60,288,064</u>	<u>71,819,131</u>	<u>74,291,184</u>	<u>70,109,853</u>
Business-type activities:										
Charges for services:										
Electric utility	729,971,000	716,889,000	684,060,000	671,251,000	654,818,000	625,486,000	618,552,000	589,475,000	504,599,000	544,635,000
Sewer	83,455,871	78,169,727	70,770,332	64,055,861	63,155,547	52,708,135	52,051,115	48,702,486	45,761,756	43,749,143
Solid waste	6,048,011	6,322,756	6,981,881	7,314,318	7,085,846	6,343,124	6,317,708	6,597,533	6,389,727	6,871,844
Water quality management	19,443,914	21,239,224	19,526,288	19,945,571	19,100,534	17,245,533	16,123,965	14,292,397	13,480,137	5,796,188
Housing management	-	-	-	-	-	2,667,646	882,897	839,126	816,476	807,058
Downtown redevelopment	18,875,249	19,324,706	18,882,874	18,659,042	17,038,504	17,706,905	-	-	-	-
Regional communication	2,505,410	1,330,745	1,306,785	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	100,819	19,983,313	2,398,436	191,575
Capital grants and contributions	2,178,000	2,639,203	985,000	739,109	1,833,500	19,983,000	39,217,000	41,117,000	29,595,440	2,462,551
Total business-type activities program revenues	<u>862,477,455</u>	<u>845,915,361</u>	<u>802,513,160</u>	<u>781,964,901</u>	<u>763,031,931</u>	<u>742,140,343</u>	<u>733,245,504</u>	<u>721,006,855</u>	<u>603,040,972</u>	<u>604,513,359</u>
Total primary government program revenues	<u>933,518,654</u>	<u>909,462,051</u>	<u>881,968,160</u>	<u>841,484,916</u>	<u>812,186,860</u>	<u>802,778,282</u>	<u>793,533,568</u>	<u>792,825,986</u>	<u>677,332,156</u>	<u>674,623,212</u>

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CITY OF CHATTANOOGA, TENNESSEE

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

(continued from previous page)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net (expense)/revenue:										
Governmental activities	\$ (233,132,860)	\$ (236,717,250)	\$ (208,626,288)	\$ (213,844,150)	\$ (159,815,430)	\$ (206,159,728)	\$ (215,005,830)	\$ (195,459,286)	\$ (187,951,065)	\$ (194,169,080)
Business-type activities	80,426,442	73,606,394	67,643,023	44,731,926	41,552,440	23,998,636	24,347,726	23,562,672	4,452,793	10,437,015
Total primary government net expense	<u>(152,706,418)</u>	<u>(163,110,856)</u>	<u>(140,983,265)</u>	<u>(169,112,224)</u>	<u>(118,262,990)</u>	<u>(182,161,092)</u>	<u>(190,658,104)</u>	<u>(171,896,614)</u>	<u>(183,498,272)</u>	<u>(183,732,065)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	146,283,546	134,943,202	130,902,972	127,519,982	125,641,150	129,150,158	133,455,222	112,953,898	96,982,279	94,274,504
Liquor and beer taxes	8,330,478	8,737,791	8,997,261	7,606,018	8,186,392	7,606,723	7,614,837	7,352,383	7,062,700	7,394,591
Gross receipts tax	5,748,596	5,958,597	5,882,100	4,899,150	4,797,634	4,231,661	4,276,496	4,437,883	3,790,913	3,905,913
Franchise tax	4,824,817	4,498,990	4,382,373	4,725,955	4,221,364	4,115,338	2,915,030	2,119,546	2,248,279	2,210,697
Hotel-motel tax	7,206,593	7,030,339	6,589,452	5,995,649	5,364,901	5,004,320	5,001,504	4,746,845	4,058,621	3,893,990
Other taxes	658,303	750,707	222,074	134,509	162,765	69,598	83,017	43,520	227,546	2,578,385
Unrestricted investment earnings	3,079,718	2,992,787	1,753,046	954,972	1,331,773	1,069,002	873,653	1,344,715	1,118,163	1,420,375
Grants not allocated to specific programs	91,059,607	82,923,454	79,585,292	75,505,288	70,667,626	70,563,200	66,731,113	53,070,739	52,777,032	49,988,522
Gain on sale of capital assets	1,110,365	831,846	836,089	1,501,675	197,445	890,681	370,285	179,644	-	-
Gain on equity interest in joint venture	-	229,028	-	23,684	65,251	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	22,679	-
Change in equity interest	-	-	-	-	-	-	-	-	(196,534)	(457,589)
Endowment contributions	-	-	-	-	105	-	4,554	-	-	-
Transfers	(10,047,603)	-	50,952	-	-	1,363,048	6,344,311	5,917,771	4,089,754	3,061,998
Special Item- Transfer of Land to VW	-	-	-	-	-	-	-	-	-	(8,916,345)
Total governmental activities	<u>258,254,420</u>	<u>248,896,741</u>	<u>239,201,611</u>	<u>228,866,882</u>	<u>220,636,406</u>	<u>224,063,729</u>	<u>227,670,022</u>	<u>192,166,944</u>	<u>172,181,432</u>	<u>159,355,041</u>
Business-type activities:										
Unrestricted investment earnings	3,058,133	1,898,682	1,815,617	1,186,019	990,099	1,055,895	804,118	1,463,002	3,632,413	8,991,904
Miscellaneous	-	-	-	-	-	388,268	147,914	-	16,427	808,000
Transfers	10,047,603	-	(50,952)	-	-	(1,363,048)	(6,344,311)	(5,917,771)	(4,089,754)	(3,061,998)
Loss on disposal of capital assets	-	-	-	-	-	(4,150,506)	-	-	-	-
Extra ordinary - tornado damage	-	-	-	-	-	-	-	(28,000,000)	-	-
Total business-type activities	<u>13,105,736</u>	<u>1,898,682</u>	<u>1,764,665</u>	<u>1,186,019</u>	<u>990,099</u>	<u>(4,069,391)</u>	<u>(5,392,279)</u>	<u>(32,454,769)</u>	<u>(440,914)</u>	<u>6,737,906</u>
Total primary government	<u>271,360,156</u>	<u>250,795,423</u>	<u>240,966,276</u>	<u>230,052,901</u>	<u>221,626,505</u>	<u>219,994,338</u>	<u>222,277,743</u>	<u>159,712,175</u>	<u>171,740,518</u>	<u>166,092,947</u>
Change in Net Position										
Governmental activities	25,121,560	12,179,491	30,575,323	15,022,732	60,820,976	17,904,001 ⁽³⁾	12,664,192	(3,292,342)	(15,769,633) ⁽²⁾	(34,814,039)
Business-type activities	93,532,178	75,505,076	69,407,688	45,917,945	42,542,539	19,929,245	18,955,447	(8,892,097)	4,011,879	17,174,921
Total primary government	<u>\$ 118,653,738</u>	<u>\$ 87,684,567</u> ⁽⁵⁾	<u>\$ 99,983,011</u>	<u>\$ 60,940,677</u>	<u>\$ 103,363,515</u> ⁽⁴⁾	<u>\$ 37,833,246</u>	<u>\$ 31,619,639</u>	<u>\$ (12,184,439)</u>	<u>\$ (11,757,754)</u>	<u>\$ (17,639,118)</u>

⁽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.

⁽³⁾ In fiscal year 2013 the City recorded Community Development loans handled by CNE as unavailable revenue in deferred inflows of resources of \$17,403,653.

⁽⁴⁾ In fiscal year 2014, GASB 67 and 68 were implemented.

⁽⁵⁾ In fiscal year 2017, GASB 74 and 75 were implemented.

CITY OF CHATTANOOGA, TENNESSEE

**NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year			
	2018	2017	2016	2015
Governmental activities				
Net investment in capital assets	\$ 1,285,941,167	\$ 1,277,949,718	\$ 1,272,353,698	\$ 1,275,429,168
Restricted	65,361,086	60,727,476	66,118,034	47,791,629
Unrestricted	(183,847,137)	(196,343,638) ⁽⁵⁾	(134,094,903)	(149,419,291)
Total governmental activities net position	<u>1,167,455,116</u>	<u>1,142,333,556</u>	<u>1,204,376,829</u>	<u>1,173,801,506</u>
Business-type activities				
Net investment in capital assets	720,686,418	652,037,064	590,844,184	603,011,447
Restricted	70,984,783	76,121,378	49,238,536	69,421,422
Unrestricted ⁽¹⁾	86,443,633	53,364,214 ⁽⁵⁾	78,680,556	(23,077,281)
Total business-type activities net position	<u>878,114,834</u>	<u>781,522,656</u>	<u>718,763,276</u>	<u>649,355,588</u>
Primary government				
Net investment in capital assets	2,006,627,585	1,929,986,782	1,863,197,882	1,878,440,615
Restricted	136,345,869	136,848,854	115,356,570	117,213,051
Unrestricted	(97,403,504)	(142,979,424) ⁽⁵⁾	(55,414,347)	(172,496,572)
Total primary government net position	<u>\$ 2,045,569,950</u>	<u>\$ 1,923,856,212</u>	<u>\$ 1,923,140,105</u>	<u>\$ 1,823,157,094</u>

⁽¹⁾ Solid Waste Fund has a negative, unrestricted net position balance due to EPA unfunded mandates for an old landfill.

⁽²⁾ In 2008 significant investment was made in the EPB utility plant reallocating net position between invested in capital and unrestricted.

⁽³⁾ In 2011 EPB suffered \$28,000,000 in extraordinary losses from the worst years of tornadoes in recent history.

⁽⁴⁾ In 2014, City implemented GASB 67 and 68.

⁽⁵⁾ In 2017, City implemented GASB 74 and 75.

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 1,204,844,784	\$ 1,212,457,120	\$ 1,203,907,660	\$ 1,231,353,280	\$ 1,259,985,302	\$ 1,259,405,543
47,931,872	28,150,164	41,687,490	27,167,455	13,118,922	24,162,165
(93,997,882) ⁽⁴⁾	92,237,845	89,243,312	63,653,535	52,362,388	57,668,537
<u>1,158,778,774</u>	<u>1,332,845,129</u>	<u>1,334,838,462</u>	<u>1,322,174,270</u>	<u>1,325,466,612</u>	<u>1,341,236,245</u>
573,918,419	537,001,543	527,583,854	568,185,846	533,433,835	559,872,034
46,644,598	45,014,643	30,684,020	18,097,653	22,728,886	24,501,372
(13,959,374) ⁽⁴⁾	(10,293,881)	3,519,144	(43,451,928)	(4,439,053)	(36,661,617)
<u>606,603,643</u>	<u>571,722,305</u>	<u>561,787,018</u> ⁽³⁾	<u>542,831,571</u>	<u>551,723,668</u>	<u>547,711,789</u>
1,778,763,203	1,749,458,663	1,731,491,514	1,799,539,126	1,793,419,137	1,819,277,577
94,576,470	73,164,807	72,371,510	45,265,108	35,847,808	48,663,537
(107,957,256) ⁽⁴⁾	81,943,964	92,762,456	20,201,607	47,923,335	21,006,920
<u>\$ 1,765,382,417</u>	<u>\$ 1,904,567,434</u>	<u>\$ 1,896,625,480</u>	<u>\$ 1,865,005,841</u>	<u>\$ 1,877,190,280</u>	<u>\$ 1,888,948,034</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Fiscal Year	Property Tax	Liquor & Beer Tax		Other City-Levied Taxes				Total
		Liquor	Beer	Gross Receipts	Franchise Tax	Hotel- Motel Tax	Other Taxes	
2009	94,274,504	1,957,072	5,437,519	3,905,913	2,210,697	3,893,990	2,578,385	114,258,080
2010	96,982,279 ⁽¹⁾	1,973,682	5,089,018	3,790,913	2,248,279	4,058,621	227,546 ⁽¹⁾	114,370,338
2011	112,953,898 ⁽²⁾	1,964,432	5,387,951	4,437,883	2,119,546	4,746,845	43,520	131,654,075
2012	133,455,222	2,062,772	5,552,065	4,276,496	2,915,030	5,001,504	83,017	153,346,106
2013	129,150,158	2,164,510	5,442,213	4,231,661	4,115,338	5,004,320	69,598	150,177,798
2014	125,641,150	2,243,288	5,943,103	4,797,634	4,221,364	5,364,901	162,765	148,374,205
2015	127,519,982	2,468,684	5,137,334	4,899,150	4,725,955	5,995,649	134,509	150,881,263
2016	130,902,972	2,796,779	6,200,482	5,882,100	4,382,373	6,589,452	222,074	156,976,232
2017	134,943,202	2,708,237	6,029,553	5,958,597	4,498,990	7,030,339	750,707	161,919,626
2018	146,283,546	2,698,025	5,632,453	5,748,596	4,824,817	7,206,593	658,303	173,052,333

⁽¹⁾ Beginning FY2010 change in unearned revenue is included in property tax instead of other taxes.

⁽²⁾ Effective FY2011 property tax rate increased.

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010 ⁽¹⁾	2009
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,617,430
Unreserved:										
Designated	-	-	-	-	-	-	-	-	-	3,608,909
Undesignated	-	-	-	-	-	-	-	-	-	31,520,660
Nonspendable	1,131,708	1,131,569	1,521,502	1,783,514	2,482,752	2,852,473	4,377,659	4,286,374	1,780,661	-
Restricted	18,515,906	10,599,175	5,924,050	5,449,595	6,213,426	7,567,786	7,502,063	6,658,785	7,455,576	-
Committed	808,990	810,609	645,036	795,692	689,137	733,927	967,538	898,772	1,184,148	-
Assigned	9,194,748	11,105,986	8,830,766	6,293,667	5,100,983	3,111,037	4,686,118	4,572,721	993,642	-
Unassigned	80,489,150	77,758,552	65,922,139	55,113,696	64,225,680	55,580,376	45,470,014	33,863,477	28,415,466	-
Total general fund ⁽²⁾	110,140,502	101,405,891	82,843,493	69,436,164	78,711,978	69,845,599	63,003,392	50,280,129	39,829,493	43,746,999
All other governmental funds										
Reserved	-	-	-	-	-	-	-	-	-	36,659,112
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	8,454,135
Debt service fund	-	-	-	-	-	-	-	-	-	8,375,003
Permanent funds	-	-	-	-	-	-	-	-	-	36,705
Nonspendable	5,131,170	4,748,454	4,814,493	5,623,182	5,857,179	5,587,435	5,418,717	5,669,095	5,695,501	-
Restricted	73,045,107	70,681,969	73,783,314	52,110,734	51,548,075	32,077,331	43,422,413	30,890,348	43,983,628	-
Committed	8,103,627	6,423,455	6,413,573	8,656,519	9,227,214	5,466,410	3,456,211	7,063,311	6,559,175	-
Assigned	1,795,550	1,556,472	1,315,448	1,107,806	827,293	953,975	604,092	338,988	205,049	-
Unassigned	-	-	-	-	-	-	-	-	(777,863)	-
Total all other governmental funds	88,075,454	83,410,350	86,326,828	67,498,241	67,459,761	44,085,151	52,901,433	43,961,742	55,665,490	53,524,955
Total governmental funds	<u>\$ 198,215,956</u>	<u>\$ 184,816,241</u>	<u>\$ 169,170,321</u>	<u>\$ 136,934,405</u>	<u>\$ 146,171,739</u>	<u>\$ 113,930,750</u>	<u>\$ 115,904,825</u>	<u>\$ 94,241,871</u>	<u>\$ 95,494,983</u>	<u>\$ 97,271,954</u>

⁽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: 2010 - \$9,461,261,(including \$4,747,968 for the VW project).

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year			
	2018	2017	2016	2015
Revenues				
Taxes	\$ 172,980,292	\$ 163,443,650	\$ 155,799,808	\$ 151,630,655
Licenses and permits	6,938,663	7,569,081	7,352,468	6,519,237
Intergovernmental	122,729,461	113,376,554	109,583,823	104,921,960
Charges for services	4,394,849	4,558,271	4,491,755	5,596,920
Fines, forfeitures and penalties	1,367,852	2,117,601	2,599,585	2,721,488
Investment income	3,451,398	3,277,471	1,972,171	1,111,693
Contributions and donations	5,322,453	1,244,604	1,609,166	982,639
Miscellaneous	8,763,086	7,445,416	6,651,589	8,144,924
Total revenues	<u>325,948,054</u>	<u>303,032,648</u>	<u>290,060,365</u>	<u>281,629,516</u>
Expenditures				
General government	63,148,457	65,960,761	63,105,668	64,148,350
Economic & community development	9,768,808	8,917,998	8,633,354	8,617,777
Public safety	111,685,239	103,566,128	96,260,548	93,447,712
Public works	-	-	-	-
Public works & transportation	47,288,529	39,207,550	37,834,604	37,822,758
Youth & family development	28,071,723	26,506,698	25,772,920	23,744,490
Parks and recreation, education, arts & culture	-	-	-	-
Social Services	-	-	-	-
Capital outlay	25,286,422	33,351,247	35,147,388	35,186,418
Debt service:				
Principal	20,689,981	18,058,024	17,164,347	19,324,913
Interest	7,454,385	7,500,114	7,426,116	7,421,843
Total expenditures	<u>313,393,544</u>	<u>303,068,520</u>	<u>291,344,945</u>	<u>289,714,261</u>
Excess of revenues over (under) expenditures	12,554,510	(35,872)	(1,284,580)	(8,084,745)
Other financing sources (uses)				
Transfers in	55,217,621	39,699,793	44,454,692	59,632,771
Transfers out	(55,217,621)	(39,699,794)	(44,403,738)	(61,032,771)
Refunding bonds issued	-	12,640,000	-	17,753,440
Bonds issued	-	8,200,000	47,200,000	-
Premium on bonds issued	-	3,762,622	7,684,371	1,735,417
Payments to refunded bond escrow agent	-	(14,898,565)	(21,414,829)	(19,324,578)
Notes issued	-	-	-	83,132
Capital leases	845,200	5,977,735	-	-
Total other financing sources (uses)	<u>845,200</u>	<u>15,681,791</u>	<u>33,520,496</u>	<u>(1,152,589)</u>
Net change in fund balances	<u>\$ 13,399,710</u>	<u>\$ 15,645,919</u>	<u>\$ 32,235,916</u>	<u>\$ (9,237,334)</u>
Debt service as a percentage of non-capital expenditures	9.69%	9.10%	9.12%	9.69%

Fiscal Year						
	2014	2013	2012	2011	2010	2009
\$	147,420,648	\$ 144,654,630	\$ 135,223,433	\$ 133,486,033	\$ 114,584,911	\$ 111,959,239
	6,384,410	5,830,254	5,738,751	5,176,412	5,368,232	4,435,320
	96,926,638	107,416,967	103,679,076	100,441,019	97,317,492	95,014,416
	6,017,985	6,333,801	6,045,639	5,602,433	6,182,979	5,302,861
	2,051,888	1,422,556	2,148,952	2,705,952	3,256,983	2,835,260
	1,581,549	1,185,179	1,170,671	1,476,502	1,350,106	1,777,344
	782,545	218,028	839,599	1,208,813	754,226	589,914
	6,236,014	6,340,451	5,730,827	4,813,272	5,953,361	5,970,884
	<u>267,401,677</u>	<u>273,401,866</u>	<u>260,576,948</u>	<u>254,910,436</u>	<u>234,768,290</u>	<u>227,885,238</u>
	61,432,644	64,000,423	57,347,682	54,344,907	68,917,674	69,935,803
	6,896,838	-	-	-	-	-
	93,249,612	92,123,889	90,486,931	83,338,295	71,310,426	72,616,829
	-	40,854,938	39,283,330	39,260,630	31,601,596	37,185,999
	38,201,294	-	-	-	-	-
	21,738,673	-	-	-	-	-
	-	19,872,077	19,459,895	18,003,988	16,979,064	16,809,777
	-	16,515,906	19,123,591	20,977,875	22,890,301	17,712,991
	22,598,368	18,236,057	24,674,873	24,601,428	23,446,614	42,528,781
	12,970,806	13,037,072	11,846,305	13,007,185	12,532,082	9,591,682
	7,030,200	7,178,691	7,683,913	7,211,011	7,979,170	6,333,051
	<u>264,118,435</u>	<u>271,819,053</u>	<u>269,906,520</u>	<u>260,745,319</u>	<u>255,656,927</u>	<u>272,714,913</u>
	3,283,242	1,582,813	(9,329,572)	(5,834,883)	(20,888,637)	(44,829,675)
	38,834,687	31,557,514	33,930,297	33,896,437	31,587,851	31,750,605
	(39,321,328)	(35,544,306)	(31,650,986)	(29,444,666)	(27,567,851)	(28,969,931)
	-	-	-	-	14,219,204	-
	26,775,000	-	44,115,201	-	34,265,000	46,056,885
	2,369,489	-	3,172,754	-	730,718	682,236
	-	-	(18,574,740)	-	(34,123,256)	-
	-	128,416	-	130,000	-	-
	-	301,493	-	-	-	-
	<u>28,657,848</u>	<u>(3,556,883)</u>	<u>30,992,526</u>	<u>4,581,771</u>	<u>19,111,666</u>	<u>49,519,795</u>
\$	<u>31,941,090</u>	<u>\$ (1,974,070)</u>	<u>\$ 21,662,954</u>	<u>\$ (1,253,112)</u>	<u>\$ (1,776,971)</u>	<u>\$ 4,690,120</u>
	8.24%	8.08%	7.82%	8.56%	9.00%	6.59%

CITY OF CHATTANOOGA, TENNESSEE

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

Fiscal Year Ended June 30	Assessed Value					Original Total Taxable Value ⁽¹⁾⁽²⁾	Direct Tax Rate	Estimated Actual Taxable Value ⁽¹⁾	Assessed Value as a Percentage of Actual Value
	Real Property ⁽³⁾			Personalty	Public Utilities				
	Residential Property	Commercial Property	Multi-Use Property						
2009	1,452,977,142	1,968,057,920	50,987,075	509,493,519	222,152,961	4,203,668,617	2.202	13,293,431,306	31.62%
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%
2013	1,795,943,110	2,261,110,225	58,632,465	538,856,958	219,981,451	4,874,524,209	2.309	15,498,290,496	31.45%
2014	1,784,295,979	2,348,871,997	74,573,687	531,222,301	216,285,095	4,955,249,059	2.309	15,679,940,525	31.60%
2015	1,840,532,560	2,374,091,013	70,770,559	532,072,812	227,140,466	5,044,607,410	2.309	16,071,141,262	31.39%
2016	1,865,936,950	2,418,840,319	68,275,406	531,204,313	226,768,904	5,111,025,892	2.309	16,253,882,118	31.44%
2017	1,900,272,750	2,476,752,924	61,714,906	558,833,997	228,322,303	5,225,896,880	2.309	16,617,822,120	31.45%
2018	2,127,444,981	2,895,632,080	69,792,695	596,315,999	228,623,897	5,917,809,652	2.277	18,515,514,113	31.96%

Source: City Treasurer

⁽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.
 Multi-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	Total Tax Rate	
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
2013	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2014	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2015	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2016	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2017	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2018	2.2770	1.5050	1.2503	0.0099	2.7652	5.0422

Source: www.hamiltontn.gov/trustee/

⁽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⁾	2018			2009		
	Taxable ⁽²⁾ Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
	Value		Value	Value		
Electric Power Board (2)	\$323,715,000	1	4.61%	\$170,749,000	1	4.06%
CBL & Associates	114,960,866	2	1.64%	61,098,023	2	1.45%
BellSouth				54,522,885	3	1.30%
Tennessee Valley Authority (Computer Center)	85,391,100	3	1.21%	39,200,680	5	0.93%
BlueCross BlueShield	60,513,653	4	0.86%	32,896,033	7	0.78%
Tennessee-American Water Co.	54,485,770	5	0.78%	44,982,915	4	1.07%
ALSTROM	52,089,359	6	0.74%	-		
Unum/Provident	42,776,839	7	0.61%	31,892,455	7	0.76%
WALMART	34,049,088	8	0.48%	27,612,303	8	0.66%
Parkridge Medical Center	-			25,809,320	9	0.61%
AGL resources - Chatt. Gas Co.	-			24,996,713	10	0.59%
JDK Real Estate (Kenco Group)	33,148,560	9	0.47%	-		
AT&T (BellSouth)	30,273,634	10	0.43%	-		
Totals	<u>\$ 831,403,869</u>		<u>11.83%</u>	<u>\$ 513,760,327</u>		<u>12.21%</u>

Source: The City Treasurer

⁽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 TEN 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
2009	\$ 91,760,952	\$ (259,193)	\$ 91,501,759	\$ 87,144,122	95.2%	\$ 4,096,285	\$ 91,240,407	99.7%
2010	93,958,030	(1,208,571)	92,749,459	88,615,281	95.5%	3,608,896	92,224,177	99.4%
2011	111,034,964	(270,003)	110,764,961	104,399,752	94.3%	5,754,991	110,154,743	99.4%
2012	111,312,877	(517,344)	110,795,533	104,608,676	94.4%	5,547,717	110,156,393	99.4%
2013	112,552,779	(598,059)	111,954,720	105,385,912	94.1%	5,906,993	111,292,905	99.4%
2014	114,416,715	(635,072)	113,781,643	107,610,482	94.6%	5,181,864	112,792,346	99.1%
2015	116,480,000	(29,652)	116,450,348	110,399,359	94.8%	4,547,400	114,946,759	98.7%
2016	118,013,601	(32,345)	117,981,256	112,528,120	95.4%	5,168,157	117,696,277	99.8%
2017	120,665,972	(169,037)	120,496,935	116,366,570	96.6%	1,799,535	118,166,105	98.1%
2018	134,748,526	(233,938)	134,514,588	128,784,910	95.7%	-	128,784,910	95.7%

⁽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 TEN CALENDAR YEARS**

Calendar Year ⁽¹⁾	Commercial Construction/Others		Residential Construction		Property Value		
	Number of Permits	Value	Number of Permits	Value	Commercial	Residential	Public Utilities
2008	471	\$ 244,137,277	715	\$ 108,132,239	\$ 5,163,673,852	\$ 5,811,908,568	\$ 620,270,613
2009	1,057	381,383,099 ⁽²⁾	791	84,885,364	6,008,895,400	6,930,739,450	626,311,137
2010	1151	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
2012	1228	526,589,240	1,155	92,540,434	5,946,058,500	7,183,769,166	572,274,272
2013	619	309,615,547	1,319	118,773,260	6,296,210,200	7,123,787,316	563,981,000
2014	743	354,627,089	1,313	167,484,483	6,462,411,280	7,248,274,500	587,014,861
2015	720	522,770,623	1,476	127,443,336	6,375,533,044	7,463,747,800	589,291,000
2016	987	480,609,555	1,668	140,670,709	6,501,615,759	7,601,091,000	594,958,000
2017	1265	542,892,582	1,515	131,819,969	7,602,456,450	8,509,779,926	415,679,813

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.

⁽¹⁾ Latest information available for the calendar year.

⁽²⁾ Starting 2009 combined commercial and other permits such as electrical, plumbings and fire permits.

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND INTERGOVERNMENTAL REVENUE

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>County-Wide Sales Tax</u>	<u>City Allocation State Sales Tax</u>	<u>County-Wide Designated Sales Tax</u>	<u>City Allocation State Income Tax</u>	<u>Mixed Drink Tax</u>	<u>Other Revenue</u>	<u>Total</u>
2009	\$ 25,710,248	\$ 10,254,407	\$ 10,394,686	\$ 3,629,181	\$ 1,763,451	\$ 17,780,474 ⁽¹⁾	\$ 69,532,447
2010	25,116,025	9,904,220	10,182,243	2,578,926	1,888,061	13,749,395 ⁽²⁾	63,418,870
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
2013	40,007,670	11,544,670	11,405,092	4,199,313	2,229,008	10,323,819	79,709,572
2014	39,781,604	11,948,621	11,340,990	3,744,628	2,402,905 ⁽⁵⁾	6,293,761	75,512,509
2015	42,428,955	12,624,796	12,093,914	4,137,843	2,601,751	4,923,476	78,810,735
2016	45,479,387	13,491,087	12,961,844	3,532,771	2,909,666	5,021,382	83,396,137
2017	45,012,507	13,901,449	12,827,046	3,268,174	3,066,428	9,404,322	87,479,926
2018	49,450,575	14,236,066	13,937,255	2,866,453	3,312,240	11,579,054	95,381,643

⁽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.

⁽⁵⁾ In fiscal year 2014, the City started remitting 50% of this revenue to the Department of Education.

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
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	148,788	10.15	19,365	11.31	3,443	8.53	138	11.85	171,734	9.34
2013	149,875	10.19	20,079	11.36	3,387	8.67	143	12.06	173,484	9.47
2014	150,901	10.16	20,482	11.33	3,137	8.55	142	12.14	174,662	9.42
2015	152,503	10.22	20,910	11.39	3,127	8.58	142	12.01	176,682	9.46
2016	154,273	10.59	21,082	11.94	3,178	8.52	144	11.70	178,677	9.58
2017	155,745	10.93	21,500	12.30	3,199	8.55	145	12.07	180,589	9.77
2018	157,547	10.86	21,627	12.23	3,135	8.45	144	12.57	182,454	9.72

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 TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Total		Total Excluding	
	General Obligation	Notes Payable	Capital Leases	Revenue Bonds	General Obligation Bonds	Notes Payable	Capital Leases		Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	2009	\$ 169,652,698	\$ 30,654,836	\$ 109,822,026	\$ 288,060,000	\$ 83,302,301	\$ 52,607,497		\$ 147,723	\$ 734,247,081	12.90%	4,297
2010	176,064,209	31,266,117	106,531,819	285,390,000	72,480,791	50,197,546	122,705	722,053,187	12.11%	4,214	7.33%	2,548
2011	165,968,711	28,547,881	103,678,615	282,680,000	62,441,288	66,590,772	96,119	710,003,386	12.13%	4,234	7.30%	2,549
2012	182,677,809	25,814,209	100,625,098	279,930,000	54,342,190	66,140,734	67,834	709,597,874	12.04%	4,171	7.29%	2,525
2013	177,238,092	23,950,371	287,958 ⁽²⁾	406,889,598 ⁽²⁾	47,709,242	57,542,512	37,701	713,655,474	11.55%	4,167	4.97%	1,791
2014	194,931,457	33,678,384	232,290	395,635,613	45,186,500	52,400,294	5,562	722,070,100	11.19%	4,165	5.06%	1,883
2015	182,335,696	26,990,086	174,098	383,215,627	36,956,413	61,741,959	-	691,413,879	10.56%	3,988	4.71%	1,778
2016 ⁽³⁾	203,311,219	22,937,045	113,267	405,428,642	39,750,749	92,504,381	-	764,045,303	11.02%	4,327	5.17%	2,031
2017 ⁽³⁾	197,788,968	18,866,275	6,027,412	378,853,657	32,089,501	104,170,481	-	737,796,294	10.45%	4,155	5.08%	2,021
2018 ⁽³⁾	181,054,741	14,775,559	5,486,668	382,792,672	23,941,286	122,572,720	-	730,623,646	9.57%	4,079	4.56%	1,942

⁽¹⁾ See the schedule of Demographic and Economic Statistics for income and population data.

⁽²⁾ CDRC became a blended component unit in FY13 per GASB 61 and classified as a Business-Type Activity.

⁽³⁾ Includes premium and discount

CITY OF CHATTANOOGA, TENNESSEE

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	Primary Government ⁽¹⁾			Debt Supported by Designated Revenue Streams Other Than Property				
	GO	Notes and Capital	Total	Hotel-Motel	CDRC	Capital Lease	HUD Sec.	800 MHz
	Bonds	Leases		Debt	Capital Lease		Capital Lease	108 Notes
2009	\$ 252,955,000	\$ 193,232,084	\$ 446,187,084	\$ 52,768,980	\$ 108,937,617	\$ 284,251	\$ 4,576,000	\$ 600,159
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	198,913,388	427,323,387	52,163,815	103,518,327	160,288	3,966,000	-
2012	237,019,999	192,647,875	429,667,874	49,324,122	100,531,340	93,758	3,661,000	-
2013	224,947,334	81,818,542 ⁽³⁾	306,765,876	47,091,427	- ⁽⁴⁾	287,958	3,356,000	-
2014	240,117,957	86,316,530	326,434,487	52,423,496	-	232,290	3,051,000	-
2015	219,292,110	88,906,143	308,198,253	49,785,663	-	174,098	2,746,000	-
2016	243,061,968	115,554,693	358,616,661	47,058,029	-	113,267	2,441,000	-
2017	229,878,469	129,064,168	358,942,637	45,001,572	-	6,027,412	2,136,000	-
2018	204,996,027	142,834,947	347,830,974	41,629,734	-	5,486,668	1,831,000	-

⁽¹⁾ Primary Government includes premiums and discounts

⁽²⁾ See the schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

⁽³⁾ See the schedule of Demographic and Economic Statistics for population data.

⁽⁴⁾ Per GASB 61 announcement. CDRC is now a blended component unit. They City removed the portion of capital lease and booked the amount under Lease Rental Revenue Bonds

Sewer Debt	Solid Waste Debt	Water Quality Debt	EPB Debt	Less: Debt Service Fund Balance	Total Reduction	Debt Supported by Property Tax Total	% Estimated Actual Taxable Value of Property ⁽²⁾	Per Capita ⁽³⁾
\$ 98,468,501	\$ 24,813,108	\$ 12,189,914	\$ 586,000	\$ 8,925,003	\$ 312,149,532	\$ 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	18,907,000	4,954,374	293,890,983	133,432,404	0.88%	796
73,329,345	17,838,771	7,657,642	21,725,000	652,699	274,813,677	154,854,197	1.02%	910
70,632,816	16,811,099	6,984,540	10,861,000	2,476,637	158,501,477	148,264,399	0.96%	866
66,235,357	14,913,893	11,666,106	4,777,000	5,020,752	158,319,894	168,114,593	1.07%	970
74,920,453	13,300,710	10,477,209	-	3,446,011	154,850,144	153,348,109	0.95%	885
102,232,212	11,426,361	18,596,557	-	2,161,977	184,029,403	174,587,258	1.07%	989
110,264,335	9,491,440	16,504,207	-	1,778,396	191,203,362	167,739,275	1.01%	945
124,729,023	7,499,337	14,285,646	-	2,990,089	198,451,497	149,379,477	0.81%	834

CITY OF CHATTANOOGA, TENNESSEE

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2018

<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	\$ 349,308,178	58.5864%	<u>\$ 204,647,086</u>
Subtotal, overlapping debt ⁽¹⁾			204,647,086
City of Chattanooga debt related to governmental activities ⁽³⁾			186,670,123
City original issue premiums and discounts			<u>14,646,845</u>
Total direct and overlapping debt			<u><u>\$ 405,964,054</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.
- ⁽³⁾ Please see Ratios of General Bonded Debt Outstanding for the debt supported by property taxes.

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year			
	2018	2017	2016	2015
Debt limit ⁽¹⁾	\$ 590,946,293	\$ 522,577,906	\$ 511,102,589	\$ 504,460,741
Total net debt applicable to limit ⁽²⁾	149,379,477	167,739,275	174,587,258	153,348,109
Legal debt margin	\$ 441,566,816	\$ 354,838,631	\$ 336,515,331	\$ 351,112,632
Total net debt applicable to the limit as a percentage of debt limit	25.28%	32.10%	34.16%	30.40%

	Legal Debt Margin Calculation by Fiscal Year			
Assessed value	\$ 5,909,462,932	\$ 5,225,779,059	\$ 5,111,025,892	\$ 5,044,607,410
Debt limit (10% of total assessed value)	590,946,293	522,577,906	511,102,589	504,460,741
Debt applicable to limit:				
General obligation bonds	152,369,566	169,517,671	176,749,235	156,794,120
Less: amount set aside for repayment of general obligation debt	(2,990,089)	(1,778,396)	(2,161,977)	(3,446,011)
Total net debt applicable to limit	149,379,477	167,739,275	174,587,258	153,348,109
Legal debt margin	\$ 441,566,816	\$ 354,838,631	\$ 336,515,331	\$ 351,112,632

⁽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-17 and F-18 for details.

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 495,524,906	\$ 487,452,421	\$ 482,082,558	\$ 480,878,951	\$ 484,569,450	\$ 416,716,328
168,114,593	148,264,399	154,854,197	133,432,404	144,733,451	134,037,552
<u>\$ 327,410,313</u>	<u>\$ 339,188,022</u>	<u>\$ 327,228,361</u>	<u>\$ 347,446,547</u>	<u>\$ 339,835,999</u>	<u>\$ 282,678,776</u>
33.93%	30.42%	32.12%	27.75%	29.87%	32.17%

Legal Debt Margin Calculation by Fiscal Year					
\$ 4,955,249,059	\$ 4,874,524,209	\$ 4,820,825,577	\$ 4,808,789,510	\$ 4,845,694,497	\$ 4,167,163,278
495,524,906	487,452,421	482,082,558	480,878,951	484,569,450	416,716,328
173,135,345	150,741,036	155,506,895	138,386,776	149,603,816	142,962,554
(5,020,752)	(2,476,637)	(652,700)	(4,954,374)	(4,870,365)	(8,925,003)
<u>168,114,593</u>	<u>148,264,399</u>	<u>154,854,195</u>	<u>133,432,402</u>	<u>144,733,451</u>	<u>134,037,551</u>
<u>\$ 327,410,313</u>	<u>\$ 339,188,022</u>	<u>\$ 327,228,363</u>	<u>\$ 347,446,549</u>	<u>\$ 339,835,999</u>	<u>\$ 282,678,777</u>

CITY OF CHATTANOOGA, TENNESSEE

HISTORICAL DEBT RATIOS

June 30, 2018

	Fiscal Year			
	2018	2017	2016	2015
Estimated population	179,139	177,571	176,588	173,366
Appraised property valuation	\$ 18,515,514,113	\$ 16,617,822,120	\$ 16,253,882,118	\$ 15,484,126,401
Assessed property valuation	5,909,462,932	5,225,896,880	5,111,025,892	5,044,607,410
Gross indebtedness ⁽¹⁾	421,599,947	435,929,169	442,659,694	404,376,144
Less: Self-supporting indebtedness ⁽²⁾	283,502,826	282,579,251	279,996,798	255,342,366
Debt Service Fund	2,990,089	1,778,396	2,161,977	3,446,011
Net direct indebtedness	135,107,032	151,571,522	160,500,919	145,587,767
Plus: Estimated net overlapping indebtedness	204,647,086	158,510,550	170,209,506	164,152,697
Net direct and overlapping indebtedness	\$ 339,754,118	\$ 310,082,072	\$ 330,710,425	\$ 309,740,464
Gross debt per capita	\$ 2,353.48	\$ 2,454.96	\$ 2,506.74	\$ 2,332.50
Net direct debt per capita	754.20	853.58	908.90	839.77
Net direct and overlapping debt per capita	1,896.59	1,746.24	1,872.78	1,786.63
Gross debt to appraised valuation	2.28%	2.62%	2.72%	2.61%
Net direct debt to appraised valuation	0.73%	0.91%	0.99%	0.94%
Net direct debt and overlapping debt to appraised valuation	1.83%	1.87%	2.03%	2.00%
Gross debt to assessed valuation	7.13%	8.34%	8.66%	8.02%
Net direct debt to assessed valuation	2.29%	2.90%	3.14%	2.89%
Net direct and overlapping debt to assessed valuation	5.75%	5.93%	6.47%	6.14%

⁽¹⁾ Gross indebtedness of the primary government less revenue bonds payable by the EPB of Chattanooga.

⁽²⁾ Includes the self-supporting debt of Governmental Activities, and Business-Type Activities other than EPB, including the blended Chattanooga Downtown Redevelopment Corporation

Fiscal Year

2014	2013	2012	2011	2010	2009
173,366	171,279	170,136	167,674	171,349	170,880
\$ 15,754,641,402	\$ 15,498,290,496	\$ 15,239,117,325	\$ 15,187,143,683	\$ 15,307,270,881	\$ 13,294,163,310
4,955,249,059	4,874,524,209	4,820,825,577	4,808,789,510	4,845,694,497	4,167,163,278
422,909,531	403,192,541	407,942,874	408,416,390	436,663,186	445,601,083
257,073,903	257,949,312	252,435,979	270,029,615	287,059,370	302,638,530
5,020,752	2,476,637	652,700	4,954,374	4,870,365	8,925,003
160,814,876	142,766,592	154,854,195	133,432,401	144,733,451	134,037,550
146,010,497	158,657,256	152,555,047	148,698,012	154,968,909	149,048,842
\$ 306,825,373	\$ 301,423,848	\$ 307,409,242	\$ 282,130,413	\$ 299,702,360	\$ 283,086,392
\$ 2,439.40	\$ 2,354.01	\$ 2,397.75	\$ 2,435.78	\$ 2,548.38	\$ 2,607.68
927.60	833.53	910.18	795.78	844.67	784.40
1,769.81	1,759.84	1,806.84	1,682.61	1,749.08	1,656.64
2.68%	2.60%	2.68%	2.69%	2.85%	3.35%
1.02%	0.92%	1.02%	0.88%	0.95%	1.01%
1.95%	1.94%	2.02%	1.86%	1.96%	2.13%
8.53%	8.27%	8.46%	8.49%	9.01%	10.69%
3.25%	2.93%	3.21%	2.77%	2.99%	3.22%
6.19%	6.18%	6.38%	5.87%	6.18%	6.79%

CITY OF CHATTANOOGA, TENNESSEE

**REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	EPB Revenue Bonds					Times Coverage
	Total Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2009	\$ 537,696,000	\$ 489,623,000	\$ 48,073,000	\$ 1,600,000	\$ 2,946,000	10.6
2010	491,501,000	445,493,000	46,008,000	2,670,000	2,853,000	8.3
2011	552,527,000	518,728,000	33,799,000	2,710,000	8,118,000	3.1
2012	562,569,000	498,384,000	64,185,000	2,750,000	13,377,000	4.0
2013	555,051,000	486,769,000	68,282,000	2,965,000	13,256,000	4.2
2014	566,989,000	501,006,000	65,983,000	6,000,000	13,084,756	3.5
2015	567,528,000	500,078,000	67,450,000	7,040,000	12,832,000	3.4
2016	564,280,000	487,101,000	77,179,000	12,371,000	8,075,000	3.8
2017	582,900,000	507,571,000	75,329,000	11,895,000	9,560,000	3.5
2018	583,517,000	501,690,000	81,827,000	11,546,000	9,835,000	3.8

Source: Electric Power Board, Electric Division

Note: This schedule is consistent with EPB's MSRB continuing disclosure for the debt covenants.

Fiscal Year Ended June 30	CDRC Lease Rental Revenue Bonds					Times Coverage
	Total Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service ⁽³⁾		
				Principal	Interest	
2009	11,511,201	8,975	11,502,226	2,910,000	6,460,806	1.2
2010	14,014,621	10,830	14,003,791	3,050,000	6,312,556	1.5
2011	12,413,941	2,915	12,411,026	3,205,000	5,937,867	1.4
2012	13,469,678	6,890	13,462,788	4,060,000	5,527,719	1.4
2013	13,182,618	6,890	13,175,728	4,240,000	5,336,719	1.4
2014	13,153,265	9,065	13,144,200	4,395,000	5,168,194	1.4
2015	13,467,751	6,890	13,460,861	4,520,000	5,033,569	1.4
2016	15,070,640	8,115	15,062,525	4,675,000	4,871,819	1.6
2017	19,501,990	20,038	19,481,952	4,890,000	4,656,569	2.0
2018	20,896,563	146,439	20,750,124	5,125,000	4,407,219	2.2

⁽¹⁾ Total revenues include economic development sales tax, tourist development zone incremental sales tax, conference center net revenue, and interests on the debt service reserve.

⁽²⁾ Operating expenses include bank charges and arbitrage calculation cost.

CITY OF CHATTANOOGA, TENNESSEE

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

<u>Fiscal Year</u>	<u>Personal Income⁽⁴⁾</u>	<u>Population⁽¹⁾</u>	<u>Per Capita Income⁽⁴⁾</u>	<u>Median Age⁽²⁾</u>	<u>Education Level In Years of Formal Schooling⁽²⁾</u>	<u>School Enrollment⁽²⁾</u>	<u>Unemployment Rate⁽³⁾</u>
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%
2013	6,177,348,414	171,279	36,066	40.0	23.0% 4yr. Degree	41,214	8.5%
2014	6,454,069,448	173,366	37,228	39.8	22.9% 4yr. Degree	43,691	7.1%
2015	6,546,300,160	173,366	37,760	39.8	23.0% 4yr. Degree	45,531	6.2%
2016	6,932,844,880	176,588	39,260	39.5	23.0% 4yr. Degree	43,797	5.1%
2017	7,061,998,670	177,571	39,770	40.1	15.3% 4yr. Degree	44,414	4.3%
2018	7,631,500,539	179,139	42,601	39.6	17.9% 4yr. Degree	44,444	4.1%

⁽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

CITY OF CHATTANOOGA, TENNESSEE

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

Employer	2018 (1)			2009 (2)		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
• Erlanger Health System	6,202	1	3.46%	4,563	3	3.05%
• BlueCross BlueShield of Tennessee	6,083	2	3.40%	4,548	2	3.04%
• Hamilton County Department of Education	4,558	3	2.54%	5,816	1	3.88%
Tennessee Valley Authority	3,402	4	1.90%	3,438	4	2.29%
• McKee Foods Corporation	3,000	5	1.67%	3,200	6	2.14%
CHI Memorial	2,869	6	1.60%	3,576	5	2.39%
• Unum	2,800	7	1.56%	2,800	7	1.87%
Volkswagen Chattanooga	2,444	8	1.36%	-		
• City of Chattanooga	2,282	9	1.27%	2,440	8	1.63%
Amazon.com.dedc LLC	1,955	10	1.09%	-		
CIGNA HealthCare	1,350	15	0.75%	1,953	9	1.30%
Pilgrim's Pride Corp.	1,175	17	0.66%	1,850	10	1.23%
Total	<u>38,120</u>		<u>21.28%</u>	<u>34,184</u>		<u>22.82%</u>

Sources: (1) Chattanooga Area Chamber of Commerce Business Information Center;
(2) City of Chattanooga Comprehensive Annual Financial Report for the year ended June 30, 2008

- Locally owned and/or headquartered

CITY OF CHATTANOOGA, TENNESSEE

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

FUNCTION	Full-Time Equivalent Positions as of June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government	219 ⁽⁴⁾	367	368	373	359 ⁽¹⁾	301	300	301	291	279
Public Safety										
Police										
Sworn	500	486	486	486	486	475	475	481	475	472
Civilian	120	119	115	115	103	129	129	123	130	139 ⁽¹⁾
Fire										
Sworn	429	429	429	429	429	429	414	412	400	400
Civilian	24 ⁽⁴⁾	16	16	17	17	17	17	17	17	17
Public Works	404 ⁽⁴⁾	281	284	286	307	337	337	338	409	326
Economic & Community Development	100 ⁽⁴⁾	95	85	86	80	35	35	35	29	36
Youth & Family Development	406	424	423	426	412 ⁽²⁾	-	-	-	-	-
Parks & Recreation	-	-	-	-	- ⁽²⁾	230	230	237	236	230
Education, Arts and Culture	-	-	-	-	- ⁽²⁾	28	27	27	26	27
Social Services	-	-	-	-	- ⁽²⁾	307	305	286	293	249
Transportation	60	60	60	58	47 ⁽³⁾	-	-	-	-	-
Interceptor Sewer System	176	177	161	147	147	143	139	137	136	135
Solid Waste/Sanitation	20	20	20	20	20	19	19	16	16	17
Water Quality	143	152	152	151	141	138	138	137	59	55
EPB	592	597	552	545	547	521	499	453	435	398
Totals	<u>3,193</u>	<u>3,223</u>	<u>3,151</u>	<u>3,139</u>	<u>3,095</u>	<u>3,109</u>	<u>3,064</u>	<u>3,000</u>	<u>2,952</u>	<u>2,780</u>

Source: City Budget office Position Summary.

⁽¹⁾ In FY14, General Services absorbed the Civic Facilities positions from the Education Arts & Culture dissolved department

⁽²⁾ In FY14, the Parks & Recreation and Education, Arts & Culture departments were dissolved and the function absorbed by other departments.

⁽³⁾ In FY14, the Transportation department was established with 47 positions.

⁽⁴⁾ In FY18, the General Services department was merged with Public Works, Fire and Economic & Development departments

CITY OF CHATTANOOGA, TENNESSEE

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

Function	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
311 Service Requests Created	131,225	156,370	137,005	154,546	156,724	135,664	110,247	135,692	114,711	66,443
% of Current Tax Levy Collected	95.6	96.4	95.4	94.8	94.0	94	94	94	94	95
Police										
Crimes Committed ⁽¹⁾	23,882	23,556	21,619	12,622	12,902	12,869	12,037	12,158	14,385	14,577
Moving/Parking Violations ⁽²⁾	24,618	22,534	39,326	47,425	40,727	51,674	102,067	105,470	166,438	105,069
Citizen Complaints	55	42	n/a	20	64	66	44	47	56	47
Fire										
Emergency Calls	18,849	19,429	17,311	16,356	15,926	15,858	16,161	16,363	12,473	12,889
Inspections	4,228	5,093	8,103	5,078	3,263	3,551	4,298	4,750	5,466	7,769
Public Works										
Sidewalks Repaired (sq.ft.)	11,902	174,901	65,050	18,473	66,056	5,938	13,344	12,359	8,186	848
Streets Paved (sq.ft.)	2,124,852	1,467,417	2,024,985	1,384,359	389,500	1,966,402	1,706,200	1,132,286	615,038	790,988
Parks, Recreation, Arts & Culture										
Chattanooga Zoo-Attendance	262,426	252,629	232,123	183,173	152,561	151,699	177,723	210,966	253,115	231,225
Recreation Centers-Attendance	462,314	536,199	791,138	510,599	600,805	833,674	630,178	630,178	550,496	588,927
Social Services										
Children Immunized	-	-	954	918	1,078	946	1,223	888	1,014	869
Households Assisted	4,898	5,542	6,247	8,192	9,636	7,184	10,905	6,334	8,473	6,280
Interceptor Sewer System										
% of Consent Decree Requirements Met	100%	100%	100%	100%	100%	n/a				
% of Capacity, Management, Operations and Maintenance goals met	80%	95%	100%	100%	100%	100%				
# of Full NPDES Compliance Days at the MBWWTP	362	364	352	363	356	337	337	355	346	355
Solid Waste/Sanitation										
NPDES Landfill Violations	-	-	-	-	-	-	4	2	4	4
Violation Notices to Industry	-	-	-	37	-	50	26	48	40	44
Areas of Concern	11	5								
Water Quality										
311 Service Requests Created	2,138	1,238	1,576	1,440	1,650	2,229	1,632	1,727	3,206	1,764
311 Service Requests Unresolved	-	38	126	116	95	55	58	89	388	69

Source: City budget office.

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

⁽²⁾ Parking was transferred to CARTA (Chattanooga Parking Authority) in October 2012.

CITY OF CHATTANOOGA, TENNESSEE

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

Function	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
City Fleet	1489	1737	1737	1739	1734	1,734	1,854	1,769	1,774	1,773
Properties Returned to Tax Rolls	57	80	100	111	57	138	65	47	24	21
Police										
Stations	4	4	4	4	4	4	3	3	3	3
Patrol Units	586	586	586	588	580	551	555	450	450	450
Fire										
Stations	20	20	19	19	19	18	18	18	18	17
Ladder Trucks/Fire Engines/Combos (1)	28	27	27	27	27	27	25	25	25	24
Public Works										
Miles of Paved Streets	1210	1200	1160	1160	1160	1,151	1,151	1,151	1,151	1,159
Signalized Intersections	335	339	336	330	327	332	320	320	321	318
Garbage Trucks	25	26	25	25	25	25	21	21	18	23
Knuckleboom Trucks	27	27	22	22	22	22	19	23	20	20
Interceptor Sewer System										
Miles of Sewer	1263	1263	1263	1263	1263	1254	1254	1254	1254	1,255
Pump Stations	82	82	82	71	71	70	70	70	70	70
Parks, Recreation, Arts & Culture										
Parks	84	82	80	79	74	70	51	51	51	51
Recreation Centers	15	15	15	15	15	17	16	16	16	16

Source: City of Chattanooga

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

CITY OF CHATTANOOGA, TENNESSEE

**EMPLOYMENT AND UNEMPLOYMENT STATS
LAST TEN CALENDAR YEARS**

Calendar Year	MSA Civilian Labor-Force (in 000's)			Civilian Labor Force % Unemployed		
	Total	Employed	Unemployed	MSA	TN	U.S.
2008	265.1	246.6	18.5	5.7	6.4	7.1
2009	252.3	228.5	23.8	9.4	9.8	9.7
2010	260.3	238.6	21.7	8.3	8.3	9.1
2011	262.9	243.8	19.1	7.3	8.1	8.3
2012	264.4	245.5	18.9	7.1	7.8	7.9
2013	262.5	240.7	21.8	8.3	8.5	7.6
2014	246.5	232.0	14.5	5.9	6.1	5.6
2015	254.2	241.1	13.1	5.1	5.3	5.3
2016	261.4	248.5	12.9	4.9	4.9	5.1
2017	277.1	268.1	9.0	3.3	3.1	4.5

Source: Bureau of Labor Statistics (www.bls.gov)

CITY OF CHATTANOOGA, TENNESSEE

OTHER TAXES

LAST TEN FISCAL YEARS

Fiscal Year	Local Option Sales Taxes ⁽¹⁾			Other Tax Receipts					
	County-Wide Sales Tax	County-Wide Designated Sales Tax	Total Local Option Tax	Tourist Development Zone Sales Tax ⁽²⁾		Hotel-Motel Occupancy Tax ⁽³⁾	State		
				State	Local		Sales Tax	Income Tax	
2009	\$ 25,710,248	\$ 10,394,686	\$ 36,104,934	\$ -	\$ -	\$ 3,893,990	\$ 10,254,407	\$ 3,629,181	
2010	25,116,025	10,182,243	35,298,268	1,809,794	549,755	4,058,621	9,904,220	2,578,926	
2011	26,462,886	10,652,849	37,115,735	-	-	4,746,845	10,357,166	2,714,695	
2012	38,054,892	11,365,043	49,419,935	308,833	-	5,001,504	11,313,906	2,651,353	
2013	40,007,670	11,405,092	51,412,762	-	-	4,970,247	11,544,670	4,199,313	
2014	39,781,604	11,340,990	51,122,594	-	-	5,352,640	11,948,621	3,744,628	
2015	42,428,955	12,093,914	54,522,869	-	-	5,916,859	12,624,797	4,137,843	
2016	45,479,387	12,961,844	58,441,231	-	-	6,668,896	13,491,087	3,532,771	
2017	45,012,507	12,827,046	57,839,553	3,294,273	1,049,789	6,984,506	13,901,449	3,268,174	
2018	49,450,575	13,937,255	63,387,830	4,421,397	1,328,139	7,175,882	14,236,066	2,866,453	

⁽¹⁾ Local Option Sales Taxes - In accordance with the 1963 Local Option Revenue Act Title 67, Chapter 6, Part 7 of the Tennessee Code Annotated, as amended, the City and the County have adopted a Local Option Sales Tax. The effective rate is 2.25%; the City earmarks .25 percent of its share for economic development.

⁽²⁾ Tourist Development Zone (TDZ) Sales Tax - This tax is based on the incremental state and local sales taxes generated within TDZ. In some years sales in the TDZ do not exceed the base year revenues as adjusted for growth in the county as a whole.

⁽³⁾ Hotel-Motel Occupancy Tax - The City of Chattanooga and Hamilton County are authorized to levy taxes on the occupancy of hotel and motel rooms by transients. Pursuant to the Private Act of 1980, in February 1981, Hamilton County levied a 3 percent tax and increased it to 4 percent in July 1988. In August 2002 the City also levied such a tax which was phased in over a 30-month period beginning October 1, 2002. The tax, now at 4 percent, is pledged to pay debt service on the 2002 general obligation bonds used to finance a portion of the 21st Century Waterfront Plan to develop 129 acres in the downtown riverfront area, a \$120 million project jointly funded by the public and private sectors.

CITY OF CHATTANOOGA, TENNESSEE

**CAPITAL IMPROVEMENT PROGRAM
FIVE YEARS**

	2018	2019	2020	2021	2022	Total
Department						
Public Works	\$ 107,787,500	\$ 56,315,087	\$ 60,782,400	\$ 69,622,400	\$ 74,037,400	\$ 368,544,787
Police	1,251,217	3,346,225	2,803,600	683,600	300,000	8,384,642
Fire	1,980,000	2,495,000	2,560,000	6,060,000	1,560,000	14,655,000
Economic & Community Development	9,782,000	4,553,000	5,430,000	3,150,000	3,150,000	26,065,000
General Government	5,479,375	4,237,383	3,295,131	403,034	715,094	14,130,017
Transportation	21,528,565	22,681,950	17,363,089	9,708,672	13,421,826	84,704,102
Youth & Family	2,550,000	3,500,000	2,000,000	2,000,000	2,000,000	12,050,000
Total	<u>\$ 150,358,657</u>	<u>\$ 97,128,645</u>	<u>\$ 94,234,220</u>	<u>\$ 91,627,706</u>	<u>\$ 95,184,320</u>	<u>\$ 528,533,548</u>
Bonds						
General Fund	\$ 7,365,647	\$ 12,000,000	\$ -	\$ 12,000,000	\$ 12,000,000	\$ 43,365,647
ISS (SRF Enterprise)	49,000,000	24,000,000	31,500,000	34,000,000	27,000,000	165,500,000
Water Quality (Enterprise)	-	-	-	5,040,000	5,870,000	10,910,000
Total Bonds	<u>56,365,647</u>	<u>36,000,000</u>	<u>31,500,000</u>	<u>51,040,000</u>	<u>44,870,000</u>	<u>219,775,647</u>
Cash/Reserves						
General Fund	13,656,852	13,124,852	1,427,949	7,103,706	5,124,852	40,438,211
Econ. Dev. Fund	10,247,800	2,300,000	2,300,000	2,300,000	2,300,000	19,447,800
Hotel-Motel Fund	6,800,000	-	-	-	-	6,800,000
Fleet Fund	5,000,000	6,000,000	3,000,000	3,000,000	3,000,000	20,000,000
State Street Aid	1,765,148	1,100,000	1,100,000	1,100,000	1,100,000	6,165,148
Solid Waste	1,000,000	500,000	500,000	500,000	500,000	3,000,000
Water Quality	4,625,000	3,552,400	5,832,400	7,442,400	10,282,400	31,734,600
Interceptor Sewer	33,300,000	22,000,000	23,850,000	16,500,000	25,500,000	121,150,000
Total Cash/Reserves	<u>76,394,800</u>	<u>48,577,252</u>	<u>38,010,349</u>	<u>37,946,106</u>	<u>47,807,252</u>	<u>248,735,759</u>
External Sources						
Private Grants/Donations	6,790,000	-	-	-	-	6,790,000
Hamilton County	250,000	-	-	-	-	250,000
State of Tennessee	7,795,718	-	-	-	-	7,795,718
Community Development Block Grant	200,000	200,000	200,000	200,000	200,000	1,000,000
Federal	2,562,492	12,351,393	24,523,871	2,441,600	2,307,068	44,186,424
Total External Sources	<u>17,598,210</u>	<u>12,551,393</u>	<u>24,723,871</u>	<u>2,641,600</u>	<u>2,507,068</u>	<u>60,022,142</u>
Total All Sources	<u>\$ 150,358,657</u>	<u>\$ 97,128,645</u>	<u>\$ 94,234,220</u>	<u>\$ 91,627,706</u>	<u>\$ 95,184,320</u>	<u>\$ 528,533,548</u>



CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2018

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Unearned Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Unearned Grant Revenue
Passed Through Tennessee Department of Human Services:							
2017 CHS Child Care Program	10.558	N/A	(135)	135	-	-	-
2018 CHS Child Care Program	10.558	N/A	-	8,536	8,536	-	-
2017 Child and Adult Food Program	10.558	3-47-56136-00-6 3-47-60076-00-9	(9,669)	9,669	-	-	-
2018 Child and Adult Food Program	10.558	3-47-56136-00-6 3-47-60076-00-9	-	66,868	72,217	-	(5,349)
2017 Child and Adult Food Program	93.600	3-47-55915-00-8	(37,704)	37,704	-	-	-
2018 Child and Adult Food Program	93.600	3-47-55915-00-8	-	313,345	321,996	-	(8,651)
Total Child and Adult Food Program			<u>(47,508)</u>	<u>436,257</u>	<u>402,749</u>	<u>-</u>	<u>(14,000)</u>
Total U. S. Department of Agriculture			<u>(47,508)</u>	<u>436,257</u>	<u>402,749</u>	<u>-</u>	<u>(14,000)</u>
U.S. DEPARTMENT OF COMMERCE							
Economic Development Administration Sewer System Upgrade	11.300	04-79-06577	-	147,884	147,884	-	-
Total U. S. Department of Commerce			<u>-</u>	<u>147,884</u>	<u>147,884</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-47-0001	-	198,474	198,474	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-47-0001	(428,387)	446,098	17,711	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-47-0001	(25,188)	220,544	195,356	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-47-0001	-	682,741	758,165	-	(75,424)
Community Development Block Grants/Entitlement Grants-Program Income	--	Program Income	-	511,097	511,097	-	-
Total Community Development Block Grants/Entitlement Grants			<u>(453,575)</u>	<u>2,058,954</u>	<u>1,680,803</u>	<u>-</u>	<u>(75,424)</u>
THDA ESG Stage	14.231	E-15-MC-47-0003	(8,934)	12,270	3,336	-	-
THDA ESG Stage	14.231	E-16-MC-47-0003	(91,207)	148,904	57,697	-	-
THDA ESG Stage	14.231	E-17-MC-47-0001	-	74,366	118,735	-	(44,370)
Total Emergency Solutions Grant			<u>(100,141)</u>	<u>235,540</u>	<u>179,769</u>	<u>-</u>	<u>(44,370)</u>
HOME Investment Partnerships Program	14.239	M-13-MC-47-0200	305,591	779,171	480,770	-	603,992
HOME Investment Partnerships Program - Program Income	14.239	N/A	-	551,046	471,366	-	79,680
Total HOME Investment Partnerships Program			<u>305,591</u>	<u>1,330,218</u>	<u>952,137</u>	<u>-</u>	<u>683,672</u>
LBPH & Healthy Home (LHRD) Program	14.218	TNLHB0653-17	-	30,011	90,583	-	(60,572)
Total U. S. Department of Housing and Urban Development			<u>(248,125)</u>	<u>3,654,723</u>	<u>2,903,292</u>	<u>-</u>	<u>503,306</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2018

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Unearned Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Unearned Grant Revenue
(continued from previous page)							
U.S. DEPARTMENT OF JUSTICE							
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-1123	(49,537)	65,131	15,595	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-1042	(1,821)	14,528	28,509	-	(15,802)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0917	(38,409)	55,071	16,662	-	-
ELERV Grant Program	16.582	2014-VF-GX-K011	(70,857)	77,273	93,781	-	(87,365)
Body-Worn Cameras	16.835	2016-BC-BX-K067	(297,992)	299,992	2,000	-	-
Hamilton County Family Justice Center-STOP Grant	16.588	26780	(1,868)	20,034	25,215	-	(7,049)
Hamilton County Family Justice Center-Violent Gang & Crime	16.609	2013-GP-BX-0012	(30,031)	113,901	83,870	-	-
Hamilton County Family Justice Center-VOCA	16.575	28887	(5,469)	164,751	197,150	-	(37,868)
Hamilton Count Family Justice Center-OVW	16.528	2017-EW-AX-K003	-	-	56,009	-	(56,009)
Total U. S. Department of Justice			(495,984)	810,682	518,791	-	(204,093)
U.S. DEPARTMENT OF TRANSPORTATION							
Passed Through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	AEOPLPLN160004	(20,532)	-	-	-	(20,532)
Highway Planning and Construction	20.205	N/A	(55,867)	54,317	13,590	-	(15,140)
Total GA Highway Planning and Construction			(76,399)	54,317	13,590	-	(35,672)
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	Z14MPO002	(370,996)	554,108	332,715	-	(149,603)
Governor's Highway Safety Grant	20.607	Z17THS124	(42,737)	64,876	22,139	-	-
Governor's Highway Safety Grant	20.607	Z18THS053	-	40,436	67,745	-	(27,309)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F0-095	(60,721)	60,721	-	-	-
TDOT - Chattanooga Green Trips Program	20.205	33LPLM-F1-208	-	100,696	142,000	-	(41,304)
TDOT - St. Elmo Riverwalk Extension	20.205	STP-M 9202(119)	(36,884)	113,052	113,568	-	(37,400)
TDOT - Chattanooga Regional ITS - Phase 2	20.205	CM-9202(118)	(39,837)	49,064	43,799	138	(34,434)
TDOT - Goodwin Rd-Gunbarrel to Hamilton Place Blvd.	20.205	STP-M 9202(124)	-	120,659	120,659	-	-
TDOT - South Chickamuuga Greenway - Caine Lane	20.205	140196	-	24,706	24,706	-	-
TDOT - SR 58 Bike/Pedestrian Fac Phase 2	20.205	33LPLM-F0-186	-	-	208	-	(208)
TDOT - Shallowford RD - Airport Rd to Jersey Pike	20.205	STP-M-9202(131)	-	19,748	178,861	-	(159,114)
TDOT - Central Ave	20.205	STP-M-9202(110)	-	666,185	709,551	-	(43,366)
Total TN Highway Planning and Construction			(551,174)	1,814,251	1,755,950	138	(492,738)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2018

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Unearned Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Unearned Grant Revenue
(continued from previous page)							
U.S. DEPARTMENT OF TRANSPORTATION (Continued)							
Federal Transit Metropolitan Planning Grant	20.505	Z16-PLAN04-00	(77,603)	77,603	-	-	-
Federal Transit Metropolitan Planning Grant	20.505	GG-17-53596-00	(7,730)	137,648	129,917	-	-
Federal Transit Metropolitan Planning Grant	20.505	GG-17-53598-00	-	9,339	9,339	-	-
TDOT - Federal Highway Administration		PI # 0015462-PLN	-	93,064	144,722	-	(51,658)
Total Federal Transit Administration			<u>(85,333)</u>	<u>317,654</u>	<u>283,978</u>	<u>-</u>	<u>(51,658)</u>
Total U. S. Department of Transportation			<u>(712,906)</u>	<u>2,186,222</u>	<u>2,053,518</u>	<u>138</u>	<u>(580,068)</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed Through Tennessee Libraries and Archives							
State LSTA Technology Grant - FY18	45.310	LS-00-17-0043-17	-	6,000	6,000	-	-
State Metro Gen Library Services Grant - FY18	45.310	30501-00318-01	-	48,700	48,700	-	-
Total Institute of Museum and Library Services			<u>-</u>	<u>54,700</u>	<u>54,700</u>	<u>-</u>	<u>-</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Air Pollution Control Program	66.001	00408415	-	164,843	164,843	-	-
Surveys, Studies, Investigations and Special Purpose Grants	66.034	96497415	-	130,000	130,000	-	-
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95441209	-	200,000	200,000	-	-
Brownfield Assessment and Cleanup	N/A	00D48016	-	-	25,673	-	(25,673)
Total U.S. Environmental Protection Agency			<u>-</u>	<u>494,843</u>	<u>520,516</u>	<u>-</u>	<u>(25,673)</u>
Clean Water State Revolving Loan Program (SRF 2011-289)	66.458	SRF 2011-289	-	946,302	946,302	-	-
Clean Water State Revolving Loan Program (SRF 2012-307)	66.458	SRF 2012-307	-	2,025,312	2,025,312	-	-
Clean Water State Revolving Loan Program (SRF 2013-318)	66.458	SRF 2013-318	-	1,575,410	1,575,410	-	-
Clean Water State Revolving Loan Program (SRF 2016-357)	66.458	SRF 2016-357	-	1,372,445	1,372,445	-	-
Total Revolving Loan Program			<u>-</u>	<u>5,919,468</u>	<u>5,919,468</u>	<u>-</u>	<u>-</u>
Total U. S. Environmental Protection Agency			<u>-</u>	<u>6,414,311</u>	<u>6,439,984</u>	<u>-</u>	<u>(25,673)</u>
Emergency Food and Shelter National Board Program	97.024	768200-001	1,104	-	1,104	-	-
Emergency Food and Shelter National Board Program	97.024	768200-001	-	22,454	20,480	-	1,974
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2015-FH-00483	(191,920)	769,084	812,612	-	(235,448)
Total Federal Emergency Management Agency			<u>(190,816)</u>	<u>791,539</u>	<u>834,196</u>	<u>-</u>	<u>(233,474)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2018

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Unearned Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Unearned Grant Revenue
(continued from previous page)							
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Head Start	93.600	04CH010085-02-02	(463,179)	514,632	51,453	-	-
Head Start	93.600	04CH010085-03-01	-	9,094,607	9,461,290	-	(366,683)
Early Head Start-Child Care Partnership Grant	93.600	04HP0041-02-01	(176,684)	652,941	476,256	-	-
Early Head Start-Child Care Partnership Grant	93.600	04HP0041-03-00	-	1,589,710	1,791,552	-	(201,841)
Total Head Start			<u>(639,863)</u>	<u>11,851,890</u>	<u>11,780,551</u>	<u>-</u>	<u>(568,524)</u>
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance	93.568	LIHEAP-17-05	(343,157)	343,157	-	-	-
Low-Income Home Energy Assistance	93.568	LIHEAP-17-03	-	1,995,989	2,196,100	-	(200,111)
Total Low-Income Home Energy Assistance			<u>(343,157)</u>	<u>2,339,146</u>	<u>2,196,100</u>	<u>-</u>	<u>(200,111)</u>
Community Services Block Grant	93.569	Z 17-49104	(148,638)	148,638	-	-	-
Community Services Block Grant	93.569	Z 18-49104	-	443,469	443,469	-	-
Community Services Block Grant	93.569	A18-49104A	-	75,558	167,794	-	(92,236)
Total Community Services Block Grant			<u>(148,638)</u>	<u>667,665</u>	<u>611,263</u>	<u>-</u>	<u>(92,236)</u>
YFD After School Care Food Program	10.558	03-47-30140-00-8	11,261	-	11,261	-	-
YFD After School Care Food Program	10.558	03-47-30140-00-8	(29,899)	36,008	6,109	-	-
YFD Summer Food Service Program	10.559	35-0014	(96,463)	218,522	122,059	-	-
YFD After School Care Food Program	10.558	03-47-30140-00-8	-	325,508	317,586	-	7,921
YFD Summer Food Service Program	10.559	35-0014	-	9,991	109,972	-	(99,981)
Total YFD Food Service Program			<u>(115,101)</u>	<u>590,028</u>	<u>566,987</u>	<u>-</u>	<u>(92,060)</u>
Total U. S. Department of Health and Human Services			<u>(1,246,759)</u>	<u>15,448,729</u>	<u>15,154,901</u>	<u>-</u>	<u>(952,931)</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES							
Foster Grandparents Program	94.011	16SFSTN001-0	(59,031)	59,031	-	-	-
Foster Grandparents Program	94.011	16SFSTN001-0	-	373,099	407,860	-	(34,761)
Total Corporation for National and Community Services			<u>(59,031)</u>	<u>432,131</u>	<u>407,860</u>	<u>-</u>	<u>(34,761)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2018

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Unearned Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Other Adjustments</u>	<u>Ending (Accrued) Unearned Grant Revenue</u>
(continued from previous page)							
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			<u>(3,001,129)</u>	<u>30,377,178</u>	<u>28,917,875</u>	<u>138</u>	<u>(1,541,694)</u>
STATE AWARDS							
Tennessee Commission on Aging & Disability							
Southeast Tennessee Development District	N/A	42185	(2,470)	2,470	-	-	-
AAAD Grant Eastgate Senior Center	N/A	00072	-	27,264	33,399	-	(6,135)
Total Tennessee Commission on Aging & Disability			<u>(2,470)</u>	<u>29,734</u>	<u>33,399</u>	<u>-</u>	<u>(6,135)</u>
Tennessee Department of Environment & Conservation							
Household Hazardous Waste	N/A	49147	(63,093)	63,093	-	-	-
Household Hazardous Waste	N/A	49147	-	68,711	95,674	-	(26,963)
Education and Out Reach	N/A	32701-03443	-	-	22,658	-	(22,658)
Clean Water State Revolving Loan Program (SRF 2011-289)	66.458	SRF 2011-289	-	1,190,496	1,190,496	-	-
Clean Water State Revolving Loan Program (SRF 2012-307)	66.458	SRF 2012-307	-	1,819,260	1,819,260	-	-
Clean Water State Revolving Loan Program (SRF 2013-318)	66.458	SRF 2013-318	-	14,580,380	14,580,380	-	-
Clean Water State Revolving Loan Program (SRF 2016-357)	66.458	SRF 2016-357	-	1,334,310	1,334,310	-	-
Total Tennessee Department of Environment & Conservation			<u>(63,093)</u>	<u>19,115,719</u>	<u>19,042,778</u>	<u>-</u>	<u>(61,891)</u>
Tennessee Department of Finance & Administration							
THDA Entitlement - CNE Project							
		Program Income	585,637	39,385	52,271	-	572,751
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT			<u>520,074</u>	<u>19,125,370</u>	<u>19,128,449</u>	<u>-</u>	<u>516,995</u>
TOTAL EXPENDITURE OF FEDERAL AND STATE AWARDS - PRIMARY GOVERNMENT			<u>(2,481,055)</u>	<u>49,502,548</u>	<u>48,046,324</u>	<u>138</u>	<u>(1,024,699)</u>

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

June 30, 2018

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 the Uniform Guidance. 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 HOME Investment Partnerships Program (CFDA 14.239) include program income of \$551,046.

Note 3. 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>
Home Investment Partnership Program	14.239	\$ 715,000



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

**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, in accordance with the 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, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2018. Our report includes a reference to other auditors who audited the financial statements of EPB, Chattanooga Metropolitan Airport Authority, and Chattanooga Area Regional Transit Authority, as described in our report on the City of Chattanooga's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Chattanooga, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee
December 19, 2018

Henderson Hutcherson
& McCullough, PLLC



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Chattanooga, Tennessee's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City of Chattanooga, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. The City's basic financial statements include the operations of EPB, Chattanooga Metropolitan Airport Authority, and Chattanooga Area Regional Transit Authority which expended federal awards which are not included in the accompanying schedule of expenditures of federal awards during the year ended June 30, 2018. Our compliance audit, described below, did not include the operations of these entities because the entities engage other auditors to perform audits in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on each of the City of Chattanooga's major federal programs based on our audit of the types of compliance requirements referred to above.

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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Compliance for Each Major Federal Program

In our opinion, the City of Chattanooga, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the City of Chattanooga, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. 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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Chattanooga, Tennessee
December 19, 2018

*Henderson Hutcherson
& McCullough, PLLC*

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

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: Unmodified

Any audit findings disclosed under the Uniform Guidance? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.600	U.S. Department of Health and Human Services Head Start & Early Head Start
14.239	U.S. Department of Housing and Urban Development Home Investment Partnership
93.569	U.S. Department of Health and Human Services Community Services Block Grant

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

Dollar threshold used to distinguish between Type A
and Type B programs:

\$ 867,536

Auditee qualified as low-risk auditee?

 x yes

 no

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2017

None reported



City of Chattanooga

Department of Finance and Administration

City Hall

101 East 11th Street

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