

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

CITY OF CHATTANOOGA CAFR2019

SAFER STREETS | GROWING ECONOMY | STRONGER NEIGHBORHOODS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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 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, 2019

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 27, 2019

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

I am pleased to present the City of Chattanooga's annual financial report for the year ending June 30, 2019. Chattanooga is a city of creators, and the city government works every day to build a brighter, better future for everyone in our community. Over the past year, this has been achieved through investing in our infrastructure, improving the quality of life in our neighborhoods, and enhancing greater economic mobility for our families. Responsibly managing our assets and strategic use of taxpayer dollars makes this critical work possible.

While Chattanooga has seen strong private sector growth, record unemployment, and rising wages, the cost of living is rising as well. This widens the inequality between Chattanoogaans and makes economic stability harder to achieve for many communities. Last year, we launched the Chattanooga Dream, an initiative to find solutions that will increase economic mobility for everyone and help get more Chattanoogaans to the middle class. We also increased funding for our homeless services to ensure that everyone in our city has a roof over their heads and a foundation under their feet.

We're continuing to build smarter students and stronger families by providing high-quality curriculum for early childhood educators. This will give them the tools to help our families succeed from day one.

Creating safer streets not only includes investing in our police and fire but also enhancing the infrastructure that we all use. This year we've committed to record funding of our roadways to ensure smooth and safe passage around our city.

Lastly, we know that our neighborhoods are strongest when the members of the community feel a sense of pride for their home. That's why we've created initiatives to strengthen our communities and their history. The first is the Neighborhood Reinvestment Fund, which provides funding for small yet impactful projects in neighborhoods. We launched our city's first affordable housing fund and allocated more dollars than ever to support locally-owned small businesses that need a boost.

In everything we do, we try to break down barriers and 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 cursive that reads "Andy Berke".

Mayor Andy Berke
City of Chattanooga

City Council



Chip Henderson
Vice-Chair
District 1



Jerry Mitchell
District 2



Ken Smith
District 3



Darrin Ledford
District 4



Russell J. Gilbert, Sr.
District 5



Carol Berz
District 6



Erskine Oglesby, Jr.
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 27, 2019

**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, 2019 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 unmodified (“clean”) opinion on the City of Chattanooga’s financial statements for the year ended June 30, 2019. The independent auditor’s report is presented as the first item in the financial section of this report.

The independent audit of the City’s financial statements was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the

independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements. Special emphasis is placed on internal controls and legal requirements involving the administration of federal awards. These reports are in a separate Single Audit section.

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



Daisy W. Madison,
City Finance Officer



GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND MAJOR INITIATIVES

PROFILE OF THE GOVERNMENT

Nestled in a bend of the Tennessee River and surrounded by mountains and lakes, Chattanooga is so beautiful that 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 0.8% in 2018, with a current estimate of 180,557. 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 the 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.

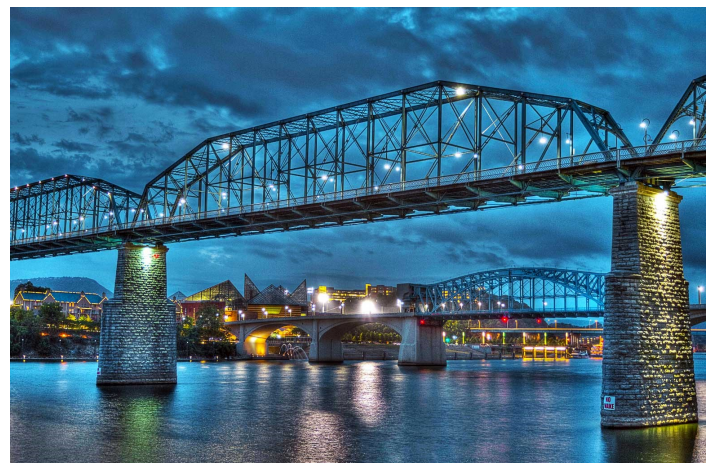
The Local Economy:

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% for the Chattanooga Metropoli-

tan Statistical Area is comparable to the state and national averages of 3.4% and 3.5% as of September, 2019, 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. Reconstruction of the intersection of Interstates 75 and 24 has just begun. This \$133 million project should be completed in 2022. The Thrive Regional Partnership, comprised of 16 area counties, has partnered with the Federal Highway Administration to develop a long-range transportation plan for the Chattanooga region, ensuring continued transportation needs are met. 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 ten major cities. During 2018, enplanements totaled 504,298, up 4.08% over 2017, indicating a robust increase in business and leisure travel. Enplanements in 2019 could approach 550,000. The Airport Authority will start construction on a \$25 million parking deck in the spring of 2020. 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 33rd 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. Reconstruction of the retail space formerly anchored by Sears is well underway. Construction has also begun on a new 135-room hotel on mall property. The mall's owners, with over 40 years in the shopping



center industry, remain confident there will always be a strong physical retail presence parallel with internet sales growth. The retail area just north of the mall, 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. A Central Business Improvement Districts (CBID) has just been established to promote continued revitalization of the area. Additional fees will pay for an enhanced level of programs and services not currently provided by city government. Within the CBID, Chattanooga has just begun a \$4.9 million project to reshape the historic Patten Parkway block. Also within the district, private redevelopment has been announced for the Lupton Building and the Chattanooga Bank Building. These, along with other projects, continue the revitalization of the city's core. The "West Village" area continues to attract downtown activities anchored by the luxury 260 room hotel and the revitalized historic Read House.

An extension of M. L. King Blvd. west to the Tennessee River is essentially complete. A portion of the funding was provided by a \$4 million Tax Increment Financing plan and includes a medical office building and new apartments. Adjacent to the area is the former Alstom plant site, purchased in 2018 by a private development group. This 112-acre parcel along the river is envisioned to attract \$2 billion of investment to add manufacturing, office, and residential uses, and is being touted as Chattanooga's "Next Great Neighborhood". It has already landed a commitment from two companies to create 220 jobs in manufacturing and real estate services.

The Southside continues to attract additional interest. The past few months have brought announced plans for a new hotel, townhomes, and condominiums. The Main Street Corridor, which is a primary artery within the Southside, has seen the announcement of a \$40 million redevelopment project at the former Rock-Tenn facility which will be anchored by the Austin Hatcher Foundation. Additionally, the former Dixie Mer-

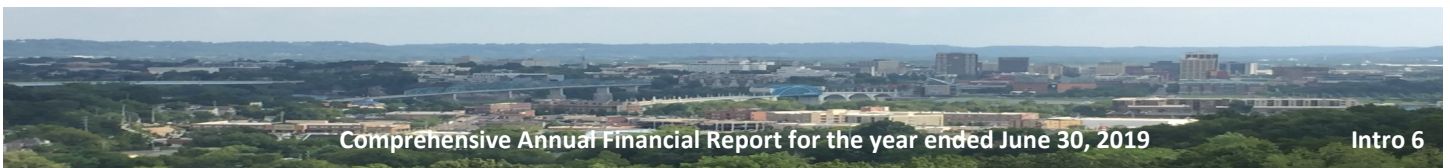
Southside.

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 piggybacked 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. A recent study by 2 major universities states areas with high-speed connectivity have a 0.26% lower unemployment rate. An estimated 4,000 jobs have been created or retained in the Chattanooga area as a result.

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 3,000 acre industrial site has essentially been filled or committed for additional potential expansion of the VW plant. The plant has achieved production of over 100,000 units per year. A new SUV, designed and built specifically for the U.S. market, began production in December 2016, with sales beginning in May 2017. An additional 350 employees are being hired to produce a new 5-seat SUV model to complement the current 7-seat version, investing an additional \$340 million. Total production is expected to reach 185,000 for the 3 vehicles currently in production. Additionally, the company just announced another \$800 million expansion to the plant which will encompass part of their option on 900 additional acres adjacent to their 1,300 acre facility for the production of an electric vehicle, expected to go on sale in 2022. The largest remaining undeveloped tract within the industrial park is being developed by the City and County as a 250-acre automotive supplier park. ATN Hoelzel LP, a supplier to VW, will move its manufacturing facility closer to the VW factory and also relocate its North American headquarters to Chattanooga. This \$6 million move will add an estimated 100 jobs over the next five years. Another significant announcement in the automotive manufacturing arena is the upcoming investment by Nippon Paint, a Japanese company, to build a 270,000 square foot factory on 30 acres of the former Harriet Tubman housing project location in the East Chattanooga area. This will be a \$61



cerizing Company facility will be redeveloped to apartments and commercial space. This \$17 million planned revitalization lies just east of that area traditionally referred to as part of the



million investment and will bring 150 jobs to supply the Toyota/Mazda plant being constructed in Huntsville, AL. Gestamp, a world leader in hot-stamp technology and a Tier 1 supplier for VW, BMW, and Mercedes-Benz, announced plans for a \$48 million expansion last March to supply another out-of-town automotive manufacturer. This will add 150 jobs upon completion.

Chattanooga remains a leader in the state for business startups. 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. Startup Week (October 19-25), hosted in the Innovation District by The Company Lab (Co.Lab.), offered over 100 events to highlight entrepreneurship development within Chattanooga’s business culture. The city hosted the third annual Alexa Conference last January. 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 ranked Chattanooga as the most affordable place to start a company in its 2018 edition, and recently cited “relatively cheap office space, wages, and legal and accounting rates” and the country’s least expensive gigabit-per-second internet service.

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 results in parenthesis):

<u>Goal to increase</u>	<u>4 Year Target</u>	<u>Actual (4 years)</u>
Regional Employment	15,121	10,304
Private Investment	\$500 M	\$1.3 B
Payroll	\$439 M	\$547.5 M

The Chamber has now launched a new five-year economic development strategy called “Chattanooga Climbs” with a goal of attracting another \$1 billion in new investments to the area and raising the average annual income to \$55,000. Part of the focus will be on an education initiative in high schools to help build a workforce, which will be ready to participate in the labor market driven by a need for a higher level of skills than required in the past.

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 on 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, estimated to have brought over \$1 billion to the local economy in 2018. Downtown remains a popular tourist destination, anchored by the Tennessee River and the Tennessee Aquarium, which just celebrated its 27th anniversary. Hotel tax receipts within the city are up over 42% over five years ago. Among national events which took place over the past year were Ironman competitions with over 2200 participants at the Fall 2019 event, the 7 Bridges Marathon, and the fifteenth Head of the Hooch rowing competition, attracting continued national attention. Additionally, a Gran Fondo Hincapie cycling event was held in 2019 and is scheduled to return in 2020. The Tennessee Riverwalk and Riverpark system, which first opened a 2-mile section in 1989, now 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. Current plans call for the Riverwalk to be connected late next year with the 12 mile Chickamauga Creek Greenway. 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 October 2019. Fitch Ratings affirmed their bond rating for the City at AA+ Stable in September 2019. 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: 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.

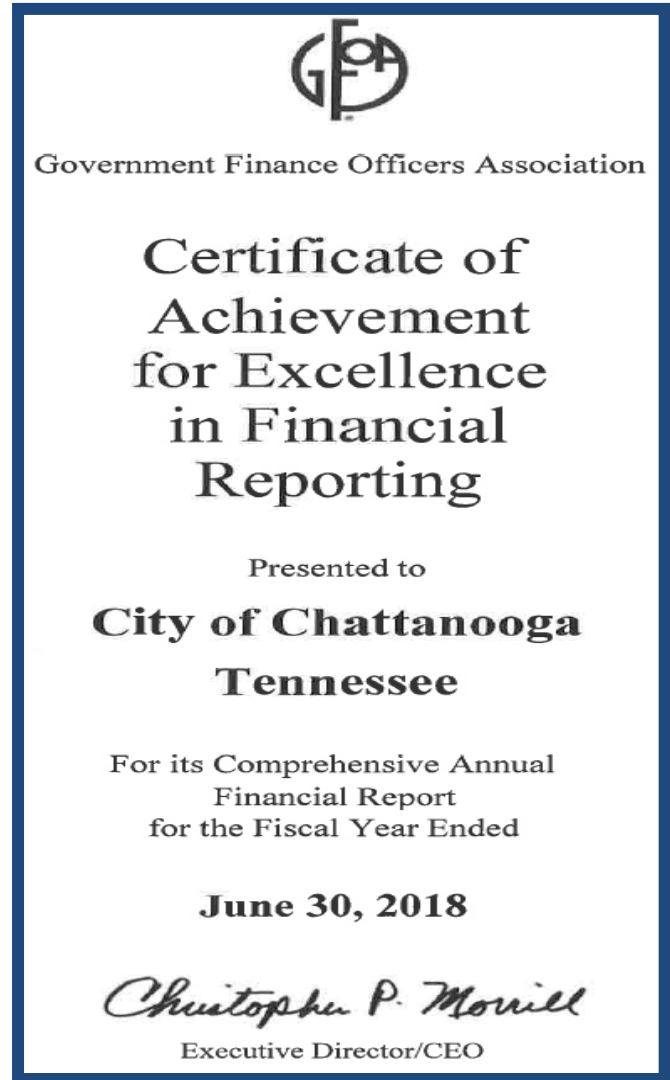
Awards and Acknowledgments

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, 2018. This was the twenty-seventh 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-five 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, 2018. This is the eighth consecutive year for which the City received 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, 2019



Organization Chart

EXECUTIVE BRANCH:

Andy Berke, Mayor

Stacy Richardson, Chief of Staff

Kerry Hayes, Deputy Chief of Staff

Maura Sullivan, Chief Operating Officer

Anthony Sammons, Deputy Chief Operating Officer

CITY COUNCIL:

Erskine Oglesby, Jr, Chair.....District 7

Chip Henderson, Vice Chair.....District 1

Russel J. Gilbert, Sr.....District 5

Jerry Mitchell.....District 2

Carol Berz.....District 6

Ken Smith.....District 3

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

Tanikia S. Jackson.....Deputy Administrator

Fire..... Chief Phil Hyman.....Administrator

Economic and Donna Williams.....Administrator

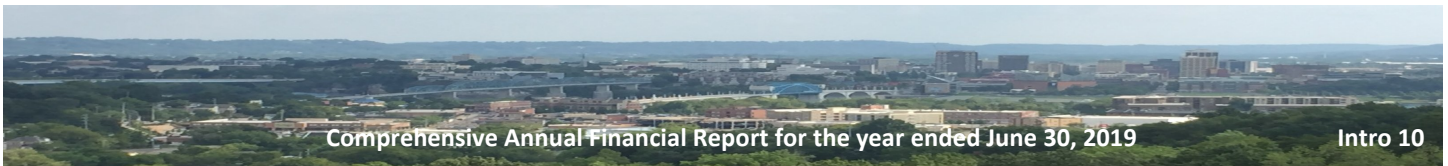
Community Development

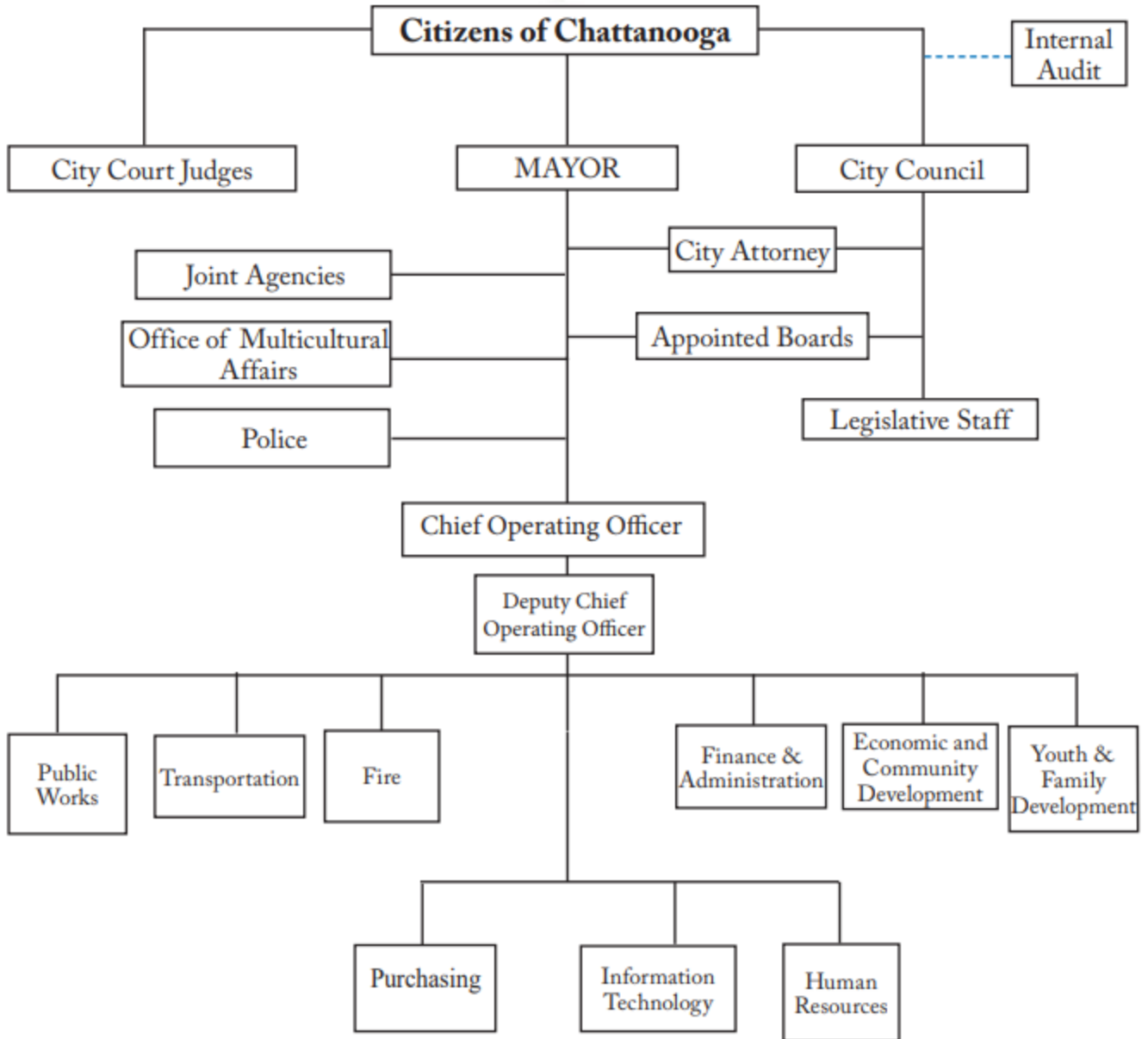
Police..... Chief David Roddy.....Administrator

Public Works..... Justin Holland.....Administrator

Youth and Family Development..... Lurone Jennings.....Administrator

Transportation..... Blythe Bailey.....Administrator









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, 2019, 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 53 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, 2019, 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-17 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 27, 2019, 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 27, 2019

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, 2019. 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 \$2.2 billion (net position), an increase of \$143.3 million or 7.0 percent, at the close of the fiscal year. Of this amount, there is a \$45.7 million deficit unrestricted net position. The deficit in unrestricted net position decreased by \$51.7 million; governmental activities increased \$12.2 million while business-type activities increased \$39.5 million.
- Net position of governmental activities was \$1.2 billion, an increase of \$56.6 million, or 4.8 percent. Business-type activities reported ending net position of \$964.9 million, an increase of \$86.8 million, or 9.9 percent due to favorable operations trend in all business-type activities.
- Long-term liabilities for the City's primary government decreased \$23.3 million or 2.0 percent, during the current fiscal year. Governmental activities long-term liabilities increased \$14.2 million. This primarily consists of an increase in pensions of \$20.7 million, an increase in Other Post-Employment Benefits (OPEB) liabilities of \$19.0 million; this was offset by a \$25.8 million decrease in bonded debt and debt premiums. Business-type activities decreased \$37.4 million. This primarily consists of decreases in bonded debt and debt premiums of \$60.7 million, a decrease in OPEB liabilities of \$9.0 million; this was offset by an increase in notes issued of \$33.5 million.
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$78.2 million, a decrease of \$2.3 million or 2.9 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 \$13.9 million. Unassigned fund balance represents 26.7 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.

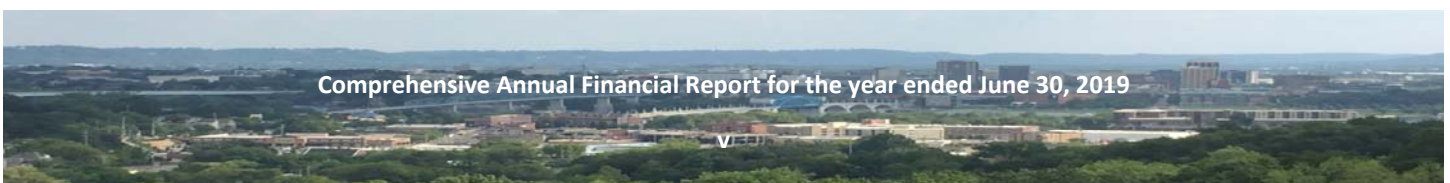
Business-type Activities - These activities are supported by user fees and charges for service which are intended to recover all of their costs. Included are electric, sewer, water quality systems, solid waste disposal, as well as a communications system. Also included is The Chattanooga Downtown Redevelopment 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. 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.

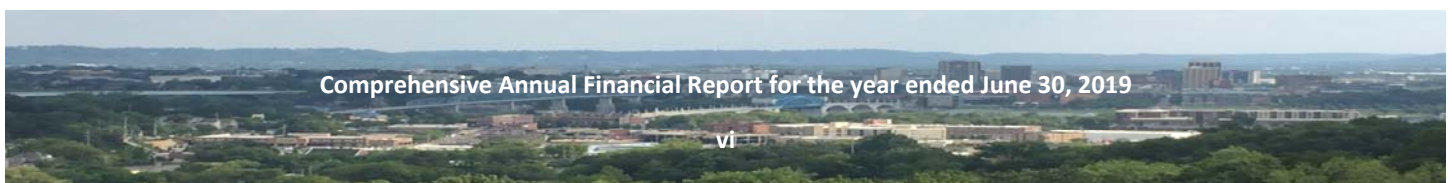
The City maintains a general fund, multiple special revenue funds, a debt service fund, a capital projects fund and one permanent fund as governmental funds. Information is presented separately in the governmental statements for the General Fund and the Capital Projects Fund since both are considered major funds. Data for the other funds are 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 pension 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 \$2.2 billion at the close of the most recent fiscal year, an increase of \$143.3 million, or 7.01 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.

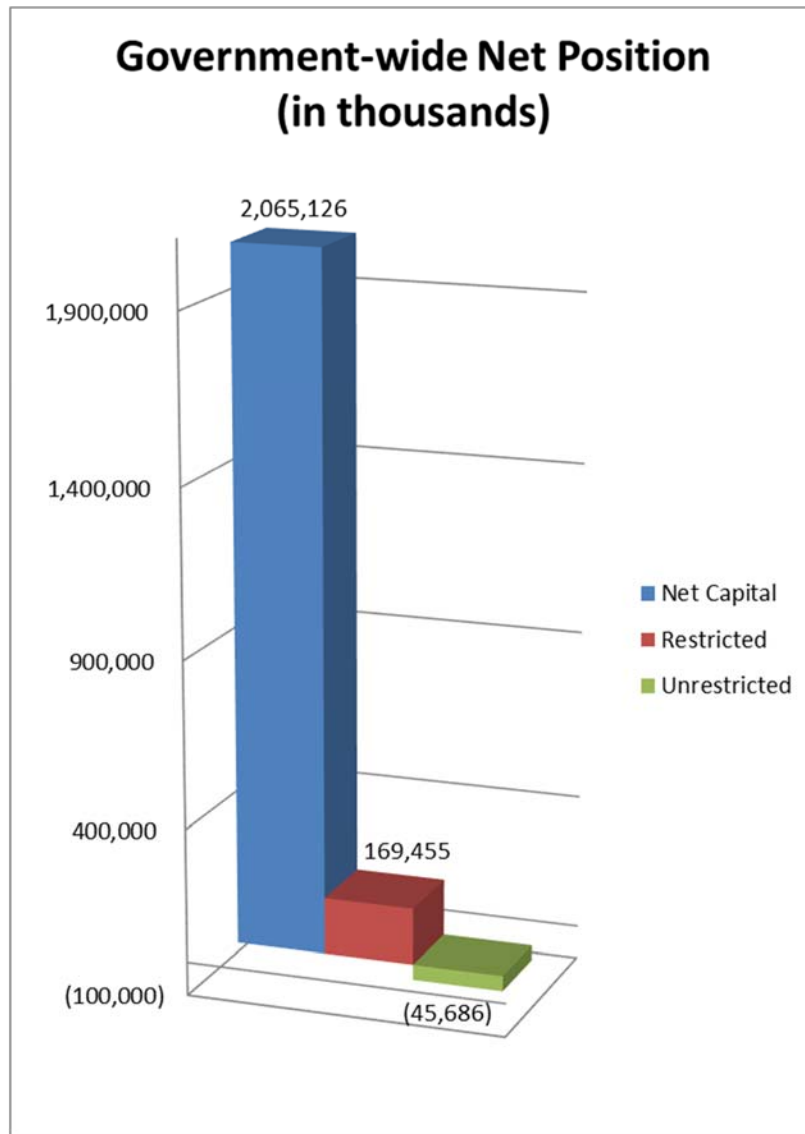
City of Chattanooga's Net Position

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 389,563	\$ 355,288	\$ 516,368	\$ 508,640	\$ 905,931	\$ 863,928
Capital assets	1,490,674	1,474,617	1,164,885	1,133,732	2,655,559	2,608,349
Total assets	<u>1,880,237</u>	<u>1,829,905</u>	<u>1,681,253</u>	<u>1,642,372</u>	<u>3,561,490</u>	<u>3,472,277</u>
Total deferred outflows of resources	110,101	115,090	23,386	38,593	133,487	153,683
Long-term liabilities outstanding	590,264	576,109	541,242	578,656	1,131,506	1,154,765
Other liabilities	29,720	29,991	198,526	217,386	228,246	247,377
Total liabilities	<u>619,984</u>	<u>606,100</u>	<u>739,768</u>	<u>796,042</u>	<u>1,359,752</u>	<u>1,402,142</u>
Total deferred inflows of resources	146,330	171,440	-	6,808	146,330	178,248
Net position:						
Net investment in capital assets	1,324,097	1,285,941	741,029	720,686	2,065,126	2,006,627
Restricted	71,557	65,361	97,898	70,985	169,455	136,346
Unrestricted	<u>(171,631)</u>	<u>(183,847)</u>	<u>125,944</u>	<u>86,444</u>	<u>(45,686)</u>	<u>(97,403)</u>
Total net position	<u>\$ 1,224,023</u>	<u>\$ 1,167,455</u>	<u>\$ 964,871</u>	<u>\$ 878,115</u>	<u>\$ 2,188,895</u>	<u>\$ 2,045,570</u>

By far the largest portion of the City’s net position, \$2.2 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, \$169.5 million, represents resources that are subject to external restrictions on how they may be used. There is a \$45.7 million deficit in unrestricted net position due to recording of unfunded OPEB liabilities of \$133.4 million and unfunded pension liabilities of \$279.4 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)

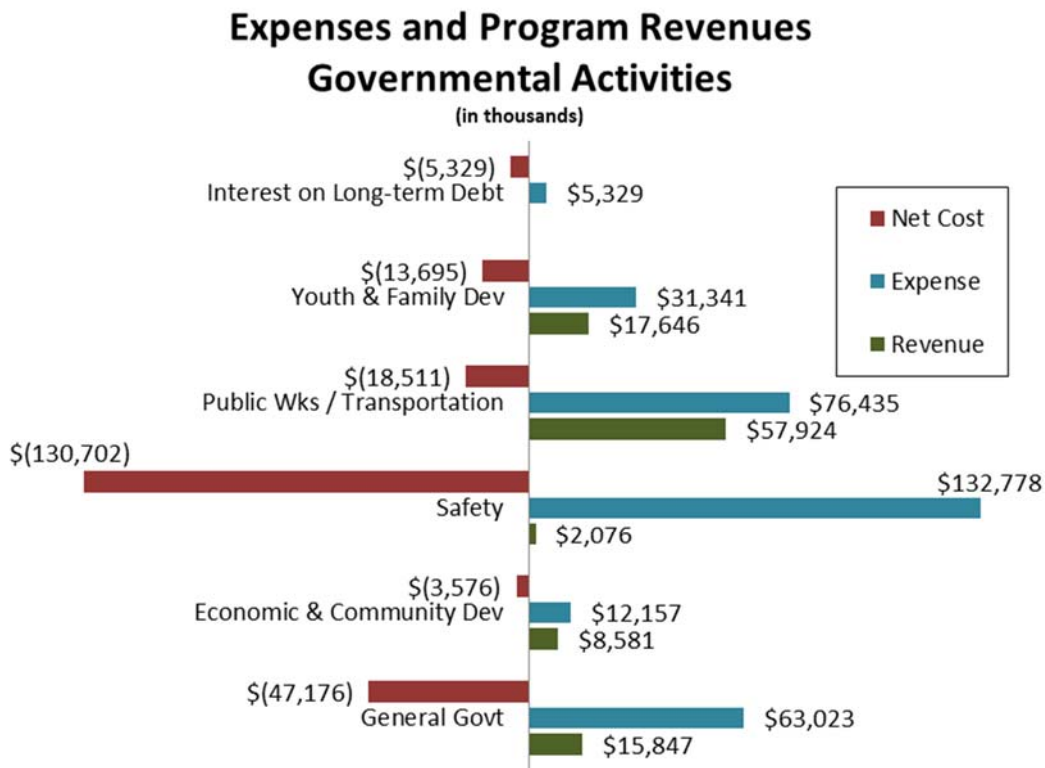
	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 22,531	\$ 20,206	\$ 901,876	\$ 860,299	\$ 924,407	\$ 880,505
Operating grants	32,629	36,569	-	-	32,629	36,569
Capital grants	46,911	14,902	1,751	2,178	48,662	17,080
General revenues:						
Property taxes	149,034	146,284	-	-	149,034	146,284
Other taxes	26,926	26,769	-	-	26,926	26,769
Investment income	3,824	3,080	5,326	3,058	9,150	6,138
Miscellaneous	723	1,118	-	-	723	1,118
Unrestricted grants and contributions	95,072	91,052	-	-	95,072	91,052
Total revenues	<u>377,650</u>	<u>339,980</u>	<u>908,953</u>	<u>865,535</u>	<u>1,286,603</u>	<u>1,205,515</u>
Expenses						
Governmental activities:						
General government	63,023	65,122	-	-	63,023	65,122
Economic and community development	12,157	10,036	-	-	12,157	10,036
Public safety	132,778	119,562	-	-	132,778	119,562
Public works and transportation	76,435	75,170	-	-	76,435	75,170
Youth and family development	31,341	28,892	-	-	31,341	28,892
Interest on long-term debt	5,329	6,029	-	-	5,329	6,029
Business-type activities:						
Electric utility	-	-	708,305	689,008	708,305	689,008
Sewer	-	-	59,352	55,484	59,352	55,484
Solid waste	-	-	2,638	3,431	2,638	3,431
Water quality	-	-	12,114	15,371	12,114	15,371
Regional communications	-	-	2,602	2,617	2,602	2,617
Downtown redevelopment	-	-	37,205	16,140	37,205	16,140
Total expenses	<u>321,063</u>	<u>304,811</u>	<u>822,216</u>	<u>782,051</u>	<u>1,143,279</u>	<u>1,086,862</u>
Excess (deficiency) before transfers	56,587	35,169	86,737	83,484	143,324	118,653
Transfers	(19)	(10,048)	19	10,048	-	-
Increase (decrease) in net position	56,568	25,121	86,756	93,532	143,324	118,653
Net position, beginning	1,167,455	1,142,334	878,115	781,523	2,045,570	1,923,857
Change in accounting principal - EPB	-	-	-	3,060	-	3,060
Net position, restated	-	-	-	784,583	-	1,926,917
Net position, ending	<u>\$ 1,224,023</u>	<u>\$ 1,167,455</u>	<u>\$ 964,871</u>	<u>\$ 878,115</u>	<u>\$ 2,188,895</u>	<u>\$ 2,045,570</u>

Governmental Activities

During the current fiscal year, net position of the City’s governmental activities increased \$56.6 million from the prior year for an ending balance of \$1.2 billion. Overall revenue increased \$48.3 million or 14.7 percent. The combination of sales tax, both local option and tourist development zone, increased \$3.7 million or 5.3 percent. Property tax increased by \$2.8 million or 1.9 percent. Streets completed by developers and donated to the City increased by \$34.2 million or 286.3 percent. Transfers out were reduced by \$10.0 million due to a one time transfer in FY18 from our Capital Projects Fund for the creation of a new enterprise fund to account for our Radio Telecommunication System. These were offset by a decrease in private donations for infrastructure of \$4.1 million due to a one time donation for the renovation of Miller Park in FY18.

Expenses for the current year increased \$16.9 million or 5.6 percent. The increase primarily consists of an increase in public safety of \$13.2 million, or 11.1 percent due to an increase in pension and OPEB costs of \$2.0 million and \$7.1 million respectively and an increase in salaries and benefits of \$3.1 million. The remaining increase was a combination of an increase in Public Works and Transportation of \$1.3 million, or 1.3 percent and an increase in Youth and Family Development of \$2.4 million or 8.5 percent.

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.



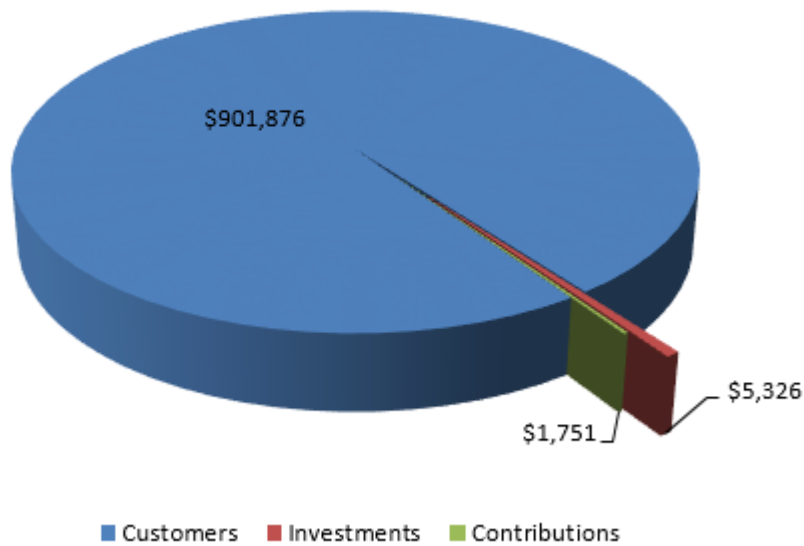
Business-type Activities

During the current year, net position of the business-type activities increased \$86.8 million or 9.9 percent, to \$964.9 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 \$909.0 million for the year just completed; this is a \$43.4 million or 5.0 percent increase. Expenses increased \$40.2 million or 5.1 percent resulting in total expense of \$822.2 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	\$ 708,305	\$ 59,352	\$ 2,638	\$ 12,114	\$ 2,602	\$ 37,205	\$ 822,216
Revenues	745,186	94,329	6,261	24,047	2,533	36,616	908,972
Change in net position	\$ 36,881	\$ 34,977	\$ 3,623	\$ 11,933	\$ (69)	\$ (589)	\$ 86,756

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

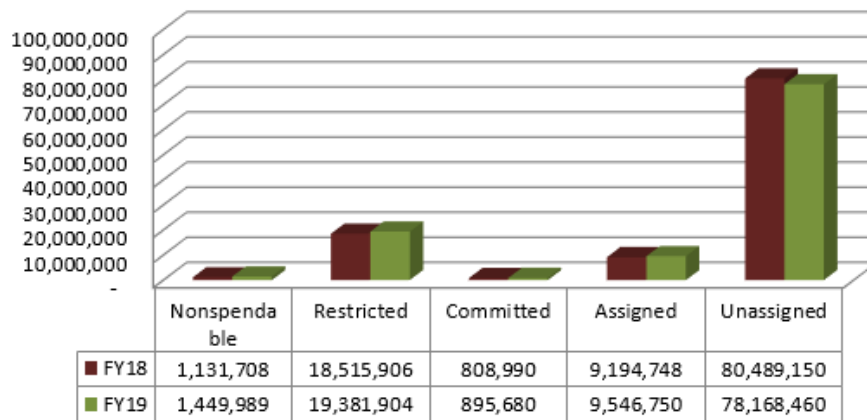
Governmental funds focus on the near-term flow of resources and balance of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's resources available for discretionary use since 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 \$201.2 million at the end of the fiscal year. Of this amount, 38.8 percent or \$78.2 million is available for spending at the City's discretion (unassigned fund balance). Total fund balance is made up of the following:

- \$6.7 million is in non-spendable form such as inventories and notes receivable.
- \$97.6 million is restricted for particular purposes due to restrictions placed by grants, bond covenants, other governments or by City ordinance.
- \$9.2 million is committed for specific purposes based on City resolutions.
- \$9.5 million is assigned for particular purposes such as under control of boards or designated purpose by management.
- \$78.2 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 decreased by 0.6 percent or \$0.7 million to \$109.4 million during the fiscal year. Unassigned fund balance decreased \$2.3 million or 2.9 percent to \$78.2 million. During fiscal year 2019 there was a \$11.5 million planned use of fund balance for pay-as-you-go capital and economic development incentives.

**General Fund
Fund Balance**



As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Unassigned fund balance represents approximately 26.7 percent of total General Fund expenditures and transfers out, while total fund balance represents 37.3 percent.

Revenues - Total revenues increased \$10.3 million or 3.6 percent, from the prior year, due to an increase of revenue in every major category. All major revenue sources are discussed as follows.

- Tax revenue is \$1.9 million or 1.1 percent higher than in the prior year. Property tax revenue increased by \$1.2 million or 0.9 percent, from the prior year. Revenue from Payment in Lieu of Taxes (PILOT) increased \$863,000 or 7.9 percent. These increases were offset by a decrease in other taxes, such as Corporate Intangible Property Tax and Franchise Taxes, of \$357,000 or 1.8 percent.
- Licenses and permits revenues increased \$833,000 or 13.2 percent. Building related permits revenue increased \$302,000 or 15.4 percent. Other fees, including examiners fees, plan checking fees and street cut-in permits increased \$461,000.
- Intergovernmental revenues increased \$4.2 million or 4.4 percent over the prior year. This is primarily from an increase in local option sales tax of \$2.8 million. TDZ incremental sales tax increased by \$1.4 million, both locally and at the state level. State shared sales tax is up \$600,000 or 4.2 percent. Local funding for the Riverfront and other areas was up \$502,000 or 40.6 percent. Overall increases in sales tax is an indicator of the health of the local economy. These increases were offset by a decrease in state income tax of \$964,000 or 33.6 percent and federal funding of \$755,000 or 54.7 percent, which is largely due to the expiring grant award for the Staffing for Adequate Fire and Emergency Response (SAFER) program. The state income tax is being phased out in 2021.
- Charges for services increased \$327,000 or 8.3 percent. The main reasons for the increase was an increase in property rental revenue of \$90,000 and golf course sales of \$188,000, which was a result of favorable playing conditions year round.
- Fines, forfeitures and penalties saw a minimal increase of \$8,000 from the prior year. Increases in city court fines and automated traffic of \$50,000 were offset by decreases in parking tickets, criminal court fines and air pollution penalties of \$42,000.
- Investment income increased \$806,000 or 30.2 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 increased \$673,000 or 198.5 percent. This was due to an increase of private donations in FY19 versus FY18, primarily for Public Art.
- Sale of property increased \$364,000 or 83.1 percent. This was largely due to an increase in the sale of surplus city equipment.
- All other revenues saw an increase of \$1.2 million or 20.0 percent largely due to an increase of \$1.0 million or 18.2 percent in indirect costs recouped mostly from Enterprise Funds.

Expenditures - Total expenditures increased \$9.5 million or 4.1 percent, from the previous year. Major changes during fiscal year 2019 are discussed below.

- Employee Compensation increased by \$5.8 million or 4.1 percent. Salaries for full-time employees increased \$2.3 million or 2.7 percent. Civilian personnel earning less than \$50,000 received a lump sum increase of \$1,250 while all other civilians received a 2.5 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 \$700,000 or 9.8 percent and the Fire and Police Pension contribution increase was \$1.3 million or 6.8 percent. Another major increase was healthcare costs which increased \$1.3 million or 9.1 percent.
- Operations costs increased by \$3.7 million or 4.2 percent. The largest increases include an increase of appropriations to internal agencies for \$3.6 million or 20.2 percent and an increase for Information Technology (IT) of \$1.2 million or 61.6%. These were offset by a decrease of \$1.2 million or 60.0 percent for the liability fund premium.

Transfers - Total transfers out increased \$10.1 million primarily due to an increase in general fund dollars for capital in the amount of \$8.2 million and a \$2.4 million increase for debt service. These were offset by a decrease in transfers out of \$350,000 for other funds.

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 \$66.0 million in fund balance, an increase of \$6.0 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 \$34.4 million, including \$24.3 million from General Fund, \$6.8 million from Hotel Motel Tax, and \$1.8 million from State Street Aid; and \$2.2 million of revenue primarily from intergovernmental and private donations.

Current year expenditures of \$24.7 million include \$9.3 million for street, sidewalk, bridge and tunnel projects, \$1.4 million for IT upgrades, \$5.2 million for ball fields, parks and family centers, \$4.1 million for neighborhood and park improvements, \$1.1 million for a new fire apparatus, \$1.0 million for building and equipment improvements for public safety and a \$1.1 million maintenance upgrade to the public library.

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 \$1.0 billion. Net investment in capital assets is \$755.4 million, with an additional \$97.9 million restricted for future use, leaving \$157.8 million available to meet on-going obligations.

Enterprise Funds - Total net position of the enterprise funds is \$964.9 million, an increase of \$86.8 million or 9.9 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 \$36.9 million or 8.9 percent to \$453.2 million, mainly due to an increase in utility plant of \$15.2 million and increases in cash and investments of \$13.7 million, offset by decreases of \$12.0 million in bonds outstanding. Operating revenues are up \$12.0 million or 1.6 percent, mainly due to an increase of \$8.2 million in fiber optic sales due to the continued success of the residential service offerings. Combined operating expenses, which includes tax equivalents and depreciation, increased \$18.6 million or 2.8 percent.
- **Interceptor Sewer System** – Net position of the Interceptor Sewer System increased \$35.0 million or 9.7 percent, to \$396.9 million. Operating revenues rose \$8.4 million or 10.1 percent while operating expenses increased by \$3.3 million or 6.1 percent. Unrestricted net position (available to finance on-going operations) increased \$19.9 million or 41.7 percent to \$67.6 million. An additional \$72.9 million is restricted for future capital spending, which is an increase of \$21.8 million. Capital net position decreased \$6.7 million or 2.5 percent.
- **Solid Waste** – The City of Chattanooga operates a municipal solid waste landfill. The fund has a net position of \$13.0 million. To date the City has accrued liabilities of \$4.3 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 \$85.5 million in net position, an increase of \$11.9 million or 16.2 percent from last year. Net investment in capital is \$53.6 million, leaving the amount available to fund day-to-day operations (unrestricted net position) at \$27.9 million. An additional \$4.0 million is restricted for future capital spending.
- **Tennessee Valley Regional Communications System** – The Tennessee Valley Regional Communications System was established in fiscal year 2016 to account for a regional communication system that services a multi-county/multi-state region. The fund has a net position of \$11.1 million, which is a slight decrease from last year.
- **Chattanooga Downtown Redevelopment Corporation** – The Chattanooga Downtown Redevelopment Corporation (CDRC) accounts for lease rental revenue bonds for the construction of the Chattanooga Hotel, the Development Resource Center, Convention Center expansion, and a parking garage. In October 2018, the CDRC opted to sell the Chattanooga Hotel to a private developer for \$27 million. CDRC has a net position of \$5.1 million, a decrease of \$600K 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. The fund has a net position of \$46.2 million, which is a slight increase from last year.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget

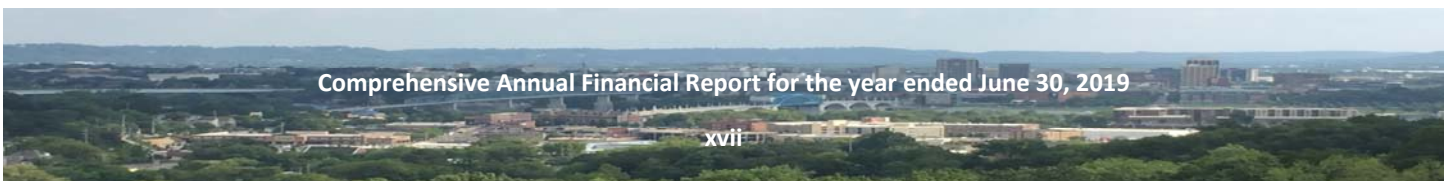
The City's budget ordinance provides the strategic financial plan of City government, encompassing all major funds and appropriations to agencies. The budget ordinance authorizes the City Finance Officer to make reallocations within the General Fund as necessary.

Final Budget Compared to Actual Results

Revenues exceeded budget for the year by \$6.95 million or 2.44 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 \$2.54 million or 1.49 percent. This was mainly due to Property taxes, inclusive of payments in lieu of tax, being lower than budget by \$2.31 million or 1.54 percent.
- Licenses and permits are \$526,000 or 7.94 percent below budget primarily from building related and street cut-in permits.
- Intergovernmental revenue is \$7.18 million or 7.77 percent more than budget, primarily due to sales tax, including the tourism development zone. Local option sales tax is \$1.07 million or 1.61 percent over budget while state shared sales tax exceeds budget by \$5.58 million or 27.42 percent.
- Charges for services are \$482,000 below budget or 10.15 percent primarily from an increase in the Public Works Technology Program's budget for FY19 to appropriate for past revenues not budgeted.
- Fines and forfeitures are \$69,000 above estimates. This is primarily due to higher than expected court fines.
- Miscellaneous revenue is \$2.2 million or 21.48 percent above budget primarily due to investment income exceeding budget by \$978,000. Departmental billings exceeded budget by \$660,000 and sale of property was \$181,000 over budget.

Expenditures were less than budget by \$13.89 million or 5.46 percent. All departments were under budget. Employee compensation is \$9.61 million or 6.09 percent below budget due to vacancies. Operations are also under budget by \$4.28 million or 4.44 percent.



Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the City had a \$2.7 billion net investment in capital assets, an increase of \$47.2 million or 1.8 percent. This investment includes land, buildings, utility system improvements, machinery and equipment, park facilities and infrastructure. Net investment in capital assets for governmental funds increased \$16.1 million or 1.1 percent while business-type net investment in capital assets increased by \$31.2 million or 2.7 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	
	2019	2018	2019	2018	2019	2018
Non-depreciable:						
Land & Easements	\$ 1,106,865	\$ 1,079,177	\$ 21,992	\$ 21,990	\$1,128,857	\$ 1,101,167
Construction in progress	66,707	50,857	160,240	130,336	\$ 226,947	\$ 181,193
Depreciable:						
Buildings & Improvements	81,720	101,475	99,161	102,006	\$ 180,882	\$ 203,481
Vehicles & Machinery	30,198	31,397	140,210	134,786	\$ 170,408	\$ 166,183
Infrastructure	205,184	211,710	743,282	744,614	\$ 948,466	\$ 956,324
Total	\$ 1,490,674	\$ 1,474,616	\$ 1,164,886	1,133,732	\$2,655,560	\$ 2,608,348

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

- Construction-in-progress (CIP) additions for governmental activities include \$9.8 million for paving/sidewalks/road improvements, \$2.0 million for the Miller Park renovations, \$3.7 million for a new Youth and Family Development Center in Avondale, \$1.3 million for technology, and \$1.1 million for a new fire apparatus. 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 Note 13 to the financial statements.
- The infrastructure decrease of \$6.5 million in governmental activities is primarily due to the \$16.2 million of CIP infrastructure that was capitalized, offset by depreciation of \$22.7 million of roads. Business-type activities infrastructure assets decreased by \$1.3 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 \$22.7 million while business-type activities recognized depreciation expense of \$20.7 million.

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



Debt Administration

At June 30, the City had \$634.5 million in long-term debt outstanding. This is a \$43.8 million decrease or 6.5 percent, from last year. This is mostly due to the City not issuing any new general obligation debt during fiscal year 2019. 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 \$133.8 million; this is 2.23 percent of the assessed value of \$5,992,784,141 million. As of year-end, EPB had \$246.5 million in revenue bond debt outstanding compared to \$256.7 million last year; these bonds are rated “AA+” by Standard & Poor’s and Fitch. CDRC had \$60.4 million in revenue bonds outstanding compared to \$90.9 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	
	2019	2018	2019	2018	2019	2018
General obligation bonds (backed by the City)	\$ 147,234	\$ 166,408	\$ 17,411	\$ 21,427	\$ 164,645	\$ 187,835
Revenue bonds (backed by specific revenues)	-	-	306,890	347,590	306,890	347,590
Notes payable and other	11,097	14,775	147,761	122,573	158,858	137,348
Capital leases	4,101	5,487	-	-	4,101	5,487
Total	\$ 162,432	\$ 186,670	\$ 472,062	\$ 491,590	\$ 634,494	\$ 678,260

During the year the City issued the following new debt:

- The City issued \$87.8 million in revenue bonds to refund \$85.6 million in revenue bonds for CDRC.
- The Interceptor Sewer System drew down \$33.5 million from a state revolving loan fund for EPA consent decree projects.
- A total of \$76.1 million in debt was retired during the fiscal year; \$62.8 million in bond principal payments were made with an additional \$13.3 million in note and lease repayments.
- The City also defeased \$3.3 million of Economic Recovery Zone bonds due to the cancellation of one of the funded projects.

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

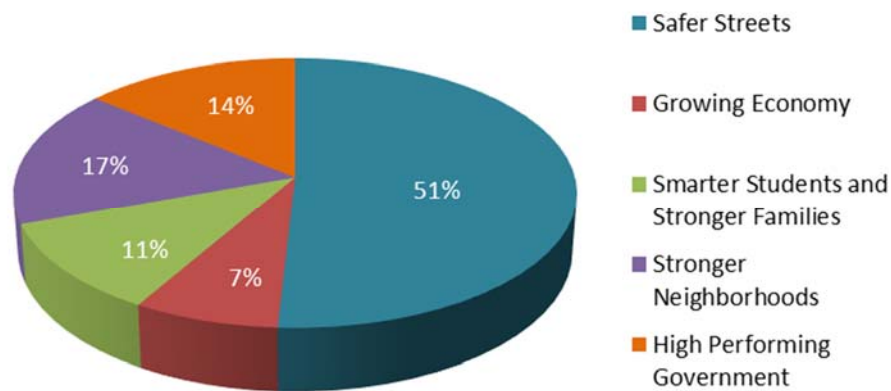
The following factors were taken into account when adopting the budget for 2020:

- Anticipated revenues in the General Fund are \$288.1 million, up \$5.4 million or 1.9 percent from the 2019 budget. The fiscal year 2020 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 intergovernmental revenue (revenue from other agencies) of \$2.8 million or 3.0 percent and miscellaneous revenue and interest income of \$2.1 million or 23.0 percent.
- Expenditures of \$210.1 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 \$5.7 million or 2.7 percent less in 2020. This is largely due to a decrease in reserves for capital use of \$5.5 million.
- The City of Chattanooga employs a method called *Budgeting for Outcomes* for undesignated general funds (\$266,194,540). 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 2020 budget funds 26 offers totaling \$135,423,596 (51 percent) of the budget to build a safer Chattanooga. This provides funding for successful crime prevention strategies including support for our Gun Crime teams and state-of-the-art Real-Time Intelligence Center. Also included is funding for ongoing re-entry support for ex-offenders, domestic violence survivor services at the Family Justice Center, the Chattanooga Police Department's Explorer program, as well as fire and police services.
 - Growing Economy - 27 offers for a total of \$19,985,940 (7 percent) were funded for building a more prosperous Chattanooga. These offers include improving economic mobility in Chattanooga to increase the likelihood that our young people will be able to earn more than their parents, supporting 1,000 new jobs at Volkswagen, and developing a stronger local workforce through numerous citywide partnerships. Also included is funding to support the growth of locally-owned small businesses through programs like our Growing Small Business grants, Small Business Corridor grants, Innovation District grants, and Kiva loans, and continued neighborhood development, including more sidewalks to enhance pedestrian safety and comfort.
 - Smarter Students, Stronger Families - \$29,478,884 (11 percent) of the budget provides funding for 47 offers that build a smarter, healthier Chattanooga. These dollars will focus on continuing "Seats For Success," our landmark initiative to make more high-quality early learning seats available to more kids who need them, our successful Baby University program to help make vulnerable children and parents in our city healthier, safer, and more financially secure, and enhancing the curriculum used by all of the early learning providers. Included in funding are new partnerships between our local schools and the Chattanooga Police Department, the expansion of our popular Public

Works Summer Jobs initiative, and strengthening our public library branches so that they can continue to be leading learning partners throughout our city.

- Stronger Neighborhoods - Received \$44,125,642 (17 percent) to fund 27 offers to build a more connected Chattanooga. Funding will focus on street improvements and repairs, curbside recycling for all Chattanooga residents, and the completion of key segments of our citywide greenway system. We will continue our work to protect neighborhood stability through our Affordable Housing Fund and implement critical parts of our plan to eliminate homelessness in Chattanooga.
- High Performing Government - Building a more effective Chattanooga means operating a high-performing, constituent-focused local government. The 23 offers totaling \$37,180,478 (14 percent) ensure the long-term financial health of the City and funds all essential services. These offers include continuing the high level of critical citywide services with no tax increase, creating a framework for a cooperative and comprehensive regional resiliency plan, and state-of-the-art financial planning tools to ensure our dollars and investments are protected. Also included is funding for environmentally conscious purchases and building management strategies that promote sustainability while saving taxpayer dollars and updating the pavement condition index (PCI) of our streets and roads to prioritize repairs where they are needed the most.

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, 2019

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 80,289,461	\$ 196,127,465	\$ 276,416,926	\$ 23,959,849
Investments	141,729,843	96,461,852	238,191,695	-
Receivables, net of allowance for uncollectible	189,517,854	99,158,590	288,676,444	4,582,510
Internal balances	(49,923,081)	49,923,081	-	-
Inventories	3,308,331	16,548,581	19,856,912	1,077,518
Prepaid items	4,000	8,335,000	8,339,000	1,688,843
Restricted assets:				
Cash and cash equivalents	9,700,017	7,542,494	17,242,511	5,565,767
Investments	2,254,224	41,716,042	43,970,266	-
Endowment investments	5,289,761	-	5,289,761	-
Receivables	13,713	-	13,713	449,511
Other	-	554,540	554,540	-
Equity interest in joint venture	7,378,857	-	7,378,857	-
Land and other nondepreciable assets	1,173,571,666	182,232,373	1,355,804,039	16,291,746
Other capital assets, net of accumulated depreciation	317,102,220	982,653,349	1,299,755,569	125,966,050
Total assets	1,880,236,866	1,681,253,367	3,561,490,233	179,581,794
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	2,921,561	9,774,585	12,696,146	-
Deferred pension	84,403,664	10,357,578	94,761,242	4,246,966
Deferred OPEB	22,775,582	3,253,934	26,029,516	381,073
Total deferred outflows of resources	110,100,807	23,386,097	133,486,904	4,628,039
LIABILITIES				
Accounts payable and accrued liabilities	28,569,668	165,416,662	193,986,330	4,626,916
Customer deposits	-	21,657,000	21,657,000	-
Contracts payable	536,262	1,669,814	2,206,076	-
Unearned grants revenue	614,814	6,116,000	6,730,814	-
Other liabilities	-	3,667,000	3,667,000	-
Long-term liabilities:				
Due within one year	19,456,676	27,865,536	47,322,212	505,697
Due in more than one year	570,806,650	513,376,129	1,084,182,779	23,172,060
Total liabilities	619,984,070	739,768,141	1,359,752,211	28,304,673
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	146,330,251	-	146,330,251	546,142
Deferred pension	-	-	-	33,302
Deferred OPEB	-	-	-	6,411
Total deferred inflows of resources	146,330,251	-	146,330,251	585,855
NET POSITION				
Net investment in capital assets	1,324,097,124	741,029,373	2,065,126,497	136,427,566
Restricted for:				
Capital projects	66,005,290	-	66,005,290	-
Debt service reserve	-	9,681,722	9,681,722	6,015,278
Renewal and replacement	-	88,216,135	88,216,135	-
Permanent endowments:				
Expendable	261,760	-	261,760	-
Nonexpendable	5,289,761	-	5,289,761	-
Unrestricted	(171,630,583)	125,944,093	(45,686,490)	12,876,461
Total net position	\$ 1,224,023,352	\$ 964,871,323	\$ 2,188,894,675	\$ 155,319,305

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

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 63,023,449	\$ 13,255,088	\$ 2,302,733	\$ 288,624
Economic and community development	12,156,617	5,673,454	2,904,570	-
Public safety	132,778,507	708,997	1,367,426	-
Public works and transportation	76,435,104	2,427,357	8,875,254	46,622,042
Youth and family development	31,340,713	466,502	17,179,420	-
Interest on long-term debt	5,328,912	-	-	-
Total governmental activities	<u>321,063,302</u>	<u>22,531,398</u>	<u>32,629,403</u>	<u>46,910,666</u>
Business-type activities:				
Electric utility, including fiber optics	708,305,000	741,762,000	-	1,751,000
Sewer	59,351,594	91,924,327	-	-
Solid waste	2,638,142	5,950,273	-	-
Water quality management	12,113,690	23,478,180	-	-
Regional Communications	2,602,144	2,533,273	-	-
Downtown redevelopment	37,205,161	36,227,818	-	-
Total business-type activities	<u>822,215,731</u>	<u>901,875,871</u>	<u>-</u>	<u>1,751,000</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,143,279,033</u>	<u>\$ 924,407,269</u>	<u>\$ 32,629,403</u>	<u>\$ 48,661,666</u>
COMPONENT UNITS				
Airport authority	\$ 23,907,243	\$ 24,475,716	\$ -	\$ 7,804,967
Transportation authority	27,358,134	17,710,541	640,859	7,150,500
TOTAL COMPONENT UNITS	<u>\$ 51,265,377</u>	<u>\$ 42,186,257</u>	<u>\$ 640,859</u>	<u>\$ 14,955,467</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	
			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
\$ (47,177,004)	\$ -	\$ (47,177,004)	\$ -
(3,578,593)	-	(3,578,593)	-
(130,702,084)	-	(130,702,084)	-
(18,510,451)	-	(18,510,451)	-
(13,694,791)	-	(13,694,791)	-
(5,328,912)	-	(5,328,912)	-
<u>(218,991,835)</u>	<u>-</u>	<u>(218,991,835)</u>	<u>-</u>
-	35,208,000	35,208,000	-
-	32,572,733	32,572,733	-
-	3,312,131	3,312,131	-
-	11,364,490	11,364,490	-
-	(68,871)	(68,871)	-
-	(977,343)	(977,343)	-
<u>-</u>	<u>81,411,140</u>	<u>81,411,140</u>	<u>-</u>
<u>(218,991,835)</u>	<u>81,411,140</u>	<u>(137,580,695)</u>	<u>-</u>
-	-	-	8,373,440
-	-	-	(1,856,234)
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,517,206</u>
149,034,245	-	149,034,245	-
8,270,282	-	8,270,282	-
7,604,794	-	7,604,794	-
6,032,093	-	6,032,093	-
4,656,152	-	4,656,152	-
362,712	-	362,712	-
66,174,830	-	66,174,830	-
14,867,140	-	14,867,140	-
1,652,862	-	1,652,862	-
7,188,926	-	7,188,926	-
5,187,236	-	5,187,236	-
3,824,381	5,326,319	9,150,700	381,675
-	-	-	3,303,457
723,448	-	723,448	-
(19,030)	19,030	-	-
<u>275,560,071</u>	<u>5,345,349</u>	<u>280,905,420</u>	<u>3,685,132</u>
56,568,236	86,756,489	143,324,725	10,202,338
1,167,455,116	878,114,834	2,045,569,950	145,116,967
<u>\$ 1,224,023,352</u>	<u>\$ 964,871,323</u>	<u>\$ 2,188,894,675</u>	<u>\$ 155,319,305</u>

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

CITY OF CHATTANOOGA, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2019

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 13,585,859	\$ 29,785,551	\$ 21,001,829	\$ 64,373,239
Investments	108,345,550	24,772,578	6,247,458	139,365,586
Receivables, net of allowance for uncollectibles:				
Property taxes	139,311,048	-	-	139,311,048
Other taxes	13,245,213	-	1,362,496	14,607,709
Notes	496,438	-	8,569,842	9,066,280
Other	1,283,640	520,391	46,474	1,850,505
Due from other funds	753,000	13,656,851	-	14,409,851
Due from other governments	19,498,419	559,612	3,573,177	23,631,208
Inventories	949,551	-	-	949,551
Prepaid items	4,000	-	-	4,000
	<u>\$ 297,472,718</u>	<u>\$ 69,294,983</u>	<u>\$ 40,801,276</u>	<u>\$ 407,568,977</u>
LIABILITIES				
Accounts payable and accrued liabilities:				
Accounts payable	\$ 6,339,432	\$ 2,778,738	\$ 1,821,542	\$ 10,939,712
Accrued payroll	8,037,170	-	846,324	8,883,494
Due to other funds	13,656,852	-	753,000	14,409,852
Due to other governments	241,260	-	268	241,528
Contracts payable	25,310	510,955	-	536,265
Unearned grants revenue	7,921	-	606,892	614,813
	<u>28,307,945</u>	<u>3,289,693</u>	<u>4,028,026</u>	<u>35,625,664</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	148,862,314	-	-	148,862,314
Unavailable revenue - other local taxes	2,396,792	-	651,614	3,048,406
Unavailable revenue - shared tax revenue	7,765,238	-	537,717	8,302,955
Unavailable revenue - CDBG loans	-	-	9,791,047	9,791,047
Unavailable revenue - other	697,646	-	-	697,646
	<u>159,721,990</u>	<u>-</u>	<u>10,980,378</u>	<u>170,702,368</u>
FUND BALANCES				
Nonspendable	1,449,989	-	5,289,761	6,739,750
Restricted	19,381,904	66,005,290	12,216,427	97,603,621
Committed	895,680	-	8,286,684	9,182,364
Assigned	9,546,750	-	-	9,546,750
Unassigned	78,168,460	-	-	78,168,460
	<u>109,442,783</u>	<u>66,005,290</u>	<u>25,792,872</u>	<u>201,240,945</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 297,472,718</u>	<u>\$ 69,294,983</u>	<u>\$ 40,801,276</u>	<u>\$ 407,568,977</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, 2019

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

Fund balances - total governmental funds \$ 201,240,945

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. 1,476,323,495

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. 24,372,118

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. 7,378,857

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 46,209,859

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	\$ 103,406,145	
Deferred OPEB	<u>26,008,958</u>	129,415,103

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. (125,301,912)

The City's pollution remediation obligation is considered a long term obligation (85,814)

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

General pension	\$ (50,008,483)	
Fire and police pension	<u>(214,713,659)</u>	(264,722,142)

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	\$ (147,233,811)	
Add net deferred refunding, issue premiums and discounts	(10,206,360)	
Notes payable	(11,097,170)	
Capital leases	(4,101,248)	
Capital lease payable to CDRC - reported as internal balance	(49,923,081)	
Compensated absences	(24,180,869)	
Accrued interest payable	<u>(1,828,762)</u>	(248,571,301)

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

Deferred pension	\$ (19,002,481)	
Deferred OPEB	<u>(3,233,375)</u>	(22,235,856)

Net position of governmental activities \$ 1,224,023,352

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2019

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 167,665,260	\$ -	\$ 7,588,058	\$ 175,253,318
Licenses and permits	7,154,821	(250)	762,351	7,916,922
Intergovernmental	99,581,980	1,216,094	25,801,982	126,600,056
Charges for services	4,267,972	-	(247,010)	4,020,962
Fines, forfeitures and penalties	1,330,294	-	34,538	1,364,832
Investment income	3,478,341	288,713	423,970	4,191,024
Contributions and donations	1,012,597	826,657	12,120	1,851,374
Sale of property	801,442	(77,800)	-	723,642
Miscellaneous	7,158,004	(15,940)	1,827,756	8,969,820
Total revenues	292,450,711	2,237,474	36,203,765	330,891,950
EXPENDITURES				
Current:				
General government	53,577,330	-	5,251,981	58,829,311
Finance and administration	5,922,457	-	-	5,922,457
Economic and community development	8,350,323	-	1,742,046	10,092,369
Public safety	116,422,825	-	152,828	116,575,653
Public works and transportation	44,451,430	-	3,925,355	48,376,785
Youth and family development	11,713,391	-	17,894,464	29,607,855
Capital outlay/capital assets	-	27,412,439	-	27,412,439
Debt service:				
Principal retirement	-	-	20,982,893	20,982,893
Interest and fiscal charges	-	-	6,793,170	6,793,170
Total expenditures	240,437,756	27,412,439	56,742,737	324,592,932
Excess (deficiency) of revenues over (under) expenditures	52,012,955	(25,174,965)	(20,538,972)	6,299,018
OTHER FINANCING SOURCES (USES)				
Transfers in	12,454	34,426,287	32,581,985	67,020,726
Transfers out	(52,723,128)	(31,484)	(14,285,145)	(67,039,757)
Payments to refunded bonds escrow agent	-	(3,255,000)	-	(3,255,000)
Total other financing sources (uses)	(52,710,674)	31,139,803	18,296,840	(3,274,031)
Net change in fund balances	(697,719)	5,964,838	(2,242,132)	3,024,987
FUND BALANCES, beginning	110,140,502	60,040,452	28,035,004	198,215,958
FUND BALANCES, ending	\$ 109,442,783	\$ 66,005,290	\$ 25,792,872	\$ 201,240,945

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, 2019

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 \$ 3,024,987

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. 18,479,388

Depreciation expense for governmental capital assets are included in the governmental activities. (31,769,275)

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. 46,152,908

The net effect of various transactions involving capital assets is to decrease net positions. (15,578,553)

The loss 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. (242,742)

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	\$ 20,982,892	
Payment of capital lease	3,083,371	
Reduction in capital lease	25,305,820	
Escrow payment	3,255,000	
Amortization	1,207,020	
Change in accrued interest payable	234,595	54,068,698

Net gain of the internal service fund are reported with governmental activities. 296,324

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	(235,127)	
Change in pension expense	(9,627,822)	
Change in pollution remediation liability	21,618	
Change in OPEB liability	(8,627,879)	(18,469,210)

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	605,711	605,711
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Change in net position of governmental activities \$ 56,568,236

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 170,202,878	\$ 170,202,878	\$ 167,665,260	\$ (2,537,618)
Licenses and permits	6,628,728	6,628,728	7,154,821	526,093
Intergovernmental	92,404,505	92,404,505	99,581,980	7,177,475
Charges for services	4,749,863	4,749,863	4,267,972	(481,891)
Fines, forfeitures and penalties	1,260,898	1,260,898	1,330,294	69,396
Investment income	2,500,000	2,500,000	3,478,341	978,341
Miscellaneous	7,745,937	7,748,937	8,972,043	1,223,106
Total revenues	285,492,809	285,495,809	292,450,711	6,954,902
EXPENDITURES				
General government	56,945,839	56,945,839	49,245,847	(7,699,992)
Executive	2,153,802	2,153,802	2,108,093	(45,709)
Finance and administration	6,731,567	6,731,567	5,922,457	(809,110)
Human resources	2,444,703	2,444,703	2,223,390	(221,313)
Economic and community development	8,429,453	8,429,453	8,350,323	(79,130)
Police	73,356,362	73,356,362	70,815,159	(2,541,203)
Fire	46,535,382	46,538,382	45,607,665	(930,717)
Public works	36,348,742	36,348,742	35,684,564	(664,178)
Transportation	9,259,269	9,259,269	8,766,866	(492,403)
Youth and family development	12,120,823	12,120,823	11,713,392	(407,431)
Total expenditures	254,325,942	254,328,942	240,437,756	(13,891,186)
Excess of revenues over expenditures	31,166,867	31,166,867	52,012,955	20,846,088
OTHER FINANCING SOURCES (USES)				
Transfers in	12,454	(80,408)	12,454	92,862
Transfers out	(51,626,732)	(51,533,870)	(52,723,128)	(1,189,258)
Total other financing sources (uses)	(51,614,278)	(51,614,278)	(52,710,674)	(1,096,396)
Net change in fund balances	(20,447,411)	(20,447,411)	(697,719)	19,749,692
FUND BALANCES, beginning	110,140,502	110,140,502	110,140,502	-
FUND BALANCES, ending	\$ 89,693,091	\$ 89,693,091	\$ 109,442,783	\$ 19,749,692

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, 2019

	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	\$ 104,366,000	\$ 69,735,622	\$ (1,022,099)	\$ 9,840,432	\$ 8,144,854	\$ 5,062,656	\$ 196,127,465	\$ 25,616,242
Investments	4,029,000	71,641,424	4,791,428	16,000,000	-	-	96,461,852	9,908,241
Receivables:								
Customer service	67,934,000	28,004,634	37,996	5,380,459	-	-	101,357,089	991,969
Other	-	473,907	26,999	101,214	61,707	1,055	664,882	-
Less allowance for doubtful accounts	(1,617,000)	(11,998,678)	(100)	(2,257,373)	-	-	(15,873,151)	-
Inventories	13,422,000	3,126,581	-	-	-	-	16,548,581	2,358,780
Due from other governments	-	13,006,831	-	1,228	-	1,711	13,009,770	72,848
Prepaid items	8,334,000	-	-	-	-	1,000	8,335,000	-
Total current assets	196,468,000	173,990,321	3,834,224	29,065,960	8,206,561	5,066,422	416,631,488	38,948,080
Noncurrent Assets:								
Restricted Assets:								
Cash and cash equivalents	-	-	6,096,203	1,446,291	-	-	7,542,494	-
Investments	16,192,000	-	4,993,479	10,848,260	9,682,303	-	41,716,042	-
Investment in capital lease	-	-	-	-	49,923,081	-	49,923,081	-
Other	-	-	141,636	60,904	-	-	202,540	-
Accrued post-employment benefit asset	352,000	-	-	-	-	-	352,000	-
Total restricted assets	16,544,000	-	11,231,318	12,355,455	59,605,384	-	99,736,157	-
Capital Assets:								
Land	6,501,000	11,752,893	1,517,514	2,180,121	40,541	-	21,992,069	-
Construction in progress	14,388,000	120,282,000	334,839	24,778,893	456,572	-	160,240,304	519,933
Buildings	66,391,000	67,612,385	1,955,387	10,601,459	415,897	-	146,976,128	5,328,860
Equipment	119,410,000	42,626,234	4,611,390	2,358,139	211,121	15,500,302	184,717,186	3,564,124
Vehicles	-	3,996,943	1,216,676	2,768,894	-	-	7,982,513	35,542,537
Infrastructure	864,914,000	487,968,147	9,520,509	45,422,607	-	-	1,407,825,263	-
	1,071,604,000	734,238,602	19,156,315	88,110,113	1,124,131	15,500,302	1,929,733,463	44,955,454
Less accumulated depreciation	(393,212,000)	(328,773,242)	(10,705,317)	(22,821,775)	(327,636)	(9,007,771)	(764,847,741)	(30,605,060)
Net capital assets	678,392,000	405,465,360	8,450,998	65,288,338	796,495	6,492,531	1,164,885,722	14,350,394
Total noncurrent assets	694,936,000	405,465,360	19,682,316	77,643,793	60,401,879	6,492,531	1,264,621,879	14,350,394
Total assets	891,404,000	579,455,681	23,516,540	106,709,753	68,608,440	11,558,953	1,681,253,367	53,298,474
DEFERRED OUTFLOWS OF RESOURCES								
Deferred refunding	11,917,000	53,289	148,109	10,265	(2,354,078)	-	9,774,585	-
Deferred pension	12,731,000	3,503,039	224,949	2,732,304	-	158,260	19,349,552	-
Deferred OPEB	1,719,000	812,410	52,168	633,655	-	36,701	3,253,934	-
Total deferred outflows of resources	\$ 26,367,000	\$ 4,368,738	\$ 425,226	\$ 3,376,224	\$ (2,354,078)	\$ 194,961	\$ 32,378,071	\$ -

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, 2019

	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	\$ 139,146,000	\$ 22,961,431	\$ 177,456	\$ 1,135,168	\$ 182,153	\$ 3,872	\$ 163,606,080	\$ 6,533,888
Accrued payroll	-	554,596	18,023	362,520	-	29,237	964,376	146,307
Other accrued liabilities	-	85,199	67,105	157,042	536,860	-	846,206	-
Due to other governments	-	-	-	-	-	-	-	(4,020)
Current maturities of long-term liabilities:								
Bonds payable	10,645,000	468,672	934,930	1,125,795	5,130,000	-	18,304,397	-
Notes payable	-	8,682,065	35,113	-	-	-	8,717,178	-
Compensated absences	191,000	62,483	3,522	49,716	-	5,316	312,037	26,932
Landfill postclosure costs	-	-	531,924	-	-	-	531,924	-
Contracts payable	-	1,521,341	-	125,786	22,687	-	1,669,814	-
Unearned revenue	6,116,000	-	-	-	-	-	6,116,000	-
Total current liabilities	156,098,000	34,335,787	1,768,073	2,956,027	5,871,700	38,425	201,068,012	6,703,107
Long-term liabilities:								
Bonds payable	261,791,000	994,973	4,437,624	11,715,859	55,305,000	-	334,244,456	-
Notes payable	-	138,894,974	149,164	-	-	-	139,044,138	-
Compensated absences	412,000	894,384	50,409	711,638	-	76,099	2,144,530	385,507
OPEB liability	-	3,913,903	251,325	3,052,717	-	176,818	7,394,763	-
Pension liability	14,361,000	6,552,214	420,753	5,110,602	-	296,019	26,740,588	-
Landfill postclosure costs	-	-	3,807,654	-	-	-	3,807,654	-
Customer deposits	21,657,000	-	-	-	-	-	21,657,000	-
Other noncurrent liabilities	3,667,000	-	-	-	-	-	3,667,000	-
Total long-term liabilities	301,888,000	151,250,448	9,116,929	20,590,816	55,305,000	548,936	538,700,129	385,507
Total liabilities	457,986,000	185,586,235	10,885,002	23,546,843	61,176,700	587,361	739,768,141	7,088,614
DEFERRED INFLOWS OF RESOURCES								
Deferred pension	6,544,000	1,194,656	76,716	931,809	-	53,973	8,801,154	-
Deferred OPEB	-	100,997	6,486	78,774	-	4,563	190,820	-
Total deferred inflows of resources	6,544,000	1,295,653	83,202	1,010,583	-	58,536	8,991,974	-
NET POSITION								
Net investment in capital assets	417,873,000	256,477,963	5,806,639	53,582,745	796,495	6,492,531	741,029,373	14,350,394
Restricted for renewal and replacement	-	72,888,081	11,287,200	4,036,021	-	4,833	88,216,135	-
Restricted for debt service	-	-	-	-	9,681,722	-	9,681,722	-
Unrestricted	35,368,000	67,576,487	(4,120,277)	27,909,785	(5,400,555)	4,610,653	125,944,093	31,859,466
Total net position	\$ 453,241,000	\$ 396,942,531	\$ 12,973,562	\$ 85,528,551	\$ 5,077,662	\$ 11,108,017	\$ 964,871,323	\$ 46,209,860

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, 2019

	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	\$ 560,050,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 560,050,000	\$ -
Fiber optic	156,815,000	-	-	-	-	-	156,815,000	-
Sewer	-	91,788,185	-	-	-	-	91,788,185	-
Waste disposal	-	-	5,853,240	-	-	-	5,853,240	-
Water quality	-	-	-	23,416,427	-	-	23,416,427	-
Lease rental revenue	-	-	-	-	4,572,883	-	4,572,883	-
Conference center	-	-	-	-	3,377,818	-	3,377,818	-
Parking garage	-	-	-	-	933,640	-	933,640	-
Regional Communications Services	-	-	-	-	-	2,278,148	2,278,148	-
Other services	24,786,000	60,346	25,297	-	-	255,125	25,126,768	59,164,298
Other	-	1,508	71	-	-	-	1,579	6,936,840
Total operating revenues	741,651,000	91,850,039	5,878,608	23,416,427	8,884,341	2,533,273	874,213,688	66,101,138
OPERATING EXPENSES								
Power purchases	442,352,000	-	-	-	-	-	442,352,000	-
Other electric operations	68,560,000	-	-	-	-	-	68,560,000	-
Fiber optic operations	103,530,000	-	-	-	-	-	103,530,000	-
Sewer plant operations	-	44,398,919	-	-	-	-	44,398,919	-
Waste disposal operations	-	-	1,927,521	-	-	-	1,927,521	-
Closure/postclosure costs	-	-	40,504	-	-	-	40,504	-
Water quality operations	-	-	-	10,250,623	-	-	10,250,623	-
Conference center operations	-	-	-	-	7,781,634	-	7,781,634	-
Parking garage operations	-	-	-	-	327,856	-	327,856	-
Regional Communication Services	-	-	-	-	-	773,293	773,293	-
Fleet operations	-	-	-	-	-	-	-	12,629,900
Liability insurance	-	-	-	-	-	-	-	1,069,708
Health services	-	-	-	-	-	-	-	47,132,954
Technology replacement	-	-	-	-	-	-	-	1,196,904
Depreciation	60,594,000	12,277,148	514,531	1,494,765	330,088	1,828,851	77,039,383	3,622,975
Other	14,067,000	-	-	-	25,461,808	-	39,528,808	-
Total operating expenses	689,103,000	56,676,067	2,482,556	11,745,388	33,901,386	2,602,144	796,510,541	65,652,441
OPERATING INCOME (LOSS)	52,548,000	35,173,972	3,396,052	11,671,039	(25,017,045)	(68,871)	77,703,147	448,697

(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, 2019

	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	1,673,000	2,404,879	292,056	568,423	387,961	-	5,326,319	-
Interest expense	(9,833,000)	(2,675,527)	(155,587)	(368,302)	(2,351,594)	-	(15,384,010)	-
Tax equivalent	(7,618,000)	-	-	-	-	-	(7,618,000)	-
Other income	111,000	74,289	71,665	61,753	27,343,477	-	27,662,184	-
Other expense	(1,751,000)	-	-	-	(952,181)	-	(2,703,181)	(170,219)
Total nonoperating revenues (expenses)	(17,418,000)	(196,359)	208,134	261,874	24,427,663	-	7,283,312	(170,219)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	35,130,000	34,977,613	3,604,186	11,932,913	(589,382)	(68,871)	84,986,459	278,478
Capital contributions	1,751,000	-	-	-	-	-	1,751,000	38,167
Transfers in	-	-	19,030	-	-	-	19,030	-
Transfers out	-	-	-	-	-	-	-	(20,320)
CHANGE IN NET POSITION	36,881,000	34,977,613	3,623,216	11,932,913	(589,382)	(68,871)	86,756,489	296,325
NET POSITION, beginning	416,360,000	361,964,918	9,350,346	73,595,638	5,667,044	11,176,888	878,114,834	45,913,535
NET POSITION, ending	\$ 453,241,000	\$ 396,942,531	\$ 12,973,562	\$ 85,528,551	\$ 5,077,662	\$ 11,108,017	\$ 964,871,323	\$ 46,209,860

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, 2019

	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	\$ 757,526,520	\$ 103,875,120	\$ 353,561	\$ 22,260,580	\$ 9,968,056	\$ 1,561,627	\$ 895,545,464	\$ 68,209,992
Receipts from interfund services provided	4,432,480	774,922	5,483,200	626,167	-	969,875	12,286,644	-
Receipts from operating grants	-	-	74,918	-	-	-	74,918	-
Payments to suppliers	(583,058,000)	(10,530,243)	(1,881,113)	(7,953,340)	(7,144,136)	(2,119,997)	(612,686,829)	(58,522,269)
Payments to employees	(47,763,000)	(52,091,885)	(1,042,027)	(4,647,570)	-	1,170,186	(104,374,296)	(3,646,759)
Payments in lieu of taxes	(20,924,000)	-	-	-	-	-	(20,924,000)	-
Net cash from operating activities	110,214,000	42,027,914	2,988,539	10,285,837	2,823,920	1,581,691	169,921,901	6,040,964
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers in	-	-	19,030	-	-	-	19,030	5,038,167
Transfers out	-	-	-	-	-	-	-	(5,020,320)
Net cash flows used in noncapital financing	-	-	19,030	-	-	-	19,030	17,847
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Principal paid on capital debt	(10,205,000)	(9,130,366)	(1,816,599)	(1,340,002)	(32,690,000)	-	(55,181,967)	-
Interest paid on capital debt	(11,127,000)	(2,703,202)	(240,508)	(533,527)	(2,884,640)	-	(17,488,877)	-
Line of credit	(80,000)	-	-	-	-	-	(80,000)	-
Proceeds from capital debt	-	33,459,649	-	-	30,584,191	-	64,043,840	-
Capital grants and contributions	2,413,000	-	-	-	-	-	2,413,000	-
Additions to capital assets	(79,153,000)	(29,934,829)	(82,737)	(4,338,659)	(456,572)	-	(113,965,797)	(2,592,882)
Proceeds from sale of capital assets	-	-	-	60,525	-	-	60,525	197,333
Net cash flows used in capital and related financing activities	(98,152,000)	(8,308,748)	(2,139,844)	(6,151,663)	(5,447,021)	-	(120,199,276)	(2,395,549)
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of investments	(22,086,000)	(126,497,742)	(22,025,698)	(15,018,116)	(27,881,600)	-	(213,509,156)	(9,908,241)
Proceeds from sales and maturities of investments	7,000,000	126,236,526	17,237,292	(981,884)	28,551,900	-	178,043,834	-
Interest	1,504,000	2,404,880	179,427	567,757	387,961	-	5,044,025	-
Net cash flows from investing activities	(13,582,000)	2,143,664	(4,608,979)	(15,432,243)	1,058,261	-	(30,421,297)	(9,908,241)
Net increase (decrease) in cash and cash equivalents	(1,520,000)	35,862,830	(3,741,254)	(11,298,069)	(1,564,840)	1,581,691	19,320,358	(6,244,979)
Cash and cash equivalents, beginning 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
Cash and cash equivalents, end of year	\$ 104,366,000	\$ 69,735,622	\$ 5,074,104	\$ 11,286,723	\$ 8,144,854	\$ 5,062,656	\$ 203,669,959	\$ 25,616,242

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

Year Ended June 30, 2019

	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	\$ 104,366,000	\$ 69,735,622	\$ (1,022,099)	\$ 9,840,432	\$ 8,144,854	\$ 5,062,656	\$ 196,127,465	\$ 25,616,242
Restricted assets	-	-	6,096,203	1,446,291	-	-	7,542,494	-
	<u>\$ 104,366,000</u>	<u>\$ 69,735,622</u>	<u>\$ 5,074,104</u>	<u>\$ 11,286,723</u>	<u>\$ 8,144,854</u>	<u>\$ 5,062,656</u>	<u>\$ 203,669,959</u>	<u>\$ 25,616,242</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES								
OPERATING INCOME (LOSS)	\$ 52,548,000	\$ 35,173,972	\$ 3,396,052	\$ 11,671,039	\$(25,017,045)	\$ (68,871)	\$ 77,703,147	\$ 448,697
ADJUSTMENTS NOT AFFECTING CASH								
Depreciation and amortization	61,835,000	12,277,148	514,531	1,494,765	330,088	1,828,851	78,280,383	3,622,974
Loss/disposal of capital assets	-	-	-	-	2,402,454	-	2,402,454	-
Miscellaneous nonoperating expenses	193,000	-	-	-	-	-	193,000	-
Tax equivalents transferred to City	(7,618,000)	-	-	-	-	-	(7,618,000)	-
Provision for uncollectible accounts	-	2,187,750	-	(723,419)	(64,160)	-	1,400,171	-
(Increase) decrease in:								
Accounts receivable	3,201,000	10,537,964	(16,549)	216,230	1,147,875	(60)	15,086,460	2,109,376
Due from other funds	-	-	-	-	-	-	-	(4,020)
Due from other governments	-	-	49,621	-	-	(1,711)	47,910	-
Inventory	144,000	(151,530)	-	-	93,387	-	85,857	(36,765)
Prepaid Items	866,000	-	-	-	-	-	866,000	-
Increase (decrease) in:								
Accounts payable	(3,138,000)	(15,448,106)	43,306	294,852	(654,618)	1,268	(18,901,298)	68,524
Accrued claims	-	-	-	-	(401,774)	-	(401,774)	-
Accrued liabilities	-	47,873	(503,896)	37,999	-	949	(417,075)	-
Claims liabilities	-	-	-	-	-	-	-	-
Other assets/liabilities	2,724,000	(2,613,957)	281,457	1,224,309	24,987,713	(170,005)	26,433,517	(170,219)
Net pension liability	460,000	-	(274,105)	(1,313,707)	-	-	(1,127,812)	-
OPEB	(1,001,000)	-	(501,878)	(2,593,740)	-	-	(4,096,618)	-
Compensated absences	-	16,800	-	(22,491)	-	(8,730)	(14,421)	2,397
Total adjustments	<u>57,666,000</u>	<u>6,853,942</u>	<u>(407,513)</u>	<u>(1,385,202)</u>	<u>27,840,965</u>	<u>1,650,562</u>	<u>92,218,754</u>	<u>5,592,267</u>
Net cash from operating activities	<u>\$ 110,214,000</u>	<u>\$ 42,027,914</u>	<u>\$ 2,988,539</u>	<u>\$ 10,285,837</u>	<u>\$ 2,823,920</u>	<u>\$ 1,581,691</u>	<u>\$ 169,921,901</u>	<u>\$ 6,040,964</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, 2019

Other
Postemployment
Benefits and Pension
Trust Fund

ASSETS

Investments:

Corporate bonds and notes	\$	12,755,197
Corporate stocks		52,618,684
Foreign equity		87,587,621
Private debt		14,789,439
Mutual funds - equity		158,761,952
Mutual funds - fixed income		123,949,241
Real estate		58,266,389
Hedge funds		57,008,969
Private equity		22,738,434
Temporary investments		12,251,301

Receivables:

Accrued income		192,082
Due from plan custodian		974,222

Total assets		<u>601,893,531</u>
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LIABILITIES

Accounts payable and accrued liabilities:

Accrued payable		205,787
Due to plan custodian		507,147

Total liabilities		<u>712,934</u>
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NET POSITION

Net position restricted for OPEB		73,690,668
Net position restricted for pensions		527,489,929

Total net position	\$	<u><u>601,180,597</u></u>
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CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2019

	<u>Other Postemployment Benefits and Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 46,598,510
Plan member	8,924,221
Other	<u>144,652</u>
Total contributions	<u>55,667,383</u>
Investment income:	
Net appreciation (depreciation) in fair market value of investments	15,754,842
Interest	451,424
Dividends	<u>7,141,933</u>
	<u>23,348,199</u>
Less investment expense	<u>(574,728)</u>
Net investment income (loss)	<u>22,773,471</u>
Total additions	<u>78,440,854</u>
DEDUCTIONS	
Benefits paid to participants	64,298,328
Administrative expenses	<u>2,212,685</u>
Total deductions	<u>66,511,013</u>
CHANGE IN NET POSITION	11,929,841
NET POSITION - beginning	<u>589,250,756</u>
NET POSITION - ending	<u>\$ 601,180,597</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, 2019

	Chattanooga Metropolitan Airport Authority	CARTA	Total
ASSETS			
Cash and cash equivalents	\$ 22,046,890	\$ 1,912,959	\$ 23,959,849
Accounts receivable	3,045,059	1,881,055	4,926,114
Inventories	166,523	910,995	1,077,518
Prepaid items	824,849	863,994	1,688,843
Restricted assets:			
Cash and cash equivalents	5,565,767	-	5,565,767
Receivables	449,511	-	449,511
Land and other nondepreciable assets	11,335,589	4,956,157	16,291,746
Other capital assets, net of accumulated depreciation	110,695,727	16,573,559	127,269,286
Total assets	<u>154,129,915</u>	<u>27,098,719</u>	<u>181,228,634</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	911,684	3,335,282	4,246,966
Deferred OPEB outflows	381,073	-	381,073
Total deferred outflows of resources	<u>1,292,757</u>	<u>3,335,282</u>	<u>4,628,039</u>
LIABILITIES			
Accounts payable and accrued liabilities	2,825,425	1,801,491	4,626,916
Net pension obligation	2,337,836	14,051,674	16,389,510
Net OPEB obligation	716,429	235,891	952,320
Compensated absences payable	-	505,697	505,697
Notes payable	-	-	-
Revenue bonds payable	5,830,230	-	5,830,230
Total liabilities	<u>11,709,920</u>	<u>16,594,753</u>	<u>28,304,673</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	105,474	440,868	546,342
Deferred OPEB inflows	6,411	-	6,411
Deferred pension inflows	33,302	-	33,302
Total deferred inflows of resources	<u>145,187</u>	<u>440,868</u>	<u>586,055</u>
NET POSITION			
Net investment in capital assets	116,201,086	21,529,716	137,730,802
Restricted for debt service and construction	6,015,278	-	6,015,278
Unrestricted	21,351,201	(8,131,336)	13,219,865
Total net position	<u>\$ 143,567,565</u>	<u>\$ 13,398,380</u>	<u>\$ 156,965,945</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, 2019

	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	\$ 23,907,243	\$ 24,475,716	\$ -	\$ 7,804,967	\$ 8,373,440	\$ -	\$ 8,373,440
CARTA							
CARTA operations	26,055,098	17,710,541	640,859	7,494,104	-	(209,594)	(209,594)
Total component units	<u>\$ 49,962,341</u>	<u>\$ 42,186,257</u>	<u>\$ 640,859</u>	<u>\$ 15,299,071</u>	<u>8,373,440</u>	<u>(209,594)</u>	<u>8,163,846</u>
General revenues:							
Investment income					377,587	4,088	381,675
Miscellaneous					<u>3,088,272</u>	<u>215,185</u>	<u>3,303,457</u>
Total general revenues					<u>3,465,859</u>	<u>219,273</u>	<u>3,685,132</u>
CHANGE IN NET POSITION					11,839,299	9,679	11,848,978
Net position, beginning, as restated					<u>131,728,266</u>	<u>13,388,701</u>	<u>145,116,967</u>
Net position, ending					<u>\$ 143,567,565</u>	<u>\$ 13,398,380</u>	<u>\$ 156,965,945</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, 2019

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CITY OF CHATTANOOGA, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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*, entities 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. 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, although activity which represents services provided or used are not eliminated. 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 Chattanooga Hotel was sold in October 2018. 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 net realizable value, 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.

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 days. 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 other postemployment benefits (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 of the following year.

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.

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New GASB Standards

During the year ended June 30, 2019 the City opted to early implement Governmental Accounting Standards Board (GASB) Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*, which has an effective date of June 30, 2020. This implementation resulted in a change in accounting requirement that no longer required the City to capitalize interest costs as part of a related capital asset in business-type activities or enterprise funds.

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, 2019, 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	3.50	<u>\$ 134,075,825</u>
Primary Government – Business-Type Activities:		
Certificates of deposit classified as investments	2.91	\$ 118,182,833
U.S. Government agency securities	0.00	9,682,303
Bonds	0.00	<u>20,221,000</u>
		<u>\$ 148,086,136</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.

	S&P or Moody's Rating	Fair Value Measurements Using:	
		<u>Fair Value</u>	<u>Level 1</u>
Primary Government – Governmental Activities:			
Corporate Bonds – Federal Home Loan Bank	AA+	\$ 27,018,128	\$ 27,018,128
Corporate Bonds – Federal Home Credit Bank	AA+	101,100,000	101,100,000
Corporate Bonds – Home Loan Mortgage Corp.	AA+	3,457,697	3,457,697
Corporate Bonds – Fannie Mae	AA+	<u>2,500,000</u>	<u>2,500,000</u>
		<u>\$ 134,075,825</u>	<u>\$ 134,075,825</u>
Primary Government – Business-Type Activities			
Corporate Bonds – Federal Home Loan Bank	AA+	\$ 54,764,858	\$ 54,764,858
Corporate Bonds – Federal Home Credit Bank	AA+	30,772,429	30,772,429
Corporate Bonds – Home Loan Mortgage Corp.	AA+	12,739,364	12,739,364
Corporate Bonds – Fannie Mae	AA+	<u>19,906,183</u>	<u>19,906,183</u>
		<u>\$ 118,182,834</u>	<u>\$ 118,182,834</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	\$ 2,983,534	\$ 2,983,534	\$ -
Mutual funds – fixed income	Not rated	1,579,762	1,579,762	-
Other investments	Not rated	450,035	-	450,035
Temporary investments	Not rated	276,430	276,430	-
		<u>\$ 5,289,761</u>	<u>\$ 4,839,726</u>	<u>\$ 450,035</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	\$ 6,604,766	\$ 6,604,766	\$ -
Corporate stocks	Not rated	52,618,684	52,618,684	-
Foreign equity	Not rated	33,906,508	33,906,508	-
Private debt	Not rated	14,789,439	14,789,439	-
Mutual funds – equity	Not rated	24,974,098	24,974,098	-
Mutual funds – fixed income	Not rated	63,521,010	63,521,010	-
Real estate	Not rated	35,896,839	-	35,896,839
Hedge funds	Not rated	52,427,343	-	52,427,343
Other investments	Not rated	9,587,972	-	9,587,972
Temporary investments	Not rated	2,467,743	2,467,743	-
		<u>\$ 296,794,402</u>	<u>\$ 198,882,248</u>	<u>\$ 97,912,154</u>
Fire and Police Pension Fund				
Corporate bonds and notes	Not rated	\$ 6,150,431	\$ 6,150,431	\$ -
Foreign equity	Not rated	46,291,656	46,291,656	-
Mutual funds – equity	Not rated	101,142,276	101,142,276	-
Mutual funds – fixed income	Not rated	44,831,544	44,831,544	-
Real estate	Not rated	17,452,624	-	17,452,624
Other investments	Not rated	11,274,998	-	11,274,998
Temporary investments	Not rated	3,580,470	3,580,470	-
		<u>\$ 230,723,999</u>	<u>\$ 201,996,377</u>	<u>\$ 28,727,622</u>
Other Postemployment Benefit Trust Fund				
Foreign equity	Not rated	\$ 7,389,457	\$ 7,389,457	\$ -
Mutual funds – equity	Not rated	32,645,578	32,645,578	-
Mutual funds – fixed income	Not rated	15,596,687	15,596,687	-
Real estate	Not rated	4,916,926	-	4,916,926
Hedge funds	Not rated	4,581,626	-	4,581,626
Other investments	Not rated	1,875,464	-	1,875,464
Temporary investments	Not rated	6,203,088	6,203,088	-
		<u>\$ 73,208,826</u>	<u>\$ 61,834,810</u>	<u>\$ 11,374,016</u>

At June 30, 2019, the fair values of the City's investments in items classified as Level 2 on the fair value hierarchy totaling \$138,463,827 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	\$ 143,872,935	\$ -	\$ -	\$ -	\$ -	\$ 143,872,935
Accounts	13,245,213	-	1,362,496	-	-	14,607,709
Notes	496,438	-	9,775,541	-	-	10,271,979
Customer service	-	-	-	991,969	101,357,089	102,349,058
Other	1,283,640	520,391	46,474	-	664,882	2,515,387
Intergovernmental	<u>19,498,419</u>	<u>559,612</u>	<u>3,573,177</u>	<u>72,848</u>	<u>13,009,770</u>	<u>36,713,826</u>
Gross receivables	178,396,645	1,080,003	14,757,688	1,064,817	115,031,741	310,330,894
Less:						
Allowance for uncollectibles	<u>(4,561,887)</u>	<u>-</u>	<u>(1,205,699)</u>	<u>-</u>	<u>(15,873,151)</u>	<u>(21,640,737)</u>
Net receivables	<u>\$ 173,834,758</u>	<u>\$ 1,080,003</u>	<u>\$ 13,551,989</u>	<u>\$ 1,064,817</u>	<u>\$ 99,158,590</u>	<u>\$ 288,690,157</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 \$4,561,887 is the weighted average percentage of prior year collections on delinquent taxes to the total delinquent taxes' receivable at June 30, 2019.

Community Development Loans

Notes receivable of \$9,775,541, 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, \$17,047 represents forgivable loans and \$2,483,398 represents title transfer loans, which are payable only upon the transfer of title by the current loan recipient. The allowance for uncollectable loans is \$1,205,699.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Addition</u>	<u>Deductions</u>	<u>Ending Balance</u>
PRIMARY GOVERNMENT				
Governmental Activities:				
Non-depreciable assets:				
Land and land improvements	\$ 1,079,177,400	\$ 30,000,509	\$ 2,312,750	\$ 1,106,865,159
Construction in progress	<u>50,857,101</u>	<u>15,849,406</u>	<u>-</u>	<u>66,706,507</u>
Total non-depreciable assets	<u>1,130,034,501</u>	<u>45,849,915</u>	<u>2,312,750</u>	<u>1,173,571,666</u>
Depreciable assets:				
Buildings and improvements	240,784,560	-	33,168,023	207,616,537
Vehicles and machinery	153,241,486	5,175,107	3,011,962	155,404,631
Infrastructure	<u>771,727,062</u>	<u>16,218,855</u>	<u>-</u>	<u>787,945,917</u>
Total depreciable assets	<u>1,165,753,108</u>	<u>21,393,962</u>	<u>36,179,985</u>	<u>1,150,967,085</u>
Less accumulated depreciation for:				
Buildings and improvements	139,309,787	19,754,531	33,168,024	125,896,294
Vehicles and machinery	121,844,373	6,176,716	2,814,631	125,206,458
Infrastructure	<u>560,016,608</u>	<u>22,745,505</u>	<u>-</u>	<u>582,762,113</u>
Total accumulated depreciation	<u>821,170,768</u>	<u>48,676,752</u>	<u>35,982,655</u>	<u>833,864,865</u>
Depreciable assets, net	<u>344,582,340</u>	<u>(27,282,790)</u>	<u>197,330</u>	<u>317,102,220</u>
Governmental activities capital assets, net	<u>\$ 1,474,616,841</u>	<u>\$ 18,567,125</u>	<u>\$ 2,510,080</u>	<u>\$ 1,490,673,886</u>
Business-Type Activities				
Non-depreciable assets:				
Land	\$ 21,990,069	\$ 42,541	\$ 40,541	\$ 21,992,069
Construction in progress	<u>130,336,395</u>	<u>29,903,909</u>	<u>-</u>	<u>160,240,304</u>
Total non-depreciable assets	<u>152,326,464</u>	<u>29,946,450</u>	<u>40,541</u>	<u>182,232,373</u>
Depreciable assets:				
Buildings and improvements	147,829,129	1,200,000	2,053,000	146,976,129
Vehicles and machinery	180,783,370	21,104,292	9,187,962	192,699,700
Sewer system	487,987,213	-	19,066	487,968,147
Solid waste system	9,520,509	-	-	9,520,509
Water quality management system	45,422,607	-	-	45,422,607
Electric system	728,774,000	40,048,000	28,876,000	739,946,000
Communication system	<u>111,206,000</u>	<u>19,019,000</u>	<u>5,257,000</u>	<u>124,968,000</u>
Total depreciable assets	<u>1,711,522,828</u>	<u>81,371,292</u>	<u>45,393,028</u>	<u>1,747,501,092</u>
Less accumulated depreciation for:				
Buildings and improvements	65,302,068	4,236,646	2,089,000	67,449,714
Vehicles and machinery	99,834,483	15,303,149	6,195,962	108,941,670
Sewer system	244,605,243	8,703,196	-	253,308,439
Solid waste system	3,314,208	317,350	-	3,631,558
Water quality management system	13,466,704	924,658	-	14,391,362
Electric system	251,378,000	28,754,000	29,731,000	250,401,000
Communication system	<u>54,968,000</u>	<u>19,719,000</u>	<u>7,963,000</u>	<u>66,724,000</u>
Total accumulated depreciation	<u>732,868,706</u>	<u>77,957,999</u>	<u>45,978,962</u>	<u>764,847,743</u>
Depreciable assets, net	<u>978,654,122</u>	<u>3,413,293</u>	<u>(585,934)</u>	<u>982,653,349</u>
Business-type activities capital assets, net	<u>\$ 1,130,980,586</u>	<u>\$ 33,359,743</u>	<u>\$ (545,393)</u>	<u>\$ 1,164,885,722</u>

(Continued)

NOTE 4. CAPITAL ASSETS (Continued)

DISCRETELY PRESENTED COMPONENT UNITS

Non-depreciable assets:

Land	\$ 11,798,471	\$ -	\$ -	\$ 11,798,471
Construction in progress	<u>5,134,270</u>	<u>2,894,514</u>	<u>3,535,509</u>	<u>4,493,275</u>
Total non-depreciable assets	<u>16,932,741</u>	<u>2,894,514</u>	<u>3,535,509</u>	<u>16,291,746</u>

Depreciable assets:

Buildings and improvements	204,801,252	13,499,507	-	218,300,759
Vehicles and equipment	<u>72,139,744</u>	<u>2,113,584</u>	-	<u>74,253,328</u>
Total depreciable assets	<u>276,940,996</u>	<u>15,613,091</u>	-	<u>292,554,087</u>

Less accumulated depreciation	<u>154,494,062</u>	<u>10,790,739</u>	-	<u>165,284,801</u>
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Depreciable assets, net	<u>122,446,934</u>	<u>4,822,352</u>	-	<u>127,269,286</u>
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Component unit's capital assets, net	<u>\$ 139,379,675</u>	<u>\$ 7,716,866</u>	<u>\$ -</u>	<u>\$ 143,561,032</u>
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Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:

General Government	\$ 5,419,181
Public Safety	1,781,508
Economic Development	19,695
Public Works	24,938,002
Youth & Family Development	313,251
Transportation	<u>2,920,614</u>

Total	<u>\$ 35,392,251</u>
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Primary Government – Business-Type Activities:

Electric Utility	\$ 330,088
Sewer	12,277,148
Solid Waste	514,531
Water Quality	1,494,765
Tennessee Valley Regional Communications	1,828,851
Downtown Redevelopment	<u>60,594,000</u>

Total	<u>\$ 77,039,383</u>
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Discretely Presented Component Units:

CARTA	\$ 3,101,297
Airport Authority	<u>7,689,442</u>

Total	<u>\$ 10,790,739</u>
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NOTE 5. LONG-TERM LIABILITIES

Governmental Activities

Debt related to governmental activities at June 30, 2019, 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, 2019</u>
General Obligations Bonds, Series 2009	\$ 45,415,000	3.00% - 4.63%	11/01/20	\$ 4,540,000
General Obligations Bonds, Series 2010 A	6,725,000	2.00% - 4.00%	02/01/30	2,345,000
General Obligation Refunding Bonds, Series 2010 B	4,707,460	2.00% - 4.00%	02/01/30	2,806,753
Hotel-Motel Tax Refunding Bonds, Series 2010 B	29,557,540	2.00% - 4.00%	02/01/30	17,623,247
General Obligation Bonds, Series 2010 C	6,840,000	2.00% - 4.00%	02/01/30	485,000
General Obligation Bonds, Series 2011 A	26,495,000	2.00% - 4.00%	10/01/26	14,120,000
General Obligation Refunding Bonds, Series 2011 B	1,949,250	2.00% - 4.00%	10/01/27	1,820,374
Hotel-Motel Tax Refunding Bonds, Series 2011 B	15,595,750	2.00% - 4.00%	10/01/27	14,564,626
General Obligation Bonds, Series 2013	19,355,000	2.00% - 5.00%	10/01/28	13,135,000
Hotel-Motel Tax Pledge, Series 2013	7,420,000	2.00% - 5.00%	10/01/28	5,035,000
General Obligation Refunding Bonds, Series 2014 A	13,792,100	1.75% - 5.00%	11/01/26	7,783,022
Hotel-Motel Tax Refunding Bonds, Series 2014 A	3,961,340	1.75% - 5.00%	11/01/26	2,235,789
General Obligation Bonds, Series 2015 A	28,245,000	5.00%	09/01/30	22,590,000
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	6,555,000
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>\$ 147,233,811</u>

Notes and Loans Payable

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, 2019, is \$7,794,868, of which \$7,610,591 is due from Governmental Activities and \$184,277 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, 2019 is \$1,526,000.

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, 2019 is \$1,960,579.

(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. In October 2018, the Chattanooga was sold 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. The City's lease payment for the year ended June 30, 2019, was \$35,513,324, of which \$32,690,000 was a reduction of principal. The debt service reserve fund held by the fiscal agent at June 30, 2019 is \$9,681,722. 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.

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, 2019 is \$3,586,641.

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, 2019 is \$265,007.

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, 2019 is \$249,600.

Debt service requirements for general obligation bonds, notes payable, and capital leases are met by the General Fund. The pension, OPEB, and 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, 2019, 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, 2019
Electric Power Board				
2015A Electric System Refunding Revenue Bonds	\$ 218,855,000	2.88%-5.00%	09/01/33	\$ 209,105,000
2008B Electric System Revenue Bonds	15,355,000	0.70%-3.38%	09/01/25	11,470,000
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	1,322,666
Solid Waste Fund				
General Obligation Refunding Bonds, Series 2014A	4,674,278	1.75%-5.00%	11/01/26	2,637,626
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	3,550,000
General Obligation Refunding Bonds, Series 2014A	1,153,663	1.75%-5.00%	11/01/26	650,898
General Obligation Bonds, Series 2015A	8,100,000	5.00%	09/01/30	6,480,000
General Obligation Refunding Bonds, Series 2017B	615,000	3.00%-5.00%	03/01/26	615,000
Chattanooga Downtown Redevelopment Corporation				
2018A IDB Rev Refunding 2007 Bonds	32,235,000	3.25%	10/01/28	32,235,000
2010 Chatt Lease Rental Rev Ref Bonds	<u>28,200,000</u>	3.90%	10/01/24	<u>28,200,000</u>
Total payable from Business-type Activities	<u>\$ 344,811,561</u>			<u>\$ 324,301,190</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, 2019 to be paid from Interceptor Sewer Fund is \$0.

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, 2019 to be paid from Interceptor Sewer Fund is \$14,000,939.

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, 2019, is \$7,794,868, of which \$7,610,591 is due from Governmental Activities and \$184,277 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, 2019 to be paid from Interceptor Sewer Fund is \$8,799,247.

(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, 2019 to be paid from Interceptor Sewer Fund is \$17,360,888.

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, 2019 to be paid from Interceptor Sewer Fund is \$29,265,182.

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, 2019 to be paid from Interceptor Sewer Fund is \$58,853,446.

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, 2019 to be paid from Interceptor Sewer Fund is \$18,830,008.

State Revolving Loan 2018 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure two loans worth \$18,100,000 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 1.53% interest. The balance at June 30, 2019 to be paid from Interceptor Sewer Fund is \$467,329.

Component Units

Component Units debt at June 30, 2019, consisted of the following:

Revenue Bonds

Series	Original Principal	Interest Rates	Final Maturity	Principal June 30, 2019
Metropolitan Airport Authority				
Taxable Refunding Revenue Bonds, Series 2009	\$ 6,600,000	2.95%	04/01/19	\$ -
Tax Exempt Revenue Bonds, Series 2014	5,086,077	2.67%	01/10/24	2,535,901
Taxable Revenue Bonds, Series 2014	<u>4,913,923</u>	4.03%	01/10/24	<u>3,294,329</u>
Total payable from Component Units	<u>\$ 16,600,000</u>			<u>\$ 5,830,230</u>

Defeasance

During fiscal year 2019, the city defeased \$3,255,000 of general obligation bonds with unspent bond proceeds.

Refunding

During fiscal year 2019, 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, 2019, 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	\$ 4,550,000
2007	66,280,000
2010	57,300,000
2011	16,320,000
2014	4,445,002
2015	19,500,000
2017	17,750,000

Changes in long-term liabilities for the fiscal year ended June 30, 2019, were as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
<u>Primary Government</u>					
GOVERNMENTAL ACTIVITIES					
General obligation serial bonds	\$ 166,407,896	\$ -	\$ 19,174,085	\$ 147,233,811	\$12,700,603
Notes payable	14,775,559	-	3,678,389	11,097,170	3,716,466
Capital leases payable	5,486,668	-	1,385,420	4,101,248	1,387,701
Accrued pollution remediation costs	107,434	9,685	31,303	85,816	47,250
Accrued postemployment benefits	106,339,698	18,962,214	-	125,301,912	-
Accrued general pension costs	55,505,920	-	5,497,437	50,008,483	-
Accrued fire and police pension costs	188,483,848	26,229,811	-	214,713,659	-
Compensated absences	<u>24,355,784</u>	<u>19,945,890</u>	<u>19,708,366</u>	<u>24,593,308</u>	<u>1,604,656</u>
Total governmental activities	<u>\$ 561,462,807</u>	<u>\$ 65,147,600</u>	<u>\$ 49,475,000</u>	577,135,407	<u>\$19,456,676</u>
Original issue premiums and discounts				<u>13,127,919</u>	
				<u>\$ 590,263,326</u>	
BUSINESS-TYPE ACTIVITIES					
EPB:					
Revenue bonds	\$ 256,660,000	\$ -	\$ 10,205,000	\$ 246,455,000	\$10,645,000
Accrued postemployment benefits	2,572,000	-	2,572,000	-	-
Accrued pension costs	12,802,000	1,559,000	-	14,361,000	-
Compensated absences	<u>635,000</u>	<u>-</u>	<u>32,000</u>	<u>603,000</u>	<u>191,000</u>
	<u>272,669,000</u>	<u>1,559,000</u>	<u>12,809,000</u>	<u>261,419,000</u>	<u>10,836,000</u>
Interceptor Sewer System:					
General obligation serial bonds	2,216,170	-	893,504	1,322,666	468,672
Notes payable	122,354,252	33,459,649	8,236,862	147,577,039	8,682,065
Accrued postemployment benefits	7,108,774	-	3,194,871	3,913,903	-
Accrued general pension costs	7,047,142	-	494,928	6,552,214	-
Compensated absences	<u>940,067</u>	<u>1,002,669</u>	<u>985,869</u>	<u>956,867</u>	<u>62,483</u>
	<u>139,666,405</u>	<u>34,462,318</u>	<u>13,806,034</u>	<u>160,322,689</u>	<u>9,213,220</u>
Solid Waste Fund:					
General obligation serial bonds	6,575,034	-	1,782,408	4,792,626	934,930
Notes payable	218,468	-	34,191	184,277	35,113
Accrued landfill closure costs	4,849,420	40,504	550,346	4,339,578	531,924
Accrued postemployment benefits	753,203	-	501,878	251,325	-
Accrued general pension costs	694,858	-	274,105	420,753	-
Compensated absences	<u>50,941</u>	<u>44,646</u>	<u>41,657</u>	<u>53,930</u>	<u>3,522</u>
	<u>13,141,924</u>	<u>85,150</u>	<u>3,184,585</u>	<u>10,042,489</u>	<u>1,505,489</u>

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Water Quality Management Fund:					
General obligation serial bonds	12,635,900	-	1,340,002	11,295,898	1,125,795
Accrued postemployment benefits	5,646,457	-	2,593,740	3,052,717	-
Accrued general pension costs	6,424,307	-	1,313,705	5,110,602	-
Compensated absences	<u>783,845</u>	<u>887,372</u>	<u>909,863</u>	<u>761,354</u>	<u>49,716</u>
	<u>25,490,509</u>	<u>887,372</u>	<u>6,157,310</u>	<u>20,220,571</u>	<u>1,175,511</u>
Tennessee Valley Regional Communication Systems Fund:					
Accrued postemployment benefits	354,367	-	177,549	176,818	-
Accrued general pension costs	354,525	-	58,506	296,019	-
Compensated absences	<u>90,145</u>	<u>62,743</u>	<u>71,474</u>	<u>81,414</u>	<u>5,316</u>
	<u>799,037</u>	<u>62,743</u>	<u>307,529</u>	<u>554,251</u>	<u>5,316</u>
Chattanooga Downtown Redevelopment Corporation:					
Revenue bonds	<u>90,930,000</u>	<u>87,750,000</u>	<u>118,245,000</u>	<u>60,435,000</u>	<u>5,130,000</u>
Total business-type activities	<u>\$ 542,696,875</u>	<u>\$124,806,583</u>	<u>\$154,509,458</u>	512,994,000	<u>\$ 27,865,536</u>
Original issue premiums and discounts				<u>28,247,665</u>	
				<u>\$ 541,241,665</u>	
Discretely Presented Component Units					
Airport Authority:					
Revenue bonds	\$ 9,214,330	\$ -	\$ 3,384,100	\$ 5,830,230	\$ 308,916
Accrued postemployment benefits	368,945	347,484	-	716,429	-
Accrued general pension costs	<u>2,497,670</u>	<u>-</u>	<u>159,834</u>	<u>2,337,836</u>	<u>-</u>
	<u>12,080,945</u>	<u>347,484</u>	<u>3,543,935</u>	<u>8,884,495</u>	<u>308,916</u>
CARTA:					
Notes payable	51,295	-	51,295	-	-
Accrued postemployment benefits	240,773	11,686	16,568	235,891	-
Accrued general pension costs	12,939,069	3,917,619	2,805,014	14,051,674	-
Compensated absences	<u>422,625</u>	<u>505,697</u>	<u>422,625</u>	<u>505,697</u>	<u>505,697</u>
	<u>13,231,137</u>	<u>1,344,712</u>	<u>56,177</u>	<u>14,793,262</u>	<u>-</u>
Total component units	<u>\$ 25,312,082</u>	<u>\$ 1,692,196</u>	<u>\$ 3,600,112</u>	<u>\$ 23,677,757</u>	<u>\$ 308,916</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
2020	\$ 16,417,069	\$ 5,934,763	\$ 27,021,575	\$ 15,750,417
2021	15,866,087	5,412,029	27,125,710	14,779,765
2022	15,937,422	4,812,377	28,809,061	13,755,917
2023	16,021,310	4,243,294	29,744,929	12,687,796
2024	16,403,771	3,608,932	30,787,256	11,562,333
2024-2028	64,095,322	9,241,510	155,783,393	41,635,924
2029-2033	13,590,000	792,150	133,763,241	16,351,335
2034-2038	-	-	35,172,341	2,689,531
2039-2042	-	-	<u>3,855,000</u>	<u>130,875</u>
	<u>\$ 158,330,981</u>	<u>\$ 34,045,055</u>	<u>\$ 472,062,506</u>	<u>\$ 129,343,893</u>

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

<u>Year</u>	<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 308,890	\$ 198,415
2021	319,722	187,583
2022	330,952	176,353
2023	342,592	164,713
2024	<u>4,528,074</u>	<u>90,991</u>
	<u>\$ 5,830,230</u>	<u>\$ 818,055</u>

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

<u>Year</u>	<u>Primary Government</u>	
	<u>Principal</u>	<u>Interest</u>
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>\$ 4,101,249</u>	<u>\$ 17,900</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, 2019, the valuation date, consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	1,219
Inactive plan members entitled to but not yet receiving benefits	130
Active plan members	<u>1,437</u>
Total	<u>2,786</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 are 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, 2019, is 20.50% 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, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
US large cap equity	23%
US small cap equity	5
International equity	13
US core fixed income	12
US high yield fixed income	4
International fixed developed	6
Private debt	5
Equity hedge funds	10
Diversified hedge funds	8
Private equity	3
Private real estate	<u>11</u>
Total	100%

Rate of return - For the year ended June 30, 2019, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 5.56 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, 2019 were as follows:

Total pension liability	\$ 379,534,625
Plan fiduciary net position	<u>(296,765,272)</u>
Net pension liability	<u>\$ 82,769,353</u>
Plan fiduciary net position as a percentage of the total pension liability	78.19%

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2019 using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Inflation	2.50 percent
Salary increases	3.00 - 5.25 percent
Investment rate of return	6.75 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 2014 Mortality Table with Blue Collar Adjustment set forward four years for males and set forward three years for females and using a Scale MP-2017 projection to 2025. Post-disability mortality rates were based on the RP 2014 Disabled Mortality Table set forward four years for males and set forward seven years for females using a Scale MP-2017 projection to 2025.

Actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2017, dated February 21, 2019. The investment rate of return was decreased from 7.00 percent to 6.75 percent as of January 1, 2019.

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 February 21, 2019 are summarized as follows:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return*</u>
US large cap equity	3.0%
US small cap equity	4.0
International equity	4.5
US core fixed income	0.3
US high yield fixed income	2.0
International fixed developed	-1.5
Private debt	4.4
Equity hedge funds	3.5
Diversified hedge funds	3.0
Private equity	12.0
Private real estate	3.0
*Arithmetic mean	

Discount rate - The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that plan members contribute 2.00 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 2126.

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 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
GPP net pension liability	<u>\$ 125,180,585</u>	<u>\$ 82,769,353</u>	<u>\$ 46,851,339</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, 2019, the valuation date, consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	791
Inactive plan members entitled to but not yet receiving benefits	30
Active plan members	<u>862</u>
Total	<u><u>1,683</u></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 are 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, 2019, is 45.56% 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>
Domestic large cap	20%
Domestic mid cap	15
Domestic small cap	5
Developed international	10
Emerging markets	10
Private equity	5
Real estate	5
Timber	5
Farmland	5
Domestic fixed income	<u>20</u>
Total	<u>100%</u>

Rate of return - For the year ended June 30, 2019, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 5.81 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, 2019 were as follows:

Total pension liability	\$ 447,437,761
Plan fiduciary net position	<u>(230,724,657)</u>
Net pension liability	<u>\$ 216,713,104</u>
Plan fiduciary net position as a percentage of the total pension liability	51.57%

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

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 scale MP-2018 (previously a modified version of MP-2017).

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, 2018 (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>
Domestic large cap	6.16%
Domestic mid cap	6.76
Domestic small cap	7.26
Developed international	9.96
Emerging markets	9.86
Private equity	10.41
Real estate	4.76
Timber	5.36
Farmland	6.81
Domestic fixed income	1.96

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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
CFPPF net pension liability	<u>\$ 267,860,155</u>	<u>\$ 216,713,104</u>	<u>\$ 173,888,845</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	\$ 157,462	\$ 19,853	\$ 177,315
Total receivables	<u>157,462</u>	<u>19,853</u>	<u>177,315</u>
Investments:			
Corporate bonds and notes	6,604,766	6,150,431	12,755,197
Corporate stocks	52,618,684	-	52,618,684
Foreign equity	33,906,508	46,291,656	80,198,164
Private debt	14,789,439	-	14,789,439
Mutual funds – equity	24,974,098	101,142,276	126,116,374
Mutual funds – fixed income	63,521,010	44,831,544	108,352,554
Real estate	35,896,839	17,452,624	53,349,463
Hedge funds	52,427,343	-	52,427,343
Other investments	9,587,972	11,274,998	20,862,970
Temporary investments	2,467,743	3,580,470	6,048,213
Total investments	<u>296,794,402</u>	<u>230,723,999</u>	<u>527,518,401</u>
Total assets	<u>296,951,864</u>	<u>230,743,852</u>	<u>527,695,716</u>
LIABILITIES			
Accrued expenses	186,592	19,195	205,787
Total liabilities	<u>186,592</u>	<u>19,195</u>	<u>205,787</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 296,765,272</u>	<u>\$ 230,724,657</u>	<u>\$ 527,489,929</u>

Combining Statement of Changes in Plan Net Position:

ADDITIONS			
Contributions:			
Employer	\$ 12,770,788	\$ 19,646,959	\$ 32,417,747
Employee	1,245,864	4,496,310	5,742,174
Other	-	144,652	144,652
Total contributions	<u>14,016,652</u>	<u>24,287,921</u>	<u>38,304,573</u>
Investments income:			
Net appreciation in fair value of investments	3,976,525	9,765,910	13,742,435
Interest	333,153	118,271	451,424
Dividends	2,408,643	3,877,574	6,286,217
	6,718,321	13,761,755	20,480,076
Less investment expense	(437,612)	(117,116)	(554,728)
Net investment income (loss)	<u>6,280,709</u>	<u>13,644,639</u>	<u>19,925,348</u>
Total additions	<u>20,297,361</u>	<u>37,932,560</u>	<u>58,229,921</u>
DEDUCTIONS			
Benefits paid to participants	22,352,506	29,025,870	51,378,376
Administrative expenses	164,522	2,004,109	2,168,631
Total deductions	<u>22,517,028</u>	<u>31,029,979</u>	<u>53,547,007</u>
NET CHANGE	(2,219,667)	6,902,581	4,682,914
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of year	<u>298,984,939</u>	<u>223,822,076</u>	<u>522,807,015</u>
End of year	<u>\$ 296,765,272</u>	<u>\$ 230,724,657</u>	<u>\$ 527,489,929</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 plan members or beneficiaries currently receiving benefits	1,309
Active plan 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 number 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 14.17 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, 2019:

<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, 2019, the annual money-weighted rate of return on OPEB investments, net of OPEB plan investment expense, was 5.98 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, 2019 were as follows:

Total OPEB liability	\$ 207,678,223
Plan fiduciary net position	(73,690,668)
City's net OPEB liability	<u>\$ 133,987,555</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 35.48%

Actuarial assumptions - The total OPEB liability was determined by an actuarial valuation as of January 1, 2019 using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

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 increase 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 increase 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. Subsequent changes to the long-term investment rate of return have been made after these experience studies.

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, 2018 valuation were based on a review of recent plan experience done concurrently with the January 1, 2018 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.

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:

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Net OPEB liability	\$ 154,689,367	\$ 133,987,555	\$ 115,486,622

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:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	\$ 111,325,293	\$ 133,987,555	\$ 159,944,876

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, 2019. The roll forward calculation adds the normal cost (also called the service cost) for six months of 2019, 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, 2019, as shown in the following:

Total OPEB Liability Roll Forward

Total OPEB Liability as of June 30, 2018	\$ 199,856,844
Actual benefit payment and refunds for July1, 2018 – June 30, 2019	(9,737,905)
Interest on TOL	13,649,152
Service cost for the period July 1, 2018 – June 30, 2019 at the end of period	<u>3,910,132</u>
Total OPEB liability rolled forward to June 30, 2019	<u>\$ 207,678,223</u>

Combining Statement of OPEB Trust Net Position:

ASSETS

Investments:	
Foreign equity	7,389,457
Mutual funds – equity	32,645,578
Mutual funds – fixed income	15,596,687
Real estate	4,916,926
Hedge funds	4,581,626
Private equity	1,875,464
Temporary investments	<u>6,203,088</u>
Total investments	<u>73,208,826</u>
Receivables:	
Accrued income	14,767
Due from plan custodian	<u>974,222</u>
Total assets	<u>988,989</u>

LIABILITIES

Due to plan custodian	<u>507,147</u>
Total liabilities	<u>507,147</u>
NET POSITION RESTRICTED FOR OPEB	<u>\$ 73,690,668</u>

Combining Statement of Changes in Plan Net Position:

ADDITIONS

Contributions:	
Employer	\$ 14,180,763
Employee	<u>3,182,047</u>
Total contributions	<u>17,362,810</u>
Investments income:	
Net appreciation in fair value of investments	2,012,407
Dividends	855,716
Less investment expense	<u>(20,000)</u>
Net investment income (loss)	<u>2,848,123</u>
Total additions	<u>20,210,933</u>

DEDUCTIONS

Benefits paid to participants	12,919,952
Administrative expenses	<u>44,054</u>
Total deductions	<u>12,964,006</u>

NET CHANGE 7,246,927

NET POSITION RESTRICTED FOR OPEB

Beginning of year	<u>66,443,741</u>
End of year	<u>\$ 73,690,668</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 6/30/2017	\$ 804,692,959	\$ 532,889,240	\$ 271,803,719
Changes for the year:			
Service cost	16,075,974	-	16,075,974
Interest expense	57,272,231	-	57,272,231
Experience losses (gains)	21,281,257	-	21,281,257
Changes of assumptions	8,251,113	-	8,251,113
Contributions – city	-	35,099,895	(35,099,895)
Contributions – members	-	5,616,520	(5,616,520)
Net investment income	-	45,436,923	(45,436,923)
Benefits paid	(58,153,388)	(58,153,388)	-
Plan administrative expenses	-	(1,508,027)	1,508,027
Other	-	135,260	(135,260)
Net changes	<u>44,727,187</u>	<u>26,627,183</u>	<u>18,100,004</u>
Balances at 6/30/2018	<u>\$ 849,420,146</u>	<u>\$ 559,516,423</u>	<u>\$ 289,903,723</u>
	Component Units		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2017	\$ 40,317,231	\$ 24,990,757	\$ 15,791,844
Changes for the year:			
Service cost	1,166,164	-	1,166,164
Interest expense	2,863,105	-	2,863,105
Experience losses (gains)	-	-	-
Changes of assumptions	(485,642)	-	(485,642)
Contributions – city	-	2,060,409	(2,060,409)
Contributions – members	-	446,832	(446,832)
Net investment income	-	11,884	(11,884)
Benefits paid	(2,638,229)	(2,638,229)	-
Plan administrative expenses	-	(38,536)	38,536
Other	-	-	-
Net changes	<u>905,398</u>	<u>(157,640)</u>	<u>(1,036,038)</u>
Balances at 6/30/2018	<u>\$ 41,222,629</u>	<u>\$ 24,833,117</u>	<u>\$ 16,389,512</u>

(Continued)

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

	<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	\$ 64,725,907	\$ 214,713,59	\$ 12,801,995	\$ 14,051,674	\$ 306,293,235
Deferred pension outflows					
Contributions	12,770,788	19,646,959	100,000	-	32,517,747
Change in assumptions	8,808,844	25,100,635	3,330,425	-	37,239,904
Difference between expected and actual experience	1,889,962	19,302,865	8,583,741	621,810	30,398,378
Net difference between projected and actual earnings on pension plan investments	<u>10,159,116</u>	<u>8,919,086</u>	<u>717,158</u>	<u>1,534,400</u>	<u>21,329,760</u>
	<u>33,628,710</u>	<u>72,969,545</u>	<u>12,731,324</u>	<u>2,156,210</u>	<u>121,485,789</u>
Deferred pension inflows					
Change in assumptions	640,869	-	-	-	640,869
Difference between expected and actual experience	79,391	6,184,170	-	440,868	6,704,429
Net difference between projected and actual earnings on pension plan investments	<u>11,081,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,081,116</u>
	<u>11,801,376</u>	<u>6,184,170</u>	<u>-</u>	<u>440,868</u>	<u>18,426,414</u>
Pension expense (income)	15,107,534	27,181,256	6,059,369	2,122,934	50,471,093

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.

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.

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.

(Continued)

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

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

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><u>2,697</u></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, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018, rolled-forward to June 30, 2018 using standard roll forward techniques.

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.

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, 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% 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</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	\$ 352,796,136	\$ 280,271,714	\$ 72,524,422
Changes for the year:			
Service cost	7,437,871	-	7,437,871
Interest expense	23,936,377	-	23,936,377
Difference between expected and actual experience	1,236,249	-	1,236,249
Contributions – city	-	11,659,818	(11,659,818)
Contributions – members	-	1,203,981	(1,203,981)
Net investment income	-	27,938,443	(27,938,443)
Benefits paid	(21,695,787)	(21,695,787)	-
Plan administrative expenses	-	(393,230)	393,230
Net changes	<u>10,914,710</u>	<u>18,713,225</u>	<u>(7,798,515)</u>
Balances at 6/30/2018	<u>\$ 363,710,846</u>	<u>\$ 298,984,939</u>	<u>\$ 64,725,907</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>\$ 105,019,174</u>	<u>\$ 64,725,907</u>	<u>\$ 30,495,499</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 \$14,561,865 with an additional \$545,669 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	\$ 12,309,520	\$ 461,268	\$ 12,770,788
Net difference between projected and actual earnings on pension plan investments	9,792,179	366,937	10,159,116
Difference between expected and actual experience	1,821,698	68,264	1,889,962
Change of assumptions	<u>8,490,677</u>	<u>318,167</u>	<u>8,808,844</u>
Total deferred outflow of resources	<u>\$ 32,414,074</u>	<u>\$ 1,214,636</u>	<u>\$ 33,628,710</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	\$ 617,721	\$ 23,148	\$ 640,869
Difference between expected and actual experience	76,523	2,868	79,391
Net difference between projected and actual earnings on pension plan investments	<u>10,680,877</u>	<u>400,239</u>	<u>11,081,116</u>
Total deferred inflow of resources	<u>\$ 11,375,121</u>	<u>\$ 426,255</u>	<u>\$ 11,801,376</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	\$ 3,701,472	\$ 138,703	\$ 3,840,175
2020	6,438,826	241,279	6,680,105
2021	5,009,140	187,705	5,196,845
2022	(410,214)	(15,372)	(425,586)
2023	<u>(1,367,585)</u>	<u>(51,247)</u>	<u>(1,418,832)</u>
	<u>\$ 13,371,639</u>	<u>\$ 501,068</u>	<u>\$ 13,872,707</u>

Payable to the Pension Plan

At June 30, 2019, 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, 2018, the valuation date:

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>

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, 2018, the active member contribution rate was 11 percent of payroll. The City’s contribution rate was 42.95% of the total covered payroll of participants.

Net Pension Liability

The City’s net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018, rolled-forward to June 30, 2018.

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.

(Continued)

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

Inflation	2.75 percent
Salary increases	1.50 – 2.75 percent plus service-based merit increases
Investment rate of return inflation	7.25 percent, net of pension plan investment expense, including inflation
Pre-retirement 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>
Large cap equity	20%	6.10%
Mid cap equity	15	7.10
Small cap equity	5	8.00
International equity	10	7.40
Emerging markets	10	9.80
Private equity	5	10.70
Real estate	5	5.10
Timber	5	5.90
Farmland	5	6.90
Fixed income	<u>20</u>	1.75
	<u>100%</u>	

Discount rate - The discount rate used to measure the total pension liability was 7.25 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.

(Continued)

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2017	\$ 406,463,227	\$ 217,979,379	\$ 188,483,848
Changes for the year:			
Service cost	5,486,963	-	5,486,963
Interest expense	29,768,876	-	29,768,876
Difference between expected and actual experience	18,629,233	-	18,629,233
Change of assumptions	8,251,113	-	8,251,113
Contributions – city	-	18,036,218	(18,036,218)
Contributions – members	-	4,456,026	(4,456,026)
Net investment income	-	14,333,154	(14,333,154)
Benefits paid	(30,063,677)	(30,063,677)	-
Plan administrative expenses	-	(1,054,284)	1,054,284
Other	-	135,260	(135,260)
Net changes	<u>32,072,508</u>	<u>5,842,697</u>	<u>26,229,811</u>
Balances at 6/30/2018	<u>\$ 438,535,735</u>	<u>\$ 223,822,076</u>	<u>\$ 214,713,659</u>

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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City’s net pension liability	<u>\$ 265,445,309</u>	<u>\$ 214,713,659</u>	<u>\$ 172,273,807</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 \$27,181,256 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	\$ 19,302,865	\$ 6,184,170
Change of assumptions	25,100,635	-
Deferred contributions	19,646,959	-
Net difference between projected and actual earnings on pension plan investments	<u>8,919,086</u>	<u>-</u>
Total	<u>\$ 72,969,545</u>	<u>\$ 6,184,170</u>

(Continued)

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

Deferred outflows of resources totaling \$19,646,959 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	\$ 14,990,602
2020	12,784,737
2021	6,885,122
2022	4,516,152
2023	4,151,754
2024	<u>3,840,049</u>
	<u>\$ 47,168,416</u>

Payable to the Pension Plan

At June 30, 2019, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan.

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, 2019:

Inactive plan members or beneficiaries currently receiving benefits	14
Inactive plan members entitled to but not yet receiving benefits	133
Active plan members	<u>541</u>
	<u>688</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.

(Continued)

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

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 1, 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:

<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.

(Continued)

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2017	\$ 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 6/30/2018	<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:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
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:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 8,584,000
Employer contributions made after plan year	100,000
Change in assumptions	3,330,000
Net difference between projected and actual earnings on pension plan investments	<u>717,000</u>
Total	<u>\$ 12,731,000</u>

(Continued)

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

Deferred outflows of resources totaling \$100,000 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,	
2020	\$ 1,465,000
2021	1,263,000
2022	592,000
2023	845,000
2024	862,000
Thereafter	<u>7,604,000</u>
	<u>\$ 12,631,000</u>

Payable to the Pension Plan

At June 30, 2019, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan.

Other Postemployment Benefits (City Fund)

The primary government provides benefits through two single-employer other postemployment benefit plans (OPEB), one for EPB employees and one for all other city employees. There is no separate plan for police and fire.

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

	Primary Government		
	Total Pension Liability	Plan Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balances at 6/30/2017	\$ 206,357,426	\$ 75,853,948	\$ 130,503,478
Changes for the year:			
Service cost	4,987,244	-	4,987,244
Interest expense	14,882,065	-	14,882,065
Difference between expected and actual experience	(3,692,495)	-	(3,692,495)
Change of assumptions	13,240,396	-	13,240,396
Contributions – city	-	15,877,396	(15,877,396)
Net investment income	-	8,157,711	(8,157,711)
Benefits paid	(9,967,792)	(9,967,792)	-
Plan administrative expenses	-	(99,522)	99,522
Net changes	<u>19,449,418</u>	<u>13,967,793</u>	<u>5,481,625</u>
Balances at 6/30/2018	<u>\$ 225,806,844</u>	<u>\$ 89,821,741</u>	<u>\$ 135,985,103</u>

General Information

	<u>Component Unit</u>
	Total OPEB Liability
Total OPEB liability (TOL) as of June 30, 2017	\$ 235,961
Changes for the year:	
Service cost	3,246
Interest on TOL and cash flows	6,877
Changes in benefit terms	8,107
Benefits paid	<u>(13,418)</u>
Net changes	<u>4,812</u>
Total OPEB liability (TOL) as of June 30, 2018	<u>\$ 240,773</u>

(Continued)

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

	City & Airport OPEB Plan	EPB OPEB Plan	CARTA OPEB Plan	Total
Net OPEB liability	\$ 133,413,103	\$ 2,572,000	\$ -	\$ 135,985,103
Deferred OPEB outflows:				
Deferred contributions	14,180,763	1,582,000	-	15,762,763
Net difference between projected and actual earnings on OPEB plan investments	2,249,202	-	-	2,249,202
Change in assumptions	11,121,933	-	-	11,121,933
Difference between expected and actual experience	<u>140,704</u>	<u>-</u>	<u>-</u>	<u>140,704</u>
	<u>27,692,602</u>	<u>1,582,000</u>	<u>-</u>	<u>29,274,602</u>
Deferred OPEB inflows:				
Difference between expected and actual experience	-	3,575,000	-	3,575,000
Net difference between projected and actual earnings on OPEB plan investments	<u>3,442,682</u>	<u>909,000</u>	<u>-</u>	<u>4,351,682</u>
	<u>3,442,682</u>	<u>4,484,000</u>	<u>-</u>	<u>7,926,682</u>
OPEB expense	14,750,731	1,200,000	-	15,950,731

The following is a summary of each 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, 2018, the date of the valuation used to determine the June 30, 2018:

Inactive members or their beneficiaries currently receiving benefits	1,309
Active members	<u>2,217</u>
Total	<u>3,526</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 14.18 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, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018, rolled-forward to June 30, 2018.

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	7.00% compounded annually, net of investment expense, and including inflation
Single equivalent interest rate	7.00%
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	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 increase 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 increase 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, 2018 valuation were based on a review of recent plan experience done concurrently with the January 1, 2018 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 7.0 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 6/30/2017	\$ 177,873,426	\$ 54,891,948	\$ 122,981,478
Changes for the year:			
Service cost	3,796,244	-	3,796,244
Interest expense	13,031,065	-	13,031,065
Changes in assumptions	13,240,396	-	13,240,396
Difference between expected and actual experience	167,505	-	167,505
Contributions – employer	-	14,191,396	(14,191,396)
Net investment income	-	5,662,711	(5,662,711)
Benefits paid	(8,251,792)	(8,251,792)	-
Plan administrative expenses	-	(50,522)	50,522
Net changes	<u>21,983,418</u>	<u>11,551,793</u>	<u>10,431,625</u>
Balance at 6/30/2018	<u>\$ 199,856,844</u>	<u>\$ 66,443,741</u>	<u>\$ 133,413,103</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 (6.00%) or 1-percentage point higher (8.00%) than the current discount rate:

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Discount Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
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</u> <u>Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability	\$ 113,146,007	\$ 133,413,103	\$ 157,222,473

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 \$14,671,519 with an additional \$79,211 for the Airport Authority, a component unit of the City.

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	\$ 14,104,612	\$ 320,679	\$ 14,425,291
Net difference between projected and actual earnings on OPEB investment	2,237,124	12,078	2,249,202
Changes of assumptions	11,062,208	59,725	11,121,933
Difference between expected and actual experience	<u>139,948</u>	<u>756</u>	<u>140,704</u>
Total	<u>\$ 27,543,892</u>	<u>\$ 393,238</u>	<u>\$ 27,937,130</u>
Deferred inflow of resources:			
Net difference between projected and actual earnings on OPEB investment	<u>\$ 3,424,195</u>	<u>\$ 18,487</u>	<u>\$ 3,442,682</u>
Total	<u>\$ 3,424,195</u>	<u>\$ 18,487</u>	<u>\$ 3,442,682</u>

(Continued)

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

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 Government</u>	<u>Airport Authority</u>	<u>Total</u>
Year ended June 30,			
2019	\$ 2,198,765	\$ 11,871	\$ 2,210,636
2020	2,198,765	11,871	2,210,636
2021	1,080,201	5,832	1,086,033
2022	1,870,173	10,097	1,880,270
2023	<u>2,133,744</u>	<u>11,520</u>	<u>2,145,264</u>
	<u>\$ 9,481,648</u>	<u>\$ 51,191</u>	<u>\$ 9,532,839</u>

Payable to the OPEB Plan

At June 30, 2019, the City reported a payable of \$0 for the outstanding amount of contribution to the OPEB plan.

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, 2019, 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 2019 are as shown in the table below.

<u>Category</u>	Retirement After March 1, 1991				
	<u>Years of Service/percent of Contributions</u>				
	<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	588	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

(Continued)

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

EPB’s contributions are calculated based on claims actually paid under the plan, which were 3.7% of annual covered payroll as of June 30, 2018.

Net OPEB Liability

EPB’s net OPEB liability was measured as of June 30, 2018, 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, 2018 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, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2018.

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>Plan Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</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>

(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 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 (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (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:

	<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.

(Continued)

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

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

Asset balance at July 1, 2018	\$ 34,484,237
Deferrals of compensation	2,167,295
Earnings (losses)	1,828,187
Withdrawals	(2,954,781)
Administrative expenses	<u>(42,703)</u>
Asset balance at June 30, 2019	<u>\$ 35,482,235</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 \$1.5 million in fiscal year 2019. Employee contributions were approximately \$3.5 million. The EPB the authority to establish and amend the plan to EPB.

Pension Plans of Component Units

Chattanooga Area Regional Transportation Authority (CARTA or Authority) is the only component unit with a separate defined benefit pension plan. Condensed disclosures for CARTA's defined benefit pension plan 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.

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, 2019, the valuation date:

Inactive employees or beneficiaries currently receiving benefits	107
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>168</u>
	<u>281</u>

Contributions – All participants are required to make a contribution equal to 4.5 percent of their earnings, with CARTA contributing 12.6 percent.

Net Pension Liability

The Authority's net pension liability was measured as of January 1, 2019, 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. 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.

(Continued)

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

Changes in Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 1/1/18	\$ 27,574,579	\$ 14,867,617	\$ 12,706,962
Changes for the year:			
Service cost	897,515	-	897,515
Interest expense	1,998,546	-	1,998,546
Experience losses/ (gains)	(530,294)	-	(530,294)
Contributions – CARTA	-	1,639,268	(1,639,268)
Contributions – members	-	403,345	(403,345)
Net investment income	-	(997,225)	997,225
Benefits paid	(1,854,598)	(1,854,598)	-
Plan administrative expenses	-	(24,333)	24,333
Other	-	-	-
Net changes	<u>511,169</u>	<u>(833,543)</u>	<u>1,344,712</u>
Balances at 1/1/19	<u>\$ 28,085,748</u>	<u>\$ 14,034,074</u>	<u>\$ 14,051,674</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, 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 (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Net OPEB liability	\$ 16,611,653	\$ 14,051,674	\$ 11,871,273

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 \$2,122,934. 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	\$ 621,810	\$ 440,868
Authority contributions received after the measurement date	1,177,922	-
Net difference between projected and actual earnings on pension plan investments	<u>1,534,400</u>	<u>-</u>
Total	<u>\$ 3,334,132</u>	<u>\$ 440,868</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,	
2020	\$ 677,350
2021	446,583
2022	281,022
2023	389,400
Thereafter	<u>(79,013)</u>
	<u>\$ 1,715,342</u>

Other Postemployment Benefits of Component Units

General Information

As of June 30, 2018, CARTA has adopted an OPEB plan that was established by the Authority Board. The Board is authorized to approve amendments to the Plan. The Board has not elected to advance fund the Plan, but rather maintains the Plan as a “pay as you go” basis, in that claims are paid as they arise, rather than establish an irrevocable trust to accumulate restricted funds. The Plan does not issue separate financial statements

Plan administration

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.

Membership

The following schedule (derived from the recent actuarial valuation report) reflects membership for the OPEB Health Care Plan as of June 30, 2018.

Inactive employees or beneficiaries	88
DROP members	14
Active employees	<u>166</u>
Total	<u>268</u>

Contribution

Plan members are currently not required to contribute.

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of the valuation date, June 30, 2018. An expected total OPEB liability is determined as of June 30, 2017, the prior measurement date, using standard roll back techniques. The rollback calculation begins with the total OPEB liability, as of the measurement date, June 30, 2018, adds the expected benefit payments for the year, deducts interest at the discount rate of the year, and then subtracts the annual service cost

(Continued)

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

The following actuarial assumptions apply to all periods included in the measurement:

Discount rate	3.00%
Salary increases	N/A
Inflation rate	3.00%
Municipal bond index rate	3.89%
Long-term expected rate of return	3.00%

Mortality rates were based on the RP-2014 Total Data Set Mortality Table projected generationally with Scale MP-2014, for service. The RP-2014 Disabled Retiree Mortality Table projected generationally with Scale MP-2014 is used for the period after disability retirement.

Changes in Total OPEB Liability

The following is the Authority’s changes in the total OPEB liability by source for the fiscal year ended June 30, 2018:

Total OPEB Liability (TOL) as of June 30, 2017	\$	235,961
Changes for the Year:		
Service cost		3,246
Interest on TOL and cash flows		6,877
Changes in benefit terms		8,107
Benefits paid		<u>(13,418)</u>
Net changes		<u>4,812</u>
Total OPEB Liability (TOL) as of June 30, 2018	\$	<u>240,773</u>

Effective July 1, 2017 CARTA implemented the provisions of GASB Statement No. 75. Accounting and Financial Reporting for Postemployment Benefits Other than Pension, which significantly changed CARTA’s accounting for OPEB amounts.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Authority, calculated using the discount rate, as well as what the Authority’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage higher than the current rate.

	<u>1% Decrease</u> <u>(2.00%)</u>	<u>Discount Rate</u> <u>(3.00%)</u>	<u>1% Increase</u> <u>(4.00%)</u>
Net OPEB Liability (asset)	273,042	240,773	214,796

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, 2019, the minimum fund balance per policy is \$43.9 million. The current unrestricted fund balance is \$96.9 million.

(Continued)

NOTE 8. FUND BALANCE (Continued)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances:				
Nonspendable				
Endowments	\$ -	\$ -	\$ 5,289,761	\$ 5,289,761
Inventory	949,551	-	-	949,551
Long-term notes receivable	496,438	-	-	496,438
Prepaid expenses	4,000	-	-	4,000
Restricted				
Law enforcement	67,393	-	1,344,078	1,411,471
Economic development	18,595,032	-	11,424	18,606,456
African American Museum	73,748	-	-	73,748
Special programs	239,874	-	-	239,874
Capital projects	-	66,005,290	-	66,005,290
Library Endowment	405,857	-	261,760	667,617
Social services program	-	-	426,403	426,403
State street aid	-	-	5,898,691	5,898,691
Community development	-	-	2,264,222	2,264,222
Hotel-Motel tax revenue pledge	-	-	1,403,203	1,403,203
Regional Planning Agency	-	-	239,642	239,642
Air Pollution Control Bureau	-	-	367,004	367,004
Committed				
Law enforcement	255,252	-	-	255,252
Economic development	449,672	-	-	449,672
Free Public Library	117,008	-	-	117,008
African American Museum	73,748	-	-	73,748
Regional Planning Agency	-	-	4,686,666	4,686,666
Air Pollution Control Bureau	-	-	550,507	550,507
Scenic Cities Beautiful Commission	-	-	201	201
Debt service	-	-	3,049,310	3,049,310
Assigned				
Public Library	1,054,770	-	-	1,054,770
Special programs	5,091,784	-	-	5,091,784
Golf course	309,221	-	-	309,221
Other purposes	3,090,975	-	-	3,090,975
Unassigned	<u>78,168,460</u>	<u>-</u>	<u>-</u>	<u>78,168,460</u>
Total fund balances	<u>\$ 109,442,783</u>	<u>\$ 66,005,290</u>	<u>\$ 25,792,872</u>	<u>\$ 201,240,945</u>
Summary for Governmental Funds				
Balance Sheet:				
Nonspendable	\$ 1,449,989	\$ -	\$ 5,289,761	\$ 6,739,750
Restricted	19,381,904	66,005,290	12,216,427	97,603,621
Committed	895,680	-	8,286,684	9,182,364
Assigned	9,546,750	-	-	9,546,750
Unassigned	<u>78,168,460</u>	<u>-</u>	<u>-</u>	<u>78,168,460</u>
Total fund balances	<u>\$ 109,442,783</u>	<u>\$ 66,005,290</u>	<u>\$ 25,792,872</u>	<u>\$ 201,240,945</u>

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 13,656,851
General Fund	Nonmajor Governmental Fund	<u>753,000</u>
		<u>\$ 14,409,851</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>Total</u>
	<u>Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Solid Waste</u>	
Transfers out:					
General Fund	\$ -	\$ 24,288,472	\$ 28,434,656	\$ -	\$ 52,723,128
Capital Project Fund	12,454	-	-	19,030	31,484
Nonmajor Governmental Funds					
Debt Service	-	1,200,000	-	-	1,200,000
Narcotics Program	-	250,000	-	-	250,000
Community Development	-	122,667	388,956	-	511,624
State Street Aid	-	1,765,148	-	-	1,765,148
Hotel/Motel Tax	-	6,800,000	3,758,373	-	10,558,373
Total	<u>\$ 12,454</u>	<u>\$ 34,426,287</u>	<u>\$ 32,581,985</u>	<u>\$ 19,030</u>	<u>\$ 67,039,757</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, 2019, 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.

(Continued)

NOTE 11. RISK MANAGEMENT (Continued)

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, 2019, the Internal Service Fund liability consists of \$1,406,000 related to torts and \$4,253,823 related to medical benefits. Assets are sufficient in the fund to cover unpaid claims.

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, 2017 (adj)	\$ 556,304	\$ 7,159,706
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	481,041	5,220,712
Incurred claims, including IBNRs/reduction in estimated liabilities	2,984,356	33,911,892
Claim payments	<u>(2,976,165)</u>	<u>(33,472,781)</u>
Unpaid claims, June 30, 2019	<u>\$ 489,232</u>	<u>\$ 5,659,823</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%.

(Continued)

NOTE 12. TAX ABATEMENTS (Continued)

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.

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	2	12	2	\$ 475,180
Commercial and Industrial Development	<u>1</u>	<u>22</u>	-	<u>14,335,352</u>
Total	<u>3</u>	<u>34</u>	<u>2</u>	<u>\$ 14,810,532</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, 2019, the City’s commitment with contractors was \$100,504,447.

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.

(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

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 bonds were paid off during fiscal year 2019. The Airport issued an additional \$10,000,000 in Taxable and Tax-Exempt bonds in 2014 which are not guaranteed by the City.

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 15.54 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 65,400 cubic yards per year below normal. The contract expires on February 3, 2020. Absent renewal of the contract, the useful life will be approximately 64 years.

Changes in the estimated liability for landfill closure and post closure care costs for the year ended June 30, 2019, are as follows:

Estimated liability, June 30, 2018	\$ 4,849,420
Expenses recognized	40,504
Costs incurred	<u>(550,346)</u>
Estimated liability, June 30, 2019	<u>\$ 4,339,578</u>
Due within one year	<u>\$ 531,924</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 1,296 miles of sewer gravity mains, 56 miles of sewer pressurized mains, 78 sewage pumping stations, approximately 171 residential/grinder stations, 8 combined sewer overflow treatment facilities, 1 combined sewer overflow storage facility 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.

(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

Pollution Remediation

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

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

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

During the fiscal year, the City spent \$31,303 in pollution remediation obligation related activities and received \$9,685 reimbursement from the State of Tennessee. At June 30, 2019, the City had a net pollution remediation obligation of \$85,816.

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 \$58,270 at the end of fiscal year 2019.

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. As the grant end date approaching, a two-year extension has been requested, so City can complete the remediation by September of 2021.

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.

(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

Conduit Debt Obligations

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

The Industrial Development Board currently has nine (9) outstanding bond issues, the original amounts of which were \$256,650,000. The Health, Educational and Housing Facility Board currently has thirty-one (31) bond issues, the original amount of which were \$666,425,727. 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-utilized 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, 2019, the City has committed \$186,556 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.

(Continued)

NOTE 14. SEGMENT INFORMATION (Continued)

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	\$ 161,974,000	\$ 54,812,000	\$ (3,774,000)	\$ 213,012,000
Capital assets	583,752,000	110,240,000	(15,600,000)	678,392,000
Deferred outflows of resources	<u>24,694,000</u>	<u>4,887,000</u>	<u>(3,214,000)</u>	<u>26,367,000</u>
Total assets and deferred Outflows of resources	<u>770,420,000</u>	<u>169,939,000</u>	<u>(22,588,000)</u>	<u>917,771,000</u>
Liabilities and deferred inflows of resources:				
Current liabilities	136,078,000	23,794,000	(3,774,000)	156,098,000
Noncurrent liabilities	315,736,000	1,752,000	(15,600,000)	301,888,000
Deferred inflows of resources	<u>9,340,000</u>	<u>418,000</u>	<u>(3,214,000)</u>	<u>6,544,000</u>
Total liabilities and deferred Inflows of resources	<u>461,154,000</u>	<u>25,964,000</u>	<u>(22,588,000)</u>	<u>464,530,000</u>
Net position:				
Net investment in capital assets	323,233,000	94,640,000	-	417,873,000
Unrestricted	<u>(13,967,000)</u>	<u>49,335,000</u>	<u>-</u>	<u>35,368,000</u>
Total net position	<u>\$ 309,266,000</u>	<u>\$ 143,975,000</u>	<u>\$ -</u>	<u>\$ 453,241,000</u>

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	\$ 589,694,000	\$ 171,620,000	\$ (28,863,000)	\$ 732,451,000
Depreciation expense	(40,875,000)	(19,719,000)	-	(60,594,000)
Other operating expenses	<u>(524,278,000)</u>	<u>(123,894,000)</u>	<u>28,863,000</u>	<u>(619,309,000)</u>
Operating income	24,541,000	28,007,000	-	52,548,000
Nonoperating revenues (expenses):				
Investment earnings	1,110,000	563,000	-	1,673,000
Interest expense	(9,833,000)	-	-	(9,833,000)
Other nonoperating	(227,000)	338,000	-	111,000
Tax equivalent	<u>(6,943,000)</u>	<u>(675,000)</u>	<u>-</u>	<u>(7,618,000)</u>
Change in net position	<u>8,648,000</u>	<u>28,233,000</u>	<u>-</u>	<u>36,881,000</u>
Net position, beginning, as previously stated	<u>300,618,000</u>	<u>115,742,000</u>	<u>-</u>	<u>416,360,000</u>
Net position, end of year	<u>\$ 309,266,000</u>	<u>\$ 143,975,000</u>	<u>\$ -</u>	<u>\$ 453,241,000</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	\$ 62,752,000	\$ 47,462,000	\$ -	\$ 110,214,000
Capital and related financing activities	(75,221,000)	(22,931,000)	-	(98,152,000)
Investing activities	<u>(1,319,000)</u>	<u>(15,516,000)</u>	<u>-</u>	<u>(16,835,000)</u>
Net increase (decrease)	(13,788,000)	9,015,000	-	(4,773,000)
Beginning cash and cash equivalents	<u>90,071,000</u>	<u>15,815,000</u>	<u>-</u>	<u>105,886,000</u>
Ending cash and cash equivalents	<u>\$ 76,536,000</u>	<u>\$ 24,830,000</u>	<u>\$ -</u>	<u>\$ 101,113,000</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	\$ 11,068,285
Multiplied by two-thirds	x <u>2/3</u>
City's equity interest	<u>\$ 7,378,857</u>

Condensed financial information for Carter Street Corporation as of June 30, 2019, is as follows:

STATEMENT OF NET POSITION

Assets:	
Cash	\$ 2,461,435
Accounts receivable, net	486,721
Prepaid expenses	38,092
Inventories	72,269
Capital assets, net	<u>8,529,974</u>
Total assets	<u>\$ 11,588,491</u>
Liabilities:	
Accounts payable	\$ 75,836
Accrued expenses	179,652
Advanced deposits	<u>264,718</u>
Total liabilities	<u>520,206</u>
Net Position:	
Net investment in capital assets	8,529,974
Unrestricted	<u>2,538,311</u>
Total net position	<u>11,068,285</u>
Total liabilities and net position	<u>\$ 11,588,491</u>

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Total operating revenues	\$ 3,965,284
Total operating expenses	<u>(4,829,399)</u>
Loss from operations	(864,115)
Nonoperating revenues	300,000
Capital contributions	<u>200,000</u>
Net increase	(364,115)
Net position, beginning of year	<u>11,432,400</u>
Net position, end of year	<u>\$ 11,068,285</u>

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

NOTE 16. SUBSEQUENT EVENTS

On October 8, 2019, the City issued General Obligation Bonds in the amount of \$31,500,000 and General Obligation Refunding Bonds in the amount of \$18,505,000, which totals \$50,005,000. On June 25, 2019, City Council voted in favor of a resolution creating a Central Business Improvement District within the City.



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

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 7,739,257	\$ 7,437,871	\$ 6,982,512	\$ 6,379,426	\$ 6,381,168	\$ 6,069,090
Interest	24,677,422	23,936,377	23,280,746	22,693,730	21,950,480	22,247,450
Differences between expected and actual experience	348,190	1,236,249	2,630,676	735,472	(333,439)	-
Changes of assumptions	5,411,416	-	8,927,192	8,345,787	-	(5,893,894)
Benefit payments, including refund of member contributions	(22,352,506)	(21,695,787)	(20,277,462)	(18,970,026)	(17,206,397)	(16,420,492)
Net change in total pension liability	15,823,779	10,914,710	21,543,664	19,184,389	10,791,812	6,002,154
Total pension liability - beginning	363,710,846	352,796,136	331,252,472	312,068,083	301,276,271	295,274,117
Total pension liability - ending (a)	\$ 379,534,625	\$ 363,710,846	\$ 352,796,136	\$ 331,252,472	\$ 312,068,083	\$ 301,276,271
Plan fiduciary net position						
Contributions - employer	\$ 12,770,788	\$ 11,659,818	\$ 9,717,412	\$ 8,076,989	\$ 7,925,195	\$ 7,751,909
Contributions - member	1,245,864	1,203,981	1,179,685	1,158,835	1,140,121	1,130,354
Net investment income	6,280,709	27,938,443	25,744,473	193,190	9,290,101	31,178,197
Benefit payments, including refund of member contributions	(22,352,506)	(21,695,787)	(20,277,462)	(18,970,026)	(17,206,397)	(16,420,492)
Administrative expense	(164,522)	(393,230)	(158,790)	(161,500)	(205,580)	(192,205)
Net change in plan fiduciary net position	(2,219,667)	18,713,225	16,205,318	(9,702,512)	943,440	23,447,763
Plan fiduciary net position - beginning	298,984,939	280,271,714	264,066,396	273,768,908	272,825,468	249,377,705
Plan fiduciary net position - ending (b)	\$ 296,765,272	\$ 298,984,939	\$ 280,271,714	\$ 264,066,396	\$ 273,768,908	\$ 272,825,468
Net pension liability - ending (a) - (b)	\$ 82,769,353	\$ 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	78.19%	82.20%	79.44%	79.72%	87.73%	90.56%
Covered payroll	\$ 62,944,765	\$ 60,195,485	\$ 59,220,510	\$ 57,608,950	\$ 57,555,196	\$ 55,815,216
Net pension liability as a percentage of covered payroll	131.50%	107.53%	122.47%	116.62%	66.54%	50.97%

Notes to Schedule:

Benefit changes. None

Changes in actuarial assumptions and methods:

2019:

- *The assumed investment rate of return was lowered from 7.00% to 6.75%.
- *Retirement, withdrawal, and disability rates were changed to more closely reflect recent experiences.
- *The pre-retirement and post-retirement healthy mortality tables were changed to the RP-2014 Mortality Table set forward four years for males and three years for females and using a Scale MP-2017 projection to 2025.
- *The post-retirement mortality table was changed to the RP-2014 Disability Mortality Table set forward four years for males and set forward seven years for females and using a Scale MP-2017 projection to 2025 for disability retirements.
- *Salary increase rates were changed to more closely reflect recent experience.
- *The administrative expense assumption was increased from 0.42% to 0.50% of payroll.
- *The asset smoothing method was changed from 10-year to 5-year smoothing.

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

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 6,456,437	\$ 5,486,963	\$ 5,398,371	\$ 5,599,755	\$ 5,754,036	\$ 5,858,028
Interest	31,209,745	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	1,268,327	18,629,233	(8,657,838)	175,120	1,007,292	9,811,157
Changes of assumptions	(1,006,613)	8,251,113	10,839,776	-	23,999,640	-
Benefit payments, including refund of member contributions	(29,025,870)	(30,063,677)	(29,009,204)	(29,511,435)	(28,100,924)	(30,114,186)
Net change in total pension liability	<u>8,902,026</u>	<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>438,535,735</u>	<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>\$ 447,437,761</u>	<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	\$ 19,646,959	\$ 18,036,218	\$ 12,999,917	\$ 11,987,641	\$ 11,115,222	\$ 13,495,433
Contributions - member	4,496,310	4,456,026	4,137,743	3,869,165	3,528,823	3,199,093
Net investment income	13,644,639	14,333,154	21,850,184	(5,439,852)	6,760,919	33,750,882
Benefit payments, including refund of member contributions	(29,025,870)	(30,063,677)	(29,009,204)	(29,511,435)	(28,100,924)	(30,114,186)
Administrative expense	(2,004,109)	(1,054,284)	(742,349)	(1,269,308)	(889,162)	(608,924)
Other	144,652	135,260	151,146	326,393	162,076	167,314
Net change in plan fiduciary net position	<u>6,902,581</u>	<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>223,822,076</u>	<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>\$ 230,724,657</u>	<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>\$ 216,713,104</u>	<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	51.57%	51.04%	53.63%	52.44%	58.29%	65.10%
Covered payroll	\$ 41,751,143	\$ 41,312,393	\$ 38,432,299	\$ 38,954,094	\$ 39,282,422	\$ 36,187,624
Net pension liability as a percentage of covered payroll	519.06%	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 7.50% to 7.25% and the administrative expense assumption was increased from \$600,000 to \$850,000 between June 30, 2017 and June 30, 2018 disclosures. The generational mortality scale was changed from a modified version of Scale MP-2017 to Scale MP-2018 between June 30, 2018 and June 30, 2019 disclosure.

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**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 12,340,736	\$ 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
Contributions in relation to the actuarially determined contribution	12,770,788	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
Contribution deficiency (excess)	<u>\$ (430,052)</u>	<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>
Covered payroll	\$ 62,944,765	\$ 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
Contributions as a percentage of covered payroll	20.29%	19.37%	16.41%	14.02%	13.77%	13.89%	13.51%	11.53%	7.67%	6.50%

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	27.0 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: RP2014 Combined Mortality Table set forward four years for males and set forward two years for females and using a Scale MP-2017 projection to 2025. Post-retirement mortality: RP-2014 Disabled Mortality Table set forward four years for males and set forward seven 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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 18,823,113	\$ 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
Contributions in relation to the actuarially determined contribution	19,646,959	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
Contribution deficiency (excess)	\$ (823,846)	\$ (1,531,428)	\$ (170,592)	\$ 42,999	\$ (1,636,322)	\$ (148,943)	\$ (398,855)	\$ (850,131)	\$ (390,959)	\$ 381,374
Covered payroll	\$ 41,312,393	\$ 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
Contributions as a percentage of covered payroll	47.56%	46.93%	33.37%	30.52%	30.72%	36.26%	32.87%	30.17%	26.05%	21.67%

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	7.25%, 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>2019</u>	<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	5.56%	8.07%	11.46%	-0.78%	2.93%	16.11%
Fire & Police Plan	5.81%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability				
Service cost	\$3,910,132	\$ 3,796,244	\$ 3,285,014	\$ 3,078,079
Interest	13,649,152	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	(9,737,905)	(8,251,792)	(7,341,124)	(11,657,111)
Net change in total OPEB liability	<u>7,821,379</u>	<u>21,983,418</u>	<u>8,380,562</u>	<u>3,437,945</u>
Total OPEB liability - beginning	<u>199,856,844</u>	<u>177,873,426</u>	<u>169,492,864</u>	<u>166,054,919</u>
Total OPEB liability - ending (a)	<u><u>\$207,678,223</u></u>	<u><u>\$199,856,844</u></u>	<u><u>\$177,873,426</u></u>	<u><u>\$169,492,864</u></u>
Plan fiduciary net position				
Contributions - employer	\$ 14,180,763	\$ 14,191,396	\$ 13,403,639	\$ 12,917,243
Contributions - member	-	-	-	2,739,171
Net investment income	2,848,123	5,662,711	7,313,765	(2,469,379)
Benefit payments, including refund of member contributions	(9,737,905)	(8,251,792)	(7,341,124)	(11,657,111)
Administrative expense	(44,054)	(50,522)	(41,992)	(41,906)
Net change in plan fiduciary net position	<u>7,246,927</u>	<u>11,551,793</u>	<u>13,334,288</u>	<u>1,488,018</u>
Plan fiduciary net position - beginning	<u>66,443,741</u>	<u>54,891,948</u>	<u>41,557,660</u>	<u>40,069,642</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 73,690,668</u></u>	<u><u>\$ 66,443,741</u></u>	<u><u>\$ 54,891,948</u></u>	<u><u>\$ 41,557,660</u></u>
Net OPEB liability - ending (a) - (b)	<u><u>\$133,987,555</u></u>	<u><u>\$133,413,103</u></u>	<u><u>\$122,981,478</u></u>	<u><u>\$127,935,204</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	35.48%	33.25%	30.86%	24.52%
Covered payroll	\$100,062,772	\$100,062,772	\$ 96,436,271	\$ 96,436,271
Net OPEB liability as a percentage of covered payroll	133.90%	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**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 13,588,664	\$ 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
Contributions in relation to the actuarially determined contribution	14,180,763	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
Contribution deficiency (excess)	\$ (592,099)	\$ (1,028,113)	\$ (240,356)	\$ (158,043)	\$ (2,995,257)	\$ (1,795,710)	\$ -	\$ -	\$ -	\$ 8,035,530
Covered payroll	\$ 100,062,772	\$ 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
Contributions as a percentage of covered payroll	14.17%	14.18%	13.90%	13.39%	16.52%	15.80%	13.49%	15.00%	15.43%	11.62%

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense				
OPEB	5.98%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
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
Changes of assumptions	1,236,249	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	(21,695,787)	(20,277,462)	(18,970,026)	(17,206,397)	(16,420,492)
Net change in total pension liability	<u>10,914,710</u>	<u>21,543,664</u>	<u>19,184,389</u>	<u>10,791,812</u>	<u>6,002,154</u>
Total pension liability - beginning	<u>352,796,136</u>	<u>331,252,472</u>	<u>312,068,083</u>	<u>301,276,271</u>	<u>295,274,117</u>
Total pension liability - ending (a)	<u>\$ 363,710,846</u>	<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	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	<u>18,713,225</u>	<u>16,205,318</u>	<u>(9,702,512)</u>	<u>943,440</u>	<u>23,447,763</u>
Plan fiduciary net position - beginning	<u>280,271,714</u>	<u>264,066,396</u>	<u>273,768,908</u>	<u>272,825,468</u>	<u>249,377,705</u>
Plan fiduciary net position - ending (b)	<u>\$ 298,984,939</u>	<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>\$ 64,725,907</u>	<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	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

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>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 assumed investment rate of return was lowered from 7.50% to 7.25% in 2018.

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 4,052,285	\$ 3,419,789	\$ 3,191,879	\$ 2,765,420	\$ 2,395,069
Interest	4,221,731	4,431,537	4,250,696	4,043,136	3,637,040
Differences between expected and actual experience	2,277,706	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>(5,962,649)</u>	<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	4,589,073	2,134,198	5,658,234	4,165,654	7,185,148
Total pension liability - beginning	<u>60,310,446</u>	<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>\$ 64,899,519</u>	<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	\$ 5,834,370	\$ 5,825,000	\$ 7,000,000	\$ 5,700,000	\$ 3,630,048
Net investment income	3,213,690	4,174,435	(345,933)	2,142,992	5,735,092
Benefit payments, including refund of member contributions	(5,962,649)	(7,177,555)	(6,568,775)	(5,237,213)	(2,455,053)
Administrative expense	<u>(55,831)</u>	<u>(74,716)</u>	<u>(74,572)</u>	<u>(73,572)</u>	<u>(86,522)</u>
Net change in plan fiduciary net position	3,029,580	2,747,164	10,720	2,532,207	6,823,565
Plan fiduciary net position - beginning	<u>47,508,451</u>	<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>\$ 50,538,031</u>	<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>\$ 14,361,488</u>	<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	77.87%	78.77%	76.94%	85.21%	87.31%
Covered payroll	\$ 42,505,392	\$ 37,195,884	\$ 37,808,796	\$ 35,014,644	\$ 32,127,132
Net pension liability as a percentage of covered payroll	33.79%	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**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
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)	\$ (59,892)	\$ (167,126)	\$ 43,923	\$ (153,275)	\$ (34,509)	\$ 206,061	\$ 520,278	\$ 1,926,398	\$ -	\$ -
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 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	27.7 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

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CITY CONTRIBUTIONS

FIRE AND POLICE PENSION FUND (Reporting per GASB 68)

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)	<u>\$ (1,531,428)</u>	<u>\$ (170,592)</u>	<u>\$ 42,999</u>	<u>\$ (1,636,322)</u>	<u>\$ (148,943)</u>	<u>\$ (398,855)</u>	<u>\$ (850,131)</u>	<u>\$ (390,959)</u>	<u>\$ 381,374</u>	<u>\$ (703,672)</u>
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, 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**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 5,573,063	\$ 5,058,640	\$ 4,758,552	\$ 3,561,883	\$ 3,646,080
Contributions in relation to the actuarially determined contribution	5,584,370	5,075,000	4,500,000	3,700,000	3,630,048
Contribution deficiency (excess)	<u>\$ (11,307)</u>	<u>\$ (16,360)</u>	<u>\$ 258,552</u>	<u>\$ (138,117)</u>	<u>\$ 16,032</u>
Covered payroll	\$ 40,978,404	\$ 37,195,884	\$ 35,295,564	\$ 34,480,956	\$ 32,127,132
Contributions as a percentage of covered payroll	13.63%	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>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability			
Service cost	\$ 3,796,244	\$ 3,285,014	\$ 3,078,078
Interest	13,031,065	12,436,672	12,016,977
Difference between expected and actual experience	167,505	-	-
Changes of assumptions	13,240,396	-	-
Benefit payments	<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	3,437,944
Total OPEB liability - beginning	<u>177,873,425</u>	<u>169,492,863</u>	<u>166,054,919</u>
Total OPEB liability - ending (a)	<u>\$ 199,856,843</u>	<u>\$ 177,873,425</u>	<u>\$ 169,492,863</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, net 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>\$ 133,413,102</u>	<u>\$ 122,981,477</u>	<u>\$ 127,935,203</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
City's net OPEB liability as a percentage of covered payroll	133.33%	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**

	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:

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	\$ 1,191,399
Interest	1,851,355
Difference between expected and actual experience	(3,860,119)
Refunds of contributions	(1,715,834)
Net change in total OPEB liability	<u>(2,533,199)</u>
Total OPEB liability - beginning	<u>28,482,391</u>
Total OPEB liability - ending (a)	<u><u>\$ 25,949,192</u></u>
 Plan fiduciary net position	
Contributions - employer	1,685,834
Net investment income	2,494,651
Benefit payments, net of member contributions	(1,715,834)
Administrative expense	(48,680)
Net change in plan fiduciary net position	<u>2,415,971</u>
 Plan fiduciary net position - beginning	<u>20,961,783</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 23,377,754</u></u>
 Net OPEB liability - ending (a) - (b)	<u><u>\$ 2,571,438</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	90.09%
 Covered payroll	\$ 42,610,686
 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 and River Pier Garage Fund accounts for revenues and expenditures of the City's hotel/motel privilege tax as well as the River Pier Garage located near the waterfront area. The City ordinance requires that hotel/motel taxes be used to develop and implement public improvements in the downtown and waterfront areas.

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, 2019

	Special Revenue					
	Downtown Development	Social Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax and River Pier Garage
ASSETS						
Cash and cash equivalents	\$ 11,424	\$ 292	\$ 2,616,629	\$ 4,484,922	\$ 4,088,191	\$ 693,178
Investments	-	-	-	957,697	-	-
Receivables, net of allowance for uncollectibles:						
Other taxes	-	-	-	-	-	1,362,496
Notes	-	-	-	-	8,569,842	-
Other	-	229	50	4,985	4,722	20,434
Due from other governments:						
Federal	-	1,181,084	-	-	111,077	-
State of Tennessee	-	842,241	-	1,135,953	-	-
Prepaid items	-	-	-	-	59,395	-
Total assets	\$ 11,424	\$ 2,023,846	\$ 2,616,679	\$ 6,583,557	\$ 12,833,227	\$ 2,076,108
LIABILITIES						
Accounts payable and accrued liabilities:						
Accounts payable	-	288,657	1,272,601	60,579	145,225	21,291
Accrued payroll	-	553,544	-	86,570	27,815	-
Due to other funds	-	753,000	-	-	-	-
Due to other governments	-	268	-	-	-	-
Unearned grants revenue	-	1,974	-	-	604,918	-
Total liabilities	-	1,597,443	1,272,601	147,149	777,958	21,291
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - other local taxes	-	-	-	-	-	651,614
Unavailable revenue - shared tax revenue	-	-	-	537,717	-	-
Unavailable revenue - CDBG loans	-	-	-	-	9,791,047	-
Total deferred inflows of resources	-	-	-	537,717	9,791,047	651,614
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	11,424	426,403	1,344,078	5,898,691	2,264,222	1,403,203
Committed	-	-	-	-	-	-
Total fund balances	11,424	426,403	1,344,078	5,898,691	2,264,222	1,403,203
Total liabilities, deferred inflows of resources and fund balances	\$ 11,424	\$ 2,023,846	\$ 2,616,679	\$ 6,583,557	\$ 12,833,227	\$ 2,076,108

Regional Planning Agency	Special Revenue			Total Special Revenue	Debt Service	Permanent Fund	Total Nonmajor Funds
	Air Pollution Control Bureau	Scenic Cities Beautiful Commission	Library Endowment				
\$ 4,844,688	\$ 951,435	\$ -	\$ 17,690,759	\$ 3,049,310	\$ 261,760	\$ 21,001,829	
-	-	-	957,697	-	5,289,761	6,247,458	
-	-	-	1,362,496	-	-	1,362,496	
-	-	-	8,569,842	-	-	8,569,842	
100	15,954	-	46,474	-	-	46,474	
12,569	-	-	1,304,730	-	-	1,304,730	
227,073	-	-	2,205,267	-	-	2,205,267	
-	-	3,785	63,180	-	-	63,180	
<u>\$ 5,084,430</u>	<u>\$ 967,389</u>	<u>\$ 3,785</u>	<u>\$ 32,200,445</u>	<u>\$ 3,049,310</u>	<u>\$ 5,551,521</u>	<u>\$ 40,801,276</u>	
30,490	2,363	336	1,821,542	-	-	1,821,542	
127,632	47,515	3,248	846,324	-	-	846,324	
-	-	-	753,000	-	-	753,000	
-	-	-	268	-	-	268	
-	-	-	606,892	-	-	606,892	
<u>158,122</u>	<u>49,878</u>	<u>3,584</u>	<u>4,028,026</u>	<u>-</u>	<u>-</u>	<u>4,028,026</u>	
-	-	-	651,614	-	-	651,614	
-	-	-	537,717	-	-	537,717	
-	-	-	9,791,047	-	-	9,791,047	
<u>-</u>	<u>-</u>	<u>-</u>	<u>10,980,378</u>	<u>-</u>	<u>-</u>	<u>10,980,378</u>	
-	-	-	-	-	5,289,761	5,289,761	
239,642	367,004	-	11,954,667	-	261,760	12,216,427	
4,686,666	550,507	201	5,237,374	3,049,310	-	8,286,684	
<u>4,926,308</u>	<u>917,511</u>	<u>201</u>	<u>17,192,041</u>	<u>3,049,310</u>	<u>5,551,521</u>	<u>25,792,872</u>	
<u>\$ 5,084,430</u>	<u>\$ 967,389</u>	<u>\$ 3,785</u>	<u>\$ 32,200,445</u>	<u>\$ 3,049,310</u>	<u>\$ 5,551,521</u>	<u>\$ 40,801,276</u>	

CITY OF CHATTANOOGA, TENNESSE

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

Year Ended June 30, 2019

	Special Revenue					
	Downtown Development	Social Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax and River Pier Garage
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,588,058
Licenses and permits	-	-	-	-	-	-
Intergovernmental:						
Federal	-	12,372,998	87,603	-	1,427,496	-
State	-	4,109,386	275	5,949,630	-	-
County	-	-	-	-	-	-
Other	-	-	-	-	-	-
Charges for services	-	-	-	-	(589,686)	342,676
Fines, forfeitures and penalties	-	-	34,538	-	-	-
Investment income	-	-	5,556	73,752	71,147	-
Contributions and donations	-	12,120	-	-	-	-
Miscellaneous	-	357	261,063	-	1,566,336	-
Total revenues	-	16,494,861	389,035	6,023,382	2,475,293	7,930,734
EXPENDITURES						
Current:						
General government:						
General government	356	-	-	-	-	432,629
Economic and community development	-	-	-	-	1,742,046	-
Public safety:						
Police	-	-	152,828	-	-	-
Public works and transportation:						
Public works	-	-	-	3,925,355	-	-
Youth and family development:						
Youth and family development	-	17,894,464	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	356	17,894,464	152,828	3,925,355	1,742,046	432,629
Excess (deficiency) of revenues over (under) expenditures	(356)	(1,399,603)	236,207	2,098,027	733,247	7,498,105
OTHER FINANCING SOURCES (USES)						
Transfers in	-	1,674,357	-	-	413,251	-
Transfers out	-	(414,714)	(250,000)	(1,765,148)	(924,875)	(10,558,373)
Total other financing sources (uses)	-	1,259,643	(250,000)	(1,765,148)	(511,624)	(10,558,373)
Net change in fund balances	(356)	(139,960)	(13,793)	332,879	221,623	(3,060,268)
FUND BALANCES, beginning	11,780	566,363	1,357,871	5,565,812	2,042,599	4,463,471
FUND BALANCES, ending	\$ 11,424	\$ 426,403	\$ 1,344,078	\$ 5,898,691	\$ 2,264,222	\$ 1,403,203

Regional Planning Agency	Special Revenue				Total Special Revenue	Debt Service	Permanent	Total Nonmajor Funds
	Air Pollution Control Bureau	Scenic Cities Beautiful Commission	Interfund Eliminations	Fund Library Endowment				
\$ -	\$ -	\$ -	\$ -	\$ 7,588,058	\$ -	\$ -	\$ 7,588,058	
122,440	639,911	-	-	762,351	-	-	762,351	
-	465,883	-	-	14,353,980	-	-	14,353,980	
283,889	-	44,485	-	10,387,665	-	-	10,387,665	
782,872	188,548	-	-	971,420	-	-	971,420	
88,917	-	-	-	88,917	-	-	88,917	
-	-	-	-	(247,010)	-	-	(247,010)	
-	-	-	-	34,538	-	-	34,538	
-	-	-	-	150,455	-	273,515	423,970	
-	-	-	-	12,120	-	-	12,120	
-	-	-	-	1,827,756	-	-	1,827,756	
<u>1,278,118</u>	<u>1,294,342</u>	<u>44,485</u>	<u>-</u>	<u>35,930,250</u>	<u>-</u>	<u>273,515</u>	<u>36,203,765</u>	
3,240,316	1,459,180	76,873	-	5,209,354	-	42,627	5,251,981	
-	-	-	-	1,742,046	-	-	1,742,046	
-	-	-	-	152,828	-	-	152,828	
-	-	-	-	3,925,355	-	-	3,925,355	
-	-	-	-	17,894,464	-	-	17,894,464	
-	-	-	-	-	20,982,893	-	20,982,893	
-	-	-	-	-	6,793,170	-	6,793,170	
<u>3,240,316</u>	<u>1,459,180</u>	<u>76,873</u>	<u>-</u>	<u>28,924,047</u>	<u>27,776,063</u>	<u>42,627</u>	<u>56,742,737</u>	
<u>(1,962,198)</u>	<u>(164,838)</u>	<u>(32,388)</u>	<u>-</u>	<u>7,006,203</u>	<u>(27,776,063)</u>	<u>230,888</u>	<u>(20,538,972)</u>	
2,120,318	720,044	12,575	(1,393,844)	3,546,701	29,035,284	-	32,581,985	
(116,655)	(449,224)	-	1,393,844	(13,085,145)	(1,200,000)	-	(14,285,145)	
<u>2,003,663</u>	<u>270,820</u>	<u>12,575</u>	<u>-</u>	<u>(9,538,444)</u>	<u>27,835,284</u>	<u>-</u>	<u>18,296,840</u>	
41,465	105,982	(19,813)	-	(2,532,241)	59,221	230,888	(2,242,132)	
<u>4,884,843</u>	<u>811,529</u>	<u>20,014</u>	<u>-</u>	<u>19,724,282</u>	<u>2,990,089</u>	<u>5,320,633</u>	<u>28,035,004</u>	
<u>\$ 4,926,308</u>	<u>\$ 917,511</u>	<u>\$ 201</u>	<u>\$ -</u>	<u>\$ 17,192,041</u>	<u>\$ 3,049,310</u>	<u>\$ 5,551,521</u>	<u>\$ 25,792,872</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, 2019

	Chattanooga Metropolitan Airport Authority	CARTA	Total
OPERATING REVENUES			
Charges for services	\$ 24,475,716	\$ 10,379,122	\$ 34,854,838
Total operating revenues	<u>24,475,716</u>	<u>10,379,122</u>	<u>34,854,838</u>
OPERATING EXPENSES			
Airport operations	15,951,566	-	15,951,566
CARTA operations	-	22,953,372	22,953,372
Depreciation and amortization	7,689,442	3,101,297	10,790,739
Total operating expenses	<u>23,641,008</u>	<u>26,054,669</u>	<u>49,695,677</u>
OPERATING INCOME (LOSS)	<u>834,708</u>	<u>(15,675,547)</u>	<u>(14,840,839)</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	-	7,972,278	7,972,278
Investment income	377,587	4,088	381,675
Interest expense	(266,235)	(429)	(266,664)
Other income (expense)	3,088,272	215,185	3,303,457
Total nonoperating revenues (expenses)	<u>3,199,624</u>	<u>8,191,122</u>	<u>11,390,746</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	4,034,332	(7,484,425)	(3,450,093)
Capital contributions	<u>7,804,967</u>	<u>7,494,104</u>	<u>15,299,071</u>
CHANGE IN NET POSITION	11,839,299	9,679	11,848,978
NET POSITION, beginning, as previously reported	<u>131,728,266</u>	<u>13,388,701</u>	<u>145,116,967</u>
NET POSITION, ending	<u>\$ 143,567,565</u>	<u>\$ 13,398,380</u>	<u>\$ 156,965,945</u>

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS**

Year Ended June 30, 2019

	Chattanooga Metropolitan Airport Authority	CARTA	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 24,646,122	\$ 11,834,647	\$ 36,480,769
Payments to suppliers	(11,365,105)	(14,882,904)	(26,248,009)
Payments to employees	(3,458,210)	(9,308,614)	(12,766,824)
Net cash from operating activities	<u>9,822,807</u>	<u>(12,356,871)</u>	<u>(2,534,064)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental payments received	-	8,187,463	8,187,463
Net cash from noncapital financing activities	<u>-</u>	<u>8,187,463</u>	<u>8,187,463</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	(3,384,101)	(51,295)	(3,435,396)
Principal paid on capital lease	-	-	-
Interest paid on capital debt	(280,235)	(429)	(280,664)
Capital contributions	6,883,813	7,494,104	14,377,917
Net decrease in revolving line of credit	-	-	-
Additions to capital assets	(12,313,946)	(2,658,150)	(14,972,096)
Passenger/customer facility charges collected	3,068,001	-	3,068,001
Net cash flows from capital and related financing activities	<u>(6,026,468)</u>	<u>4,784,230</u>	<u>(1,242,238)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of certificates of deposit	(12,016,274)	-	(12,016,274)
Proceeds from certificates of deposit	12,000,000	-	12,000,000
Proceeds from sale of equipment	-	-	-
Interest on investments	377,587	4,088	381,675
Net cash flows from investing activities	<u>361,313</u>	<u>4,088</u>	<u>365,401</u>
Net increase (decrease) in cash and cash equivalents	4,157,652	618,910	4,776,562
Cash and cash equivalents, beginning of year	11,438,731	1,294,049	12,732,780
Cash and cash equivalents, end of year	<u>\$ 15,596,383</u>	<u>\$ 1,912,959</u>	<u>\$ 17,509,342</u>
CLASSIFIED AS:			
Current assets	\$ 10,030,616	\$ 1,912,959	\$ 11,943,575
Restricted assets	5,565,767	-	5,565,767
	<u>\$ 15,596,383</u>	<u>\$ 1,912,959</u>	<u>\$ 17,509,342</u>

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS**

Year Ended June 30, 2019

	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)	\$ 834,708	\$ (15,675,547)	\$ (14,840,839)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Depreciation and amortization	7,689,442	3,101,297	10,790,739
Net general pension expense (benefit)	126,793	1,112,605	1,239,398
Net general other post-employment benefit	15,986	(4,882)	11,104
Bad debt expense	3,140	-	3,140
Change in operating assets and liabilities:			
Trade receivables, net	171,961	1,455,525	1,627,486
Inventory	56,581	(126,217)	(69,636)
Prepaid items	(422,752)	(245,828)	(668,580)
Accounts payable and accrued liabilities	1,348,503	(858,603)	489,900
Unearned revenue	(1,555)	-	(1,555)
Deferred pension items	-	(1,115,221)	(1,115,221)
	<u> </u>	<u> </u>	<u> </u>
TOTAL ADJUSTMENTS	8,988,099	3,318,676	12,306,775
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 9,822,807</u>	<u>\$ (12,356,871)</u>	<u>\$ (2,534,064)</u>



CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 137,954,669	\$ 137,954,669	\$ 134,937,911	\$ (3,016,758)
Payments in lieu of tax:				
PILOT CHA	140,900	140,900	146,726	5,826
PILOT TVA	1,944,354	1,944,354	2,028,615	84,261
PILOT JCT	2,280	2,280	-	(2,280)
PILOT Good Neighbors	2,800	2,800	2,808	8
PILOT Dev Corp O Knob	480	480	-	(480)
PILOT Chattem	64,500	64,500	64,455	(45)
PILOT The Bread Factory	18,900	18,900	16,197	(2,703)
PILOT UnumProvident Corporation	-	-	57,163	57,163
PILOT South Market LLC	4,164	4,164	6,314	2,150
PILOT Frazier Partners	17,780	17,780	23,501	5,721
PILOT Wm Wrigley Jr Co	29,300	29,300	26,817	(2,483)
PILOT Blue Cross Blue Shield	948,300	948,300	973,760	25,460
PILOT MK LLC	2,000	2,000	5,680	3,680
PILOT Jamigan Road-EMJ Corp	51,100	51,100	51,081	(19)
PILOT Southern Champion Tray	-	-	212,547	212,547
PILOT Gestamp Chattanooga, LLC	292,300	292,300	563,584	271,284
PILOT Westinghouse Electric Co.	75,100	75,100	63,528	(11,572)
PILOT EPB	7,347,051	7,347,051	7,347,051	-
PILOT Coca Cola	-	-	99,025	99,025
PILOT Plastic Omnium Auto Exteriors LLC	98,600	98,600	100,306	1,706
PILOT UTC Two LLC	10,100	10,100	10,148	48
PILOT UTC Three LLC	5,800	5,800	5,790	(10)
PILOT Van De Wiele, Inc.	8,500	8,500	14,546	6,046
PILOT Alco Woodlawn Partners	-	-	33,401	33,401
Interest and penalty on taxes				
Current year	2,000	2,000	(173)	(2,173)
Prior years	1,370,000	1,370,000	1,325,068	(44,932)
Collection fees on delinquent taxes	279,000	279,000	239,657	(39,343)
Total property taxes	150,669,978	150,669,978	148,355,506	(2,314,472)
Other local taxes:				
Franchise taxes	4,821,900	4,821,900	4,663,902	(157,998)
Liquor Taxes	2,773,000	2,773,000	2,806,742	33,742
Beer Taxes	5,738,000	5,738,000	5,470,939	(267,061)
Local Litigation City Court	3,000	3,000	2,470	(530)
Gross receipts tax	5,647,000	5,647,000	6,005,459	358,459
Corp Intangible Property Tax	550,000	550,000	247,382	(302,618)
NonDep Excise Tax TCA 67-4-2020	-	-	112,860	112,860
Total other taxes	19,532,900	19,532,900	19,309,754	(223,146)
Total taxes	170,202,878	170,202,878	167,665,260	(2,537,618)

(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, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Licenses, fees and permits:				
Licenses:				
Wrecker Business License	7,500	7,500	4,500	(3,000)
Liquor by Drink License	150,000	150,000	157,415	7,415
Liquor by Drink Int & Pen	2,500	2,500	2,629	129
Transient Vendor License	2,200	2,200	2,650	450
Motor Vehicle License	411,500	411,500	423,305	11,805
Wrecker Contractor License	-	-	900	900
Original Business License Fee	23,400	23,400	25,665	2,265
Special Gathering Permit	-	-	370	370
Manufacturing of Intoxicants License	-	-	1,000	1,000
Over & Under Business License	-	-	21	21
Permits:				
Building Permits	1,750,000	1,750,000	1,874,934	124,934
Electrical Permits	383,272	383,272	385,780	2,508
Plumbing Fixtures Connection Permits	248,100	248,100	237,520	(10,580)
Street Cut-in Permits	316,400	316,400	457,633	141,233
Mechanical Code Permits	230,000	230,000	243,265	13,265
Hotel Permits	4,000	4,000	4,350	350
Gas Permits	44,500	44,500	45,020	520
Sign Permits	132,500	132,500	151,542	19,042
Taxicab Driver Permits	3,000	3,000	5,305	2,305
Temporary Use Permits	4,100	4,100	3,530	(570)
Moving Permit Investigation Fee	-	-	520	520
Traffic Eng Special Events Permits	10,818	10,818	16,525	5,707
Push Cart Permits	100	100	200	100
Mobile Food Unit	-	-	650	650
Tree Ordinance Permit	-	-	36,300	36,300
Tire Haulers Permit	-	-	130	130
Fees:				
Business License Issuance Fees	58,000	58,000	69,046	11,046
Plumbing Examiners Fees	43,100	43,100	46,240	3,140
Electrical Examiners Fees	171,000	171,000	193,100	22,100
Gas Examiners Fees	44,000	44,000	45,355	1,355
Beer Permit Application Fees	140,700	140,700	106,483	(34,217)
Mechanical Exam Fees	20,280	20,280	19,460	(820)
Permit Issuance Fees	54,300	54,300	55,936	1,636
Exhibitors Fees	750	750	808	58
Subdivision Review & Inspection Fees	26,000	26,000	33,020	7,020
Adult Entertain Application Fees	8,300	8,300	7,700	(600)
Zoning Letter Fees	13,700	13,700	16,275	2,575
Variance Request Fees	6,000	6,000	15,751	9,751
Certificate of Occupancy Fees	26,800	26,800	36,022	9,222
Code Compliance Letter Fees	1,700	1,700	1,550	(150)
Modular Home Site Investigation Fees	50	50	50	-
Plan Checking Fees	315,177	315,177	388,164	72,987
Phased Construction Plan Review Fees	4,000	4,000	9,451	5,451
Construction Board of Appeals Fees	1,200	1,200	2,150	950
Sign Board of Appeals Fees	1,350	1,350	750	(600)

(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, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Northshore Design Appeal Fee	500	500	27,985	27,485
Northshore-Downtown Plan Review Fee	-	-	9,475	9,475
Fire Permits City Code 16-29	200,000	200,000	257,360	57,360
Fire Re-Inspection of Business & Hotels	-	-	500	500
Parking Lot Fee	39,500	39,500	-	(39,500)
Wine in Grocery Store	-	-	2,100	2,100
Designated revenue:				
Parking meters and other fees	1,728,431	1,728,431	1,728,431	-
Total licenses, fees & permits	6,628,728	6,628,728	7,154,821	526,093
Intergovernmental:				
Federal funds	-	-	21,841	21,841
State funds:				
State Operations Funds TEMA	-	-	3,640	3,640
State Operations Funds Training Supplement F&P	535,000	535,000	504,000	(31,000)
State Shared Ops Maintenance of Streets	235,000	235,000	150,252	(84,748)
State Shared City Alloc State Sales Tax	14,448,692	14,448,692	14,836,056	387,364
State Shared City Alloc State Income Tax	1,600,000	1,600,000	1,902,862	302,862
State Shared City Alloc State Beer Tax	80,000	80,000	77,621	(2,379)
State Shared Mixed Drink Tax	3,308,000	3,308,000	3,813,432	505,432
State Shared Ci Interstate Telecommunication Sales Tax	220,000	220,000	251,337	31,337
State Shared Alcoholic Beverage Tax	136,000	136,000	151,083	15,083
State Shared Gas Inspection Fees	335,000	335,000	332,933	(2,067)
State Shared Commission Gross Receipts	501,371	501,371	560,830	59,459
County funds:				
Ham Co Oper Ross's Landing	1,477,000	1,477,000	1,575,319	98,319
Ham Co Local Option Sales Tax	52,432,493	52,432,493	51,528,837	(903,656)
Other intergovernmental	20,000	20,000	84,680	64,680
Designated revenue:				
Ham Co Local Option Sales Tax (Economic Dev)	13,484,968	13,484,968	14,660,842	1,175,874
State Shared TDZ Sales Tax	1,000,000	1,000,000	5,386,763	4,386,763
Ham Co Local Option Sales Tax TDZ	1,000,000	1,000,000	1,802,163	802,163
Other	1,590,981	1,590,981	1,937,489	346,508
Total intergovernmental revenues	92,404,505	92,404,505	99,581,980	7,177,475
Charges for services				
Court charges:				
Court Cost Current	168,000	168,000	201,338	33,338
Court Commissions	5,000	5,000	7,361	2,361
Court Clerk's Fee Current	586,400	586,400	646,907	60,507
Court Service of Process Current	400	400	49	(351)
Court Processing of Release Forms	15,000	15,000	14,947	(53)
Court Administrative Cost	500	500	533	33
Court Current State Cost	1,000	1,000	1,661	661
Court Translation Service Fee	8,500	8,500	11,379	2,879

(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, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Facility charges:				
Facility Rents	1,600	1,600	4,864	3,264
Property Rental Revenue	178,000	178,000	179,466	1,466
Ballfield Income	50,000	50,000	38,050	(11,950)
Skateboard Park Fees	-	-	8,301	8,301
Carousel Ridership	128,000	128,000	132,508	4,508
Walker Pavilion Rent	25,000	25,000	28,020	3,020
Heritage Park House Rent	21,800	21,800	17,900	(3,900)
Renaissance Park Rent	-	-	4,100	4,100
Greenway Facility Rent	13,169	13,169	6,630	(6,539)
Fitness Center Fees	15,000	15,000	33,243	18,243
Dock Rental	28,000	28,000	44,201	16,201
Ross' Landing Rent	70,200	70,200	65,984	(4,216)
Champion's Club Fees	35,700	35,700	43,167	7,467
Recreation Center Rental	50,000	50,000	41,854	(8,146)
Carousel Room Rental	13,000	13,000	17,270	4,270
Coolidge Park Rental	16,000	16,000	19,320	3,320
Walnut Street Bridge Rental	-	-	2,300	2,300
Program charges:				
Program Fees	7,100	7,100	9,450	2,350
Park Event Fees	5,000	5,000	17,808	12,808
Kidz Kamp Fees	-	-	2,240	2,240
Sports Program Fees	3,000	3,000	-	(3,000)
Non-Traditional Program Fees	2,100	2,100	13,381	11,281
OutVenture Fees	25,000	25,000	17,830	(7,170)
Therapeutic Fees	1,200	1,200	1,368	168
Swimming Pool Fees	107,000	107,000	95,332	(11,668)
Arts & Culture Fees	900	900	802	(98)
Counter sales:				
Police Report Fees	11,000	11,000	10,897	(103)
Credit Card Processing Fee	41,900	41,900	49,683	7,783
Concessions	85,000	85,000	20,755	(64,245)
Other charges:				
Financial Service EPB	7,200	7,200	9,000	1,800
General Pension Admin Cost	45,000	45,000	45,000	-
Returned Check Fee	1,800	1,800	2,718	918
Waste Container Purchases	10,000	10,000	25,575	15,575
Non Profit Request Fee	2,200	2,200	3,100	900
Recycle Container Purchases	-	-	50	50
Revenue adjustments:				
Over & Under	-	-	1,817	1,817
Designated revenue:	2,964,194	2,964,194	2,369,813	(594,381)
Total charges for services	4,749,863	4,749,863	4,267,972	(481,891)

(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, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Fines, forfeitures and penalties				
City court fines	455,000	455,000	531,776	76,776
Criminal court fines	100,000	100,000	103,018	3,018
Traffic court fines	50,000	50,000	36,926	(13,074)
Designated revenue	655,898	655,898	658,574	2,676
Total fines and forfeitures	1,260,898	1,260,898	1,330,294	69,396
Miscellaneous:				
Investment income	2,500,000	2,500,000	3,385,315	885,315
Sale of property	620,000	620,000	801,440	181,440
Donations	-	-	12,520	12,520
Settlements	3,300	3,300	1,954	(1,346)
Departmental billings	5,750,000	5,750,000	6,409,862	659,862
Miscellaneous revenue	324,300	324,300	540,915	216,615
Designated revenue:				
Investment income	-	-	93,026	93,026
Donations	879,337	882,337	1,000,077	117,740
Miscellaneous revenue	169,000	169,000	205,275	36,275
Total miscellaneous revenue	10,245,937	10,248,937	12,450,384	2,201,447
Total revenues	285,492,809	285,495,809	292,450,711	6,954,902
EXPENDITURES				
General government:				
City Council	854,038	854,038	685,718	(168,320)
City Judges	1,012,743	1,012,743	1,008,284	(4,459)
City Attorney	1,671,336	1,671,336	1,532,757	(138,579)
Records Retention Management	43,781	43,781	32,158	(11,623)
Internal Audit	708,197	708,197	664,840	(43,357)
Information Services:				
Information Services	8,600,052	8,600,052	7,420,348	(1,179,704)
Purchasing	927,461	927,461	911,370	(16,091)
311 Call Center	718,683	718,683	675,718	(42,965)
External Appropriations:				
Allied Arts Council Fund, Inc.	275,000	275,000	275,000	-
Chatt Neighborhood Enterprise	705,000	705,000	689,249	(15,751)
WTCI-TV Channel 45	93,000	93,000	93,000	-
Tennessee River Park	1,255,640	1,255,640	1,288,802	33,162
Children's Advocacy Center	65,000	65,000	65,000	-
Community Foundation Scholarships	100,000	100,000	100,000	-

(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, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Chatt Area Urban League	120,000	120,000	120,000	-
Bessie Smith Cultural Center	80,000	80,000	80,000	-
Enterprise South Nature Park	834,863	834,863	634,499	(200,364)
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	77,500	77,500	77,500	-
Joe Johnson Mental Health	60,000	60,000	60,000	-
Speech & Hearing Center	67,700	67,700	67,700	-
Orange Grove	106,000	106,000	106,000	-
Signal Center	275,000	275,000	275,000	-
Interfaith Homeless Network	175,000	175,000	175,000	-
AIM Center, Inc	65,000	65,000	65,000	-
Bethlehem Center	65,000	65,000	65,000	-
Girls, Inc.	110,000	110,000	110,000	-
Greater Chattanooga Sports & Events	100,000	100,000	100,000	-
Chattanooga Zoo	25,000	25,000	18,750	(6,250)
Chattanooga Room in the Inn	25,000	25,000	25,000	-
LaPaz Chattanooga	50,000	50,000	50,000	-
Green Spaces	25,000	25,000	25,000	-
Chattanooga Goodwill Industries	15,000	15,000	7,500	(7,500)
United Way of Greater Chattanooga	460,000	460,000	460,000	-
TechTown Foundation	40,000	40,000	40,000	-
Chattanooga Room in the Inn	20,000	20,000	20,000	-
LaPaz Chattanooga	100,000	100,000	100,000	-
Green Spaces	50,000	50,000	50,000	-
Chattanooga Goodwill Industries	40,000	40,000	40,000	-
Grassroots Midtown	25,000	25,000	25,000	-
Habitat for Humanity of Greater Chattanooga	25,000	25,000	25,000	-
United Way of Greater Chattanooga	40,000	40,000	40,000	-
TechTown Foundation	20,000	20,000	20,000	-
Component Unit Appropriations:				
CARTA Subsidy	5,377,436	5,377,436	5,352,440	(24,996)
Election Expense	25,000	25,000	33,268	8,268
City Code Revision	9,000	9,000	12,508	3,508
Unemployment Insurance	50,000	50,000	23,740	(26,260)
Contingency Fund	3,335,890	3,335,890	87,674	(3,248,216)
Renewal & Replacement	1,718,305	1,718,305	1,143,780	(574,525)
Audits, Dues & Surveys	274,650	274,650	125,473	(149,177)
Intergovernmental Relations	286,000	286,000	302,357	16,357
City Water Quality Mgmt Fees	503,800	503,800	531,142	27,342
Liability Insurance Premiums	800,000	800,000	800,000	-
Education Per TCA 57-4-306	1,687,500	1,687,500	1,901,716	214,216
ESIP Administration	10,000	10,000	2,538	(7,462)
Tuition Assistance Program	25,000	25,000	12,203	(12,797)

(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, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Designated expenditures:				
General government programs:				
CARTA Parking Meters	1,728,431	1,728,431	1,728,431	-
Automated Traffic Enforcement	655,700	655,700	733,062	77,362
General government grants:				
EPA - Brownfield at E 38th St at Workman Rd	49,051	49,051	49,051	-
Public Library	7,065,963	7,065,963	6,686,832	(379,131)
Economic Development	12,733,119	12,733,119	10,910,439	(1,822,680)
Total general government	56,945,839	56,945,839	49,245,847	(7,699,992)
Executive Office of the Mayor:				
Executive Office Admin	1,615,947	1,615,947	1,615,944	(3)
Multicultural Affairs	299,463	299,463	277,361	(22,102)
Designated expenditures:				
Go Fest	-	-	10,042	10,042
Chattanooga FJC VOCA Grant	154,640	154,640	121,100	(33,540)
OVW Abuse in Later Life Program Grant	83,752	83,752	83,646	(106)
Total executive office	2,153,802	2,153,802	2,108,093	(45,709)
Finance and administration:				
Finance Office	3,979,962	3,979,962	3,292,081	(687,881)
Office of the City Treasurer	1,229,807	1,229,807	1,439,211	209,404
City Court Clerk's Office	1,519,643	1,519,643	1,189,010	(330,633)
Designated expenditures:				
City Court Technology	2,155	2,155	2,155	-
Municipal Billing and Collection	994,527	994,527	859,514	(135,013)
Municipal Billing and Collection - Offset	(994,527)	(994,527)	(859,514)	135,013
Total finance and administration	6,731,567	6,731,567	5,922,457	(809,110)
Human resources:				
Human Resource Administration	1,591,844	1,591,844	1,640,998	49,154
Insurance Officer and Programs	852,859	852,859	582,392	(270,467)
Total human resources	2,444,703	2,444,703	2,223,390	(221,313)

(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, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Economic and community development:				
Neighborhood Services Administration	1,346,744	1,346,744	1,758,272	411,528
Codes & Community Services	2,483,495	2,483,495	2,141,883	(341,612)
Outdoor Chattanooga	976,983	976,983	770,879	(206,104)
Public Art Initiative	211,091	211,091	155,443	(55,648)
Land Development Office	3,071,606	3,071,606	3,031,427	(40,179)
Designated expenditures:				
Neighborhood Partners Projects & Initiatives	51,128	51,128	51,128	-
Special Projects	65,751	65,751	214,347	148,596
Public Art Initiative	222,655	222,655	222,655	-
Open Spaces	-	-	4,289	4,289
Total economic and community development	8,429,453	8,429,453	8,350,323	(79,130)
Police:				
Police Administration	4,094,405	4,094,405	2,325,062	(1,769,343)
Uniform Services	32,806,441	32,806,441	30,588,516	(2,217,925)
Investigative Services	13,109,154	13,109,154	12,838,752	(270,402)
Support Services	23,006,939	23,006,939	24,609,563	1,602,624
Designated expenditures:				
Reduction of Part 1 Offenses	-	-	29,977	29,977
Police Special Programs	-	-	35,052	35,052
Law Enforcement Planning	50,889	50,889	94,729	43,840
Other Police Grants	288,534	288,534	293,508	4,974
Total police	73,356,362	73,356,362	70,815,159	(2,541,203)
Fire:				
Fire Administration	1,173,786	1,173,786	632,141	(541,645)
Station Operations	41,513,415	41,513,415	40,643,996	(869,419)
Safety, Training and Tactical Services	3,842,181	3,842,181	4,060,505	218,324
Designated expenditures:				
Fire Programs and Grants	6,000	9,000	271,023	262,023
Total fire	46,535,382	46,538,382	45,607,665	(930,717)
Public works:				
Public Works Administration	812,142	812,142	1,197,282	385,140
City Engineer's Office	1,505,635	1,505,635	1,474,136	(31,499)
Field Surveyors	204,485	204,485	224,795	20,310
Facilities Management	395,383	395,383	202,978	(192,405)
Mail Room	49,710	49,710	115,794	66,084
Office of Sustainability	112,017	112,017	113,148	1,131
Building Maintenance	2,171,554	2,171,554	1,914,306	(257,248)
Storage on Main Street	61,108	61,108	53,450	(7,658)
Heritage Hall Maintenance	172,739	172,739	155,339	(17,400)
GIS	322,295	322,295	408,101	85,806
Summer Youth Worker Program	102,175	102,175	75,641	(26,534)
Utilities	185,772	185,772	162,147	(23,625)

(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, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Solid Waste Disposal	6,150,400	6,150,400	6,306,148	155,748
Farmer's Market	2,000	2,000	1,003	(997)
City-wide Services Administration	1,506,153	1,506,153	1,146,304	(359,849)
Emergency	681,300	681,300	664,074	(17,226)
Central Business District	368,836	368,836	418,654	49,818
Street Cleaning Crews	690,162	690,162	764,168	74,006
Mowing Tractors/Leaf Collection	950,915	950,915	966,388	15,473
Street Sweeping	970,880	970,880	616,811	(354,069)
Waste Pickup	8,061,062	8,061,062	8,320,591	259,529
Municipal Forestry	954,084	954,084	885,678	(68,406)
Park Management	3,248,836	3,248,836	2,677,415	(571,421)
Hamilton County Shared Parks Maintenance	3,030,666	3,030,666	3,308,958	278,292
Zoo	675,204	675,204	675,204	-
Brainerd Golf Course	788,720	788,720	850,531	61,811
Brown Acres Golf Course	852,507	852,507	883,754	31,247
Civic Facilities	751,275	751,275	751,279	4
Designated expenditures:				
Public Works Programs	231,479	231,479	233,312	1,833
Building Operations	339,248	339,248	117,175	(222,073)
Total public works	36,348,742	36,348,742	35,684,564	(664,178)
Transportation:				
Transportation Administration	1,715,452	1,715,452	1,554,646	(160,806)
Traffic Engineering Administration	42,666	42,666	531,222	488,556
Street Lighting	7,287	7,287	1,176	(6,111)
Smart Cities Operations	5,013,938	5,013,938	4,418,740	(595,198)
Traffic Operations	2,367,426	2,367,426	2,033,015	(334,411)
Designated expenditures:				
Transportation Programs	112,500	112,500	228,067	115,567
Total transportation	9,259,269	9,259,269	8,766,866	(492,403)
Youth and family development:				
Youth & Family Development Administration	791,116	791,116	597,804	(193,312)
Recreation Administration	1,919,121	1,919,121	2,202,511	283,390
Youth Development	173,881	173,881	89,387	(84,494)
Kidz Kamp	381,182	381,182	437,442	56,260
Sports Programs	309,212	309,212	306,937	(2,275)
Aquatics Programs	217,725	217,725	288,931	71,206
Therapeutic Programs	186,988	186,988	189,223	2,235
Fitness Center	268,516	268,516	278,470	9,954
Youth Dev - CAPS	268,693	268,693	235,978	(32,715)
Youth Dev - Education	305,837	305,837	262,292	(43,545)
Youth Dev - Career Development	117,404	117,404	139,200	21,796
Youth Dev - Alton Park Partnership	21,215	21,215	-	(21,215)
Skatepark	78,039	78,039	14,650	(63,389)

(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, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Champion's Club	408,827	408,827	346,473	(62,354)
Summit of Softball	529,999	529,999	427,719	(102,280)
North River Soccer Complex	291	291	495	204
Recreation Centers	4,203,502	4,203,502	4,034,873	(168,629)
North River Center Programs	125,350	125,350	111,977	(13,373)
Eastgate Center Programs	296,128	296,128	244,863	(51,265)
Heritage House Programs	113,368	113,368	99,085	(14,283)
Designated expenditures:				
Recreation Special Programs	-	-	653	653
Senior & Youth Programming	1,404,429	1,404,429	1,404,429	-
Total youth and family development	12,120,823	12,120,823	11,713,392	(407,431)
Total expenditures	254,325,942	254,328,942	240,437,756	(13,891,186)
Excess of revenues over expenditures	31,166,867	31,166,867	52,012,955	20,846,088
OTHER FINANCING SOURCES (USES)				
Transfers in	12,454	(80,408)	12,454	92,862
Transfers out	(51,626,732)	(51,533,870)	(52,723,128)	(1,189,258)
Total other financing sources (uses)	(51,614,278)	(51,614,278)	(52,710,674)	(1,096,396)
Net change in fund balances	(20,447,411)	(20,447,411)	(697,719)	19,749,692
FUND BALANCES, beginning	110,140,502	110,140,502	110,140,502	-
FUND BALANCES, ending	\$ 89,693,091	\$ 89,693,091	\$ 109,442,783	\$ 19,749,692

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Final Budget- Over (Under)
	Original	Final		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Downtown development	356	356	356	-
Total expenditures	356	356	356	-
Excess (deficiency) of revenues over (under) expenditures	(356)	(356)	(356)	-
Net change in fund balances	(356)	(356)	(356)	-
FUND BALANCES, beginning	11,780	11,780	11,780	-
FUND BALANCES, ending	\$ 11,424	\$ 11,424	\$ 11,424	\$ -

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 11,886,598	\$ 11,886,598	\$ 12,372,998	\$ 486,400
State of Tennessee funds	4,674,692	4,674,692	4,109,386	(565,306)
United Way	-	-	1,120	1,120
Project Warm Neighbors	22,286	22,286	-	(22,286)
Donations	-	-	11,000	11,000
Miscellaneous	522	522	357	(165)
Total revenues	16,584,098	16,584,098	16,494,861	(89,237)
EXPENDITURES				
Administration	1,041,464	1,041,464	934,188	(107,276)
Headstart program	12,467,225	12,467,225	12,575,760	108,535
Day care	-	-	20,414	20,414
Food program	-	-	4,566	4,566
Foster grandparent program	508,632	508,632	482,592	(26,040)
Low-income energy assistance	2,950,358	2,950,358	2,956,195	5,837
Community services block grant	771,089	771,089	710,896	(60,193)
Title II commodities	-	-	-	-
Emergency food and shelter	-	-	-	-
Other programs	47,808	47,808	79,901	32,093
Capital outlay	234,424	234,424	129,952	(104,472)
Total expenditures	18,021,000	18,021,000	17,894,464	(126,536)
Excess (deficiency) of revenues over (under) expenditures	(1,436,902)	(1,436,902)	(1,399,603)	37,299
OTHER FINANCING SOURCES (USES)				
Transfers in	1,433,970	1,433,970	1,259,643	(174,327)
Total other financing sources (uses)	1,433,970	1,433,970	1,259,643	(174,327)
Net change in fund balances	(2,932)	(2,932)	(139,960)	(137,028)
FUND BALANCES, beginning	566,363	566,363	566,363	-
FUND BALANCES, ending	\$ 563,431	\$ 563,431	\$ 426,403	\$ (137,028)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ -	\$ -	\$ 87,603	\$ 87,603
State of Tennessee funds	-	-	275	275
Confiscations	250,000	250,000	231,458	(18,542)
Investment income	-	-	5,556	5,556
Miscellaneous	60,000	60,000	64,143	4,143
Total revenues	310,000	310,000	389,035	79,035
EXPENDITURES				
Narcotics program	310,000	310,000	149,874	(160,126)
Capital outlay	-	-	2,954	2,954
Total expenditures	310,000	310,000	152,828	(157,172)
Excess (deficiency) of revenues over (under) expenditures	-	-	236,207	236,207
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(250,000)	(250,000)
Total other financing sources (uses)	-	-	(250,000)	(250,000)
Net change in fund balances	-	-	(13,793)	(13,793)
FUND BALANCES, beginning	1,357,871	1,357,871	1,357,871	-
FUND BALANCES, ending	<u>\$ 1,357,871</u>	<u>\$ 1,357,871</u>	<u>\$ 1,344,078</u>	<u>\$ (13,793)</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
State of Tennessee	\$ 5,043,918	\$ 5,043,918	\$ 4,707,484	\$ (336,434)
State of Tennessee Improve Act	1,100,000	1,100,000	1,242,146	142,146
Investment Income	-	-	73,752	73,752
Total revenues	6,143,918	6,143,918	6,023,382	(120,536)
EXPENDITURES				
Salaries and wages	1,671,947	1,671,947	1,484,780	(187,167)
Fringe benefits	1,159,804	1,159,804	919,341	(240,463)
Purchased services	263,467	263,467	177,477	(85,990)
Vehicle operations	810,065	810,065	803,211	(6,854)
Materials and supplies	771,036	771,036	433,412	(337,624)
Other expense	7,000	7,000	7,231	231
Capital outlay	498,467	498,467	99,903	(398,564)
Total expenditures	5,181,786	5,181,786	3,925,355	(1,256,431)
Excess (deficiency) of revenues over (under) expenditures	962,132	962,132	2,098,027	1,135,895
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,765,148)	(1,765,148)	(1,765,148)	-
Total other financing sources (uses)	(1,765,148)	(1,765,148)	(1,765,148)	-
Net change in fund balances	(803,016)	(803,016)	332,879	1,135,895
FUND BALANCES, beginning	5,565,812	5,565,812	5,565,812	-
FUND BALANCES, ending	\$ 4,762,796	\$ 4,762,796	\$ 5,898,691	\$ 1,135,895

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 882,436	\$ 882,436	\$ 1,427,496	\$ 545,060
Investment income	-	-	71,147	71,147
Miscellaneous	901,923	901,923	976,650	74,727
Total revenues	1,784,359	1,784,359	2,475,293	690,934
EXPENDITURES				
Administration	327,077	327,077	451,985	124,908
Community development programs	428,588	428,588	618,929	190,341
Home investment programs	105,807	105,807	357,283	251,476
Emergency shelter programs	91,371	91,371	97,643	6,272
Other programs	843,305	843,305	216,206	(627,099)
Capital outlay	300	300	-	(300)
Total expenditures	1,796,448	1,796,448	1,742,046	(54,402)
Excess (deficiency) of revenues over (under) expenditures	(12,089)	(12,089)	733,247	745,336
OTHER FINANCING SOURCES (USES)				
Transfers in	413,251	413,251	-	(413,251)
Transfers out	(401,162)	(401,162)	(511,624)	(110,462)
Total other financing sources (uses)	12,089	12,089	(511,624)	(523,713)
Net change in fund balances	-	-	221,623	221,623
FUND BALANCES, beginning	2,042,599	2,042,599	2,042,599	-
FUND BALANCES, ending	\$ 2,042,599	\$ 2,042,599	\$ 2,264,222	\$ 221,623

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
HOTEL/MOTEL TAX AND RIVER PIER GARAGE FUND**

Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Hotel/Motel tax	\$ 7,618,531	\$ 7,618,531	\$ 7,588,058	\$ (30,473)
Miscellaneous	325,000	325,000	342,677	17,677
Total revenues	<u>7,943,531</u>	<u>7,943,531</u>	<u>7,930,735</u>	<u>(12,796)</u>
EXPENDITURES				
Contracted services	<u>553,556</u>	<u>553,556</u>	<u>432,630</u>	<u>(120,926)</u>
Total expenditures	<u>553,556</u>	<u>553,556</u>	<u>432,630</u>	<u>(120,926)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,389,975</u>	<u>7,389,975</u>	<u>7,498,105</u>	<u>108,130</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(10,558,373)</u>	<u>(10,558,373)</u>	<u>(10,558,373)</u>	<u>-</u>
Total other financing sources (uses)	<u>(10,558,373)</u>	<u>(10,558,373)</u>	<u>(10,558,373)</u>	<u>-</u>
Net change in fund balances	(3,168,398)	(3,168,398)	(3,060,268)	108,130
FUND BALANCES, beginning	<u>4,463,471</u>	<u>4,463,471</u>	<u>4,463,471</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 1,295,073</u>	<u>\$ 1,295,073</u>	<u>\$ 1,403,203</u>	<u>\$ 108,130</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 283,889	\$ 283,889	\$ 283,889	\$ -
Hamilton County funds	782,872	782,872	782,872	-
Other intergovernmental	100,967	100,967	88,917	(12,050)
Miscellaneous	97,500	97,500	122,440	24,940
Total revenues	1,265,228	1,265,228	1,278,118	12,890
EXPENDITURES				
Administration	3,120,984	3,120,984	2,676,701	(444,283)
Transportation planning	489,355	489,355	489,461	106
Other program	-	-	800	800
Capital outlay	32,500	32,500	73,354	40,854
Total expenditures	3,642,839	3,642,839	3,240,316	(402,523)
Excess (deficiency) of revenues over (under) expenditures	(2,377,611)	(2,377,611)	(1,962,198)	415,413
OTHER FINANCING SOURCES (USES)				
Transfers in	1,983,002	1,983,002	2,003,663	20,661
Total other financing sources (uses)	1,983,002	1,983,002	2,003,663	20,661
Net change in fund balances	(394,609)	(394,609)	41,465	436,074
FUND BALANCES, beginning	4,884,843	4,884,843	4,884,843	-
FUND BALANCES, ending	\$ 4,490,234	\$ 4,490,234	\$ 4,926,308	\$ 436,074

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 465,883	\$ 465,883	\$ 465,883	\$ -
Hamilton County funds	188,548	188,548	188,548	-
Permits	475,075	475,075	639,911	164,836
Total revenues	<u>1,129,506</u>	<u>1,129,506</u>	<u>1,294,342</u>	<u>164,836</u>
EXPENDITURES				
Operations	1,456,050	1,456,050	1,434,203	(21,847)
Special programs	18,019	18,019	22,111	4,092
Capital outlay	39,500	39,500	2,866	(36,634)
Total expenditures	<u>1,513,569</u>	<u>1,513,569</u>	<u>1,459,180</u>	<u>(54,389)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(384,063)</u>	<u>(384,063)</u>	<u>(164,838)</u>	<u>219,225</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	738,707	738,707	270,820	(467,887)
Transfers out	(449,224)	(449,224)	-	449,224
Total other financing sources (uses)	<u>289,483</u>	<u>289,483</u>	<u>270,820</u>	<u>(18,663)</u>
Net change in fund balances	(94,580)	(94,580)	105,982	200,562
FUND BALANCES, beginning	<u>811,529</u>	<u>811,529</u>	<u>811,529</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 716,949</u>	<u>\$ 716,949</u>	<u>\$ 917,511</u>	<u>\$ 200,562</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 44,485	\$ 44,485	\$ 44,485	\$ -
Total revenues	44,485	44,485	44,485	-
EXPENDITURES				
Operations	86,007	86,007	76,873	(9,134)
Total expenditures	86,007	86,007	76,873	(9,134)
Excess (deficiency) of revenues over (under) expenditures	(41,522)	(41,522)	(32,388)	9,134
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	12,575	12,575
Total other financing sources (uses)	-	-	12,575	12,575
Net change in fund balances	(41,522)	(41,522)	(19,813)	21,709
FUND BALANCES, beginning	20,014	20,014	20,014	-
FUND BALANCES, ending	\$ (21,508)	\$ (21,508)	\$ 201	\$ 21,709

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
EXPENDITURES				
Principal retirement	\$ 20,993,262	\$ 20,993,262	\$ 20,982,892	\$ (10,370)
Interest	6,731,688	6,731,688	6,741,953	10,265
Fiscal charges	110,000	110,000	51,218	(58,782)
Total expenditures	<u>27,834,950</u>	<u>27,834,950</u>	<u>27,776,063</u>	<u>(58,887)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,834,950)</u>	<u>(27,834,950)</u>	<u>(27,776,063)</u>	<u>58,887</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>27,835,284</u>	<u>27,835,284</u>	<u>27,835,284</u>	<u>-</u>
Total other financing sources (uses)	<u>27,835,284</u>	<u>27,835,284</u>	<u>27,835,284</u>	<u>-</u>
Net change in fund balances	334	334	59,221	58,887
FUND BALANCES, beginning	<u>2,990,089</u>	<u>2,990,089</u>	<u>2,990,089</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 2,990,423</u>	<u>\$ 2,990,423</u>	<u>\$ 3,049,310</u>	<u>\$ 58,887</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, 2019

	Interest Rate		
	%	Maturity Date	Amount
GOVERNMENTAL FUNDS			
General fund			
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 Home Loan 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 Mortgage Corporation	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
Fannie Mae	2.650	4/29/2022	2,500,000
			108,345,550
Nonmajor funds			
Federal Home Loan Mortgage Corporation	2.000	4/29/2022	957,697
			957,697
Capital projects			
Federal Home Loan Bank	1.450	8/28/2019	2,254,224
Federal Home Loan Bank	2.381	1/26/2021	7,518,354
Federal Farm Credit Bank	2.630	4/18/2022	15,000,000
			24,772,578
Total governmental fund investments excluding permanent funds			\$ 134,075,825
ENTERPRISE FUNDS			
Interceptor Sewer Fund			
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 Home Loan Mortgage Corporation	2.000	11/20/2020	7,947,936
Fannie Mae	1.600	11/23/2020	9,997,941
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 Home Loan Bank	2.300	1/26/2021	7,827,751
Federal Home Loan Bank	2.300	1/26/2021	6,993,849
Federal Home Loan Bank	2.300	1/26/2021	5,023,262
Federal Home Loan Bank	2.250	6/24/2021	4,000,000
Federal Home Loan Bank	2.323	8/20/2021	3,833,861
Federal Home Loan Bank	2.260	10/4/2022	4,017,336
			71,641,425
Solid waste			
Federal Home Loan Mortgage Corporation	2.000	9/21/2022	4,791,428
Federal Home Loan Bank	2.300	1/26/2021	4,993,479
			9,784,907
Water quality			
Federal Farm Credit Bank	1.840	9/13/2021	10,848,260
Federal Home Loan Bank	3.150	10/26/2022	16,000,000
			26,848,260
Internal service funds			
Fannie Mae	1.650	1/27/2020	9,908,242
			9,908,242
Chattanooga Downtown Redevelopment Corporation			
US Treasury Bonds	100.00%	6/30/2019	9,682,303
			9,682,303
Electric Power Board			
CapStar Bank			4,029,000
Smart Bank			4,035,000
Reliant Bank			8,061,000
Tower Bank			1,007,000
US Treasy Note			1,967,500
Federal Farm Credit Bank			1,121,500
			20,221,000
Total enterprise fund investments			\$ 148,086,137

CITY OF CHATTANOOGA, TENNESSEE

COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE

Year Ended June 30, 2019

TAX YEAR (1)	Property Taxes Receivable Balance 6/30/2018	Property Tax Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance 6/30/2019	Allowance for Uncollectibles	Net Receivable Balance 6/30/2019
2019	\$ -	\$ -	\$ 133,195,008	\$ -	\$ -	\$ 133,195,008	\$ -	\$ 133,195,008
2018	-	137,314,441	-	(1,791,222)	130,780,192	4,743,027	616,594	4,126,433
2017	4,681,349	-	-	130,622	3,058,723	1,753,248	455,844	1,297,404
2016	1,654,003	-	-	6,596	614,488	1,046,111	460,289	585,822
2015	1,102,831	-	-	60,003	687,861	474,973	389,478	85,495
2014	449,036	-	-	24,511	55,833	417,714	396,828	20,886
2013	510,283	-	-	(4,219)	17,847	488,217	488,217	-
2012	503,118	-	-	(4,928)	17,452	480,738	480,738	-
2011	455,862	-	-	863	8,164	448,561	448,561	-
2010	465,717	-	-	846	3,276	463,287	463,287	-
2009	363,058	-	-	129	1,138	362,049	362,049	-
	<u>\$ 10,185,257</u>	<u>\$ 137,314,441</u>	<u>\$ 133,195,008</u>	<u>\$ (1,576,799)</u>	<u>\$ 135,244,974</u>	<u>\$ 143,872,933</u>	<u>\$ 4,561,885</u>	<u>\$ 139,311,048</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, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
2020	\$ 17,804,770	\$ 5,942,851	\$ 23,747,621
2021	17,256,150	5,417,755	22,673,905
2022	17,205,129	4,815,658	22,020,787
2023	16,077,087	4,244,099	20,321,186
2024	16,403,771	3,608,932	20,012,703
2025	14,810,762	3,003,547	17,814,309
2026	15,140,490	2,378,690	17,519,180
2027	13,004,070	1,716,592	14,720,662
2028	10,540,000	1,239,656	11,779,656
2029	10,600,000	903,025	11,503,025
2030	6,845,000	545,100	7,390,100
2031	6,745,000	247,050	6,992,050
	<u>162,432,229</u>	<u>34,062,955</u>	<u>196,495,184</u>
BUSINESS-TYPE ACTIVITIES			
2020	27,021,575	15,750,417	42,771,992
2021	27,125,710	14,779,765	41,905,475
2022	28,809,061	13,755,917	42,564,978
2023	29,744,929	12,687,796	42,432,725
2024	30,787,256	11,562,333	42,349,589
2025	31,393,275	10,393,429	41,786,704
2026	30,359,303	9,237,966	39,597,269
2027	30,945,180	8,312,526	39,257,706
2028	30,925,893	7,428,796	38,354,689
2029	32,159,742	6,263,207	38,422,949
2030	25,705,835	5,254,333	30,960,168
2031	26,544,224	4,361,269	30,905,493
2032	26,237,245	3,307,379	29,544,624
2033	27,080,095	2,207,780	29,287,875
2034	28,195,842	1,220,574	29,416,416
2035	8,828,363	904,554	9,732,917
2036	9,012,711	713,539	9,726,250
2037	9,208,874	516,793	9,725,667
2038	5,245,563	332,958	5,578,521
2039	2,876,830	221,687	3,098,517
2040	1,880,000	114,417	1,994,417
2041	1,975,000	16,458	1,991,458
	<u>472,062,506</u>	<u>129,343,893</u>	<u>601,406,399</u>
Total primary government indebtedness	<u>\$ 634,494,735</u>	<u>\$ 163,406,848</u>	<u>\$ 797,901,583</u>

CITY OF CHATTANOOGA, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
COMPONENT UNITS			
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	4,528,072	90,991	4,619,063
	<u>4,528,072</u>	<u>90,991</u>	<u>4,619,063</u>
Total component units indebtedness	<u>\$ 5,830,230</u>	<u>\$ 818,055</u>	<u>\$ 6,648,285</u>

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2019

	Outstanding June 30, 2018	Interest Paid FY2019	Issued FY2019	Retired FY2019	Refunded FY2019	Outstanding June 30, 2019	Maturing FY 2020	Interest Payable FY 2020
GOVERNMENTAL ACTIVITIES:								
Serial Bonds:								
Tax Supported								
2009 Series A General Obligation	\$ 6,810,000	\$ 221,325	\$ -	\$ 2,270,000	\$ -	4,540,000	\$ 2,270,000	\$ 136,200
2010 Series A GO Bond	2,680,000	100,500	-	335,000	-	2,345,000	335,000	89,612
2010 Series B Refunding GO bonds	2,828,048	112,852	-	21,295	-	2,806,753	21,981	112,160
2010 Series C Recovery Zone Bonds	4,085,000	145,925	-	345,000	3,255,000	485,000	340,000	14,550
2011 Series A General Obligation	15,885,000	511,850	-	1,765,000	-	14,120,000	1,765,000	458,900
2011 Series B Refunding GO bonds	1,823,151	69,596	-	2,777	-	1,820,374	2,777	69,540
2013 Series General Improvement Bond	14,450,000	553,344	-	1,315,000	-	13,135,000	1,315,000	507,319
2014 Municipal Public Improvement Refunding	13,041,963	381,054	-	5,258,941	-	7,783,022	2,758,484	206,913
2015 Series A GO Bond	24,475,000	1,120,075	-	1,885,000	-	22,590,000	1,885,000	1,025,825
2015 Series B Refunding GO bonds	18,955,000	707,350	-	-	-	18,955,000	-	707,350
2017 Series A GO Bond	7,105,000	355,250	-	550,000	-	6,555,000	550,000	327,750
2017 Series B Refunding GO Bond	12,640,000	632,000	-	-	-	12,640,000	-	632,000
Total Tax Supported Bonds	124,778,162	4,911,121	-	13,748,013	3,255,000	107,775,149	11,243,242	4,288,119
Self Supported								
2010 Series B Refunding Hotel Motel Tax Pledge	17,756,952	708,585	-	133,705	-	17,623,247	138,019	704,240
2011 Series B Refunding Hotel Motel Tax Pledge	14,586,849	556,829	-	22,223	-	14,564,626	22,223	556,385
2013 Series Hotel-Motel Tax Pledge	5,540,000	212,131	-	505,000	-	5,035,000	505,000	194,456
2014 Hotel Motel Refunding	3,745,933	109,422	-	1,510,144	-	2,235,789	792,119	59,417
Total Self Supported Bonds	41,629,734	1,586,967	-	2,171,072	-	39,458,662	1,457,361	1,514,498
Total Serial Bonds	166,407,896	6,498,088	-	15,919,085	3,255,000	147,233,811	12,700,603	5,802,617
Notes Payable:								
Tax Supported								
2004 TML Bond Fund	9,023,400	149,538	-	1,412,809	-	7,610,591	1,450,887	62,661
2014 Hamilton County	3,921,159	-	-	1,960,580	-	1,960,579	1,960,579	-
Total Tax Supported Notes Payable	12,944,559	149,538	-	3,373,389	-	9,571,170	3,411,466	62,661
Self Supported								
2008 HUD Section 108 Loan Program	1,831,000	83,957	-	305,000	-	1,526,000	305,000	69,485
Total Self Supported Notes Payable	1,831,000	83,957	-	305,000	-	1,526,000	305,000	69,485
Total Notes Payable	14,775,559	233,495	-	3,678,389	-	11,097,170	3,716,466	132,146

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CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2019

(continued from previous page)

	Outstanding June 30, 2018	Interest Paid FY2019	Issued FY2019	Retired FY2019	Refunded FY2019	Outstanding June 30, 2019	Maturing FY 2020	Interest Payable FY 2020
GOVERNMENTAL ACTIVITIES: (continued)								
Capital leases payable:								
Tax Supported								
2016 Regional Communication Capital Lease	\$ 4,782,188	\$ -	\$ -	\$ 1,195,547	\$ -	\$ 3,586,641	\$ 1,195,547	\$ -
2018 Golf Course Capital Lease	330,080	10,369	-	65,073	-	265,007	67,354	8,088
2018 Tasers Capital Lease	374,400	-	-	124,800	-	249,600	124,800	-
Total Tax Supported Capital Leases Payable	5,486,668	10,369	-	1,385,420	-	4,101,248	1,387,701	8,088
Total governmental activities	186,670,123	6,741,952	-	20,982,894	3,255,000	162,432,229	17,804,770	5,942,851
BUSINESS TYPE ACTIVITIES:								
Interceptor Sewer System:								
Serial Bonds:								
2014 Municipal Public Improvement Refunding	2,216,170	64,742	-	893,504	-	1,322,666	468,672	35,155
Total serial bonds	2,216,170	64,742	-	893,504	-	1,322,666	468,672	35,155
Notes payable:								
1998 State of Georgia Revolving Loan	319,008	5,803	-	319,008	-	-	-	-
2003-168 State Revolving Loan	16,166,759	473,262	-	2,165,820	-	14,000,939	2,230,932	386,940
2007-204 State Revolving Loan	9,393,595	233,310	-	594,348	-	8,799,247	611,148	237,720
2011-289 State Revolving Loan	18,165,984	375,040	21,708	826,804	-	17,360,888	800,568	339,876
2012-307 State Revolving Loan	29,050,833	361,098	1,691,731	1,477,382	-	29,265,182	1,434,900	328,980
2013-318 State Revolving Loan	44,761,387	1,059,527	16,945,559	2,853,500	-	58,853,446	2,752,596	961,848
2016-357 State Revolving Loan	4,496,686	130,421	14,333,322	-	-	18,830,008	831,290	242,907
2018-405 State Revolving Loan	-	-	467,329	-	-	467,329	20,631	6,029
Total notes payable	122,354,252	2,638,461	33,459,649	8,236,862	-	147,577,039	8,682,065	2,504,300
Total Interceptor Sewer System	124,570,422	2,703,203	33,459,649	9,130,366	-	148,899,705	9,150,737	2,539,455

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CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2019

(continued from previous page)

	Outstanding June 30, 2018	Interest Paid FY2019	Issued FY2019	Retired FY2019	Refunded FY2019	Outstanding June 30, 2019	Maturing FY 2020	Interest Payable FY 2020
BUSINESS TYPE ACTIVITIES: (continued)								
Solid Waste Fund:								
Serial Bonds:								
2014 Municipal Public Improvement Refunding	\$ 4,420,034	\$ 129,150	\$ -	\$ 1,782,408	\$ -	\$ 2,637,626	\$ 934,930	\$ 70,129
2017 Series B Refunding GO Bond	2,155,000	107,750	-	-	-	2,155,000	-	107,750
Total serial bonds	6,575,034	236,900	-	1,782,408	-	4,792,626	934,930	177,879
Notes payable:								
2004 TML Bond Fund	218,468	3,608	-	34,191	-	184,277	35,113	1,517
Total Notes Payable	218,468	3,608	-	34,191	-	184,277	35,113	1,517
Total Solid Waste & Sanitation Fund	6,793,502	240,508	-	1,816,599	-	4,976,903	970,043	179,396
Water Quality Fund								
Serial Bonds:								
2013 Water Quality Bonds	3,910,000	149,594	-	360,000	-	3,550,000	355,000	137,119
2014 Municipal Public Improvement Refunding	1,090,900	31,882	-	440,002	-	650,898	230,795	17,312
2015 Series A GO Bond	7,020,000	321,300	-	540,000	-	6,480,000	540,000	294,300
2017 Series B Refunding GO Bond	615,000	30,750	-	-	-	615,000	-	30,750
Total serial bonds	12,635,900	533,526	-	1,340,002	-	11,295,898	1,125,795	479,481
Total Water Quality Fund	12,635,900	533,526	-	1,340,002	-	11,295,898	1,125,795	479,481
Total Business-Type Activities	143,999,824	3,477,237	33,459,649	12,286,967	-	165,172,506	11,246,575	3,198,332
TOTAL GENERAL OBLIGATION DEBT	330,669,947	10,219,189	33,459,649	33,269,861	3,255,000	327,604,735	29,051,345	9,141,183

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CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2019

(continued from previous page)

	Outstanding June 30, 2018	Interest Paid FY2019	Issued FY2019	Retired FY2019	Refunded FY2019	Outstanding June 30, 2019	Maturing FY 2020	Interest Payable FY 2020
Electric Power Board								
Revenue Bonds:								
2015A Electric System Refunding Revenue Bonds	217,485,000	9,518,482	-	8,380,000	-	209,105,000	8,880,000	8,938,981
2015B Electric System Revenue Bonds	13,295,000	330,719	-	1,825,000	-	11,470,000	1,765,000	286,423
2015C Electric System Revenue Bonds	25,880,000	1,276,500	-	-	-	25,880,000	-	1,276,500
Total Revenue Bonds	256,660,000	11,125,701	-	10,205,000	-	246,455,000	10,645,000	10,501,904
Total Electric Power Board	256,660,000	11,125,701	-	10,205,000	-	246,455,000	10,645,000	10,501,904
Chattanooga Downtown Redevelopment Corporation:								
Revenue Bonds:								
2007 Chattanooga Lease Rental Rev Ref Bonds	48,450,000	1,162,250	-	105,000	48,345,000	-	-	-
2010 Chattanooga Lease Rental Rev Ref Bonds	42,480,000	977,559	-	5,270,000	37,210,000	-	-	-
2018A IDB Rev Refunding 2007 Bonds	-	523,819	32,235,000	-	-	32,235,000	855,000	1,033,744
2018B IDB Rev Refunding 2007 Hotel Bonds Taxable	-	15,989	16,655,000	16,655,000	-	-	-	-
2018C IDB Rev Refunding 2010 Bonds Taxable	-	549,900	28,200,000	-	-	28,200,000	4,275,000	1,016,438
2018D IDB Rev Refunding 2010 Hotel Bonds Taxable	-	9,239	10,660,000	10,660,000	-	-	-	-
Total Chattanooga Downtown Redevelopment Corp.	90,930,000	3,238,756	87,750,000	32,690,000	85,555,000	60,435,000	5,130,000	2,050,182
Total Primary Government	\$ 678,259,947	\$ 24,583,646	\$ 121,209,649	\$ 76,164,861	\$ 88,810,000	\$ 634,494,735	\$ 44,826,345	\$ 21,693,269
COMPONENT UNITS								
Metropolitan Airport Authority:								
Revenue Bonds:								
2009 Refunding	\$ 3,085,663	\$ 71,366	\$ -	\$ 3,085,663	\$ -	\$ -	\$ -	\$ -
2014 Tax Exempt	2,674,575	70,695	-	138,674	-	2,535,901	142,475	66,894
2014 Taxable	3,454,092	138,173	-	159,763	-	3,294,329	166,415	131,521
Total Revenue Bonds	9,214,330	280,234	-	3,384,100	-	5,830,230	308,890	198,415
Total Metropolitan Airport Authority	9,214,330	280,234	-	3,384,100	-	5,830,230	308,890	198,415
CARTA								
Note Payable:								
Republic Parking System, Inc.	51,295	600	-	51,295	-	-	-	-
Total CARTA	51,295	600	-	51,295	-	-	-	-
Total Component Units	\$ 9,265,625	\$ 280,834	\$ -	\$ 3,435,395	\$ -	\$ 5,830,230	\$ 308,890	\$ 198,415

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2019

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2020	2004 Note Payable - Tennessee Municipal Bond Fund	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>7,610,591</u>	<u>190,640</u>	<u>7,801,231</u>
2020	2008 Section 108 HUD Loan	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>1,526,000</u>	<u>194,854</u>	<u>1,720,854</u>
2020	2009 Series A General Obligation	4.00%	2,270,000	136,200	2,406,200
2021		4.00%	2,270,000	45,400	2,315,400
			<u>4,540,000</u>	<u>181,600</u>	<u>4,721,600</u>
2020	2010 A Series General Obligation	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>2,345,000</u>	<u>637,337</u>	<u>2,982,337</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2019

(continued from previous page)

<u>DIRECT INDEBTEDNESS</u>					
Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2020	2010 Series B Refunding Hotel Motel	3.25%	138,019	704,240	842,259
2021		3.50%	2,005,582	699,409	2,704,991
2022		4.00%	2,139,288	619,186	2,758,474
2023		4.00%	2,277,306	533,614	2,810,920
2024		4.00%	90,575	442,522	533,097
2025		4.00%	90,575	438,899	529,474
2026		4.00%	94,888	435,276	530,164
2027		4.00%	99,201	431,481	530,682
2028		4.00%	103,514	427,512	531,026
2029		4.00%	3,334,011	423,372	3,757,383
2030		4.00%	3,523,787	290,012	3,813,799
2031		4.00%	3,726,501	149,060	3,875,561
			<u>17,623,247</u>	<u>5,594,583</u>	<u>23,217,830</u>
2020	2010 Series B Refunding General Obligation	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
			<u>2,806,753</u>	<u>891,017</u>	<u>3,697,770</u>
2020	2010 Series C Recovery Zone	3.00%	340,000	14,550	354,550
2021		2.00%	145,000	4,350	149,350
			<u>485,000</u>	<u>18,900</u>	<u>503,900</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2019

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2020	2011 Series A General Obligation	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>14,120,000</u>	<u>1,981,212</u>	<u>16,101,212</u>
2020	2011 Series B Refunding Hotel Motel	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>14,564,626</u>	<u>3,627,535</u>	<u>18,192,161</u>
2020	2011 Series B Refunding General Obligation	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>1,820,374</u>	<u>453,391</u>	<u>2,273,765</u>
2020	2013 General Improvement Bond	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>13,135,000</u>	<u>2,523,808</u>	<u>15,658,808</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2019

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2020	2013 Hotel-Motel Tax	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>5,035,000</u>	<u>966,075</u>	<u>6,001,075</u>
2020	2014 Hamilton County Dept. of Education	0.00%	1,960,579	-	1,960,579
			<u>1,960,579</u>	<u>-</u>	<u>1,960,579</u>
2020	2014 Refunding Hotel Motel Tax Pledge	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>2,235,789</u>	<u>201,700</u>	<u>2,437,489</u>
2020	2014 General Obligation Refunding	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>7,783,022</u>	<u>702,403</u>	<u>8,485,425</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2019

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2020	2015 A Series GO Bond	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>22,590,000</u>	<u>6,631,125</u>	<u>29,221,125</u>
2020	2015 B Series GO Bond Refunding	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>4,219,625</u>	<u>23,174,625</u>
2020	2016 Regional Communication Capital Lease	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>3,586,641</u>	<u>-</u>	<u>3,586,641</u>
2020	2017A Series GO Bond	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>6,555,000</u>	<u>2,127,000</u>	<u>8,682,000</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2019

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2020	2017A Series GO Bond Refunding	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>2,902,250</u>	<u>15,542,250</u>
2020	2018 Golf Course Capital Lease	3.45%	67,354	8,088	75,442
2020		3.45%	69,716	5,726	75,442
2021		3.45%	72,160	3,281	75,441
2022		3.45%	55,777	805	56,582
			<u>265,007</u>	<u>17,900</u>	<u>282,907</u>
2020	2018 Tasers Capital Lease	0.00%	124,800	-	124,800
2021		0.00%	124,800	-	124,800
			<u>249,600</u>	<u>-</u>	<u>249,600</u>
	Total direct indebtedness		<u>162,432,229</u>	<u>34,062,955</u>	<u>196,495,184</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2019

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2020	2003 State Revolving Loan	2.98%	2,230,932	386,940	2,617,872
2021		2.98%	2,298,336	319,536	2,617,872
2022		2.98%	2,367,768	250,104	2,617,872
2023		2.98%	2,439,300	178,572	2,617,872
2024		2.98%	2,512,992	104,880	2,617,872
2025		2.98%	2,151,611	26,541	2,178,152
			<u>14,000,939</u>	<u>1,266,573</u>	<u>15,267,512</u>
2020	2007 State Revolving Loan	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>8,799,247</u>	<u>1,599,293</u>	<u>10,398,540</u>
2020	2011-289 State Revolving Loan	2.00%	800,568	339,876	1,140,444
2021		2.00%	816,720	323,724	1,140,444
2022		2.00%	833,208	307,236	1,140,444
2023		2.00%	850,032	290,412	1,140,444
2024		2.00%	867,180	273,264	1,140,444
2025		2.00%	884,688	255,756	1,140,444
2026		2.00%	902,544	237,900	1,140,444
2027		2.00%	920,760	219,684	1,140,444
2028		2.00%	939,348	201,096	1,140,444
2029		2.00%	958,308	182,136	1,140,444
2030		2.00%	977,652	162,792	1,140,444
2031		2.00%	997,380	143,064	1,140,444
2032		2.00%	1,017,516	122,928	1,140,444
2033		2.00%	1,038,048	102,396	1,140,444
2034		2.00%	1,059,000	81,444	1,140,444
2035		2.00%	1,080,372	60,072	1,140,444
2036		2.00%	1,102,188	38,256	1,140,444
2037	2.00%	1,124,436	16,008	1,140,444	
2038	2.00%	190,940	474	191,414	
			<u>17,360,888</u>	<u>3,358,518</u>	<u>20,719,406</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2019

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2020	2012-307 State Revolving Loan	1.15%	1,434,900	328,980	1,763,880
2021		1.15%	1,451,496	312,384	1,763,880
2022		1.15%	1,468,272	295,608	1,763,880
2023		1.15%	1,485,252	278,628	1,763,880
2024		1.15%	1,502,424	261,456	1,763,880
2025		1.15%	1,519,788	244,092	1,763,880
2026		1.15%	1,537,356	226,524	1,763,880
2027		1.15%	1,555,128	208,752	1,763,880
2028		1.15%	1,573,104	190,776	1,763,880
2029		1.15%	1,591,296	172,584	1,763,880
2030		1.15%	1,609,692	154,188	1,763,880
2031		1.15%	1,628,304	135,576	1,763,880
2032		1.15%	1,647,132	116,748	1,763,880
2033		1.15%	1,666,164	97,716	1,763,880
2034		1.15%	1,685,436	78,444	1,763,880
2035		1.15%	1,704,912	58,968	1,763,880
2036		1.15%	1,724,628	39,252	1,763,880
2037		1.15%	1,744,560	19,320	1,763,880
2038		1.15%	735,338	2,109	737,447
			<u>29,265,182</u>	<u>3,222,105</u>	<u>32,487,287</u>
2020	2013-318 State Revolving Loan	1.67%	2,752,596	961,848	3,714,444
2021		1.67%	2,798,916	915,528	3,714,444
2022		1.67%	2,846,016	868,428	3,714,444
2023		1.67%	2,893,908	820,536	3,714,444
2024		1.67%	2,942,616	771,828	3,714,444
2025		1.67%	2,992,128	722,316	3,714,444
2026		1.67%	3,042,492	671,952	3,714,444
2027		1.67%	3,093,684	620,760	3,714,444
2028		1.67%	3,145,752	568,692	3,714,444
2029		1.67%	3,198,684	515,760	3,714,444
2030		1.67%	3,252,516	461,928	3,714,444
2031		1.67%	3,307,248	407,196	3,714,444
2032		1.67%	3,362,904	351,540	3,714,444
2033		1.67%	3,419,496	294,948	3,714,444
2034		1.67%	3,477,036	237,408	3,714,444
2035		1.67%	3,535,560	178,884	3,714,444
2036		1.67%	3,595,056	119,388	3,714,444
2037		1.67%	3,655,548	58,896	3,714,444
2038		1.67%	1,541,290	6,055	1,547,345
			<u>58,853,446</u>	<u>9,553,891</u>	<u>68,407,337</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2019

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2020	2014 General Obligation Refunding	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>1,322,666</u>	<u>119,340</u>	<u>1,442,006</u>
2020	2016-357 State Revolving Loan	1.29%	831,290	242,907	1,074,197
2021		1.29%	842,014	232,183	1,074,197
2022		1.29%	852,876	221,321	1,074,197
2023		1.29%	863,878	210,319	1,074,197
2024		1.29%	875,022	199,175	1,074,197
2025		1.29%	886,309	187,888	1,074,197
2026		1.29%	897,743	176,454	1,074,197
2027		1.29%	909,324	164,873	1,074,197
2028		1.29%	921,054	153,143	1,074,197
2029		1.29%	932,936	141,261	1,074,197
2030		1.29%	944,970	129,227	1,074,197
2031		1.29%	957,161	117,036	1,074,197
2032		1.29%	969,508	104,689	1,074,197
2033		1.29%	982,015	92,182	1,074,197
2034		1.29%	994,683	79,514	1,074,197
2035		1.29%	1,007,514	66,683	1,074,197
2036		1.29%	1,020,511	53,686	1,074,197
2037		1.29%	1,033,676	40,521	1,074,197
2038		1.29%	1,047,010	27,187	1,074,197
2039	1.29%	1,060,514	13,681	1,074,195	
			<u>18,830,008</u>	<u>2,653,930</u>	<u>21,483,938</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2019

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Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2020	2018-405 State Revolving Loan	1.29%	20,631	6,029	26,660
2021		1.29%	20,898	5,762	26,660
2022		1.29%	21,167	5,493	26,660
2023		1.29%	21,440	5,220	26,660
2024		1.29%	21,717	4,943	26,660
2025		1.29%	21,997	4,663	26,660
2026		1.29%	22,281	4,379	26,660
2027		1.29%	22,568	4,092	26,660
2028		1.29%	22,859	3,801	26,660
2029		1.29%	23,154	3,506	26,660
2030		1.29%	23,453	3,207	26,660
2031		1.29%	23,755	2,905	26,660
2032		1.29%	24,062	2,598	26,660
2033		1.29%	24,372	2,288	26,660
2034		1.29%	24,687	1,973	26,660
2035		1.29%	25,005	1,655	26,660
2036		1.29%	25,328	1,332	26,660
2037		1.29%	25,654	1,006	26,660
2038		1.29%	25,985	675	26,660
2039		1.29%	26,316	339	26,655
			<u>467,329</u>	<u>65,866</u>	<u>533,195</u>
	Total Interceptor Sewer System indebtedness		<u>148,899,705</u>	<u>21,839,516</u>	<u>170,739,221</u>
<u>SOLID WASTE FUND</u>					
2020	2004 Note Payable - Tennessee Municipal 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>184,277</u>	<u>4,617</u>	<u>188,894</u>
2020	2014 General Obligation Refunding	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%	234,935	3,529	238,464
			<u>2,637,626</u>	<u>238,064</u>	<u>2,875,690</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2019

(continued from previous page)

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2020	2017B Series GO Bond Refunding	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>494,750</u>	<u>2,649,750</u>
	Total Solid Waste Fund indebtedness		<u>4,976,903</u>	<u>737,431</u>	<u>5,714,334</u>
<u>WATER QUALITY FUND</u>					
2020	2013 General Obligation	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>3,550,000</u>	<u>682,708</u>	<u>4,232,708</u>
2020	2014 General Obligation Refunding	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>650,898</u>	<u>58,769</u>	<u>709,667</u>
2020	2015A General Obligation	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>6,480,000</u>	<u>1,903,500</u>	<u>8,383,500</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2019

(continued from previous page)

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2020	2017B Series GO Bond Refunding	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>141,750</u>	<u>756,750</u>
	Total Water Quality Fund indebtedness		<u>11,295,898</u>	<u>2,786,727</u>	<u>14,082,625</u>

ELECTRIC POWER BOARD

2020	2015 A Electric System Refunding Revenue Bond	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>209,105,000</u>	<u>74,904,815</u>	<u>284,009,815</u>
2020	2015 B Electric System Revenue Bonds	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>11,470,000</u>	<u>1,073,658</u>	<u>12,543,658</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2019

(continued from previous page)

ELECTRIC POWER BOARD

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2020	2015 C Electric System Revenue Bonds	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>17,067,201</u>	<u>42,947,201</u>
	Total Electric Power Board indebtedness		<u>246,455,000</u>	<u>93,045,674</u>	<u>339,500,674</u>

CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

2020	2018A IDB Rev Refunding 2007 Bonds	3.250%	855,000	1,033,744	1,888,744
2021		3.250%	890,000	1,005,388	1,895,388
2022		3.250%	915,000	976,056	1,891,056
2023		3.250%	945,000	945,831	1,890,831
2024		3.250%	980,000	914,550	1,894,550
2025		3.250%	1,005,000	882,294	1,887,294
2026		3.250%	6,455,000	761,069	7,216,069
2027		3.250%	6,665,000	547,869	7,212,869
2028		3.250%	6,460,000	334,588	6,794,588
2029		3.250%	7,065,000	114,806	7,179,806
			<u>32,235,000</u>	<u>7,516,195</u>	<u>39,751,195</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2019

(continued from previous page)

CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2020	2018C IDB Rev Refunding 2010 Bonds Taxable	3.900%	4,275,000	1,016,438	5,291,438
2021		3.900%	4,440,000	846,495	5,286,495
2022		3.900%	4,600,000	670,215	5,270,215
2023		3.900%	4,775,000	487,403	5,262,403
2024		3.900%	4,965,000	297,473	5,262,473
2025		3.900%	5,145,000	100,328	5,245,328
			<u>28,200,000</u>	<u>3,418,352</u>	<u>31,618,352</u>
	Total Chattanooga Downtown Redevelopment Corporation indebtedness		<u>60,435,000</u>	<u>10,934,547</u>	<u>71,369,547</u>
	Total Primary Government		<u>\$ 634,494,735</u>	<u>\$ 163,406,850</u>	<u>\$ 797,901,585</u>

METROPOLITAN AIRPORT AUTHORITY

2020	2014 Tax Exempt Revenue Bonds	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>2,535,901</u>	<u>273,915</u>	<u>2,809,816</u>
2020	2014 Taxable Revenue Bonds	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%	2,585,932	60,791	2,646,723
			<u>3,294,329</u>	<u>544,140</u>	<u>3,838,469</u>
	Total Airport Authority indebtedness		<u>5,830,230</u>	<u>818,055</u>	<u>6,648,285</u>
	Total component unit indebtedness		<u>\$ 5,830,230</u>	<u>\$ 818,055</u>	<u>\$ 6,648,285</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)

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	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net (expense)/revenue:										
Governmental activities	\$ (218,991,835)	\$ (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)
Business-type activities	81,411,140	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
Total primary government net expense	<u>(137,580,695)</u>	<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>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	149,034,245	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
Liquor and beer taxes	8,270,282	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
Gross receipts tax	6,032,093	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
Franchise tax	4,656,152	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
Hotel-motel tax	7,604,794	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
Other taxes	362,712	658,303	750,707	222,074	134,509	162,765	69,598	83,017	43,520	227,546
Unrestricted investment earnings	3,824,381	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
Grants not allocated to specific programs	95,070,994	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
Gain on sale of capital assets	723,448	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)
Endowment contributions	-	-	-	-	-	105	-	4,554	-	-
Transfers	(19,030)	(10,047,603)	-	50,952	-	-	1,363,048	6,344,311	5,917,771	4,089,754
Special Item- Transfer of Land to VW	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>275,560,071</u>	<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>
Business-type activities:										
Unrestricted investment earnings	5,326,319	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
Miscellaneous	-	-	-	-	-	-	388,268	147,914	-	16,427
Transfers	19,030	10,047,603	-	(50,952)	-	-	(1,363,048)	(6,344,311)	(5,917,771)	(4,089,754)
Loss on disposal of capital assets	-	-	-	-	-	-	(4,150,506)	-	-	-
Extra ordinary - tornado damage	-	-	-	-	-	-	-	-	(28,000,000)	-
Total business-type activities	<u>5,345,349</u>	<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>
Total primary government	<u>280,905,420</u>	<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>
Change in Net Position										
Governmental activities	56,568,236	25,121,560	12,179,491	30,575,323	15,022,732	60,820,976	17,904,001 ⁽²⁾	12,664,192	(3,292,342)	(15,769,633) ⁽¹⁾
Business-type activities	86,756,489	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
Total primary government	<u>\$ 143,324,725</u>	<u>\$ 118,653,738</u>	<u>\$ 87,684,567</u> ⁽⁴⁾	<u>\$ 99,983,011</u>	<u>\$ 60,940,677</u>	<u>\$ 103,363,515</u> ⁽³⁾	<u>\$ 37,833,246</u>	<u>\$ 31,619,639</u>	<u>\$ (12,184,439)</u>	<u>\$ (11,757,754)</u>

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ In fiscal year 2014, GASB 67 and 68 were implemented.

⁽⁴⁾ 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			
	2019	2018	2017	2016
Governmental activities				
Net investment in capital assets	\$ 1,324,097,124	\$ 1,285,941,167	\$ 1,277,949,718	\$ 1,272,353,698
Restricted	71,556,811	65,361,086	60,727,476	66,118,034
Unrestricted	(171,630,583)	(183,847,137)	(196,343,638) ⁽⁴⁾	(134,094,903)
Total governmental activities net position	<u>1,224,023,352</u>	<u>1,167,455,116</u>	<u>1,142,333,556</u>	<u>1,204,376,829</u>
Business-type activities				
Net investment in capital assets	741,029,373	720,686,418	652,037,064	590,844,184
Restricted	97,897,857	70,984,783	76,121,378	49,238,536
Unrestricted ⁽¹⁾	125,944,093	86,443,633	53,364,214 ⁽⁴⁾	78,680,556
Total business-type activities net position	<u>964,871,323</u>	<u>878,114,834</u>	<u>781,522,656</u>	<u>718,763,276</u>
Primary government				
Net investment in capital assets	2,065,126,497	2,006,627,585	1,929,986,782	1,863,197,882
Restricted	169,454,668	136,345,869	136,848,854	115,356,570
Unrestricted	(45,686,490)	(97,403,504)	(142,979,424) ⁽⁴⁾	(55,414,347)
Total primary government net position	<u>\$ 2,188,894,675</u>	<u>\$ 2,045,569,950</u>	<u>\$ 1,923,856,212</u>	<u>\$ 1,923,140,105</u>

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

⁽²⁾ In 2011 EPB suffered \$28,000,000 in extraordinary losses from the worst years of tornadoes in recent history.

⁽³⁾ In 2014, City implemented GASB 67 and 68.

⁽⁴⁾ In 2017, City implemented GASB 74 and 75.

Fiscal Year					
2015	2014	2013	2012	2011	2010
\$ 1,275,429,168	\$ 1,204,844,784	\$ 1,212,457,120	\$ 1,203,907,660	\$ 1,231,353,280	\$ 1,259,985,302
47,791,629	47,931,872	28,150,164	41,687,490	27,167,455	13,118,922
<u>(149,419,291)</u>	<u>(93,997,882) ⁽³⁾</u>	<u>92,237,845</u>	<u>89,243,312</u>	<u>63,653,535</u>	<u>52,362,388</u>
<u>1,173,801,506</u>	<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>
603,011,447	573,918,419	537,001,543	527,583,854	568,185,846	533,433,835
69,421,422	46,644,598	45,014,643	30,684,020	18,097,653	22,728,886
<u>(23,077,281)</u>	<u>(13,959,374) ⁽³⁾</u>	<u>(10,293,881)</u>	<u>3,519,144</u>	<u>(43,451,928)</u>	<u>(4,439,053)</u>
<u>649,355,588</u>	<u>606,603,643</u>	<u>571,722,305</u>	<u>561,787,018 ⁽²⁾</u>	<u>542,831,571</u>	<u>551,723,668</u>
1,878,440,615	1,778,763,203	1,749,458,663	1,731,491,514	1,799,539,126	1,793,419,137
117,213,051	94,576,470	73,164,807	72,371,510	45,265,108	35,847,808
<u>(172,496,572)</u>	<u>(107,957,256) ⁽³⁾</u>	<u>81,943,964</u>	<u>92,762,456</u>	<u>20,201,607</u>	<u>47,923,335</u>
<u>\$ 1,823,157,094</u>	<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>

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	
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	161,919,625
2018	146,283,546	2,698,025	5,632,453	5,748,596	4,824,817	7,206,593	658,303	173,052,333
2019	149,034,245	2,817,350	5,452,931	6,032,093	4,656,152	7,604,794	362,712	175,960,277

⁽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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010 ⁽¹⁾
General fund										
Nonspendable	\$ 1,449,989	\$ 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	19,381,904	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	895,680	808,990	810,609	645,036	795,692	689,137	733,927	967,538	898,772	1,184,148
Assigned	9,546,750	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	78,168,460	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⁾	<u>109,442,783</u>	<u>110,140,502</u>	<u>101,405,891</u>	<u>82,843,493</u>	<u>69,436,164</u>	<u>78,711,978</u>	<u>69,845,599</u>	<u>63,003,392</u>	<u>50,280,129</u>	<u>39,829,493</u>
All other governmental funds										
Nonspendable	5,289,761	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	78,221,716	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	8,286,685	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	<u>91,798,162</u>	<u>88,075,454</u>	<u>83,410,350</u>	<u>86,326,828</u>	<u>67,498,241</u>	<u>67,459,761</u>	<u>44,085,151</u>	<u>52,901,433</u>	<u>43,961,742</u>	<u>55,665,490</u>
Total governmental funds	<u>\$ 201,240,945</u>	<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>

⁽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			
	2019	2018	2017	2016
Revenues				
Taxes	\$ 175,253,318	\$ 172,980,292	\$ 163,443,650	\$ 155,799,808
Licenses and permits	7,916,922	6,938,663	7,569,081	7,352,468
Intergovernmental	126,600,057	122,729,461	113,376,554	109,583,823
Charges for services	4,020,963	4,394,849	4,558,271	4,491,755
Fines, forfeitures and penalties	1,364,832	1,367,852	2,117,601	2,599,585
Investment income	4,191,025	3,451,398	3,277,471	1,972,171
Contributions and donations	1,851,373	5,322,453	1,244,604	1,609,166
	723,642	-	-	-
Miscellaneous	8,969,818	8,763,086	7,445,416	6,651,589
Total revenues	<u>330,891,950</u>	<u>325,948,054</u>	<u>303,032,648</u>	<u>290,060,365</u>
Expenditures				
General government	64,751,771	63,148,457	65,960,761	63,105,668
Economic & community development	10,092,368	9,768,808	8,917,998	8,633,354
Public safety	116,575,652	111,685,239	103,566,128	96,260,548
Public works	-	-	-	-
Public works & transportation	48,376,794	47,288,529	39,207,550	37,834,604
Youth & family development	29,607,847	28,071,723	26,506,698	25,772,920
Parks and recreation, education, arts & culture	-	-	-	-
Social Services	-	-	-	-
Capital outlay	27,412,439	25,286,422	33,351,247	35,147,388
Debt service:				
Principal	20,982,893	20,689,981	18,058,024	17,164,347
Interest	6,793,170	7,454,385	7,500,114	7,426,116
Total expenditures	<u>324,592,934</u>	<u>313,393,544</u>	<u>303,068,520</u>	<u>291,344,945</u>
Excess of revenues over (under) expenditures	6,299,016	12,554,510	(35,872)	(1,284,580)
Other financing sources (uses)				
Transfers in	64,620,727	55,217,621	39,699,793	44,454,692
Transfers out	(64,639,757)	(55,217,621)	(39,699,794)	(44,403,738)
Refunding bonds issued	-	-	12,640,000	-
Bonds issued	-	-	8,200,000	47,200,000
Premium on bonds issued	-	-	3,762,622	7,684,371
Payments to refunded bond escrow agent	(3,255,000)	-	(14,898,565)	(21,414,829)
Notes issued	-	-	-	-
Capital leases	-	845,200	5,977,735	-
Total other financing sources (uses)	<u>(3,274,030)</u>	<u>845,200</u>	<u>15,681,791</u>	<u>33,520,496</u>
Net change in fund balances	<u>\$ 3,024,986</u>	<u>\$ 13,399,710</u>	<u>\$ 15,645,919</u>	<u>\$ 32,235,916</u>
Debt service as a percentage of non-capital expenditures	9.07%	9.69%	9.10%	9.12%

Fiscal Year						
	2015	2014	2013	2012	2011	2010
\$	151,630,655	\$ 147,420,648	\$ 144,654,630	\$ 135,223,433	\$ 133,486,033	\$ 114,584,911
	6,519,237	6,384,410	5,830,254	5,738,751	5,176,412	5,368,232
	104,921,960	96,926,638	107,416,967	103,679,076	100,441,019	97,317,492
	5,596,920	6,017,985	6,333,801	6,045,639	5,602,433	6,182,979
	2,721,488	2,051,888	1,422,556	2,148,952	2,705,952	3,256,983
	1,111,693	1,581,549	1,185,179	1,170,671	1,476,502	1,350,106
	982,639	782,545	218,028	839,599	1,208,813	754,226
	-	-	-	-	-	-
	8,144,924	6,236,014	6,340,451	5,730,827	4,813,272	5,953,361
	<u>281,629,516</u>	<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>
	64,148,350	61,432,644	64,000,423	57,347,682	54,344,907	68,917,674
	8,617,777	6,896,838	-	-	-	-
	93,447,712	93,249,612	92,123,889	90,486,931	83,338,295	71,310,426
	-	-	40,854,938	39,283,330	39,260,630	31,601,596
	37,822,758	38,201,294	-	-	-	-
	23,744,490	21,738,673	-	-	-	-
	-	-	19,872,077	19,459,895	18,003,988	16,979,064
	-	-	16,515,906	19,123,591	20,977,875	22,890,301
	35,186,418	22,598,368	18,236,057	24,674,873	24,601,428	23,446,614
	19,324,913	12,970,806	13,037,072	11,846,305	13,007,185	12,532,082
	7,421,843	7,030,200	7,178,691	7,683,913	7,211,011	7,979,170
	<u>289,714,261</u>	<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>
	(8,084,745)	3,283,242	1,582,813	(9,329,572)	(5,834,883)	(20,888,637)
	59,632,771	38,834,687	31,557,514	33,930,297	33,896,437	31,587,851
	(61,032,771)	(39,321,328)	(35,544,306)	(31,650,986)	(29,444,666)	(27,567,851)
	17,753,440	-	-	-	-	14,219,204
	-	26,775,000	-	44,115,201	-	34,265,000
	1,735,417	2,369,489	-	3,172,754	-	730,718
	(19,324,578)	-	-	(18,574,740)	-	(34,123,256)
	83,132	-	128,416	-	130,000	-
	-	-	301,493	-	-	-
	<u>(1,152,589)</u>	<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>(9,237,334)</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>
	9.69%	8.24%	8.08%	7.82%	8.56%	9.00%

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						
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%
2019	2,169,319,715	2,927,137,436	89,320,033	611,696,491	233,024,409	6,030,498,084	2.277	18,964,234,130	31.80%

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	
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
2019	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⁾	2019			2010		
	Taxable ⁽²⁾ Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
	Value		Value	Value		
Electric Power Board	\$ 323,715,000	1	5.01%	\$ 225,239,815	1	4.65%
CBL & Associates	116,578,288	2	1.81%	67,330,092	2	1.39%
BellSouth	-			57,191,771	3	1.18%
Tennessee Valley Authority (Computer Center)	89,091,550	3	1.38%	42,698,360	4	0.88%
BlueCross BlueShield	59,435,000	4	0.92%	31,238,976	7	0.64%
Tennessee-American Water Co.	56,104,572	5	0.87%	41,286,077	5	0.85%
Unum/Provident	46,268,885	6	0.72%	33,167,393	6	0.68%
WALMART	34,184,482	7	0.53%	3,186,657	8	0.64%
Kenco Group Inc.	-			29,494,440	9	0.61%
JDK Real Estate (Kenco Group)	31,500,503	8	0.49%	-		
AGL resources - Chatt. Gas Co.	30,045,357	9	0.47%	-		
Parkridge Medical Center	27,029,792	10	0.42%	26,546,853	10	0.55%
Totals	<u>\$ 813,953,429</u>		<u>12.62%</u>	<u>\$ 557,380,434</u>		<u>12.07%</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
2010	93,958,030	(1,208,571)	92,749,459	88,615,281	95.5%	3,610,034	92,225,315	99.4%
2011	111,034,964	(270,003)	110,764,961	104,399,752	94.3%	5,758,248	110,158,000	99.5%
2012	111,312,877	(517,344)	110,795,533	104,608,676	94.4%	5,555,881	110,164,557	99.4%
2013	112,552,779	(598,059)	111,954,720	105,385,912	94.1%	5,924,445	111,310,357	99.4%
2014	114,416,715	(635,004)	113,781,711	107,610,482	94.6%	5,199,711	112,810,193	99.1%
2015	116,480,000	(29,584)	116,450,416	110,399,359	94.8%	4,602,835	115,002,194	98.8%
2016	118,013,601	(34,082)	117,979,519	112,528,120	95.4%	4,751,415	117,279,535	99.4%
2017	120,665,972	(221,109)	120,444,863	116,366,570	96.6%	2,767,075	119,133,645	98.9%
2018	134,748,526	(584,794)	134,514,588	128,784,910	95.7%	2,614,917	131,399,827	97.9%
2019	137,314,441	(454,909)	136,859,532	130,780,192	95.6%	-	130,780,192	95.6%

⁽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
2009	1,057	381,383,099	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
2018	1267	379,908,204	1,592	150,086,791	7,766,808,645	8,744,997,800	423,680,744

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.

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>
2010	\$ 25,116,025	\$ 9,904,220	\$ 10,182,243	\$ 2,578,926	\$ 1,888,061	\$ 13,749,395 ⁽¹⁾	\$ 63,418,870
2011	26,462,886	10,357,166	10,652,849	2,714,695	1,942,779	10,987,506 ⁽²⁾	63,117,881
2012	38,054,892 ⁽³⁾	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 ⁽⁴⁾	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
2019	51,528,837	14,836,056	14,660,843	1,902,862	3,813,432	12,839,950	99,581,980

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ 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
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
2019	159,504	10.94	21,841	12.32	3,173	8.43	143	13.63	184,661	9.76

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	Capital	Revenue	General Obligation	Notes		Capital	Percentage of Personal	Per	Percentage of Personal	Per
	Bonds	Payable	Leases	Bonds	Bonds	Payable		Leases	Income ⁽¹⁾	Capita ⁽¹⁾	Income ⁽¹⁾	Capita ⁽¹⁾
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	203,311,219 ⁽³⁾	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	197,788,968 ⁽³⁾	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	181,054,741 ⁽³⁾	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
2019	160,361,732 ⁽³⁾	11,097,170	4,101,248	322,871,000	19,677,853	147,761,316	-	665,870,319	8.28%	3,688	4.27%	1,900

⁽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	GO Bonds ⁽¹⁾	Notes and Capital Leases	Total	Less: Debt Service Fund Balance	Debt Supported by Property Tax Total	% Estimated Actual Taxable Value of Property ⁽²⁾	Per Capita ⁽³⁾
2010	\$ 126,354,251	\$ 26,995,117	\$ 153,349,368	\$ 4,870,365	\$ 148,479,003	0.97%	867
2011	117,257,025	24,581,882	141,838,907	4,954,374	136,884,533	0.90%	816
2012	139,340,087	22,153,209	161,493,296	652,699	160,840,597	1.06%	945
2013	130,146,664	20,594,370	150,741,034	2,476,637	148,264,397	0.96%	866
2014	142,507,961	30,627,384	173,135,345	5,020,752	168,114,593	1.07%	970
2015	132,550,033	24,244,086	156,794,119	3,446,011	153,348,108	0.95%	885
2016	156,253,190	20,496,045	176,749,235	2,161,977	174,587,258	1.07%	989
2017	152,787,396	16,730,275	169,517,671	1,778,396	167,739,275	1.01%	945
2018	139,425,007	12,944,559	152,369,566	2,990,089	149,379,477	0.81%	834
2019	120,903,070	13,672,418	134,575,488	3,049,310	131,526,178	0.71%	741

⁽¹⁾ GO Bonds include 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.

CITY OF CHATTANOOGA, TENNESSEE

**SUMMARY OF OUTSTANDING DEBT
PRIMARY GOVERNMENT
LAST TEN FISCAL YEARS**

Fiscal Year	Primary Government ⁽¹⁾			Debt Supported by Designated Revenue Streams Other Than Property Taxes							
	Total Debt	Less:	Total	Hotel-Motel Debt	CDRC		HUD Sec.	Sewer	Solid Waste	Water Quality	EPB
		Tax Supported	Self Supported		Capital Lease	Capital Lease	108 Notes	Debt	Debt	Debt	Debt
		Gen Gov Debt	Debt								
2010	\$ 440,408,739	\$ 153,349,368	\$ 287,059,371	\$ 53,455,510	\$ 106,308,081	\$ 223,738	\$ 4,271,000	\$ 90,181,577	\$ 22,160,064	\$ 10,459,401	\$ -
2011	430,775,516	141,838,907	288,936,609	52,163,815	103,518,327	160,288	3,966,000	82,208,790	19,377,489	8,634,900	18,907,000
2012	435,654,274	161,493,296	274,160,978	49,324,122	100,531,340	93,758	3,661,000	73,329,345	17,838,771	7,657,642	21,725,000
2013	306,765,876	150,741,034	156,024,842	47,091,427	- ⁽²⁾	287,958	3,356,000	70,632,816	16,811,099	6,984,540	10,861,000
2014	326,434,487	173,135,345	153,299,142	52,423,496	-	232,290	3,051,000	66,235,357	14,913,893	11,666,106	4,777,000
2015	308,198,253	156,794,119	151,404,134	49,785,663	-	174,098	2,746,000	74,920,453	13,300,710	10,477,209	-
2016	358,616,661	176,749,235	181,867,426	47,058,029	-	113,267	2,441,000	102,232,212	11,426,361	18,596,557	-
2017	358,942,637	169,517,671	189,424,966	45,001,572	-	6,027,412	2,136,000	110,264,335	9,491,440	16,504,207	-
2018	347,830,974	152,369,566	195,461,408	41,629,734	-	5,486,668	1,831,000	124,729,023	7,499,337	14,285,646	-
2019	342,999,319	134,575,488	208,423,831	39,458,662	-	-	1,526,000	149,040,684	5,556,831	12,841,654	-

⁽¹⁾ GO Bonds include premiums and discounts

⁽²⁾ 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

CITY OF CHATTANOOGA, TENNESSEE

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2019

<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	\$ 314,026,008	58.2806%	<u>\$ 183,016,242</u>
Subtotal, overlapping debt ⁽¹⁾			183,016,242
City of Chattanooga debt related to governmental activities ⁽³⁾			162,432,229
City original issue premiums and discounts			<u>13,127,919</u>
Total direct and overlapping debt			<u><u>\$ 358,576,390</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			
	2019	2018	2017	2016
Debt limit ⁽¹⁾	\$ 599,278,414	\$ 590,946,293	\$ 522,577,906	\$ 511,102,589
Total net debt applicable to limit ⁽²⁾	133,792,841	149,379,477	167,739,275	174,587,258
Legal debt margin	<u>\$ 465,485,573</u>	<u>\$ 441,566,816</u>	<u>\$ 354,838,631</u>	<u>\$ 336,515,331</u>
Total net debt applicable to the limit as a percentage of debt limit	22.33%	25.28%	32.10%	34.16%

	Legal Debt Margin Calculation by Fiscal Year			
Assessed value	\$ 5,992,784,141	\$ 5,909,462,932	\$ 5,225,779,059	\$ 5,111,025,892
Debt limit (10% of total assessed value)	599,278,414	590,946,293	522,577,906	511,102,589
Debt applicable to limit:				
General obligation bonds	130,474,240	152,369,566	169,517,671	176,749,235
Less: amount set aside for repayment of general obligation debt	(3,049,310)	(2,990,089)	(1,778,396)	(2,161,977)
Total net debt applicable to limit	<u>127,424,930</u>	<u>149,379,477</u>	<u>167,739,275</u>	<u>174,587,258</u>
Legal debt margin	<u>\$ 471,853,484</u>	<u>\$ 441,566,816</u>	<u>\$ 354,838,631</u>	<u>\$ 336,515,331</u>

⁽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					
2015	2014	2013	2012	2011	2010
\$ 504,460,741	\$ 495,524,906	\$ 487,452,421	\$ 482,082,558	\$ 480,878,951	\$ 484,569,450
153,348,109	168,114,593	148,264,399	154,854,197	133,432,404	144,733,451
<u>\$ 351,112,632</u>	<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>
30.40%	33.93%	30.42%	32.12%	27.75%	29.87%

Legal Debt Margin Calculation by Fiscal Year					
\$ 5,044,607,410	\$ 4,955,249,059	\$ 4,874,524,209	\$ 4,820,825,577	\$ 4,808,789,510	\$ 4,845,694,497
504,460,741	495,524,906	487,452,421	482,082,558	480,878,951	484,569,450
156,794,120	173,135,345	150,741,036	155,506,895	138,386,776	149,603,816
(3,446,011)	(5,020,752)	(2,476,637)	(652,700)	(4,954,374)	(4,870,365)
<u>153,348,109</u>	<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>\$ 351,112,632</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>

CITY OF CHATTANOOGA, TENNESSEE

HISTORICAL DEBT RATIOS

June 30, 2019

	Fiscal Year			
	2019	2018	2017	2016
Estimated population	180,557	179,139	177,571	176,588
Appraised property valuation	\$ 18,964,234,130	\$ 18,515,514,113	\$ 16,617,822,120	\$ 16,253,882,118
Assessed property valuation	5,992,784,141	5,909,462,932	5,225,896,880	5,111,025,892
Gross indebtedness ⁽¹⁾	388,039,735	421,599,947	435,929,169	442,659,694
Less: Self-supporting indebtedness ⁽²⁾	266,592,168	283,502,826	282,579,251	279,996,798
Debt Service Fund	3,049,310	2,990,089	1,778,396	2,161,977
Net direct indebtedness	118,398,257	135,107,032	151,571,522	160,500,919
Plus: Estimated net overlapping indebtedness	183,016,242	204,647,086	158,510,550	170,209,506
Net direct and overlapping indebtedness	\$ 301,414,499	\$ 339,754,118	\$ 310,082,072	\$ 330,710,425
Gross debt per capita	\$ 2,149.13	\$ 2,353.48	\$ 2,454.96	\$ 2,506.74
Net direct debt per capita	655.74	754.20	853.58	908.90
Net direct and overlapping debt per capita	1,669.36	1,896.59	1,746.24	1,872.78
Gross debt to appraised valuation	2.05%	2.28%	2.62%	2.72%
Net direct debt to appraised valuation	0.62%	0.73%	0.91%	0.99%
Net direct debt and overlapping debt to appraised valuation	1.59%	1.83%	1.87%	2.03%
Gross debt to assessed valuation	6.48%	7.13%	8.34%	8.66%
Net direct debt to assessed valuation	1.98%	2.29%	2.90%	3.14%
Net direct and overlapping debt to assessed valuation	5.03%	5.75%	5.93%	6.47%

⁽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					
2015	2014	2013	2012	2011	2010
173,366	173,366	171,279	170,136	167,674	171,349
\$ 15,484,126,401	\$ 15,754,641,402	\$ 15,498,290,496	\$ 15,239,117,325	\$ 15,187,143,683	\$ 15,307,270,881
5,044,607,410	4,955,249,059	4,874,524,209	4,820,825,577	4,808,789,510	4,845,694,497
404,376,144	422,909,531	403,192,541	407,942,874	408,416,390	436,663,186
255,342,366	257,073,903	257,949,312	252,435,979	270,029,615	287,059,370
3,446,011	5,020,752	2,476,637	652,700	4,954,374	4,870,365
145,587,767	160,814,876	142,766,592	154,854,195	133,432,401	144,733,451
164,152,697	146,010,497	158,657,256	152,555,047	148,698,012	154,968,909
\$ 309,740,464	\$ 306,825,373	\$ 301,423,848	\$ 307,409,242	\$ 282,130,413	\$ 299,702,360
\$ 2,332.50	\$ 2,439.40	\$ 2,354.01	\$ 2,397.75	\$ 2,435.78	\$ 2,548.38
839.77	927.60	833.53	910.18	795.78	844.67
1,786.63	1,769.81	1,759.84	1,806.84	1,682.61	1,749.08
2.61%	2.68%	2.60%	2.68%	2.69%	2.85%
0.94%	1.02%	0.92%	1.02%	0.88%	0.95%
2.00%	1.95%	1.94%	2.02%	1.86%	1.96%
8.02%	8.53%	8.27%	8.46%	8.49%	9.01%
2.89%	3.25%	2.93%	3.21%	2.77%	2.99%
6.14%	6.19%	6.18%	6.38%	5.87%	6.18%

CITY OF CHATTANOOGA, TENNESSEE

**REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	EPB Revenue Bonds					
	Total Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
				Principal	Interest	
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
2019	590,915,000	510,216,000	80,699,000	10,205,000	11,127,000	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					
	Total Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service		Times Coverage
				Principal	Interest	
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
2019 ⁽³⁾	22,237,730	71,556	22,166,174	32,690,000	3,238,756	0.6

⁽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.

⁽³⁾ This includes \$27,315,000 of bonds issued and retired within the same year from the sale of the Chattanooga in FY19

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>
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	43,531	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%
2019	8,039,842,096	180,557	44,528	40.3	18.8% 4yr. Degree	43,830	3.9%

⁽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	2019 (1)			2010 (2)		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
• Erlanger Health System	7,870	1	4.36%	3,359	4	1.96%
• BlueCross BlueShield of Tennessee	5,193	2	2.88%	4,458	1	2.60%
• Hamilton County Department of Education	4,674	3	2.59%	4,297	2	2.51%
Tennessee Valley Authority	3,501	4	1.94%	3,715	3	2.17%
• McKee Foods Corporation	3,100	5	1.72%	3,060	5	1.79%
• Unum	2,800	6	1.55%	2,800	6	1.63%
Volkswagen Chattanooga	2,498	7	1.38%	-	-	0.00%
CHI Memorial	2,407	8	1.33%	2,796	7	1.63%
• City of Chattanooga	2,308	9	1.28%	2,266	8	1.32%
Roper Corporation	1,900	10	1.05%	1,500	12	0.88%
Total	<u>36,251</u>		<u>20.08%</u>	<u>28,251</u>		<u>16.49%</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, 2010
• 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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government	222	219 ⁽⁴⁾	367	368	373	359 ⁽¹⁾	301	300	301	291
Public Safety										
Police										
Sworn	498	498	486	486	486	486	475	475	481	475
Civilian	115	120	119	115	115	103	129	129	123	130
Fire										
Sworn	443	429	429	429	429	429	429	414	412	400
Civilian	24	24	16	16	17	17	17	17	17	17
Public Works	338	336	281	284	286	307	337	337	338	409
Economic & Community Development	101	100	95	85	86	80	35	35	35	29
Youth & Family Development	403	406	424	423	426	412 ⁽²⁾	-	-	-	-
Parks & Recreation	-	-	-	-	-	- ⁽²⁾	230	230	237	236
Education, Arts and Culture	-	-	-	-	-	- ⁽²⁾	28	27	27	26
Social Services	-	-	-	-	-	- ⁽²⁾	307	305	286	293
Transportation	61	60	60	60	58	47 ⁽³⁾	-	-	-	-
Interceptor Sewer System	181	176	177	161	147	147	143	139	137	136
Solid Waste/Sanitation	15	20	20	20	20	20	19	19	16	16
Water Quality	149	143	152	152	151	141	138	138	137	59
EPB	602	592	597	552	545	547	521	499	453	435
Totals	<u>3,152</u>	<u>3,123</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>

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government										
311 Service Requests Created	150,443	131,225	156,370	137,005	154,546	156,724	135,664	110,247	135,692	114,711
% of Current Tax Levy Collected	95.47	95.6	96.4	95.4	94.8	94.0	94	94	94	94
Police										
Crimes Committed ⁽¹⁾	26,272	23,882	23,556	21,619	12,622	12,902	12,869	12,037	12,158	14,385
Moving/Parking Violations ⁽²⁾	24,870	24,618	22,534	39,326	47,425	40,727	51,674	102,067	105,470	166,438
Citizen Complaints	66	55	42	n/a	20	64	66	44	47	56
Fire										
Emergency Calls	19,704	18,849	19,429	17,311	16,356	15,926	15,858	16,161	16,363	12,473
Inspections	4,539	4,228	5,093	8,103	5,078	3,263	3,551	4,298	4,750	5,466
Public Works										
Sidewalks Repaired (sq.ft.)	4,513	11,902	16,751	65,050	18,473	66,056	5,938	13,344	12,359	8,186
Streets Paved (sq.ft.)	382,353	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
Parks, Recreation, Arts & Culture										
Chattanooga Zoo-Attendance	289,399	262,426	252,629	232,123	183,173	152,561	151,699	177,723	210,966	253,115
Recreation Centers-Attendance		462,314	536,199	791,138	510,599	600,805	833,674	630,178	630,178	550,496
Social Services										
Children Immunized	-	-	-	954	918	1,078	946	1,223	888	1,014
Households Assisted	5,662	4,898	5,542	6,247	8,192	9,636	7,184	10,905	6,334	8,473
Interceptor Sewer System										
% of Consent Decree Requirements Met	100%	100%	100%	100%	100%	100%	n/a			
% of Capacity, Management, Operations and Maintenance goals met	60%	80%	95%	100%	100%	100%	100%			
# of Full NPDES Compliance Days at the MBWWTP	202	362	364	352	363	356	337	337	355	346
Solid Waste/Sanitation										
NPDES Landfill Violations	1	-	-	-	-	-	-	4	2	4
Violation Notices to Industry	-	-	-	-	37	-	50	26	48	40
Areas of Concern	7	11	5							
Water Quality										
311 Service Requests Created	2,673	2,138	1,238	1,576	1,440	1,650	2,229	1,632	1,727	3,206
311 Service Requests Unresolved	-	-	38	126	116	95	55	58	89	388

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government										
City Fleet	925	1489	1737	1737	1739	1734	1,734	1,854	1,769	1,774
Properties Returned to Tax Rolls	74	57	80	100	111	57	138	65	47	24
Police										
Stations	4	4	4	4	4	4	4	3	3	3
Patrol Units	575	586	586	586	588	580	551	555	450	450
Fire										
Stations	20	20	20	19	19	19	18	18	18	18
Ladder Trucks/Fire Engines/Combos (1)	50	28	27	27	27	27	27	25	25	25
Public Works										
Miles of Paved Streets	1210	1210	1200	1160	1160	1160	1,151	1,151	1,151	1,151
Signalized Intersections	341	335	339	336	330	327	332	320	320	321
Garbage Trucks	28	25	26	25	25	25	25	21	21	18
Knuckleboom Trucks	24	27	27	22	22	22	22	19	23	20
Interceptor Sewer System										
Miles of Sewer	1263	1263	1263	1263	1263	1263	1254	1254	1254	1254
Pump Stations	77	82	82	82	71	71	70	70	70	70
Parks, Recreation, Arts & Culture										
Parks	84	84	82	80	79	74	70	51	51	51
Recreation Centers	15	15	15	15	15	15	17	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.
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
2018	267.9	259.6	8.3	3.1	3.3	4.0

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	
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	-	-	-	-	-	
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	
2019	51,528,837	14,660,843	66,189,680	5,386,763	1,802,163	7,588,058	14,836,056	1,902,862	

⁽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**

	2020	2021	2022	2023	2024	Total
Department						
Public Works	\$ 132,793,354	\$ 109,309,000	\$ 75,540,000	\$ 58,170,000	\$ 68,290,000	\$ 444,102,354
Police	768,325	731,600	707,100	300,000	300,000	2,807,025
Fire	2,335,000	2,125,000	2,825,000	-	-	7,285,000
Economic & Community Development	2,573,700	4,733,000	3,600,000	3,000,000	2,000,000	15,906,700
General Government	8,581,801	4,300,031	2,753,635	2,230,939	824,941	18,691,347
Transportation	47,282,605	26,444,657	24,884,000	20,562,900	26,781,561	145,955,723
Youth & Family	550,000	550,000	2,500,000	-	-	3,600,000
Total	\$ 194,884,785	\$ 148,193,288	\$ 112,809,735	\$ 84,263,839	\$ 98,196,502	\$ 638,348,149
Bonds						
General Fund	\$ 9,900,490	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 57,900,490
ISS (Revenue Bonds)	39,000,000	34,500,000	27,000,000	11,000,000	25,000,000	136,500,000
ISS (SRF Enterprise)	20,000,000	20,000,000	20,000,000	28,000,000	14,000,000	102,000,000
Total Bonds	68,900,490	66,500,000	59,000,000	51,000,000	51,000,000	296,400,490
Cash/Reserves						
General Fund	8,124,850	9,810,722	7,409,735	7,683,839	9,686,502	42,715,648
Econ. Dev. Fund	18,000,000	10,000,000	6,000,000	6,000,000	6,000,000	46,000,000
Hotel-Motel Fund	669,889	2,000,000	2,000,000	2,000,000	2,000,000	8,669,889
Fleet Fund	5,000,000	4,000,000	4,000,000	5,000,000	5,000,000	23,000,000
State Street Aid	1,740,359	1,800,000	1,850,000	1,900,000	1,950,000	9,240,359
Sale of Property	2,659,507	-	-	-	-	2,659,507
Public Works Capital Fund	899,497	-	-	-	-	899,497
Narcotics Fund	251,726	250,000	250,000	250,000	250,000	1,251,726
TN Valley Regional Communication Syst	2,000,000	-	-	-	-	2,000,000
Solid Waste	753,195	1,500,000	500,000	500,000	500,000	3,753,195
Water Quality	4,784,875	8,559,000	7,140,000	7,320,000	11,490,000	39,293,875
Interceptor Sewer	41,407,500	30,650,000	12,800,000	1,250,000	7,600,000	93,707,500
Total Cash/Reserves	86,291,398	68,569,722	41,949,735	31,903,839	44,476,502	273,191,196
External Sources						
Private Grants/Donations	2,831,578	-	-	-	-	2,831,578
Hamilton County	865,000	200,000	200,000	200,000	200,000	1,665,000
State of Tennessee	13,993,200	-	-	-	-	13,993,200
Community Development Block Grant	200,000	200,000	200,000	200,000	200,000	1,000,000
Federal	21,803,119	12,723,566	11,460,000	960,000	2,320,000	49,266,685
Total External Sources	39,692,897	13,123,566	11,860,000	1,360,000	2,720,000	68,756,463
Total All Sources	\$ 194,884,785	\$ 148,193,288	\$ 112,809,735	\$ 84,263,839	\$ 98,196,502	\$ 638,348,149

Source: City of Chattanooga Capital Planner



CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2019

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:							
2018 Child and Adult Food Program - Day Care	10.558	3-47-56136-00-6	(5,349)	5,349	-	-	-
2018 Head Start Child and Adult Food Program	93.600	3-47-60076-00-9	(8,651)	8,651	-	-	-
2019 CHS Child Care Program	10.558	N/A	-	20,414	20,414	-	-
2019 Child and Adult Food Program - Day Care	10.558	3-47-56136-00-6	-	4,566	4,566	-	-
2019 Head Start Child and Adult Food Program	93.600	3-47-60076-00-9	-	611,936	621,060	-	(9,124)
Total Child and Adult Food Program			(14,000)	650,916	646,040	-	(9,124)
Total U. S. Department of Agriculture			(14,000)	650,916	646,040	-	(9,124)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-47-0001	-	75,761	75,761	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-47-0001	(75,424)	197,173	121,749	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-47-0001	-	414,803	474,198	-	(59,395)
Community Development Block Grants/Entitlement Grants-Program Income	--	Program Income	-	497,015	497,015	-	-
Total Community Development Block Grants/Entitlement Grants			(75,424)	1,184,752	1,168,723	-	(59,395)
THDA ESG Stage	14.231	E-17-MC-47-0001	(44,370)	11,749	16,834	-	(49,455)
THDA ESG Stage	14.231	E-18-MC-47-0001	-	64,081	91,371	-	(27,290)
Total Emergency Solutions Grant			(44,370)	75,830	108,205	-	(76,745)
HOME Investment Partnerships Program	14.239	M-13-MC-47-0200	-	230,358	230,358	-	-
HOME Investment Partnerships Program - Program Income	14.239	Program Income	683,672	200,178	156,529	-	727,321
Total HOME Investment Partnerships Program			683,672	430,536	386,887	-	727,321
LBPH & Healthy Home (LHRD) Program	14.218	TNLHB0653-17	(60,572)	164,639	182,769	-	(78,702)
Total U. S. Department of Housing and Urban Development			503,306	1,855,757	1,846,584	-	512,479
U.S. DEPARTMENT OF THE INTERIOR							
National Park Service, Historic Preservation Grants	15.928	P14AP00191	-	51,128	51,128	-	-
			-	51,128	51,128	-	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2019

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-JAG	16.738	2015-DJ-BX-1042	(15,802)	59,642	43,840	-	-
ELERV Grant Program - 9/30/18	16.582	2014-VF-GX-K011	(87,365)	108,145	20,780	-	-
Hamilton County Family Justice Center-STOP Grant	16.588	26780	(7,049)	2,177	-	-	(4,872)
Hamilton County Family Justice Center-VOCA	16.575	28887	(37,868)	145,670	121,100	-	(13,298)
Hamilton Count Family Justice Center-OVW	16.528	2017-EW-AX-K003	(56,009)	72,907	83,646	-	(66,748)
Edward Byrne Memorial Justice Assistance Grant Program-JAG	16.738	2017-DJ-BX-0306	-	33,127	39,936	-	(6,809)
2019 Police VOCA Grant	16.575	2015-VA-GX-0018	-	110,969	166,615	-	(55,646)
Edward Byrne Memorial Justice Assistance Grant Program-JAG	16.738	2018-DJ-BX-0332	-	-	10,953	-	(10,953)
OVC 2018-V3-GX-0018	16.582	2018-V3-GX-0018	-	-	17,829	-	(17,829)
ELERV Grant Program - 9/30/19	16.582	2018-V3-GX-K066	-	2,864	30,539	-	(27,675)
Beyond Walls-JAG Prevention and Intervention for At Risk Youth	16.738	37294	-	12,391	20,862	-	(8,471)
Total U. S. Department of Justice			(204,093)	547,892	556,100	-	(212,301)
U.S. DEPARTMENT OF TRANSPORTATION							
Passed Through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	N/A	(20,532)	-	-	-	(20,532)
Highway Planning and Construction	20.205	N/A	(15,140)	-	-	-	(15,140)
Highway Planning and Construction	20.205	N/A	-	52,277	75,579	-	(23,302)
Total GA Highway Planning and Construction			(35,672)	52,277	75,579	-	(58,974)
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	Z14MPO002	(149,603)	201,998	52,395	-	-
Governor's Highway Safety Grant	20.607	Z18THS053	(27,309)	32,283	4,974	-	-
Governor's Highway Safety Grant	20.607	Z19THS047	-	30,947	51,408	-	(20,461)
TDOT - Chattanooga Green Trips Program	20.205	33LPLM-F1-208	(41,304)	59,304	81,464	-	(63,464)
TDOT - Chattanooga Regional ITS - Phase 2	20.205	CM-9202(118)	(34,434)	59,149	33,505	-	(8,790)
TDOT - CCTV - Various Location in Chattanooga MPO Area	20.205	TAP- 9202(125)	-	508,271	735,290	-	(227,019)
TDOT - 3rd and 4th Streets, From Lindsay to Hampton, Blackford	20.205	STP-M/TAP-90202(122)	-	60,723	60,723	-	-
TDOT - Central Ave Ext - From 3rd Str to Riverside Dr	20.205	STP-M-9202(110)	-	5,248	5,248	-	-
TDOT - Shallowford RD - Airport Rd to Jersey Pike	20.205	STP-M-9202(131)	(159,114)	216,262	57,148	-	-
TDOT - St. Elmo Riverwalk Extension	20.205	STP-M 9202(119)	(37,400)	44,536	7,136	-	-
TDOT - SR 58 Bike/Pedestrian Fac Phase 2	20.205	33LPLM-F0-186	(208)	-	-	208	-
TDOT - 3rd and 4th Streets, From Lindsay to Hampton, Blackford	20.205	STP-M/TAP-90202(122)	-	54,853	122,838	-	(67,985)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2019

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)							
TDOT - Central Ave	20.505	STP-M-9202(110)	(43,366)	56,082	79,058	-	(66,342)
TDOT - Federal Highway Administration	20.505	PI # 0015462-PLN	(51,658)	52,426	13,337	-	(12,569)
TDOT - Federal Highway Administration	20.505	TBD	-	45,396	150,030	-	(104,634)
TDOT - Motorcycle Safety Education	20.600	Z19THS373	-	-	1,363	-	(1,363)
Total TN Highway Planning and Construction			<u>(544,396)</u>	<u>1,427,478</u>	<u>1,455,917</u>	<u>208</u>	<u>(572,627)</u>
Total U. S. Department of Transportation			<u>(580,068)</u>	<u>1,479,755</u>	<u>1,531,496</u>	<u>208</u>	<u>(631,601)</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	-	8,000	8,000	-	-
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>56,700</u>	<u>56,700</u>	<u>-</u>	<u>-</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Air Pollution Control Program	66.001	00408415	-	335,883	335,883	-	-
Surveys, Studies, Investigations and Special Purpose Grants	66.034	96497415	-	130,000	130,000	-	-
Brownsfield Assessment and Cleanup	N/A	00D48016	(25,673)	49,670	36,597	-	(12,600)
Total U.S. Environmental Protection Agency			<u>(25,673)</u>	<u>515,553</u>	<u>502,480</u>	<u>-</u>	<u>(12,600)</u>
Clean Water State Revolving Loan Program (SRF 2013-318)	66.458	SRF 2013-318	-	925,950	925,950	-	-
Clean Water State Revolving Loan Program (SRF 2016-357)	66.458	SRF 2016-357	-	3,131,186	3,131,186	-	-
Clean Water State Revolving Loan Program (SRF 2018-405)	66.458	SRF 2018-405	-	389,425	389,425	-	-
Total Revolving Loan Program			<u>-</u>	<u>4,446,561</u>	<u>4,446,561</u>	<u>-</u>	<u>-</u>
Total U. S. Environmental Protection Agency			<u>(25,673)</u>	<u>4,962,114</u>	<u>4,949,041</u>	<u>-</u>	<u>(12,600)</u>
Emergency Food and Shelter National Board Program	97.024	768200-001	1,974	-	-	-	1,974
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2015-FH-00483	(235,448)	456,724	221,276	-	-
Disaster Grants - Public Assistance- 4/17/19 FEMA 4427	97.036	FEMA 4427 DR TN	-	-	55,515	-	(55,515)
Total Federal Emergency Management Agency			<u>(233,474)</u>	<u>456,724</u>	<u>276,791</u>	<u>-</u>	<u>(53,541)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2019

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	04CH010085-03-01	(366,683)	388,850	22,167	-	-
Early Head Start-Child Care Partnership Grant	93.600	04HP0041-03-00	(201,841)	541,255	339,414	-	-
Early Head Start-Child Care Partnership Grant	93.600	04HP0041-03-00	-	1,727,238	1,831,655	-	(104,417)
Head Start	93.600	04CH010085-03-01	-	8,509,452	9,534,270	-	(1,024,818)
Total Head Start			<u>(568,524)</u>	<u>11,166,795</u>	<u>11,727,506</u>	<u>-</u>	<u>(1,129,235)</u>
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance	93.568	LIHEAP-17-03	(200,111)	530,053	329,942	-	-
Low-Income Home Energy Assistance	93.568	G-1801TNLIEA	-	1,913,476	2,635,268	-	(721,792)
Total Low-Income Home Energy Assistance			<u>(200,111)</u>	<u>2,443,529</u>	<u>2,965,210</u>	<u>-</u>	<u>(721,792)</u>
Community Services Block Grant	93.569	A18-49104A	(92,236)	300,914	208,678	-	-
Community Services Block Grant	93.569	Z19-49104A	-	393,618	504,944	-	(111,326)
Total Community Services Block Grant			<u>(92,236)</u>	<u>694,532</u>	<u>713,622</u>	<u>-</u>	<u>(111,326)</u>
YFD After School Care Food Program	10.558	03-47-30140-00-8	7,921	41,436	49,357	-	-
YFD Summer Food Service Program	10.559	35-0014	(99,981)	205,177	105,196	-	-
YFD After School Care Food Program	10.558	03-47-30140-00-8	-	260,643	284,968	-	(24,325)
YFD Summer Food Service Program	10.559	35-0014	-	22,377	107,138	-	(84,761)
Total YFD Food Service Program			<u>(92,060)</u>	<u>529,633</u>	<u>546,659</u>	<u>-</u>	<u>(109,086)</u>
Total U. S. Department of Health and Human Services			<u>(952,931)</u>	<u>14,834,489</u>	<u>15,952,997</u>	<u>-</u>	<u>(2,071,439)</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES							
Foster Grandparents Program	94.011	16SFSTN001-0	(34,761)	34,761	-	-	-
Foster Grandparents Program	94.011	16SFSTN001-3	-	334,450	395,423	-	(60,973)
Total Corporation for National and Community Services			<u>(34,761)</u>	<u>369,211</u>	<u>395,423</u>	<u>-</u>	<u>(60,973)</u>

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2019**

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)							
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			(1,541,694)	25,264,686	26,262,300	208	(2,539,100)
STATE AWARDS							
Tennessee Commission on Aging & Disability							
AAAD Grant Eastgate Senior Center	N/A	00072	(6,135)	6,135	-	-	-
AAAD Grant Eastgate Senior Center	N/A	00072	-	18,639	20,000	-	(1,361)
Total Tennessee Commission on Aging & Disability			(6,135)	24,774	20,000	-	(1,361)
Tennessee Department of Environment & Conservation							
Household Hazardous Waste	N/A	49147	(26,963)	74,775	47,812	-	-
Education and Out Reach	N/A	32701-03443	(22,658)	19,030	-	3,628	-
TDOT Special Litter Grant Program - Z19SLG014	N/A	40100-02319	-	-	-	-	-
Clean Water State Revolving Loan Program (SRF 2011-289)	66.458	SRF 2011-289	-	21,708	21,708	-	-
Clean Water State Revolving Loan Program (SRF 2012-307)	66.458	SRF 2012-307	-	1,691,731	1,691,731	-	-
Clean Water State Revolving Loan Program (SRF 2013-318)	66.458	SRF 2013-318	-	16,019,609	16,019,609	-	-
Clean Water State Revolving Loan Program (SRF 2016-357)	66.458	SRF 2016-357	-	11,202,136	11,202,136	-	-
Clean Water State Revolving Loan Program (SRF 2018-405)	66.458	SRF 2018-405	-	77,904	77,904	-	-
Total Tennessee Department of Environment & Conservation			(49,621)	29,106,893	29,060,900	3,628	-
Tennessee Department of Finance & Administration							
THDA Entitlement - CNE Project		Program Income	572,751	40,288	8,122	-	604,917
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT			516,995	29,171,955	29,089,022	3,628	603,556
TOTAL EXPENDITURE OF FEDERAL AND STATE AWARDS - PRIMARY GOVERNMENT			(1,024,699)	54,436,641	55,351,322	3,836	(1,935,544)

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

June 30, 2019

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. Indirect Cost Rate

The City of Chattanooga has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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, 2019, 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 27, 2019. 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 27, 2019

*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, 2019. 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, 2019. 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, 2019.

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 27, 2019

*Henderson Hutcherson
& McCullough, PLLC*

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

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>
66.458	U.S. Environmental Protection Agency Clean Water State Revolving Loan Program
66.001	U.S. Environmental Protection Agency Air Pollution Control Program
20.205	U.S. Department of Transportation Highway Planning and Construction
93.600	U.S. Department of Health and Human Services Head Start

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

Dollar threshold used to distinguish between Type A
and Type B programs:

\$ 787,869

Auditee qualified as low-risk auditee?

yes

no

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

None reported



City of Chattanooga

Department of Finance and Administration

City Hall

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Chattanooga, Tennessee 37402

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