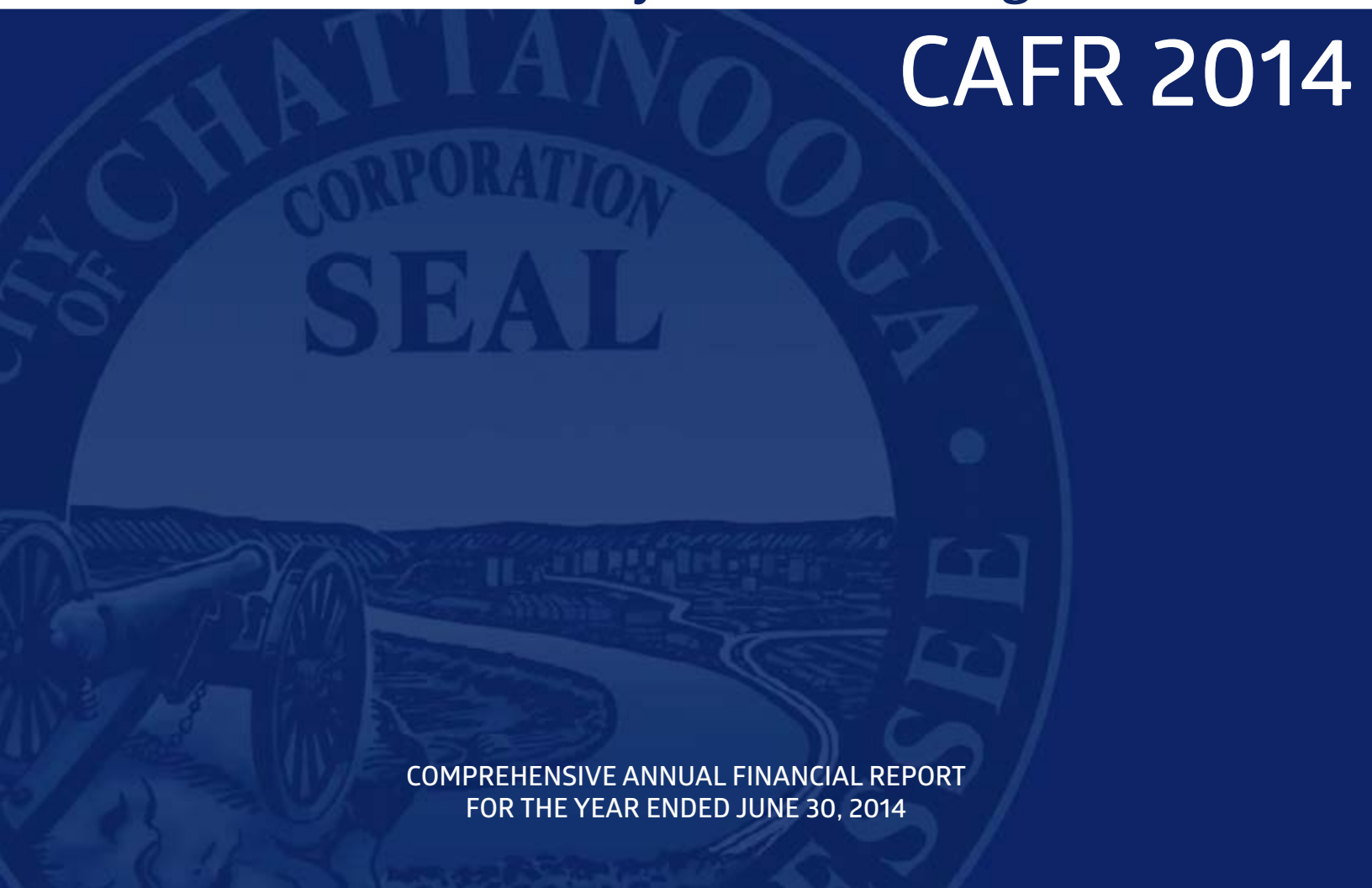




# City of Chattanooga, Tennessee

# CAFR 2014



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014

CITY OF CHATTANOOGA, TENNESSEE

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014

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

November 26, 2014

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



Mayor Andy Berke

I am honored to present the City of Chattanooga's annual financial report for the year ended June 30, 2014. Since I took office, I have made sure city government's actions match our community priorities. Safer streets, smarter students and stronger families, a growing economy, stronger neighborhoods, and high performing government – Chattanoogaans tell me these are the areas they want to see addressed. And we are addressing them, every day.

Over the past year, we have made strides in public safety. From the Chattanooga Violence Reduction Initiative to a more proactive and community-focused police department, we are diligently working to ensure our streets are safe for all Chattanoogaans. On top of that, the City successfully reformed an underfunded Police & Fire pension, putting the pension plan on a sustainable path in a fiscally responsible way. That means taxpayers will save a total of \$227 million and, at the same time, we will ensure the fund is able to pay benefits to tomorrow's retirees.

A great city supports its families and students by providing access to opportunity. Throughout the year we have turned our 18 Youth & Family Development Centers into places for learning and growth. Our literacy initiative has resulted in more children reading at grade level and our Chattanooga Ambassador Program is helping young people prepare for success through intense mentorship and training.

To grow our local economy, the City created an Economic Development office, purchased the former Harriet Tubman housing complex to create jobs in East Chattanooga, and refocused The Enterprise Center to capitalize on Chattanooga's emerging reputation as a technology hub. We began pulling together the essential entities for the creation of an innovation district and put the wheels in motion to offer incentives to our small businesses, as well as paved the way for Volkswagen to announce a second line at their existing Chattanooga plant. Volkswagen's announcement, which came in July of 2014, means the creation of 2,000 new jobs in Chattanooga and a total investment of \$900 million.

The City is able to do all of this and more because of the hard work and talent of our employees. Whether it is delivering essential services or innovative policy solutions, city government is more attentive than ever to enhancing quality of life for Chattanoogaans throughout our City.

Sincerely,

A handwritten signature in black ink that reads "Andy Berke". The signature is written in a cursive, flowing style.

Mayor Andy Berke  
City of Chattanooga



# City Council



Chip Henderson  
Chair  
District 1



Jerry Mitchell  
District 2



Ken Smith  
District 3



Larry Grohn  
District 4



Russell Gilbert  
District 5



Carol Berz  
Vice Chair  
District 6



Chris Anderson  
District 7



Moses Freeman  
District 8



Yusuf Hakeem  
District 9



# Letter of Transmittal



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

November 26, 2014

**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, 2014 is submitted in compliance with this requirement.

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

Henderson, Hutcherson & McCullough, PLLC, Certified Public Accountants, have issued an unqualified (“clean”) opinion on the City of Chattanooga’s financial statements for the year ended June 30, 2014. The independent auditor’s report is presented as the first item in the financial section of this report.

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

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



Daisy W. Madison, City Finance Officer







## GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND MAJOR INITIATIVES

### PROFILE OF THE GOVERNMENT

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

Founded as a ferry landing and warehouse site in 1815, the City of Chattanooga was incorporated under State of Tennessee Private Acts of 1839. The City is the county seat of Hamilton County and is located near the southeastern corner of the state on the Tennessee-Georgia border. 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, Ala-

bama; 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 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 the property owner or by a referendum of the people in the affected areas that might want to petition to come into the city.

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; sanita-



tion 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 general administrative services. It also operates a water quality program, a solid waste program and a wastewater system for its residents and for other communities in southeast Tennessee and northwest Georgia. The City's Electric Power Board (EPB) provides electric and fiber-to-home services. Other services are provided through legally separate Chattanooga Downtown Redevelopment Corporation which is reported along with EPB as an enterprise fund. Additional services are provided through the legally separate Metropolitan Airport Authority and the Chattanooga Area Regional Transportation Authority, 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 planning and control. 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 create a government that works better and costs less. It is based on the premise that the percentage of personal income the public is willing to pay for their government through taxes, fees, and charges is fixed. 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. Offers are evaluated by a Results Team and allocations are recommended by the Mayor based on citizens' priorities and available funding. During the months of April, 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 and report to council. 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:** Employment in the Chattanooga area is diverse. The top employment sectors of trades, transportation, and utilities (22%), government (15%), manufacturing (13%), professional and business services (18%), education and health (14%), and leisure and hospitality (10%) comprise 92% of the workforce. Employment in the retail service sector continues to thrive. Hamilton Place Mall, which is in its 28<sup>th</sup> year of operation, anchors the area's most vibrant retail corridor along I-75. Most recently a new hotel, operated by a major chain, has opened along the south end of the mall's retail campus. Additional retail expansion continues just north of the mall at Waterside, a mixed used development encompassing over 40 acres.

Downtown is continuing to attract new investment as well. The first phase of a proposed \$100 million housing and commercial project on the west side of downtown along the river is taking shape. This will include 39 homes and luxury townhomes along Riverfront Parkway which are expected to range upward from \$319,000 each. Hotel space in the downtown area is continuing to increase as well. A \$19 million hotel, with 140 rooms, is currently under construction. Most recently, another new hotel was announced for the downtown area. This 90-room upscale boutique hotel is slated to open in 2016 near the Tennessee Aquarium. These projects, along with numerous other housing and retail developments under construction or under consideration throughout the city, will guarantee a strong base for growth in the coming years.



Chattanooga enjoys strategic advantages related to its location, strong transportation system, natural resources and competitive cost of doing business. The local unemployment rate of 7.3% for the Metropolitan Statistical Area remains below the state average of 7.4% but higher than the national average of 6.3% as of August, 2014, according to information from

the Tennessee Civilian Labor Force Summary. Fiscally, the City of Chattanooga is well positioned for future growth.

Chattanooga remains a world leader in technology. The Electric Power Board, Chattanooga's municipal power provider, offers a one-gigabit per second internet service. Few other cities in the world offer such lightning-fast service. This puts Chattanooga at 10 times faster and 10 years ahead of the FCC National Broadband Plan, according to EPB officials. The Fiber-to-the-Home (FITH) network has grown to become available to all 170,000 homes, schools, and businesses in the service area, a total of 600 square miles that covers urban, suburban, and rural places and a diverse population of 300,000 people. The system is integrated with Smart Grid, a technology which allows remote monitoring of meters for every customer. A \$111 million federal stimulus grant from the Department of Energy dramatically accelerated the installation of the Smart Grid, shortening the planned five year implementation schedule to two years. A wireless mesh network is piggybacked onto the entire system, enhancing public safety as well. This year, EPB applied to the Federal Communications Commission to become the first utility to provide service outside its existing approved service area, which is regulated by the State of Tennessee. The high-speed internet has attracted competition and international visitors. In 2014, Chattanooga hosted its third GigTank competition, hosting specialists from around the world to develop business ideas. In October, a delegation from New Zealand arrived to take a first-hand look at ways the service can generate economic growth.



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

The most significant manufacturing investment of the past year is the announcement by Volkswagen of a major plant expansion with a total investment of \$900 million from all sources. The \$600 million investment by VW is expected to

bring 2000 jobs directly to the manufacturing plant as well as 3600 jobs to support industries and suppliers. State and local government are providing \$230 million in direct support, including \$26.25 million directly from the City of Chattanooga, and up to \$70 million in incentives and infrastructure improvements over the next decade. The plant's footprint will grow by over 500,000 square feet, or more than twenty five percent. In conjunction with the plant expansion to build a new sport utility vehicle, VW will open a Research and Development (R&D) Center, to employ 200 professionals in engineering and related fields. This R&D facility is a first of its kind for Tennessee. Also included in the new agreement is the decision to locate the \$12 million Volkswagen Visitors Center, envisioned as part of the original 2008 investment, in downtown Chattanooga. Local payroll as a result of these expansions is expected to add \$100 million in payroll to the local economy. As this expansion takes place, additional suppliers have committed to the area. Plastic Omnium Auto Exterior announced a \$65 million factory to furnish parts for the automobiles.

VW retains an option on 900 additional acres adjacent to their 1,300 acre facility, allowing room for significant additional future expansion. This releases 300 acres in the industrial park which would be ideal for other first-tier suppliers to the plant. When this expansion phase is complete, there will still be enough remaining land to enable the size of the assembly plant to be doubled.

Retention of existing jobs can be as important as the addition of new. Not only is the city attracting new industry, it is retaining and expanding historic industry as well. The Chattanooga Coca-Cola Bottling Company, with a presence in our city for 115 years, has broken ground on a new \$62 million distribution center and regional headquarters. The new facility near I-75 will absorb the Dalton, Georgia and Scottsboro, Alabama distribution regions and will bring over 40 jobs in addition to the 270-employee base. Chattem Chemicals Inc., founded here in 1879, will invest \$6 million and add 25 jobs over the next year.

These successes and many more are the result of strong leadership among all the various civic leaders and elected officials. The third phase of the Chattanooga Chamber of Commerce "Chattanooga Can Do" campaign, being conducted from July 2011 – June 2015, has set goals for job growth. These goals include the following benchmarks (with progress as of September 2014 in parentheses):

- Increase regional employment by 15,121 (14,753)
- Increase private investment by \$500 million (\$847 million)
- Create \$427 million in new payroll income (\$705 million)



Quality education is also the centerpiece of a successful community. Chattanooga State Technical Community College maintains five training partnerships with local manufacturers or groups 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 Science, Technology, Engineering and Math (STEM) school, located on the Chattanooga State campus, which provides coursework based on hands-on training and offers internships or apprenticeships to the students.

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



Another contribution to the local economy is the level of support we enjoy from several national events held here. Among those which took place over the past year were the Head of the Hooch rowing competition, the USA Cycling pro championships and Ironman Chattanooga. These and a host of regional tournaments, outdoor events, and recreational 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 iv, 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 effi-

ciencies 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 June, 2014. Fitch Ratings affirmed their bond rating for the City at AA+ Stable in June, 2014.

**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 new administration has restructured operations to include a department of economic and community development that focuses intensely on sustainable growth and maintenance of a vibrant community. The City’s ultra-high-speed broadband mesh network will carry the City well into the future. The network was the key factor in Chattanooga being voted among the world’s Top Seven intelligent Communities by the Intelligent Community Forum. The City continues to explore growth opportunities through economic development, regional growth plans, and other strategic initiatives that involve all citizens.

The City began a new approach to budget preparation and management, known as Budgeting for Outcomes, for the Fiscal Year 2014 budget. This approach is designed to measure results against goals and benchmarks used in determining funding levels for all city operations. Budgeting for Outcomes will provide accountability by providing for regular review and monitoring of departmental performance by the Mayor, the City Finance Officer and other senior City officials. The City’s annual performance report to the citizens of Chattanooga gives residents an update on how city services are responding to their needs. It also provides department heads and managers with quantifiable information to assess performance in meeting the City’s goal of efficient and effective management of resources in providing quality services to the citizens of Chattanooga.

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

**Major initiatives:** Over five (5.8) square miles have been annexed since May, 2001. Chattanooga is a major participant in a 40-year regional growth plan, known as the Greater Chattanooga Regional Growth Initiative, or “Thrive 2055”. The participants include sixteen counties and their major cities from southeast Tennessee, northwest Georgia, and northeast Alabama, including the three metropolitan statistical areas. This public-private initiative is a pioneering effort for a new kind of long-term regional plan. It is a continuation of the type of public visioning and community engagement that has transformed Chattanooga and the surrounding area over the past 30 years.



# Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chattanooga, Tennessee for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the twenty-second 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.

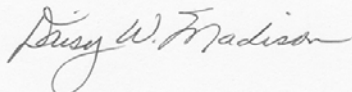
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal 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 nineteen 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, 2013. This is the third consecutive year for which the City applied for the award. In order to qualify, a government must publish a Popular Annual Financial Report with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

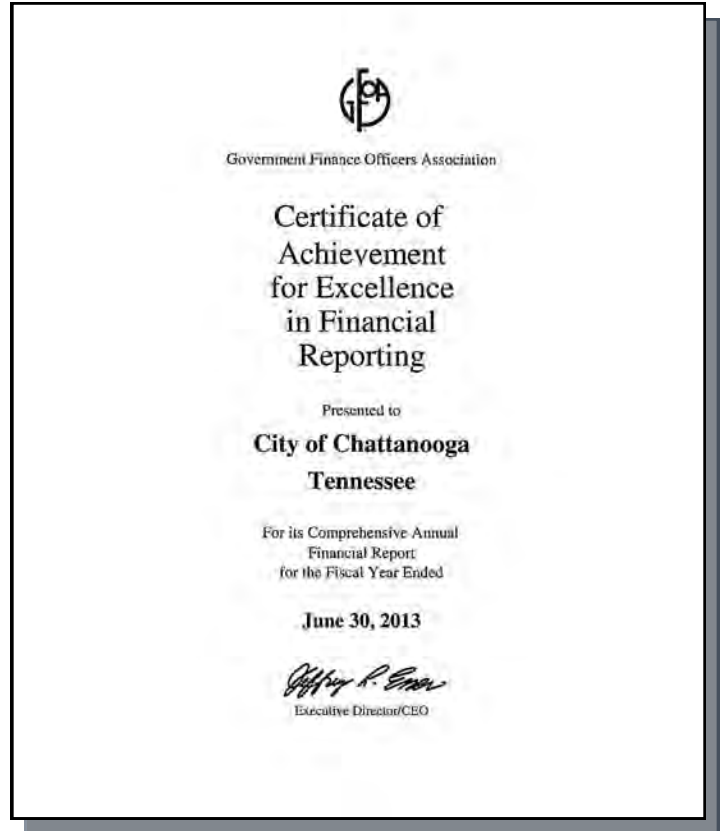
The preparation of this report could not have been accomplished without the professional and dedicated services of the entire staff of the Finance Department and the City's independent public accountants, Henderson, Hutcherson & McCullough PLLC. We would like to express our appreciation to members of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

Respectfully submitted,



Daisy W. Madison

City Finance Officer



# City Officials as of June 30, 2014



## EXECUTIVE BRANCH:

**Andy Berke, Mayor**  
Travis McDonough, Chief of Staff  
Jeffery Cannon, Chief Operating Officer

## CITY COUNCIL:

Chip Henderson, Chair.....District 1  
Carol Berz, Vice Chair.....District 6  
Jerry Mitchell.....District 2  
Ken Smith.....District 3  
Larry Grohn.....District 4  
Russell Gilbert.....District 5  
Chris Anderson.....District 7  
Moses Freeman.....District 8  
Yusuf Hakeem.....District 9

## COURTS:

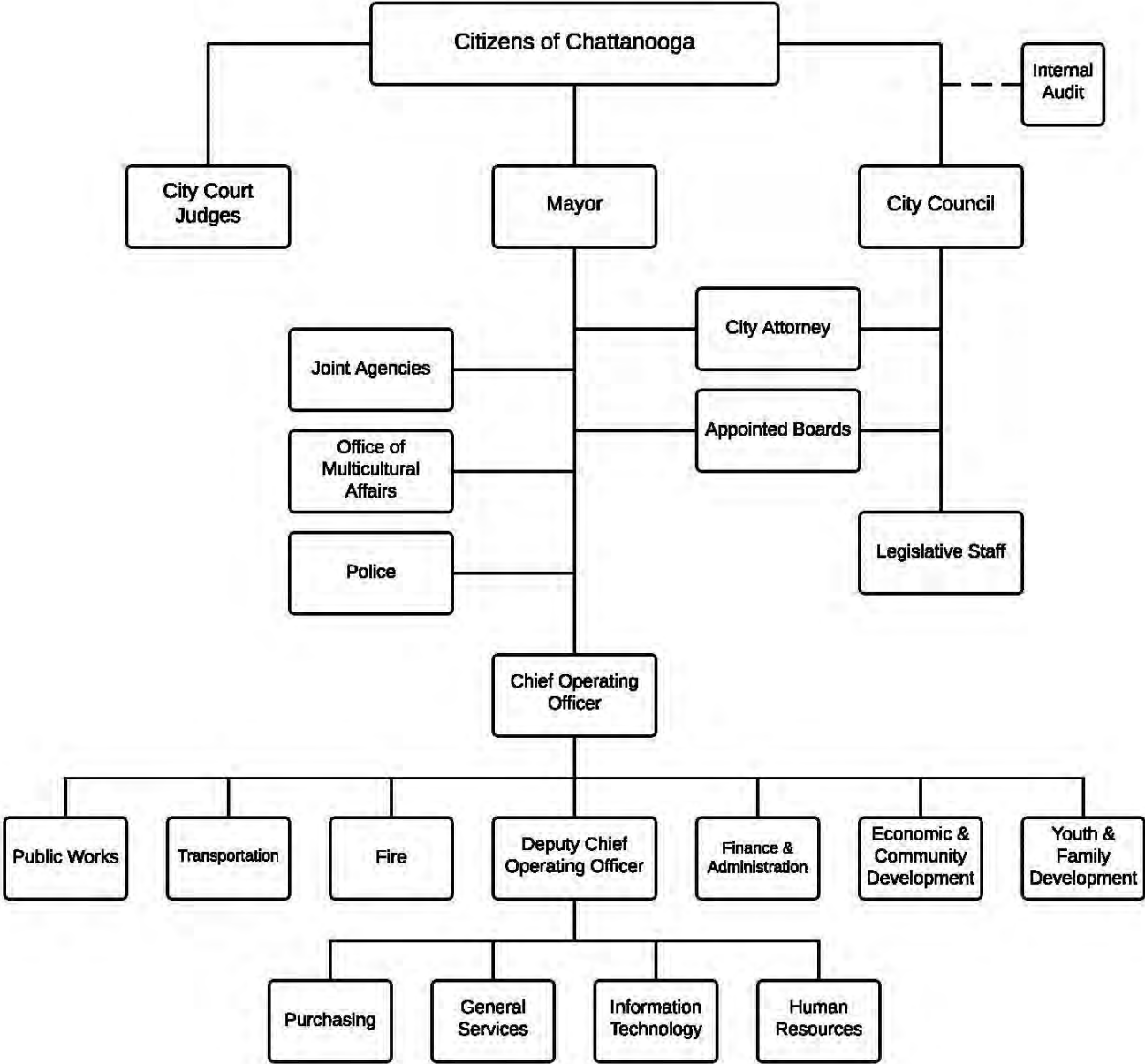
Sherry B. Paty.....City Court Judge  
Ron Swafford.....City Court Clerk  
Russell J. Bean.....City Court Judge

## DEPARTMENT ADMINISTRATORS

Legal.....Wade Hinton.....City Attorney  
Legislative.....Sandra Freeman.....Clerk of Council  
Finance and Administration.....Daisy W. Madison.....Administrator  
Vickie C. Haley.....Deputy Administrator  
Fire.....Chief Lamar Flint.....Administrator  
Economic and .....Donna Williams.....Administrator  
Community Development Anthony Sammons.....Deputy Administrator  
Police.....Chief Fred Fletcher.....Administrator  
Public Works.....Lee Norris.....Administrator  
Youth and Family Development.....Lurone Jennings.....Administrator  
Transportation.....Blythe Bailey.....Administrator



# Organization Chart





**HENDERSON HUTCHERSON  
& MCCULLOUGH, PLLC**

Certified Public Accountants

## **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, 2014, 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 the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority, which represent 100 percent of the assets and revenues of the discretely-presented component units. 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 the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2014, 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 xxiv of the Financial Section and the required supplementary information on pages B-1 through B-7 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 and schedule of expenditures of federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 is the responsibility of management and was derived from and relates 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 November 25, 2014, 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  
November 25, 2014

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, 2014. 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 \$1.8 billion (net position), an increase of \$103.4 million, or 6.2 percent, at the close of the fiscal year. Of this amount there is a \$108.0 million deficit unrestricted net position due to recording of unfunded pension liabilities under GASB 68 as a prior period adjustment. Net position increased \$52.6 million or 32.8 percent, over last year. Please see Note 15.
- Beginning net position was decreased by \$223.4 million and \$9.1 million for governmental and business type activities, respectively, primarily as a result of implementation of GASB No. 65 and 68. Additional \$(11.5) million and \$1.5 million prior period adjustments for governmental and business-type activities, respectively, were made for a compromise of litigation involving the Hamilton County Board of Education relative to past liquor-by-the drink tax revenues and water quality fees. Please see Note 15 for more information.
- Net position of governmental activities at June 30, 2014 was \$1.2 billion, an increase of \$60.8 million, or 5.5 percent. Business-type activities reported ending net position of \$606.6 million, an increase of \$42.5 million, or 7.5 percent.
- Long-term liabilities for the City's primary government decreased \$90.7 million or 8.4 percent, during the current fiscal year. Governmental activities issued \$26.8 million in general obligation debt. There was a \$64.2 million decrease in Fire and Police Pension liability (primarily the result of pension reform effective July 1, 2014), a \$16.2 million decrease General Pension liability as well as normal debt retirement. Business-type activities issued \$5.2 million in general obligation debt for Water Quality Management and \$3.8 million in State Revolving Fund Notes for the Interceptor Sewer System. EPB aggressively paid a note payable and line of credit of \$12.0 million in addition to normal debt retirement of all funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$64.0 million, up \$8.2 million or 14.6 percent from prior year. This represents 27.9 percent of total General Fund expenditures and transfers out, exceeding the City's debt management policy benchmark of 15 percent.



# 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 statement 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, as well as solid waste disposal. 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.

Comprehensive Annual Financial Report for the year ended June 30, 2014

v



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

Governmental activities and business-type activities combine to comprise the primary government. The government-wide financial statements begin on page A-1 of this report.

## Fund Financial Statements

The fund financial statements provide more detailed information about the most significant funds — not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes. Some funds are required by State or Federal law or by bond covenants. Other funds are established by the City to help manage money for specific purposes (i.e. economic development) or to show that it is meeting legal responsibilities for how certain monies are used (i.e. grants received from the U.S. Department of Housing and Urban Development or hotel-motel taxes).

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

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

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

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



The City of Chattanooga adopts an annual 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 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 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. These trust funds report the resources held in trust for retirees and beneficiaries covered by the plans. The accounting used for fiduciary funds is much like that used for proprietary funds.

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



# Notes to the financial statements

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

The notes to the financial statements begin on page A-18 of this report.

## Supplemental Information

**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 nonmajor 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 \$1.8 billion at the close of the most recent fiscal year, an increase of \$103.4 million, or 6.2 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		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 262,261	\$ 225,027	\$ 411,907	\$ 407,972	\$ 674,168	\$ 632,999
Capital assets	1,489,132	1,505,803	935,840	911,100	2,424,972	2,416,903
<b>Total assets</b>	<b>1,751,393</b>	<b>1,730,830</b>	<b>1,347,747</b>	<b>1,319,072</b>	<b>3,099,140</b>	<b>3,049,902</b>
Total deferred outflows of resources	21,040	14,383	4,737	5,508	25,777	19,891
Long-term liabilities outstanding	430,173	492,818	561,326	589,336	991,499	1,082,154
Other liabilities	27,401	24,673	181,522	171,183	208,923	195,856
<b>Total liabilities</b>	<b>457,574</b>	<b>517,491</b>	<b>742,848</b>	<b>760,519</b>	<b>1,200,422</b>	<b>1,278,010</b>
Total deferred inflows of resources	156,080	129,764	3,032	-	159,112	129,764
Net position:						
Net investment						
in capital assets	1,204,845	1,212,457	573,918	537,001	1,778,763	1,749,458
Restricted	47,932	28,150	46,645	45,015	94,577	73,165
Unrestricted	(93,998)	(142,649)	(13,959)	(17,955)	(107,957)	(160,604)
<b>Total net position</b>	<b>\$ 1,158,779</b>	<b>\$ 1,097,958</b>	<b>\$ 606,604</b>	<b>\$ 564,061</b>	<b>\$ 1,765,383</b>	<b>\$ 1,662,019</b>

By far the largest portion of the City's net position, \$1.8 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.

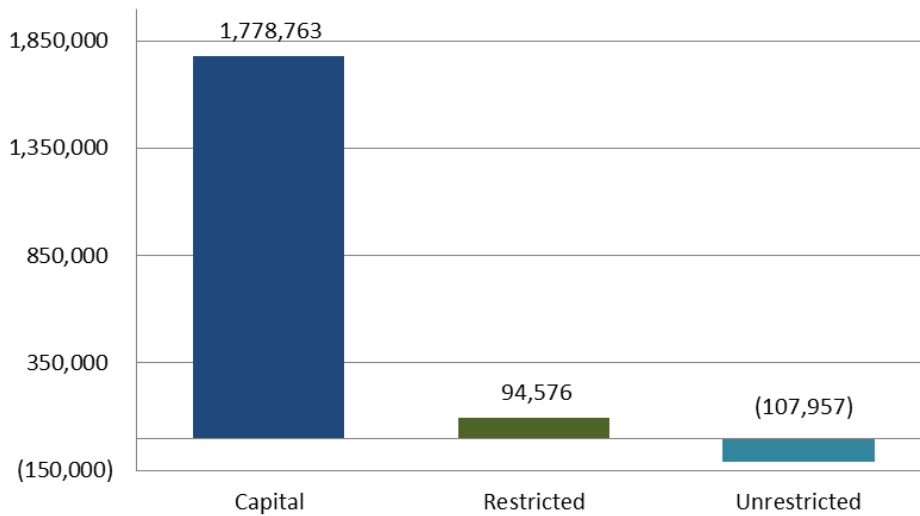
An additional portion of the City's net position, \$94.6 million, represents resources that are subject to external restrictions on how they may be used. There is a \$108.0 million deficit in unrestricted net position due to recording of unfunded pension liabilities under GASB 68. Please refer to Note 15.





## Government-wide Net Position

(in thousands)

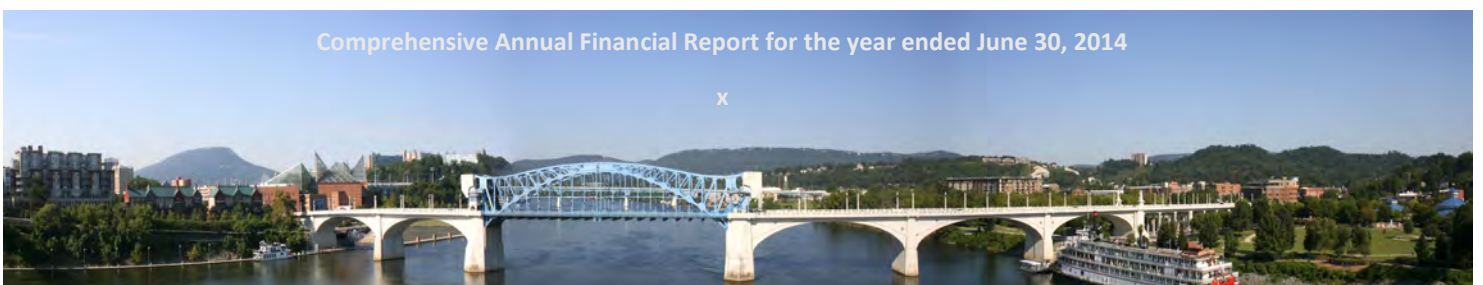


## Governmental Activities

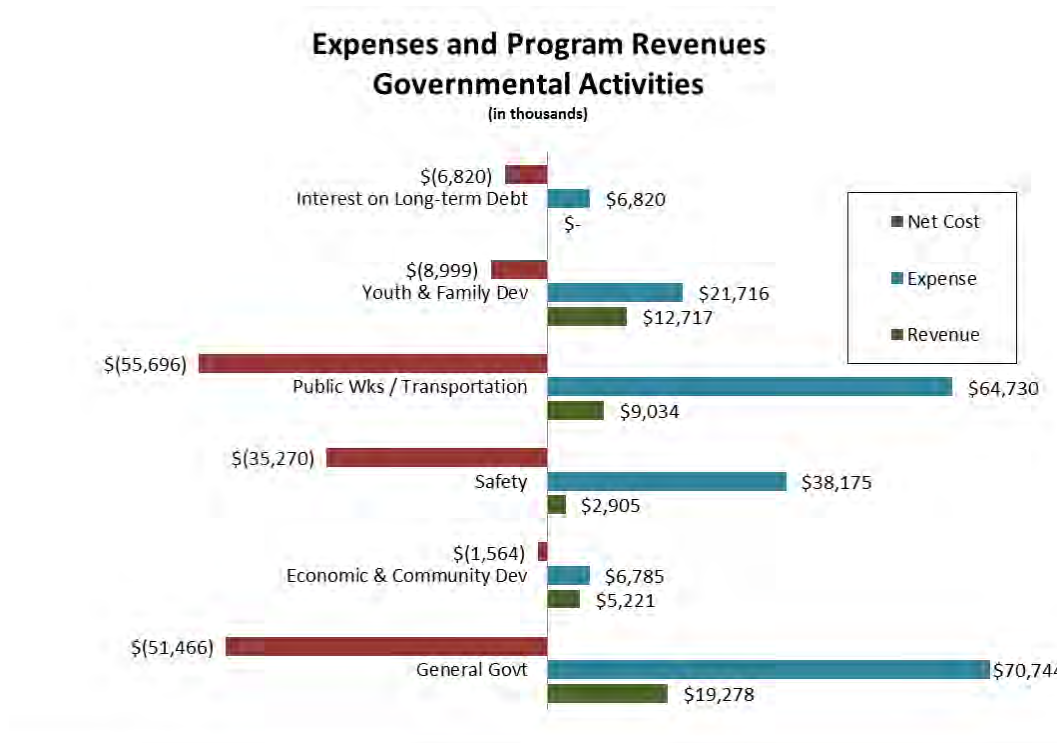
During the current fiscal year, net position of the City's governmental activities increased \$60.8 million from the prior year for an ending balance of \$1.2 billion.

Overall revenue decreased \$13.5 million or 4.8 percent. Over \$10 million of the decrease is due to a reduction in operating grants and contributions for Congestion Mitigation and Air Quality (\$4.1 million), community development (\$1.8 million), Head Start and LIHEAP (\$1.2 million) and a \$1.3 million cumulative adjustment for state shared revenue in the prior fiscal year which increased the comparative number. While property taxes increased \$2.2 million in the current fiscal year, governmental activities reflect a \$3.5 million decrease. This is the result of a cumulative adjustment of \$5.9 million of unearned revenue in fiscal year 2013, inflating the comparative amount to fiscal year 2014.

Expenses for the current year decreased \$57.8 million or 21.7 percent. This is primarily a reduction in expenses relating to the Fire and Police Pension as a result of pension reform.



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.



## City of Chattanooga's Changes in Net Position

(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 20,860	\$ 20,740	\$ 761,199	\$ 722,157	\$ 782,059	\$ 742,897
Operating grants	28,079	38,425	-	-	28,079	38,425
Capital grants	216	1,473	1,833	19,983	2,049	21,456
General revenues:						
Property taxes	125,641	129,150	-	-	125,641	129,150
Other taxes	22,733	21,028	-	-	22,733	21,028
Investment income	1,332	1,069	990	1,056	2,322	2,125
Miscellaneous	263	891	-	388	263	1,279
Unrestricted grants	70,668	70,563	-	-	70,668	70,563
Total revenues	<u>269,792</u>	<u>283,339</u>	<u>764,022</u>	<u>743,584</u>	<u>1,033,814</u>	<u>1,026,923</u>
<b>Expenses</b>						
Governmental activities:						
General government	70,744	68,097	-	-	70,744	68,097
Economic and community development	6,785	-	-	-	6,785	-
Public safety	38,176	90,260	-	-	38,176	90,260
Public works and transportation	64,730	61,279	-	-	64,730	61,279
Parks, rec, ed & culture	-	22,884	-	-	-	22,884
Social services	-	17,514	-	-	-	17,514
Youth and family development	21,716	-	-	-	21,716	-
Interest on long-term debt	6,820	6,763	-	-	6,820	6,763
Business-type activities:						
Electric utility	-	-	639,501	630,134	639,501	630,134
Sewer	-	-	48,360	51,883	48,360	51,883
Solid waste	-	-	4,393	6,458	4,393	6,458
Water quality	-	-	13,176	12,869	13,176	12,869
Housing management	-	-	-	4,753	-	4,753
Downtown Redevelopment	-	-	16,049	16,196	16,049	16,196
Total expenses	<u>208,971</u>	<u>266,797</u>	<u>721,479</u>	<u>722,293</u>	<u>930,450</u>	<u>989,090</u>
Excess (deficiency) before extraordinary item and transfers	60,821	16,542	42,543	21,291	103,364	37,833
Extraordinary item	-	-	-	-	-	-
Transfers	-	1,363	-	(1,363)	-	-
Increase (decrease) in net position	60,821	17,905	42,543	19,928	103,364	37,833
Net position, beginning	1,097,958	1,314,941	564,061	551,793	1,662,019	1,866,734
Prior period adjustment	-	(11,464)	-	1,467	-	(9,997)
Change in Accounting Principal	-	(223,424)	-	(9,127)	-	(232,551)
Net position, ending	<u>\$ 1,158,779</u>	<u>\$ 1,097,958</u>	<u>\$ 606,604</u>	<u>\$ 564,061</u>	<u>\$ 1,765,383</u>	<u>\$ 1,662,019</u>

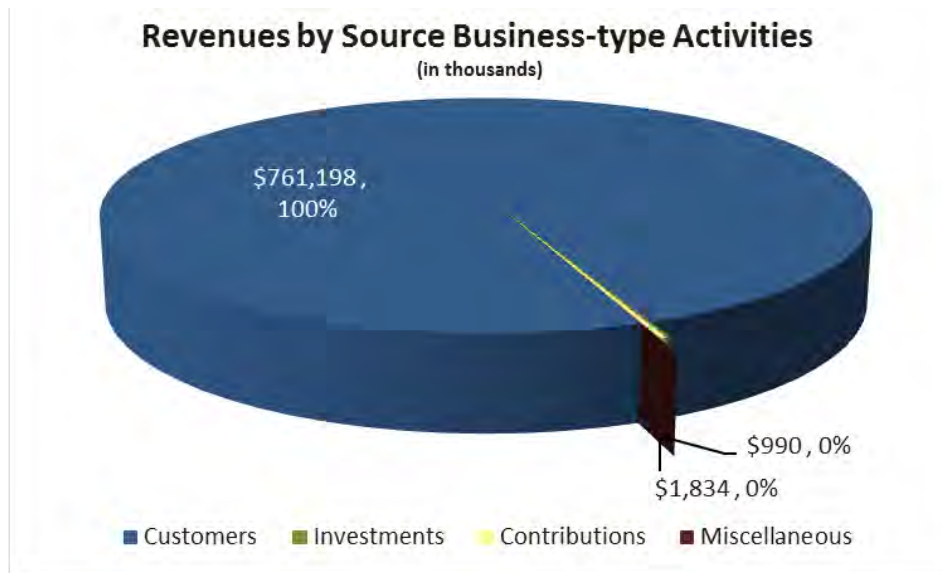


# Business-type Activities

During the current year, net position of the business-type activities increased \$42.5 million or 7.5 percent, to \$606.6 million. This net position is dedicated solely to finance the continuing operations of the electric, sewer, water quality systems, solid waste disposal and downtown redevelopment operations.

Revenues for the City’s business-type activities were \$764.0 million for the year just completed; this is a \$22.1 million or 3.0 percent increase. Expenses decreased \$0.9 million or 0.13 percent resulting in total expense of \$721.5 million for the year. Please see Enterprise Fund detail for additional information.

The following graph presents the major sources of revenue for business-type activities.



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

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

	Electric	Sewer	Solid Waste	Water Quality	Downtown Development	Total
Expenses	\$ 639,502	\$ 48,359	\$ 4,393	\$ 13,176	\$ 16,049	\$721,479
Revenues	656,822	63,294	7,120	19,201	17,585	764,022
Change in net position	\$ 17,320	\$ 14,935	\$ 2,727	\$ 6,025	\$ 1,536	\$ 42,543



# 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 is on the near-term flow of resources and balance of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's resources available for discretionary use since 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 \$146.2 million at the end of the fiscal year. Of this amount 43.8 percent or \$64.0 million, is available for spending at the City's discretion (unassigned fund balance). Total fund balance is made up of the following:

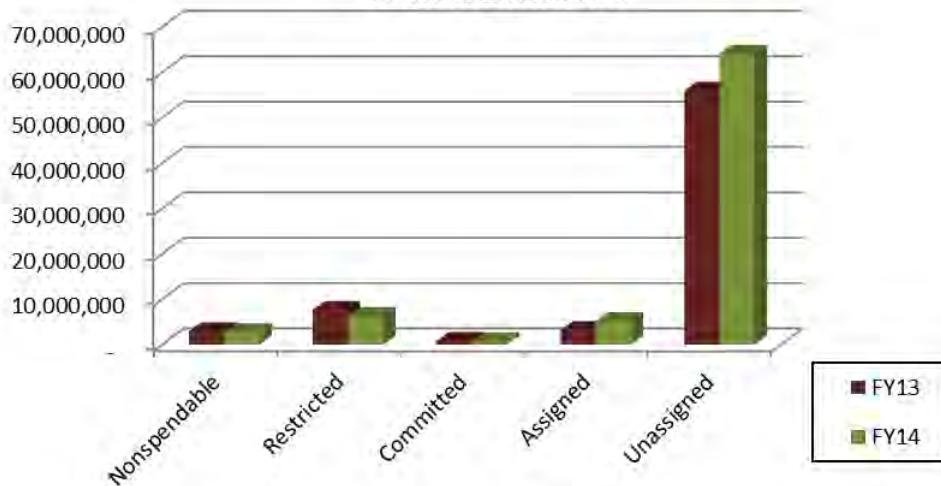
- \$64.0 million is unassigned
- \$8.5 million is in nonspendable form
- \$57.8 million is restricted for particular purposes
- \$9.9 million is committed for specific purposes
- \$5.9 million is assigned for particular purposes

**General Fund** -- This is the chief operating fund of the City. Total fund balance of the General Fund increased by 12.2 percent or \$8.6 million to \$78.7 million during the fiscal year. Unassigned fund balance increased \$8.2 million or 14.6 percent to \$64.0 million.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Unassigned fund balance represents approximately 28.0 percent of total General Fund expenditures and transfers out, while total fund balance represents 34.3 percent of that same amount.



## General Fund Fund Balance



Total revenues decreased \$0.8 million or 0.3 percent, from the prior year. All major revenue sources are discussed as follows.

- During the current fiscal year, property tax, along with payments in lieu of tax, increased \$2.2 million, 1.8 percent over last year. This includes a \$1.8 million, 1.6 percent increase in property taxes and a \$0.4 million, 4.4 percent increase in payments in lieu of tax. Liquor and beer taxes were up \$0.2 million, or 3.1 percent. Gross receipts decreased \$0.3 million or 6.2 percent; prior year gross receipts were in excess of the normal revenue due to audits by the State of Tennessee and collections as a result of those audits.
- Licenses and permits are up \$0.5 million or 9.4 percent. Parking meters increased \$0.4 million or 23.9 percent due to the installation of new meters and stations that take credit cards.
- Intergovernmental revenues decreased \$4.2 million or 5.3 percent over the prior year. The primary change is a \$3.5 million or 71.9 percent decrease in the congestion mitigation grant from the State of Tennessee as the final phase of the project was completed. Other changes include a \$0.3 million or 0.6 percent decrease in local sales tax, \$0.4 million or 3.5 percent increase in state sales tax and \$0.5 million or 10.8 percent decrease in allocation of state income tax.
- Charges for services decreased 3.8 percent or \$0.2 million. The primary decrease is preservation and box office fees from performance venues.
- Fines, forfeitures and penalties increased \$0.6 million or 46.3 percent primarily due to increased fine collection from automated traffic enforcement.



- Interest income increased approximately \$9,000 or 1.6 percent. Major changes in miscellaneous income include an increase of \$0.6 million in private donations from Code for America and a private foundation grant for streetscape on Market Street. Sale of property decreased by \$0.6 million.

Total expenditures decreased \$9.3 million or 4.5 percent, from the previous year. Major changes during fiscal year 2014 are discussed below:

- Employee compensation decreased \$0.7 million, or 0.9 percent. Final leave payout decreased \$0.3 million or 15.3 percent, personal leave decreased \$0.3 million or 3.2 percent due to an administration transition in the prior fiscal year and regular employees decreased \$0.2 million or 0.4 percent as departments were asked to freeze positions to fund innovative programs as the City's new Budgeting For Outcomes began.
- Employee benefit costs increased by \$1.7 million or 3.6 percent. This is due to an increase in sworn pension costs of \$1.4 million or 11.7 percent and a 2.0 percent or \$0.3 million increase as a result of employee health options.

**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 \$43.2 million in fund balance; of that amount \$1.2 million is non-spendable for long-term note receivables leaving \$42.0 million restricted for completion of capital projects. Fund balance for this fund fluctuates from year-to-year based on debt issued and project expenditures; new debt increases fund balance while project expenditures decreases it. For fiscal year 2014 there was a \$19.2 million increase in fund balance. Analysis of project income and expenditures follows.

Project inflows for the year of \$42.4 million include \$29.1 million in proceeds and premiums from issuance of debt. Transfers of \$12.9 million include \$11.6 million from General Fund, \$0.5 million from Community Development, \$0.5 million from Narcotics and \$0.3 million from Hotel Motel Tax.

Current year project outflows of \$23.2 million include \$7.3 million for street and sidewalk projects, \$4.2 million for energy efficient street lighting and traffic signal upgrades, \$2.8 million of economic development projects, \$2.4 million for technology upgrades and \$2.6 million for safety building improvements and equipment. Transfers out of \$0.6 million are primarily fleet improvements.

## 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 \$643.5 million. Net investment in capital assets is \$590.1 million, with an additional \$46.6 million restricted for future use, leaving \$6.8 million available to meet on-going obligations.



**Enterprise Funds** - Total net position of the enterprise funds increased \$42.5 million or 7.5 percent. Details for each fund are presented as follows:

- **Electric Power Board** – The largest enterprise fund is EPB, which has both an electric and a fiber optic division. Total net position increase \$17.3 million or 6.4 percent, mainly due to a reduction in electric bond liabilities of \$6.4 million as well as a reduction of fiber optics debt of \$11.8 million. Operating revenues are up \$27.0 million. Electric sales increased \$9.9 million which was mostly offset by an increase in purchased power of \$9.8 million. Fiber optics operating sales increased by \$17.1 million due to the continued success of the residential service offerings; operating expenses associated with acquiring and serving customers increased \$8.0 million which is consistent with the increased sales.
- **Interceptor Sewer System** – Net position of the Interceptor Sewer System increased \$14.9 million or 5.9 percent, to \$269.8 million. Operating revenues rose \$10.4 million or 19.8 percent primarily due to a 9.8% increase in rates. Operating expenses decreased \$3.2 million or 6.4 percent mainly due to the reduction in Liquid Handling. Unrestricted net position (available to finance on-going operations) increased \$5.1 million or 27.4 percent to \$23.9 million. An additional \$23.7 million is restricted for future capital spending, an increase of \$1.0 million; this increase is the result of contracts issued in compliance with an Environmental Protection Agency (EPA) order; please refer to Note 12 for additional information.
- **Solid Waste** – The City of Chattanooga operates a municipal solid waste landfill. In 1991 the EPA issued a Federal mandate establishing closure and post-closure care requirements for such landfills. As a result of an aggressive program to meet these requirements, the Solid Waste Fund remains in a negative net asset position. However, during the fiscal year net position increased \$2.7 million following a continual improvement trend. To date the City has accrued liabilities of \$5.7 million for closure and post closure care costs.
- **Water Quality Management** – The Water Quality Fund, established to comply with EPA guidelines, now has \$54.9 million in net position, an increase of \$6.0 million or 12.3 percent from last year. This includes the fourth and final annual adjustment to the non-residential rate adopted in April 2010. An additional \$1.5 million was accrued as prior year revenue resulting from a court settlement; see Note 15. Net investment in capital is \$30.9 million. The amount available to fund day-to-day operations (unrestricted net position) increased from \$17.3 million to \$22.3 million, a 29.2 percent increase.
- **Chattanooga Downtown Redevelopment Corporation** – The Chattanooga Downtown Redevelopment Corporation (CDRC) remains in a negative net asset position of \$5.7 million. However, during the fiscal year net position increased \$1.5 million following a continual improvement trend.





**Internal Service Fund** -- The internal service fund is used to account for the City's vehicle operation and maintenance program, employee medical benefits program and third party liability claims. Net position for this fund decreased \$3.3 million or 8.2 percent. This change is primarily due to a \$3 million reduction in revenue as a result of the suspension of the capital component of fleet lease rate and a deficit \$2.4 million in operation of liability insurance fund due to a \$2.9 million increase in claims cost. These reductions were offset by positive operation in other internal service activities.

## General Fund Budgetary Highlights

### Original Budget Compared to Final Budget

The City's budget ordinance provides for the basic functions of City government, encompassing all major funds and appropriations to agencies. The budget ordinance authorizes the City Finance Officer to make re-allocations within the General Fund with a report to City Council.

### Final Budget Compared to Actual Results

Actual revenues exceed budget for the year by \$4.1 million. All revenue categories with the exception of intergovernmental exceeded expectations. All major revenue categories are addressed below.

- Total tax revenue for the year was higher than budget expectations by \$2.4 million or 1.7 percent. Property taxes, inclusive of payments in lieu of tax, exceeded budget, \$1.7 million or 1.4 percent. Franchise tax is over budget \$0.6 million or 16.0 percent, primarily due to Chattanooga Gas.
- Licenses and permits are \$0.4 million or 6.9 percent above budget primarily related to street cut-in permits, plan checking fees and fire city code permits.
- Intergovernmental revenue is \$0.2 million or 0.3 percent less than budget. This is primarily due to a \$1.1 million over estimate in state income tax which was offset by a decrease of \$0.7 million from Hamilton County for county-wide sales tax.
- Charges for services are \$0.2 million over budget or 3.9 percent due to \$0.1 million in court charges and \$0.1 million facility rental charges.
- Fines and forfeitures are \$0.8 million or 68.3 percent above estimates as a result of more citations being paid.
- Miscellaneous revenue is up \$0.5 million or 6.7 percent. Included is an additional \$0.4 million of donations for special programs.



Expenditures were less than budgetary estimates by \$8.3 million or 4.0 percent. All departments were under budget. Personnel costs, which are budgeted at 100 percent of authorized positions, are \$6.7 million below budget. Additionally the City budgeted \$2.1 million for contingencies but only spent \$1.4 million.

The General Fund budget anticipated use of \$3.8 million of fund balance during the year; instead \$8.6 million was added to fund balance.

# Capital Assets and Debt Administration

## Capital Assets

At the end of this year, the City had \$2.4 billion net investment in capital assets, an increase of \$8.0 million or 0.3 percent. This investment includes land, buildings, utility system improvements, machinery and equipment, park facilities and infrastructure. Net investment in capital assets for governmental funds decreased by \$16.7 million or 1.1 percent while business type net investment in capital assets increased by \$24.7 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	
	2014	2013	2014	2013	2014	2013
<b>Non-depreciable:</b>						
Land & Easements	\$ 1,040,673	\$ 1,039,530	\$ 20,021	\$ 19,863	\$ 1,060,694	\$ 1,059,393
Construction in progress	69,219	64,660	46,768	68,594	115,987	133,254
<b>Depreciable:</b>						
Buildings & Improvements	113,894	111,559	83,248	82,211	197,142	193,770
Vehicles & Machinery	29,024	32,088	90,193	25,856	119,217	57,944
Infrastructure	236,322	257,966	695,609	714,576	931,931	972,542
<b>Total</b>	<b>\$ 1,489,132</b>	<b>\$ 1,505,803</b>	<b>\$ 935,839</b>	<b>\$ 911,100</b>	<b>\$ 2,424,971</b>	<b>\$ 2,416,903</b>



Major capital asset events during the year included the following:

- Construction-in-progress additions include \$6.7 million for paving/sidewalks/road improvements, \$1.5 million for new fire stations, \$3.8 million for energy efficient street lighting, \$2.6 million in economic and community development projects, \$0.7 million park and recreation improvements, \$1.7 million to renovate to traffic signals, \$0.3 million for waterfront improvements, \$12.7 million for the sewer consent decree, and \$1.6 million for water quality system improvements. Projects capitalized during the year include \$4.7 million for the new health center, \$3.9 million for completed sewer pump stations, \$2.4 million in improvement of streets and sidewalks, \$3.7 million in completion of new police/fire stations, \$1.5 in signalization upgrade, and \$23.2 million electric system and \$11.8 million in fiber optics.
- The increase in vehicles and machinery is primarily the result of an increase of \$59.8 million by EPB; this includes \$45.0 million reclassification from infrastructure.
- The infrastructure decrease is primarily due to EPB reclassification to vehicles and machinery mentioned above.
- 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 \$42.0 million including \$26.9 million on infrastructure assets. Business-type activities recognized depreciation expense of \$65.6 million.

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



# Debt Administration

At June 30 the City had \$698.7 million in long-term debt outstanding. This is a \$4.1 million decrease or 0.6 percent, from last year. Detail is provided in the table and narrative that follows.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds (backed by the City)	\$ 187,632	\$ 171,740	\$ 43,598	\$ 45,960	\$ 231,230	\$ 217,700
Revenue bonds (backed by specific revenues)			381,105	391,500	381,105	391,500
Notes payable and other	33,678	35,714	52,400	57,543	86,078	93,257
Capital leases	232	288	6	37	238	325
<b>Total</b>	<b>\$ 221,542</b>	<b>\$ 207,742</b>	<b>\$ 477,109</b>	<b>\$ 495,040</b>	<b>\$ 698,651</b>	<b>\$ 702,782</b>

The City of Chattanooga maintains an “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 City corporate limits. The City’s general obligation debt, net of self-supporting debt, is \$160.8 million; this is 32.5 percent of its current limit of \$495.5 million. As of year-end, EPB had \$270.1 million in revenue bond debt outstanding compared to \$277.0 million last year. These bonds are rated “AA+” by Standard & Poor’s and “AA” by Fitch.

During the year the City issued the following new debt:

- The City issued \$32.0 million in bonds. Governmental activities issued \$19.4 million to fund various capital projects approved in the 2013 and 2014 capital improvement programs with an additional \$7.4 million for water front projects supported by dedicated hotel motel tax revenue. Business-type activities issued \$5.2 million to fund water quality projects.
- The Interceptor Sewer System drew down \$3.8 million from a state revolving fund loan.

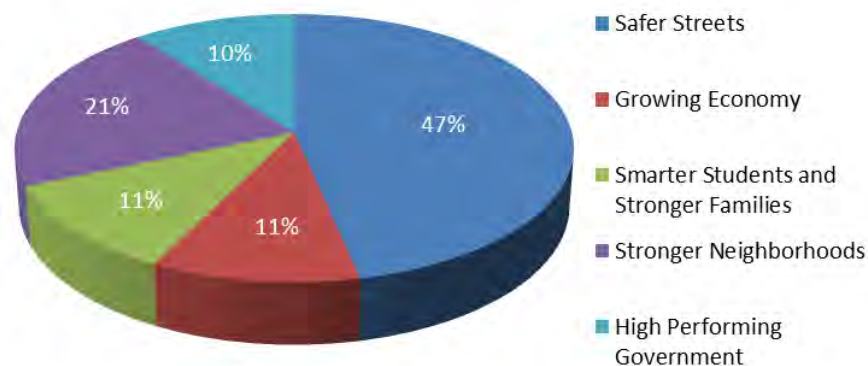
More detailed information about the City’s long-term liabilities is presented in Note 6 to the financial statements.



# Economic Factors and Next Year's Budgets and Rates

The following factors were taken into account when adopting the budget for 2015:

- Anticipated revenues in the General Fund are \$263.1 million, up 11.0 percent from the 2014 budget. This includes a \$20.6 million one-time use of reserves for a major economic development incentive at Enterprise South Industrial Park.
- The City conservatively forecasts property tax at 95 percent of the tax levy. The fiscal year 2015 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 increases include property tax revenue of \$426,000 or 0.3 percent, state sales tax of \$359,000 or 3.0 percent and local option sales tax \$237,000 or 0.6 percent.
- Expenditures of \$263.1 million reflect an elevated awareness of constituent priorities in the following areas: safer streets; growing the local economy; smarter students and stronger families; stronger neighborhoods; and a high performing government. Also included is a \$20.6 million incentive for Volkswagen which is funded entirely from reserves.
- The City of Chattanooga uses Budgeting for Outcomes (BFO) approach to budgeting for undesignated general funds (\$216,850,000). This approach is based on collaboration, transparency and delivery of services that matter most to citizens. Requests in the form of offers are prioritized by results areas and funded as revenue permits.



- The 2015 budget funds 19 offers totaling \$101,096,324 (46.6 percent) of the budget for safer streets. This continues funding for 486 police officers, an all-time high, to implement a community-based policing model. Also included is approximately \$1.0 million to address a consistent pay plan for sworn personnel, maintaining a full-time Federal prosecutor, and funding for a family justice center.
  - 26 offers were funded a total of \$23,504,020 (10.8 percent) for growing the local economy. A new office of Economic Development has been created to invest in small businesses, ensuring Chattanoogaans have the skills to compete, while strengthening infrastructure to support business expansion.
  - \$24,295,904 (11.2 percent) of the budget provides funding for 21 offers for smarter students and stronger families. These dollars will support children from cradle to career, providing character education, and creating effective programming for parents and seniors.
  - Stronger neighborhoods received \$45,243,639 (20.9 percent) to fund 15 offers. This will provide opportunities for every citizen to live in a thriving neighborhood with recreation opportunities and access to variety of transportation options.
  - Effective use of every tax dollar is ensured by funding 26 offers totaling \$22,710,113 (11.5 percent) for high performing government. These offers focus on long term financial health of the City and providing customer service.
- The budget provides a 1.5 percent pay raise for civilian employees. The City is committed to fund the cost of employee benefits such as medical insurance for active and retirees and pension benefits.
  - Business-type activities are expected to have modest increases in operations during 2015. The Interceptor Sewer System includes a 9.8 percent rate increase to address requirements imposed by EPA.
  - The capital budget reflects commitment to economic development, long-term sustainability for City infrastructure and public safety. In addition to the operating budget, over \$96.7 million was appropriated for major capital initiatives in fiscal year 2015. Major projects include \$15.4 million for public infrastructure such as paving, road improvements, sidewalks, parks development and maintenance, as well as transportation projects; \$3.4 million for technology development and upgrades; \$2.2 million for fleet replacement; \$5.3 million in public safety projects such as fire station construction, breathing apparatus and other safety equipment; \$7.9 million for economic and community development; \$48.2 million for the interceptor sewer related to consent decree requirements; \$12.9 million to update water quality infrastructure, and \$2.8 million for other capital projects. The Interceptor Sewer System, as discussed in Note 12 of the financial statements, is upgrading the system to comply with EPA.



# 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 11<sup>th</sup> Street; Suite 101  
Chattanooga, Tennessee 37402  
(423) 643-7363  
[www.chattanooga.gov](http://www.chattanooga.gov)

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

**Chattanooga Metropolitan Airport Authority**

1001 Airport Road, Suite 14  
Chattanooga, TN 37421  
(423) 855-2202  
[www.chattairport.com](http://www.chattairport.com)

**CARTA**

1617 Wilcox Boulevard  
Chattanooga, TN 37406  
(423) 629-1411  
[www.gocarta.org](http://www.gocarta.org)

Comprehensive Annual Financial Report for the year ended June 30, 2014

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CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 102,078,585	\$ 144,385,219	\$ 246,463,804	\$ 7,797,556
Investments	33,211,948	26,332,768	59,544,716	-
Receivables, net of allowance for uncollectible	175,436,782	96,706,957	272,143,739	4,957,918
Internal balances	(94,007,163)	94,007,163	-	-
Due from component units	1,326,788	-	1,326,788	-
Inventories	2,958,713	13,800,475	16,759,188	602,242
Prepaid items	28,674	7,303,714	7,332,388	1,584,235
Restricted assets:				
Cash and cash equivalents	29,006,382	16,997,710	46,004,092	3,579,803
Investments	-	9,789,172	9,789,172	-
Endowment investments	4,646,973	-	4,646,973	-
Receivables	88,876	-	88,876	279,310
Other	-	2,584,223	2,584,223	-
Other post employment benefit assets	-	-	-	97,643
Equity interest in joint venture	7,483,902	-	7,483,902	-
Land and other nondepreciable assets	1,109,892,866	66,788,652	1,176,681,518	50,778,075
Other capital assets, net of accumulated depreciation	379,239,507	869,050,535	1,248,290,042	87,796,444
<b>Total assets</b>	<b>1,751,392,833</b>	<b>1,347,746,588</b>	<b>3,099,139,421</b>	<b>157,473,226</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	2,490,548	3,352,439	5,842,987	-
Deferred contribution general pension plan	6,124,876	1,384,415	7,509,291	-
Deferred items fire and police pension plan	12,424,411	-	12,424,411	-
<b>Total deferred outflows of resources</b>	<b>21,039,835</b>	<b>4,736,854</b>	<b>25,776,689</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	26,454,985	150,135,642	176,590,627	3,071,845
Due to primary government	-	-	-	1,326,788
Contracts payable	454,760	174,429	629,189	627,163
Unearned grants revenue	490,789	-	490,789	-
Net pension and OPEB obligations	-	-	-	986,892
Other liabilities	-	31,210,910	31,210,910	-
Long-term liabilities:				
Due within one year	21,081,110	28,104,463	49,185,573	1,038,838
Due in more than one year	409,091,861	533,222,457	942,314,318	14,227,727
<b>Total liabilities</b>	<b>457,573,505</b>	<b>742,847,901</b>	<b>1,200,421,406</b>	<b>21,279,253</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	130,504,310	-	130,504,310	79,910
Investment gains pension	21,749,339	2,166,934	23,916,273	-
Assumption change pensions	3,826,740	864,964	4,691,704	-
<b>Total deferred inflows of resources</b>	<b>156,080,389</b>	<b>3,031,898</b>	<b>159,112,287</b>	<b>79,910</b>
<b>NET POSITION</b>				
Net investment in capital assets	1,204,844,784	573,918,419	1,778,763,203	122,881,166
Restricted for:				
Capital projects	43,202,659	-	43,202,659	-
Debt service	-	-	-	3,859,113
Renewal and replacement	-	46,644,598	46,644,598	-
Permanent endowments:				
Nonexpendable	4,646,973	-	4,646,973	-
Expendable	82,240	-	82,240	-
Unrestricted	(93,997,882)	(13,959,374)	(107,957,256)	9,373,784
<b>Total net position</b>	<b>\$ 1,158,778,774</b>	<b>\$ 606,603,643</b>	<b>\$ 1,765,382,417</b>	<b>\$ 136,114,063</b>

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



**CITY OF CHATTANOOGA, TENNESSEE**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental activities:				
General government	\$ 70,744,329	\$ 15,401,346	\$ 3,660,926	\$ 215,908
Economic and community development	6,785,001	3,537,586	1,683,169	-
Public safety	38,174,721	820,316	2,084,574	-
Public works and transportation	64,730,037	501,462	8,531,870	-
Youth and family development	21,716,619	599,463	12,118,310	-
Interest on long-term debt	6,819,652	-	-	-
Total governmental activities	<u>208,970,359</u>	<u>20,860,172</u>	<u>28,078,849</u>	<u>215,908</u>
Business-type activities:				
Electric utility, including fiber optics	639,502,000	654,818,000	-	1,741,000
Sewer	48,359,508	63,155,547	-	-
Solid waste	4,392,822	7,085,846	-	-
Water quality management	13,175,781	19,100,534	-	92,500
Downtown redevelopment	16,049,380	17,038,504	-	-
Total business-type activities	<u>721,479,491</u>	<u>761,198,431</u>	<u>-</u>	<u>1,833,500</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 930,449,850</u>	<u>\$ 782,058,603</u>	<u>\$ 28,078,849</u>	<u>\$ 2,049,408</u>
<b>COMPONENT UNITS</b>				
Airport authority	\$ 17,462,231	\$ 14,553,451	\$ -	\$ 5,783,247
Transportation authority	23,285,908	7,683,857	7,612,278	11,573,268
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 40,748,139</u>	<u>\$ 22,237,308</u>	<u>\$ 7,612,278</u>	<u>\$ 17,356,515</u>

General revenues:

- Property taxes
- Other taxes
  - Liquor and beer taxes
  - Hotel-Motel tax
  - Local gross receipts tax
  - Franchise taxes
  - Other taxes

Grants and contributions not allocated to specific programs:

- County-wide sales taxes
- City allocation of state sales taxes
- City allocation of state income taxes
- City allocation of other shared taxes
- Unrestricted investment earnings
- Miscellaneous
- Endowment contributions
- Gain on sale of capital assets
- Gain on equity interest in joint venture
- Total general revenues and transfers

Change in net position

- Net position, beginning, as previously reported
- Prior period adjustment
- Change in accounting principle
- Net position, beginning, as restated
- 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
\$ (51,466,150)	\$ -	\$ (51,466,150)	\$ -
(1,564,245)	-	(1,564,245)	-
(35,269,831)	-	(35,269,831)	-
(55,696,705)	-	(55,696,705)	-
(8,998,847)	-	(8,998,847)	-
(6,819,652)	-	(6,819,652)	-
<u>(159,815,430)</u>	<u>-</u>	<u>(159,815,430)</u>	<u>-</u>
-	17,057,000	17,057,000	-
-	14,796,039	14,796,039	-
-	2,693,024	2,693,024	-
-	6,017,253	6,017,253	-
-	989,124	989,124	-
-	<u>41,552,440</u>	<u>41,552,440</u>	<u>-</u>
<u>(159,815,430)</u>	<u>41,552,440</u>	<u>(118,262,990)</u>	<u>-</u>
-	-	-	2,874,467
-	-	-	<u>3,583,495</u>
-	-	-	<u>6,457,962</u>
125,641,150	-	125,641,150	-
8,186,392	-	8,186,392	-
5,364,901	-	5,364,901	-
4,797,634	-	4,797,634	-
4,221,364	-	4,221,364	-
162,765	-	162,765	-
51,261,100	-	51,261,100	-
11,979,633	-	11,979,633	-
4,044,628	-	4,044,628	-
3,382,265	-	3,382,265	-
1,331,773	990,099	2,321,872	29,505
-	-	-	2,185,047
105	-	105	-
197,445	-	197,445	-
65,251	-	65,251	-
<u>220,636,406</u>	<u>990,099</u>	<u>221,626,505</u>	<u>2,214,552</u>
60,820,976	42,542,539	103,363,515	8,672,514
1,332,845,129	571,722,305	1,904,567,434	127,441,549
(11,463,578)	1,466,036	(9,997,542)	-
<u>(223,423,753)</u>	<u>(9,127,237)</u>	<u>(232,550,990)</u>	<u>-</u>
<u>1,097,957,798</u>	<u>564,061,104</u>	<u>1,662,018,902</u>	<u>127,441,549</u>
<u>\$ 1,158,778,774</u>	<u>\$ 606,603,643</u>	<u>\$ 1,765,382,417</u>	<u>\$ 136,114,063</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**June 30, 2014**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 36,953,073	\$ 45,099,852	\$ 20,529,466	\$ 102,582,391
Investments	33,211,948	-	4,646,973	37,858,921
Receivables, net of allowance for uncollectibles:				
Property taxes	119,734,855	-	-	119,734,855
Other taxes	11,632,272	-	1,053,716	12,685,988
Notes	1,807,263	1,199,533	15,578,987	18,585,783
Other	1,628,797	8,053	140,206	1,777,056
Due from other funds	-	204,418	166,476	370,894
Due from other governments	20,436,808	103,863	2,932,858	23,473,529
Inventories	902,624	-	-	902,624
Prepaid items	18,000	-	10,674	28,674
<b>Total assets</b>	<b>\$ 226,325,640</b>	<b>\$ 46,615,719</b>	<b>\$ 45,059,356</b>	<b>\$ 318,000,715</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities:				
Accounts payable	\$ 4,234,401	\$ 2,791,824	\$ 1,552,332	\$ 8,578,557
Accrued payroll	4,964,753	-	493,603	5,458,356
Due to other funds	-	166,476	204,418	370,894
Due to other governments	409,881	-	-	409,881
Contracts payable	-	454,760	-	454,760
Unearned grants revenue	-	-	490,789	490,789
<b>Total liabilities</b>	<b>9,609,035</b>	<b>3,413,060</b>	<b>2,741,142</b>	<b>15,763,237</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	127,129,612	-	-	127,129,612
Unavailable revenue - other local taxes	1,952,162	-	558,987	2,511,149
Unavailable revenue - shared tax revenue	8,786,306	-	387,970	9,174,276
Unavailable revenue - CDBG loans	-	-	17,114,155	17,114,155
Unavailable revenue - other	136,547	-	-	136,547
<b>Total deferred inflows of resources</b>	<b>138,004,627</b>	<b>-</b>	<b>18,061,112</b>	<b>156,065,739</b>
<b>FUND BALANCES</b>				
Nonspendable	2,669,652	1,199,532	4,657,647	8,526,831
Restricted	6,213,426	42,003,127	9,544,948	57,761,501
Committed	689,137	-	9,227,214	9,916,351
Assigned	5,100,983	-	827,293	5,928,276
Unassigned	64,038,780	-	-	64,038,780
<b>Total fund balances</b>	<b>78,711,978</b>	<b>43,202,659</b>	<b>24,257,102</b>	<b>146,171,739</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 226,325,640</b>	<b>\$ 46,615,719</b>	<b>\$ 45,059,356</b>	<b>\$ 318,000,715</b>

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, 2014**

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

Fund balances - total governmental funds \$ 146,171,739

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. 1,472,963,184

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. 25,561,429

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. 7,483,902

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. 36,939,215

Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in governmental funds but must be deferred in the statement of net position:

General pension	\$ 6,124,876	
Fire and Police pension	<u>12,424,411</u>	18,549,287

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. (29,467,895)

The City's pollution remediation obligation is considered a long-term obligation. (1,194,495)

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

General pension	(20,096,370)	
Fire and police pension	<u>(129,139,277)</u>	(149,235,647)

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	(187,631,740)	
Add net deferred refunding, issue premiums and discounts	(4,809,169)	
Notes payable	(33,678,383)	
Capital leases	(232,290)	
Capital lease payable to CDRC - reported as internal balance	(94,007,163)	
Compensated absences	(20,947,984)	
Accrued interest payable	<u>(2,109,137)</u>	(343,415,866)

Certain amounts related to the net pension liability are deferred and amortized over time.

These are not reported in the funds:

Investment gain - general pension	(9,586,864)	
Investment gain - fire and police pension	(12,162,475)	
Assumption change - general pension	<u>(3,826,740)</u>	(25,576,079)

Net position of governmental activities \$ 1,158,778,774

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

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2014

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 142,068,008	\$ -	\$ 5,352,640	\$ 147,420,648
Licenses and permits	5,799,027	-	585,383	6,384,410
Intergovernmental	75,512,510	78,152	21,335,976	96,926,638
Charges for services	5,614,849	2,952	400,184	6,017,985
Fines, forfeitures and penalties	2,017,340	-	34,548	2,051,888
Investment income	616,802	196,840	767,907	1,581,549
Contributions and donations	641,239	58,429	82,877	782,545
Sale of property	208,622	-	5,925	214,547
Miscellaneous	5,173,888	3,539	844,040	6,021,467
<b>Total revenues</b>	<b>237,652,285</b>	<b>339,912</b>	<b>29,409,480</b>	<b>267,401,677</b>
<b>EXPENDITURES</b>				
Current:				
General government	50,271,980	-	5,994,616	56,266,596
Finance and administration	5,166,048	-	-	5,166,048
Economic and community development	5,411,472	-	1,485,366	6,896,838
Public safety	92,702,343	-	547,269	93,249,612
Public works and transportation	34,287,397	-	3,913,897	38,201,294
Youth and family development	8,308,003	-	13,430,670	21,738,673
Capital outlay/capital assets	-	22,598,368	-	22,598,368
Debt service:				
Principal retirement	-	-	12,970,806	12,970,806
Interest and fiscal charges	-	-	7,030,200	7,030,200
<b>Total expenditures</b>	<b>196,147,243</b>	<b>22,598,368</b>	<b>45,372,824</b>	<b>264,118,435</b>
Excess (deficiency) of revenues over (under) expenditures	41,505,042	(22,258,456)	(15,963,344)	3,283,242
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	116,847	12,881,974	25,835,866	38,834,687
Transfers out	(33,055,409)	(603,661)	(5,662,258)	(39,321,328)
General obligation bonds issued	-	26,775,000	-	26,775,000
Premium on bonds issued	-	2,369,489	-	2,369,489
<b>Total other financing sources (uses)</b>	<b>(32,938,562)</b>	<b>41,422,802</b>	<b>20,173,608</b>	<b>28,657,848</b>
Net change in fund balances	8,566,480	19,164,346	4,210,264	31,941,090
FUND BALANCES, beginning, as previously reported	69,845,599	24,038,313	20,046,838	113,930,750
PRIOR PERIOD ADJUSTMENT	299,899	-	-	299,899
FUND BALANCE, beginning, as restated	70,145,498	24,038,313	20,046,838	114,230,649
FUND BALANCES, ending	\$ 78,711,978	\$ 43,202,659	\$ 24,257,102	\$ 146,171,739

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, 2014**

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	\$	31,941,090
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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.	21,317,784
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Depreciation expense for governmental capital assets are included in the governmental activities.	(38,525,670)
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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.	924,670
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The net effect of various transactions involving capital assets is to decrease net positions.	(58,713)
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The gain of equity interest in joint venture is reported in the statement of activities. This gain does not use current financial resources and is not reflected in the governmental funds.	65,251
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Bond proceeds and notes issued 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	\$ 12,970,806	
Principal adjustment	3,871	
Payment of capital lease	3,360,020	
Bonds issued	(26,775,000)	
Premiums on bonds issued	(2,369,489)	
Amortization	270,508	
Change in accrued interest payable	<u>(164,199)</u>	(12,703,483)

Net loss of the internal service fund are reported with governmental activities.	(3,311,342)
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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	(4,095,677)	
Change in pension expense	61,756,230	
Change in pollution remediation liability	193,949	
Change in OPEB liability	<u>1,913,829</u>	59,768,331

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	<u>1,403,058</u>	<u>1,403,058</u>
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Change in net position of governmental activities	<u>\$ 60,820,976</u>
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The Notes to Basic Financial Statements are an integral part of this statement.

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 139,624,800	\$ 139,624,800	\$ 142,068,008	\$ 2,443,208
Licenses, fees, and permits	5,427,182	5,427,182	5,799,027	371,845
Intergovernmental	75,750,255	75,750,255	75,512,510	(237,745)
Charges for services	5,404,707	5,404,707	5,614,849	210,142
Fines, forfeitures and penalties	1,198,600	1,198,600	2,017,340	818,740
Investment income	488,462	488,462	616,802	128,340
Miscellaneous	5,646,197	5,646,197	6,023,749	377,552
<b>Total revenues</b>	<b>233,540,203</b>	<b>233,540,203</b>	<b>237,652,285</b>	<b>4,112,082</b>
<b>EXPENDITURES</b>				
General government	43,928,680	42,728,680	39,818,029	(2,910,651)
Executive	2,041,239	2,041,239	1,838,845	(202,394)
Finance and administration	5,591,898	5,591,898	5,166,048	(425,850)
General services	7,251,796	7,251,796	6,940,824	(310,972)
Human resources	1,879,515	1,879,515	1,674,282	(205,233)
Economic and community development	5,783,923	5,783,923	5,411,472	(372,451)
Police	57,662,330	57,662,330	55,160,451	(2,501,879)
Fire	38,234,450	38,234,450	37,541,892	(692,558)
Public works	27,902,358	27,902,358	27,583,980	(318,378)
Transportation	6,962,689	6,962,689	6,703,417	(259,272)
Youth and family development	8,379,531	8,379,531	8,308,003	(71,528)
<b>Total expenditures</b>	<b>205,618,409</b>	<b>204,418,409</b>	<b>196,147,243</b>	<b>(8,271,166)</b>
<b>Excess of revenues over expenditures</b>	<b>27,921,794</b>	<b>29,121,794</b>	<b>41,505,042</b>	<b>12,383,248</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	92,862	92,862	116,847	23,985
Transfers out	(29,834,014)	(33,055,409)	(33,055,409)	-
<b>Total other financing sources (uses)</b>	<b>(29,741,152)</b>	<b>(32,962,547)</b>	<b>(32,938,562)</b>	<b>23,985</b>
<b>Net change in fund balances</b>	<b>(1,819,358)</b>	<b>(3,840,753)</b>	<b>8,566,480</b>	<b>12,407,233</b>
<b>FUND BALANCE, beginning, as previously reported</b>	<b>69,845,599</b>	<b>69,845,599</b>	<b>69,845,599</b>	<b>-</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>299,899</b>	<b>299,899</b>	<b>299,899</b>	<b>-</b>
<b>FUND BALANCE, beginning, as restated</b>	<b>70,145,498</b>	<b>70,145,498</b>	<b>70,145,498</b>	<b>-</b>
<b>FUND BALANCES, ending</b>	<b>\$ 68,326,140</b>	<b>\$ 66,304,745</b>	<b>\$ 78,711,978</b>	<b>\$ 12,407,233</b>

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, 2014

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Major Funds					Total	
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment		
<b>ASSETS</b>							
Current Assets:							
Cash and cash equivalents	\$ 99,457,000	\$ 18,632,397	\$ 581,374	\$ 20,406,603	\$ 5,307,845	\$ 144,385,219	\$ 28,502,578
Investments	-	26,332,768	-	-	-	26,332,768	-
Receivables:							
Customer service	65,770,000	11,279,075	37,613	3,000,330	-	80,087,018	500,969
Other	-	2,069	-	134	1,403,567	1,405,770	-
Less allowance for doubtful accounts	(1,180,000)	(1,181,144)	(100)	(1,944,128)	(39,534)	(4,344,906)	-
Inventories	12,809,000	884,487	-	-	106,988	13,800,475	2,056,089
Due from other governments	6,694,000	11,185,151	44,125	1,635,799	-	19,559,075	94,266
Prepaid items	7,152,000	-	-	-	151,714	7,303,714	-
Total current assets	190,702,000	67,134,803	663,012	23,098,738	6,930,580	288,529,133	31,153,902
Noncurrent Assets:							
Restricted Assets:							
Cash and cash equivalents	-	1,667,550	10,497,239	4,832,921	-	16,997,710	-
Investments	-	-	-	-	9,789,172	9,789,172	-
Investment in capital lease	-	-	-	-	94,007,163	94,007,163	-
Other	2,580,000	298	2,693	1,232	-	2,584,223	-
Total restricted assets	2,580,000	1,667,848	10,499,932	4,834,153	103,796,335	123,378,268	-
Capital Assets:							
Land	6,098,000	10,539,589	1,517,514	1,865,986	-	20,021,089	-
Construction in progress	9,584,000	33,759,562	-	3,424,001	-	46,767,563	6,000
Buildings	71,228,000	55,805,248	1,921,659	10,601,459	806,434	140,362,800	5,322,108
Equipment	104,821,000	31,748,738	3,813,487	1,402,368	4,145,502	145,931,095	2,985,714
Vehicles	-	3,037,368	1,698,578	2,194,228	23,465	6,953,639	25,269,038
Infrastructure	707,711,000	420,490,289	9,520,509	39,510,748	-	1,177,232,546	-
	899,442,000	555,380,794	18,471,747	58,998,790	4,975,401	1,537,268,732	33,582,860
Less accumulated depreciation	(305,980,000)	(267,482,199)	(8,793,994)	(16,476,975)	(2,696,377)	(601,429,545)	(17,413,672)
Net capital assets	593,462,000	287,898,595	9,677,753	42,521,815	2,279,024	935,839,187	16,169,188
Total assets	786,744,000	356,701,246	20,840,697	70,454,706	113,005,939	1,347,746,588	47,323,090
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred refunding	-	557,214	172,893	85,712	2,536,620	3,352,439	-
Deferred contribution pension	-	698,608	88,474	597,333	-	1,384,415	-
Total deferred outflows of resources	-	1,255,822	261,367	683,045	2,536,620	4,736,854	-

(Continued on next page)



CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS

June 30, 2014

	Business-type Activities - Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Major Funds						
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment		
(Continued from previous page)							
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accrued liabilities:							
Accounts payable	\$ 129,613,000	\$ 16,334,898	\$ 166,615	\$ 176,519	\$ 1,101,994	\$ 147,393,026	\$ 9,798,529
Accrued payroll	-	307,084	33,959	271,142	252,811	864,996	100,505
Other accrued liabilities	-	356,365	195,087	149,116	1,014,864	1,715,432	-
Due to other governments	-	-	-	-	162,188	162,188	22
Current maturities of long-term liabilities:							
Bonds payable	7,040,000	5,252,288	1,651,410	1,161,010	4,520,000	19,624,708	-
Notes payable	3,833,000	3,970,542	72,113	-	-	7,875,655	-
Capital leases payable	-	5,562	-	-	-	5,562	-
Compensated absences	205,000	81,209	10,324	62,014	-	358,547	40,972
Landfill postclosure costs	-	-	239,991	-	-	239,991	-
Contracts payable	-	171,915	-	2,514	-	174,429	-
Other	-	-	-	-	858,911	858,911	-
Total current liabilities	140,691,000	26,479,863	2,369,499	1,822,315	7,910,768	179,273,445	9,940,028
Long-term liabilities:							
Bonds payable	270,757,000	13,874,519	12,742,176	10,505,096	113,318,613	421,197,404	-
Notes payable	944,000	43,132,446	448,193	-	-	44,524,639	-
Compensated absences	571,000	879,761	111,846	671,817	-	2,234,424	443,847
OPEB liability	9,365,000	-	-	-	-	9,365,000	-
Pension liability	-	2,292,208	290,293	1,959,914	-	4,542,415	-
Landfill postclosure costs	-	-	5,483,574	-	-	5,483,574	-
Customer deposits	21,647,000	-	-	-	-	21,647,000	-
Other noncurrent liabilities	54,580,000	-	-	-	-	54,580,000	-
Total long-term liabilities	357,864,000	60,178,934	19,076,082	13,136,827	113,318,613	563,574,456	443,847
Total liabilities	498,555,000	86,658,797	21,445,581	14,959,142	121,229,381	742,847,901	10,383,875
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Investment gains pension	-	1,093,485	138,483	934,966	-	2,166,934	-
Assumption change pension	-	436,481	55,278	373,205	-	864,964	-
Total deferred inflows of resources	-	1,529,966	193,761	1,308,171	-	3,031,898	-
<b>NET POSITION</b>							
Net investment in capital assets	315,665,000	222,220,454	2,812,518	30,941,422	2,279,025	573,918,419	16,169,188
Restricted for renewal and replacement	-	23,671,958	10,734,430	1,590,127	10,648,083	46,644,598	-
Unrestricted	(27,476,000)	23,875,893	(14,084,226)	22,338,889	(18,613,930)	(13,959,374)	20,770,027
Total net position	\$ 288,189,000	\$ 269,768,305	\$ (537,278)	\$ 54,870,438	\$ (5,686,822)	\$ 606,603,643	\$ 36,939,215

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, 2014

	Business-type Activities - Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Major Funds						
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment		
<b>OPERATING REVENUES</b>							
Charges for services:							
Electric	\$ 545,852,000	\$ -	\$ -	\$ -	\$ -	\$ 545,852,000	\$ -
Fiber optic	89,988,000	-	-	-	-	89,988,000	-
Sewer	-	62,208,665	-	-	-	62,208,665	-
Waste disposal	-	-	6,949,778	-	-	6,949,778	-
Water quality	-	-	-	19,094,809	-	19,094,809	-
Lease rental revenue	-	-	-	-	4,518,642	4,518,642	-
Conference center	-	-	-	-	11,731,002	11,731,002	-
Parking garage	-	-	-	-	788,860	788,860	-
Other services	18,771,000	927,155	122,177	-	-	19,820,332	53,064,888
Other	-	2,822	13,891	1,001	-	17,714	2,102,038
<b>Total operating revenues</b>	<b>654,611,000</b>	<b>63,138,642</b>	<b>7,085,846</b>	<b>19,095,810</b>	<b>17,038,504</b>	<b>760,969,802</b>	<b>55,166,926</b>
<b>OPERATING EXPENSES</b>							
Power purchases	436,507,000	-	-	-	-	436,507,000	-
Other electric operations	65,484,000	-	-	-	-	65,484,000	-
Fiber optic operations	54,915,000	-	-	-	-	54,915,000	-
Sewer plant operations	-	31,640,781	-	-	-	31,640,781	-
Waste disposal operations	-	-	2,984,947	-	-	2,984,947	-
Closure/postclosure costs	-	-	196,683	-	-	196,683	-
Water quality operations	-	-	-	11,528,460	-	11,528,460	-
Conference center operations	-	-	-	-	10,691,730	10,691,730	-
Parking garage operations	-	-	-	-	326,600	326,600	-
Fleet operations	-	-	-	-	-	-	14,581,172
Liability insurance	-	-	-	-	-	-	3,194,866
Health services	-	-	-	-	-	-	38,569,126
Depreciation	48,735,000	14,596,519	525,992	1,256,557	471,697	65,585,765	3,465,094
Other	11,855,000	-	-	-	(232,443)	11,622,557	-
<b>Total operating expenses</b>	<b>617,496,000</b>	<b>46,237,300</b>	<b>3,707,622</b>	<b>12,785,017</b>	<b>11,257,584</b>	<b>691,483,523</b>	<b>59,810,258</b>
<b>OPERATING INCOME (LOSS)</b>	<b>37,115,000</b>	<b>16,901,342</b>	<b>3,378,224</b>	<b>6,310,793</b>	<b>5,780,920</b>	<b>69,486,279</b>	<b>(4,643,332)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Investment income	263,000	139,472	33,559	7,600	546,468	990,099	-
Interest expense	(13,779,000)	(2,122,208)	(638,609)	(337,437)	(4,791,796)	(21,669,050)	-
Tax equivalent	(6,486,000)	-	-	-	-	(6,486,000)	-
Other income	207,000	16,905	-	4,724	-	228,629	845,376
Other expense	(1,741,000)	-	(46,591)	(53,327)	-	(1,840,918)	(27)
<b>Total nonoperating revenues (expenses)</b>	<b>(21,536,000)</b>	<b>(1,965,831)</b>	<b>(651,641)</b>	<b>(378,440)</b>	<b>(4,245,328)</b>	<b>(28,777,240)</b>	<b>845,349</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>15,579,000</b>	<b>14,935,511</b>	<b>2,726,583</b>	<b>5,932,353</b>	<b>1,535,592</b>	<b>40,709,039</b>	<b>(3,797,983)</b>
Capital contributions	1,741,000	-	-	92,500	-	1,833,500	-
Transfers in	-	-	-	-	-	-	486,641
<b>CHANGE IN NET POSITION</b>	<b>17,320,000</b>	<b>14,935,511</b>	<b>2,726,583</b>	<b>6,024,853</b>	<b>1,535,592</b>	<b>42,542,539</b>	<b>(3,311,342)</b>
NET POSITION, beginning, as previously reported	273,184,000	258,270,407	(2,828,509)	50,318,821	(7,222,414)	571,722,305	40,250,557
PRIOR PERIOD ADJUSTMENT CHANGE IN ACCOUNTING PRINCIPLE	-	-	-	1,466,036	-	1,466,036	-
	(2,315,000)	(3,437,613)	(435,352)	(2,939,272)	-	(9,127,237)	-
NET POSITION, beginning, as restated	270,869,000	254,832,794	(3,263,861)	48,845,585	(7,222,414)	564,061,104	40,250,557
NET POSITION, ending	\$ 288,189,000	\$ 269,768,305	\$ (537,278)	\$ 54,870,438	\$ (5,686,822)	\$ 606,603,643	\$ 36,939,215

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, 2014**

	Business-type Activities - Enterprise Funds					
	Major Funds					
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Development	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 664,661,000	\$ 49,646,791	\$ 6,967,886	\$ 19,140,504	\$ 16,559,032	\$ 756,975,213
Receipts from operating grants	-	-	151,166	-	-	151,166
Payments to suppliers	(526,789,000)	(14,889,190)	(2,807,283)	(4,635,554)	(10,344,946)	(559,465,973)
Payments to employees	(34,507,000)	(7,926,418)	(1,012,315)	(7,514,564)	-	(50,960,297)
Payments in lieu of taxes	(18,025,000)	-	-	-	-	(18,025,000)
Net cash from operating activities	85,340,000	26,831,183	3,299,454	6,990,386	6,214,086	128,675,109
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in	-	-	-	-	-	-
Net cash flows used in noncapital financing	-	-	-	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Principal paid on capital debt	(12,084,000)	(7,960,512)	(1,670,320)	(876,971)	(4,395,000)	(26,986,803)
Interest paid on capital debt	(14,961,000)	(2,349,315)	(699,683)	(358,623)	(5,168,194)	(23,536,815)
Line of credit	(5,721,000)	-	-	-	-	(5,721,000)
Proceeds from capital debt	-	3,810,991	-	5,708,665	3,360,020	12,879,676
Capital grants and contributions	1,741,000	-	-	92,500	-	1,833,500
Additions to capital assets	(80,200,000)	(15,696,292)	-	(1,905,304)	-	(97,801,596)
Proceeds from the sale of capital assets	563,000	-	-	4,724	(211,905)	355,819
Net cash flows used in capital and related financing activities	(110,662,000)	(22,195,128)	(2,370,003)	2,664,991	(6,415,079)	(138,977,219)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of investments	-	(88,613,802)	-	-	(67,935,617)	(156,549,419)
Proceeds from sales and maturities of investments	-	88,653,946	-	-	67,816,353	156,470,299
Interest	291,000	140,375	33,539	7,600	546,468	1,018,982
Net cash flows from investing activities	291,000	180,519	33,539	7,600	427,204	939,862
Net increase (decrease) in cash and cash equivalents	(25,031,000)	4,816,574	962,990	9,662,977	226,211	(9,362,248)
Cash and cash equivalents, beginning of year	124,488,000	15,483,373	10,115,623	15,576,547	5,081,634	170,745,177
Cash and cash equivalents, end of year	\$ 99,457,000	\$ 20,299,947	\$ 11,078,613	\$ 25,239,524	\$ 5,307,845	\$ 161,382,929
<b>CLASSIFIED AS:</b>						
Current assets	\$ 99,457,000	\$ 18,632,397	\$ 581,374	\$ 20,406,603	\$ 5,307,845	\$ 144,385,219
Restricted assets	-	1,667,550	10,497,239	4,832,921	-	16,997,710
	\$ 99,457,000	\$ 20,299,947	\$ 11,078,613	\$ 25,239,524	\$ 5,307,845	\$ 161,382,929

(Continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**Year Ended June 30, 2014**

	Business-type Activities - Enterprise Funds					
	Major Funds					
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Development	Total
(Continued from previous page)						
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
OPERATING INCOME (LOSS)	\$ 37,115,000	\$ 16,901,342	\$ 3,378,224	\$ 6,310,793	\$ 5,780,920	\$ 69,486,279
ADJUSTMENTS NOT AFFECTING CASH						
Depreciation and amortization	48,735,000	14,596,519	525,992	1,256,557	471,697	65,585,765
Miscellaneous nonoperating expenses	2,931,000	-	-	-	-	2,931,000
Provision for uncollectible accounts	(6,486,000)	970,118	-	209,620	(15,471)	(5,321,733)
(Increase) decrease in:						
Accounts receivable	(4,178,000)	(14,478,874)	4,217	(169,614)	(464,001)	(19,286,272)
Due from other funds	-	-	-	-	-	-
Due from other governments	1,045,000	-	28,989	(99,389)	-	974,600
Inventory	(331,000)	(63,217)	-	-	25,486	(368,731)
Prepaid Items	798,000	-	-	-	-	798,000
Deferred charges	66,000	-	-	-	-	66,000
Increase (decrease) in:						
Accounts payable	5,664,000	8,988,959	(545,770)	(409,747)	(34,485)	13,662,957
Accrued claims	-	34,465	7,395	109,936	419,255	571,051
Claims liabilities	-	-	-	-	-	-
Other assets/liabilities	(19,000)	(276,992)	(137,361)	(321,847)	30,685	(724,515)
Compensated absences	-	158,863	37,768	104,077	-	300,708
Total adjustments	48,225,000	9,929,841	(78,770)	679,593	433,166	59,188,830
Net cash from operating activities	\$ 85,340,000	\$ 26,831,183	\$ 3,299,454	\$ 6,990,386	\$ 6,214,086	\$ 128,675,109

The 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, 2014**

	Other Postemployment Benefits Trust Fund	Pension Trust Fund
<b>ASSETS</b>		
Investments:		
Corporate bonds and notes	\$ 7,479,296	\$ 19,699,351
Preferred securities	-	4,845,085
Corporate stocks	-	119,051,125
Foreign equity	-	6,328,184
Mutual funds - preferred securities	-	1,500,045
Mutual funds - equity	14,933,158	123,488,209
Mutual funds - fixed income	10,368,882	70,651,431
Real estate	-	25,717,252
Hedge funds	-	108,885,594
Other investments	-	24,189,287
Temporary investments	1,768,725	4,464,894
Receivables:		
Accrued income	10,134	280,043
Due from plan custodian	1,228,266	-
	<u>35,788,461</u>	<u>509,100,500</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities:		
Accrued payable	-	222,648
Due to plan custodian	223,026	-
	<u>223,026</u>	<u>222,648</u>
<b>NET POSITION</b>		
Held in trust for pension and other postemployment benefits	<u>\$ 35,565,435</u>	<u>\$ 508,877,852</u>

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

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2014**

	Other Postemployment Benefits Trust Fund	Pension Trust Fund
	<u>                    </u>	<u>                    </u>
ADDITIONS		
Contributions:		
Employer	\$ 12,539,062	\$ 21,247,342
Plan member	2,532,327	4,329,447
Other	-	193,877
	<u>                    </u>	<u>                    </u>
Total contributions	15,071,389	25,770,666
	<u>                    </u>	<u>                    </u>
Investment income:		
Net appreciation (depreciation) in fair market value of investments	3,844,630	60,840,894
Interest	-	516,527
Dividends	345,206	5,516,852
	<u>                    </u>	<u>                    </u>
	4,189,836	66,874,273
	<u>                    </u>	<u>                    </u>
Less investment income (loss)	-	(1,054,760)
	<u>                    </u>	<u>                    </u>
Net investment income (loss)	4,189,836	65,819,513
	<u>                    </u>	<u>                    </u>
Total additions	19,261,225	91,590,179
	<u>                    </u>	<u>                    </u>
DEDUCTIONS		
Benefits paid to participants	12,607,228	46,802,592
Administrative expenses	20,484	1,285,678
	<u>                    </u>	<u>                    </u>
Total deductions	12,627,712	48,088,270
	<u>                    </u>	<u>                    </u>
CHANGE IN NET POSITION	6,633,513	43,501,909
NET POSITION - beginning	<u>28,931,922</u>	<u>465,375,943</u>
NET POSITION - ending	<u>\$ 35,565,435</u>	<u>\$ 508,877,852</u>

The 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, 2014**

	Chattanooga Metropolitan Airport Authority	CARTA	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,678,896	\$ 1,118,660	\$ 7,797,556
Accounts receivable	3,104,320	1,853,598	4,957,918
Inventories	182,280	419,962	602,242
Prepaid items	709,867	874,368	1,584,235
Other post employment benefit assets	-	97,643	97,643
Restricted assets:			
Cash and cash equivalents	3,579,803	-	3,579,803
Receivables	279,310	-	279,310
Land and other nondepreciable assets	47,520,028	3,258,047	50,778,075
Other capital assets, net of accumulated depreciation	62,900,644	24,895,800	87,796,444
Total assets	<u>124,955,148</u>	<u>32,518,078</u>	<u>157,473,226</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	1,364,766	1,707,079	3,071,845
Contracts payable	627,163	-	627,163
Due to primary government	-	1,326,788	1,326,788
Net pension obligation	-	840,081	840,081
Net OPEB obligation	146,811	-	146,811
Capital lease obligations	106,081	-	106,081
Notes payable	-	443,782	443,782
Revenue bonds payable	14,716,702	-	14,716,702
Total liabilities	<u>16,961,523</u>	<u>4,317,730</u>	<u>21,279,253</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	79,910	-	79,910
Total deferred inflows of resources	<u>79,910</u>	<u>-</u>	<u>79,910</u>
<b>NET POSITION</b>			
Net investment in capital assets	95,597,889	27,283,277	122,881,166
Restricted for debt service and construction	3,859,113	-	3,859,113
Unrestricted	8,456,713	917,071	9,373,784
Total net position	<u>\$ 107,913,715</u>	<u>\$ 28,200,348</u>	<u>\$ 136,114,063</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, 2014

	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	\$ 17,462,231	\$ 14,553,451	\$ -	\$ 5,783,247	\$ 2,874,467	\$ -	\$ 2,874,467
CARTA							
CARTA operations	23,285,908	7,683,857	7,612,278	11,573,268	-	3,583,495	3,583,495
Total component units	<u>\$ 40,748,139</u>	<u>\$ 22,237,308</u>	<u>\$ 7,612,278</u>	<u>\$ 17,356,515</u>	2,874,467	3,583,495	6,457,962
			General revenues:				
			Investment income		28,716	789	29,505
			Miscellaneous		2,017,372	167,675	2,185,047
			Total general revenues		2,046,088	168,464	2,214,552
			CHANGE IN NET POSITION		4,920,555	3,751,959	8,672,514
			Net position, beginning		102,993,160	24,448,389	127,441,549
			Net position, ending		<u>\$ 107,913,715</u>	<u>\$ 28,200,348</u>	<u>\$ 136,114,063</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, 2014**

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# CITY OF CHATTANOOGA, TENNESSEE

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Description of Government-wide Financial Statements

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

#### Reporting Entity

The City of Chattanooga, Tennessee (the City) was incorporated under the Private Acts of 1869 and operated under the Commission form of government, consisting of an elected Mayor and four elected Commissioners, each of whom served as the head of a city department. The City Charter was amended in 1990 to create the office of Mayor, with all executive and administrative authority formerly vested in the Board of Commissioners; the Mayor is elected at-large. Further, the City Council was created with all legislative authority formerly vested in the Board of Commissioners. City Council is composed of nine members, with each member elected from one of nine districts within the geographic boundaries of the City. The Mayor is not a member of the City Council.

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

The City reports the following blended component unit:

**Chattanooga Downtown Redevelopment Corporation (CDRC)** – The CDRC facilitates redevelopment projects in downtown Chattanooga. The Mayor, City Council Chairperson, and Chief Finance Officer are permanent members of the board; the City appoints the remaining board members. CDRC has the authority to issue its own debt, but the City has agreed to finance any operating deficits of the 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 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 7-56; CARTA is responsible for the public transportation system. The City 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:

CARTA  
1617 Wilcox Boulevard  
Chattanooga, TN 37406

## **Basis of Presentation**

### **Government-wide Financial Statements**

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

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

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

### **Fund Financial Statements**

The fund financial statements provide information about City funds, including fiduciary funds and the blended component unit. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Because the emphasis of fund financial statements is on major governmental and enterprise funds, each major fund is displayed in a separate column. Remaining funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those accounted for in another fund. Revenues are derived primarily from taxes and intergovernmental revenues.

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

The City reports the following major enterprise funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

**Internal Service** - The Internal Service Fund is used to account for medical and pharmaceutical services, fleet services, 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.

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; no individual transfer shall exceed 5% of the fund's total appropriations. Amounts transferred are reported to City Council as required by T.C.A. 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 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. Any change in the value of investments recorded at fair value is included in investment income. Fair value is based on quoted market prices.

#### **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, are valued at cost in governmental funds and at the lower of cost or market in proprietary funds, with cost determined using the first-in, first-out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The costs of inventories and prepaid items are recorded as expenditures/expenses at the time individual inventory items are consumed (consumption method).

#### **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.

The initial capitalization of infrastructure assets reported by governmental activities was based on replacement cost deflated to the acquisition year. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs. Donated capital assets are recorded at their estimated fair value at the date of contribution. Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets construction. The amount of interest capitalized is the net interest expense incurred (interest expense less interest income) from the date of the borrowing until completion of the project.

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

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

### **Deferred Outflows/Inflows of Resources**

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

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

### **Pensions**

Benefit payments (including refunds of employee contributions) are recognized in the fund financial statements 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.

### **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. This is the residual classification for all governmental funds other than the General Fund.

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

## **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.

## **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. In prior year's general fund and special revenue funds have been 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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Deficit Net Position**

The Solid Waste Fund, a major enterprise fund, has a deficit in net position of \$537,278 at June 30, 2014. This deficit resulted from the recognition of cumulative landfill closure and post-closure care costs from prior years. These costs may be covered by charges to future landfill users, taxpayers, or both. The deficit decreased by \$2,726,583 from the prior fiscal year.

The Downtown Redevelopment Fund, a major enterprise fund, has a deficit in net position of \$5,686,822 at June 30, 2014. This deficit resulted from the settlement of a swap option in fiscal year 2011. The deficit decreased by \$1,535,592 from the prior fiscal year.

## **NOTE 3. 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, 2014, investments of the primary government (except for Permanent, Pension Trust and Other Postemployment Benefits Trust Funds) and discretely-presented component units consist of the following:

	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value or Carrying Amount</u>
Primary Government – Governmental Activities:		
U.S. Government agency securities	<u>2.83</u>	<u>\$ 33,211,948</u>
Primary Government – Business-Type Activities:		
Certificates of deposits classified as investments	<u>3.00</u>	<u>\$ 36,121,940</u>

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

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

Credit risk - The City's policies are designed to maximize investment earnings, while protecting the security of principal and providing adequate liquidity, in accordance with all applicable state laws. The City's investment policy includes specific policies involving credit risk. At June 30, 2014, the primary government's investments in U.S. Government agency securities consisted of Federal Home Loan Bank bonds, which were rated AAA by Standard & Poor's Rating Service (S & P) and Moody's Investor Service (Moody's).

### Permanent Fund, Pension Trust Fund and Other Postemployment Benefit Trust Fund Investments

The Permanent, Pension Trust Funds and Other Postemployment Benefit Trust Funds 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 Public Library has an endowment consisting of nine separate endowments established by various individuals and estates. The endowment corpus is nonspendable and the earnings are used to support the library. Realized and unrealized gains are added to the corpus, in accordance with state law. The endowments are tracked by benefactor in order to track compliance with restrictions set forth by the benefactor at the time of the gift or settlement of the benefactor's estate. The library has an investment committee charged with fiduciary responsibility to manage the assets with the assistance of an investment consultant. The committee establishes the general investment guidelines to include the types of acceptable and unacceptable investments, diversification, and asset allocation. The committee is also responsible for monitoring the performance of each investment.

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

	<u>S &amp; P or Moody's Rating</u>	<u>Fair Value</u>
<u>Permanent Fund</u>		
Mutual funds – equity	Not rated	\$ 3,364,843
Mutual funds – fixed income	Not rated	1,156,946
Temporary investments	Not rated	<u>125,184</u>
		<u>\$ 4,646,973</u>
<u>City of Chattanooga General Pension Plan</u>		
Domestic corporate bonds	BBB	\$ 199,568
Domestic corporate bonds	BBB-	725,681
Domestic corporate bonds	BB+	2,242,479
Domestic corporate bonds	BB-	1,345,998
Domestic corporate bonds	BB	890,381
Domestic corporate bonds	B+	149,850
Domestic corporate bonds	Not rated	211,739
Corporate stocks	Not rated	88,400,031
Mutual funds – equity	Not rated	71,339,811
Mutual funds – fixed income	Not rated	45,747,921
Hedge funds	Not rated	45,574,883
Other investments	Not rated	13,309,521
Temporary investments	Not rated	<u>2,626,056</u>
		<u>\$ 272,763,919</u>
<u>Fire and Police Pension Fund</u>		
Corporate bonds and notes	Not rated	\$ 13,933,655
Preferred securities	Not rated	4,845,085
Corporate Stocks	Not rated	30,651,094
Mutual funds – equity	Not rated	52,148,398
Mutual funds – fixed income	Not rated	24,903,510
Mutual funds – preferred securities	Not rated	1,500,045
Foreign equity	Not rated	6,328,184
Real estate	Not rated	25,717,252
Hedge funds	Not rated	63,310,711
Other investments	Not rated	10,879,766
Temporary investments	Not rated	<u>1,838,838</u>
		<u>\$ 236,056,538</u>
<u>Other Postemployment Benefit Trust Fund</u>		
Corporate bonds and notes	Not rated	\$ 7,479,296
Mutual funds – equity	Not rated	14,933,158
Mutual funds – fixed income	Not rated	10,368,882
Temporary investments	Not rated	<u>1,768,725</u>
		<u>\$ 34,550,061</u>

At June 30, 2014, the fair values of the City's investments in Hedge Funds totaling \$108,885,594 are based on valuations for which a readily determinable fair value does not exist. These investments are not listed on national exchanges or over-the-counter markets, and quoted market prices are not available. These investments include limited partnerships, private equity funds, and other types of non-traditional investments. Management estimates the fair values of these investments based on a review of all available information provided by fund managers and general partners. These fair value estimates are evaluated on a regular basis by management and are susceptible to revisions as more information becomes available. Because of these factors, it is reasonably possible that the estimated fair values of these investments may change materially in the near term.

#### NOTE 4. RECEIVABLES

Amounts in the financial statements are shown net of allowance for uncollectible. 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	
<b>Primary Government</b>						
Receivables:						
Taxes	\$ 123,324,369	\$ -	\$ -	\$ -	\$ -	\$ 123,324,369
Accounts	11,632,272	-	1,053,716	-	-	12,685,988
Notes	1,807,263	1,199,533	16,470,454	-	-	19,477,250
Customer service	-	-	-	500,969	80,087,018	80,587,987
Other	1,547,974	-	140,206	-	1,405,770	3,093,950
Restricted	80,823	8,053	-	-	-	88,876
Intergovernmental	<u>20,436,808</u>	<u>103,863</u>	<u>2,932,858</u>	<u>94,266</u>	<u>19,559,075</u>	<u>43,126,870</u>
Gross receivables	158,829,509	1,311,449	20,597,234	595,235	101,051,863	282,385,290
Less:						
Allowance for uncollectibles	<u>(3,589,514)</u>	<u>-</u>	<u>(891,467)</u>	<u>-</u>	<u>(4,344,906)</u>	<u>(8,825,887)</u>
Net receivables	<u>\$ 155,239,995</u>	<u>\$ 1,311,449</u>	<u>\$ 19,705,767</u>	<u>\$ 595,235</u>	<u>\$ 96,706,957</u>	<u>\$ 273,559,403</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 \$3,589,514 is the weighted average percentage of prior year collections on delinquent taxes to the total delinquent taxes receivable at June 30, 2014.

#### Note from Friends of the Zoo

During 2008, the City entered into a loan agreement with Friends of the Zoo, Inc. (FOZ) for improvements to the Chattanooga Zoo at Warner Park. The City advanced \$2,000,000 to FOZ to pay for construction improvements, which the City retained right, title, and interest. In 2010, the loan agreement was amended. Under the new loan agreement, FOZ agreed to repay the outstanding balance of \$1,700,000 with scheduled payments of \$150,000 per year. As an early payoff incentive, the City agreed to appropriate to FOZ an amount equal to one dollar for every two dollars raised by FOZ through donations for capital improvements, up to a maximum of \$250,000 per year subject to annual appropriation. The amount credited for fiscal year 2014 was \$186,202. As of June 30, 2014, FOZ was in arrears by \$225,000 on the agreed scheduled payments. The current balance is \$876,007.

#### Notes from CARTA

In 2009 CARTA, a component unit of the City, entered into an \$854,288 repayment agreement with the City for the costs of a downtown shuttle service and a parking garage on the North Shore. The loan agreements were for \$375,000 and \$479,288, respectively, to be repaid over 120 months with an interest rate of 4% per annum. The current balances are \$186,900 and \$239,888, respectively.

In 2012 CARTA entered into a revolving line of credit promissory note with the City as gap financing awaiting receipt of Federal grant money. The \$1,500,000 line of credit carries a 2.75% interest per annum. Prior fiscal year amounts must be repaid before additional draws are allowed. The current balance is \$900,000.

#### Community Development Loans

Notes receivable of \$16,470,454 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, \$107,095 represents forgivable loans and \$4,325,067 represents title transfer loans, which are payable only upon the transfer of title by the current loan recipient. The allowance for uncollectable loans is \$891,467.

## NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Land and land improvements	\$1,039,530,486	\$ 1,150,135	\$ 7,190	\$1,040,673,431
Construction in progress	<u>64,659,952</u>	<u>19,855,180</u>	<u>15,295,697</u>	<u>69,219,435</u>
Total non-depreciable assets	<u>1,104,190,438</u>	<u>21,005,315</u>	<u>15,302,887</u>	<u>1,109,892,866</u>
Depreciable assets:				
Buildings and improvements	216,917,845	9,853,161	936,369	225,834,637
Vehicles and machinery	140,122,883	4,595,045	844,498	143,873,430
Infrastructure	<u>688,596,991</u>	<u>5,229,588</u>	<u>-</u>	<u>693,826,579</u>
Total depreciable assets	<u>1,045,637,719</u>	<u>19,677,794</u>	<u>1,780,867</u>	<u>1,063,534,646</u>
Less accumulated depreciation for:				
Buildings and improvements	105,358,934	7,380,298	798,787	111,940,445
Vehicles and machinery	108,035,181	7,736,493	922,082	114,849,592
Infrastructure	<u>430,631,126</u>	<u>26,873,976</u>	<u>-</u>	<u>457,505,102</u>
Total accumulated depreciation	<u>644,025,241</u>	<u>41,990,767</u>	<u>1,720,869</u>	<u>684,295,139</u>
Depreciable assets, net	<u>401,612,478</u>	<u>(22,312,973)</u>	<u>59,998</u>	<u>379,239,507</u>
Governmental activities capital assets, net	<u>\$1,505,802,916</u>	<u>\$ (1,307,658)</u>	<u>\$ 15,362,885</u>	<u>\$1,489,132,373</u>
<b>Business-Type Activities:</b>				
Non-depreciable assets:				
Land	\$ 19,862,678	\$ 158,411	\$ -	\$ 20,021,089
Construction in progress	<u>68,594,051</u>	<u>14,261,868</u>	<u>36,088,356</u>	<u>46,767,563</u>
Total non-depreciable assets	<u>88,456,729</u>	<u>14,420,279</u>	<u>36,088,356</u>	<u>66,788,652</u>
Depreciable assets:				
Buildings and improvements	\$ 135,505,082	\$ 5,040,718	\$ 183,000	\$ 140,362,800
Vehicles and machinery	92,054,426	60,852,335	22,027	152,884,734
Sewer system	417,632,438	2,857,851	-	420,490,289
Solid waste system	9,520,509	-	-	9,520,509
Water quality management system	38,934,462	576,286	-	39,510,748
Electric system	614,315,000	153,595,000	127,647,000	640,263,000
Communication system	<u>104,160,000</u>	<u>29,078,000</u>	<u>65,790,000</u>	<u>67,448,000</u>
Total depreciable assets	<u>1,412,121,917</u>	<u>252,000,190</u>	<u>193,642,027</u>	<u>1,470,480,080</u>
Less accumulated depreciation for:				
Buildings and improvements	53,293,708	3,940,502	119,000	57,115,210
Vehicles and machinery	66,198,505	13,965,577	17,472,027	62,692,055
Sewer system	200,415,678	10,516,107	-	210,931,785
Solid waste system	1,727,458	317,350	-	2,044,808
Water quality management system	9,230,458	804,229	-	10,034,687
Electric system	210,899,000	20,970,000	8,590,000	223,279,000
Communication system	<u>47,714,000</u>	<u>15,072,000</u>	<u>27,454,000</u>	<u>35,332,000</u>
Total accumulated depreciation	<u>589,478,807</u>	<u>65,585,765</u>	<u>53,635,027</u>	<u>601,429,545</u>
Depreciable assets, net	<u>822,643,110</u>	<u>186,414,425</u>	<u>140,007,000</u>	<u>869,050,535</u>
Business-type activities capital assets, net	<u>\$ 911,099,839</u>	<u>\$200,834,704</u>	<u>\$176,095,356</u>	<u>\$ 935,839,187</u>

**DISCRETELY-PRESENTED COMPONENT UNITS**

## Non-depreciable assets:

Land	\$ 7,101,608	\$ -	\$ -	\$ 7,101,608
Construction in progress	<u>33,537,373</u>	<u>10,139,094</u>	<u>-</u>	<u>43,676,467</u>
Total non-depreciable assets	<u>40,638,981</u>	<u>10,139,094</u>	<u>-</u>	<u>50,778,075</u>

## Depreciable assets:

Buildings and improvements	128,259,826	13,085,740	2,270,638	139,074,928
Vehicles and equipment	<u>58,150,558</u>	<u>7,219,740</u>	<u>1,195,993</u>	<u>64,174,305</u>
Total depreciable assets	<u>186,410,384</u>	<u>20,305,480</u>	<u>3,466,631</u>	<u>203,249,233</u>

Less accumulated depreciation	<u>109,932,170</u>	<u>8,857,889</u>	<u>3,337,270</u>	<u>115,452,789</u>
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Depreciable assets, net	<u>76,478,214</u>	<u>11,376,416</u>	<u>129,361</u>	<u>87,796,444</u>
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Component units capital assets, net	<u>\$ 117,117,195</u>	<u>\$ 21,586,685</u>	<u>\$ 129,361</u>	<u>\$ 138,574,519</u>
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Depreciation expense is charged to functions as follows:

## Primary Government – Governmental Activities:

General Government	\$ 12,323,462
Public Safety	1,389,830
Economic Development	9,402
Public Works	27,741,314
Youth & Family Development	389,231
Transportation	<u>137,528</u>
Total	<u>\$ 41,990,767</u>

## Primary Government – Business-Type Activities:

Electric Utility	\$ 48,735,000
Sewer	14,596,519
Solid Waste	525,992
Water Quality Management	1,256,557
Downtown Redevelopment	<u>471,697</u>
Total	<u>\$ 65,585,765</u>

## Discretely-Presented Component Units:

CARTA	\$ 5,485,508
Airport Authority	<u>3,372,381</u>
Total	<u>\$ 8,857,889</u>

## NOTE 6. LONG-TERM LIABILITIES

### Governmental Activities

Debt related to governmental activities at June 30, 2014, 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.

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, 2014</u>
General Obligations Refunding Bonds, Series 1998	\$ 7,292,600	5.25% - 5.50%	09/01/17	\$ 1,406,800
General Obligations Refunding Bonds, Series 2002	15,390,900	4.38% - 5.38%	09/01/15	1,745,000
General Obligations Refunding Bonds, Series 2002 A	6,037,950	3.60% - 5.00%	09/01/14	154,536
General Obligations Refunding Bonds, Series 2005 A	17,436,520	3.50% - 5.00%	09/01/19	10,740,992
Hotel-Motel Tax Refunding Bonds, Series 2005 A	6,469,987	3.50% - 5.00%	09/01/19	4,133,095
General Obligations Bonds, Series 2006 A	20,732,796	4.00% - 5.00%	11/01/26	13,476,317
General Obligations Refunding Bonds, Series 2007 A	14,520,000	4.30% - 5.00%	03/01/26	14,520,000
General Obligations Bonds, Series 2009	45,415,000	3.00% - 4.63%	11/01/28	34,050,000
General Obligations Bonds, Series 2010 A	6,725,000	2.00% - 4.00%	02/01/30	5,365,000
General Obligation Refunding Bonds, Series 2010 B	4,707,460	2.00% - 4.00%	02/01/30	4,025,349
Hotel-Motel Tax Refunding Bonds, Series 2010 B	29,557,540	2.00% - 4.00%	02/01/30	25,274,651
General Obligation Bonds, Series 2010C	6,840,000	2.00% - 4.00%	02/01/30	5,465,000
General Obligation Bonds, Series 2011A	26,495,000	2.00% - 4.00%	10/01/26	22,955,000
General Obligation Refunding Bonds, Series 2011B	1,949,250	2.00% - 4.00%	10/01/27	1,949,250
Hotel-Motel Tax Refunding Bonds, Series 2011B	15,595,750	2.00% - 4.00%	10/01/27	15,595,750
General Obligation Bonds, Series 2013	19,355,000	2.00% - 5.00%	10/01/28	19,355,000
Hotel-Motel Tax Pledge, Series 2013	<u>7,420,000</u>	2.00% - 5.00%	10/01/28	<u>7,420,000</u>
Total payable from Debt Service Fund	<u>\$ 251,940,753</u>			<u>\$ 187,631,740</u>

#### **Notes and Loans Payable**

Tennessee Municipal Bond Fund Loan (2003) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$6,000,000 for the purpose of paying for certain general government capital projects. The loan is being repaid over a 15-year period at variable rates through 2018. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2014, is \$1,888,000 of which \$1,714,165 is due from Governmental Activities and \$173,835 is due from Solid Waste Fund.

Tennessee Municipal Bond Fund Loan (2004) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$25,000,000 for the purpose of paying for certain general government capital projects. The loan is being repaid over a 20-year period at variable rates through 2024. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2014, is \$14,579,736, of which \$14,233,265 is due from Governmental Activities and \$346,471 is due from Solid Waste Fund.

Hennen Land Note - In December 2007, the City purchased the Narrow Bridge Property from Jenkins Road, LLC. The note is being repaid from parking revenue generated by Hennen's Restaurant employees and customers. The balance at June 30, 2014, is \$166,477.

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, 2014 is \$3,051,000.

U.S. General Services Administration Land Note Payable - The City entered into an agreement with the U.S. General Services Administration to jointly purchase land with Hamilton County for economic development. The balance at June 30, 2014 of \$2,750,000 is due in full in 2015.

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 T.C.A. § 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, 2014 is \$11,763,477.

### **Capital Leases**

Chattanooga Downtown Redevelopment Corporation Capital Lease - In October 2000, the City entered into a non-cancelable long-term lease with the Chattanooga Downtown Redevelopment Corporation (CDRC), for financing the cost of designing, acquiring, constructing and equipping four facilities in the Tourist Development Zone comprising more than 631,210 square feet at a cost of over \$120 million. Facilities include (1) The Chattanooga - a residential conference center, (2) parking garage, (3) the Development Resource Center, and (4) an expansion of the Chattanooga-Hamilton County Convention and Trade Center. The lease provides for semi-annual payments in amounts sufficient to meet the annual debt service requirements on \$129 million in revenue bonds issued by the Industrial Development Board of the City of Chattanooga (IDB) on behalf of the CDRC, a non-profit corporation. The IDB bonds are secured by payments to be made by the CDRC. The lease payments are funded by the City's share of the 0.5% increase in the county-wide sales tax passed by county-wide referendum, income from the Chattanooga, state incremental sales tax generated in the Tourist Development Zone and interest income from a debt service reserve fund in excess of \$9 million included as part of the bond issue. In the event these sources are insufficient, the City agreed to appropriate sufficient moneys to make the lease payments. The City's lease payment for the year ended June 30, 2014, was \$9,678,469, of which \$3,360,020 was a reduction of principal. The debt service reserve fund held by the fiscal agent at June 30, 2014 is \$9,789,172. The fiscal agent is required by the agreement to apply any interest on the debt service reserve fund toward the lease payments. The debt service reserve fund will be used to retire debt near the end of the lease.

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

Golf Course Capital Lease - In April 2013, the City entered into an equipment lease-purchase agreement to finance golf carts at the Brainerd and Brown Acres Golf Courses totaling \$301,493. The lease term is five years and provides for monthly payments which began April 1, 2013. The recorded liability under this capital lease at June 30, 2014 is \$232,290.

Debt service requirements for general obligation bonds, notes payable, and capital leases are met by the General Fund. The compensated absences liability attributable to governmental activities will be liquidated by the General Fund and the Special Revenue Funds. All general obligation bonds, notes payable, and capital leases payable are included in the calculation of net investment in capital assets.

### **Business-type Activities**

Debt related to business-type activities at June 30, 2014, 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.

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

<u>Series</u>	<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2014</u>
<b>Electric Power Board</b>				
2006A Electric System Revenue Bonds	\$ 40,000,000	4.00% - 5.00%	09/01/31	\$ 34,230,000
2006B Electric System Refunding Revenue Bonds	23,430,000	4.00% - 4.25%	09/01/25	19,905,000
2008A Electric System Revenue Bonds	219,830,000	3.00% - 5.00%	09/01/33	216,830,000
<b>Interceptor Sewer System</b>				
General Obligations Refunding Bonds, Series 1998	13,612,700	5.25% - 5.50%	09/01/17	5,498,200
General Obligations Refunding Bonds, Series 2002	24,642,272	4.38% - 5.38%	09/01/14	1,175,000
General Obligations Refunding Bonds, Series 2002A	32,252,050	3.60% - 5.00%	09/01/14	825,464
General Obligations Refunding Bonds, Series 2005A	12,545,129	3.50% - 5.00%	09/01/19	10,991,431
<b>Solid Waste Fund</b>				
General Obligation Refunding Bonds, Series 2005A	9,877,293	3.50% - 5.00%	09/01/19	7,881,476
General Obligation Bonds, Series 2006A	5,667,204	4.00% - 5.00%	11/01/26	3,683,683
General Obligation Refunding Bonds, Series 2007A	2,480,000	4.30% - 5.00%	03/01/26	2,480,000
<b>Water Quality Fund</b>				
General Obligation Refunding Bonds, Series 2005A	6,046,071	3.50% - 5.00%	09/01/19	5,068,007
General Obligation Refunding Bonds, Series 2007A	750,000	24.30% - 5.00%	03/01/26	750,000
General Obligation Bonds, Series 2013	5,245,000	2.00% - 5.00%	10/01/28	5,245,000
<b>Chattanooga Downtown Redevelopment Corporation</b>				
2007 Chatt Lease Rental Rev Ref Bonds	56,110,000	4.00% - 5.00%	10/01/30	48,840,000
2010 Chatt Lease Rental Rev Ref Bonds	<u>66,955,000</u>	3.00% - 5.00%	10/01/24	<u>61,300,000</u>
Total payable from Business-type Activities	<u>\$ 519,442,719</u>			<u>\$ 424,703,261</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, 2014 to be paid from Interceptor Sewer Fund is \$2,161,162.

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, 2014 to be paid from Interceptor Sewer Fund is \$24,212,151.

Tennessee Municipal Bond Fund Loan (2003) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$6,000,000 for the purpose of paying for certain general government capital projects. The loan is being repaid over a 15-year period at variable rates through 2018. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2014, is \$1,888,000 of which \$1,714,165 is due from Governmental Activities and \$173,835 is due from Solid Waste Fund.

Tennessee Municipal Bond Fund Loan (2004) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$25,000,000 for the purpose of paying for certain general government capital projects. The loan is being repaid over a 20-year period at variable rates through 2024. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2014, is \$14,579,736, of which \$14,233,265 is due from Governmental Activities and \$346,471 is due from Solid Waste Fund.

State Revolving Loan 2007 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a loan for the purpose of financing sewer projects. The loan is being repaid in monthly installments through September 2031 at 2.79% interest. The balance at June 30, 2014 to be paid from Interceptor Sewer Fund is \$11,612,083.



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 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, 2014 to be paid from Interceptor Sewer Fund is \$9,117,592.

2013 Secured (Internet) Term Note – In March 2013, EPB obtained a bank loan for \$11,500,000 million with monthly principal payments of \$319,415 with a maturity of March 2016 for the benefit of the Telecom System, which is guaranteed by the revenue and assets of the Telecom System. The outstanding balance bears interest equal to the 30-day LIBOR rate plus 1.12%. The remaining balance at June 30, 2014 is \$4,777,000.

EPB Video and Internet LOC - In August 2012, a revolving line of credit was obtained for \$60 million for the benefit of EPB’s Video and Internet system. The line of credit was used for repayment of all funds borrowed from the Electric System and retirement of the outstanding principal of a \$7.5 million bank loan obtained in October 2011. This loan is secured by the revenue, assets, and other income of the Video and Internet System. The loan shall mature in August 2015 and incur monthly interest payments equal to 30-day LIBOR plus 2.5%; subject to a total 3.5% floor. At June 30, 2014, the outstanding balance under the revolving line of credit was \$45,875,000.

### Capital Lease

Collegedale Capital Lease - The City has a capital lease agreement with the City of Collegedale to purchase sewer system improvements. Lease payments are due in monthly installments through 2015 at variable rates of interest. The balance on this capital lease at June 30, 2014 to be paid from Interceptor Sewer Fund is \$5,562.

### Capitalized Interest

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

	<u>Total Interest</u>	<u>Capitalized Interest</u>	<u>Interest Expense</u>
Interceptor Sewer System	\$ 2,289,028	\$ 166,820	\$ 2,122,208
Water Quality Fund	376,230	38,793	337,437

### Component Units

Component Units debt at June 30, 2014, consisted of the following:

#### Revenue Bonds

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

<u>Series</u>	<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2014</u>
Metropolitan Airport Authority				
Taxable Refunding Revenue Bonds, Series 2009	\$ 6,600,000	2.95%	04/01/19	\$ 4,847,413
Tax Exempt Revenue Bonds, Series 2014	5,086,077	3.99%	01/10/24	5,015,999
Taxable Revenue Bonds, Series 2014	<u>4,913,923</u>	4.99%	01/10/24	<u>4,853,290</u>
Total payable from Component Units	<u>\$ 16,600,000</u>			<u>\$ 14,716,702</u>

### Notes Payable

Republic Parking System Note – In February 2013, the Authority entered into an agreement with Republic Parking System, Inc. to secure a loan for the purpose of financing transportation operations. The loan will be repaid in monthly installments through February 2016 at 6.00% interest. The remaining balance at June 30, 2014 is \$443,782.

### Capital Lease

Fuel Facility Capital Lease – Effective July 1, 2012, the Airport Authority entered into a leasing arrangement for a fuel facility which is classified as a capital lease. The lease agreement specified no rental payment for the first twelve months of the lease.

The Authority has recorded lease expense on the straight-line method over the life of the lease and has accrued lease expense. The balance on this capital lease at June 30, 2014 to be paid from the Chattanooga Metropolitan Airport Authority is \$106,081.

### **Refunding**

In prior years, the City refunded certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liabilities for the refunded bonds are not included in the City's financial statements.

At June 30, 2014, the remaining liabilities for the bonds refunded were as follows:

<u>Year</u> <u>Refunded</u>	<u>Primary</u> <u>Government</u>
1992	\$ 1,130,000
1998	6,970,000
2002	3,195,000
2003	1,170,000
2005	39,325,000
2007	66,280,000
2010	28,370,000
2011	61,300,000
2012	18,360,000

### **Changes in Long-term Liabilities**

Changes in long-term liabilities for the fiscal year ended June 30, 2014, were as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
<b>Primary Government</b>					
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation serial bonds	\$ 171,740,285	\$ 26,775,000	\$ 10,883,545	\$ 187,631,740	\$ 12,495,291
Notes payable	35,713,848	-	2,035,464	33,678,384	6,752,435
Capital leases payable	287,958	-	55,668	232,290	58,192
Accrued pollution remediation costs	1,320,541	67,903	193,949	1,194,495	5,000
Accrued postemployment benefits	31,381,724	13,157,560	15,071,389	29,467,895	-
Accrued general pension costs	36,263,302	-	16,166,932	20,096,370	-
Accrued fire and police pension costs	193,350,491	-	64,211,214	129,139,277	-
Compensated absences	<u>17,262,930</u>	<u>14,599,740</u>	<u>10,429,867</u>	<u>21,432,803</u>	<u>1,770,192</u>
Total governmental activities	<u>\$ 487,321,079</u>	<u>\$ 54,600,203</u>	<u>\$ 119,048,028</u>	422,873,254	<u>\$ 21,081,110</u>
Original issue premiums and discounts				<u>7,299,717</u>	
				<u>\$ 430,172,971</u>	
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>EPB:</b>					
Revenue bonds	\$ 276,965,000	\$ -	\$ 6,000,000	\$ 270,965,000	\$ 7,040,000
Notes payable	10,861,000	-	6,084,000	4,777,000	3,833,000
Line of credit	51,828,000	-	5,953,000	45,875,000	-
Accrued postemployment benefits	9,055,000	2,039,000	1,729,000	9,365,000	-
Compensated absences	<u>786,000</u>	<u>32,000</u>	<u>42,000</u>	<u>776,000</u>	<u>205,000</u>
	<u>349,495,000</u>	<u>2,071,000</u>	<u>19,808,000</u>	<u>331,758,000</u>	<u>11,078,000</u>
<b>Interceptor Sewer System:</b>					
General obligation serial bonds	23,619,280	-	5,129,185	18,490,095	5,252,288
Notes payable	46,091,185	3,810,991	2,799,188	47,102,988	3,970,542
Capital leases payable	37,701	-	32,139	5,562	5,562
Accrued general pension costs	4,136,221	-	1,844,013	2,292,208	-
Compensated absences	<u>802,107</u>	<u>838,354</u>	<u>679,491</u>	<u>960,970</u>	<u>81,209</u>
	<u>70,550,273</u>	<u>4,649,345</u>	<u>8,640,003</u>	<u>68,851,823</u>	<u>9,309,601</u>

Solid Waste/Sanitation Fund:					
General obligation serial bonds	\$ 15,645,456	\$ -	\$ 1,600,297	\$ 14,045,159	\$ 1,651,410
Notes payable	590,326	-	70,020	520,306	72,113
Accrued landfill closure costs	5,774,563	196,683	247,681	5,723,565	239,991
Accrued general pension costs	523,826	-	233,533	290,293	-
Compensated absences	<u>84,402</u>	<u>119,019</u>	<u>81,251</u>	<u>122,170</u>	<u>10,324</u>
	<u>22,094,747</u>	<u>315,702</u>	<u>1,999,249</u>	<u>20,701,493</u>	<u>1,973,838</u>
Water Quality/Management Fund:					
General obligation serial bonds	6,694,978	5,245,000	876,971	11,063,007	1,161,010
Accrued general pension costs	3,536,605	-	1,576,691	1,959,914	-
Compensated absences	<u>629,754</u>	<u>764,218</u>	<u>660,141</u>	<u>733,831</u>	<u>62,014</u>
	<u>10,861,337</u>	<u>6,009,218</u>	<u>1,537,112</u>	<u>13,756,752</u>	<u>1,223,024</u>
Chattanooga Downtown Redevelopment Corporation:					
Revenue bonds	<u>114,535,000</u>	<u>-</u>	<u>4,395,000</u>	<u>110,140,000</u>	<u>4,520,000</u>
Total business-type activities	<u>\$ 563,999,752</u>	<u>\$ 13,045,265</u>	<u>\$ 36,379,364</u>	545,208,068	<u>\$ 28,104,463</u>
Original issue premiums and discounts				<u>16,118,852</u>	
				<u>\$ 561,326,920</u>	
<b>Discretely-Presented Component Units</b>					
Airport Authority:					
Revenue bond	\$ 5,249,871	\$10,000,000	\$ 533,169	\$ 14,716,702	\$ 741,609
Capital lease	<u>151,010</u>	<u>-</u>	<u>44,929</u>	<u>106,081</u>	<u>47,421</u>
	<u>5,400,881</u>	<u>10,000,000</u>	<u>578,098</u>	<u>14,822,783</u>	<u>789,030</u>
CARTA:					
Notes payable	<u>690,372</u>	<u>-</u>	<u>246,590</u>	<u>443,782</u>	<u>261,800</u>
Total component units	<u>\$ 6,091,253</u>	<u>\$10,000,000</u>	<u>\$ 824,688</u>	<u>\$ 15,266,565</u>	<u>\$ 1,050,830</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
2015	\$ 19,247,726	\$ 7,352,131	\$ 27,500,363	\$ 21,030,964
2016	17,099,796	6,883,987	24,290,652	20,044,374
2017	15,587,332	6,397,286	25,301,376	19,012,434
2018	16,940,224	5,943,488	26,322,060	17,910,504
2019	15,354,125	5,449,303	25,644,900	16,758,617
2020-2024	72,612,592	19,994,623	113,861,642	68,945,974
2025-2029	55,388,329	7,090,916	120,733,511	42,524,432
2030-2034	<u>9,080,000</u>	<u>536,000</u>	<u>113,449,051</u>	<u>13,096,389</u>
	<u>\$ 221,310,124</u>	<u>\$ 59,647,734</u>	<u>\$ 477,103,555</u>	<u>\$ 219,323,688</u>
Year	Component Units			
	Principal	Interest		
2015	\$ 1,003,409	\$ 600,667		
2016	949,970	558,777		
2017	797,741	525,030		
2018	827,493	495,278		
2019	3,469,293	451,008		
2020-2024	<u>8,112,578</u>	<u>1,611,090</u>		
	<u>\$ 15,160,484</u>	<u>\$ 4,241,850</u>		

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

<u>Year</u>	<u>Primary Government</u>			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 55,192	\$ 9,146	\$ 5,562	\$ 46
2016	60,831	6,507	-	-
2017	63,590	3,748	-	-
2018	<u>49,677</u>	<u>926</u>	<u>-</u>	<u>-</u>
	<u>\$ 232,290</u>	<u>\$ 20,327</u>	<u>\$ 5,562</u>	<u>\$ 46</u>

<u>Year</u>	<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 47,421	\$ 4,575
2016	50,051	1,945
2017	<u>8,609</u>	<u>57</u>
	<u>\$ 106,081</u>	<u>\$ 6,577</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 City acts as Trustee for the General Pension Plan and the Fire and Police Pension Plan, which are included in the accompanying financial statements as pension trust funds. The primary government also provides benefits through two single-employer other postemployment benefit plans, one for EPB employees and one for other city employees. The City also acts as Trustee for the City of Chattanooga Other Postemployment Benefits Trust, which is included in the accompanying financial statements as another postemployment benefits trust fund. The City does not administer the assets of the Electric Power Board retirement or postemployment benefits plans; therefore, they are not included in the accompanying financial statements. The following is a summary of each of these plans:

**City of Chattanooga General Pension Plan (City Administered Plan)**

**Significant Accounting Policies**

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

**Plan Descriptions**

Plan administration - The City of Chattanooga General Pension Plan (GPP) is a single-employer defined benefit pension plan that 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.

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 - At June 30, 2014, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	999
Inactive plan members entitled to but not yet receiving benefits	101
Active plan members	<u>1,381</u>
	<u>2,481</u>

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 adjustment is 3.0 percent.

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, 2014, the active member contribution rate was 2.0 percent of annual pay, and the City's contribution rate was 13.72 percent of annual pay.

### **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, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	45%
International equity	15
Fixed income	20
Hedge funds	14
Private equity	3
Real estate	<u>3</u>
	<u>100%</u>

Rate of return - For the year ended June 30, 2014, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 16.11 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### **Partial Lump Sum Option (PLOP)**

The Partial Lump Sum Option (PLOP) of the GPP offers participants the option of receiving a portion of total pension benefit as a lump-sum cash payment at the time of retirement. When a participant elects the PLOP, monthly benefit payments are reduced.

The PLOP payment can be paid in annual installments up to three years, depending on the participant's total credited service. The participant must have 26 years of credited service to be eligible for a one-year PLOP payment, 27 years for a two-year PLOP payment and at least 28 years for a three-year PLOP payment.

## Net Pension Liability

The components of the net pension liability of the City at June 30, 2014 were as follows:

	<u>Primary Government</u>	<u>Airport Authority</u>	<u>Total</u>
Total pension liability	\$ 291,846,978	\$ 9,429,293	\$ 301,276,271
Plan fiduciary net position	<u>(267,208,193)</u>	<u>(8,633,238)</u>	<u>(275,841,431)</u>
Net pension liability	<u>\$ 24,638,785</u>	<u>\$ 796,055</u>	<u>\$ 25,434,840</u>
 Plan fiduciary net position as a percentage of the total pension liability	 91.56%	 91.56%	 91.56%

The net pension liability of \$25,434,840 is allocated among the governmental activities, business-type activities, and Airport Authority as \$20,096,370, \$4,542,415, and \$796,055, respectively. The Airport Authority did not early transition to GASB 68 in fiscal year 2014.

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.0 percent
Salary increases	4.5 - 5.0 percent
Investment rate of return	7.75 percent

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.

The actuarial assumptions used in the January 2014 valuation were based on the results of an actuarial experience study, dated January 7, 2014.

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 included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	8.2-8.5%
International equity	8.3
Domestic fixed income	1.0-4.8
International fixed income	1.7
Hedge funds	7.0-7.5
Private equity	15.0
Real estate	8.0

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 City contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2013	\$ 295,274,117	\$ 249,377,705	\$ 45,896,412
Changes for the year:			
Service cost	6,069,090	-	6,069,090
Interest expense	22,247,450	-	22,247,450
Changes of assumptions	(5,893,894)	-	(5,893,894)
Contributions – city	-	7,751,909	(7,751,909)
Contributions – members	-	1,130,354	(1,130,354)
Net investment income	-	34,194,160	(34,194,160)
Benefits paid	(16,420,492)	(16,420,492)	-
Plan administrative expenses	-	(192,205)	192,205
Net changes	<u>6,002,154</u>	<u>26,463,726</u>	<u>(20,461,572)</u>
Balances at 6/30/2014	<u>\$ 301,276,271</u>	<u>\$ 275,841,431</u>	<u>\$ 25,434,840</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 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's net pension liability	<u>\$ 59,825,400</u>	<u>\$ 25,434,840</u>	<u>\$ (3,736,699)</u>

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

For the year ended June 30, 2014, the City recognized \$4,133,625 with an additional \$133,553 for the Airport Authority, in pension expense. Deferred inflows of resources related to pensions are as follows:

	Primary Government	Airport Authority	Total
Changes of assumptions	\$ 4,691,704	\$ 151,584	\$ 4,843,288
Net difference between projected and actual earnings on pension plan investments	<u>11,753,798</u>	<u>379,754</u>	<u>12,133,552</u>
Total	<u>\$ 16,445,502</u>	<u>\$ 531,338</u>	<u>\$ 16,976,840</u>

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

Year ended June 30,	
2015	\$ 4,083,993
2016	4,083,993
2017	4,083,993
2018	4,083,993
2019	640,868

Deferred outflows of resources totaling \$7,509,291 represent contributions made after the plan's valuation date.

**Payable to the Pension Plan**

At June 30, 2014, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan.

## Fire and Police Pension Fund (City Administered Plan)

### **Significant Accounting Policies**

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

### **Plan Description**

Plan administration - 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. 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 Directors of the CFPPF, upon advice by the Mayor provided that such an amendment is not inconsistent with sound actuarial principles.

Management of the CFPPF is vested in the FPPF 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.

Actuarial information for the CFPPF is provided on a calendar year basis.

Plan membership - At December 31, 2013, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	764
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	<u>798</u>
	<u>1,571</u>

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

- For those vested as of July 1, 2014, the normal retirement benefit is based upon 25 years of credited service. It 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. Benefit is capped at 75% of final average monthly salary.
- For active employees not vested as of July 1, 2014, the normal retirement benefit is based upon age 50 with 25 years of credited service or any age with 28 years of credited service. It 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 employees hired after July 1, 2014, the normal retirement benefit is based upon age 55 with 25 years of credited service or any age with 30 years of credited service. It is calculated as 2.50% of final average monthly salary for each year of service up to 30 years. 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 adjustment

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 January 1, 2014, the active member contribution rate was 8 or 9 percent; as if July 1, 2014 those rates increased to either 9 or 10 percent of payroll, and will continue to increase each July 1<sup>st</sup> until they reach 11 or 12 percent effective July 1, 2016.



## 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, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	16%
International equity	17
Fixed income	21
Real estate	14
Hedge funds	25
Private equity	7
	<u>100%</u>

Rate of return - For the year ended June 30, 2014, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 16.15 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## Deferred Retirement Option Program

Two deferred retirement option plans (DROP) are available for participants. Under the original 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 retro-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 retro-DROP date and final average salary at the beginning of the DROP period, and 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. Eligibility for this DROP was closed in fiscal year 2009. Participant contributions are 8%. All other participants are eligible for a modified DROP; eligibility has been extended from 30 to 33 years. For participants previously contributing 9% and who have at least 24 years of service as of July 1, 2014, final average salary will be based on the 30-year final average salary if they retire with more than 30 years of service and drop back to 30 years. For all other participants, the DROP will remain the same, with the exception of the removal of the COLA from the DROP annuity and the removal of interest from the DROP lump sum.

## Net Pension Liability

The components of the net pension liability of the City at December 31, 2013 were as follows:

Total pension liability	\$ 359,921,727
Plan fiduciary net position	<u>230,782,450</u>
Net pension liability	<u>\$ 129,139,277</u>
Plan fiduciary net position as a percentage of the total pension liability	64.12%

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2013, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.25 percent
Salary increases	3.25 percent plus service based merit increases
Investment rate of return	7.50 percent

Mortality rates were based on the RP-2000 Blue Collar Healthy Mortality Table. For healthy lives this was set forward two years for both males and females; for disabled lives this was set forward eight years both males and females.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the year period ended December 31, 2013.

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 included in the pension plan's target asset allocation as of December 31, 2013 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.95%
International equity	6.45
Fixed income	1.55
Real estate	3.75
Hedge funds	3.25
Limited partnerships	11.05

Discount rate - The discount rate used to measure the total pension liability was 7.75 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 City contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Net Position</u> <u>(b)</u>	<u>Net Pension Liability</u> <u>(a) – (b)</u>
Balances at 12/31/2012	\$ 404,968,283	\$ 211,617,792	\$ 193,350,491
Changes for the year:			
Service cost	7,167,456	-	7,167,456
Interest expense	30,312,135	-	30,312,135
Difference between expected and actual experience	7,470,629	-	7,470,629
Contributions – city	-	12,944,665	(12,944,665)
Contributions – members	-	3,210,673	(3,210,673)
Net investment income	-	31,139,450	(31,139,450)
Benefits paid	(27,687,917)	(27,687,917)	-
Plan administrative expenses	-	(608,924)	608,924
Other	(62,308,859)	166,711	(64,475,570)
Net changes	<u>(45,046,556)</u>	<u>19,164,658</u>	<u>(64,211,214)</u>
Balances at 12/31/2013	<u>\$ 359,921,727</u>	<u>\$ 230,782,450</u>	<u>\$ 129,139,277</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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Current Discount Rate</u> <u>(7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
City's net pension liability	<u>\$ 166,584,659</u>	<u>\$ 129,139,277</u>	<u>\$ 97,346,092</u>

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

For the year ended June 30, 2014, the City recognized \$(45,507,470) 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	\$ 6,403,396	\$ -
Deferred contributions	6,021,015	-
Net difference between projected and actual	<u>-</u>	<u>12,162,475</u>
Total	<u>\$ 12,424,411</u>	<u>\$ 12,162,475</u>

Deferred outflows of resources totaling \$6,021,015 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,

2015	\$ (1,973,386)
2016	(1,973,386)
2017	(1,973,386)
2018	(1,973,386)
2019	1,067,233
Thereafter	1,067,231

### Payable to the Pension Plan

At June 30, 2014, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan.

### Combining Statements for Pension Trust Fund (City Administered Plans)

#### Financial Reports

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

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

	General Pension Plan	Fire and Police Pension Fund	Total
<b>ASSETS</b>			
Receivables:			
Accrued income	\$ 220,487	\$ 59,556	\$ 280,043
Total receivables	<u>220,487</u>	<u>59,556</u>	<u>280,043</u>
Investments, at fair value:			
Corporate bonds and notes	5,765,696	13,933,655	19,699,351
Preferred securities	-	4,845,085	4,845,085
Corporate stocks	88,400,031	30,651,094	119,051,125
Foreign equity	-	6,328,184	6,328,184
Mutual funds – preferred securities	-	1,500,045	1,500,045
Mutual funds – equity	71,339,811	52,148,398	123,488,209
Mutual funds – fixed income	45,747,921	24,903,510	70,651,431
Real estate	-	25,717,252	25,717,252
Hedge funds	45,574,883	63,310,711	108,885,594
Other investments	13,309,521	10,879,766	24,189,287
Temporary investments	2,626,056	1,838,838	4,464,894
Total investments	<u>272,763,919</u>	<u>236,056,538</u>	<u>508,820,457</u>
Total assets	<u>272,984,406</u>	<u>236,116,094</u>	<u>509,100,500</u>

LIABILITIES			
Accrued expenses	158,938	63,710	222,648
Total liabilities	<u>158,938</u>	<u>63,710</u>	<u>222,648</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS			
	\$ 272,825,468	\$ 236,052,384	\$ 508,877,852

Combining Statement of Changes in Plan Net Position:

	General Pension Plan	Fire and Police Pension Fund	Total
ADDITIONS			
Contributions:			
Employer	\$ 7,751,909	\$ 13,495,433	\$ 21,247,342
Employee	1,130,354	3,199,093	4,329,447
Other	-	193,877	193,877
Total contributions	<u>8,882,263</u>	<u>16,888,403</u>	<u>25,770,666</u>
Investments income:			
Net appreciation in fair market value of investments	29,477,180	31,363,714	60,840,894
Interest	359,158	157,369	516,527
Dividends	<u>2,278,868</u>	<u>3,237,984</u>	<u>5,516,852</u>
	32,115,206	34,759,067	66,874,273
Less investment expense	<u>(613,319)</u>	<u>(441,441)</u>	<u>(1,054,760)</u>
Net investment income (loss)	<u>31,501,887</u>	<u>34,317,626</u>	<u>65,819,513</u>
Total additions	<u>40,384,150</u>	<u>51,206,029</u>	<u>91,590,179</u>
DEDUCTIONS			
Benefits paid to participants	16,568,660	30,233,932	46,802,592
Administrative expenses	<u>236,984</u>	<u>1,048,694</u>	<u>1,285,678</u>
Total deductions	<u>16,805,644</u>	<u>31,282,626</u>	<u>48,088,270</u>
NET INCREASE	23,578,506	19,923,403	43,501,909
NET POSITION HELD IN TRUST FOR PENSION BENEFITS			
Beginning of year	<u>249,249,962</u>	<u>216,128,981</u>	<u>465,375,943</u>
End of year	\$ 272,825,468	\$ 236,052,384	\$ 508,877,852

**Other Postemployment Benefits (City Administered Plan)**

**Significant Accounting Policies**

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

**Plan Description**

The City maintains a single-employer defined benefit postemployment healthcare plan for retirees and their dependents. Substantially all of the City's employees may become eligible for benefits if they reach normal retirement age or certain service requirements while working for the City. Employees who did not meet eligibility requirements by July 1, 2010 will no longer be eligible to receive postemployment healthcare benefits upon attaining Medicare eligibility.

Future amendments to the plan provisions can be authorized by City ordinance upon recommendation from the Board of Trustees of the General Pension Plan, a statement of impact from the actuary, and a favorable opinion of the Office of Mayor.

## Funding Policy

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 amount increased on a pro rata year's basis. The City pays the remainder of the costs of medical coverage.

The City established an Other Postemployment Benefits Trust (the Trust) in 2008 to partially pre-fund benefits. Beginning in 2011, the City began funding the Trust based on an actuarial calculation in which all unfunded prior service costs as well as normal costs are allocated to various funds based on applicable payroll. The City is currently contributing 13.1 percent of the total covered payroll of participants. All obligations are liquidated from the OPEB trust.

## Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost and net OPEB obligation for the current year were as follows:

	Other Postemployment Benefits
Annual required contribution	\$ 13,275,679
Interest on net OPEB obligation	2,353,629
Adjustment to annual required contribution	<u>(2,471,748)</u>
Annual OPEB cost	13,157,560
Contributions made	<u>(15,071,389)</u>
Increase in net OPEB obligation	(1,913,829)
Net OPEB obligation:	
Beginning of year	<u>31,381,724</u>
End of year	<u>\$ 29,467,895</u>

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

	<u>Year Ended</u>	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Other Postemployment	6/30/14	\$ 13,157,560	114.5%	\$ 29,467,895
Benefits	6/30/13	12,739,235	100.9%	31,381,724
	6/30/12	14,169,688	100.8%	31,500,289

## Funded Status and Funding Progress

As of the most recent actuarial valuation date, the funded status of the plan was as follows:

	Other Postemployment Benefits
Actuarial valuation date	January 1, 2014
Actuarial accrued liability (AAL)	\$ 163,843,121
Actuarial value of plan assets	<u>32,970,171</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 130,872,950</u>
Funded ratio (actuarial value of plan assets/AAL)	20.1%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 95,390,933
UAAL as a percentage of covered payroll	137.2%

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. These actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as supplementary information, provides multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Complete schedule funding progress may be found on page B-1.

### **Actuarial Methods and Assumptions**

The annual required contribution for the plan is as follows:

	<u>Other Postemployment Benefits</u>
Actuarial cost method	Entry Age
Amortization method	Level Dollar Open
Remaining amortization period	30 Years
Inflation rate	3.00%
Asset valuation method	Market Value
Investment rate of return	7.50%
Projected salary increases	3.25-7.50%
Cost of living adjustments	3.00%

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial valuation for the OPEB plan uses an annual healthcare cost trend rate of 7.75 - 5.00 percent for Pre-Medicare and 5.75 – 5.00 percent for Medicare.

### **City Deferred Compensation Plan**

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

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

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

Asset balance at July 1, 2013	\$ 22,357,603
Deferrals of compensation	2,542,850
Earnings (losses)	2,888,944
Withdrawals	(2,088,526)
Administrative expenses	<u>(11,305)</u>
Asset balance at June 30, 2014	<u>\$ 25,689,566</u>

## EPB Pension Plan

### Plan Descriptions

The Electric Power Board of Chattanooga Retirement Plan is a single-employer defined benefit pension plan. The Plan provides retirement benefits to plan members. Article VIII of the Plan assigns the authority to establish and amend benefit provisions to EPB. A stand-alone financial report is not issued for this plan.

### Funding Policy

Contribution requirements of Plan members and EPB are established and may be amended by EPB. The Plan does not require Plan members to make a contribution. EPB's required contributions are calculated based on an actuarially determined rate; the current rate is 11.46 percent of annual covered payroll.

### Investment Policy

The investment objective of the Plan is to attain a favorable absolute return for the entire fund, consistent with preservation of capital with some emphasis on long-term growth. The table below lists the allowable asset mix of the fund.

	<u>Minimum</u>	<u>Maximum</u>
Equity	20%	80%
Bonds	20%	80%
Cash equivalents	0%	15%
Real estate	0%	15%
Hedge strategies	0%	20%

### Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 3,646,080
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>3,646,080</u>
Contributions made	<u>(3,646,080)</u>
Increase in net pension obligation	-
Net pension obligation:	
Beginning of year	-
End of year	<u>\$ -</u>

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

	<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Assets)</u>
Pension Plan	7/31/13	\$ 3,646,080	100.00%	\$ -
	7/31/12	3,569,952	100.00%	-
	7/31/11	2,796,435	121.60%	-

## Funded Status and Funding Progress

As of the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial valuation date	August 1, 2013
Actuarial accrued liability (AAL)	\$ 46,098,802
Actuarial value of plan assets	<u>33,604,485</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 12,494,317</u>
Funded ratio (actuarial value of plan assets/AAL)	72.90%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 32,127,132
UAAL as a percentage of covered payroll	38.90%

Complete schedule funding progress may be found on page B-1.

## Actuarial Methods and Assumptions

The annual required contribution for each plan is as follows:

Actuarial cost method	Aggregate
Amortization method	n/a
Remaining amortization period	n/a
Asset valuation method	Market Value, Smoothed
Investment rate of return	7.50%
Projected salary increases	3.00%

## 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 \$1.0 million and \$1.1 million in fiscal years 2014 and 2013, respectively. The EPB Retirement Savings Plan is administered by an individual designated by EPB. Article XII of the EPB Retirement Savings Plan assigns the authority to establish and amend the plan to EPB.

## EPB Other Postemployment Benefits

### Plan Description

The Electric Power Board of Chattanooga Post Employment Health and Welfare Benefit Plan (the Plan) is a single-employer defined benefit healthcare and welfare plan administered by an individual designated by EPB. The Plan provides health and life insurance benefits to plan members. Eligible retirees and their dependents may continue healthcare coverage through EPB, and retirees after July 1, 1994 received a death benefit from the Plan. Section 3 of the Plan assigns the authority to establish and amend benefit provisions to EPB. A standalone financial report is not issued for this plan.

### Funding Policy

The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2014, EPB contributed approximately \$1.7 million (approximately 86 percent of total claims). Presently, EPB has the option of prefunding a "Voluntary Employees' Beneficiary Association Trust" (VEBA) to pay post-employment benefit claims. During fiscal year 2014, EPB had no additional funding to the VEBA for post-employment benefit claims.

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



## Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 2,222,325
Interest on net OPEB obligation (asset)	588,759
Adjustment to annual required contribution	<u>(771,648)</u>
Annual OPEB cost	2,039,255
Contributions made	<u>(1,728,883)</u>
Increase in net OPEB obligation (asset)	310,374
Net OPEB obligation (asset):	
Beginning of year	<u>9,055,062</u>
End of year	<u>\$ 9,365,436</u>

EPB's Annual OPEB Cost (APC), percentage of APC contributed, and Net OPEB Obligation (Assets) for the plan for the current year and each of the two preceding years was as follows:

	<u>Year Ended</u>	<u>Annual OPEB Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net OPEB Obligation (Assets)</u>
Other Postemployment Benefits	6/30/13	\$ 2,039,255	84.80%	\$ 9,365,436
	6/30/12	1,999,130	95.00%	9,055,062
	6/30/11	1,888,329	93.40%	8,954,511

## Funded Status and Funding Progress

As of the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial valuation date	July 1, 2013
Actuarial accrued liability (AAL)	\$ 27,104,206
Actuarial value of plan assets	16,754,185
Unfunded actuarial accrued liability (UAAL)	<u>\$ 10,350,021</u>
Funded ratio (actuarial value of plan assets/AAL)	61.81%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 34,440,516
UAAL as a percentage of covered payroll	30.05%

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of EPB are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as supplementary information, provides multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Complete schedule funding progress may be found on page B-1.

## Actuarial Methods and Assumptions

The annual required contribution for each plan is as follows:

Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Remaining amortization period	20 Years
Asset valuation method	Market Value, 3 Year Smoothed
Investment rate of return	6.50%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each evaluation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The actuarial valuation for the OPEB plan uses an annual healthcare cost trend rate of 7.5 percent reducing incrementally to an ultimate rate of 5.5 percent.

**Pension Plans of Component Units**

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

<u>Year Ended</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
Disability and Retirement Plan:			
6/30/13	\$ 908,890	100.0%	\$ -
6/30/12	816,672	100.0%	-
6/30/11	931,980	100.0%	-
Defined Benefit Plan:			
6/30/14	\$ 269,808	0.0%	\$ 840,081
6/30/13	186,731	0.0%	570,273
6/30/12	160,995	0.0%	383,541

**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, 2014, the minimum fund balance per policy is \$35.7 million. The current unrestricted fund balance is \$69.8 million.

	General Fund	Capital Projects Fund	Other Governmental Funds	Total
Fund Balances:				
Nonspendable				
Endowments	\$ -	\$ -	\$ 4,646,973	\$ 4,646,973
Inventory	902,624	-	-	902,624
Long-term notes receivable	1,749,028	1,199,532	-	2,948,560
Prepaid expenses	18,000	-	10,674	28,674
Restricted				
Law enforcement	67,393	-	1,432,383	1,499,776
Economic development	5,750,823	-	11,780	5,762,603
African-American Museum	54,357	-	-	54,357
Special programs	340,853	-	-	340,853
Capital projects	-	42,003,127	-	42,003,127
Library Endowment	-	-	82,240	82,240
Human services program	-	-	652,466	652,466
State street aid	-	-	1,598,826	1,598,826
Community development	-	-	1,316,560	1,316,560
Hotel-Motel tax revenue pledge	-	-	3,984,152	3,984,152
Regional Planning Agency	-	-	163,341	163,341
Air Pollution Control Bureau	-	-	303,200	303,200
Committed				
Law enforcement	257,400	-	-	257,400
Economic development	260,372	-	-	260,372
Free Public Library	117,008	-	-	117,008
African-American Museum	54,357	-	-	54,357
Regional Planning Agency	-	-	3,042,862	3,042,862
Air Pollution Control Bureau	-	-	454,799	454,799
Scenic Cities Beautiful Commission	-	-	170,377	170,377
Tennessee Valley Regional Communications	-	-	538,424	538,424
Debt service	-	-	5,020,752	5,020,752
Assigned				
Public Library	1,410,926	-	-	1,410,926
Special programs	2,748,215	-	-	2,748,215
River Pier garage	-	-	827,293	827,293
Other purposes	941,842	-	-	941,842
Unassigned	<u>64,038,780</u>	<u>-</u>	<u>-</u>	<u>64,038,780</u>
Total fund balances	<u>\$ 78,711,978</u>	<u>\$43,202,659</u>	<u>\$24,257,102</u>	<u>\$ 146,171,739</u>
Summary for Governmental Funds				
Balance Sheet:				
Nonspendable	\$ 2,669,652	\$ 1,199,532	\$ 4,657,647	\$ 8,526,831
Restricted	6,213,426	42,003,127	9,544,948	57,761,501
Committed	689,137	-	9,227,214	9,916,351
Assigned	5,100,983	-	827,293	5,928,276
Unassigned	<u>64,038,780</u>	<u>-</u>	<u>-</u>	<u>64,038,780</u>
Total fund balances	<u>\$ 78,711,978</u>	<u>\$43,202,659</u>	<u>\$24,257,102</u>	<u>\$ 146,171,739</u>

**NOTE 9. INTERFUND RECEIVABLES AND PAYABLES**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds (Debt Service)	Capital Projects Fund	\$ 166,476
Capital Projects Fund	Nonmajor Governmental Funds (Hotel/Motel)	<u>204,418</u>
		<u>\$ 370,894</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>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Internal Service Fund</u>	
Transfers out:					
General Fund	\$ -	\$ 11,556,663	\$ 21,498,746	\$ -	\$ 33,055,409
Capital Projects Fund	116,847	-	173	486,641	603,661
Nonmajor Governmental Funds:					
Narcotics Program	-	295,000	-	-	295,000
Community Development	-	526,861	455,509	-	982,370
Hotel/Motel Tax	-	503,450	3,881,438	-	4,384,888
Total	<u>\$ 116,847</u>	<u>\$ 12,881,974</u>	<u>\$ 25,835,866</u>	<u>\$ 486,641</u>	<u>\$ 39,321,328</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.

**NOTE 11. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; medical benefits; certain retiree medical benefits; unemployment compensation; injuries to employees; errors and omissions; and natural disasters. The City maintains property and casualty insurance coverage against property loss above the deductible amount which is ranging from \$25,000 to \$50,000 depending on the type of damage. As of June 30, 2014, there were no significant reductions in insurance coverage in the prior year, nor did the amount of settlements exceed insurance coverage for each of the past three fiscal years.

The 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 nonincremental claims adjustment expenses. Claim liabilities are calculated considering the effect of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

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, 2014, the Internal Service Fund liability consists of \$4,680,510 related to torts and \$3,745,429 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, 2012	\$ 247,143	\$ 7,615,821
Incurred claims, including IBNRs/reduction in estimated liabilities	1,519,629	23,708,822
Claim payments	(1,517,346)	(23,986,264)
Unpaid claims, June 30, 2013	249,426	7,338,379
Incurred claims, including IBNRs/reduction in estimated liabilities	1,632,318	29,501,425
Claim payments	<u>(1,616,087)</u>	<u>(28,413,865)</u>
Unpaid claims, June 30, 2014	<u>\$ 265,657</u>	<u>\$ 8,425,939</u>

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

## NOTE 12. 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. At year end the City's commitment with contractors was approximately \$36,297,719.

### 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. 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.

### Landfill Closure and Postclosure Care Costs

The Solid Waste Fund accounts for all aspects of solid waste disposal, including the city's municipal landfill; operations include a current landfill as well as closure and postclosure care costs of landfills closed in prior years. State and federal regulations require the City to place a final cover on all landfills after closure and perform certain maintenance and monitoring functions for 30 years thereafter. The City recognizes landfill closure and postclosure care costs based on the amount of the landfill used during the year. The estimated liability is based on 11.5 percent of the City Landfill Area III capacity and 100 percent usage of the Summit Landfill and the City Landfill Area II. At the current yield of utilization rate, we expect the landfill to have a remaining life of 40 years.

Changes in the estimated liability for landfill closure and postclosure care costs for the year ended June 30, 2014, are as follows:

Estimated liability, June 30, 2013	\$ 5,774,563
Expenses recognized	196,683
Costs incurred	<u>(247,681)</u>
Estimated liability, June 30, 2014	<u>\$ 5,723,565</u>
Due within one year	<u>\$ 239,991</u>

The estimated costs of closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired at year-end. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs and additional costs that might arise from changes in postclosure requirements may need to be covered by charges to future landfill users, taxpayers, or both.

## **Consent Decree**

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

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

## **Pollution Remediation**

GASB Statement No. 49 provides guidance for estimating and reporting the potential costs of pollution remediation when any of the following obligating events has occurred:

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

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

During the fiscal year, the City spent \$93,334 in pollution remediation obligation related activities. At June 30, 2014, the City had an outstanding pollution remediation liability of \$3,196,568 with an estimated \$2,002,073 in grant revenue and donated services to offset these costs leaving a net pollution remediation obligation of \$1,194,495 related to Montague Park as described in the subsequent paragraph.

Montague Park, which is on the Tennessee Department of Environment and Conservation's (TDEC) site list, is an old landfill site. The park was closed in 2003 when methane gas leaks were found. The City is in the process of re-capping a small area in compliance with TDEC; work is being done by volunteer contractors leaving City resources to pay for cover topsoil and erosion control. Eventually the entire area will be remediated for use as athletic fields and a sculpture garden. Total costs are estimated at \$4,000,000 for the entire project but are not currently divided into remediation and construction costs. The reasonable range of potential outlays was estimated and multiplied by the probability of occurrence. This estimate was reduced by anticipated volunteer participation for a total estimate of \$1,194,495 at the end of fiscal year 2014.

Site investigation, planning, cleanup and site monitoring are typical remediation activities underway across the City. The Brownfield site has been identified for remediation activities to address contamination from hazardous substances. The majority of the cost, which includes pollution cleanup at an old construction landfill on 36<sup>th</sup> Street and at a railroad overpass on Tennessee Avenue, was covered by a grant from the Environmental Protection Agency (EPA). The City has completed the remediation work as of June 30, 2014.

On August 27, 2014, City and County decided that the new downtown firing range will not be built and the old firing range located at Moccasin Bend will continue to be used. Due to this change, the mandated clean-up at the Moccasin Bend Firing Range is no longer necessary. Thus the estimated remediation cost of \$10,000 is removed from the City's liabilities.

## **Contingencies**

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

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

### Conduit Debt Obligations

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

The Industrial Development Board currently has eighteen (18) outstanding bond issues, the original amounts of which were \$293,250,000. The Health, Educational and Housing Facility Board currently has thirty-seven (37) bond issues, the original amount of which were \$840,295,727. The Boards have no means of determining the outstanding amount of these bonds.

### NOTE 13. SEGMENT INFORMATION

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

#### CONDENSED STATEMENT OF NET POSITION

	<u>Electric Division</u>	<u>Fiber Optics Division</u>	<u>Eliminations</u>	<u>Total</u>
Assets:				
Current assets	\$ 182,770,000	\$ 7,596,000	\$ 336,000	\$ 190,702,000
Restricted assets	2,580,000	-	-	2,580,000
Capital assets	<u>518,493,000</u>	<u>74,969,000</u>	-	<u>593,462,000</u>
Total assets	<u>703,843,000</u>	<u>82,565,000</u>	<u>336,000</u>	<u>786,744,000</u>
Liabilities:				
Current liabilities	124,626,000	15,729,000	336,000	140,691,000
Noncurrent liabilities	<u>305,692,000</u>	<u>52,172,000</u>	-	<u>357,864,000</u>
Total liabilities	<u>430,318,000</u>	<u>67,901,000</u>	<u>336,000</u>	<u>498,555,000</u>
Net position:				
Net investment in capital assets	240,696,000	74,969,000	-	315,665,000
Unrestricted	<u>32,829,000</u>	<u>(60,305,000)</u>	-	<u>(27,476,000)</u>
Total net position	<u>\$ 273,508,000</u>	<u>\$14,664,000</u>	<u>\$ -</u>	<u>\$ 288,189,000</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	\$ 566,519,000	\$99,883,000	\$(11,791,000)	\$ 654,611,000
Depreciation expense	(33,662,000)	(15,073,000)	-	(48,735,000)
Other operating expense	<u>(513,198,000)</u>	<u>(67,354,000)</u>	<u>11,791,000</u>	<u>(568,761,000)</u>
Operating income	19,659,000	17,456,000	-	37,115,000
Nonoperating revenues (expenses):				
Investment earnings	263,000	-	-	263,000
Interest expense	(12,082,000)	(1,697,000)	-	(13,779,000)
Other nonoperating	207,000	-	-	207,000
Tax equivalent	<u>(5,910,000)</u>	<u>(576,000)</u>	<u>-</u>	<u>(6,486,000)</u>
Change in net position	2,137,000	15,183,000	-	17,320,000
Net position, beginning of year	<u>271,388,000</u>	<u>(519,000)</u>	<u>-</u>	<u>270,869,000</u>
Net position, end of year	<u>\$ 273,525,000</u>	<u>\$14,664,000</u>	<u>\$ -</u>	<u>\$ 288,189,000</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	\$ 52,238,000	\$33,102,000	\$ -	\$ 85,340,000
Capital and related financing activities	(77,038,000)	(33,624,000)	-	(110,662,000)
Investing activities	<u>291,000</u>	<u>-</u>	<u>-</u>	<u>291,000</u>
Net increase (decrease)	(24,509,000)	(522,000)	-	(25,031,000)
Beginning cash and cash equivalents	<u>123,629,000</u>	<u>859,000</u>	<u>-</u>	<u>124,488,000</u>
Ending cash and cash equivalents	<u>\$ 99,120,000</u>	<u>\$ 337,000</u>	<u>\$ -</u>	<u>\$ 99,457,000</u>

**NOTE 14. JOINT VENTURE**

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

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

The City's two-thirds equity interest in Carter Street Corporation is computed as follows:

Total net position	\$ 11,225,853
Multiplied by two-thirds	<u>x 2/3</u>
City's equity interest	<u>\$ 7,483,902</u>

Condensed financial information for Carter Street Corporation as of June 30, 2014, is as follows:



STATEMENT OF NET POSITION

Assets:	
Cash	\$ 1,618,176
Accounts receivable, net	450,807
Prepaid expenses	51,135
Inventories	48,359
Capital assets, net	<u>9,308,494</u>
Total assets	<u>\$ 11,476,971</u>
Liabilities:	
Accounts payable	\$ 44,100
Accrued expenses	123,132
Deferred revenue	10,000
Advanced deposits	<u>73,886</u>
Total liabilities	<u>251,118</u>
Net Position:	
Net investment in capital assets	9,308,494
Restricted	22,797
Unrestricted	<u>1,894,562</u>
Total net position	<u>11,225,853</u>
Total liabilities and net position	<u>\$ 11,476,971</u>

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Total operating revenues	\$ 3,592,510
Total operating expenses	<u>3,994,634</u>
Loss from operations	(402,124)
Nonoperating revenues	300,000
Capital contributions	<u>200,000</u>
Net increase	97,876
Net position, beginning of year	<u>11,127,977</u>
Net position, end of year	<u>\$ 11,225,853</u>

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

**NOTE 15. CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT**

During the year ended June 30, 2014, the City of Chattanooga implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* for EPB. This statement establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation resulted in a direct decrease of \$2,315,000 to net position in business-type activities to eliminate bond issue costs.

The City opted to early implement GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*; this early implementation does not apply to the EPB Pension Plan or the portion of the General Pension Plan attributable to the Airport Authority. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. This resulted in a direct decrease to net position of \$223,423,753 for governmental activities and \$6,812,237 for business-type activities.

	General Pension	Fire & Police Pension	Total Governmental Activities	
Remove net pension assets	\$ (556,528)	\$ (4,848,557)	\$ (5,405,085)	
Record beginning net pension liability	(36,263,302)	(193,350,490)	(229,613,792)	
Record beginning deferred outflow	6,124,876	5,470,248	11,595,124	
	<u>\$ (30,694,954)</u>	<u>\$ (192,728,799)</u>	<u>\$ (223,423,753)</u>	

	Interceptor Sewer System	Solid Waste	Water Quality Management	Total Business-Type Activities
Record beginning net pension liability	\$ (4,136,221)	\$ (523,826)	\$ (3,536,605)	\$ (8,196,652)
Record beginning deferred outflow	698,608	88,474	597,333	1,384,415
	<u>\$ (3,437,613)</u>	<u>\$ (435,352)</u>	<u>\$ (2,939,272)</u>	<u>\$ (6,812,237)</u>

Also during the year, an adjustment was made to the beginning net position of governmental activities for Long-term Debt and the General Fund as well as business-type activities for the Water Quality Fund to reflect a compromise of litigation involving the City of Chattanooga and Hamilton County Department of Education relative to past liquor-by-the-drink tax revenues due to the Hamilton County Department of Education and past-due water quality fees due to the City of Chattanooga. The compromise agreement resulted in a direct reduction of \$11,763,477 for long-term debt to record the amount due to the Department of Education, a direct addition of \$299,899 to General Fund to reverse a prior year expense and a direct addition of \$1,466,036 to Water Quality to record receivables from prior years.

The aggregate impact of these adjustments is shown on the face of the financial statements. Details of the adjustments are as follows:

	Governmental Activities			
Beginning balance, as previously reported	\$ 1,332,845,129			
Prior period adjustment:				
Change in accounting principle (GASB 68)	(223,423,753)			
Long-term debt	(11,763,477)			
Reverse prior year expense	299,899			
Beginning balance, as restated	<u>\$ 1,097,957,798</u>			

	Business-Type Activities			
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management
Beginning balance, as previously reported	\$ 273,184,000	\$ 258,270,407	\$ (2,828,509)	\$ 50,318,821
Prior period adjustment:				
Change in accounting principle (GASB 65)	(2,315,000)	-	-	-
Change in accounting principle (GASB 68)	-	(3,437,613)	(435,352)	(2,939,272)
Prior years' revenue	-	-	-	1,466,036
Beginning balance, as restated	<u>\$ 270,869,000</u>	<u>\$ 254,832,794</u>	<u>\$ (3,263,861)</u>	<u>\$ (48,845,585)</u>

#### NOTE 16. SUBSEQUENT EVENTS

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

On July 2014, the City issued \$25,925,000 General Obligation Refunding Bonds. The bonds were issued to refund \$13,545,000 General Obligation Refunding Bonds, Series 2005A and \$13,200,000 General Obligation Bonds, Series 2006A resulting in \$2,508,103 net present value savings.

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2014**

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

**Other Postemployment Benefits**

January 1, 2014	\$ 32,970,171	\$ 163,843,121	\$ 130,872,950	20.12%	\$ 95,390,933	137.20%
January 1, 2012	19,853,844	146,748,770	126,894,926	13.53%	95,280,557	133.18%
January 1, 2010	5,045,878	148,187,287	143,141,409	3.41%	89,710,458	159.56%
July 1, 2008	4,539,440	192,053,979	187,514,539	2.36%	78,155,219	239.93%
July 1, 2006	-	228,471,342	228,471,342	0.00%	76,239,946	299.67%

**ELECTRIC POWER BOARD**

**Pension Plan**

August 1, 2013	\$ 33,604,485	\$ 46,098,802	\$ 12,494,317	72.90%	\$ 32,127,132	38.89%
August 1, 2012	31,150,374	43,676,939	12,526,565	71.32%	31,045,236	40.35%
August 1, 2011	30,759,123	38,848,691	8,089,568	79.18%	28,703,496	28.18%
August 1, 2010	30,515,812	37,496,128	6,980,316	81.38%	28,267,080	24.69%
August 1, 2009	30,258,990	34,298,562	4,039,572	88.22%	25,629,444	15.76%
August 1, 2008	30,645,150	36,740,034	6,094,884	83.41%	24,324,576	25.06%
August 1, 2007	30,421,000	33,680,000	3,259,000	90.32%	24,234,000	13.45%

**Other Postemployment Benefits**

July 1, 2013	\$ 16,754,185	\$ 27,104,206	\$ 10,350,021	61.81%	\$ 34,440,516	30.05%
July 1, 2012	15,044,942	25,462,868	10,417,927	59.10%	32,044,908	32.50%
July 1, 2011	14,603,955	24,666,875	10,062,920	59.20%	29,998,416	33.50%
July 1, 2010	13,080,897	23,128,254	10,047,357	56.60%	28,267,080	35.50%
July 1, 2009	13,050,792	24,043,991	10,993,199	54.20%	25,629,444	42.90%
July 1, 2008	14,675,085	26,264,078	11,588,993	55.80%	24,324,576	47.60%

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2014**

CITY OF CHATTANOOGA ADMINISTERED PLANS

Year ended June 30	Other Postemployment Benefits	
	Annual Required Contribution	Percentage Contributed
2014	\$ 13,275,679	113.5%
2013	12,857,800	100.0%
2012	14,288,701	100.0%
2011	13,838,396	100.0%
2010	18,459,218	57.3%
2009	17,921,571	44.3%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial follows.

Valuation date	Other Postemployment Benefits	
	1/1/2014	
Actuarial cost method	Entry Age Normal	
Amortization method	Level Dollar	
Remaining amortization period	30 Years Open	
Asset valuation method	Market Value	
Actuarial assumptions:		
Investment rate of return	7.50%	
Projected salary increases	3.25 - 7.50%	
Includes inflation at	3.00%	
Cost-of-living-adjustments	n/a	

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS - GENERAL PENSION PLAN**

**Last 10 Fiscal Years**

	<u><b>2014</b></u>
<b>Total pension liability</b>	
Service cost	\$ 6,069,090
Interest	22,247,450
Changes of assumptions	(5,893,894)
Benefit payments, including refund of member contributions	<u>(16,420,492)</u>
<b>Net change in total pension liability</b>	6,002,154
<b>Total pension liability - beginning</b>	<u>295,274,117</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 301,276,271</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 7,751,909
Contributions - member	1,130,354
Net investment income	34,194,160
Benefit payments, including refund of member contributions	(16,420,492)
Administrative expense	<u>(192,205)</u>
<b>Net change in plan fiduciary net position</b>	26,463,726
<b>Plan fiduciary net position - beginning</b>	<u>249,377,705</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 275,841,431</u></u>
<b>Net pension liability - ending (a) - (b)</b>	<u><u>\$ 25,434,840</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	91.56%
<b>Covered employee payroll</b>	\$ 55,815,216
<b>Net pension liability as a percentage of covered employee payroll</b>	45.57%

**Notes to Schedule:**

*Benefit changes.* None

*Changes in assumptions.* In 2014, the COLA is assumed to be 1.5% for each participant while the fund is less than 80% funded on a market value of assets basis. Retirement rates were changed to reflect the new retirement eligibilities and changes to the Partial Lump-Sum Option Payment (PLOP).

This schedule will include 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**  
**Last 10 Fiscal Years**

	<u><b>2014</b></u>
<b>Total pension liability</b>	
Service cost	\$ 7,167,456
Interest	30,312,135
Changes of benefit terms	(62,308,859)
Differences between expected and actual experience	7,470,629
Benefit payments, including refund of member contributions	<u>(27,687,917)</u>
<b>Net change in total pension liability</b>	<u>(45,046,556)</u>
<b>Total pension liability - beginning</b>	<u>404,968,283</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 359,921,727</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 12,944,665
Contributions - member	3,210,673
Net investment income	31,139,450
Benefit payments, including refund of member contributions	(27,687,917)
Administrative expense	(608,924)
Other	<u>166,711</u>
<b>Net change in plan fiduciary net position</b>	<u>19,164,658</u>
<b>Plan fiduciary net position - beginning</b>	<u>211,617,792</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 230,782,450</u></u>
<b>Net pension liability - ending (a) - (b)</b>	<u><u>\$ 129,139,277</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	64.12%
<b>Covered employee payroll</b>	\$ 36,187,624
<b>Net pension liability as a percentage of covered employee payroll</b>	356.86%

**Notes to Schedule:**

*Benefit changes.* Effective July 1, 2014, benefit terms were modified for non-vested employees, increasing the retirement eligibility from 25 years of service to age 50 with 25 years of service or any age with 28 years of service, and the COLA for all participants was reduced from 3% to a rate contingent on the plan's funded percentage, not to exceed 3%.

*Changes in assumptions.* No assumption changes have been made in the period shown.

This schedule will include 10 years as information is available.

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF CITY CONTRIBUTIONS  
GENERAL PENSION PLAN  
Last 10 Fiscal Years**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Actuarially determined contribution	\$ 7,717,400	\$ 7,806,000	\$ 7,203,000	\$ 6,302,882	\$ 3,779,597	\$ 3,600,000	\$ 3,502,000	\$ 3,786,128	\$ 3,518,054	\$ 2,096,333
Contributions in relation to the actuarially determined contribution	7,751,909	7,599,939	6,682,722	4,376,484	3,779,597	3,600,000	3,502,000	3,786,128	3,470,815	2,532,418
Contribution deficiency (excess)	<u>\$ (34,509)</u>	<u>\$ 206,061</u>	<u>\$ 520,278</u>	<u>\$ 1,926,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,239</u>	<u>\$ (436,085)</u>
Covered employee payroll	\$55,815,216	\$56,270,053	\$57,976,515	\$57,061,358	\$58,140,286	\$59,645,747	\$56,581,858	\$54,545,300	\$54,636,392	\$53,531,483
Contributions as a percentage of covered-employee payroll	13.89%	13.51%	11.53%	7.67%	6.50%	6.04%	6.19%	6.94%	6.35%	4.73%

**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	30 years
Asset valuation method	10-year smoothed market with a 20% corridor
Inflation	3.0%
Salary increases	4.5-5.5%, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF CITY CONTRIBUTIONS  
FIRE AND POLICE PENSION FUND  
Last 10 Calendar Years**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Actuarially determined contribution	\$ 13,346,490	\$ 11,859,505	\$ 9,692,292	\$ 8,613,696	\$ 7,903,392	\$ 7,686,489	\$ 7,504,469	\$ 7,540,220	\$ 6,454,038	\$ 6,073,138
Contributions in relation to the actuarially determined contribution	13,111,376	11,937,269	9,923,680	8,234,416	8,366,294	8,339,983	7,428,607	6,709,228	6,419,294	6,167,911
Contribution deficiency (excess)	\$ 235,114	\$ (77,764)	\$ (231,388)	\$ 379,280	\$ (462,902)	\$ (653,494)	\$ 75,862	\$ 830,992	\$ 34,744	\$ (94,773)
Covered employee payroll	\$ 37,215,933	\$ 37,288,914	\$ 34,940,022	\$ 34,573,261	\$ 34,715,838	\$ 33,237,063	\$ 31,983,375	\$ 32,010,229	\$ 31,869,770	\$ 30,981,336
Contributions as a percentage of covered-employee payroll	35.23%	32.01%	28.40%	23.82%	24.10%	25.09%	23.23%	20.96%	20.14%	19.91%

**Notes to Schedule:**

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, 2014.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	10-year smoothed market
Inflation	3.25%
Salary increases	3.25%
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Retirement age	Prior to the 2014 actuarial valuation, retirement eligibility was any age with 25 years of service. Effective July 1, 2014, for active participants not vested, retirement eligibility is now age 50 with 25 years of service or any age with 28 years of service. For participants hired after July 1, 2014, retirement eligibility is age 55 with 25 years of service or any age with 30 years of service.
Mortality	Assumed life expectancies are based on the RP-2000 Blue Collar Healthy Mortality Table, set forward two years for healthy lives and set forward eight years for disabled lives.

Other information:

In the 2014 valuation, the benefit multiplier changed from 2.75% for the first 25 years of service plus 1.25% for the next 5 years of service, for a maximum of 75% of final average salary, to 2.5% for each of the first 30 years of service, with a maximum of 75% of final average salary, for participants hired after July 1, 2014.

This schedule will be 10 years as information is available.



**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years**

**GENERAL PENSION PLAN**

	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	16.11%

**FIRE & POLICE PENSION FUND**

	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	16.15%

**Notes to Schedule:**

This schedule will include 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.

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

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

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

Community Development Fund accounts for Community Development Block Grant funds received from the federal government for the purpose of enhancing the economic condition and meeting various types of housing needs to low-to-moderate income residents of the City.

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

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

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

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

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

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

### **DEBT SERVICE FUND**

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

### **PERMANENT FUND**

Library Endowment Fund accounts for several nonexpendable gifts to The Public Library.

CITY OF CHATTANOOGA, TENNESSEE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax
<b>ASSETS</b>						
Cash and cash equivalents	\$ 11,780	\$ (487,912)	\$ 2,605,134	\$ 1,185,434	\$ 2,968,878	\$ 3,702,757
Investments	-	-	-	-	-	-
Receivables, net of allowance for uncollectibles:						
Other taxes	-	-	-	-	-	1,053,716
Notes	-	-	-	-	15,578,987	-
Other	-	19,505	2,789	-	106,343	2,094
Due from other funds	-	-	-	-	-	-
Due from other governments:						
Federal	-	572,497	-	77,848	317,546	-
State of Tennessee	-	1,003,827	-	797,799	-	-
Prepaid items	-	-	-	-	9,674	-
<b>Total assets</b>	<b>\$ 11,780</b>	<b>\$ 1,107,917</b>	<b>\$ 2,607,923</b>	<b>\$ 2,061,081</b>	<b>\$ 18,981,428</b>	<b>\$ 4,758,567</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities:						
Accounts payable	\$ -	\$ 194,522	\$ 1,175,540	\$ 8,587	\$ 93,298	\$ 11,010
Accrued payroll	-	260,929	-	65,698	16,170	-
Due to other funds	-	-	-	-	-	204,418
Unearned grants revenue	-	-	-	-	431,571	-
<b>Total liabilities</b>	<b>-</b>	<b>455,451</b>	<b>1,175,540</b>	<b>74,285</b>	<b>541,039</b>	<b>215,428</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - other local taxes	-	-	-	-	-	558,987
Unavailable revenue - shared tax revenue	-	-	-	387,970	-	-
Unavailable revenue - CDBG loans	-	-	-	-	17,114,155	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>387,970</b>	<b>17,114,155</b>	<b>558,987</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	9,674	-
Restricted	11,780	652,466	1,432,383	1,598,826	1,316,560	3,984,152
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
<b>Total fund balances</b>	<b>11,780</b>	<b>652,466</b>	<b>1,432,383</b>	<b>1,598,826</b>	<b>1,326,234</b>	<b>3,984,152</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,780</b>	<b>\$ 1,107,917</b>	<b>\$ 2,607,923</b>	<b>\$ 2,061,081</b>	<b>\$ 18,981,428</b>	<b>\$ 4,758,567</b>

River Pier Garage	Regional Planning Agency	Air Pollution Control Bureau	Scenic Cities Beautiful Commission	Tenn Valley Regional Communications	Total Special Revenue	Debt Service	Permanent Fund Library Endowment	Total Nonmajor Funds
\$ 823,014	\$ 3,191,807	\$ 858,481	\$ 169,724	\$ 563,853	\$ 15,592,950	\$ 4,854,276	\$ 82,240	\$ 20,529,466
-	-	-	-	-	-	-	4,646,973	4,646,973
-	-	-	-	-	1,053,716	-	-	1,053,716
-	-	-	-	-	15,578,987	-	-	15,578,987
4,279	218	1,820	2,900	258	140,206	-	-	140,206
-	-	-	-	-	-	166,476	-	166,476
-	-	-	-	-	967,891	-	-	967,891
-	163,341	-	-	-	1,964,967	-	-	1,964,967
-	-	-	-	1,000	10,674	-	-	10,674
<u>\$ 827,293</u>	<u>\$ 3,355,366</u>	<u>\$ 860,301</u>	<u>\$ 172,624</u>	<u>\$ 565,111</u>	<u>\$ 35,309,391</u>	<u>\$ 5,020,752</u>	<u>\$ 4,729,213</u>	<u>\$ 45,059,356</u>
\$ -	\$ 55,998	\$ 7,330	\$ 208	\$ 5,839	\$ 1,552,332	\$ -	\$ -	\$ 1,552,332
-	93,165	35,754	2,039	19,848	493,603	-	-	493,603
-	-	-	-	-	204,418	-	-	204,418
-	-	59,218	-	-	490,789	-	-	490,789
-	149,163	102,302	2,247	25,687	2,741,142	-	-	2,741,142
-	-	-	-	-	558,987	-	-	558,987
-	-	-	-	-	387,970	-	-	387,970
-	-	-	-	-	17,114,155	-	-	17,114,155
-	-	-	-	-	18,061,112	-	-	18,061,112
-	-	-	-	1,000	10,674	-	4,646,973	4,657,647
-	163,341	303,200	-	-	9,462,708	-	82,240	9,544,948
-	3,042,862	454,799	170,377	538,424	4,206,462	5,020,752	-	9,227,214
827,293	-	-	-	-	827,293	-	-	827,293
827,293	3,206,203	757,999	170,377	539,424	14,507,137	5,020,752	4,729,213	24,257,102
<u>\$ 827,293</u>	<u>\$ 3,355,366</u>	<u>\$ 860,301</u>	<u>\$ 172,624</u>	<u>\$ 565,111</u>	<u>\$ 35,309,391</u>	<u>\$ 5,020,752</u>	<u>\$ 4,729,213</u>	<u>\$ 45,059,356</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2014

	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,352,640
Licenses and permits	-	-	-	-	-	-
Intergovernmental:						
Federal	-	8,610,163	48,556	-	1,606,660	-
State	-	3,390,846	125	4,376,545	76,509	-
County	-	-	8,190	-	-	-
Other	-	-	270	-	-	-
Charges for services	-	47,762	-	-	60	-
Fines, forfeitures and penalties	-	-	34,548	-	-	-
Investment income	-	3,026	2,337	-	55,518	-
Contributions and donations	-	57,877	-	-	-	-
Sale of property	-	-	5,925	-	-	-
Miscellaneous	-	491	213,536	126	392,572	-
<b>Total revenues</b>	<b>-</b>	<b>12,110,165</b>	<b>313,487</b>	<b>4,376,671</b>	<b>2,131,319</b>	<b>5,352,640</b>
<b>EXPENDITURES</b>						
Current:						
General government:						
General government	-	-	-	-	-	138,614
General services	-	-	-	-	-	-
Economic and community development	-	-	-	-	1,485,366	-
Public safety:						
Police	-	-	547,269	-	-	-
Public works and transportation:						
Public works	-	-	-	3,913,897	-	-
Youth and family development:						
Youth and family development	-	13,430,670	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>13,430,670</b>	<b>547,269</b>	<b>3,913,897</b>	<b>1,485,366</b>	<b>138,614</b>
Excess (deficiency) of revenues over (under) expenditures	-	(1,320,505)	(233,782)	462,774	645,953	5,214,026
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	1,064,481	-	-	-	-
Transfers out	-	-	(295,000)	-	(982,370)	(4,384,888)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>1,064,481</b>	<b>(295,000)</b>	<b>-</b>	<b>(982,370)</b>	<b>(4,384,888)</b>
Net change in fund balances	-	(256,024)	(528,782)	462,774	(336,417)	829,138
FUND BALANCES, beginning	11,780	908,490	1,961,165	1,136,052	1,662,651	3,155,014
FUND BALANCES, ending	\$ 11,780	\$ 652,466	\$ 1,432,383	\$ 1,598,826	\$ 1,326,234	\$ 3,984,152

River Pier Garage	Regional Planning Agency	Air Pollution Control Bureau	Scenic Cities Beautiful Commission	Tenn Valley Regional Communications	Total Special Revenue	Debt Service	Permanent Fund Library Endowment	Total Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,352,640	\$ -	\$ -	\$ 5,352,640
-	94,485	490,898	-	-	585,383	-	-	585,383
-	-	366,871	-	12,699	10,644,949	-	-	10,644,949
-	558,374	-	32,600	72,528	8,507,527	-	-	8,507,527
-	618,859	188,548	-	187,212	1,002,809	471,791	-	1,474,600
-	45,694	-	-	662,936	708,900	-	-	708,900
302,177	-	-	-	50,185	400,184	-	-	400,184
-	-	-	-	-	34,548	-	-	34,548
-	-	-	-	-	60,881	-	707,026	767,907
-	25,000	-	-	-	82,877	-	-	82,877
-	-	-	-	-	5,925	-	-	5,925
-	4,089	-	-	233,226	844,040	-	-	844,040
302,177	1,346,501	1,046,317	32,600	1,218,786	28,230,663	471,791	707,026	29,409,480
132,776	3,207,406	1,417,512	71,125	-	4,967,433	-	89,664	5,057,097
-	-	-	-	937,519	937,519	-	-	937,519
-	-	-	-	-	1,485,366	-	-	1,485,366
-	-	-	-	-	547,269	-	-	547,269
-	-	-	-	-	3,913,897	-	-	3,913,897
-	-	-	-	-	13,430,670	-	-	13,430,670
-	-	-	-	-	-	12,970,806	-	12,970,806
-	-	-	-	-	-	7,030,200	-	7,030,200
132,776	3,207,406	1,417,512	71,125	937,519	25,282,154	20,001,006	89,664	45,372,824
169,401	(1,860,905)	(371,195)	(38,525)	281,267	2,948,509	(19,529,215)	617,362	(15,963,344)
-	2,422,235	270,820	5,000	-	3,762,536	22,073,330	-	25,835,866
-	-	-	-	-	(5,662,258)	-	-	(5,662,258)
-	2,422,235	270,820	5,000	-	(1,899,722)	22,073,330	-	20,173,608
169,401	561,330	(100,375)	(33,525)	281,267	1,048,787	2,544,115	617,362	4,210,264
657,892	2,644,873	858,374	203,902	258,157	13,458,350	2,476,637	4,111,851	20,046,838
\$ 827,293	\$ 3,206,203	\$ 757,999	\$ 170,377	\$ 539,424	\$ 14,507,137	\$ 5,020,752	\$ 4,729,213	\$ 24,257,102

## **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, 2014**

	Chattanooga Metropolitan Airport Authority	CARTA	Total
OPERATING REVENUES			
Charges for services	\$ 14,553,451	\$ 7,683,857	\$ 22,237,308
Total operating revenues	<u>14,553,451</u>	<u>7,683,857</u>	<u>22,237,308</u>
OPERATING EXPENSES			
Airport operations	11,027,180	-	11,027,180
CARTA operations	-	19,833,819	19,833,819
Management fees	33,381	-	33,381
Maintenance	517,765	-	517,765
Depreciation and amortization	5,502,997	3,372,381	8,875,378
Total operating expenses	<u>17,081,323</u>	<u>23,206,200</u>	<u>40,287,523</u>
OPERATING INCOME (LOSS)	<u>(2,527,872)</u>	<u>(15,522,343)</u>	<u>(18,050,215)</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	-	7,612,278	7,612,278
Investment income	28,716	789	29,505
Interest expense	(380,908)	(79,708)	(460,616)
Other income (expense)	2,017,372	167,675	2,185,047
Total nonoperating revenues (expenses)	<u>1,665,180</u>	<u>7,701,034</u>	<u>9,366,214</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	(862,692)	(7,821,309)	(8,684,001)
Capital contributions	<u>5,783,247</u>	<u>11,573,268</u>	<u>17,356,515</u>
CHANGE IN NET POSITION	4,920,555	3,751,959	8,672,514
NET POSITION, beginning	<u>102,993,160</u>	<u>24,448,389</u>	<u>127,441,549</u>
NET POSITION, ending	<u>\$ 107,913,715</u>	<u>\$ 28,200,348</u>	<u>\$ 136,114,063</u>



**CITY OF CHATTANOOGA, TENNESSEE**

**COMBINING STATEMENT OF CASH FLOWS  
COMPONENT UNITS**

**Year Ended June 30, 2014**

	Chattanooga Metropolitan Airport Authority	CARTA	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 13,690,499	\$ 7,652,971	\$ 21,343,470
Payments to suppliers	(8,675,672)	(8,090,384)	(16,766,056)
Payments to employees	(3,055,564)	(11,609,521)	(14,665,085)
Net cash from operating activities	<u>1,959,263</u>	<u>(12,046,934)</u>	<u>(10,087,671)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Intergovernmental payments received	-	7,703,921	7,703,921
Net cash from noncapital financing activities	<u>-</u>	<u>7,703,921</u>	<u>7,703,921</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on capital debt	(533,169)	(331,460)	(864,629)
Proceeds from capital debt	10,000,000	-	10,000,000
Principal paid on capital lease	(44,929)	-	(44,929)
Interest paid on capital debt	(358,677)	(79,708)	(438,385)
Capital contributions	8,209,746	11,553,496	19,763,242
Net decrease in revolving line of credit	-	(300,000)	(300,000)
Additions to capital assets	(26,318,527)	(7,149,098)	(33,467,625)
Passenger/customer facility charges collected	1,940,628	-	1,940,628
Net cash flows from capital and related financing activities	<u>(7,104,928)</u>	<u>3,693,230</u>	<u>(3,411,698)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of equipment	1,496	-	1,496
Interest on investments	28,716	76,821	105,537
Net cash flows from investing activities	<u>30,212</u>	<u>76,821</u>	<u>107,033</u>
Net increase (decrease) in cash and cash equivalents	(5,115,453)	(572,962)	(5,688,415)
Cash and cash equivalents, beginning of year	<u>15,374,152</u>	<u>1,691,622</u>	<u>17,065,774</u>
Cash and cash equivalents, end of year	<u>\$ 10,258,699</u>	<u>\$ 1,118,660</u>	<u>\$ 11,377,359</u>
<b>CLASSIFIED AS:</b>			
Current assets	\$ 6,678,896	\$ 1,118,660	\$ 7,797,556
Restricted assets	3,579,803	-	3,579,803
	<u>\$ 10,258,699</u>	<u>\$ 1,118,660</u>	<u>\$ 11,377,359</u>

(Continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

**COMBINING STATEMENT OF CASH FLOWS  
COMPONENT UNITS**

**Year Ended June 30, 2014**

	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)	\$ (2,527,872)	\$ (15,522,343)	\$ (18,050,215)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Depreciation and amortization	5,502,997	3,372,381	8,875,378
Gain on disposal of property and equipment	127,860	-	127,860
Bad debt expense	7,379	-	7,379
Change in operating assets and liabilities:			
Trade receivables, net	(751,312)	(30,886)	(782,198)
Inventory	31,268	43,719	74,987
Prepaid items	(257,268)	(105,129)	(362,397)
Other assets	-	(3,626)	(3,626)
Accounts payable and accrued liabilities	(190,009)	198,950	8,941
Unearned revenue	16,220	-	16,220
TOTAL ADJUSTMENTS	<u>4,487,135</u>	<u>3,475,409</u>	<u>7,962,544</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 1,959,263</u>	<u>\$ (12,046,934)</u>	<u>\$ (10,087,671)</u>
SIGNIFICANT NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Additions to property and equipment included in contracts payable	<u>\$ 627,163</u>	<u>\$ -</u>	<u>\$ 627,163</u>

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Year Ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 111,628,000	\$ 111,628,000	\$ 113,016,742	\$ 1,388,742
Payments in lieu of tax:				
PILOT CHA	103,000	103,000	135,528	32,528
PILOT TVA	2,098,000	2,098,000	1,898,099	(199,901)
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 Chatterm	-	-	65,359	65,359
PILOT Wheland Foundry	-	-	30	30
PILOT The Bread Factory	1,900	1,900	1,938	38
PILOT LJT of Tennessee	-	-	39,494	39,494
PILOT UnumProvident Corporation	31,000	31,000	31,062	62
PILOT South Market LLC	1,760	1,760	1,762	2
PILOT American Plastic	-	-	4,078	4,078
PILOT Frazier Partners	620	620	618	(2)
PILOT Invista	21,000	21,000	19,038	(1,962)
PILOT TAG Manufacturing	113,800	113,800	85,183	(28,617)
PILOT Wm Wrigley Jr Co	40,800	40,800	32,796	(8,004)
PILOT Astec Industries	34,500	34,500	30,120	(4,380)
PILOT Blue Cross Blue Shield	952,400	952,400	923,482	(28,918)
PILOT East Tech Co	-	-	35,501	35,501
PILOT Heatec, Inc	14,800	14,800	14,134	(666)
PILOT Roadtec	21,700	21,700	22,227	527
PILOT Steel Warehouse of TN	40,500	40,500	48,102	7,602
PILOT US Express Inc	46,800	46,800	55,397	8,597
PILOT United Packers of Chatt	36,000	36,000	81,128	45,128
PILOT MK LLC	4,487	4,487	2,030	(2,457)
PILOT Jarnigan Road-EMJ Corp	35,330	35,330	40,906	5,576
PILOT National Print-Posters	17,000	17,000	15,493	(1,507)
PILOT Southern Champion Tray	10,100	10,100	8,205	(1,895)
PILOT Vision Chestnut Hotel Group LLC	79,000	79,000	108,359	29,359
PILOT Gestamp Chattanooga, LLC	-	-	220,014	220,014
PILOT Scannell- Fedex, Inc	55,990	55,990	53,356	(2,634)
PILOT Riverset Apartments	5,693	5,693	2,591	(3,102)
PILOT Westinghouse Electric Co.	63,500	63,500	78,094	14,594
PILOT Chit Chatt Properties	1,300	1,300	672	(628)
PILOT EPB	6,391,100	6,391,100	6,391,103	3
PILOT Refunds	-	-	(12,266)	(12,266)
Interest and penalty on taxes				
Current year	134,100	134,100	107,613	(26,487)
Prior years	1,128,460	1,128,460	1,289,047	160,587
Collection fees on delinquent taxes	280,000	280,000	258,144	(21,856)
Total property taxes	123,398,200	123,398,200	125,108,467	1,710,267
Other local taxes:				
Franchise taxes	3,449,000	3,449,000	4,002,527	553,527
Liquor taxes	2,160,000	2,160,000	2,266,473	106,473
Beer taxes	5,656,000	5,656,000	5,730,304	74,304
Local litigation tax city court	2,900	2,900	3,230	330
Gross receipts tax	4,891,700	4,891,700	4,797,472	(94,228)
Corporate excise tax - intangible property	67,000	67,000	159,535	92,535
Total other taxes	16,226,600	16,226,600	16,959,541	732,941

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Year Ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Total taxes	\$ 139,624,800	\$ 139,624,800	\$ 142,068,008	\$ 2,443,208
Licenses, fees and permits:				
Licenses:				
Wrecker Business License	6,600	6,600	4,550	(2,050)
Liquor by Drink License	153,900	153,900	158,338	4,438
Liquor by Drink Int & Pen	800	800	2,299	1,499
Transient Vendor License	-	-	2,800	2,800
Motor Vehicle License	392,000	392,000	412,120	20,120
Original Business License Fee	25,900	25,900	23,620	(2,280)
Special Gathering Permit	-	-	630	630
Over & Under Business License	-	-	44	44
Permits:				
Building Permits	1,200,000	1,200,000	1,168,776	(31,224)
Electrical Permits	295,900	295,900	294,373	(1,527)
Plumbing Fixtures Connection Permits	150,000	150,000	180,550	30,550
Street Cut-in Permits	305,000	305,000	405,275	100,275
Mechanical Code Permits	200,000	200,000	176,140	(23,860)
Hotel Permits	5,000	5,000	5,000	-
Gas Permits	25,000	25,000	55,920	30,920
Sign Permits	140,000	140,000	145,730	5,730
Taxicab Driver Permits	6,000	6,000	6,755	755
Temporary Use Permits	3,700	3,700	4,500	800
Going Out of Business Permits	300	300	100	(200)
Traffic Eng Special Events Permits	17,100	17,100	12,755	(4,345)
Fortwood Parking Permits	8,300	8,300	4,025	(4,275)
Push Cart Permits	300	300	300	-
Mobile Food Unit	-	-	800	800
Tree Ordinance Permit	-	-	750	750
Fees:				
Business License Issuance Fees	65,000	65,000	99,812	34,812
Plumbing Examiners Fees	10,000	10,000	35,095	25,095
Electrical Examiners Fees	70,000	70,000	69,920	(80)
Gas Examiners Fees	10,000	10,000	26,720	16,720
Beer Permit Application Fees	100,000	100,000	101,018	1,018
Mechanical Exam Fees	114,000	114,000	105,890	(8,110)
Permit Issuance Fees	43,000	43,000	48,295	5,295
Exhibitors Fees	-	-	720	720
Subdivision Review & Inspection Fees	17,200	17,200	19,160	1,960
Adult Entertain Application Fees	15,300	15,300	11,700	(3,600)
Zoning Letter Fees	13,000	13,000	13,050	50
Variance Request Fees	7,800	7,800	10,900	3,100
Certificate of Occupancy Fees	18,000	18,000	21,490	3,490
Sewer Verification Letter Fees	500	500	5,982	5,482
Fees:				
Code Compliance Letter Fees	700	700	1,350	650
Modular Home Site Investigation Fees	200	200	200	-
Plan Checking Fees	150,000	150,000	217,748	67,748
Phased Construction Plan Review Fees	3,500	3,500	34,038	30,538
Cell Tower Site Review Fees	-	-	7,500	7,500
Construction Board of Appeals Fees	1,200	1,200	1,800	600
Sign Board of Appeals Fees	2,800	2,800	4,900	2,100
Dead Animal Pickup at Vet Fees	2,600	2,600	3,032	432
Historic Zone Construction Fee	-	-	100	100

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Year Ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Fees: (continued)				
Hardship-Appropriateness Construction Fee	\$ -	\$ -	\$ 1,075	\$ 1,075
Northshore Design Appeal Fee	2,200	2,200	900	(1,300)
Northshore-Downtown Plan Review Fee	1,000	1,000	850	(150)
Floodplain Variance Request Fee	500	500	-	(500)
Fire District Removal Request Fee	-	-	350	350
Fire Permits City Code 16-29	11,000	11,000	56,750	45,750
Fire Re-Inspection of Business & Hotels	-	-	650	650
Designated revenue:				
Parking meters	1,831,882	1,831,882	1,831,882	-
Total licenses, fees & permits	5,427,182	5,427,182	5,799,027	371,845
Intergovernmental:				
State funds:				
State Operations Funds Training Supplement F&P	493,400	493,400	493,200	(200)
State Shared Ops Maintenance of Streets	280,000	280,000	365,153	85,153
State Shared City Alloc State Sales Tax	11,645,000	11,645,000	11,948,621	303,621
State Shared City Alloc State Income Tax	2,600,000	2,600,000	3,744,628	1,144,628
State Shared City Alloc State Beer Tax	83,000	83,000	79,340	(3,660)
State Shared Mixed Drink Tax	2,200,000	2,200,000	2,402,906	202,906
State Shared Telecommunications Sales Tax	13,900	13,900	17,086	3,186
State Shared Alcoholic Beverage Tax	118,300	118,300	116,580	(1,720)
State Shared Gas Inspection Fees	340,000	340,000	343,229	3,229
State Shared Commission Gross Receipts	421,000	421,000	423,126	2,126
County funds:				
Ham Co Oper Ross's Landing	1,197,600	1,197,600	1,053,143	(144,457)
Ham Co Shared County-wide Sales Tax	40,351,200	40,351,200	39,781,604	(569,596)
Designated revenue:				
Ham Co Shared County-wide Sales Tax (Add .5 Cent)	11,514,000	11,514,000	11,340,990	(173,010)
Other	4,492,855	4,492,855	3,402,904	(1,089,951)
Total intergovernmental revenues	75,750,255	75,750,255	75,512,510	(237,745)
Charges for services				
Court charges:				
Court Cost Current	257,600	257,600	302,263	44,663
Court Commissions	7,000	7,000	8,829	1,829
Court Clerk's Fee Current	926,300	926,300	959,260	32,960
Court Clerk's Fee Delinquent	-	-	435	435
Court Service of Process Current	-	-	44	44
Court Service of Process Delinquent	-	-	82	82
Court Processing of Release Forms	18,000	18,000	16,772	(1,228)
Court Administrative Cost	11,900	11,900	12,964	1,064
Court Current State Cost	1,000	1,000	1,342	342
Court Copy Record Income	-	-	12	12
Court Translation Service Fee	-	-	13,504	13,504
Facility charges:				
Facility Rents	290,000	290,000	336,595	46,595
Property Rental Revenue	92,900	92,900	77,725	(15,175)
Ballfield Income	43,600	43,600	62,218	18,618
Skateboard Park Fees	20,000	20,000	21,340	1,340
Carousel Ridership	82,500	82,500	91,887	9,387

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Year Ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Facility charges: (continued)				
Walker Pavilion Rent	\$ 14,700	\$ 14,700	\$ 13,410	\$ (1,290)
Coolidge Park Table Rental	500	500	2,640	2,140
Heritage Park House Rent	26,500	26,500	26,700	200
Renaissance Park Rent	-	-	2,000	2,000
Greenway Facility Rent	15,500	15,500	19,333	3,833
Fitness Center Fees	47,500	47,500	44,845	(2,655)
Dock Rental	40,000	40,000	54,235	14,235
Ross' Landing Rent	14,000	14,000	49,540	35,540
Champion's Club Fees	44,900	44,900	35,754	(9,146)
Recreation Center Rental	73,000	73,000	54,902	(18,098)
Carousel Room Rental	5,400	5,400	9,660	4,260
Coolidge Park Rental	7,000	7,000	9,500	2,500
Walnut Street Bridge Rental	500	500	1,825	1,325
Event charges:				
Preservation Fee	125,000	125,000	136,287	11,287
Box Office Fee	200,000	200,000	62,658	(137,342)
Ticket Stock Charge	-	-	9,337	9,337
Overtime Reimbursement	13,800	13,800	22,182	8,382
Handling Fee	-	-	6,759	6,759
Convenience Fee	-	-	83,303	83,303
Liability Insurance Premiums	-	-	5,775	5,775
Box Office Staff	-	-	22,815	22,815
Program charges:				
Park Event Fees	20,000	20,000	1,415	(18,585)
Kidz Kamp Fees	50,000	50,000	42,810	(7,190)
Sports Program Fees	17,000	17,000	10,865	(6,135)
Non-Traditional Program Fees	3,400	3,400	1,808	(1,592)
OutVenture Fees	25,000	25,000	18,314	(6,686)
Therapeutic Fees	3,000	3,000	1,804	(1,196)
Swimming Pool Fees	120,000	120,000	139,467	19,467
Arts & Culture Fees	10,000	10,000	1,185	(8,815)
Counter sales:				
Police Report Fees	45,000	45,000	41,830	(3,170)
Credit Card Processing Fee	112,000	112,000	105,840	(6,160)
Concessions	108,000	108,000	120,531	12,531
Civic Facilities Show Merchandise	25,000	25,000	21,062	(3,938)
Other charges:				
Financial Service EPB	7,200	7,200	7,200	-
Fire & Ambulance Service Fees	-	-	224	224
General Pension Admin Cost	45,000	45,000	45,000	-
Returned Check Fee	4,000	4,000	2,247	(1,753)
Waste Container Purchases	18,000	18,000	29,475	11,475
Non Profit Request Fee	-	-	2,750	2,750
Recycle Container Purchases	17,000	17,000	32,300	15,300
Revenue adjustments:				
Chargebacks	-	-	(471)	(471)
Over & Under	-	-	2,572	2,572
Designated revenue:	2,396,007	2,396,007	2,407,889	11,882
Total charges for services	5,404,707	5,404,707	5,614,849	210,142

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Year Ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Fines, forfeitures and penalties				
City court fines	\$ 674,700	\$ 674,700	\$ 754,769	\$ 80,069
Criminal court fines	105,000	105,000	92,542	(12,458)
Traffic court fines	35,500	35,500	45,968	10,468
Air pollution penalties	-	-	305	305
Designated revenue	383,400	383,400	1,123,756	740,356
Total fines and forfeitures	1,198,600	1,198,600	2,017,340	818,740
Miscellaneous:				
Investment income	450,000	450,000	515,665	65,665
Sale of property	174,500	174,500	208,622	34,122
Donations	-	-	1,800	1,800
Settlements	70,000	70,000	77,770	7,770
Departmental billings	4,289,200	4,289,200	4,189,215	(99,985)
Miscellaneous revenue	768,900	768,900	841,165	72,265
Designated revenue:				
Investment income	38,462	38,462	101,137	62,675
Donations	267,050	267,050	639,439	372,389
Settlements	7,000	7,000	14,100	7,100
Miscellaneous revenue	69,547	69,547	51,638	(17,909)
Total miscellaneous revenue	6,134,659	6,134,659	6,640,551	505,892
Total revenues	233,540,203	233,540,203	237,652,285	4,112,082
EXPENDITURES				
General government:				
City Council	719,827	719,827	714,079	(5,748)
City Judges	852,433	852,433	853,110	677
City Attorney	1,474,797	1,474,797	1,420,608	(54,189)
Internal Audit	570,701	570,701	512,765	(57,936)
Information Services:				
Information Services	4,559,414	4,559,414	4,883,671	324,257
Telephone Systems	64,776	64,776	64,776	-
311 Call Center	625,750	625,750	530,315	(95,435)
External Appropriations:				
CARCOG & Economic Dev Dist	38,544	38,544	38,535	(9)
Allied Arts Council Fund, Inc.	275,000	275,000	275,000	-
Carter Street Corporation	200,000	200,000	200,000	-
Chatt Neighborhood Enterprise	952,008	952,008	952,008	-
WTCI-TV Channel 45	85,000	85,000	85,000	-
Tennessee River Park	1,102,654	1,102,654	1,068,182	(34,472)
Homeless Health Care Center	13,300	13,300	13,300	-
Children's Advocacy Center	30,000	30,000	30,000	-
Community Foundation Scholarships	101,300	101,300	101,300	-
Chatt Area Urban League	40,000	40,000	40,000	-
Bessie Smith Cultural Center	54,000	54,000	54,000	-
Chatt History Center	15,200	15,200	15,200	-
Railroad Authority	14,844	14,844	11,364	(3,480)
Enterprise Center	160,500	160,500	160,500	-
Enterprise South Nature Park	705,973	705,973	651,336	(54,637)
Choose Chattanooga	16,900	16,900	16,900	-

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Year Ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
External Appropriations: (continued)				
Friends of Moccasin Bend Natl Park	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
ESIP Security Services	62,077	62,077	53,611	(8,466)
Homeless Coalition	-	50,000	50,000	-
Partnership Rape Crisis	56,522	56,522	56,522	-
Children's Home - Chamblis Shelter	347,500	347,500	347,500	-
Fortwood Center	55,000	55,000	55,000	-
Joe Johnson Mental Health	60,000	60,000	60,000	-
Speech & Hearing Center	67,700	67,700	67,700	-
Orange Grove	30,000	30,000	30,000	-
Signal Center	30,000	30,000	30,000	-
AIM Center, Inc	60,000	60,000	60,000	-
Bethlehem Center	25,000	25,000	25,000	-
Component Unit Appropriations:				
CARTA Subsidy	4,867,440	4,867,440	4,867,440	-
Election Expense	-	-	14,917	14,917
Unemployment Insurance	85,000	85,000	73,099	(11,901)
Contingency Fund	992,587	942,587	220,511	(722,076)
Renewal & Replacement	1,256,027	1,256,027	356,271	(899,756)
Audits, Dues & Surveys	457,220	457,220	120,620	(336,600)
Intergovernmental Relations	366,500	366,500	141,551	(224,949)
City Water Quality Mgmt Fees	446,400	446,400	438,948	(7,452)
Liability Insurance Premiums	800,000	800,000	800,000	-
Education Per TCA 57-4-306	1,085,750	1,085,750	995,037	(90,713)
Tuition Assistance Program	20,000	20,000	18,352	(1,648)
Designated expenditures:				
General government programs:				
CARTA Parking Meters	1,831,882	1,831,882	1,831,882	-
Office of Sustainability Programs	6,550	6,550	31,171	24,621
Automated Traffic Enforcement	947,126	947,126	1,409,130	462,004
General government grants:				
EPA - Brownfield	-	-	197,597	197,597
ARRA - Ofc of Sustainability EEC Block Grant	-	-	(3,800)	(3,800)
Public Library	6,391,144	6,391,144	6,138,311	(252,833)
Economic Development	10,878,334	9,678,334	8,609,710	(1,068,624)
Total general government	43,928,680	42,728,680	39,818,029	(2,910,651)
Executive Office of the Mayor:				
Executive Office Admin	1,388,250	1,388,250	1,230,170	(158,080)
Multicultural Affairs	238,005	238,005	199,491	(38,514)
Designated expenditures:				
Go Fest	-	-	5,393	5,393
Gang Task Force Be the Change	3,693	3,693	-	(3,693)
Gang Task Force Urban Art	7,500	7,500	-	(7,500)
Code for America	365,922	365,922	365,922	-
Family Justice Center Grant	37,869	37,869	37,869	-
Total executive office	2,041,239	2,041,239	1,838,845	(202,394)

(Continued on next page)



**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Finance and administration:				
Finance Office	\$ 3,442,215	\$ 3,442,215	\$ 3,182,091	\$ (260,124)
Office of the City Treasurer	971,544	971,544	739,094	(232,450)
City Court Clerk's Office	1,178,139	1,178,139	1,244,863	66,724
<b>Total finance and administration</b>	<b>5,591,898</b>	<b>5,591,898</b>	<b>5,166,048</b>	<b>(425,850)</b>
General services:				
General Services Administration	568,967	568,967	515,054	(53,913)
Purchasing	808,146	808,146	750,157	(57,989)
Building Maintenance	1,356,045	1,356,045	1,392,578	36,533
Real Estate	63,700	63,700	77,872	14,172
Farmer's Market	13,950	13,950	3,493	(10,457)
Zoo	671,728	671,728	671,569	(159)
Civic Facilities	1,700,937	1,700,937	1,565,554	(135,383)
Designated expenditures:				
Heritage Hall & Museum	133,421	133,421	124,702	(8,719)
DRC Building Operations	162,802	162,802	146,141	(16,661)
Brainerd Golf Course	840,325	840,325	815,482	(24,843)
Brown Acres Golf Course	931,775	931,775	878,222	(53,553)
<b>Total general services</b>	<b>7,251,796</b>	<b>7,251,796</b>	<b>6,940,824</b>	<b>(310,972)</b>
Human resources:				
Human Resource Administration	1,354,187	1,354,187	1,222,416	(131,771)
Insurance Officer and Programs	525,328	525,328	451,866	(73,462)
<b>Total human resources</b>	<b>1,879,515</b>	<b>1,879,515</b>	<b>1,674,282</b>	<b>(205,233)</b>
Economic and community development:				
Neighborhood Services Administration	957,001	957,001	803,912	(153,089)
Codes & Community Services	1,401,106	1,401,106	1,402,658	1,552
Outdoor Chattanooga	397,436	397,436	379,748	(17,688)
Economic & Community Development Initiatives	100,000	100,000	100,000	-
Public Art Initiative	105,588	105,588	97,596	(7,992)
Land Development Office	2,772,792	2,772,792	2,566,427	(206,365)
Designated expenditures:				
Neighborhood Partners Projects & Initiatives	50,000	50,000	34,597	(15,403)
Riverpark Art Management	-	-	26,534	26,534
<b>Total economic and community development</b>	<b>5,783,923</b>	<b>5,783,923</b>	<b>5,411,472</b>	<b>(372,451)</b>
Police:				
Police Administration	2,589,540	2,589,540	2,118,572	(470,968)
Uniform Services	24,364,463	24,364,463	23,316,518	(1,047,945)
Investigative Services	10,236,012	10,236,012	9,537,556	(698,456)
Support Services	17,826,756	17,826,756	18,635,849	809,093
Designated expenditures:				
Reduction of Part 1 Offenses	-	-	46,739	46,739
Police Special Programs	-	-	21,910	21,910
Law Enforcement Planning	237,774	237,774	182,125	(55,649)
Other Police Grants	2,407,785	2,407,785	1,301,182	(1,106,603)
<b>Total police</b>	<b>57,662,330</b>	<b>57,662,330</b>	<b>55,160,451</b>	<b>(2,501,879)</b>

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Year Ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Fire:				
Fire Administration	\$ 762,071	\$ 762,071	\$ 517,150	\$ (244,921)
Fire Marshall	1,126,028	1,126,028	1,283,714	157,686
Station Operations	34,177,091	34,177,091	32,909,102	(1,267,989)
Safety, Training and Tactical Services	1,911,153	1,911,153	2,569,549	658,396
Designated expenditures:				
Fire Programs and Grants	258,107	258,107	262,377	4,270
Total fire	38,234,450	38,234,450	37,541,892	(692,558)
Public works:				
Public Works Administration	722,573	722,573	754,958	32,385
City Engineer's Office	2,121,331	2,121,331	1,875,874	(245,457)
Utilities	205,361	205,361	190,882	(14,479)
Solid Waste Disposal	6,403,570	6,403,570	6,403,570	-
City-wide Services Administration	1,112,428	1,112,428	1,166,118	53,690
Emergency	920,340	920,340	812,564	(107,776)
Street Cleaning	2,350,493	2,350,493	2,584,143	233,650
Waste Pickup	6,071,060	6,071,060	6,138,115	67,055
Municipal Forestry	794,214	794,214	776,443	(17,771)
Public works: (continued)				
Storm Stations	63,750	63,750	71,521	7,771
Park Management	3,314,027	3,314,027	3,136,338	(177,689)
Hamilton County Shared Parks Maintenance	2,371,725	2,371,725	2,117,423	(254,302)
Designated expenditures:				
Public Works Programs	-	-	92,904	92,904
Municipal Forestry Grants and Tree Program	-	-	11,641	11,641
Other Public Works Grants	1,451,486	1,451,486	1,451,486	-
Total public works	27,902,358	27,902,358	27,583,980	(318,378)
Transportation:				
Transportation Administration	418,633	418,633	426,065	7,432
Traffic Engineering Administration	1,289,948	1,289,948	1,162,677	(127,271)
Street Lighting	3,146,462	3,146,462	3,014,502	(131,960)
Traffic Operations	2,107,646	2,107,646	2,069,612	(38,034)
Designated expenditures:				
Transportation Grants	-	-	22,243	22,243
Transportation Programs	-	-	8,318	8,318
Total transportation	6,962,689	6,962,689	6,703,417	(259,272)
Youth and family development:				
Youth & Family Development Administration	345,122	345,122	496,521	151,399
Recreation Administration	1,406,318	1,406,318	1,520,324	114,006
Youth Development	975,797	975,797	403,237	(572,560)
Kidz Kamp	95,844	95,844	192,315	96,471
Sports Programs	196,302	196,302	237,038	40,736
Aquatics Programs	169,149	169,149	225,262	56,113
Therapeutic Programs	130,347	130,347	137,089	6,742
Fitness Center	253,413	253,413	249,082	(4,331)
Skatepark	33,500	33,500	39,979	6,479
Champion's Club	305,784	305,784	344,060	38,276

(Continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Youth and family development: (continued)				
Heritage House	\$ 450	\$ 450	\$ 1,073	\$ 623
Summit of Softball	506,382	506,382	438,157	(68,225)
Recreation Centers	3,563,923	3,563,923	3,574,452	10,529
North River Center Programs	99,351	99,351	98,444	(907)
Eastgate Center Programs	184,358	184,358	216,953	32,595
Heritage House Programs	69,475	69,475	78,958	9,483
Cultural Arts Programs	-	-	1,560	1,560
Designated expenditures:				
Recreation Special Programs	-	-	6,617	6,617
Senior & Youth Programming	44,016	44,016	46,882	2,866
Total youth and family development	8,379,531	8,379,531	8,308,003	(71,528)
Total expenditures	205,618,409	204,418,409	196,147,243	(8,271,166)
Excess of revenues over expenditures	27,921,794	29,121,794	41,505,042	12,383,248
OTHER FINANCING SOURCES (USES)				
Transfers in	92,862	92,862	116,847	23,985
Transfers out	(29,834,014)	(33,055,409)	(33,055,409)	-
Total other financing sources (uses)	(29,741,152)	(32,962,547)	(32,938,562)	23,985
Net change in fund balances	(1,819,358)	(3,840,753)	8,566,480	12,407,233
FUND BALANCES, beginning, as previously reported	69,845,599	69,845,599	69,845,599	-
PRIOR PERIOD ADJUSTMENT	299,899	299,899	299,899	-
FUND BALANCE, beginning, as restated	70,145,498	70,145,498	70,145,498	-
FUND BALANCES, ending	\$ 68,326,140	\$ 66,304,745	\$ 78,711,978	\$ 12,407,233

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2014**

	<b>Final Budget</b>					
	Licenses & Permits	Intergovern- mental	Charges for Services	Fines, Forfeitures & penalties	Miscellaneous Revenue	Total
Reduction Part I Programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal Golf Course	-	-	1,921,600	-	7,000	1,928,600
Law Enforcement Planning	-	2,742,018	-	-	-	2,742,018
Economic Development	-	11,514,000	-	-	-	11,514,000
Bessie Smith Hall Maintenance	-	62,653	-	-	-	62,653
Special Programs	1,831,882	1,585,902	258,107	383,400	269,459	4,328,750
Library	-	102,282	216,300	-	105,600	424,182
	<u>1,831,882</u>	<u>16,006,855</u>	<u>2,396,007</u>	<u>383,400</u>	<u>382,059</u>	<u>21,000,203</u>
Total designated revenues	<u>\$ 1,831,882</u>	<u>\$ 16,006,855</u>	<u>\$ 2,396,007</u>	<u>\$ 383,400</u>	<u>\$ 382,059</u>	<u>\$ 21,000,203</u>

**Actual**

Licenses & Permits	Intergovernmental	Charges for Services	Fines, Forfeitures & penalties	Miscellaneous Revenue	Total	Variance Over (Under)
\$ -	\$ -	\$ -	\$ -	\$ 17,562	\$ 17,562	\$ 17,562
-	-	1,664,339	-	14,100	1,678,439	(250,161)
-	1,483,307	-	-	-	1,483,307	(1,258,711)
-	11,340,990	-	-	21,866	11,362,856	(151,144)
-	62,653	-	-	-	62,653	-
1,831,882	1,803,363	511,323	1,123,756	629,307	5,899,631	1,570,881
-	53,582	232,227	-	123,478	409,287	(14,895)
<u>\$ 1,831,882</u>	<u>\$ 14,743,895</u>	<u>\$ 2,407,889</u>	<u>\$ 1,123,756</u>	<u>\$ 806,313</u>	<u>\$ 20,913,735</u>	<u>\$ (86,468)</u>

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2014**

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

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ 8,646,888	\$ 8,646,888	\$ 8,610,163	\$ (36,725)
State of Tennessee funds	4,314,889	4,300,389	3,390,846	(909,543)
United Way	400	400	742	342
Project Warm Neighbors	16,000	16,000	16,108	108
Day care fees	47,800	47,800	47,762	(38)
Donations	7,700	7,700	41,027	33,327
Investment income	-	-	3,026	3,026
Miscellaneous	-	-	491	491
<b>Total revenues</b>	<b>13,033,677</b>	<b>13,019,177</b>	<b>12,110,165</b>	<b>(909,012)</b>
<b>EXPENDITURES</b>				
Administration	838,116	838,116	815,892	(22,224)
Headstart program	8,318,509	8,318,509	8,280,703	(37,806)
Day care	553,200	553,200	557,157	3,957
Food program	145,387	145,387	142,152	(3,235)
Foster grandparent program	495,267	495,267	495,792	525
Low-income energy assistance	2,753,229	2,753,229	2,088,702	(664,527)
Community services block grant	686,400	686,400	609,253	(77,147)
Title II commodities	66,000	66,000	73,623	7,623
Emergency food and shelter	25,000	25,000	18,285	(6,715)
Other programs	53,244	53,244	87,342	34,098
Capital outlay	436,183	436,183	261,768	(174,415)
<b>Total expenditures</b>	<b>14,370,536</b>	<b>14,370,536</b>	<b>13,430,670</b>	<b>(939,866)</b>
Excess (deficiency) of revenues over (under) expenditures	(1,336,858)	(1,351,358)	(1,320,505)	30,853
<b>OTHER FINANCING SOURCES</b>				
Transfers in	1,080,809	1,080,809	1,064,481	(16,328)
<b>Total other financing sources</b>	<b>1,080,809</b>	<b>1,080,809</b>	<b>1,064,481</b>	<b>(16,328)</b>
Net change in fund balances	(256,049)	(270,549)	(256,024)	14,525
FUND BALANCES, beginning	908,490	908,490	908,490	-
FUND BALANCES, ending	\$ 652,441	\$ 637,941	\$ 652,466	\$ 14,525

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ 50,000	\$ 50,000	\$ 48,556	\$ (1,444)
State of Tennessee funds	12,000	12,000	125	(11,875)
Confiscations	200,000	200,000	190,566	(9,434)
Investment income	-	-	2,337	2,337
Miscellaneous	50,000	50,000	71,903	21,903
<b>Total revenues</b>	<b>312,000</b>	<b>312,000</b>	<b>313,487</b>	<b>1,487</b>
<b>EXPENDITURES</b>				
Narcotics program	552,000	552,000	239,335	(312,665)
Capital outlay	-	-	307,934	307,934
<b>Total expenditures</b>	<b>552,000</b>	<b>552,000</b>	<b>547,269</b>	<b>(4,731)</b>
Excess (deficiency) of revenues over (under) expenditures	(240,000)	(240,000)	(233,782)	6,218
<b>OTHER FINANCING USES</b>				
Transfers out	-	(295,000)	(295,000)	-
<b>Total other financing uses</b>	<b>-</b>	<b>(295,000)</b>	<b>(295,000)</b>	<b>-</b>
Net change in fund balances	(240,000)	(535,000)	(528,782)	6,218
FUND BALANCES, beginning	1,961,165	1,961,165	1,961,165	-
FUND BALANCES, ending	\$ 1,721,165	\$ 1,426,165	\$ 1,432,383	\$ 6,218



**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
State of Tennessee funds	\$ 4,280,000	\$ 4,280,000	\$ 4,376,545	\$ 96,545
Miscellaneous	-	-	126	126
<b>Total revenues</b>	<b>4,280,000</b>	<b>4,280,000</b>	<b>4,376,671</b>	<b>96,671</b>
<b>EXPENDITURES</b>				
Salaries and wages	1,800,428	1,800,428	1,696,973	(103,455)
Fringe benefits	986,613	986,613	904,719	(81,894)
Purchased services	63,170	63,170	53,431	(9,739)
Vehicle operations	895,400	895,400	870,905	(24,495)
Materials and supplies	534,389	534,389	386,991	(147,398)
Other expense	-	-	25	25
Capital outlay	-	-	853	853
<b>Total expenditures</b>	<b>4,280,000</b>	<b>4,280,000</b>	<b>3,913,897</b>	<b>(366,103)</b>
Net change in fund balances	-	-	462,774	462,774
FUND BALANCES, beginning	1,136,052	1,136,052	1,136,052	-
FUND BALANCES, ending	\$ 1,136,052	\$ 1,136,052	\$ 1,598,826	\$ 462,774

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ 2,847,217	\$ 2,847,217	\$ 1,606,660	\$ (1,240,557)
State of Tennessee funds	61,509	61,509	76,509	15,000
Investment income	-	-	55,518	55,518
Miscellaneous	368,248	368,248	392,632	24,384
<b>Total revenues</b>	<b>3,276,974</b>	<b>3,276,974</b>	<b>2,131,319</b>	<b>(1,145,655)</b>
<b>EXPENDITURES</b>				
Administration	380,000	380,000	448,655	68,655
Community development programs	782,625	782,625	738,696	(43,929)
Home investment programs	1,100,000	1,100,000	502,748	(597,252)
Emergency shelter programs	118,552	118,552	133,024	14,472
Other programs	251,427	251,427	(337,967)	(589,394)
Capital outlay	-	-	210	210
<b>Total expenditures</b>	<b>2,632,604</b>	<b>2,632,604</b>	<b>1,485,366</b>	<b>(1,147,238)</b>
Excess (deficiency) of revenues over (under) expenditures	644,370	644,370	645,953	1,583
<b>OTHER FINANCING USES</b>				
Transfers out	(982,370)	(982,370)	(982,370)	-
<b>Total other financing uses</b>	<b>(982,370)</b>	<b>(982,370)</b>	<b>(982,370)</b>	<b>-</b>
Net change in fund balances	(338,000)	(338,000)	(336,417)	1,583
FUND BALANCES, beginning	1,662,651	1,662,651	1,662,651	-
FUND BALANCES, ending	\$ 1,324,651	\$ 1,324,651	\$ 1,326,234	\$ 1,583

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Hotel/Motel tax	\$ 5,107,500	\$ 5,107,500	\$ 5,352,640	\$ 245,140
Total revenues	5,107,500	5,107,500	5,352,640	245,140
EXPENDITURES				
Contracted services	139,010	139,010	138,614	(396)
Total expenditures	139,010	139,010	138,614	(396)
Excess (deficiency) of revenues over (under) expenditures	4,968,490	4,968,490	5,214,026	245,536
OTHER FINANCING USES				
Transfers out	(4,968,490)	(4,968,490)	(4,384,888)	583,602
Total other financing uses	(4,968,490)	(4,968,490)	(4,384,888)	583,602
Net change in fund balances	-	-	829,138	829,138
FUND BALANCES, beginning	3,155,014	3,155,014	3,155,014	-
FUND BALANCES, ending	\$ 3,155,014	\$ 3,155,014	\$ 3,984,152	\$ 829,138

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Parking garage income	\$ 250,000	\$ 250,000	\$ 302,177	\$ 52,177
Total revenues	250,000	250,000	302,177	52,177
EXPENDITURES				
Contracted services	250,000	250,000	132,776	(117,224)
Total expenditures	250,000	250,000	132,776	(117,224)
Net change in fund balances	-	-	169,401	169,401
FUND BALANCES, beginning	657,892	657,892	657,892	-
FUND BALANCES, ending	\$ 657,892	\$ 657,892	\$ 827,293	\$ 169,401

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
State of Tennessee funds	\$ 839,473	\$ 839,473	\$ 558,374	\$ (281,099)
Hamilton County funds	618,859	618,859	618,859	-
Other intergovernmental	-	-	45,694	45,694
Contributions	-	-	25,000	25,000
Miscellaneous	92,000	92,000	98,574	6,574
<b>Total revenues</b>	<b>1,550,332</b>	<b>1,550,332</b>	<b>1,346,501</b>	<b>(203,831)</b>
<b>EXPENDITURES</b>				
Administration	2,764,222	2,764,222	2,439,628	(324,594)
Transportation planning	1,097,070	1,097,070	739,302	(357,768)
Other program	-	-	10,766	10,766
Capital outlay	30,439	30,439	17,710	(12,729)
<b>Total expenditures</b>	<b>3,891,731</b>	<b>3,891,731</b>	<b>3,207,406</b>	<b>(684,326)</b>
Excess (deficiency) of revenues over (under) expenditures	(2,341,399)	(2,341,399)	(1,860,905)	480,495
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,561,986	2,422,235	2,422,235	-
<b>Total other financing sources (uses)</b>	<b>2,561,986</b>	<b>2,422,235</b>	<b>2,422,235</b>	<b>-</b>
Net change in fund balances	220,587	80,836	561,330	480,495
FUND BALANCES, beginning	2,644,873	2,644,873	2,644,873	-
FUND BALANCES, ending	\$ 2,865,460	\$ 2,725,708	\$ 3,206,203	\$ 480,495

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ 367,595	\$ 367,595	\$ 366,871	\$ (724)
Hamilton County funds	188,548	188,548	188,548	-
Permits	469,430	469,430	490,898	21,468
Total revenues	<u>1,025,573</u>	<u>1,025,573</u>	<u>1,046,317</u>	<u>20,744</u>
<b>EXPENDITURES</b>				
Operations	1,422,455	1,422,455	1,388,271	(34,184)
Special programs	-	-	23,709	23,709
Capital outlay	-	7,500	5,532	(1,968)
Total expenditures	<u>1,422,455</u>	<u>1,429,955</u>	<u>1,417,512</u>	<u>(12,443)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(396,882)</u>	<u>(404,382)</u>	<u>(371,195)</u>	<u>33,187</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>270,820</u>	<u>270,820</u>	<u>270,820</u>	<u>-</u>
Total other financing sources	<u>270,820</u>	<u>270,820</u>	<u>270,820</u>	<u>-</u>
Net change in fund balances	(126,062)	(133,562)	(100,375)	33,187
FUND BALANCES, beginning	<u>858,374</u>	<u>858,374</u>	<u>858,374</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 732,312</u>	<u>\$ 724,812</u>	<u>\$ 757,999</u>	<u>\$ 33,187</u>

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
State of Tennessee funds	\$ 30,000	\$ 30,000	\$ 32,600	\$ 2,600
Total revenues	30,000	30,000	32,600	2,600
<b>EXPENDITURES</b>				
Operations	71,616	71,616	71,125	(491)
Total expenditures	71,616	71,616	71,125	(491)
Excess (deficiency) of revenues over (under) expenditures	(41,616)	(41,616)	(38,525)	3,091
<b>OTHER FINANCING SOURCES</b>				
Transfers in	5,000	5,000	5,000	-
Total other financing sources	5,000	5,000	5,000	-
Net change in fund balances	(36,616)	(36,616)	(33,525)	3,091
FUND BALANCES, beginning	203,902	203,902	203,902	-
FUND BALANCES, ending	\$ 167,286	\$ 167,286	\$ 170,377	\$ 3,091

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE**

**SPECIAL REVENUE FUND**

**TENNESSEE VALLEY REGIONAL COMMUNICATIONS FUND**

**Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
State of Tennessee funds	\$ 42,700	\$ 42,700	\$ 72,528	\$ 29,828
Hamilton County funds	184,000	184,000	187,212	3,212
Other intergovernmental	608,700	608,700	662,936	54,236
Charges for services	40,000	40,000	50,185	10,185
Miscellaneous	171,033	171,033	245,925	74,892
<b>Total revenues</b>	<b>1,046,433</b>	<b>1,046,433</b>	<b>1,218,786</b>	<b>172,353</b>
<b>EXPENDITURES</b>				
Operations	1,047,592	1,047,592	911,990	(135,602)
Capital outlay	-	-	25,529	25,529
<b>Total expenditures</b>	<b>1,047,592</b>	<b>1,047,592</b>	<b>937,519</b>	<b>(110,073)</b>
Net change in fund balances	(1,159)	(1,159)	281,267	282,426
FUND BALANCES, beginning	258,157	258,157	258,157	-
FUND BALANCES, ending	<u>\$ 256,998</u>	<u>\$ 256,998</u>	<u>\$ 539,424</u>	<u>\$ 282,426</u>



**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND**

**Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Hamilton County funds	\$ 469,291	\$ 469,291	\$ 471,791	\$ 2,500
Total revenues	469,291	469,291	471,791	2,500
<b>EXPENDITURES</b>				
Principal retirement	15,165,383	15,165,383	12,970,806	(2,194,577)
Interest	7,271,788	7,271,788	6,925,961	(345,827)
Fiscal charges	110,000	110,000	104,239	(5,761)
Total expenditures	22,547,171	22,547,171	20,001,006	(2,546,165)
Excess (deficiency) of revenues over (under) expenditures	(22,077,880)	(22,077,880)	(19,529,215)	2,548,665
<b>OTHER FINANCING SOURCES</b>				
Transfers in	22,077,880	22,077,880	22,073,330	(4,550)
Total other financing sources	22,077,880	22,077,880	22,073,330	(4,550)
Net change in fund balances	-	-	2,544,115	2,544,115
FUND BALANCES, beginning	2,476,637	2,476,637	2,476,637	-
FUND BALANCES, ending	\$ 2,476,637	\$ 2,476,637	\$ 5,020,752	\$ 2,544,115

## **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, 2014**

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<b>GENERAL FUND</b>			
Federal Farm Credit Bank	0.50%	3/30/2016	\$ 17,993,468
Federal Farm Credit Bank	0.40%	11/28/2014	7,518,480
Federal Farm Credit Bank	0.625%	11/28/2014	<u>7,700,000</u>
			<u>33,211,948</u>
Total governmental fund investments excluding permanent funds			<u><u>\$ 33,211,948</u></u>
<b>ENTERPRISE FUNDS</b>			
<b>Interceptor Sewer Fund</b>			
Federal Farm Credit Bank	0.50%	3/30/2016	\$ 18,814,288
Federal Farm Credit Bank	0.40%	8/15/2016	<u>7,518,480</u>
			<u>26,332,768</u>
<b>Chattanooga Downtown Redevelopment Corporation</b>			
Federal National Mortgage Assn Discount	0.00%	9/19/2014	9,668,284
Cash and short term -US Treas Morgan			<u>120,888</u>
			<u>9,789,172</u>
Total enterprise fund investments			<u><u>\$ 36,121,940</u></u>

**CITY OF CHATTANOOGA, TENNESSEE**

**COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE**

**Year Ended June 30, 2014**

TAX YEAR (1)	Property Taxes Receivable Balance 6/30/2013	Property Tax Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance 6/30/2014	Allowance for Uncollectibles	Net Receivable Balance 6/30/2014
2014	\$ -	\$ -	\$ 110,984,213	\$ -	\$ -	\$ 110,984,213	\$ -	\$ 110,984,213
2013	-	114,416,715	-	(803,632)	107,610,482	6,002,601	461,000	5,541,601
2012	6,443,290	-	-	48,338	3,975,590	2,516,038	477,292	2,038,746
2011	2,434,258	-	-	25,240	977,162	1,482,336	483,094	999,242
2010	1,396,072	-	-	(33,023)	772,449	590,600	445,372	145,228
2009	523,251	-	-	(27,545)	118,158	377,548	351,723	25,825
2008	407,198	-	-	(30,741)	36,437	340,020	340,020	-
2007	287,533	-	-	(20,102)	12,029	255,402	255,402	-
2006	198,740	-	-	(1,485)	2,542	194,713	194,713	-
2005	317,512	-	-	(113)	713	316,686	316,686	-
2004	264,212	-	-	-	-	264,212	264,212	-
	<u>\$ 12,272,066</u>	<u>\$ 114,416,715</u>	<u>\$ 110,984,213</u>	<u>\$ (843,063)</u>	<u>\$ 113,505,562</u>	<u>\$ 123,324,369</u>	<u>\$ 3,589,514</u>	<u>\$ 119,734,855</u>

Note:

- (1) All years prior to 2013 have been turned over to the Clerk and Master for collection.
- (2) Accrual of the anticipated current year levy is required by GASB Statement No. 33. The accrual is recorded net of the allowance for uncollectible amounts.

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2014**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>GOVERNMENTAL ACTIVITIES</b>			
2015	\$ 19,305,918	\$ 7,361,277	\$ 26,667,195
2016	17,160,627	6,890,494	24,051,121
2017	15,650,922	6,401,034	22,051,956
2018	16,989,901	5,944,414	22,934,315
2019	15,354,125	5,449,303	20,803,428
2020	15,492,338	4,979,173	20,471,511
2021	13,835,707	4,562,922	18,398,629
2022	14,145,741	4,025,458	18,171,199
2023	14,456,752	3,503,689	17,960,441
2024	14,682,054	2,923,381	17,605,435
2025	13,460,051	2,402,191	15,862,242
2026	13,671,639	1,863,929	15,535,568
2027	11,116,639	1,290,808	12,407,447
2028	8,520,000	900,494	9,420,494
2029	8,620,000	633,494	9,253,494
2030	4,760,000	363,200	5,123,200
2031	4,320,000	172,800	4,492,800
	<u>221,542,414</u>	<u>59,668,061</u>	<u>281,210,475</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
2015	27,505,925	21,031,010	48,536,935
2016	24,290,652	20,044,374	44,335,026
2017	25,301,376	19,012,434	44,313,810
2018	26,322,060	17,910,504	44,232,564
2019	25,644,900	16,758,617	42,403,517
2020	21,422,048	15,719,944	37,141,992
2021	22,365,679	14,809,800	37,175,479
2022	23,135,468	13,798,775	36,934,243
2023	22,994,976	12,802,891	35,797,867
2024	23,943,471	11,814,564	35,758,035
2025	24,502,486	10,725,879	35,228,365
2026	23,205,736	9,635,300	32,841,036
2027	23,606,149	8,540,141	32,146,290
2028	23,878,776	7,411,755	31,290,531
2029	25,540,364	6,211,357	31,751,721
2030	26,417,552	4,946,897	31,364,449
2031	27,705,376	3,626,129	31,331,505
2032	18,971,123	2,480,988	21,452,111
2033	19,685,000	1,525,625	21,210,625
2034	20,670,000	516,750	21,186,750
	<u>477,109,117</u>	<u>219,323,734</u>	<u>696,432,851</u>
Total primary government indebtedness	<u>\$ 698,651,531</u>	<u>\$ 278,991,795</u>	<u>\$ 977,643,326</u>

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2014**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
COMPONENT UNITS			
2015	1,050,830	605,242	1,656,072
2016	1,000,021	560,722	1,560,743
2017	806,350	525,087	1,331,437
2018	827,493	495,278	1,322,771
2019	3,469,295	451,008	3,920,303
2020	400,756	361,768	762,524
2021	420,283	342,241	762,524
2022	439,736	322,788	762,524
2023	460,101	302,423	762,524
2024	6,391,700	281,870	6,673,570
	<u>6,391,700</u>	<u>281,870</u>	<u>6,673,570</u>
Total component units indebtedness	<u>\$ 15,266,565</u>	<u>\$ 4,248,427</u>	<u>\$ 19,514,992</u>

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2014

	Outstanding July 1, 2013	Interest Paid FY2014	Issued FY2014	Retired FY2014	Refunded FY2014	Outstanding June 30, 2014	Maturing FY 2015	Interest Payable FY 2015
GOVERNMENTAL ACTIVITIES								
Serial bonds:								
1998 Public Improvement Refunding	\$ 1,711,400	\$ 81,853	\$ -	\$ 304,600	\$ -	\$ 1,406,800	\$ 321,900	\$ 65,407
2002 Municipal Public Refunding	2,585,000	98,456	-	840,000	-	1,745,000	855,000	58,753
2002 Series A Refunding	314,591	9,537	-	160,055	-	154,536	154,536	3,168
2005A Municipal Public Improvement Refunding	12,137,842	546,566	-	1,396,850	-	10,740,992	1,586,822	480,705
2005A Hotel-Motel Tax Pledge Refunding	4,133,495	188,126	-	400	-	4,133,095	393	188,108
2006A Municipal Public Improvement	14,512,957	576,631	-	1,036,640	-	13,476,317	1,036,640	535,165
2007A Municipal Public Refunding	14,520,000	690,783	-	-	-	14,520,000	-	690,805
2009 Series A General Obligation	36,320,000	1,353,488	-	2,270,000	-	34,050,000	2,270,000	1,285,387
2010 Series A GO Bond	5,705,000	195,338	-	340,000	-	5,365,000	340,000	188,538
2010 Series B Refunding Hotel Motel Tax Pledge	27,362,182	948,867	-	2,087,531	-	25,274,651	2,147,914	907,116
2010 Series B Refunding GO bonds	4,357,818	151,121	-	332,469	-	4,025,349	342,086	144,471
2010 Series C Recovery Zone Bonds	5,810,000	192,500	-	345,000	-	5,465,000	345,000	185,600
2011 Series A General Obligation	24,725,000	776,975	-	1,770,000	-	22,955,000	1,770,000	706,175
2011 Series B Refunding Hotel Motel Tax Pledge	15,595,750	587,318	-	-	-	15,595,750	-	587,318
2011 Series B Refunding GO bonds	1,949,250	73,407	-	-	-	1,949,250	-	73,406
2013 Series Hotel-Motel Tax Pledge	-	69,196	7,420,000	-	-	7,420,000	365,000	296,582
2013 Series General Improvement Bond	-	180,530	19,355,000	-	-	19,355,000	960,000	773,344
Total serial bonds	171,740,285	6,720,692	26,775,000	10,883,545	-	187,631,740	12,495,291	7,170,048
Notes payable:								
1999 Fire Hall Land Note	4,526	173	-	4,526	-	-	-	-
2003 TML Bond Fund	2,110,019	5,092	-	395,854	-	1,714,165	408,565	4,728
2004 TML Bond Fund	15,471,391	37,828	-	1,238,126	-	14,233,265	1,271,322	39,260
2008 Hennen Land Note	242,564	-	-	76,087	-	166,477	56,968	-
2008 HUD Section 108 Loan Program	3,356,000	150,508	-	305,000	-	3,051,000	305,000	138,095
2009 IDB Foreign Trade Zone	15,871	-	-	15,871	-	-	-	-
2010 VAAP Land Note	2,750,000	-	-	-	-	2,750,000	2,750,000	-
2014 Hamilton County Dept of Education	11,763,477	-	-	-	-	11,763,477	1,960,580	-
Total notes payable	35,713,848	193,601	-	2,035,464	-	33,678,384	6,752,435	182,083
Capital leases payable:								
2013 Golf Course Capital Lease	287,958	11,670	-	55,668	-	232,290	58,192	9,146
Total capital leases payable	287,958	11,670	-	55,668	-	232,290	58,192	9,146
Total governmental activities	\$ 207,742,091	\$ 6,925,963	\$ 26,775,000	\$ 12,974,677	\$ -	\$ 221,542,414	\$ 19,305,918	\$ 7,361,277

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CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2014

(continued from previous page)

	Outstanding July 1, 2013	Interest Paid FY2014	Issued FY2014	Retired FY2014	Refunded FY2014	Outstanding June 30, 2014	Maturing FY 2015	Interest Payable FY 2015
BUSINESS TYPE ACTIVITIES:								
Interceptor Sewer System:								
Serial bonds:								
1998 Sewer & Sewage Facilities Refunding	\$ 6,688,600	\$ 319,904	\$ -	\$ 1,190,400	\$ -	\$ 5,498,200	\$ 1,258,100	\$ 255,630
2002 Municipal Public Refunding	4,251,577	125,571	-	3,076,577	-	1,175,000	1,175,000	26,437
2002 Series A Refunding	1,680,409	50,943	-	854,945	-	825,464	825,464	16,922
2005A Municipal Public Improvement Refunding	10,998,694	549,708	-	7,263	-	10,991,431	1,993,724	499,729
Total serial bonds	23,619,280	1,046,126	-	5,129,185	-	18,490,095	5,252,288	798,718
Notes payable:								
1998 State of Georgia Revolving Loan	2,577,669	96,911	-	416,507	-	2,161,162	433,419	79,999
2003 State Revolving Loan	26,077,788	752,235	-	1,865,637	-	24,212,151	1,922,463	695,412
2007 State Revolving Loan	12,129,127	331,824	-	517,044	-	11,612,083	531,660	317,208
2011 State Revolving Loan	5,306,601	120,705	3,810,991	-	-	9,117,592	1,083,000	141,106
Total notes payable	46,091,185	1,301,675	3,810,991	2,799,188	-	47,102,988	3,970,542	1,233,725
Capital leases payable:								
2001 Capital Lease City of Collegedale	37,701	1,515	-	32,139	-	5,562	5,562	46
Total capital leases payable	37,701	1,515	-	32,139	-	5,562	5,562	46
Total Interceptor Sewer System	\$ 69,748,166	\$ 2,349,316	\$ 3,810,991	\$ 7,960,512	\$ -	\$ 65,598,645	\$ 9,228,392	\$ 2,032,489

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CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2014

(continued from previous page)

	Outstanding July 1, 2013	Interest Paid FY2014	Issued FY2014	Retired FY2014	Refunded FY2014	Outstanding June 30, 2014	Maturing FY 2015	Interest Payable FY 2015
Solid Waste & Sanitation Fund:								
Serial bonds:								
2002 Municipal Public Improvement Refunding	\$ 1,075,043	\$ 26,876	\$ -	\$ 1,075,043	\$ -	\$ -	\$ -	\$ -
2005A Municipal Public Improvement Refunding	8,123,370	395,811	-	241,894	-	7,881,476	1,368,050	357,033
2006A Municipal Public Improvement	3,967,043	157,619	-	283,360	-	3,683,683	283,360	146,285
2007A Municipal Public Improvement Refunding	2,480,000	117,990	-	-	-	2,480,000	-	117,990
Total serial bonds	15,645,456	698,296	-	1,600,297	-	14,045,159	1,651,410	621,308
Notes payable:								
2003 TML Bond Fund	213,982	475	-	40,147	-	173,835	41,435	479
2004 TML Bond Fund	376,344	913	-	29,873	-	346,471	30,678	956
Total notes payable	590,326	1,388	-	70,020	-	520,306	72,113	1,435
Total Solid Waste & Sanitation Fund	16,235,782	699,684	-	1,670,317	-	14,565,465	1,723,523	622,743
Water Quality Fund								
Serial bonds:								
2002 Municipal Public Improvement Refunding	803,380	20,085	-	803,380	-	-	-	-
2005A Municipal Public Improvement Refunding	5,141,598	253,937	-	73,591	-	5,068,007	901,010	230,033
2007A Municipal Public Improvement Refunding	750,000	35,683	-	-	-	750,000	-	35,682
2013 General Obligation Water Quailtiy	-	48,918	5,245,000	-	-	5,245,000	260,000	209,544
Total serial bonds	6,694,978	358,623	5,245,000	876,971	-	11,063,007	1,161,010	475,259
Total Water Quality Fund	6,694,978	358,623	5,245,000	876,971	-	11,063,007	1,161,010	475,259
Total business-type activities	92,678,926	3,407,623	9,055,991	10,507,800	-	91,227,117	12,112,925	3,130,491
TOTAL GENERAL OBLIGATION DEBT	\$ 300,421,017	\$ 10,333,586	\$ 35,830,991	\$ 23,482,477	\$ -	\$ 312,769,531	\$ 31,418,843	\$ 10,491,768

Note: General Obligation Serial Bonds reported as self-supporting indebtedness have the pledge of unlimited ad valorem on all taxable property in the City for their repayment. Such bonds are recorded as liabilities of the respective funds and are repaid by the City from the revenues generated from the individual funds activities.

**CITY OF CHATTANOOGA, TENNESSEE**

**ANALYSIS OF REVENUE BONDS AND OTHER DEBT**

**June 30, 2014**

	<u>Outstanding July 1, 2013</u>	<u>Interest Paid FY2014</u>	<u>Issued FY2014</u>	<u>Retired FY2014</u>	<u>Refunded FY2014</u>	<u>Outstanding June 30, 2014</u>	<u>Maturing FY 2015</u>	<u>Interest Payable FY 2015</u>
<b>PRIMARY GOVERNMENT:</b>								
Electric Power Board								
Revenue bonds:								
2006A Electric System Revenue Bonds	\$ 35,475,000	\$ 1,513,600	\$ -	\$ 1,245,000	\$ -	\$ 34,230,000	\$ 1,295,000	\$ 1,455,766
2006B Electric System Refunding Revenue Bonds	21,660,000	851,656	-	1,755,000	-	19,905,000	1,745,000	781,656
2008A Electric System Revenue Bonds	219,830,000	10,719,500	-	3,000,000	-	216,830,000	4,000,000	10,594,500
Total revenue bonds	<u>276,965,000</u>	<u>13,084,756</u>	<u>-</u>	<u>6,000,000</u>	<u>-</u>	<u>270,965,000</u>	<u>7,040,000</u>	<u>12,831,922</u>
Notes payable								
2013 Secured Term Note - Internet	10,861,000	108,197	-	6,084,000	-	4,777,000	3,833,000	35,028
Total notes payable	<u>10,861,000</u>	<u>108,197</u>	<u>-</u>	<u>6,084,000</u>	<u>-</u>	<u>4,777,000</u>	<u>3,833,000</u>	<u>35,028</u>
Total Electric Power Board	<u>287,826,000</u>	<u>13,192,953</u>	<u>-</u>	<u>12,084,000</u>	<u>-</u>	<u>275,742,000</u>	<u>10,873,000</u>	<u>12,866,950</u>
Chatt Downtown Redevelopment Corporation								
Revenue bonds:								
2007 Chatt Lease Rental Rev Ref Bonds	48,930,000	2,341,900	-	90,000	-	48,840,000	90,000	2,338,300
2010 Chatt Lease Rental Rev Ref Bonds	65,605,000	2,826,294	-	4,305,000	-	61,300,000	4,430,000	2,695,269
Total Chatt. Downtown Redev. Corp.	<u>114,535,000</u>	<u>5,168,194</u>	<u>-</u>	<u>4,395,000</u>	<u>-</u>	<u>110,140,000</u>	<u>4,520,000</u>	<u>5,033,569</u>
Total Primary Government	<u>\$ 702,782,017</u>	<u>\$ 28,694,733</u>	<u>\$ 35,830,991</u>	<u>\$ 39,961,477</u>	<u>\$ -</u>	<u>\$ 698,651,531</u>	<u>\$ 46,811,843</u>	<u>\$ 28,392,287</u>

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF REVENUE BONDS AND OTHER DEBT

June 30, 2014

	Outstanding July 1, 2013	Interest Paid FY2014	Issued FY2014	Retired FY2014	Refunded FY2014	Outstanding June 30, 2014	Maturing FY 2015	Interest Payable FY 2015
COMPONENT UNITS								
Metropolitan Airport Authority:								
Revenue bonds:								
2009 Refunding	\$ 5,249,871	\$ 164,603	\$ -	\$ 402,458	\$ -	\$ 4,847,413	\$ 420,989	\$ 139,258
2014 Tax Exempt	-	84,673	5,086,077	70,078	-	5,015,999	171,594	199,771
2014 Taxable	-	102,335	4,913,923	60,633	-	4,853,290	149,026	242,133
Total revenue bonds	<u>5,249,871</u>	<u>351,611</u>	<u>10,000,000</u>	<u>533,169</u>	<u>-</u>	<u>14,716,702</u>	<u>741,609</u>	<u>581,162</u>
Capital leases payable:								
2012 Fuel Facility Capital Lease	151,010	7,066	-	44,929	-	106,081	47,421	4,575
Total capital leases payable	<u>151,010</u>	<u>7,066</u>	<u>-</u>	<u>44,929</u>	<u>-</u>	<u>106,081</u>	<u>47,421</u>	<u>4,575</u>
Total Metropolitan Airport Authority	<u>5,400,881</u>	<u>358,677</u>	<u>10,000,000</u>	<u>578,098</u>	<u>-</u>	<u>14,822,783</u>	<u>789,030</u>	<u>585,737</u>
CARTA								
Note payable:								
Republic Parking System, Inc	690,372	34,172	-	246,590	-	443,782	261,800	19,505
Total CARTA	<u>690,372</u>	<u>34,172</u>	<u>-</u>	<u>246,590</u>	<u>-</u>	<u>443,782</u>	<u>261,800</u>	<u>19,505</u>
Total Component Units	<u>\$ 6,091,253</u>	<u>\$ 392,849</u>	<u>\$ 10,000,000</u>	<u>\$ 824,688</u>	<u>\$ -</u>	<u>\$ 15,266,565</u>	<u>\$ 1,050,830</u>	<u>\$ 605,242</u>

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2014

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2015	1998 Municipal Public Improvement Refunding	5.250%	\$ 321,900	\$ 65,407	\$ 387,307
2016		5.250%	341,300	47,998	389,298
2017		5.250%	361,600	29,547	391,147
2018		5.250%	382,000	10,027	392,027
				<u>1,406,800</u>	<u>152,979</u>
2015	2002 Municipal Public Improvement Refunding	4.380%	855,000	58,753	913,753
2016		4.500%	890,000	20,025	910,025
			<u>1,745,000</u>	<u>78,778</u>	<u>1,823,778</u>
2015	2002 Series A Refunding	4.100%	154,536	3,168	157,704
				<u>154,536</u>	<u>3,168</u>
2015	2003 Note Payable - Tennessee Municipal Bond Fund	0.277%	408,565	4,728	413,293
2016		0.277%	421,276	3,601	424,877
2017		0.277%	434,895	2,439	437,334
2018		0.277%	449,429	1,240	450,669
			<u>1,714,165</u>	<u>12,008</u>	<u>1,726,173</u>
2015	2004 Note Payable - Tennessee Municipal Bond Fund	0.277%	1,271,322	39,260	1,310,582
2016		0.277%	1,305,497	35,753	1,341,250
2017		0.277%	1,340,649	32,152	1,372,801
2018		0.277%	1,375,801	28,454	1,404,255
2019		0.277%	1,412,905	24,659	1,437,564
2020		0.277%	1,450,986	20,762	1,471,748
2021		0.277%	1,489,067	16,760	1,505,827
2022		0.277%	1,529,101	12,653	1,541,754
2023		0.277%	1,570,112	8,435	1,578,547
2024		0.277%	1,359,414	4,104	1,363,518
2025		0.277%	128,411	354	128,765
			<u>14,233,265</u>	<u>223,346</u>	<u>14,456,611</u>
2015	2005 A Hotel-Motel Tax Refunding	5.00%	393	188,108	188,501
2016		5.00%	14,336	187,740	202,076
2017		5.00%	16,000	186,982	202,982
2018		5.00%	16,500	186,169	202,669
2019		5.00%	1,967,390	136,572	2,103,962
2020		4.13%	2,118,476	43,694	2,162,170
			<u>4,133,095</u>	<u>929,265</u>	<u>5,062,360</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2014**

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2015	2005 Series A Refunding	5.00%	\$ 1,586,822	\$ 480,705	\$ 2,067,527
2016		5.00%	1,673,199	399,204	2,072,403
2017		5.00%	1,759,427	313,388	2,072,815
2018		5.00%	1,859,275	222,921	2,082,196
2019		5.00%	1,956,612	127,524	2,084,136
2020		4.13%	1,905,657	39,304	1,944,961
			<u>10,740,992</u>	<u>1,583,046</u>	<u>12,324,038</u>
2015	2006 A Municipal Public Improvement	4.00%	1,036,640	535,165	1,571,805
2016		5.00%	1,036,640	488,517	1,525,157
2017		4.00%	1,036,640	441,868	1,478,508
2018		4.00%	1,036,640	400,402	1,437,042
2019		4.00%	1,036,639	358,937	1,395,576
2020		4.13%	1,036,640	316,823	1,353,463
2021		4.25%	1,036,640	273,414	1,310,054
2022		4.25%	1,036,640	229,357	1,265,997
2023		4.00%	1,036,640	186,595	1,223,235
2024		4.00%	1,036,640	145,130	1,181,770
2025		4.00%	1,036,640	103,664	1,140,304
2026		4.00%	1,036,639	62,198	1,098,837
2027		4.00%	1,036,639	20,733	1,057,372
			<u>13,476,317</u>	<u>3,562,803</u>	<u>17,039,120</u>
2015	2007 A Municipal Public Improvement Refunding	5.00%	-	690,805	690,805
2016		5.00%	-	690,805	690,805
2017		5.00%	-	690,805	690,805
2018		5.00%	-	690,805	690,805
2019		5.00%	-	690,805	690,805
2020		5.00%	-	690,805	690,805
2021		5.00%	2,120,000	690,805	2,810,805
2022		4.30%	2,235,000	584,805	2,819,805
2023		5.00%	2,345,000	488,700	2,833,700
2024		4.75%	2,470,000	371,450	2,841,450
2025	4.75%	2,605,000	254,125	2,859,125	
2026	4.75%	2,745,000	130,388	2,875,388	
			<u>14,520,000</u>	<u>6,665,103</u>	<u>21,185,103</u>
2015	2008 Hennen Notes Payable	0.00%	56,968	-	56,968
2016		0.00%	56,968	-	56,968
2017		0.00%	52,541	-	52,541
			<u>166,477</u>	<u>-</u>	<u>166,477</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2014**

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2015	2008 Section 108 HUD Loan	4.00%	\$ 305,000	\$ 138,095	\$ 443,095
2016		4.00%	305,000	125,178	430,178
2017		4.00%	305,000	111,743	416,743
2018		4.00%	305,000	97,957	402,957
2019		4.00%	305,000	83,957	388,957
2020		4.00%	305,000	69,485	374,485
2021		4.00%	305,000	54,494	359,494
2022		4.00%	305,000	39,229	344,229
2023		4.00%	305,000	23,705	328,705
2024		4.00%	306,000	7,941	313,941
			<u>3,051,000</u>	<u>751,784</u>	<u>3,802,784</u>
2015	2009 Series A General Obligation	3.00%	2,270,000	1,285,387	3,555,387
2016		3.00%	2,270,000	1,217,288	3,487,288
2017		3.00%	2,270,000	1,149,187	3,419,187
2018		3.25%	2,270,000	1,078,250	3,348,250
2019		3.50%	2,270,000	1,001,637	3,271,637
2020		4.00%	2,270,000	916,513	3,186,513
2021		4.00%	2,270,000	825,712	3,095,712
2022		4.00%	2,270,000	734,913	3,004,913
2023		4.00%	2,270,000	644,112	2,914,112
2024		4.13%	2,270,000	551,894	2,821,894
2025		4.25%	2,270,000	456,837	2,726,837
2026		4.38%	2,270,000	358,944	2,628,944
2027		4.50%	2,270,000	258,212	2,528,212
2028		4.50%	2,270,000	156,063	2,426,063
2029		4.63%	2,270,000	52,494	2,322,494
			<u>34,050,000</u>	<u>10,687,443</u>	<u>44,737,443</u>
2015	2010 Series A General Obligation	2.00%	340,000	188,538	528,538
2016		2.50%	335,000	181,738	516,738
2017		2.75%	335,000	173,363	508,363
2018		3.00%	335,000	164,150	499,150
2019		3.25%	335,000	154,100	489,100
2020		3.25%	335,000	143,212	478,212
2021		3.50%	335,000	132,325	467,325
2022		4.00%	335,000	120,600	455,600
2023		4.00%	335,000	107,200	442,200
2024		4.00%	335,000	93,800	428,800
2025		4.00%	335,000	80,400	415,400
2026		4.00%	335,000	67,000	402,000
2027		4.00%	335,000	53,600	388,600
2028		4.00%	335,000	40,200	375,200
2029		4.00%	335,000	26,800	361,800
2030	4.00%	335,000	13,400	348,400	
			<u>5,365,000</u>	<u>1,740,425</u>	<u>7,105,425</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2014**

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**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2015	2010 Series B Refunding Hotel Motel	2.00%	\$ 2,147,914	\$ 907,116	\$ 3,055,030
2016		2.50%	2,208,297	864,158	3,072,455
2017		2.75%	1,535,457	803,430	2,338,887
2018		3.00%	1,626,031	757,366	2,383,397
2019		3.00%	133,705	708,585	842,290
2020		3.25%	138,019	704,240	842,259
2021		3.50%	2,005,582	699,409	2,704,991
2022		4.00%	2,139,288	619,186	2,758,474
2023		4.00%	2,277,306	533,614	2,810,920
2024		4.00%	90,575	442,522	533,097
2025		4.00%	90,575	438,899	529,474
2026		4.00%	94,888	435,276	530,164
2027		4.00%	99,201	431,481	530,682
2028		4.00%	103,514	427,512	531,026
2029		4.00%	3,334,011	423,372	3,757,383
2030		4.00%	3,523,787	290,012	3,813,799
2031		4.00%	3,726,501	149,060	3,875,561
			<u>25,274,651</u>	<u>9,635,238</u>	<u>34,909,889</u>
2015	2010 Series B Refunding General Obligation	2.00%	342,086	144,471	486,557
2016		2.50%	351,703	137,630	489,333
2017		2.75%	244,543	127,958	372,501
2018		3.00%	258,969	120,621	379,590
2019		3.00%	21,295	112,852	134,147
2020		3.25%	21,981	112,160	134,141
2021		3.50%	319,418	111,391	430,809
2022		4.00%	340,712	98,615	439,327
2023		4.00%	362,694	84,986	447,680
2024		4.00%	14,425	70,478	84,903
2025		4.00%	14,425	69,901	84,326
2026		4.00%	15,112	69,324	84,436
2027		4.00%	15,799	68,719	84,518
2028		4.00%	16,486	68,087	84,573
2029		4.00%	530,989	67,428	598,417
2030		4.00%	561,213	46,188	607,401
2031		4.00%	593,499	23,740	617,239
			<u>4,025,349</u>	<u>1,534,549</u>	<u>5,559,898</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2014**

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**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2015	2010 Series C Recovery Zone	2.500%	\$ 345,000	\$ 185,600	\$ 530,600
2016		3.000%	345,000	176,975	521,975
2017		3.000%	345,000	166,625	511,625
2018		3.000%	345,000	156,275	501,275
2019		3.000%	345,000	145,925	490,925
2020		3.000%	340,000	135,575	475,575
2021		2.000%	340,000	125,375	465,375
2022		3.125%	340,000	115,175	455,175
2023		3.250%	340,000	104,550	444,550
2024		3.500%	340,000	93,500	433,500
2025		4.000%	340,000	81,600	421,600
2026		4.000%	340,000	68,000	408,000
2027		4.000%	340,000	54,400	394,400
2028		4.000%	340,000	40,800	380,800
2029		4.000%	340,000	27,200	367,200
2030	4.000%	340,000	13,600	353,600	
			<u>5,465,000</u>	<u>1,691,175</u>	<u>7,156,175</u>
2015	2010 VAAP Note	0.00%	2,750,000	-	2,750,000
			<u>2,750,000</u>	<u>-</u>	<u>2,750,000</u>
2015	2011 Series A General Obligation	4.00%	1,770,000	706,175	2,476,175
2016		4.00%	1,765,000	635,475	2,400,475
2017		1.50%	1,770,000	586,900	2,356,900
2018		2.00%	1,765,000	555,975	2,320,975
2019		3.00%	1,765,000	511,850	2,276,850
2020		3.00%	1,765,000	458,900	2,223,900
2021		4.00%	1,765,000	397,125	2,162,125
2022		4.00%	1,765,000	326,525	2,091,525
2023		2.50%	1,765,000	269,162	2,034,162
2024		3.00%	1,765,000	220,625	1,985,625
2025		3.00%	1,765,000	167,675	1,932,675
2026	4.00%	1,765,000	105,900	1,870,900	
2027	4.00%	1,765,000	35,300	1,800,300	
			<u>22,955,000</u>	<u>4,977,587</u>	<u>27,932,587</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2014

(continued from previous page)

<u>DIRECT INDEBTEDNESS</u>						
Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal	
2015	2011 Series B Refunding Hotel Motel	0.00%	\$ -	\$ 587,318	\$ 587,318	
2016		0.00%	-	587,319	587,319	
2017		0.00%	-	587,318	587,318	
2018		3.00%	1,008,901	572,185	1,581,086	
2019		2.00%	22,223	556,829	579,052	
2020		2.00%	22,223	556,385	578,608	
2021		2.25%	26,667	555,862	582,529	
2022		2.50%	26,667	555,229	581,896	
2023		2.63%	26,667	554,546	581,213	
2024		4.00%	2,555,587	503,084	3,058,671	
2025		4.00%	2,715,590	397,661	3,113,251	
2026		4.00%	2,888,925	285,570	3,174,495	
2027		4.00%	3,062,260	166,547	3,228,807	
2028	3.25%	3,240,040	52,651	3,292,691		
			<u>15,595,750</u>	<u>6,518,504</u>	<u>22,114,254</u>	
2015	2011 Series B Refunding General Obligation	0.00%	-	73,406	73,406	
2016		0.00%	-	73,407	73,407	
2017		0.00%	-	73,406	73,406	
2018		3.00%	126,099	71,515	197,614	
2019		2.00%	2,777	69,596	72,373	
2020		2.00%	2,777	69,540	72,317	
2021		2.25%	3,333	69,475	72,808	
2022		2.50%	3,333	69,396	72,729	
2023		2.63%	3,333	69,310	72,643	
2024		4.00%	319,413	62,879	382,292	
2025		4.00%	339,410	49,702	389,112	
2026		4.00%	361,075	35,692	396,767	
2027		4.00%	382,740	20,816	403,556	
2028	3.25%	404,960	6,581	411,541		
			<u>1,949,250</u>	<u>814,721</u>	<u>2,763,971</u>	
2015	2013 Golf Course Capital Lease	0.00%	58,192	9,146	67,338	
2016		0.00%	60,831	6,507	67,338	
2017		0.00%	63,590	3,748	67,338	
2018		3.00%	49,677	926	50,603	
			<u>232,290</u>	<u>20,327</u>	<u>252,617</u>	

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2014

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**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2015	2013 Hotel-Motel Tax	2.00%	\$ 365,000	\$ 296,582	\$ 661,582
2016		5.00%	505,000	280,307	785,307
2017		5.00%	505,000	255,057	760,057
2018		5.00%	505,000	229,807	734,807
2019		2.00%	505,000	212,131	717,131
2020		5.00%	505,000	194,456	699,456
2021		5.00%	505,000	169,206	674,206
2022		5.00%	505,000	143,956	648,956
2023		5.00%	505,000	118,706	623,706
2024		3.00%	505,000	98,506	603,506
2025		3.00%	505,000	83,355	588,355
2026		3.13%	505,000	67,890	572,890
2027		4.00%	500,000	50,000	550,000
2028		4.00%	500,000	30,000	530,000
2029	4.00%	500,000	10,000	510,000	
			<u>7,420,000</u>	<u>2,239,959</u>	<u>9,659,959</u>
2015	2013 General Improvement Bond	2.00%	960,000	773,344	1,733,344
2016		5.00%	1,315,000	730,869	2,045,869
2017		5.00%	1,315,000	665,119	1,980,119
2018		5.00%	1,315,000	599,369	1,914,369
2019		2.00%	1,315,000	553,344	1,868,344
2020		5.00%	1,315,000	507,319	1,822,319
2021		5.00%	1,315,000	441,569	1,756,569
2022		5.00%	1,315,000	375,819	1,690,819
2023		5.00%	1,315,000	310,068	1,625,068
2024		3.00%	1,315,000	257,468	1,572,468
2025		3.00%	1,315,000	218,018	1,533,018
2026		3.13%	1,315,000	177,747	1,492,747
2027		4.00%	1,310,000	131,000	1,441,000
2028		4.00%	1,310,000	78,600	1,388,600
2029	4.00%	1,310,000	26,200	1,336,200	
			<u>19,355,000</u>	<u>5,845,853</u>	<u>25,200,853</u>
2015	2014 Hamilton County Dept of Education	0.00%	1,960,580	-	1,960,580
2016		0.00%	1,960,580	-	1,960,580
2017		0.00%	1,960,580	-	1,960,580
2018		0.00%	1,960,579	-	1,960,579
2019		0.00%	1,960,579	-	1,960,579
2020		0.00%	1,960,579	-	1,960,579
			<u>11,763,477</u>	<u>-</u>	<u>11,763,477</u>
Total direct indebtedness			<u>221,542,414</u>	<u>59,668,061</u>	<u>281,210,475</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2014

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2015	1998 Municipal Public Improvement Refunding	5.25%	\$ 1,258,100	\$ 255,630	\$ 1,513,730
2016		5.25%	1,333,700	187,596	1,521,296
2017		5.25%	1,413,400	115,484	1,528,884
2018		5.25%	1,493,000	39,191	1,532,191
				<u>5,498,200</u>	<u>597,901</u>
2015	Georgia Environmental Facilities Authority	4.00%	433,419	79,999	513,418
2016		4.00%	451,017	62,401	513,418
2017		4.00%	469,331	44,087	513,418
2018		4.00%	488,387	25,031	513,418
2019		4.00%	319,008	5,803	324,811
			<u>2,161,162</u>	<u>217,321</u>	<u>2,378,483</u>
2015	2001 Capital Lease City of Collegedale	6.68%	5,562	46	5,608
			<u>5,562</u>	<u>46</u>	<u>5,608</u>
2015	2002 Municipal Public Improvement Refunding	4.50%	1,175,000	26,437	1,201,437
			<u>1,175,000</u>	<u>26,437</u>	<u>1,201,437</u>
2015	2002 Series A Refunding	4.10%	825,464	16,922	842,386
			<u>825,464</u>	<u>16,922</u>	<u>842,386</u>
2015	2003 State Revolving Loan	2.98%	1,922,463	695,412	2,617,875
2016		2.98%	1,980,540	637,332	2,617,872
2017		2.98%	2,040,373	577,500	2,617,873
2018		2.98%	2,102,014	515,856	2,617,870
2019		2.98%	2,165,817	452,052	2,617,869
2020		2.98%	2,230,938	386,940	2,617,878
2021		2.98%	2,298,336	319,536	2,617,872
2022		2.98%	2,367,768	250,104	2,617,872
2023		2.98%	2,439,300	178,572	2,617,872
2024		2.98%	2,512,992	104,880	2,617,872
2025		2.98%	2,151,610	26,541	2,178,151
			<u>24,212,151</u>	<u>4,144,725</u>	<u>28,356,876</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2014

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**INTERCEPTOR SEWER SYSTEM**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2015	2005 Series A Refunding	5.00%	\$ 1,993,724	\$ 499,729	\$ 2,493,453
2016		5.00%	2,085,759	397,742	2,483,501
2017		5.00%	2,191,790	290,803	2,482,593
2018		5.00%	2,302,679	178,441	2,481,120
2019		5.00%	2,417,479	60,437	2,477,916
			<u>10,991,431</u>	<u>1,427,152</u>	<u>12,418,583</u>
2015	2007 State Revolving Loan	2.79%	531,660	317,208	848,868
2016		2.79%	546,684	302,184	848,868
2017		2.79%	562,128	286,740	848,868
2018		2.79%	578,016	270,852	848,868
2019		2.79%	594,348	254,520	848,868
2020		2.79%	611,148	237,720	848,868
2021		2.79%	628,416	220,452	848,868
2022		2.79%	646,176	202,692	848,868
2023		2.79%	664,428	184,440	848,868
2024		2.79%	683,208	165,660	848,868
2025		2.79%	702,516	146,352	848,868
2026		2.79%	722,376	126,492	848,868
2027		2.79%	742,788	106,080	848,868
2028		2.79%	763,776	85,092	848,868
2029		2.79%	785,364	63,504	848,868
2030		2.79%	807,552	41,316	848,868
2031		2.79%	830,376	18,492	848,868
2032	2.79%	211,123	1,001	212,124	
			<u>11,612,083</u>	<u>3,030,797</u>	<u>14,642,880</u>
2015	2011 State Revolving Loan	2.00%	1,083,000	141,106	1,224,106
2016		2.00%	1,104,660	119,446	1,224,106
2017		2.00%	1,126,753	97,353	1,224,106
2018		2.00%	1,149,288	74,818	1,224,106
2019		2.00%	1,172,274	51,835	1,224,109
2020		2.00%	1,195,719	28,387	1,224,106
2021		2.00%	1,219,634	45,718	1,265,352
2022		2.00%	1,066,264	21,325	1,087,589
			<u>9,117,592</u>	<u>579,988</u>	<u>9,697,580</u>
	Total Interceptor Sewer System indebtedness		<u>65,598,645</u>	<u>10,041,289</u>	<u>75,639,934</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2014**

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**SOLID WASTE/SANITATION FUND**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2015	2003 Note Payable - Tennessee Municipal Bond Fund	0.277%	\$ 41,435	\$ 479	\$ 41,914
2016		0.277%	42,724	365	43,089
2017		0.277%	44,105	247	44,352
2018		0.277%	45,571	126	45,697
				<u>173,835</u>	<u>1,217</u>
2015	2004 Note Payable - Tennessee Municipal Bond Fund	0.277%	30,678	956	31,634
2016		0.277%	31,503	871	32,374
2017		0.277%	32,351	784	33,135
2018		0.277%	33,199	695	33,894
2019		0.277%	34,095	603	34,698
2020		0.277%	35,014	509	35,523
2021		0.277%	35,933	413	36,346
2022		0.277%	36,899	314	37,213
2023		0.277%	37,888	212	38,100
2024		0.277%	38,911	107	39,018
			<u>346,471</u>	<u>5,464</u>	<u>351,935</u>
2015	2005 Series A Refunding	5.00%	1,368,050	357,033	1,725,083
2016		5.00%	1,433,438	286,996	1,720,434
2017		5.00%	1,506,507	213,497	1,720,004
2018		5.00%	1,584,570	136,220	1,720,790
2019		5.00%	1,664,360	54,997	1,719,357
2020		4.13%	324,551	6,694	331,245
			<u>7,881,476</u>	<u>1,055,437</u>	<u>8,936,913</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2014

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**SOLID WASTE/SANITATION FUND**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2015	2006 Series A Municipal Public Improvement	4.00%	\$ 283,360	\$ 146,285	\$ 429,645
2016		5.00%	283,360	133,533	416,893
2017		4.00%	283,361	120,782	404,143
2018		4.00%	283,360	109,448	392,808
2019		4.00%	283,360	98,113	381,473
2020		4.13%	283,360	86,602	369,962
2021		4.25%	283,360	74,736	358,096
2022		4.25%	283,361	62,693	346,054
2023		4.00%	283,360	51,005	334,365
2024		4.00%	283,360	39,671	323,031
2025		4.00%	283,360	28,336	311,696
2026		4.00%	283,360	17,002	300,362
2027		4.00%	283,361	5,667	289,028
			<u>3,683,683</u>	<u>973,873</u>	<u>4,657,556</u>
2015	2007 Series A Municipal Public Improvement Refunding	5.00%	-	117,990	117,990
2016		5.00%	-	117,990	117,990
2017		5.00%	-	117,990	117,990
2018		5.00%	-	117,990	117,990
2019		5.00%	-	117,990	117,990
2020		5.00%	-	117,990	117,990
2021		5.00%	360,000	117,990	477,990
2022		4.30%	380,000	99,990	479,990
2023		5.00%	400,000	83,650	483,650
2024		4.75%	425,000	63,650	488,650
2025		4.75%	445,000	43,463	488,463
2026	4.75%	470,000	22,325	492,325	
			<u>2,480,000</u>	<u>1,139,008</u>	<u>3,619,008</u>
Total SolidWaste/Sanitation Fund indebtedness			<u>14,565,465</u>	<u>3,174,999</u>	<u>17,740,464</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2014

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<b><u>WATER QUALITY FUND</u></b>					
Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2015	2005 Series A Refunding	5.000%	\$ 901,010	\$ 230,033	\$ 1,131,043
2016		5.000%	943,267	183,926	1,127,193
2017		5.000%	991,277	135,562	1,126,839
2018		5.000%	1,041,976	84,731	1,126,707
2019		5.000%	1,094,159	31,328	1,125,487
2020		4.125%	96,318	1,987	98,305
				<u>5,068,007</u>	<u>667,567</u>
2015	2007 Series A Municipal Public Improvement	5.000%	-	35,682	35,682
2016		5.000%	-	35,683	35,683
2017		5.000%	-	35,682	35,682
2018		5.000%	-	35,683	35,683
2019		5.000%	-	35,682	35,682
2020		5.000%	-	35,683	35,683
2021		5.000%	110,000	35,682	145,682
2022		4.300%	115,000	30,183	145,183
2023		5.000%	120,000	25,237	145,237
2024		4.750%	130,000	19,238	149,238
2025		4.750%	135,000	13,062	148,062
2026		4.750%	140,000	6,650	146,650
			<u>750,000</u>	<u>344,147</u>	<u>1,094,147</u>
2015	2013 General Obligation	2.000%	260,000	209,544	469,544
2016		5.000%	360,000	197,944	557,944
2017		5.000%	360,000	179,944	539,944
2018		5.000%	355,000	162,069	517,069
2019		2.000%	360,000	149,594	509,594
2020		5.000%	355,000	137,119	492,119
2021		5.000%	355,000	119,369	474,369
2022		5.000%	355,000	101,619	456,619
2023		5.000%	355,000	83,869	438,869
2024		3.000%	355,000	69,668	424,668
2025		3.000%	355,000	59,017	414,017
2026		3.125%	355,000	48,147	403,147
2027		4.000%	355,000	35,500	390,500
2028		4.000%	355,000	21,300	376,300
2029	4.000%	355,000	7,100	362,100	
			<u>5,245,000</u>	<u>1,581,803</u>	<u>6,826,803</u>
Total Water Quality Fund indebtedness			<u>11,063,007</u>	<u>2,593,517</u>	<u>13,656,524</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2014

(continued from previous page)

**CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2015	2007 Lease Rental Revenue Refunding Bonds	4.000%	\$ 90,000	\$ 2,338,300	\$ 2,428,300
2016		4.000%	95,000	2,334,600	2,429,600
2017		4.000%	100,000	2,330,700	2,430,700
2018		4.000%	105,000	2,326,600	2,431,600
2019		4.000%	105,000	2,322,400	2,427,400
2020		4.125%	110,000	2,318,031	2,428,031
2021		4.200%	115,000	2,313,348	2,428,348
2022		4.250%	120,000	2,308,383	2,428,383
2023		4.250%	125,000	2,303,176	2,428,176
2024		4.300%	130,000	2,297,725	2,427,725
2025		4.300%	135,000	2,292,028	2,427,028
2026		4.375%	7,155,000	2,132,609	9,287,609
2027		4.375%	7,465,000	1,812,797	9,277,797
2028		5.000%	7,275,000	1,467,625	8,742,625
2029		5.000%	8,155,000	1,081,875	9,236,875
2030		5.000%	8,565,000	663,875	9,228,875
2031		5.000%	8,995,000	224,875	9,219,875
			<u>48,840,000</u>	<u>32,868,946</u>	<u>81,708,946</u>
2015	2010 IDB Revenue Refunding	3.000%	4,430,000	2,695,269	7,125,269
2016		4.000%	4,580,000	2,537,219	7,117,219
2017		5.000%	4,790,000	2,325,869	7,115,869
2018		5.000%	5,020,000	2,080,619	7,100,619
2019		5.000%	5,270,000	1,823,369	7,093,369
2020		5.000%	5,540,000	1,553,119	7,093,119
2021		5.000%	5,815,000	1,269,244	7,084,244
2022		5.000%	6,090,000	971,619	7,061,619
2023		3.250%	6,340,000	716,344	7,056,344
2024		5.000%	6,565,000	478,159	7,043,159
2025	5.000%	6,860,000	171,500	7,031,500	
			<u>61,300,000</u>	<u>16,622,328</u>	<u>77,922,328</u>
	Total Chatt. Downtown Redevelopment Corp		<u>110,140,000</u>	<u>49,491,274</u>	<u>159,631,274</u>

(continued on next page)



CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2014

(continued from previous page)

Fiscal Year Ended June 30	Issue	<u>EPB</u>		Due Interest	Total Interest and Principal
		Interest Rate	Principal		
2015	2006A Electric System Revenue Bonds	4.125%	\$ 1,295,000	\$ 1,455,766	\$ 2,750,766
2016		4.125%	1,345,000	1,401,316	2,746,316
2017		4.125%	1,400,000	1,344,700	2,744,700
2018		4.125%	1,460,000	1,285,713	2,745,713
2019		4.125%	1,520,000	1,224,250	2,744,250
2020		4.250%	1,585,000	1,159,219	2,744,219
2021		4.250%	1,655,000	1,090,369	2,745,369
2022		4.375%	1,730,000	1,017,356	2,747,356
2023		4.500%	1,805,000	938,900	2,743,900
2024		4.250%	1,885,000	858,231	2,743,231
2025		4.375%	1,970,000	775,081	2,745,081
2026		4.375%	2,060,000	686,925	2,746,925
2027		4.375%	2,155,000	594,722	2,749,722
2028		4.375%	2,250,000	498,363	2,748,363
2029		4.375%	2,355,000	397,628	2,752,628
2030		4.375%	2,470,000	292,081	2,762,081
2031		4.500%	2,585,000	179,888	2,764,888
2032		4.500%	2,705,000	60,863	2,765,863
			<u>34,230,000</u>	<u>15,261,369</u>	<u>49,491,369</u>
2015	2006B Electric System Refunding Revenue Bonds	4.000%	1,745,000	781,656	2,526,656
2016		4.125%	1,730,000	711,075	2,441,075
2017		4.125%	1,715,000	640,022	2,355,022
2018		4.125%	1,705,000	569,484	2,274,484
2019		4.000%	1,690,000	500,519	2,190,519
2020		4.000%	1,670,000	433,319	2,103,319
2021		4.000%	1,655,000	366,819	2,021,819
2022		4.125%	1,635,000	299,997	1,934,997
2023		4.125%	1,620,000	232,863	1,852,863
2024		4.125%	1,600,000	166,450	1,766,450
2025		4.250%	1,580,000	99,875	1,679,875
2026	4.250%	1,560,000	33,150	1,593,150	
			<u>19,905,000</u>	<u>4,835,228</u>	<u>24,740,228</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2014

(continued from previous page)

Fiscal Year Ended June 30	Issue	<u>EPB</u>		Due Interest	Total Interest and Principal
		Interest Rate	Principal		
2015	2008 A Electric System Revenue Bonds	4.00%	\$ 4,000,000	\$ 10,594,500	\$ 14,594,500
2016		5.00%	5,000,000	10,389,500	15,389,500
2017		3.50%	6,275,000	10,154,688	16,429,688
2018		4.50%	6,575,000	9,896,938	16,471,938
2019		5.00%	6,955,000	9,575,125	16,530,125
2020		5.00%	7,385,000	9,216,625	16,601,625
2021		5.00%	7,835,000	8,836,125	16,671,125
2022		5.00%	8,310,000	8,432,500	16,742,500
2023		5.00%	8,805,000	8,004,625	16,809,625
2024		5.00%	9,335,000	7,551,125	16,886,125
2025		5.00%	9,885,000	7,070,625	16,955,625
2026		5.00%	10,460,000	6,562,000	17,022,000
2027		5.00%	12,605,000	5,985,375	18,590,375
2028		5.00%	13,235,000	5,339,375	18,574,375
2029		5.00%	13,890,000	4,661,250	18,551,250
2030		5.00%	14,575,000	3,949,625	18,524,625
2031		5.00%	15,295,000	3,202,875	18,497,875
2032		5.00%	16,055,000	2,419,125	18,474,125
2033		5.00%	19,685,000	1,525,625	21,210,625
2034	5.00%	20,670,000	516,750	21,186,750	
			<u>216,830,000</u>	<u>133,884,375</u>	<u>350,714,375</u>
2015	2013 Internet System Secured Term Promissory Note	2.82%	3,833,000	35,028	3,868,028
2016		2.82%	944,000	6,655	950,655
			<u>4,777,000</u>	<u>41,683</u>	<u>4,818,683</u>
	Total Electric Power Board		<u>275,742,000</u>	<u>154,022,655</u>	<u>429,764,655</u>
	Total Primary Government		<u>\$ 698,651,531</u>	<u>\$ 278,991,795</u>	<u>\$ 977,643,326</u>

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2014**

(continued from previous page)

**METROPOLITAN AIRPORT AUTHORITY**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2015	2009 Taxable Refunding Revenue Bonds	2.950%	\$ 420,989	\$ 139,258	\$ 560,247
2016		2.950%	433,755	126,492	560,247
2017		2.950%	446,908	113,339	560,247
2018		2.950%	460,459	99,788	560,247
2019		2.950%	3,085,302	72,477	3,157,779
			<u>4,847,413</u>	<u>551,354</u>	<u>5,398,767</u>
2015	2012 Fuel Facility Capital Lease		47,421	4,575	51,996
2016			50,051	1,945	51,996
2017			8,609	57	8,666
			<u>106,081</u>	<u>6,577</u>	<u>112,658</u>
2015	2014 Tax Exempt Revenue Bonds	3.990%	171,594	199,771	371,365
2016		3.990%	178,136	193,229	371,365
2017		3.990%	186,007	185,358	371,365
2018		3.990%	193,673	177,692	371,365
2019		3.990%	201,655	169,710	371,365
2020		3.990%	209,524	161,841	371,365
2021		3.990%	218,601	152,764	371,365
2022		3.990%	227,610	143,755	371,365
2023		3.990%	236,990	134,375	371,365
2024		3.990%	3,192,209	124,947	3,317,156
			<u>5,015,999</u>	<u>1,643,442</u>	<u>6,659,441</u>
2015	2014 Taxable Revenue Bonds	4.990%	\$ 149,026	\$ 242,133	\$ 391,159
2016		4.990%	156,097	235,062	391,159
2017		4.990%	164,826	226,333	391,159
2018		4.990%	173,361	217,798	391,159
2019		4.990%	182,338	208,821	391,159
2020		4.990%	191,232	199,927	391,159
2021		4.990%	201,682	189,477	391,159
2022		4.990%	212,126	179,033	391,159
2023		4.990%	223,111	168,048	391,159
2024		4.990%	3,199,491	156,923	3,356,414
			<u>4,853,290</u>	<u>2,023,555</u>	<u>6,876,845</u>
	Total Airport Authority		<u>14,822,783</u>	<u>4,224,928</u>	<u>19,047,711</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2014**

(continued from previous page)

Fiscal Year Ended June 30	Issue	<u>CARTA</u>			Total Interest and Principal
		Interest Rate	Principal	Due Interest	
2015	Note Payable - Republic Parking System, Inc.	6.000%	261,800	19,505	281,305
2016			181,982	3,994	185,976
			<u>443,782</u>	<u>23,499</u>	<u>467,281</u>
	Total CARTA		<u>443,782</u>	<u>23,499</u>	<u>467,281</u>
	Total component unit indebtedness		<u>\$ 15,266,565</u>	<u>\$ 4,248,427</u>	<u>\$ 19,514,992</u>

# CITY OF CHATTANOOGA, TENNESSEE

## STATISTICAL SECTION (Unaudited)

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CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses</b>										
Governmental activities:										
General government	\$ 70,744,329	\$ 68,097,422	\$ 64,751,775	\$ 63,957,991	\$ 73,098,750	\$ 88,028,404	\$ 75,282,935	\$ 61,386,402	\$ 60,152,675	\$ 59,850,789
Economic & community development	6,785,001	-	-	-	-	-	-	-	-	-
Public safety	38,174,721	90,260,439	91,995,943	84,765,514	76,368,786	70,745,129	72,595,048	68,559,200	64,367,574	63,805,046
Public works	-	61,278,623	69,321,709	66,493,039	61,734,669	61,147,976	55,935,906	55,075,495	55,077,404	54,323,539
Public works & transportation	64,730,037	-	-	-	-	-	-	-	-	-
Youth & family development	21,716,619	-	-	-	-	-	-	-	-	-
Parks and recreation	-	22,884,259	22,807,242	24,010,501	20,271,088	17,223,313	17,370,233	15,263,490	13,785,184	13,562,609
Social services	-	17,513,922	19,329,779	20,924,562	23,531,828	20,440,264	19,072,003	22,080,281	19,199,188	21,530,148
Interest on long-term debt	6,819,652	6,763,002	7,087,446	7,126,810	7,237,128	6,693,847	6,902,290	6,910,320	6,493,154	6,004,530
Total governmental activities expenses	208,970,359	266,797,667	275,293,894	267,278,417	262,242,249	264,278,933	247,158,415	229,275,188	219,075,179	219,076,661
Business-type activities:										
Electric utility	639,502,000	630,133,000	640,200,589	633,506,721	539,720,000	542,811,000	472,115,000	441,556,000	417,792,000	371,630,000
Sewer	48,359,508	51,882,717	50,173,707	47,790,192	44,686,829	40,311,413	37,859,312	35,307,852	35,395,214	33,606,869
Solid waste	4,392,822	6,457,957	5,108,430	5,037,895	4,753,430	4,373,161	4,973,585	4,956,281	4,678,270	4,260,270
Water quality management	13,175,781	12,868,856	12,386,648	10,003,657	8,385,351	5,638,936	5,058,524	4,937,896	4,475,706	4,709,090
Housing management	-	602,886	1,028,404	1,105,718	1,042,569	941,834	1,003,096	1,410,217	1,552,119	1,698,166
Downtown redevelopment	16,049,380	16,196,291	-	-	-	-	-	-	-	-
Total business-type activities expenses	721,479,491	718,141,707	708,897,778	697,444,183	598,588,179	594,076,344	521,009,517	488,168,246	463,893,309	415,904,395
Total primary government expenses	930,449,850	984,939,374	984,191,672	964,722,600	860,830,428	858,355,277	768,167,932	717,443,434	682,968,488	634,981,056
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	15,401,345	11,696,397	11,045,632	10,434,649	11,523,433	12,239,326	11,592,555	11,913,650	9,279,550	8,523,871
Economic & community development	3,537,586	-	-	-	-	-	-	-	-	-
Public safety	820,316	1,854,727	654,680	880,936	977,577	630,281	807,649	298,434	1,121,281	864,536
Public works	-	3,195,233	3,314,133	2,652,857	2,443,705	1,893,443	2,523,650	1,901,136	2,392,789	2,390,699
Public works & transportation	501,462	-	-	-	-	-	-	-	-	-
Youth & family development	599,463	-	-	-	-	-	-	-	-	-
Parks and recreation	-	3,649,255	3,728,321	3,815,671	4,212,077	4,069,218	4,132,026	3,366,016	2,910,484	2,768,211
Social services	-	344,385	746,120	646,768	834,020	700,179	1,203,478	117,114	1,163,593	2,997,590
Operating grants and contributions	28,078,849	38,425,404	38,545,589	45,528,069	43,695,157	39,564,910	26,253,573	31,846,034	29,397,005	27,384,160
Capital grants and contributions	215,908	1,472,538	2,253,589	7,860,181	10,605,215	11,012,496	29,021,776	15,453,667	14,440,793	17,744,674
Total governmental activities program revenues	49,154,929	60,637,939	60,288,064	71,819,131	74,291,184	70,109,853	75,534,707	64,896,051	60,705,495	62,673,741
Business-type activities:										
Charges for services:										
Electric utility	654,818,000	625,486,000	618,552,000	589,475,000	504,599,000	544,635,000	484,458,000	441,881,000	422,143,000	373,490,000
Sewer	63,155,547	52,708,135	52,051,115	48,702,486	45,761,756	43,749,143	42,473,352	39,217,346	36,509,866	35,976,537
Solid waste	7,085,846	6,343,124	6,317,708	6,597,533	6,389,727	6,871,844	5,171,586	5,563,236	5,475,554	5,881,486
Water quality management	19,100,534	17,245,533	16,123,965	14,292,397	13,480,137	5,796,188	5,627,095	5,549,732	5,730,458	5,491,938
Housing management	-	2,667,646	882,897	839,126	816,476	807,058	751,350	1,168,471	1,204,120	1,367,348
Downtown redevelopment	17,038,504	17,706,905	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	100,819	19,983,313	2,398,436	191,575	189,973	175,675	76,532	83,652
Capital grants and contributions	1,833,500	19,983,000	39,217,000	41,117,000	29,595,440	2,462,551	1,668,000	1,853,750	3,379,000	1,893,247
Total business-type activities program revenues	763,031,931	742,140,343	733,245,504	721,006,855	603,040,972	604,513,359	540,339,356	495,409,210	474,518,530	424,184,208
Total primary government program revenues	812,186,860	802,778,282	793,533,568	792,825,986	677,332,156	674,623,212	615,874,063	560,305,261	535,224,025	486,857,949

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CITY OF CHATTANOOGA, TENNESSEE

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

(continued from previous page)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Net (expense)/revenue:</b>										
Governmental activities	\$ (159,815,430)	\$ (206,159,728)	\$ (215,005,830)	\$ (195,459,286)	\$ (187,951,065)	\$ (194,169,080)	\$ (171,623,708)	\$ (164,379,137)	\$ (158,369,684)	\$ (156,402,920)
Business-type activities	41,552,440	23,998,636	24,347,726	23,562,672	4,452,793	10,437,015	19,329,839	7,240,964	10,625,221	8,279,813
Total primary government net expense	<u>(118,262,990)</u>	<u>(182,161,092)</u>	<u>(190,658,104)</u>	<u>(171,896,614)</u>	<u>(183,498,272)</u>	<u>(183,732,065)</u>	<u>(152,293,869)</u>	<u>(157,138,173)</u>	<u>(147,744,463)</u>	<u>(148,123,107)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	125,641,150	129,150,158	133,455,222	112,953,898	96,982,279	94,274,504	91,847,883	89,934,837	\$ 87,484,889	89,490,700
Liquor and beer taxes	8,186,392	7,606,723	7,614,837	7,352,383	7,062,700	7,394,591	6,951,057	6,589,468	6,393,852	6,245,169
Gross receipts tax	4,797,634	4,231,661	4,276,496	4,437,883	3,790,913	3,905,913	3,931,405	3,773,166	3,510,891	3,695,782
Franchise tax	4,221,364	4,115,338	2,915,030	2,119,546	2,248,279	2,210,697	2,507,204	1,764,684	1,755,878	1,664,863
Hotel-motel tax	5,364,901	5,004,320	5,001,504	4,746,845	4,058,621	3,893,990	4,067,597	3,747,137	3,640,518	2,583,318
Other taxes	162,765	69,598	83,017	43,520	227,546	2,578,385	2,605,700	2,542,465	2,471,256	198,958
Unrestricted investment earnings	1,331,773	1,069,002	873,653	1,344,715	1,118,163	1,420,375	4,104,441	5,192,979	3,441,171	1,545,737
Grants not allocated to specific programs	70,667,626	70,563,200	66,731,113	53,070,739	52,777,032	49,988,522	53,466,222	52,074,331	49,165,675	48,501,241
Gain on sale of capital assets	197,445	890,681	370,285	179,644	-	-	-	-	-	81,638
Gain on equity interest in joint venture	65,251	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	22,679	-	3,312,122	-	-	-
Change in equity interest	-	-	-	-	(196,534)	(457,589)	(439,341)	6,362	8,789,979	-
Endowment contributions	105	-	4,554	-	-	-	19,306	11,044	500	-
Transfers	-	1,363,048	6,344,311	5,917,771	4,089,754	3,061,998	4,321,107	44,999	2,458,048	(563,637)
Special Item- Transfer of Land to VW	-	-	-	-	-	(8,916,345)	-	-	-	-
Total governmental activities	<u>220,636,406</u>	<u>224,063,729</u>	<u>227,670,022</u>	<u>192,166,944</u>	<u>172,181,432</u>	<u>159,355,041</u>	<u>176,694,703</u>	<u>165,681,472</u>	<u>169,112,657</u>	<u>153,443,769</u>
Business-type activities:										
Unrestricted investment earnings	990,099	1,055,895	804,118	1,463,002	3,632,413	8,991,904	5,249,845	5,001,647	3,015,706	1,942,076
Miscellaneous	-	388,268	147,914	-	16,427	808,000	816,803	108,928	817,415	184,682
Transfers	-	(1,363,048)	(6,344,311)	(5,917,771)	(4,089,754)	(3,061,998)	(4,321,107)	(44,999)	(2,458,048)	563,637
Loss on disposal of capital assets	-	(4,150,506)	-	-	-	-	-	-	-	-
Extraordinary - tornado damage	-	-	-	(28,000,000)	-	-	-	-	-	-
Total business-type activities	<u>990,099</u>	<u>(4,069,391)</u>	<u>(5,392,279)</u>	<u>(32,454,769)</u>	<u>(440,914)</u>	<u>6,737,906</u>	<u>1,745,541</u>	<u>5,065,576</u>	<u>1,375,073</u>	<u>2,690,395</u>
Total primary government	<u>221,626,505</u>	<u>219,994,338</u>	<u>222,277,743</u>	<u>159,712,175</u>	<u>171,740,518</u>	<u>166,092,947</u>	<u>178,440,244</u>	<u>170,747,048</u>	<u>170,487,730</u>	<u>156,134,164</u>
<b>Change in Net Position</b>										
Governmental activities	60,820,976	17,904,001 <sup>(3)</sup>	12,664,192	(3,292,342)	(15,769,633) <sup>(2)</sup>	(34,814,039) <sup>(1)</sup>	5,070,995	1,302,335	10,742,973	(2,959,151)
Business-type activities	42,542,539	19,929,245	18,955,447	(8,892,097)	4,011,879	17,174,921	21,075,380	12,306,540	12,000,294	10,970,208
Total primary government	<u>\$ 103,363,515 <sup>(4)</sup></u>	<u>\$ 37,833,246</u>	<u>\$ 31,619,639</u>	<u>\$ (12,184,439)</u>	<u>\$ (11,757,754)</u>	<u>\$ (17,639,118)</u>	<u>\$ 26,146,375</u>	<u>\$ 13,608,875</u>	<u>\$ 22,743,267</u>	<u>\$ 8,011,057</u>

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> In fiscal year 2014, GASB 67 and 68 were implemented.

**CITY OF CHATTANOOGA, TENNESSEE**

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

	Fiscal Year			
	2014	2013	2012	2011
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 1,204,844,784	\$ 1,212,457,120	\$ 1,203,907,660	\$ 1,231,353,280
Restricted	47,931,872	28,150,164	41,687,490	27,167,455
Unrestricted	(93,997,882) <sup>(4)</sup>	92,237,845	89,243,312	63,653,535
<b>Total governmental activities net position</b>	<u>1,158,778,774</u>	<u>1,332,845,129</u>	<u>1,334,838,462</u>	<u>1,322,174,270</u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	573,918,419	537,001,543	527,583,854	568,185,846
Restricted	46,644,598	45,014,643	30,684,020	18,097,653
Unrestricted <sup>(1)</sup>	(13,959,374) <sup>(4)</sup>	(10,293,881)	3,519,144	(43,451,928)
<b>Total business-type activities net position</b>	<u>606,603,643</u>	<u>571,722,305</u>	<u>561,787,018</u>	<u>542,831,571</u> <sup>(3)</sup>
<b>Primary government</b>				
Invested in capital assets, net of related debt	1,778,763,203	1,749,458,663	1,731,491,514	1,799,539,126
Restricted	94,576,470	73,164,807	72,371,510	45,265,108
Unrestricted	(107,957,256) <sup>(4)</sup>	81,943,964	92,762,456	20,201,607
<b>Total primary government net position</b>	<u>\$ 1,765,382,417</u>	<u>\$ 1,904,567,434</u>	<u>\$ 1,896,625,480</u>	<u>\$ 1,865,005,841</u>

- <sup>(1)</sup> Solid Waste Fund has a negative, unrestricted net asset balance due to EPA unfunded mandates for an old landfill.
- <sup>(2)</sup> In 2008 significant investment was made in the EPB utility plant reallocating net assets between invested in capital and unrestricted.
- <sup>(3)</sup> In 2011 EPB suffered \$28,000,000 in extraordinary losses from the worst year of tornadoes in recent history.
- <sup>(4)</sup> In 2014, City implemented GASB 67 and 68.



Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 1,259,985,302	\$ 1,259,405,543	\$ 1,276,307,361	\$ 1,267,302,733	\$ 1,269,926,195	\$ 1,277,883,814
13,118,922	24,162,165	12,295,632	16,780,377	6,312,540	7,713,513
52,362,388	57,668,537	87,447,291	86,896,179	93,438,219	73,336,654
<u>1,325,466,612</u>	<u>1,341,236,245</u>	<u>1,376,050,284</u>	<u>1,370,979,289</u>	<u>1,369,676,954</u>	<u>1,358,933,981</u>
533,433,835	559,872,034	563,418,374	478,366,634	491,351,965	457,612,822
22,728,886	24,501,372	27,476,571	18,789,364	17,944,835	18,300,530
(4,439,053)	(36,661,617)	(60,528,077)	12,305,490	(12,141,852)	9,241,302
<u>551,723,668</u>	<u>547,711,789</u>	<u>530,366,868</u> (2)	<u>509,461,488</u>	<u>497,154,948</u>	<u>485,154,654</u>
1,793,419,137	1,819,277,577	1,839,725,735	1,745,669,367	1,761,278,160	1,735,496,636
35,847,808	48,663,537	39,772,203	35,569,741	24,257,375	26,014,043
47,923,335	21,006,920	26,919,214	99,201,669	81,296,367	82,577,956
<u>\$ 1,877,190,280</u>	<u>\$ 1,888,948,034</u>	<u>\$ 1,906,417,152</u>	<u>\$ 1,880,440,777</u>	<u>\$ 1,866,831,902</u>	<u>\$ 1,844,088,635</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE**

**LAST 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	
2005	\$ 89,490,700	\$ 1,606,265	\$ 4,638,904	\$ 3,695,782	\$ 1,664,863	\$ 2,583,318	\$ 3,156,626 <sup>(2)</sup>	\$ 106,836,458
2006	87,484,889 <sup>(1)</sup>	1,658,004	4,735,848	3,510,891	1,755,878	3,640,518	2,471,256 <sup>(2)</sup>	105,257,284
2007	89,934,837	1,748,944	4,840,524	3,773,166	1,764,684	3,747,137	2,542,465 <sup>(2)</sup>	108,351,757
2008	91,847,883	1,860,774	5,090,283	3,931,405	2,507,204	4,067,597	2,605,700 <sup>(2)</sup>	111,910,846
2009	94,274,504	1,957,072	5,437,519	3,905,913	2,210,697	3,893,990	2,578,385 <sup>(2)</sup>	114,258,080
2010	96,982,279 <sup>(3)</sup>	1,973,682	5,089,018	3,790,913	2,248,279	4,058,621	227,546	114,370,338
2011	112,953,898 <sup>(3)</sup>	1,964,432	5,387,951	4,437,883	2,119,546	4,746,845	43,520	131,654,075
2012	133,455,222 <sup>(3)</sup>	2,062,772	5,552,065	4,276,496	2,915,030	5,001,504	83,017	153,346,106
2013	129,150,158 <sup>(3)</sup>	2,164,510	5,442,213	4,231,661	4,115,338	5,004,320	69,598	150,177,798
2014	125,641,150 <sup>(3)</sup>	2,243,288	5,943,103	4,797,634	4,221,364	5,364,901	162,765	148,374,206

<sup>(1)</sup> EPB pays in-lieu of property taxes to the City. In fiscal year 2006 this began to be reported as a transfer. In fiscal year 2013 this began to be reported as revenue.

<sup>(2)</sup> Change in unearned revenue is included in other tax. Amounts are as follows: 2005 \$1,084,849; 2006 \$1,476,590; 2007 \$ 968,002; 2008 \$(966,533); 2009 \$(478,025).

<sup>(3)</sup> Beginning FY2010 change in unearned revenue is included in property tax. Amounts are as follows: 2010 \$(324,571); 2011 \$(1,831,958); 2012 \$18,122,674; 2013 \$(4,408,851); 2014 \$1,470,961. Property tax rate increased effective FY2011.

CITY OF CHATTANOOGA, TENNESSEE

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010 <sup>(1)</sup>	2009	2008	2007	2006	2005
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,617,430	\$ 3,535,673	\$ 3,593,931	\$ 4,347,114	\$ 3,473,740
Unreserved:										
Designated	-	-	-	-	-	3,608,909	7,812,678	6,509,160	6,557,035	5,000,477
Undesignated	-	-	-	-	-	31,520,660	40,746,518	45,027,258	45,138,561	38,975,983
Nonspendable	2,482,752	2,852,473	4,377,659	4,286,374	1,780,661	-	-	-	-	-
Restricted	6,213,426	7,567,786	7,502,063	6,658,785	7,455,576	-	-	-	-	-
Committed	689,137	733,927	967,538	898,772	1,184,148	-	-	-	-	-
Assigned	5,100,983	3,111,037	4,686,118	4,572,721	993,642	-	-	-	-	-
Unassigned	64,225,680	55,580,376	45,470,014	33,863,477	28,415,466	-	-	-	-	-
Total general fund <sup>(2)</sup>	<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>	<u>43,746,999</u>	<u>52,094,869</u>	<u>55,130,349</u>	<u>56,042,710</u>	<u>47,450,200</u>
All other governmental funds										
Reserved	-	-	-	-	-	36,659,112	22,488,664	25,499,173	16,086,804	19,730,102
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	8,454,135	10,913,021	10,029,363	10,103,900	10,079,521
Debt service fund	-	-	-	-	-	8,375,003	7,032,956	7,548,761	5,842,577	6,471,929
Permanent funds	-	-	-	-	-	36,705	52,324	47,070	45,786	73,056
Nonspendable	5,857,179	5,587,435	5,418,717	5,669,095	5,695,501	-	-	-	-	-
Restricted	51,548,075	32,077,331	43,422,413	30,890,348	43,983,628	-	-	-	-	-
Committed	9,227,214	5,466,410	3,456,211	7,063,311	6,559,175	-	-	-	-	-
Assigned	827,293	953,975	604,092	338,988	205,049	-	-	-	-	-
Unassigned	-	-	-	-	(777,863)	-	-	-	-	-
Total all other governmental funds	<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>	<u>53,524,955</u>	<u>40,486,965</u>	<u>43,124,367</u>	<u>32,079,067</u>	<u>36,354,608</u>
Total governmental funds	<u>\$ 146,171,739</u>	<u>\$ 113,930,750</u>	<u>\$ 115,904,825</u>	<u>\$ 94,241,871</u>	<u>\$ 95,494,983</u>	<u>\$ 97,271,954</u>	<u>\$ 92,581,834</u>	<u>\$ 98,254,716</u>	<u>\$ 88,121,777</u>	<u>\$ 83,804,808</u>

<sup>(1)</sup> The City implemented GASB Statement 54 in fiscal year 2010.

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

**CITY OF CHATTANOOGA, TENNESSEE**

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

	Fiscal Year			
	2014	2013	2012	2011
<b>Revenues</b>				
Taxes	\$ 147,420,648	\$ 144,654,630	\$ 135,223,433	\$ 133,486,033
Licenses and permits	6,384,410	5,830,254	5,738,751	5,176,412
Intergovernmental	96,926,638	107,416,967	103,679,076	100,441,019
Charges for services	6,017,985	6,333,801	6,045,639	5,602,433
Fines, forfeitures and penalties	2,051,888	1,422,556	2,148,952	2,705,952
Investment income	1,581,549	1,185,179	1,170,671	1,476,502
Contributions and donations	782,545	218,028	839,599	1,208,813
Miscellaneous	6,236,014	6,340,451	5,730,827	4,813,272
Total revenues	<u>267,401,677</u>	<u>273,401,866</u>	<u>260,576,948</u>	<u>254,910,436</u>
<b>Expenditures</b>				
General government	61,432,644	64,000,423	57,347,682	54,344,907
Economic & community development	6,896,838	-	-	-
Public safety	93,249,612	92,123,889	90,486,931	83,338,295
Public works	-	40,854,938	39,283,330	39,260,630
Public works & transportation	38,201,294	-	-	-
Youth & family development	21,738,673	-	-	-
Parks and recreation, education, arts & culture	-	19,872,077	19,459,895	18,003,988
Social Services	-	16,515,906	19,123,591	20,977,875
Capital outlay	22,598,368	18,236,057	24,674,873	24,601,428
Debt service:	-	-	-	-
Principal	12,970,806	13,037,072	11,846,305	13,007,185
Interest	7,030,200	7,178,691	7,683,913	7,211,011
Total expenditures	<u>264,118,435</u>	<u>271,819,053</u>	<u>269,906,520</u>	<u>260,745,319</u>
Excess of revenues over (under) expenditures	3,283,242	1,582,813	(9,329,572)	(5,834,883)
<b>Other financing sources (uses)</b>				
Transfers in	38,834,687	31,557,514	33,930,297	33,896,437
Transfers out	(39,321,328)	(35,544,306)	(31,650,986)	(29,444,666)
Refunding bonds issued	-	-	-	-
Bonds issued	26,775,000	-	44,115,201	-
Premium on bonds issued	2,369,489	-	3,172,754	-
Payments to refunded bond escrow agent	-	-	(18,574,740)	-
Proceeds of notes payable	-	128,416	-	130,000
Capital leases	-	301,493	-	-
Total other financing sources (uses)	<u>28,657,848</u>	<u>(3,556,883)</u>	<u>30,992,526</u>	<u>4,581,771</u>
Net change in fund balances	<u>\$ 31,941,090</u>	<u>\$ (1,974,070)</u>	<u>\$ 21,662,954</u>	<u>\$ (1,253,112)</u>
Debt service as a percentage of non-capital expenditures	8.24%	8.08%	7.82%	8.56%

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 114,584,911	\$ 111,959,239	\$ 109,552,362	\$ 106,062,416	\$ 103,157,615	\$ 103,878,878
5,368,232	4,435,320	4,633,755	4,754,390	4,272,090	4,092,969
97,317,492	95,014,416	83,610,126	87,768,854	83,117,431	84,821,126
6,182,979	5,302,861	5,227,764	4,760,080	4,292,707	3,916,340
3,256,983	2,835,260	2,493,879	1,424,431	1,472,402	1,410,642
1,350,106	1,777,344	4,536,219	5,899,679	3,949,483	2,209,234
754,226	589,914	2,568,829	644,561	414,713	3,761,340
5,953,361	5,970,884	8,531,832	7,663,218	8,891,546	8,404,282
<u>234,768,290</u>	<u>227,885,238</u>	<u>221,154,766</u>	<u>218,977,629</u>	<u>209,567,987</u>	<u>212,494,811</u>
68,917,674	69,935,803	65,152,105	65,854,933	63,379,025	65,458,272
-	-	-	-	-	-
71,310,426	72,616,829	72,660,880	69,319,262	63,063,290	62,237,355
31,601,596	37,185,999	35,209,087	33,619,639	32,797,851	31,623,156
-	-	-	-	-	-
-	-	-	-	-	-
16,979,064	16,809,777	16,617,304	14,735,418	13,113,632	12,707,873
22,890,301	17,712,991	3,288,257	5,405,373	3,029,762	3,839,453
23,446,614	42,528,781	24,352,978	31,430,746	28,294,636	57,463,455
-	-	-	-	-	-
12,532,082	9,591,682	10,839,021	8,453,319	7,735,136	5,777,360
7,979,170	6,333,051	7,007,893	7,215,084	6,402,538	6,498,717
<u>255,656,927</u>	<u>272,714,913</u>	<u>235,127,525</u>	<u>236,033,774</u>	<u>217,815,870</u>	<u>245,605,641</u>
(20,888,637)	(44,829,675)	(13,972,759)	(17,056,145)	(8,247,883)	(33,110,830)
31,587,851	31,750,605	40,995,521	37,882,821	28,655,193	27,789,202
(27,567,851)	(28,969,931)	(41,141,279)	(40,911,869)	(26,197,145)	(28,352,839)
14,219,204	-	-	14,520,000	-	22,906,508
34,265,000	46,056,885	-	20,732,796	-	-
730,718	682,236	-	969,489	-	1,319,753
(34,123,256)	-	-	(14,906,348)	-	(23,958,331)
-	-	8,445,635	8,902,195	10,106,804	7,339,369
-	-	-	-	-	-
<u>19,111,666</u>	<u>49,519,795</u>	<u>8,299,877</u>	<u>27,189,084</u>	<u>12,564,852</u>	<u>7,043,662</u>
\$ (1,776,971)	\$ 4,690,120	\$ (5,672,882)	\$ 10,132,939	\$ 4,316,969	\$ (26,067,168)
9.00%	6.59%	8.37%	7.61%	7.40%	6.53%

**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 <sup>(1)(2)</sup>	Direct Tax Rate	Estimated Actual Taxable Value <sup>(1)</sup>	Assessed Value as a Percentage of Actual Value
	Real Property <sup>(3)</sup>			Personalty	Public Utilities				
	Residential Property	Commercial Property	Multi-Use Property						
2005	\$ 1,078,324,365	\$ 1,561,594,535	\$ 39,015,735	\$ 429,448,247	\$ 210,866,286	\$ 3,319,249,168	\$ 2.516	\$ 10,323,946,674	32.15%
2006	1,324,074,615	1,798,350,685	47,481,205	455,264,664	235,281,790	3,860,452,959	2.202	11,955,447,977	32.29%
2007	1,362,719,845	1,847,946,530	46,096,515	480,080,854	231,313,627	3,968,157,371	2.202	12,310,849,619	32.23%
2008	1,421,354,257	1,910,417,410	48,320,830	456,098,873	212,569,505	4,048,760,875	2.202	12,906,102,564	31.37%
2009	1,452,977,142	1,968,057,920	50,987,075	509,493,519	222,152,961	4,167,163,278	2.202	13,293,431,306	31.35%
2010	1,732,687,931	2,296,650,350	56,261,925	522,397,863	237,696,428	4,845,694,497	1.939	15,307,270,881	31.66%
2011	1,767,475,281	2,277,144,490	52,744,350	499,813,408	211,611,981	4,808,789,510	2.309	15,187,143,683	31.66%
2012	1,782,714,560	2,256,432,695	53,283,085	509,661,044	218,734,193	4,820,825,577	2.309	15,239,117,325	31.63%
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	15,754,641,402	31.45%

Source: City Treasurer

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

<sup>(2)</sup> Assessments for tax exempt properties are excluded from taxable value. The Hamilton County Tax Assessor does not maintain assessments for these properties.

<sup>(3)</sup> 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 <sup>(1)</sup>
		General Fund Tax Rate	School Fund Tax Rate	Road Fund Tax Rate	Total Tax Rate	
2005	2.5160	1.4128	1.6334	0.0148	3.0610	5.5770
2006	2.2020	1.3159	1.5655	0.0126	2.8940	5.0960
2007	2.2020	1.3159	1.5655	0.0126	2.8940	5.0960
2008	2.2020	1.5759	1.5655	0.0126	3.1540	5.3560
2009	2.2020	1.3816	1.3726	0.0110	2.7652	4.9672
2010	1.9390	1.3816	1.3726	0.0110	2.7652	4.7042
2011	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2012	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
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

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

<sup>(1)</sup> 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 <sup>(1)</sup>	2014			2005		
	Taxable <sup>(2)</sup> Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
	Value		Value	Value		
Electric Power Board <sup>(2)</sup>	\$ 283,057,601	1	5.31%	\$ 124,863,417	1	3.76%
BlueCross BlueShield	94,830,701	2	1.78%	24,197,344	9	0.73%
CBL & Associates	80,986,302	3	1.52%	49,350,945	4	1.49%
AT&T (BellSouth)	50,074,618	4	0.94%	49,250,608	5	1.48%
Tennessee-American Water Co.	45,817,284	5	0.86%	36,734,190	7	1.11%
Unum/Provident	35,774,881	6	0.67%	40,283,187	6	1.21%
WALMART	30,744,881	7	0.58%			
JDK Real Estate (KENCO Group Inc.)	29,059,317	8	0.55%	23,949,655	10	0.72%
Parkridge Medical Center	24,253,474	9	0.45%			
Chattem	24,217,421	10	0.45%			
Invista	22,180,296	11	0.42%			
AGL resources - Chatt. Gas Co.	21,649,525	12	0.41%			
Tennessee Valley Authority (Computer Center)				83,187,958	2	2.51%
E.I. DuPont de Nemours & Co.				58,585,118	3	1.76%
Signal Mountain Cement Co.				24,560,393	8	0.74%
Totals	<u>\$ 742,646,301</u>		<u>13.94%</u>	<u>\$ 514,962,815</u>		<u>15.51%</u>

Source: The City Treasurer

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

<sup>(2)</sup> 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 <sup>(1)</sup>	Cumulative Adjustments to Tax Levy <sup>(2)</sup>	Adjusted Tax Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2005	83,512,333	22,117	83,534,450	\$ 79,901,518	95.7%	\$ 3,380,785	\$ 83,282,303	99.7%
2006	85,007,191	(267,776)	84,739,415	81,194,003	95.8%	3,547,954	84,741,957	100.0%
2007	87,378,841	107,626	87,486,467	83,848,154	95.8%	3,489,238	87,337,392	99.8%
2008	89,153,730	63,822	89,217,552	85,019,277	95.3%	3,978,530	88,997,807	99.8%
2009	91,760,952	(259,193)	91,501,759	87,144,122	95.2%	4,073,329	91,217,451	99.7%
2010	93,958,030	(1,208,571)	92,749,459	88,615,281	95.5%	3,557,341	92,172,622	99.4%
2011	111,034,964	(270,003)	110,764,961	104,399,752	94.3%	5,600,767	110,000,519	99.3%
2012	111,312,877	(519,978)	110,792,899	104,608,676	94.4%	4,526,643	109,135,319	98.5%
2013	112,552,779	(629,173)	111,923,606	105,385,912	94.2%	3,872,672	109,258,584	97.6%
2014	114,416,715	(520,959)	113,895,756	107,610,482	94.5%	-	107,610,482	94.5%

<sup>(1)</sup> Total billed amounts from City Treasurer's Office.

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

**CITY OF CHATTANOOGA, TENNESSEE**

**PROPERTY VALUE AND CONSTRUCTION PERMITS  
LAST TEN FISCAL YEARS**

Calendar Year <sup>(1)</sup>	Commercial Construction/Others		Residential Construction		Property Value		
	Number of Permits	Value	Number of Permits	Value	Commercial	Residential	Public Utilities
2004	690	\$ 226,955,234	1,810	\$ 120,703,243	\$ 4,026,000,322	\$ 4,313,292,300	\$ 383,393,247
2005	808	226,421,856	1,870	162,002,991	4,713,822,750	5,296,293,120	427,785,073
2006	907	234,192,365	1,760	181,022,954	4,839,133,200	5,450,878,720	420,570,231
2007	735	489,134,625 <sup>(2)</sup>	1,652	184,475,058	5,004,087,050	5,685,416,370	580,059,970
2008	471	244,137,277	715	108,132,239	5,163,673,852	5,811,908,568	620,270,613
2009	1,057	381,383,099 <sup>(3)</sup>	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

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

<sup>(1)</sup> Latest information available for the calendar year.

<sup>(2)</sup> The value of the 2007 permits increased while the number of permits decreased as a result of a number of large Condominiums and continuing work on the Blue Cross Building Complex.

<sup>(3)</sup> Starting 2009 combined commercial and other permits such as electrical, plumbings and fire permits.

**CITY OF CHATTANOOGA, TENNESSEE**

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

<u>Fiscal Year</u>	<u>County-Wide Sales Tax</u>	<u>City Allocation State Sales Tax</u>	<u>County-Wide Designated Sales Tax</u>	<u>City Allocation State Income Tax</u>	<u>Mixed Drink Tax</u>	<u>Other Revenue</u>	<u>Total</u>
2005	\$ 23,585,866	\$ 9,398,986	\$ 9,615,776	\$ 2,149,036	\$ 1,347,872	\$ 6,256,823	\$ 52,354,359
2006	25,063,557	10,379,781	10,153,916	3,071,346	1,540,706	6,150,412	56,359,718
2007	26,154,704	11,180,175	10,566,227	4,125,590	1,748,548	5,744,627	59,519,871
2008	26,604,258	11,185,750	10,767,083	4,909,130	1,818,211	5,856,223	61,140,655
2009	25,710,248	10,254,407	10,394,686	3,629,181	1,763,451	17,780,474 <sup>(1)</sup>	69,532,447
2010	25,116,025	9,904,220	10,182,243	2,578,926	1,888,061	13,749,395 <sup>(2)</sup>	63,418,870
2011	26,462,886	10,357,166	10,652,849	2,714,695	1,942,779	10,987,506 <sup>(3)</sup>	63,117,881
2012	38,054,892 <sup>(4)</sup>	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 <sup>(5)</sup>	6,293,761	75,512,509

<sup>(1)</sup> In fiscal year 2009 the City of Chattanooga began the Public Safety Interoperable Communications Grant Program (PSIC), a \$16,780,000 award. At fiscal year end the City of Chattanooga recognized \$10,800,490 in PSIC grant revenue.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

<sup>(5)</sup> In fiscal year 2014, the City started remitting 50% of this revenue to the Department of Education. The city will be paying past due amount starting August 1, 2014 in six (6) equal installments of \$1,960,580.

**CITY OF CHATTANOOGA, TENNESSEE**

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

<u>Fiscal Year Ended June 30</u>	<u>Residential Customers</u>	<u>Cents per KWH</u>	<u>Small Commercial Customers</u>	<u>Cents per KWH</u>	<u>Large Commercial Customers</u>	<u>Cents per KWH</u>	<u>Outdoor Lighting Customers</u>	<u>Cents per KWH</u>	<u>Total Customers</u>	<u>Cents per KWH</u>
2005	140,549	6.81	20,125	7.60	3,204	5.50	139	8.66	164,017	6.15
2006	141,839	7.16	20,331	8.04	3,289	6.09	142	9.21	165,601	6.65
2007	144,288	7.56	19,630	8.46	3,363	6.39	143	9.37	167,424	7.00
2008	145,941	8.14	19,450	9.06	3,438	6.99	141	9.97	168,970	7.59
2009	147,301	9.55	19,326	10.53	3,414	8.39	139	11.35	170,180	9.01
2010	147,532	8.67	19,226	9.77	3,379	7.54	141	10.45	170,278	8.17
2011	148,033	9.56	19,157	10.69	3,524	8.32	138	11.37	170,852	9.00
2012	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

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 <sup>(1)</sup>	Capita <sup>(1)</sup>	Income <sup>(1)</sup>	Capita <sup>(1)</sup>
2005	\$ 125,317,464	\$ 13,594,190	\$ 118,842,663	\$ 33,600,000	\$ 125,387,536	\$ 47,212,276	\$ 234,453	\$ 464,188,582	10.02%	\$ 2,998	9.30%	\$ 2,781
2006	120,680,396	21,356,582	118,275,709	32,000,000	113,409,604	43,452,859	214,562	449,389,712	9.33%	2,904	8.67%	2,697
2007	136,098,716	27,592,266	115,513,895	71,430,000	106,881,285	47,392,117	193,543	505,101,822	9.24%	3,001	7.93%	2,577
2008	130,843,479	32,593,423	112,603,776	289,660,000	96,051,522	44,406,947	171,298	706,330,445	12.58%	4,158	7.42%	2,453
2009	169,652,698	30,654,836	109,822,026	288,060,000	83,302,301	52,607,497	147,723	734,247,081	12.90%	4,297	7.84%	2,611
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 <sup>(2)</sup>	406,889,598 <sup>(2)</sup>	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

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

<sup>(2)</sup> Per GASB 61 announcement. CDRC is now a blended component unit and is under Business-type activities starting in FY13.

CITY OF CHATTANOOGA, TENNESSEE

RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

Fiscal Year	Primary Government			Less: Debt Supported by Designated Revenue Streams Other Than Property Taxes					
	GO	Notes and Capital	Total	Hotel-Motel	CDRC	Fannie Mae	Golf Course	HUD Sec.	Republic
	Bonds	Leases		Debt	Capital Lease	Loan	Capital Lease	108 Notes	Parking Loan
2005	\$ 250,705,000	\$ 179,883,582	\$ 430,588,582	\$ 55,174,987	\$ 115,925,472	\$ 1,534,829	\$ -	\$ -	\$ -
2006	234,090,000	185,915,712	420,005,712	55,174,987	115,925,472	2,473,620	-	-	126,923
2007	242,980,000	190,691,819	433,671,819	54,434,830	113,738,737	2,752,555	-	-	-
2008	226,895,000	189,775,445	416,670,445	53,638,980	111,411,938	-	-	4,576,000	-
2009	252,955,000	193,232,084	446,187,084	52,768,980	108,937,617	-	284,251	4,576,000	-
2010	248,545,000	188,118,187	436,663,187	53,455,510	106,308,081	-	223,738	4,271,000	-
2011	228,409,999	198,913,388	427,323,387	52,163,815	103,518,327	-	160,288	3,966,000	-
2012	237,019,999	192,647,875	429,667,874	49,324,122	100,531,340	-	93,758	3,661,000	-
2013	224,947,334	81,818,542 <sup>(3)</sup>	306,765,876	47,091,427	- <sup>(3)</sup>	-	287,958	3,356,000	-
2014	240,117,957	86,316,530	326,434,487	52,423,496	-	-	232,290	3,051,000	-

<sup>(1)</sup> See the schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

<sup>(2)</sup> See the schedule of Demographic and Economic Statistics for population data.

<sup>(3)</sup> 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.

800 MHz	Sewer	Solid Waste	Water Quality	EPB	Less: Debt Service	Total	Debt Supported by Property Tax	% Estimated Actual Taxable Value of Property <sup>(1)</sup>	Per Capita <sup>(2)</sup>
Capital Lease	Debt	Debt	Debt	Debt	Fund Balance	Reduction	Total		
\$ 2,917,191	\$ 127,396,823	\$ 26,041,104	\$ 17,622,338	\$ 1,774,000	\$ 6,471,929	\$ 354,858,673	\$ 75,729,909	0.73%	\$ 489
2,350,237	116,878,339	24,052,649	16,146,037	2,616,000	7,139,208	342,883,472	77,122,240	0.65%	498
1,775,158	109,164,894	28,679,013	14,653,040	1,970,000	8,871,564	336,039,791	97,632,028	0.79%	580
1,191,838	98,154,112	27,345,475	13,835,180	1,295,000	8,925,003	320,373,526	96,296,919	0.75%	567
600,159	98,468,501	24,813,108	12,189,914	586,000	8,925,003	312,149,532	134,037,552	1.01%	784
-	90,181,577	22,160,064	10,459,401	-	4,870,365	291,929,736	144,733,451	0.95%	845
-	82,208,790	19,377,489	8,634,900	18,907,000	4,954,374	293,890,983	133,432,404	0.88%	796
-	73,329,345	17,838,771	7,657,642	21,725,000	652,699	278,474,677	154,854,197	1.02%	910
-	70,632,816	16,811,099	6,984,540	10,861,000	2,476,637	158,501,477	148,264,399	0.96%	866
-	66,235,357	14,913,893	11,666,106	4,777,000	5,020,752	158,319,894	168,114,593	1.07%	970

**CITY OF CHATTANOOGA, TENNESSEE**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

**As of June 30, 2014**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>(2)</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Hamilton County General Obligation Debt	\$ 237,390,565	59.9424%	\$ 142,297,602
Other debt:			
Hamilton County Notes Payable	\$ 6,194,104	59.9424%	<u>3,712,895</u>
Subtotal, overlapping debt <sup>(1)</sup>			146,010,497
City of Chattanooga gross direct debt <sup>(3)</sup>			<u>698,651,531</u>
Total direct and overlapping debt			<u><u>\$ 844,662,028</u></u>

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

Notes:

- <sup>(1)</sup> 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.
- <sup>(2)</sup> The percentage of overlapping debt is calculated by dividing the City's assessed property values by the total Hamilton County assessments.
- <sup>(3)</sup> Direct and overlapping includes \$60,727,538 of self-supporting governmental debt and \$477,109,117 of self-supporting enterprise debt. Please see Ratios of General Bonded Debt Outstanding on pages F-17 to F-18 for the debt supported by property taxes. Net overlapping is \$306,825,373.



**CITY OF CHATTANOOGA, TENNESSEE**

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

	Fiscal Year			
	2014	2013	2012	2011
Debt limit <sup>(1)</sup>	\$ 495,524,906	\$ 487,452,421	\$ 482,082,558	\$ 480,878,951
Total net debt applicable to limit <sup>(2)</sup>	168,114,593	148,264,399	154,854,197	133,432,404
Legal debt margin	<u>327,410,313</u>	<u>\$ 339,188,022</u>	<u>\$ 327,228,361</u>	<u>\$ 347,446,547</u>
Total net debt applicable to the limit as a percentage of debt limit	33.93%	30.42%	32.12%	27.75%

**Legal Debt Margin Calculation by Fiscal Year**

Assessed value	\$ 4,955,249,059	\$ 4,874,524,209	\$ 4,820,825,577	\$ 4,808,789,510
Debt limit (10% of total assessed value)	495,524,906	487,452,421	482,082,558	480,878,951
Debt applicable to limit:				
General obligation bonds	173,135,345	150,741,036	155,506,895	138,386,776
Less: amount set aside for repayment of general obligation debt	(5,020,752)	(2,476,637)	(652,700)	(4,954,374)
Total net debt applicable to limit	<u>168,114,593</u>	<u>148,264,399</u>	<u>154,854,195</u>	<u>133,432,402</u>
Legal debt margin	<u>\$ 327,410,313</u>	<u>\$ 339,188,022</u>	<u>\$ 327,228,363</u>	<u>\$ 347,446,549</u>

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

<sup>(2)</sup> General obligation debt may be offset by amounts set aside for repaying general obligation bonds. See " Ratios of General Bonded Debt Outstanding" on page F-17 and F-18 for details.

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 484,569,450	\$ 416,716,328	\$ 404,876,088	\$ 396,815,737	\$ 386,045,296	\$ 331,924,917
144,733,451	134,037,552	96,296,919	97,632,028	77,122,240	75,729,909
<u>\$ 339,835,999</u>	<u>\$ 282,678,776</u>	<u>\$ 308,579,169</u>	<u>\$ 299,183,709</u>	<u>\$ 308,923,056</u>	<u>\$ 256,195,008</u>
29.87%	32.17%	23.78%	24.60%	19.98%	22.82%

\$ 4,845,694,497	\$ 4,167,163,278	\$ 4,048,760,875	\$ 3,968,157,371	\$ 3,860,452,959	\$ 3,319,249,168
484,569,450	416,716,328	404,876,088	396,815,737	386,045,296	331,924,917
149,603,816	142,962,554	105,221,922	106,503,597	84,261,448	82,201,838
(4,870,365)	(8,925,003)	(8,925,003)	(8,871,564)	(7,139,208)	(6,471,929)
144,733,451	134,037,551	96,296,919	97,632,033	77,122,240	75,729,909
<u>\$ 339,835,999</u>	<u>\$ 282,678,777</u>	<u>\$ 308,579,169</u>	<u>\$ 299,183,704</u>	<u>\$ 308,923,056</u>	<u>\$ 256,195,008</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**HISTORICAL DEBT RATIOS**

**June 30, 2014**

	Fiscal Year			
	2014	2013	2012	2011
Estimated population	173,366	171,279	170,136	167,674
Appraised property valuation	\$ 15,754,641,402	\$ 15,498,290,496	\$ 15,239,117,325	\$ 15,187,143,683
Assessed property valuation	4,955,249,059	4,874,524,209	4,820,825,577	4,808,789,510
Gross indebtedness <sup>(1)</sup>	312,769,531	288,657,541	407,942,874	408,416,390
Less: Self-supporting indebtedness <sup>(2)</sup>	146,933,903	143,414,312	252,435,979	270,029,615
Debt Service Fund	5,020,752	2,476,637	652,700	4,954,374
Net direct indebtedness	160,814,876	142,766,592	154,854,195	133,432,402
Plus: Estimated net overlapping indebtedness	146,010,497	158,657,256	152,555,047	148,698,012
Net direct and overlapping indebtedness	<u>\$ 306,825,373</u>	<u>\$ 301,423,848</u>	<u>\$ 307,409,242</u>	<u>\$ 282,130,414</u>
Gross debt per capita	\$ 1,804.10	\$ 1,685.31	\$ 2,397.75	\$ 2,435.78
Net direct debt per capita	927.60	833.53	910.18	795.78
Net direct and overlapping debt per capita	1,769.81	1,759.84	1,806.84	1,682.61
Gross debt to appraised valuation	1.99%	1.86%	2.68%	2.69%
Net direct debt to appraised valuation	1.02%	0.92%	1.02%	0.88%
Net direct debt and overlapping debt to appraised valuation	1.95%	1.94%	2.02%	1.86%
Gross debt to assessed valuation	6.31%	5.92%	8.46%	8.49%
Net direct debt to assessed valuation	3.25%	2.93%	3.21%	2.77%
Net direct and overlapping debt to assessed valuation	6.19%	6.18%	6.38%	5.87%

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

<sup>(2)</sup> The self-supporting debt includes Sewer Bonds and municipal public improvement bonds supported by Hotel Motel taxes, HUD Sec. 108 Notes, Golf Course Capital Lease.

Fiscal Year					
2010	2009	2008	2007	2006	2005
171,349	170,880	169,884	168,293	154,762	154,853
\$ 15,307,270,881	\$ 13,294,163,310	\$ 12,906,102,564	\$ 12,310,849,619	\$ 11,955,447,979	\$ 10,323,946,674
4,845,694,497	4,167,163,278	4,048,760,875	3,968,157,371	3,860,452,959	3,319,249,168
436,663,186	445,601,083	415,375,442	431,701,818	417,389,712	428,814,582
287,059,370	302,638,530	310,153,520	325,198,221	333,128,264	346,612,744
4,870,365	8,925,003	8,925,003	8,871,564	7,139,208	6,471,929
144,733,451	134,037,550	96,296,919	97,632,033	77,122,240	75,729,909
154,968,909	149,048,842	136,287,686	89,393,466	87,645,429	97,486,316
<u>\$ 299,702,360</u>	<u>\$ 283,086,392</u>	<u>\$ 232,584,605</u>	<u>\$ 187,025,499</u>	<u>\$ 164,767,668</u>	<u>\$ 173,216,225</u>
\$ 2,548.38	\$ 2,607.68	\$ 2,445.05	\$ 2,565.18	\$ 2,696.98	\$ 2,769.17
844.67	784.40	566.84	580.13	498.33	489.04
1,749.08	1,656.64	1,369.08	1,111.31	1,064.65	1,118.58
2.85%	3.35%	3.22%	3.51%	3.49%	4.15%
0.95%	1.01%	0.75%	0.79%	0.65%	0.73%
1.96%	2.13%	1.80%	1.52%	1.38%	1.68%
9.01%	10.69%	10.26%	10.88%	10.81%	12.92%
2.99%	3.22%	2.38%	2.46%	2.00%	2.28%
6.18%	6.79%	5.74%	4.71%	4.27%	5.22%

**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	
2005	\$ 364,785,000	\$ 335,262,000	\$ 29,523,000	\$ 1,600,000	\$ 1,736,000	8.8
2006	412,296,000	382,285,000	30,011,000	1,600,000	1,660,000	9.2
2007	432,025,000	401,801,000	30,224,000	1,600,000	2,348,000	7.7
2008	472,983,000	429,161,000	43,822,000	1,600,000	3,019,000	9.5
2009	537,696,000	489,623,000	48,073,000	1,600,000	2,946,000	10.6
2010	491,501,000	445,493,000	46,008,000	2,670,000	2,853,000	8.3
2011	552,527,000	518,728,000	33,799,000	2,710,000	8,118,000	3.1
2012	562,569,000	498,384,000	64,185,000	2,750,000	13,377,000	4.0
2013	555,051,000	486,769,000	68,282,000	2,965,000	13,256,000	4.2
2014	566,989,000	501,006,000	65,983,000	6,000,000	13,084,756	3.5

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 <sup>(1)</sup>	Less: Operating Expenses <sup>(2)</sup>	Net Available Revenue	Debt Service		Times Coverage
				Principal	Interest	
2005	\$ 11,297,945	\$ 1,325	\$ 11,296,620	\$ -	\$ 7,198,975	1.6
2006	11,776,294	4,590	11,771,704	-	7,198,975	1.6
2007	12,891,364	18,975	12,872,389	-	7,198,975	1.8
2008	13,245,809	6,095	13,239,714	2,700,000	6,440,809	1.4
2009	11,511,201	8,975	11,502,226	2,910,000	6,460,806	1.2
2010	14,014,621	10,830	14,003,791	3,050,000	6,312,556	1.5
2011	12,413,941	2,915	12,411,026	3,205,000	5,937,867	1.4
2012	13,469,678	6,890	13,462,788	4,060,000	5,527,719	1.4
2013	13,182,618	6,890	13,175,728	4,240,000	5,336,719	1.4
2014	13,153,265	9,065	13,144,200	4,395,000	5,168,194	1.4

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

<sup>(2)</sup> Operating expenses include bank charges and arbitrage calculation cost.

**CITY OF CHATTANOOGA, TENNESSEE**

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

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

<sup>(1)</sup> U.S. Census Bureau

<sup>(2)</sup> Chamber of Commerce

<sup>(3)</sup> Tennessee Department of Labor and Workforce Development

<sup>(4)</sup> U.S. Department of Commerce Bureau of Economic Analysis

**CITY OF CHATTANOOGA, TENNESSEE**

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

Employer	2014 <sup>(1)</sup>			2005 <sup>(2)</sup>		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Hamilton County Department of Education	4,480	1	2.62%	6,411	1	4.14%
BlueCross BlueShield of Tennessee	4,238	2	2.47%	3,906	4	2.52%
Tennessee Valley Authority	4,126	3	2.41%	2,995	8	1.93%
Erlanger Health System	3,468	4	2.02%	4,753	3	3.07%
Memorial Health Care System	2,832	5	1.65%	2,635	9	1.70%
Unum	2,800	6	1.63%	3,000	6	1.94%
McKee Foods Corporation	2,750	7	1.61%	3,145	5	2.03%
City of Chattanooga	2,685	8	1.57%	2,600	10	1.68%
Volkswagen Chattanooga	2,107	9	1.23%	-	-	0.00%
Amazon.com.dcdc LLC	1,879	10	1.10%	-	-	0.00%
US Express	-	-	0.00%	3,000	7	1.94%
Covenant Transport	-	-	0.00%	5,629	2	3.64%
<b>Total</b>	<b>31,365</b>		<b>18.31%</b>	<b>38,074</b>		<b>24.59%</b>

Sources:

<sup>(1)</sup> Chattanooga Area Chamber of Commerce Business Information Center;

<sup>(2)</sup> City of Chattanooga Official Statement for General Obligation Refunding Bonds Series 2005A

**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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government	359 <sup>(2)</sup>	301	300	301	291	279	277	276	266	276
Public Safety										
Police										
Sworn	486	475	475	481	475	472	472	471	472	472
Civilian	103	129	129	123	130	139 <sup>(1)</sup>	213	212	206	196
Fire										
Sworn	429	429	414	412	400	400	400	400	400	400
Civilian	17	17	17	17	17	17	17	17	18	18
Public Works	307	337	337	338	409	326	331	333	339	338
Economic & Community Development	80	35	35	35	29	36	36	36	36	37
Youth & Family Development	412 <sup>(3)</sup>	-	-	-	-	-	-	-	-	-
Parks & Recreation	- <sup>(3)</sup>	230	230	237	236	230	229	226	217	238
Education, Arts and Culture	- <sup>(3)</sup>	28	27	27	26	27	26	26	24	-
Social Services	- <sup>(3)</sup>	307	305	286	293	249	289	294	339	340
Transportation	47 <sup>(4)</sup>	-	-	-	-	-	-	-	-	-
Interceptor Sewer System	147	143	139	137	136	135	132	124	115	115
Solid Waste/Sanitation	20	19	19	16	16	17	14	13	14	13
Water Quality	141	138	138	137	59	55	47	50	49	48
EPB	547	521	499	453	435	398	389	394	402	407
Totals	<u>3,095</u>	<u>3,109</u>	<u>3,064</u>	<u>3,000</u>	<u>2,952</u>	<u>2,780</u>	<u>2,872</u>	<u>2,872</u>	<u>2,897</u>	<u>2,898</u>

Source: City Budget office Position Summary.

<sup>(1)</sup> 74 Police Civilian Positions were transferred to 911.

<sup>(2)</sup> In FY14, General Services absorbed the Civic Facilities positions from the Education Arts & Culture dissolved department.

<sup>(3)</sup> In FY14, the Parks & Recreation and Education, Arts & Culture departments were dissolved and the function absorbed by other departments.

<sup>(4)</sup> In FY14, the Transportation department was established with 47 positions.



CITY OF CHATTANOOGA, TENNESSEE

OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
311 Service Requests Created	156,724	135,664	110,247	135,692	114,711	66,443	72,663	76,401	66,710	77,400
% of Current Tax Levy Collected	94.0	94.0	94.0	94.0	94.3	95.0	95.4	95.9	95.8	95.6
Police										
Crimes Committed <sup>(1)</sup>	12,902	12,869	12,037	12,158	14,385	14,577	14,219	13,999	13,843	14,315
Moving/Parking Violations <sup>(2)</sup>	40,727	51,674	102,067	105,470	166,438	105,069	64,928	98,984	78,052	75,826
Citizen Complaints	64	66	44	47	56	47	35	33	96	102
Fire										
Emergency Calls	15,926	15,858	16,161	16,363	12,473	12,889	11,849	11,385	10,617	9,899
Inspections	3,263	3,551	4,298	4,750	5,466	7,769	5,978	3,774	2,492	2,586
Public Works										
Sidewalks Repaired (sq.ft.)	66,056	5,938	13,344	12,359	8,186	848	80	335	1,660	3,374
Streets Paved (sq.ft.)	389,500	1,966,402	1,706,200	1,132,286	615,038	790,988	520,896	516,146	632,793	851,511
Parks, Recreation, Arts & Culture										
Chattanooga Zoo-Attendance	152,561	151,699	177,723	210,966	253,115	231,225	174,093	149,582	125,293	127,974
Recreation Centers-Attendance	600,805	833,674	630,178	630,178	550,496	588,927	567,444	458,331	394,660	400,959
Social Services										
Children Immunized	1,078	946	1,223	888	1014	869	897	865	768	875
Households Assisted	9,636	7,184	10,905	6,334	8,473	6,280	4,950	4,284	4,119	6,566
Interceptor Sewer System										
NPDES Violations	9	28	29	10	19	10	7	5	5	4
Combined Sewer Overflows	76	128	113	131	158	103	100	83	118	119
Solid Waste/Sanitation										
NPDES Landfill Violations	-	-	4	2	4	4	4	0	4	17
Violation Notices to Industry	-	50	26	48	40	44	59	96	61	44
Water Quality										
311 Service Requests Created	1,650	2,229	1,632	1727	3206	1764	1798	1,586	1,808	2,559
311 Service Requests Unresolved	95	55	58	89	388	69	52	34	53	269

Source: City budget office.

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

<sup>(2)</sup> 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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
City Fleet	1,734	1,734	1,854	1,769	1,774	1,773	1,769	1,709	1,670	1,663
Properties Returned to Tax Rolls	57	138	65	47	24	21	26	33	22	23
Police										
Stations	4	4	3	3	3	3	3	3	3	3
Patrol Units	580	551	555	450	450	450	450	450	450	450
Fire										
Stations	19	18	18	18	18	17	17	17	17	17
Ladder Trucks/Fire Engines/Combos <sup>(1)</sup>	27	27	25	25	25	24	24	24	24	23
Public Works										
Miles of Paved Streets	1,160	1,151	1,151	1,151	1,151	1,159	1,159	1,154	1,150	1,200
Signalized Intersections	327	332	320	320	321	318	315	314	312	303
Garbage Trucks	25	25	21	21	18	23	21	21	21	21
Knuckleboom Trucks	22	22	19	23	20	20	21	21	21	21
Interceptor Sewer System										
Miles of Sewer	1,263	1,254	1,254	1,254	1,254	1,255	1,239	1,200	1,200	1,200
Pump Stations	71	70	70	70	70	70	67	67	67	67
Parks, Recreation, Arts & Culture										
Parks	74	70	51	51	51	51	50	50	50	50
Recreation Centers	15	17	16	16	16	16	16	16	16	15

<sup>(1)</sup> 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.
2004	249.6	238.3	11.3	4.5	5.5	5.5
2005	251.4	239.3	12.1	4.8	5.6	5.1
2006	261.1	251.3	9.8	4.3	4.4	4.6
2007	265.1	253.9	11.2	4.2	4.8	4.8
2008	265.1	246.6	18.5	5.7	6.4	7.1
2009	252.3	228.5	23.8	9.4	9.8	9.7
2010	260.3	238.6	21.7	8.3	8.3	9.1
2011	262.9	243.8	19.1	7.3	8.1	8.3
2012	264.4	245.5	18.9	7.1	7.8	7.9
2013	262.5	240.7	21.8	8.3	8.5	7.6

Source: Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov))

**CITY OF CHATTANOOGA, TENNESSEE**

**OTHER TAXES  
LAST TEN FISCAL YEARS**

Fiscal Year	Local Option Sales Taxes <sup>(1)</sup>			Other Tax Receipts				
	Other Local Sales Taxes	City-Only Sales Tax	Total Local Option Tax	Tourist Development Zone Sales Tax <sup>(2)</sup>		Hotel-Motel Occupancy Tax <sup>(3)</sup>	State	
				State	Local		Sales Tax	Income Tax
2005	\$ 23,585,866	\$ 9,615,776	\$ 33,201,642	\$ 602,883	\$ 191,027	\$ 2,583,318	\$ 9,398,986	\$ 2,149,036
2006	25,063,557	10,153,916	35,217,473	427,823	69,252	3,640,518	10,379,781	3,071,346
2007	26,154,704	10,566,227	36,720,931	47,635	-	3,747,124	11,180,175	4,125,590
2008	26,604,258	10,767,083	37,371,341	-	-	4,067,154	11,185,750	4,909,130
2009	25,710,248	10,394,686	36,104,934	-	-	3,893,990	10,254,407	3,629,181
2010	25,116,025	10,182,243	35,298,268	1,809,794	549,755	4,058,621	9,904,220	2,578,926
2011	26,462,886	10,652,849	37,115,735	-	-	4,746,845	10,357,166	27,149,695
2012	38,054,892	11,365,043	49,419,935	308,833	-	5,001,504	11,313,906	2,651,353
2013	40,007,670	11,405,092	51,412,762	-	-	4,970,247	11,544,670	4,199,313
2014	39,781,604	11,340,990	51,122,594	-	-	5,352,640	11,948,621	3,744,628

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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**

	2015	2016	2017	2018	2019	Total
<b>Bonds</b>						
General Fund	\$ 17,821,617	\$ 12,440,000	\$ 12,254,532	\$ 13,419,104	\$ 11,470,999	\$ 67,406,252
Water Quality	9,500,000	10,000,000	7,452,500	4,000,000	2,000,000	32,952,500
ISS (SRF Enterprise)	43,000,000	47,500,000	4,400,000	6,000,000	9,350,000	110,250,000
Total Bonds	<u>70,321,617</u>	<u>69,940,000</u>	<u>24,107,032</u>	<u>23,419,104</u>	<u>22,820,999</u>	<u>210,608,752</u>
<b>Cash/Reserves</b>						
General Fund	26,530,945	13,382,836	6,986,668	7,164,753	2,945,280	57,010,482
Econ. Dev. Fund	4,000,000	1,500,000	1,500,000	1,500,000	1,000,000	9,500,000
Hotel-Motel Fund	1,550,000	1,000,000	600,000	-	-	3,150,000
Fleet Fund	2,200,000	3,000,000	3,000,000	3,000,000	3,000,000	14,200,000
Narcotics Fund	452,000	400,000	400,000	400,000	400,000	2,052,000
Water Quality	3,462,000	3,357,800	3,250,000	3,272,625	3,315,506	16,657,931
Interceptor Sewer	5,150,000	3,450,000	5,000,000	3,000,000	5,200,000	21,800,000
Total Cash/Reserves	<u>43,344,945</u>	<u>26,090,636</u>	<u>20,736,668</u>	<u>18,337,378</u>	<u>15,860,786</u>	<u>124,370,413</u>
<b>External Sources</b>						
Hamilton County	15,000	1,575,000	2,400,000	2,400,000	1,125,000	7,515,000
State of Tennessee	3,068,908	2,860,142	15,644,000	5,496,000	1,600,000	28,669,050
Federal	225,000	388,000	388,000	388,000	51,238,000	52,627,000
Total External Sources	<u>3,308,908</u>	<u>4,823,142</u>	<u>18,432,000</u>	<u>8,284,000</u>	<u>53,963,000</u>	<u>88,811,050</u>
Other	-	1,070,000	1,310,000	1,850,000	1,155,000	5,385,000
Total All Sources	<u>\$ 116,975,470</u>	<u>\$ 101,923,778</u>	<u>\$ 64,585,700</u>	<u>\$ 51,890,482</u>	<u>\$ 93,799,785</u>	<u>\$ 429,175,215</u>

Source: City of Chattanooga Budget Department

**CITY OF CHATTANOOGA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2014**

<b>Federal Grantor/Pass-Through/Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Contract Number</b>	<b>Beginning (Accrued) Unearned Grant Revenue</b>	<b>Cash Receipts</b>	<b>Expenditures</b>	<b>Other Adjustments</b>	<b>Ending (Accrued) Unearned Grant Revenue</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
Passed Through Tennessee Department of Agriculture:							
Emergency Food Assistance Program (Admin Costs)	10.568	28257	\$ (15,478)	\$ 33,658	\$ 18,180	\$ -	\$ -
Emergency Food Assistance Program (Admin Costs)	10.568	35738	-	27,645	56,953	-	(29,307)
Emergency Food Assistance Program (Commodities-Noncash)	10.569	N/A	-	164,009	164,009	-	-
Total Emergency Food Assistance Program			(15,478)	225,312	239,142	-	(29,307)
Passed Through Tennessee Department of Human Services:							
2013 CHS Child Care Program	10.558	N/A	(19,607)	19,607	-	-	-
2014 CHS Child Care Program	10.558	N/A	-	194,546	213,486	-	(18,940)
2013 Child and Adult Food Program	10.558	03-47-60076-00	(12,541)	12,541	-	-	-
2014 Child and Adult Food Program	10.558	3-47-56136-00-6	-	94,396	102,715	-	(8,319)
2013 Child and Adult Food Program	10.558	03-47-55915-00-8	(6,227)	6,227	-	-	-
2014 Child and Adult Food Program	10.558	03-47-55915-00-8	-	267,077	272,907	-	(5,830)
Total Child and Adult Food Program			(38,375)	594,394	589,108	-	(33,089)
Total U. S. Department of Agriculture			(53,853)	819,706	828,249	-	(62,396)
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-47-001	(683,776)	683,776	-	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-47-001	-	828,789	1,105,746	-	(276,957)
Community Development Block Grants/Entitlement Grants-Program Income	14.218	N/A	-	772,403	772,403	-	-
Total Community Development Block Grants/Entitlement Grants			(683,776)	2,284,968	1,878,149	-	(276,957)
Shelter Plus Care	14.231	TN0010L4J001205	-	251,427	251,427	-	-
THDA ESG Stage	14.231	ESG-12-09	(7,491)	84,000	76,509	-	-
THDA ESG Stage	14.231	E-13-MC-47-0003	-	28,816	69,405	-	(40,589)
Total Shelter Plus Care			(7,491)	364,243	397,341	-	(40,589)
HOME Investment Partnerships Program	14.239	M-12-MC-47-0200	(617,757)	617,757	-	-	-
HOME Investment Partnerships Program	14.239	M-12-MC-47-0200	-	180,082	180,082	-	-
HOME Investment Partnerships Program - Program Income	14.239	N/A	-	394,080	394,080	-	-
Total HOME Investment Partnerships Program			(617,757)	1,191,920	574,163	-	-

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2014**

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Unearned Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Other Adjustments</u>	<u>Ending (Accrued) Unearned Grant Revenue</u>
(continued from previous page)							
ARRA HUD Neighborhood Stabilization	14.256	B-08-MN-47-0001	(52,255)	52,255	-	-	-
Total ARRA			(52,255)	52,255	-	-	-
Total U. S. Department of Housing and Urban Development			(1,361,279)	3,893,386	2,849,653	-	(317,546)
<b>U.S. DEPARTMENT OF JUSTICE</b>							
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0825	(24,378)	98,079	73,701	-	-
Edward Byrne Memorial Grant - Police Explorers	16.738	2011-DJ-BX-3041	(2,543)	56,938	55,022	-	(627)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0641	(62,454)	74,017	11,563	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0975	-	41,839	41,839	-	-
Hamilton County Family Justice Center	16.738	22560	-	32,164	37,869	-	(5,705)
Total Edward Byrne Memorial Grant			(89,375)	303,037	219,994	-	(6,332)
2010 COPS Hiring Grant	16.710	2010-CK-WX-0391	(241,799)	1,122,510	1,244,832	-	(364,121)
Total COPS Grant			(241,799)	1,122,510	1,244,832	-	(364,121)
Total U. S. Department of Justice			(331,174)	1,425,547	1,464,826	-	(370,453)
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
Passed Through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	PL000-0009-00-660	(561)	561	-	-	-
Highway Planning and Construction	20.205	PL000-0001-00-804	(170,080)	225,282	55,202	-	-
Highway Planning and Construction	20.205	PL000-0011-00-798	-	56,426	91,521	-	(35,096)
Total GA Highway Planning and Construction			(170,641)	282,269	146,723	-	(35,096)

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2014**

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Unearned Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Other Adjustments</u>	<u>Ending (Accrued) Unearned Grant Revenue</u>
(continued from previous page)							
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	GG1237131	(284,102)	324,651	40,548	-	-
Highway Planning and Construction	20.205	Z14MPO002	-	120,500	158,845	-	(38,345)
Governor's Highway Safety Grant	20.600	Z14GHSO59	-	10,543	56,350	-	(45,807)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F0-066	(23,817)	-	126,519	-	(150,336)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F3-076	(1,822,303)	2,978,091	1,232,105	-	(76,317)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	TN-95-X034-00	(17,460)	39,703	22,243	-	-
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F0-095	(16,931)	64,511	112,461	-	(64,881)
Total TN Highway Planning and Construction			<u>(2,164,613)</u>	<u>3,537,998</u>	<u>1,749,072</u>	<u>-</u>	<u>(375,687)</u>
Federal Transit Metropolitan Planning Grant	20.205	GG-11-35659	-	90,546	90,546	-	-
Federal Transit Metropolitan Planning Grant	20.205	GG-13-34410	(107,222)	137,148	54,944	-	(25,018)
Total Federal Transit: Metropolitan Planning Grant			<u>(107,222)</u>	<u>227,694</u>	<u>145,490</u>	<u>-</u>	<u>(25,018)</u>
Total U. S. Department of Transportation			<u>(2,442,476)</u>	<u>4,047,961</u>	<u>2,041,285</u>	<u>-</u>	<u>(435,801)</u>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>							
Passed Through Tennessee Libraries and Archives							
General Library Services	45.310	30504-00514-01	-	48,700	48,700	-	-
2014 LSTA Technology Grant	45.310	30504-00114-20	-	4,882	4,882	-	-
Total Institute of Museum and Library Services			<u>-</u>	<u>53,582</u>	<u>53,582</u>	<u>-</u>	<u>-</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>							
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95441209	-	90,174	90,174	-	-
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95462810-0	-	-	67,903	-	(67,903)
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95462910-0	(52,288)	52,288	-	-	-
Air Pollution Control Program	66.001	A00408410-6	123,725	172,364	236,871	-	59,218
Surveys, Studies, Investigations and Special Purpose Grants	66.034	PM-96497408-8	-	130,000	130,000	-	-
Total U.S. Environmental Protection Agency			<u>71,437</u>	<u>444,826</u>	<u>524,949</u>	<u>-</u>	<u>(8,685)</u>

(continued on next page)



**CITY OF CHATTANOOGA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2014**

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Unearned Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Other Adjustments</u>	<u>Ending (Accrued) Unearned Grant Revenue</u>
(continued from previous page)							
Clean Water State Revolving Loan Program (SRF 2011-289)	66.458	SRF 2011-289	-	1,718,489	1,718,489	-	-
Clean Water State Revolving Loan Program (SRF 2012-307)	66.458	SRF-2012-307	-	-	3,829,788	-	(3,829,788)
Clean Water State Revolving Loan Program (SRF 2013-318)	66.458	SRF-2013-318	-	-	4,099,215	-	(4,099,215)
Total Revolving Loan Program			-	1,718,489	9,647,492	-	(7,929,003)
Total U. S. Environmental Protection Agency			71,437	2,163,315	10,172,441	-	(7,937,688)
<b>U.S. DEPARTMENT OF ENERGY</b>							
ARRA Grant Department of Energy	81.128	SC0002685	(400,844)	397,044	-	3,800	-
Total U. S. Department of Energy			(400,844)	397,044	-	3,800	-
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>							
Emergency Food and Shelter National Board Program	97.024	768200-001	14	-	-	(14)	-
Emergency Food and Shelter National Board Program	97.024	768200-001	-	12,500	18,285	-	(5,785)
Total Federal Emergency Management Agency			14	12,500	18,285	(14)	(5,785)

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2014**

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Unearned Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Other Adjustments</u>	<u>Ending (Accrued) Unearned Grant Revenue</u>
(continued from previous page)							
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
Head Start	93.600	04CH0047/36	(405,742)	405,742	-	-	-
Head Start	93.600	04CH0047/37	-	7,904,792	8,326,150	-	(421,358)
Total Head Start			(405,742)	8,310,534	8,326,150	-	(421,358)
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance	93.568	Z 13-49203	(40,428)	40,428	-	-	-
Low-Income Home Energy Assistance	93.568	Z 13-49203	-	342,684	342,684	-	-
Low-Income Home Energy Assistance	93.568	LIHEAP-14-03	-	926,798	1,752,018	-	(825,219)
Total Low-Income Home Energy Assistance			(40,428)	1,309,911	2,094,702	-	(825,219)
Community Services Block Grant	93.569	Z 13-49104	(112,035)	112,035	-	-	-
Community Services Block Grant	93.569	Z 14-49104	-	493,642	609,853	-	(116,212)
Total Community Services Block Grant			(112,035)	605,677	609,853	-	(116,212)
Total U. S. Department of Health and Human Services			(558,205)	10,226,121	11,030,705	-	(1,362,789)
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</b>							
Foster Grandparents Program	94.011	13SFSTN003	-	262,506	407,860	-	(145,354)
Total Corporation for National and Community Services			-	262,506	407,860	-	(145,354)
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>							
Passed Through Tennessee Emergency Management Agency - Disaster Relief							
FEMA 1965 DR TN - February 2011	97.036	FEMA 1965 DR TN	(18,905)	-	-	-	(18,905)
FEMA 1974 DR TN - April 2011	97.036	FEMA 1974 DR TN	(1,006,434)	-	-	-	(1,006,434)
Total FEMA			(1,025,339)	-	-	-	(1,025,339)
Total U. S. Department of Homeland Security			(1,025,339)	-	-	-	(1,025,339)
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT</b>			<b>(6,101,719)</b>	<b>23,301,668</b>	<b>28,866,885</b>	<b>3,786</b>	<b>(11,663,151)</b>

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2014**

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Unearned Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Other Adjustments</u>	<u>Ending (Accrued) Unearned Grant Revenue</u>
(continued from previous page)							
<b>STATE AWARDS</b>							
Tennessee Commission on Aging & Disability Southeast Tennessee Development District	N/A	GG1339522	-	44,016	44,016	-	-
Tennessee Department of Economic & Community Development Urban Forestry Grant	N/A	GG-09-28278-00	11,642		11,642	-	-
Tennessee Department of Environment & Conservation Household Hazardous Waste	N/A	GG-1338886	(31,315)	79,457	67,400	-	(19,259)
Used Oil Collection and Recycling	N/A	34557	(16,933)	16,732	-	201	-
Clean TN Energy	N/A	DG1338940-00	-	137,597	147,986	-	(10,389)
Clean Water State Revolving Loan Program (SRF 2011-289)	N/A	SRF 2011-289	(1,748,722)	2,092,502	1,995,769	-	(1,651,989)
Clean Water State Revolving Loan Program (SRF 2012-307)	N/A	SRF-2012-307	-	-	730,069	-	(730,069)
Clean Water State Revolving Loan Program (SRF 2013-318)	N/A	SRF-2013-318	-	-	863,701	-	(863,701)
Total Tennessee Department of Environment & Conservation			<u>(1,796,970)</u>	<u>2,326,288</u>	<u>3,804,925</u>	<u>201</u>	<u>(3,275,407)</u>
Tennessee Department of Finance & Administration THDA Entitlement - CNE Project	N/A	N/A	597,328	38,969	204,726	-	431,571
Tennessee Sate Library & Archives	N/A		(460)	460	-	-	-
Tennessee Emergency Management Agency - Disaster relief FEMA 1965 DR TN - February 2011	N/A	FEMA 1965 DR TN	(2,825)	-	-	-	(2,825)
FEMA 1974 DR TN - April 2011	N/A	FEMA 1974 DR TN	<u>(159,916)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(159,916)</u>
<b>TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT</b>			<u><b>(1,351,201)</b></u>	<u><b>2,409,732</b></u>	<u><b>4,065,309</b></u>	<u><b>201</b></u>	<u><b>(3,006,577)</b></u>
<b>TOTAL EXPENDIUTRE OF FEDERAL AND STATE AWARDS - PRIMARY GOVERNMENT</b>			<u><b>\$ (7,452,920)</b></u>	<u><b>\$ 25,711,400</b></u>	<u><b>\$ 32,932,195</b></u>	<u><b>\$ 3,987</b></u>	<u><b>\$(14,669,728)</b></u>

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2014**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Program Income

Cash receipts for the Community Development Block Grant (CFDA 14.218) and HOME Investment Partnerships Program (CFDA 14.239) include program income of \$486,532 and \$417,898, respectively.

Note 3. Other Adjustments

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

Note 4. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$598,849
Shelter Plus Care	14.231	220,477
THDA ESG Stage	14.231	133,024
Home Investment Partnerships Program	14.239	499,489



HENDERSON HUTCHERSON  
& MCCULLOUGH, PLLC

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 25, 2014. Our report includes a reference to other auditors who audited the financial statements of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority, as described in our report on the City 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 in 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. 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  
November 25, 2014

Henderson Hutcherson  
& McCullough, PLLC



HENDERSON HUTCHERSON  
& MCCULLOUGH, PLLC

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**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) Circular A-133, 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, 2014. 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.

***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. The City's basic financial statements include the operations of the Chattanooga Metropolitan Airport Authority and the 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, 2014. Our audit, described below, did not include the operations of these entities because the entities engage other auditors to perform audits in accordance with OMB Circular A-133. The City's basic financial statements also include operations of the Electric Power Board. We performed an audit in accordance with OMB Circular A-133 for this enterprise fund. The schedule of expenditures of federal awards for the year ended June 30, 2014 does not include these operations as we reported on them separately.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit 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, 2014.

### **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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Chattanooga, Tennessee  
November 25, 2014

*Henderson Hutcherson  
& McCullough, PLLC*



**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2014**

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	U.S. Department of Housing and Urban Development Community Development Block Grants/Entitlement Grants
16.710	U.S. Department of Justice 2010 COPS Hiring Grant
20.205	U.S. Department of Transportation Highway Planning Grants/Congestion Management Air Quality
66.458	U.S. Environmental Protection Agency Clean Water Air Pollution Control Program
93.568	U.S. Department of Health and Human Services Low-Income Home Energy Assistance
93.600	Head Start

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2014**

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

\$866,007

Auditee qualified as low-risk auditee?

  x  yes

    no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported

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

None reported

**CITY OF CHATTANOOGA, TENNESSEE**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2014**

None reported



**City of Chattanooga**

Department of Finance and Administration

City Hall

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