



CITY OF CHATTANOOGA, TENNESSEE

CAFR 2013



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

CITY OF CHATTANOOGA, TENNESSEE

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

DEPARTMENT OF FINANCE AND ADMINISTRATION
DAISY W. MADISON, ADMINISTRATOR

CITY OF CHATTANOOGA, TENNESSEE

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CITY OF CHATTANOOGA, TENNESSEE

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Mayor's Letter



City of Chattanooga
Office of the Mayor

City Hall • 101 East 11th Street • Chattanooga, Tennessee 37402



Mayor Andy Berke

December 3, 2013

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

I am honored to present to you the City's annual financial report for the fiscal year ended June 30, 2013. After taking office on April 15, 2013, I found a city in good financial health with strong reserves and solid bond ratings. These indicators of a responsible local government can be attributed to the talent and hard work of our city employees, many of whom have spent decades in service to the City of Chattanooga.

The first months of a new administration offer a time to reflect on where we've been as a community but, more importantly, where we are headed. Chattanooga is a city transformed and I am excited to make sure that opportunities reach every corner of our city. In fact, after just a few months in office, City government has gone through a transformation of our own to ensure we address the issues that matter most to our community.

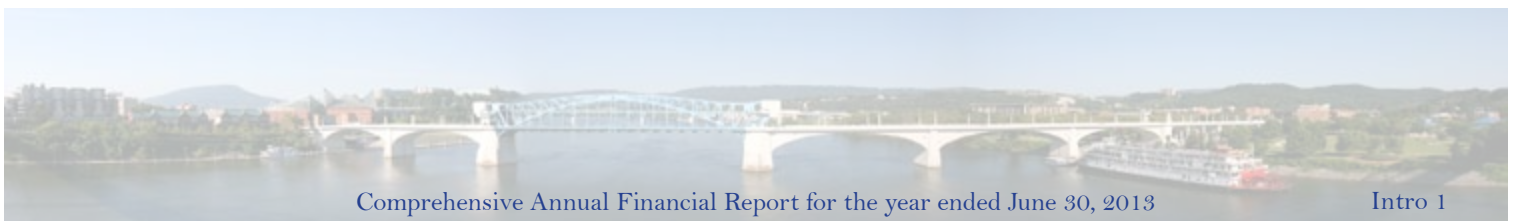
Today, we are an organization relentlessly focused in four strategic priority areas: Safer Streets; Stronger Neighborhoods & a Growing Economy; Smarter Students & Strong Families; and Innovative Government. To reflect these community priorities, we have reoriented City departments and launched Budgeting for Outcomes to ensure the dollars we spend move us closer to our goals.

My administration was able to make these changes because of the strong foundation of our City government. As I offer you the City's annual financial report for the last twelve months, I encourage you to also look forward to what's to come. I am excited to work diligently over the next four years to provide opportunity to our young people, make our streets safer, strengthen our neighborhoods and local economy, and create a more innovative, efficient and effective government.

Sincerely,

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

Mayor Andy Berke
City of Chattanooga



City Council



Chip Henderson
Vice Chairman
District 1



Jerry Mitchell
District 2



Ken Smith
District 3



Larry Grohn
District 4



Russell Gilbert
District 5



Carol Berz
District 6



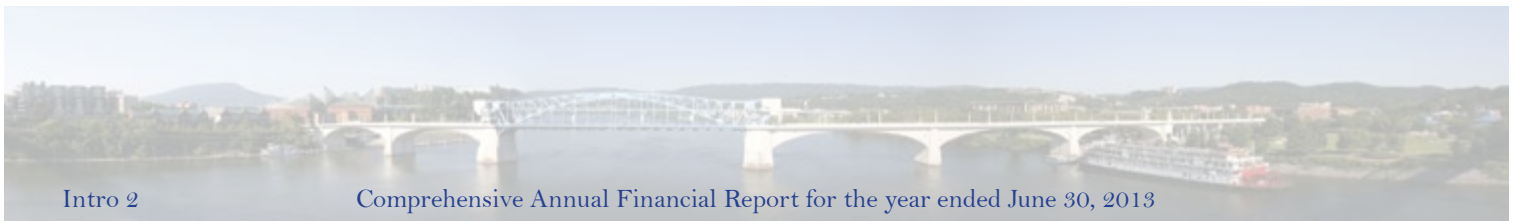
Chris Anderson
District 7



Moses' Freeman
District 8



Yusuf Hakeem
Chairperson
District 9



Letter of Transmittal



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

December 3, 2013

**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, 2013 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, 2013. The independent auditor's report is presented as the first item in the financial section of this report.

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

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



Daisy W. Madison, City Finance Officer



Vickie Haley, Deputy City Finance Officer

GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND MAJOR INITIATIVES



PROFILE OF THE GOVERNMENT

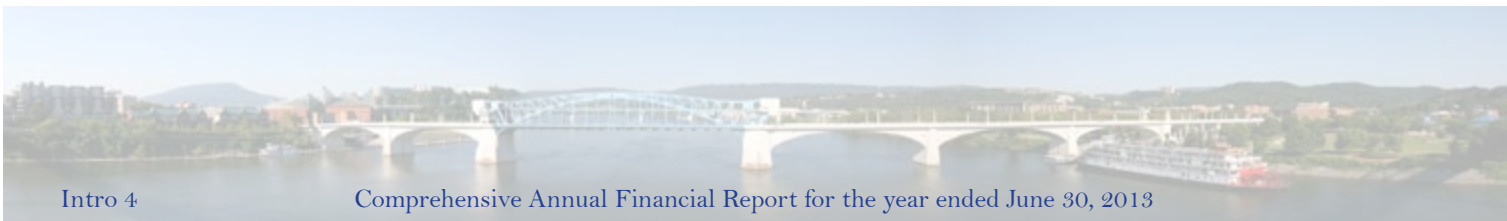
Nestled in a bend of the Tennessee River and surrounded by mountains and lakes, Chattanooga is so beautiful it inspired a community quest to make it the best mid-sized city in America. Living in Chattanooga means that outdoor views and adventures are around every corner, but our city is much more than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

Founded as a ferry landing and warehouse site in 1815, the City of Chattanooga was incorporated under State of Tennessee Private Acts of 1839. The City is the county seat of Hamilton County and is located near the southeastern corner of the state on the Tennessee-Georgia border. Chattanooga is centrally located in relation to other major population centers of the southeast, being within a 150-mile radius of Knoxville and Nashville, Tennessee; Birmingham, Alabama; and Atlanta, Georgia.

Over 11 million people live within a 2 to 2½ hour drive of Chattanooga. It encompasses an area of 148 square miles. Official results of the 2010 U.S. Census show a population of 167,674, a 7.8% growth since the 2000 Census. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also has the power to extend its corporate limits by annexation in accordance with procedures under an "Urban Growth Plan", adopted in 2001.

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

The City provides a full range of municipal services including but not limited to fire and police protection; sanitation services and recycling; construction and maintenance of highways, streets and infrastructure;



recreation and cultural activities; 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 the legally separate Chattanooga Downtown Redevelopment Corporation which is reported as an enterprise fund along with EPB. Additional services are provided through the 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 these legally separate entities can be found in the notes to the financial statements.

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

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements may be best understood when it is considered from the broader perspective of the specific economic environment within which the City of Chattanooga operates.

The Local Economy: Employment in the Chattanooga area is diverse. The top employment sectors of trades, transportation, and utilities (20.8%), government (14.3%), manufacturing (13.2%), professional and business

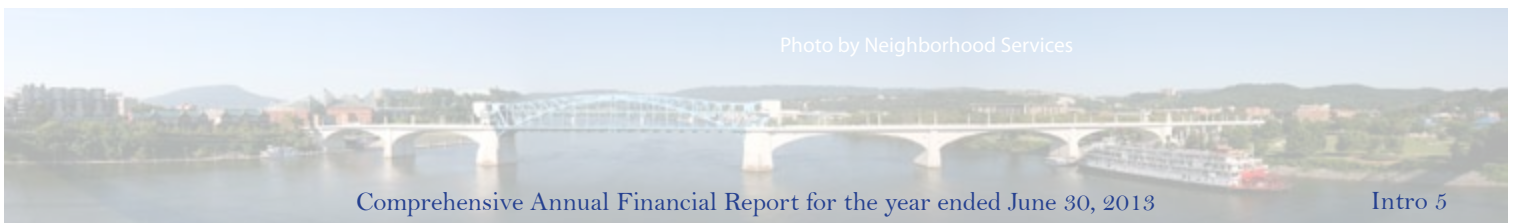
services (18.6%), education and health (14.5%), and leisure and hospitality (10.9%) comprise 92.3% of the workforce. Employment in the retail service sector continues to thrive. Hamilton Place Mall, which is in its 27th year of operation, anchors the area's most vibrant retail corridor along I-75. Most recently a new hotel, operated by a major chain, is set to open adjacent to 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. A housing and commercial project was recently approved for the west side of downtown along the river. The proposed \$40 million investment will bring a mix of homes and apartments. A major grocery chain in the north shore area is currently under construction. These projects, along with numerous other housing and retail development 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 8.3% for the Metropolitan Statistical Area remains below the state average of 8.5%, but higher than the national average of 7.7% as of July 2013, according to information from the Tennessee Civilian Labor Force Summary. Fiscally, the City of Chattanooga is well positioned for future growth. Chattanooga's success in adding jobs was highlighted in a July visit by President Obama to showcase his new economic development plan for the nation.

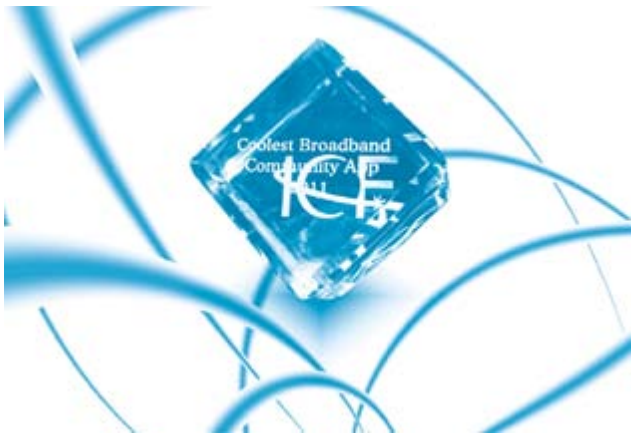


Chattanooga remains a world leader in technology. The Electric Power Board, Chattanooga's municipal power provider, offers a one-gigabit per second internet service. Few other cities in the world offer such lightning-fast

Photo by Neighborhood Services



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 network has grown to become available to all 170,000 homes, schools, and businesses in the service area, a total of 600 square miles that covers urban, suburban, and rural places and a diverse population of 300,000 people. The system is integrated with Smart Grid, a technology which allows remote monitoring of meters for every customer. A \$111 million federal stimulus grant from the Department of Energy dramatically accelerated the installation of the Smart Grid, shortening the planned five year implementation schedule to two years. A wireless mesh network is piggybacked onto the entire system, enhancing public safety as well. The high-speed internet has attracted competitions. In 2013, Chattanooga hosted its second Gigtank competition, hosting specialists from around the world to develop business ideas.



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

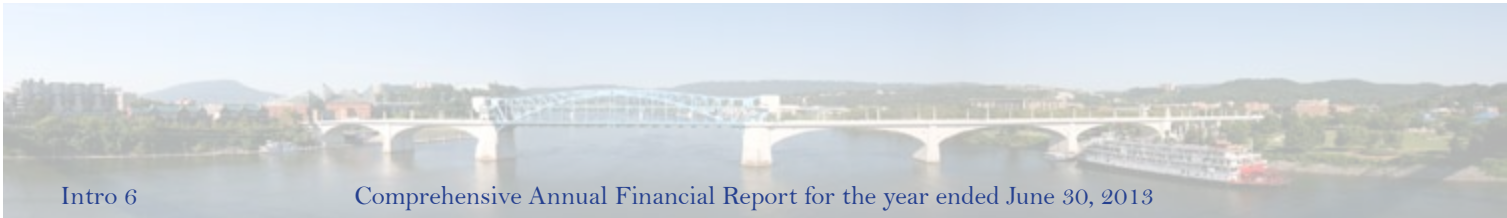
These successes and many more are the result of strong leadership among all the various civic leaders and elected officials. The third phase of the Chattanooga Chamber of Commerce "Chattanooga Can Do" campaign, being conducted from July 2011 – June 2015, has set goals for job growth. These goals include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

- Increase regional employment by 15,121 (7,356)
- Increase private investment by \$500 million (\$66.8 million)
- Create \$427 million in new payroll income (\$327.6 million)

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

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

Housing is continuing a healthy, steady rebound within the City. Recently completed or in-process additions have increased the number of apartments in Chattanooga by 1500 units within the past year. The local market for single family houses has also seen recent marked improvement. Chattanooga housing costs are well below the U.S. average according to a recent U.S. News & World Report article. This fact helps drive the local cost of living down, making Chattanooga a top-10 city in which to retire.



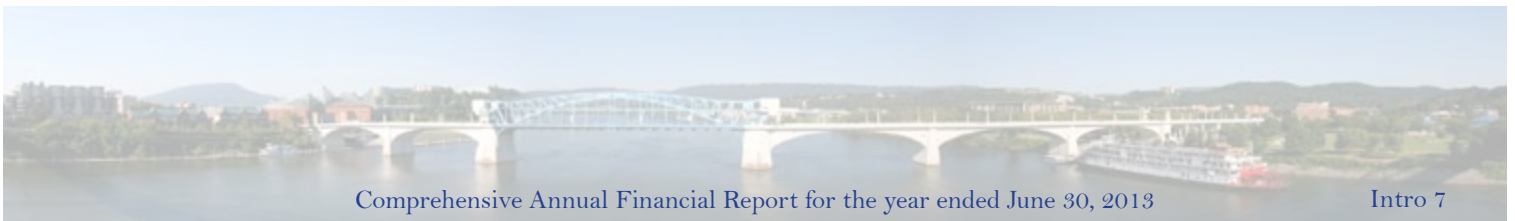


The fiscal health of Chattanooga City Government remains strong. As outlined in the Management's Discussion and Analysis starting on page iii, the City has maintained a healthy financial position through sound fiscal management. We have a history of strong fiscal discipline, healthy reserves, and constant review of operations, being ever vigilant to find new efficiencies and cost reduction measures. Standard and Poor's Rating Services raised the City's bond rating to AAA in November, 2013 and Fitch Ratings affirmed their bond rating for the City at AA+ Stable in November, 2013.

Long-term financial planning: The City takes a long range approach to capital spending by the adoption of a five year capital plan. The City Council passed its first property tax increase in nine years for 2011, setting the stage for continued sustainable economic growth and development and maintenance of a vibrant community. As part of the strategic plan, the City deployed an ultra high-speed broadband mesh network that will carry the City well into the future. The network was the key factor in Chattanooga

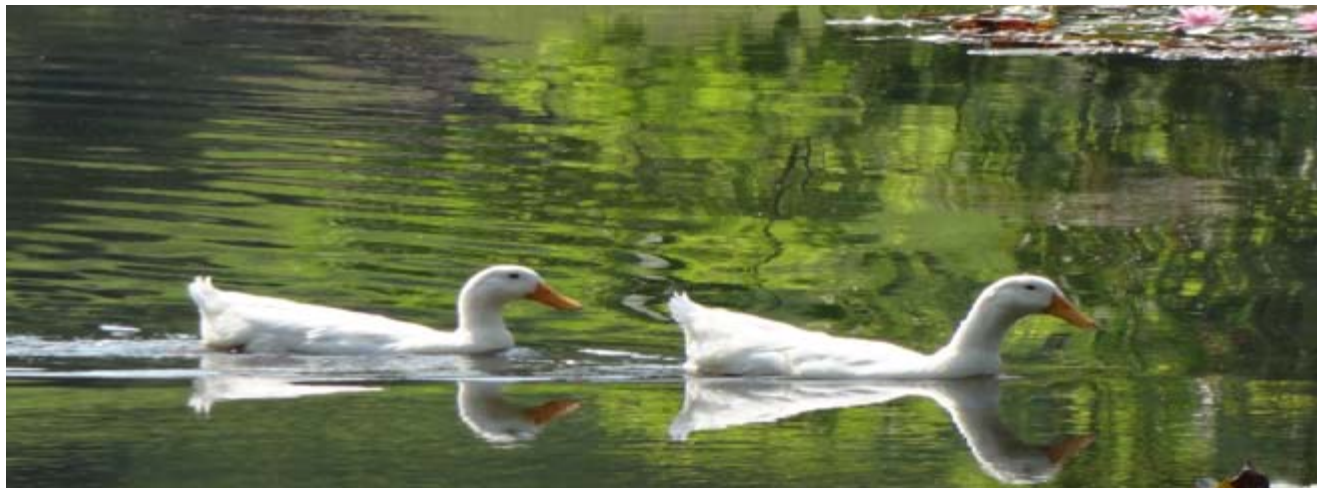
being voted among the world's Top Seven intelligent Communities by the Intelligent Community Forum. The City continues to explore growth opportunities through economic development, regional growth plans, annexation opportunities and other strategic initiatives that involve all citizens.

The City began its ChattanoogaRESULTS program in 2002. This program ensured accountability by providing for regular review and monitoring of departmental performance by the Mayor, the City Finance Officer and other senior City officials. Results continue with the first phase of a new approach to budget preparation and management, known as Budgeting for Outcomes, begun for the Fiscal Year 2014 budget. This approach measures results against goals and benchmarks used in determining funding levels for all city operations. The City's annual performance report to the citizens of Chattanooga gives residents an update on how city services are responding to their needs. It also provides department heads and



managers with quantifiable information to assess performance in meeting the City’s goal of efficient and effective management of resources in providing quality services to the citizens of Chattanooga.

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



Major initiatives: A series of annexations has begun which will set the stage for a stronger base for the municipal government. The annexation largely follows the Master Inter-local Agreement and Growth Boundaries adopted a decade ago as provided for under state law. There have been 5.8 square miles annexed since the adoption of the plan in May, 2001. Steps are being taken to annex 2 additional areas (1 additional square mile) effective December 31, 2013, leaving an additional 21.5 square miles which can potentially be annexed in the future. Chattanooga is a major participant in a 40-year regional growth plan, known as the Greater Chattanooga Regional Growth Initiative, 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, 2012. This was the twenty-first 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.

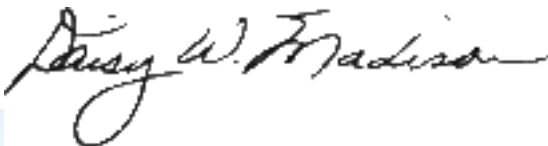
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal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

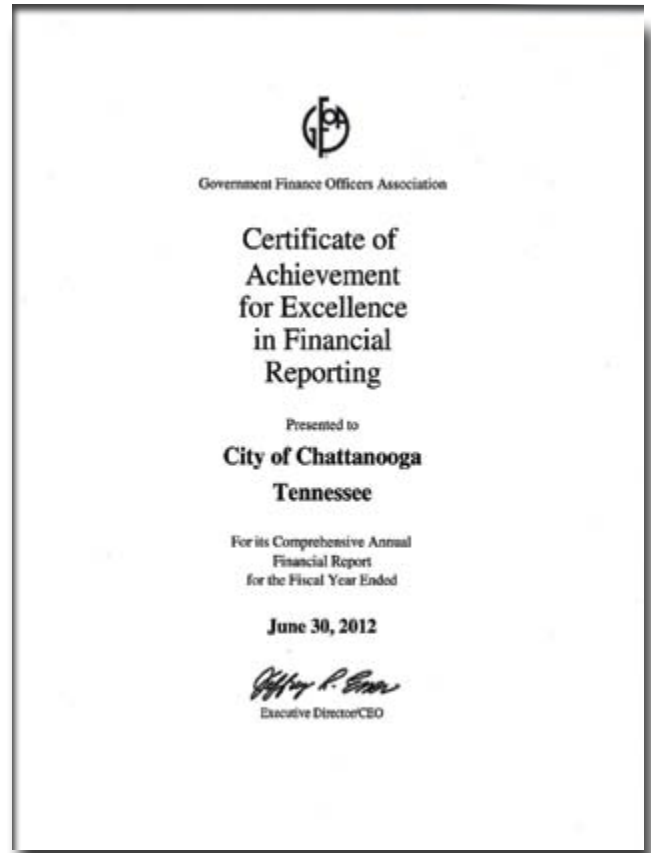
The GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting was received for the fiscal year ended June 30, 2012. This is the second consecutive year for which the City applied for the award. In order to qualify, a government must publish a Popular Annual Financial Report with contents 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, 2013



EXECUTIVE BRANCH:

Andy Berke, Mayor
Travis McDonough, Chief of Staff
Andrew Kean, Chief Operating Officer

CITY COUNCIL:

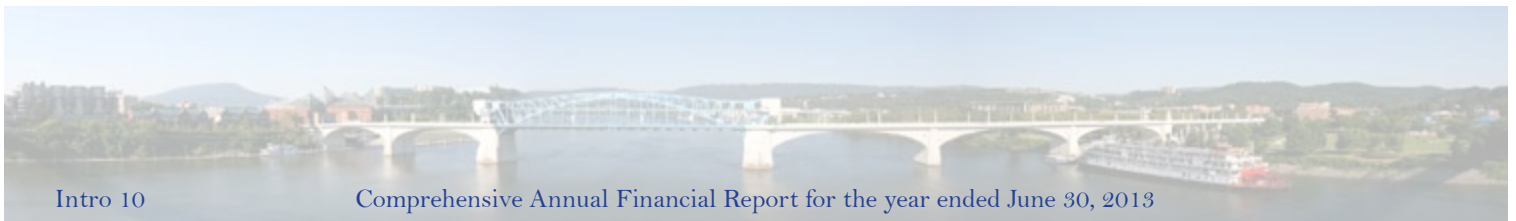
Yusuf Hakeem, Chairperson.....District 9	
Chip Henderson, Vice Chairperson.....District 1	Russell GilbertDistrict 5
Jerry Mitchell.....District 2	Carol BerzDistrict 6
Ken Smith.....District 3	Chris Anderson.....District 7
Larry Grohn.....District 4	Moses Freeman.....District 8

COURTS:

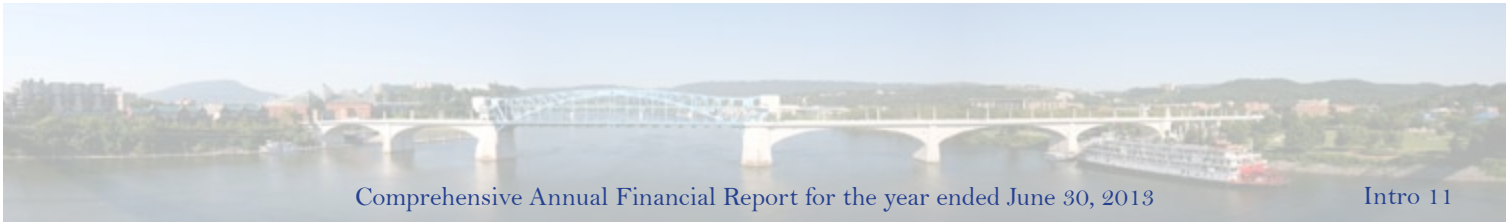
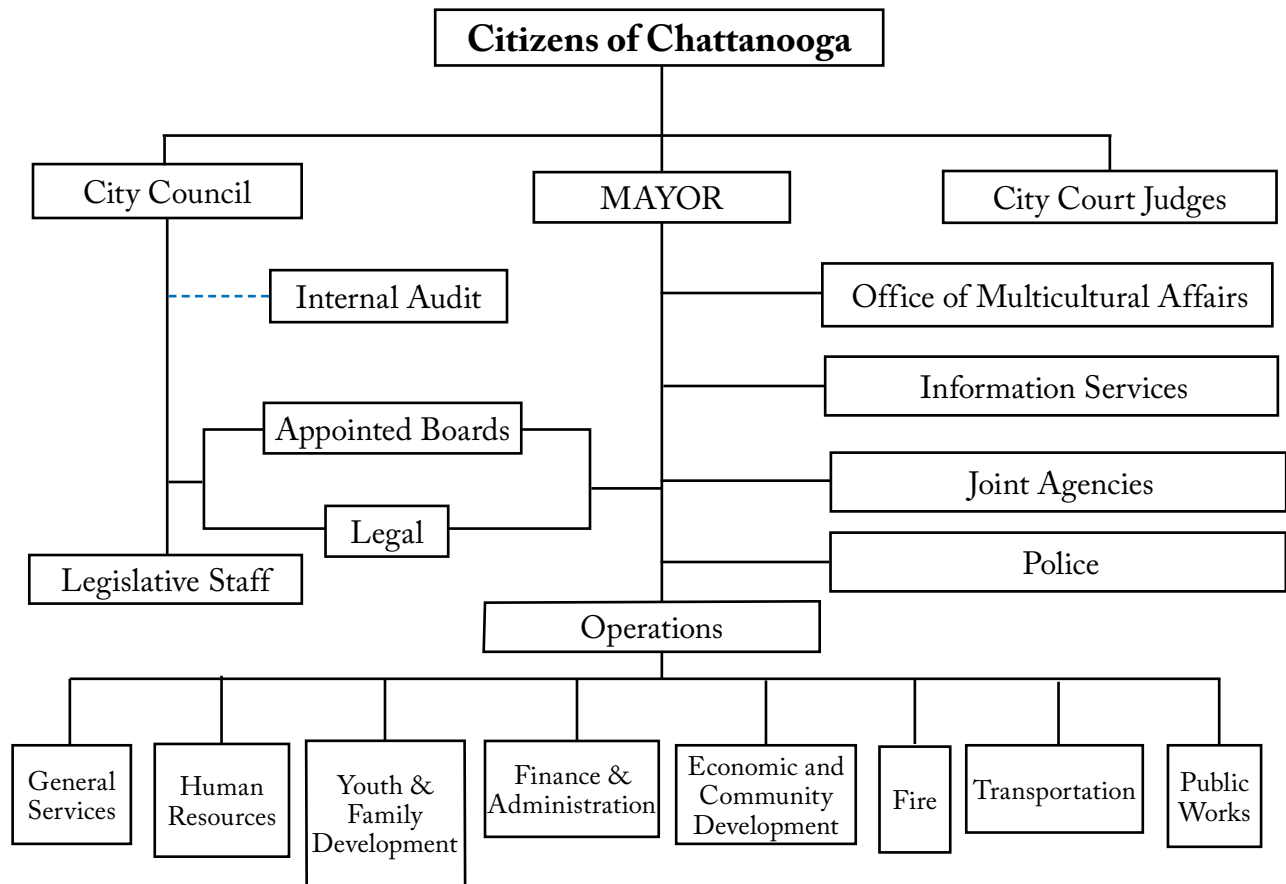
Sherry B. Paty..... City Court Judge	Russell J. Bean..... City Court Judge
Ron Swafford..... City Court Clerk	

DEPARTMENT ADMINISTRATORS AND DIRECTORS:

Legal.....	Wade Hinton.....	City Attorney
Legislative.....	Sandra Freeman.....	Clerk of the 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 Bobby Dodd.....	Administrator
Public Works.....	Lee Norris.....	Administrator
Youth and Family Development.....	Lurone Jennings.....	Administrator
Transportation.....	Blythe Bailey.....	Administrator



Organization Chart





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, 2013, 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, 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, 2013, 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 xix of the Financial Section and the required supplementary information on pages B-1 and B-2 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 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. In our opinion, the combining and individual nonmajor fund and component unit financial statements, the budgetary comparison schedules included as other supplementary information, financial schedules, and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Chattanooga, Tennessee
December 2, 2013

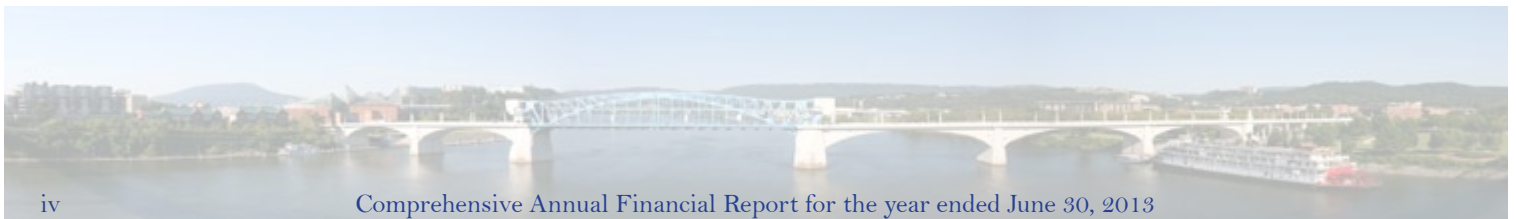
*Henderson Hutcherson
is McCullough, PLLC*

Management's Discussion and Analysis

As management of the City of Chattanooga (City) we provide readers of the City's financial statements with this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with our Letter of Transmittal beginning on page Intro 3 and the financial statements beginning on page A-1.

Financial Highlights

- o Assets and deferred outflow of resources for the primary government exceeded liabilities and deferred inflow of resources by \$1.9 billion (net position), an increase of \$37.8 million, or 2.0 percent, at the close of the fiscal year. Of this amount, \$81.9 million may be used to meet the City's ongoing obligations to citizens and creditors (unrestricted net position); this is a \$19.1 million or 30.3 percent, decrease over last year.
- o Net position of governmental activities at June 30 was \$1.3 billion, an increase of \$17.9 million, or 1.4 percent. A \$17.6 million prior period adjustment was made for economic development loans not deferred in prior years and a \$2.3 million prior period adjustment was made for a change in accounting principal.
- o Business-type activities reported ending net position of \$571.7 million, an increase of \$19.9 million, or 3.6 percent. Over \$14 million or 70.0 percent of the increase is from EPB electric and fiber operations. Fiber operations increased by \$12.4 million or 20.6 percent. Electric sales decreased by \$8.2 million while expenses decreased by \$11.4 million.
- o Long-term liabilities for the City's primary government increased \$77.5 million or 9.8 percent, during the current fiscal year. Reporting for the CDRC changed from a discretely presented component unit to a blended component unit as part of the primary government. As a result a \$100.6 million capital lease in governmental activities was replaced with a \$118.8 million lease rental revenue bond in business-type activities. At year end the EPB fiber optics includes a \$51.8 million liability for funds borrowed to pay off an intercompany note.
- o At the end of the current fiscal year, unassigned fund balance for the General Fund is \$55.6 million, up \$10.1 million or 22.2 percent from prior year. This represents 24.0 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 some items that will only result in cash flows in future fiscal years (e.g., revenue includes uncollected taxes and expenses include earned but unused vacation leave).

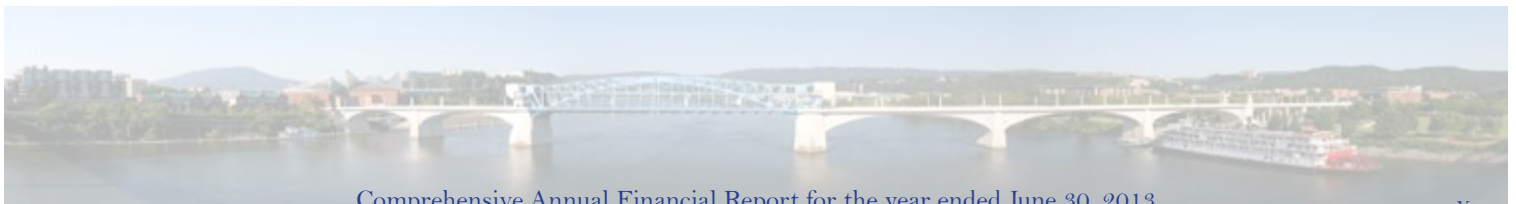
The government-wide financial statements reflect three distinct activities:

Governmental Activities -- These activities are primarily supported by taxes and intergovernmental revenues. The governmental activities of the City include general government; public safety; public works; parks, recreation, education, arts & culture and social services.

Business-type Activities -- These activities are supported by user fees and charges for service which are intended to recover all of their costs. Included are electric, sewer and water quality systems, as well as solid waste disposal and housing management operations. Beginning in FY2013 business-type activities also include The Chattanooga Downtown Redevelopment Corporation, a legally separate entity that functions for all practical purposes as an enterprise of the City and therefore has been included as an integral part of the primary government. Governmental activities and business-type activities combine to comprise the primary government.

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

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



Fund Financial Statements

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

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

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

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

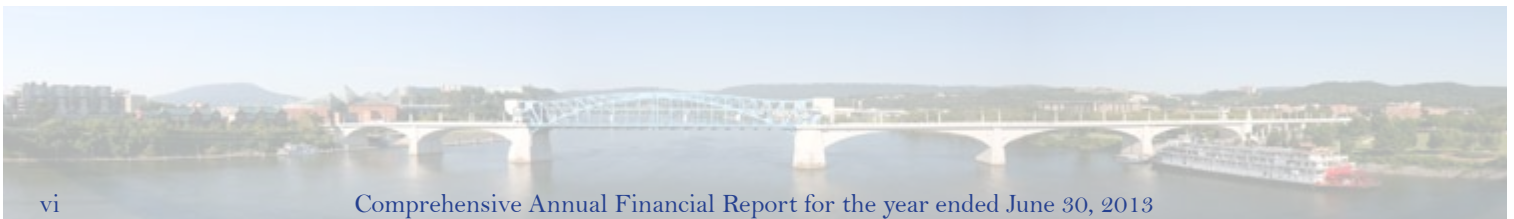
The City maintains a general fund, multiple special revenue funds, a debt service fund, a capital projects fund and one permanent fund as governmental funds. Information is presented separately in the governmental statements for the General Fund and the Capital Projects Fund since both of these are considered 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 maintains two different types of proprietary funds: 1) enterprise funds and 2) internal service funds.

- o **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements but provide more detail and additional information, such as cash flows. The Electric Power Board (EPB), Interceptor Sewer System, Water Quality Management, Solid Waste and Chattanooga Downtown Redevelopment Corporation are considered major funds. The only other fund, Housing Management, is also shown on the face of the proprietary fund financial statements.



- o **Internal service funds** are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Chattanooga accounts for maintenance of City vehicles and risk financing (including health costs) 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 fund statements begin on page A-9 of this report.

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

The City of Chattanooga maintains a pension trust fund and an Other Post-Employment Benefits (OPEB) trust fund as fiduciary funds. The pension trust and OPEB trust funds report the resources held in trust for retirees and beneficiaries covered by the plans. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Notes to the Financial Statements

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

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

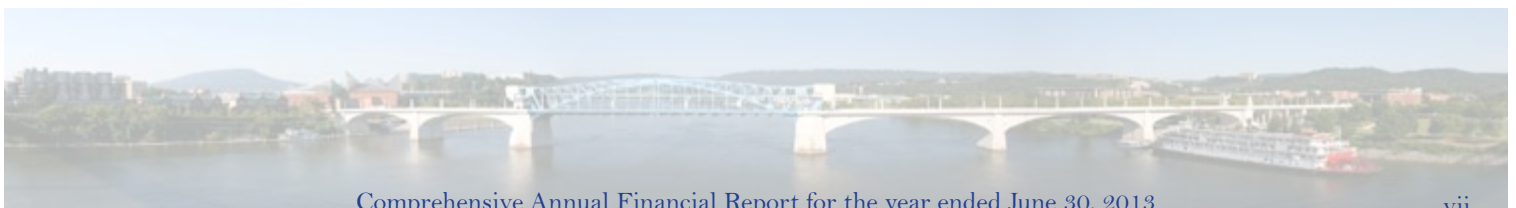
Other Information

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:

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



Government-wide Financial Analysis

Net 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 \$1.9 billion at the close of the most recent fiscal year, an increase of \$37.8 million, or 2.0 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.

City of Chattanooga's Net Position

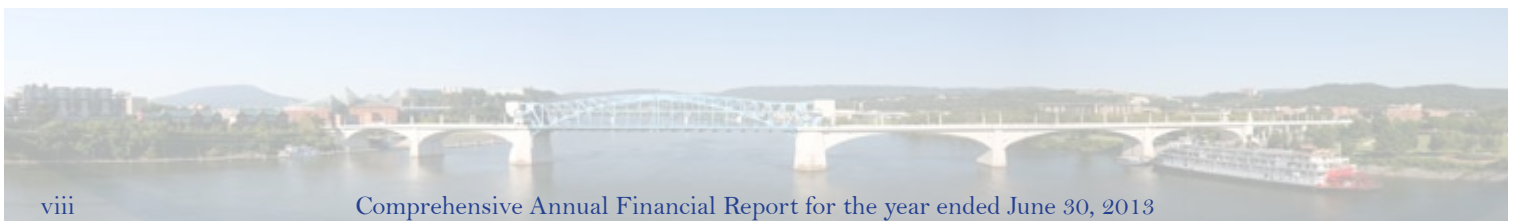
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 230,432	\$ 307,905	\$ 408,820	\$ 236,912	\$ 639,252	\$ 544,817
Capital assets	1,505,803	1,515,927	911,100	910,556	2,416,903	2,426,483
Total assets	<u>1,736,235</u>	<u>1,823,832</u>	<u>1,319,920</u>	<u>1,147,468</u>	<u>3,056,155</u>	<u>2,971,300</u>
Total deferred outflows of resources	2,788	-	4,124	-	6,912	-
Long-term liabilities outstanding	251,442	362,657	615,380	426,671	866,822	789,328
Other liabilities	24,972	146,234	136,942	169,004	161,914	315,238
Total liabilities	<u>276,414</u>	<u>508,891</u>	<u>752,322</u>	<u>595,675</u>	<u>1,028,736</u>	<u>1,104,566</u>
Total deferred inflows of resources	129,764	-	-	-	129,764	-
Net position:						
Net investment in capital assets	1,212,457	1,203,908	537,001	527,584	1,749,458	1,731,492
Restricted	28,150	41,687	45,015	30,684	73,165	72,371
Unrestricted	92,238	69,346	(10,294)	(6,475)	81,944	62,871
Total net position	<u>\$ 1,332,845</u>	<u>\$ 1,314,941</u>	<u>\$ 571,722</u>	<u>\$ 551,793</u>	<u>\$ 1,904,567</u>	<u>\$ 1,866,734</u>

During the year, the City implemented new accounting pronouncements which required the restatement of prior year net position. These changes are reflected in the changes in net position found later in this discussion.

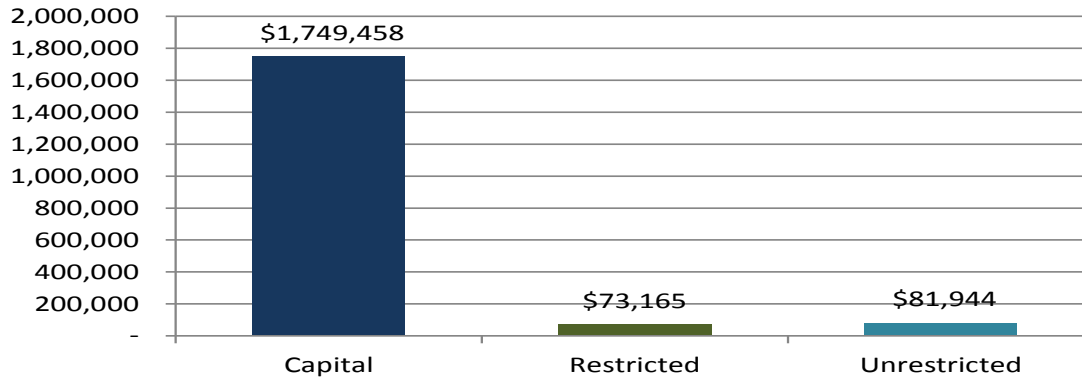
By far the largest portion of the City's net position \$1.7 billion or 92.0 percent reflects its investment in capital assets (land, buildings, equipment, infrastructure, etc.), less any related outstanding debt that was issued to acquire those assets. While capital assets are used to provide services 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, \$73.2 million or 3.8 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$81.9 million or 4.3 percent is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.



Government-wide Net Position

(in thousands)



Governmental Activities

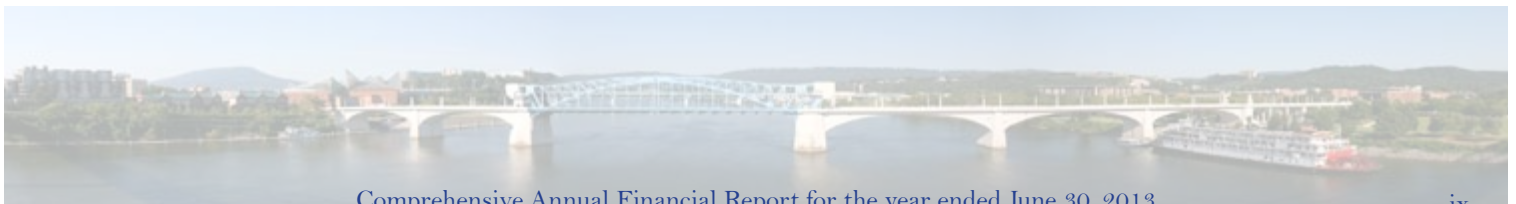
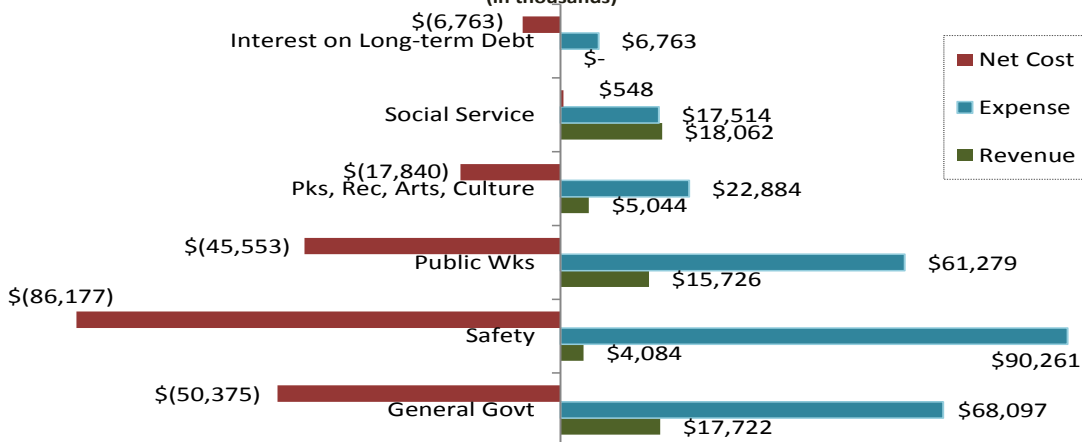
During the current fiscal year, net position of the City's governmental activities increased \$17.9 million from the prior year for an ending balance of \$1.3 billion. Overall revenue increased \$1.7 million or 0.6 percent. There was a reallocation of \$5.9 million of unearned revenue adjustments erroneously included as property tax in fiscal year 2012 which has been allocated to other areas. Other revenue increases include \$1.9 million in county wide sales tax, \$1.7 million in state income tax, \$1.2 million of franchise taxes and \$0.8 million in gross receipts

Expenses for the current year decreased \$9.6 million or 3.5 percent. This is primarily due an \$8.0 million decrease in public works. Prior fiscal year expenditures included \$2.1 million for storm clean up related to a tornado and a \$4.8 million payment for railroad enhancements at Enterprise South Industrial Park.

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.

Expenses and Program Revenues Governmental Activities

(in thousands)



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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 20,740	\$ 19,489	\$ 722,157	\$ 693,928	\$ 742,897	\$ 713,417
Operating grants	38,425	38,546	-	101	38,425	38,647
Capital grants	1,473	2,254	19,983	39,217	21,456	41,471
General revenues:						
Property taxes	129,150	133,455	-	-	129,150	133,455
Other taxes	21,028	19,891	-	-	21,028	19,891
Investment income	1,069	874	1,056	804	2,125	1,678
Miscellaneous	891	374	388	148	1,279	522
Unrestricted grants	70,563	66,731	-	-	70,563	66,731
Total revenues	<u>283,339</u>	<u>281,614</u>	<u>743,584</u>	<u>734,198</u>	<u>1,026,923</u>	<u>1,015,812</u>
Expenses						
Governmental activities:						
General government	68,097	64,752	-	-	68,097	64,752
Public safety	90,261	91,997	-	-	90,261	91,997
Public works	61,279	69,322	-	-	61,279	69,322
Parks, rec, ed & culture	22,884	22,807	-	-	22,884	22,807
Social services	17,514	19,330	-	-	17,514	19,330
Interest on long-term debt	6,763	7,087	-	-	6,763	7,087
Business-type activities:						
Electric utility	-	-	630,133	640,201	630,133	640,201
Sewer	-	-	51,883	50,174	51,883	50,174
Solid waste	-	-	6,458	5,108	6,458	5,108
Water quality	-	-	12,869	12,387	12,869	12,387
Housing management	-	-	4,753	1,028	4,753	1,028
Downtown Redevelopment	-	-	16,196	-	16,196	-
Total expenses	<u>266,798</u>	<u>275,295</u>	<u>722,292</u>	<u>708,898</u>	<u>989,090</u>	<u>984,193</u>
Excess (deficiency) before extraordinary item and transfer	16,541	6,319	21,292	25,300	37,833	31,619
Transfers	1,363	6,344	(1,363)	(6,344)	-	-
Increase (decrease) in net position	17,904	12,663	19,929	18,956	37,833	31,619
Net position, beginning	1,314,941	1,322,175	551,793	542,831	1,866,734	1,865,006
Change in Accounting Principal	-	(19,897)	-	(9,994)	-	(29,891)
Net position, ending	<u>\$ 1,332,845</u>	<u>\$ 1,314,941</u>	<u>\$ 571,722</u>	<u>\$ 551,793</u>	<u>\$ 1,904,567</u>	<u>\$ 1,866,734</u>

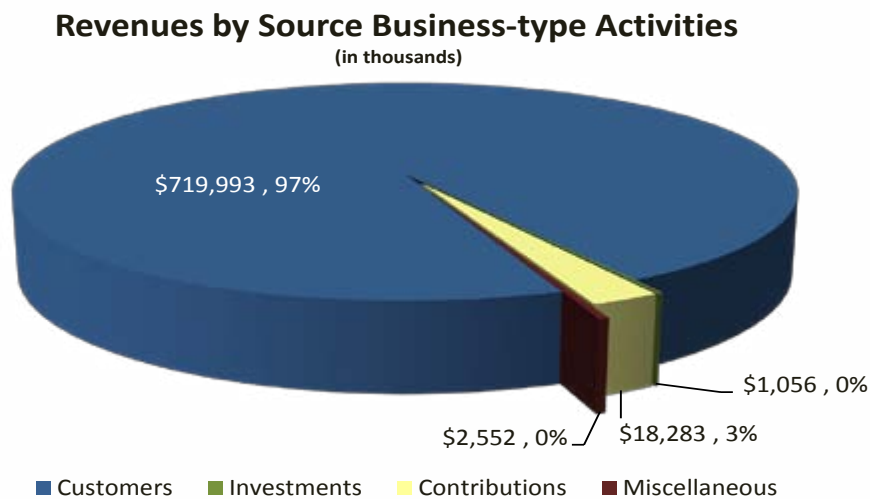


Business-type Activities

During the current year net position of the business-type activities increased \$19.9 million or 3.6 percent to \$571.7 million. Over \$14 million or 70.0 percent of the increase is from EPB electric and fiber operations. 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. The Housing Management Fund was dissolved during the year due to the transfer of Dogwood Manor.

Revenues for the City's business-type activities were \$741.9 million for the year just completed; this is a \$7.7 million or 1.0 percent increase. Expenses increased \$13.5 million of 1.9 percent resulting in total expense of \$722.4 million.

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

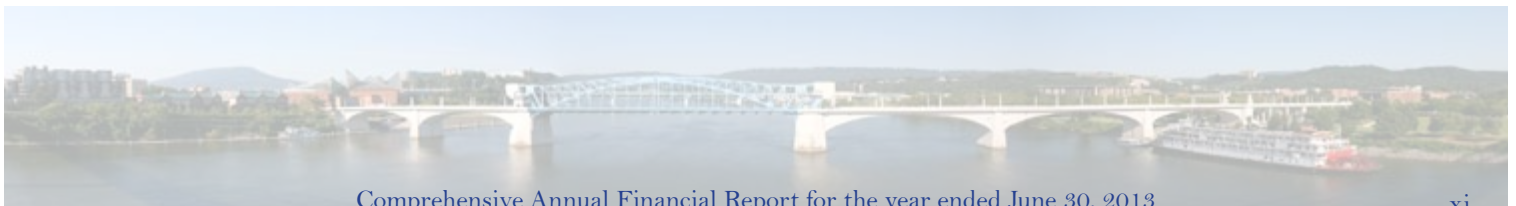


The following table provides a summary for each business-type activity. Each is discussed in more detail with the proprietary fund information.

Expenses and Revenues - Business-type Activities

(in thousands)

	Electric	Sewer	Solid Waste	Water Quality	Downtown Revelopment	Housing	Total
Expenses	\$ 630,133,000	\$51,882,717	\$ 6,457,957	\$12,868,856	\$16,332,772	\$ 4,753,392	\$ 722,428,694
Revenues	644,361,000	52,833,624	6,450,338	17,280,367	18,291,532	2,667,646	741,884,507
Transfers In (Out)	-	-	473,432	-	-	-	473,432
Change in net position	\$ 14,228,000	\$ 950,907	\$ 465,813	\$ 4,411,511	\$ 1,958,760	\$ (2,085,746)	\$ 19,929,245



Financial Analysis of the City's Funds

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

Governmental Funds

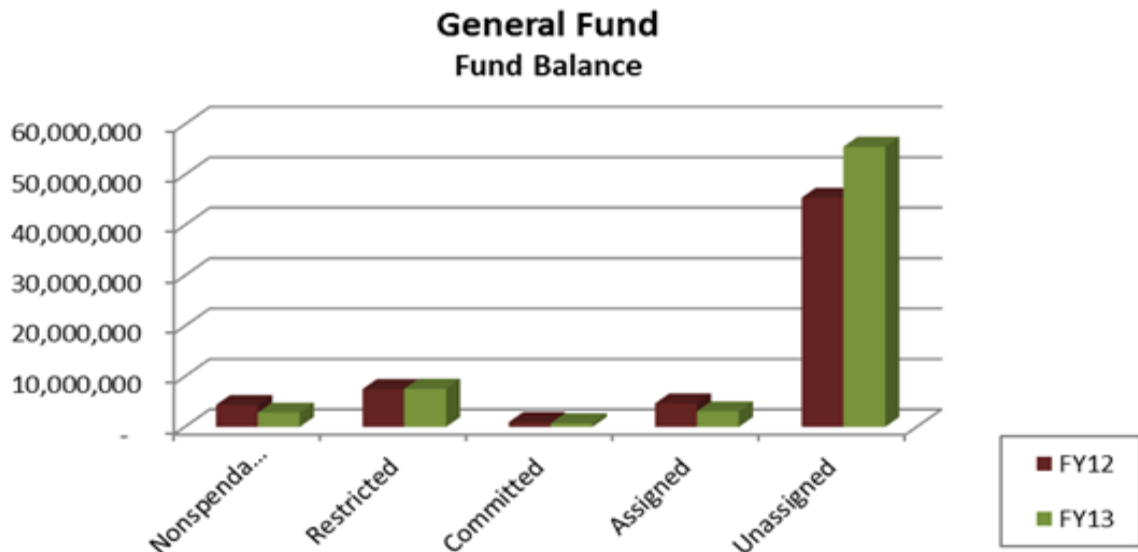
Governmental funds focus is on the near-term flow of resources and balance of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's resources available for discretionary use since 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 \$113.9 million at the end of the fiscal year. 48.8 percent of this amount, or \$55.6 million, is available for spending at the City's discretion (unassigned fund balance). Total fund balance is made up of the following:

- o \$55.6 million is unassigned
- o \$8.4 million is in nonspendable form
- o \$39.6 million is restricted for particular purposes
- o \$6.2 million is committed for specific purposes
- o \$4.1 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 10.9 percent or \$6.8 million to \$69.8 million during the fiscal year. Unassigned fund balance increased \$10.1 million or 22.2 percent to \$55.6 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 24.0 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 30.2 percent of that same amount.

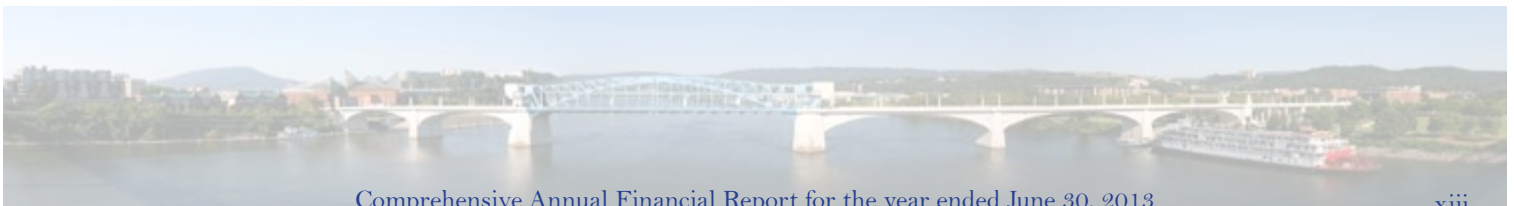


Total revenues increased \$14.2 million or 6.3 percent, from the prior year. The primary increases are a \$6.8 million reclassification of EPB tax equivalent payments from transfers in to revenue, \$1.5 million increase in property taxes, \$1.5 million increase in state income tax and \$2.0 million local sales tax. All major revenue sources are discussed as follows.

- o During the current fiscal year property tax, along with payments in lieu of tax, increased \$7.5 million, 6.5 percent over last year. As mentioned above this includes reclassification \$6.1 million from transfers for payment in lieu of tax for the EPB. Franchise taxes increased 32.8 percent or \$1.0 million; \$0.7 million of this is a reclassification of franchise fees from transfers. Gross receipts increased \$0.8 million or 19.6 percent.
- o Licenses and permits are up \$0.1 million or 2.2 percent. Construction related permits decreased \$0.2 million or 6 percent due to permits for a major hospital campus expansion in the prior year while parking meter revenues increased \$0.2 million or 19.5 percent from prior year.
- o Intergovernmental revenues increased \$3.8 million or 5.0 percent over the prior year. The primary increases consist of \$3.5 million for congestion mitigation grant from the State of Tennessee, \$2.0 million or 4.0 percent increase in local sales tax and \$1.5 million or 58.4 percent increase in allocation of state income tax. These are offset by decreases of \$1.6 million from FEMA relating to the storms in 2011 and \$1.3 million in an ARRA sustainability grant.
- o Charges for services increased 9.2 percent or \$0.5 million. The primary increase is a result of a reimbursement from Hamilton County for supplies and training for the Metropolitan Medical Response System grant.
- o Fines, forfeitures and penalties are down \$0.7 million or 34.5 percent primarily relating to a transition period with providers of the automated traffic enforcement system.
- o Interest income decreased \$170,000 or 21.9 percent. Miscellaneous revenue includes an additional \$1.3 million increase or 29.0 percent. Major changes include an increase in indirect costs of \$0.6 million and \$0.4 million for sale of city owned property.

Total expenditures increased \$9.9 million or 5.1 percent, from the previous year. Major changes during fiscal year 2013 are discussed below:

- o \$1.7 million or 2.2 percent, was for employee compensation. Final leave payout increased \$0.8 million or 85.1 percent due to an administration transition with an additional \$0.5 million or 50.9 percent as longevity increased from \$50 to \$75 per year.
- o Employee benefit costs increased by \$1.5 million or 3.3 percent. This is due to an increase in pension costs of \$2.0 million or 13.7 percent and a 5.3 percent or \$0.8 million increase as a result of employee health options. This is offset by an 11.4 percent or \$1.4 million decrease in OPEB costs as a result of funding the annual required contribution and the impact of plan changes in prior years.
- o Increases in operations include \$2.2 million appropriated from contingency to terminate the City's ownership of Dogwood Manor, an apartment complex and a \$3.0 million increase in traffic lights and equipment related to the congestion mitigation grant.



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 \$24.0 million in fund balance; of that amount \$1.6 million is nonspendable for long-term note receivables leaving \$22.4 million restricted for completion of capital projects. Fund balance for this fund fluctuates from year-to-year based on debt issued and project expenditures; new debt increases fund balance while construction decreases it. For fiscal year 2013 there was a \$13.9 million decrease in fund balance. Analysis of project income and expenditures follows.

Project inflows for the year of \$8.3 million include \$1.9 million in intergovernmental revenue, contributions, interest, and sale of property. Transfers of \$6.3 million include \$2.6 million of economic development funding, \$2.6 million from general fund, \$0.6 million from community development and \$0.4 million from the library.

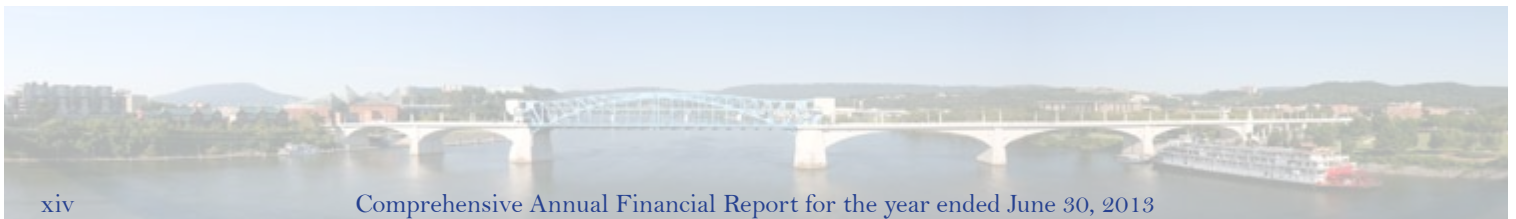
Current year project outflows of \$22.2 million include \$5.3 million for street and sidewalk projects, \$2.7 million for energy efficient outdoor lighting, \$2.7 million for park improvements and \$2.4 million for safety building improvements and equipment. Transfers out of \$4.0 million are primarily comprised of \$3.5 million to fund the fleet leasing program.

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 \$612.0 million. \$553.5 million is net investment in capital assets with an additional \$45.0 million restricted for future use, leaving \$13.5 million available to meet on-going obligations.

Enterprise Funds – Total net assets of the enterprise funds increased \$19.9 million or 3.6 percent. Details for each fund are presented as follows:

- o **Electric Power Board** – The largest enterprise fund is EPB, which has both an electric and a fiber optic division. Total net position increased \$14.2 million or 5.5 percent. Operating revenues are up \$6.9 million mainly due to increased fiber optic sales. Total operating expenses increased \$2.2 million or 0.4 percent. Electric operating expenses decreased \$11.4 million due to milder weather. These decreases are offset by an increase in fiber optic expenses of \$9.6 million.
- o **Interceptor Sewer System** – Net position of the Interceptor Sewer System increased \$1.0 million or 0.4 percent, to \$258.3 million. Operating revenues rose \$0.7 million or 1.2 percent due to a 9% two phase increase in rates offset by a \$0.3 million refund of advance payments made by the previous billing contractor. Operating expenses increased \$2.1 million or 4.5 percent primarily as a result of consulting services costs to monitor compliance with the consent decree and a new contract for billing and collection service. Unrestricted net position (available to finance on-going operations) decreased \$8.5 million or 31.1 percent to \$18.7 million. An additional \$22.7 million is restricted for future capital spending, an increase of \$7.5 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.
- o **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 \$0.5 million following a continual improvement trend. For fiscal year 2013 the fund recognized a special item for actual costs that exceeded closure accruals. To date the City has accrued liabilities of \$5.8 million for closure and post closure care costs.



- o **Water Quality Management** -- The Water Quality Fund, established to comply with EPA guidelines, now has \$50.3 million in net position, an increase of \$4.4 million or 9.6 percent from last year. This includes the third of four annual adjustments to the non-residential rate adopted in April 2010. Net position invested in capital is \$29.2 million. The amount available to fund day-to-day operations (unrestricted) increased from \$9.4 million to \$18.8 million, a 99.5 percent increase.
- o **Housing Management** -- The Housing Management Fund was closed in fiscal year 2013 with the transfer of Dogwood Manor.
- o **Chattanooga Downtown Redevelopment Corporation** -- The CDRC Fund, a blended component unit of the City, accounts for redevelopment financing, operations of The Chattanooga Hotel and the Southside Parking Garage. Net position is a negative \$7.2 million from the termination of a swaption agreement in prior years. The CDRC fund reported \$18.3 million in total revenues with total expenses of \$16.3 million; this was a \$2.0 million change in net position.

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 increased \$9.9 million or 32.5 percent. This change is primarily due to accruing replacement funds for the City's fleet leasing program (\$5.0 million) and self-funding reserves for the medical benefits program (\$4.4 million).

General Fund Budgetary Highlights

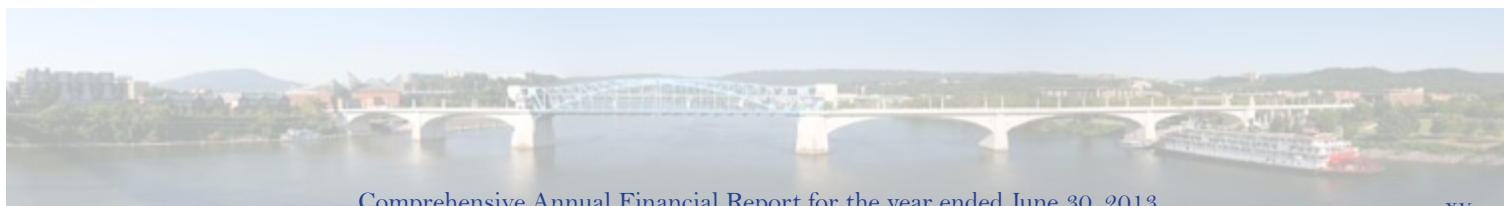
Original Budget Compared to Final Budget

The City's budget ordinance provides for the basic functions of City government, encompassing all major funds and appropriations to agencies. The budget ordinance authorizes the City Finance Officer to make reallocations within the General Fund. During 2013 the budget was amended to include \$5.3 million of pay-as-you-go capital.

Final Budget Compared to Actual Results

Actual revenues exceed budget for the year by \$7.4 million. Most revenue categories exceeded expectations with the most significant variance being intergovernmental revenue. All major revenue categories are addressed below.

- o Total tax revenue for the year was higher than budget expectations by \$2.4 million or 1.8 percent. Property taxes, inclusive of payments in lieu of tax, were slightly over budget, \$0.6 million or 0.5 percent. Franchise tax is over budget \$0.7 million or 21.7 percent. Gross receipts are also up \$1.0 million or 24.1 percent over budget.
- o Licenses and permits are \$0.3 million or 5.2 percent above budget primarily related to street cut-in and mechanical code permits.
- o The largest variance, intergovernmental revenue, is \$3.1 million or 4.0 percent more than budget. This is mainly attributed to state income tax being over budget \$2.0 million or 90.9 percent.
- o Charges for services are \$1.0 million over budget or 21.0 percent. This is due to \$0.3 million received for services related to the Metropolitan Medical Response System. We also received \$0.1 million over budget for public works technology fees. The remaining is many smaller charges coming in over budget.



- o Fines and forfeitures are \$0.9 million or 39.1 percent below estimates as a result of fewer citations while transitioning the automated traffic safety program to a new provider.
- o Miscellaneous revenue is up \$1.3 million or 27.5 percent. Included is \$0.5 million over budget for sale of city owned property. The remaining miscellaneous revenue and donations, which fluctuates from year to year, is \$0.7 million above budget.

Expenditures were less than budgetary estimates by \$7.4 million. Personnel costs, which are budgeted at 100 percent of authorized positions, are \$7.5 million below budget. Additionally the City budgeted \$5.7 million for contingencies but only spent \$2.9 million. These are partially offset by equipment of \$0.9 million associated with the congestion mitigation grant and \$1.1 million mixed drink tax allocated for education.

The General Fund budget anticipated use of \$7.3 million of fund balance during the year; instead \$6.8 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, a decrease of \$12 million or 0.5 percent. This investment includes land, buildings, utility system improvements, machinery and equipment, park facilities and infrastructure. The following table shows the net investment in capital assets by both governmental activities and business-type activities.

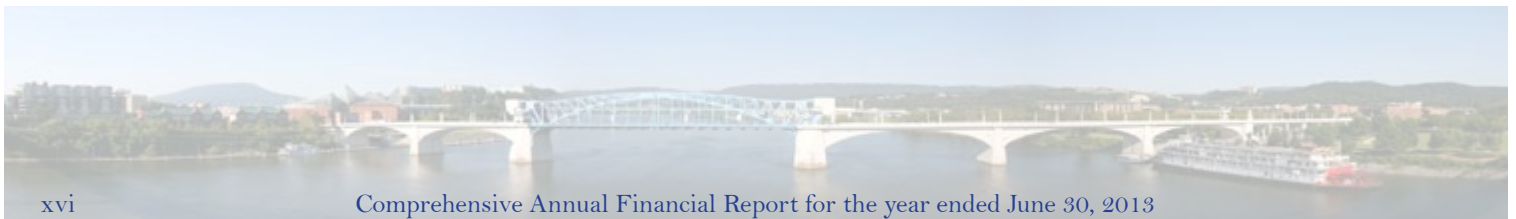
City of Chattanooga's Capital Assets

(net of depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Non-depreciable:						
Land & Easements	\$ 1,039,530	\$ 1,037,882	\$ 19,863	\$ 19,604	\$ 1,059,393	\$ 1,057,486
Construction in progress	64,660	41,384	68,594	53,622	133,254	95,006
Depreciable:						
Buildings & Improvements	111,559	118,076	82,211	84,815	193,770	202,891
Vehicles & Machinery	32,088	33,746	25,856	182,251	57,944	215,997
Infrastructure	257,966	284,141	714,576	572,618	972,542	856,759
Total	<u>\$ 1,505,803</u>	<u>\$ 1,515,229</u>	<u>\$ 911,100</u>	<u>\$ 912,910</u>	<u>\$ 2,416,903</u>	<u>\$ 2,428,139</u>

Major capital asset events during the year included the following:

- o Construction-in-progress additions include \$4.9 million for paving/sidewalks/road improvements, \$1.0 million for the Main Terrain park, \$0.8 million for a new police station, \$2.6 million for energy efficient street lighting,



\$1.0 million to renovate the Community Theatre, \$2.5 million for the new wellness center, \$1.0 million in park improvements, \$0.4 million for the Wilcox Tunnel, \$0.4 million for waterfront improvements, \$0.2 million for the police firing range, \$1.7 million on land transitioning for economic development, \$12.4 million for the sewer consent decree, \$2.3 million for EPB and \$1.2 million for water quality system improvements.

- o The decrease in vehicles and machinery is the result of includes \$3.8 million of a \$153.1 million reclassification of machinery to infrastructure by EPB which is offset by new fleet leasing vehicles, \$0.6 million for a new fire pumper, \$0.8 million to refurbish rooms in the conference center.
- o The infrastructure increase is primarily due to EPB's electric system reclassification from vehicles and machinery. EPB also had \$16.1 million in communication infrastructure added along with depreciation of \$32.1 million. The City had \$38.7 million of depreciation.
- o The Housing Management Fund was dissolved during 2013 with \$4.3 million in assets.
- o The City of Chattanooga has opted to use depreciation rather than the maintenance method to report infrastructure assets. During the current fiscal year governmental activities recognized depreciation expense of \$44.1 million including \$27.1 million on infrastructure assets. Business-type activities recognized depreciation expense of \$62.6 million.

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

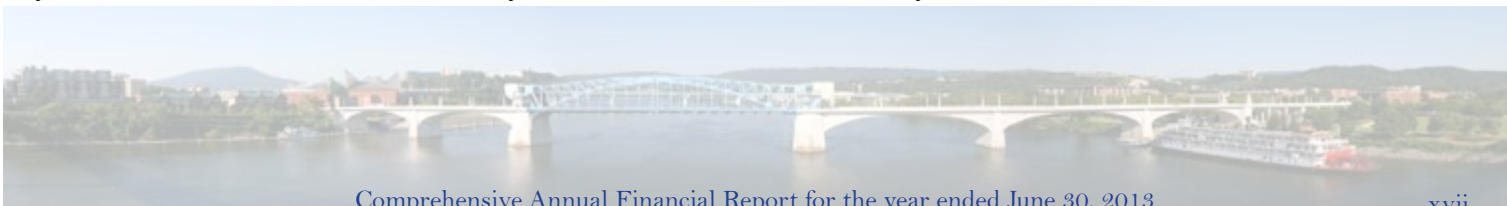
Debt Administration

At June 30 the City had \$691.0 million in long-term debt outstanding. This is an \$18.6 million decrease or 2.6 percent, from last year. Detail is provided in the table and narrative that follow.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds (backed by the City)	\$ 171,740	\$ 182,678	\$ 45,960	\$ 54,342	\$ 217,700	\$ 237,020
Revenue bonds (backed by specific revenues)		-	391,500	279,930	391,500	279,930
Notes payable and other	23,951	25,814	57,543	66,141	81,494	91,955
Capital leases	288	100,625	37	68	325	100,693
Total	\$ 195,979	\$ 309,117	\$ 495,040	\$ 400,481	\$ 691,019	\$ 709,598

The City of Chattanooga maintains a "AAA" rating from Standard & Poor's and "AA+" from Fitch Inc. for general obligation debt. The Charter limits the City's amount of net general obligation debt to 10 percent of the assessed value of all taxable property within its corporate limits. The City's general obligation debt, net of self-supporting debt, is \$143.1 million; this is 29.4 percent of its current limit of \$487.5 million. As of year-end, EPB Electric System had \$277.0 million in revenue bond debt outstanding compared to \$279.9 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:

- o Governmental activities made a drawdown of \$128,416 from the 2004 Tennessee Municipal Bond Fund and entered into a capital lease of \$301,493 for golf course equipment.
- o The City implemented GASB 61 which reclassified the CDRC from a discretely presented component unit to a blended component unit reported as a business-type activity. As a result, the capital lease payable in governmental activities of \$100.5 million and the offsetting capital lease receivable in the business-type activities have been eliminated and replaced with \$118.8 million of lease rental revenue bonds.
- o EPB repaid outstanding short-term notes of \$21.7 million and secured an \$11.5 million bank note for the Telecom System. They also entered into a \$51.8 million line of credit during the year replacing a \$45.8 intercompany note which was eliminated upon consolidation in prior years. The Interceptor Sewer System had a drawdown of \$5.3 million for State Revolving Fund Loan. These are reported as business-type activities.

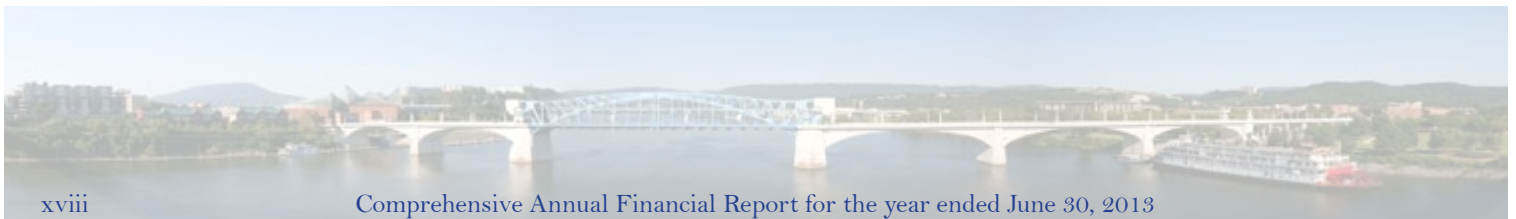
More detailed information about the City's long-term liabilities is presented in the Note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors were taken into account when adopting the budget for 2014:

- o Anticipated revenues in the General Fund are \$237.0 million, up 1.35 percent, from the 2013 budget.
- o The City conservatively forecasts property tax at 95 percent of the tax levy. Fiscal year 2014 reflects a new property tax appraisal which would have required the property tax be raised \$0.0049 per \$100 assessed value. The budget was set without the increase and provides sufficient revenue to meet the City's financial obligations and fiscal policies. Major increases include property tax revenue of \$1.1 million or 0.9 percent and gross receipts of \$0.8 million or 18.7 percent.
- o Expenditures, balanced to revenues at the same \$237.0 million, reflect our continued efforts to preserve a level of high quality core services while beginning to focus on a priority based budgetary process. This new process supports four key priorities: safer streets; stronger neighborhoods; smarter students and stronger families; innovative, effective and efficient government.

The 2014 budget funds 486 police officers providing the availability of 40 more officers on the streets of Chattanooga and a full-time Federal prosecutor while providing new fire apparatus technology. Neighborhoods are strengthened by a plan to attract new employers to neighborhoods and by developing comprehensive transportation planning. The City will partner with private industry to turn unproductive lots into affordable housing. The newly created Youth and Family Development Department has begun a focus in the recreation centers for reading skill development.



- o The budget provides a 1.5 percent pay raise for city employees. The City is committed to fund the cost of employee benefits such as medical insurance for active and retirees and pension while reviewing current plans for changes.
- o The City's business-type activities are expected to have modest increases in operations during 2014. The Interceptor Sewer System includes a 9.8 percent rate increase and the Water Quality program has the final adjustment to the non-residential rate. Both of these increases address requirements imposed by EPA.
- o The capital budget for fiscal year 2014 reflects the commitment to public safety, economic development, and long-term sustainability for infrastructure of the City. In addition to the operating budget, over \$59 million was

Requests for Information

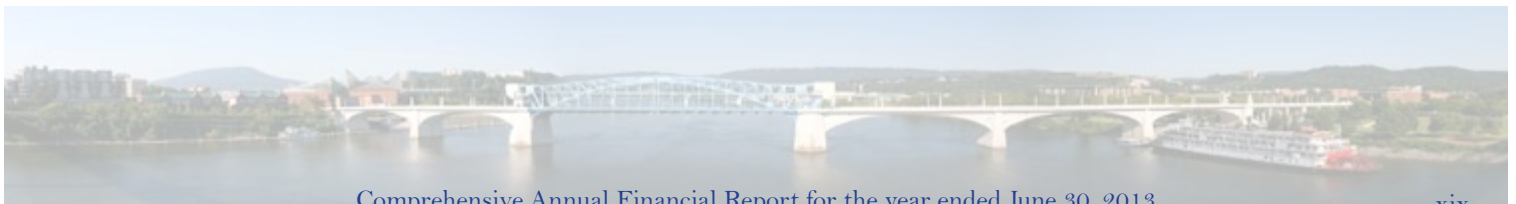
This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the assets it receives. If you have questions about this report or need additional financial information, contact:

City of Chattanooga Finance Department
101 East 11th Street; Suite 101
Chattanooga, Tennessee 37402
(423) 643-7363
www.chattanooga.gov

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

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

CARTA
1617 Wilcox Boulevard
Chattanooga, TN 37406



CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 83,901,704	\$ 158,976,447	\$ 242,878,151	\$ 13,256,363
Investments	25,551,977	26,372,912	51,924,889	-
Receivables, net of allowance for uncollectibles	177,224,754	78,083,746	255,308,500	6,589,826
Internal balances	(97,367,183)	97,367,183	-	-
Due from component units	1,711,658	-	1,711,658	-
Inventories	2,783,383	13,431,744	16,215,127	592,692
Prepaid items	981,288	8,092,986	9,074,274	1,136,838
Other assets	-	5,018,000	5,018,000	-
Restricted assets:				
Cash and cash equivalents	18,767,032	11,803,657	30,570,689	3,809,411
Investments	-	9,669,909	9,669,909	-
Endowment investments	3,956,828	-	3,956,828	-
Receivables	96,609	-	96,609	202,566
Other	-	3,874	3,874	-
Net pension assets	5,405,084	-	5,405,084	-
Other post employment benefit assets	-	-	-	94,017
Equity interest in joint venture	7,418,651	-	7,418,651	-
Land and other nondepreciable assets	1,104,190,438	88,456,729	1,192,647,167	40,638,981
Other capital assets, net of accumulated depreciation	401,612,478	822,643,110	1,224,255,588	76,469,390
Total assets	<u>1,736,234,701</u>	<u>1,319,920,297</u>	<u>3,056,154,998</u>	<u>142,790,084</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	2,787,617	4,124,193	6,911,810	17,489
Total deferred outflows of resources	<u>2,787,617</u>	<u>4,124,193</u>	<u>6,911,810</u>	<u>17,489</u>
LIABILITIES				
Accounts payable and accrued liabilities	24,730,609	135,730,972	160,461,581	3,161,013
Due to primary government	-	-	-	1,711,658
Contracts payable	241,299	658,769	900,068	3,532,681
Net pension obligations	-	-	-	570,273
Other liabilities	-	552,566	552,566	-
Long-term liabilities:				
Due within one year	19,483,964	27,019,049	46,503,013	686,120
Due in more than one year	231,957,651	588,360,829	820,318,480	5,405,133
Total liabilities	<u>276,413,523</u>	<u>752,322,185</u>	<u>1,028,735,708</u>	<u>15,066,878</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	129,763,666	-	129,763,666	14,251
Total deferred inflows of resources	<u>129,763,666</u>	<u>-</u>	<u>129,763,666</u>	<u>14,251</u>
NET POSITION				
Net investment in capital assets	1,212,457,120	537,001,543	1,749,458,663	110,505,460
Restricted for:				
Capital projects	24,038,313	-	24,038,313	-
Debt service	-	-	-	4,011,977
Renewal and replacement	-	45,014,643	45,014,643	-
Permanent endowments:				
Expendable	3,956,828	-	3,956,828	-
Nonexpendable	155,023	-	155,023	-
Unrestricted	92,237,845	(10,293,881)	81,943,964	13,209,007
Total net position	<u>\$ 1,332,845,129</u>	<u>\$ 571,722,305</u>	<u>\$ 1,904,567,434</u>	<u>\$ 127,726,444</u>

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

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 68,097,422	\$ 11,696,397	\$ 5,653,659	\$ 371,989
Public safety	90,260,439	1,854,727	2,211,639	17,361
Public works	61,278,623	3,195,233	11,447,353	1,083,188
Parks, recreation, education, arts & culture	22,884,259	3,649,255	1,394,484	-
Social services	17,513,922	344,385	17,718,269	-
Interest on long-term debt	6,763,002	-	-	-
Total governmental activities	<u>266,797,667</u>	<u>20,739,997</u>	<u>38,425,404</u>	<u>1,472,538</u>
Business-type activities:				
Electric utility, including fiber optics	630,133,000	625,486,000	-	18,283,000
Sewer	51,882,717	52,708,135	-	-
Solid waste	6,457,957	6,343,124	-	-
Water quality management	12,868,856	17,245,533	-	-
Housing management	602,886	2,667,646	-	1,700,000
Downtown redevelopment	16,196,291	17,706,905	-	-
Total business-type activities	<u>718,141,707</u>	<u>722,157,343</u>	<u>-</u>	<u>19,983,000</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 984,939,374</u>	<u>742,897,340</u>	<u>\$ 38,425,404</u>	<u>\$ 21,455,538</u>
COMPONENT UNITS				
Airport authority	\$ 13,051,583	\$ 10,115,038	\$ -	\$ 9,508,125
Transportation authority	22,484,344	6,916,655	7,518,673	6,102,555
TOTAL COMPONENT UNITS	<u>\$ 35,535,927</u>	<u>\$ 17,031,693</u>	<u>\$ 7,518,673</u>	<u>\$ 15,610,680</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
- Gain (loss) on disposal of capital assets

Transfers

- Total general revenues and transfers

Change in net position

- Net position - beginning, as previously reported
- Prior period adjustment
- Net position, 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
\$ (50,375,377)	\$ -	\$ (50,375,377)	\$ -
(86,176,712)	-	(86,176,712)	-
(45,552,849)	-	(45,552,849)	-
(17,840,520)	-	(17,840,520)	-
548,732	-	548,732	-
(6,763,002)	-	(6,763,002)	-
(206,159,728)	-	(206,159,728)	-
-	13,636,000	13,636,000	-
-	825,418	825,418	-
-	(114,833)	(114,833)	-
-	4,376,677	4,376,677	-
-	3,764,760	3,764,760	-
-	1,510,614	1,510,614	-
-	23,998,636	23,998,636	-
(206,159,728)	23,998,636	(182,161,092)	-
-	-	-	6,571,580
-	-	-	(1,946,461)
-	-	-	4,625,119
129,150,158	-	129,150,158	-
7,606,723	-	7,606,723	-
5,004,320	-	5,004,320	-
4,231,661	-	4,231,661	-
4,115,338	-	4,115,338	-
69,598	-	69,598	-
51,317,413	-	51,317,413	-
11,589,961	-	11,589,961	-
4,399,313	-	4,399,313	-
3,256,513	-	3,256,513	-
1,069,002	1,055,895	2,124,897	75,109
-	388,268	388,268	2,005,586
890,681	(4,150,506)	(3,259,825)	-
1,363,048	(1,363,048)	-	-
224,063,729	(4,069,391)	219,994,338	2,080,695
17,904,001	19,929,245	37,833,246	6,705,814
1,334,838,462	561,787,018	1,896,625,480	121,020,630
(19,897,334)	(9,993,958)	(29,891,292)	-
1,314,941,128	551,793,060	1,866,734,188	121,020,630
\$ 1,332,845,129	\$ 571,722,305	\$ 1,904,567,434	\$ 127,726,444

CITY OF CHATTANOOGA, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2013

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 31,798,057	\$ 24,655,636	\$ 16,241,988	\$ 72,695,681
Investments	25,551,977	-	3,956,828	29,508,805
Receivables, net of allowance for uncollectibles:				
Property taxes	117,724,963	-	-	117,724,963
Other taxes	11,176,072	-	985,684	12,161,756
Accounts receivable	-	15,785	-	15,785
Notes	1,909,584	1,618,931	16,132,472	19,660,987
Other	2,263,989	73,973	105,965	2,443,927
Due from other funds	-	204,418	242,565	446,983
Due from component units	224,243	-	-	224,243
Due from other governments	22,671,701	12,025	3,478,597	26,162,323
Inventories	934,888	-	-	934,888
Prepaid items	8,000	961,613	11,675	981,288
	<u>\$ 214,263,474</u>	<u>\$ 27,542,381</u>	<u>\$ 41,155,774</u>	<u>\$ 282,961,629</u>
LIABILITIES				
Accounts payable and accrued liabilities:				
Accounts payable	\$ 4,543,202	\$ 3,035,306	\$ 1,365,177	\$ 8,943,685
Accrued payroll	4,475,387	-	463,487	4,938,874
Due to other funds	-	242,565	204,418	446,983
Due to other governments	621,007	34,898	-	655,905
Contracts payable	-	191,299	-	191,299
Unearned grants revenue	11,642	-	721,066	732,708
	<u>9,651,238</u>	<u>3,504,068</u>	<u>2,754,148</u>	<u>15,909,454</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	116,169,486	-	-	116,169,486
Unavailable revenue - other local taxes	10,197,686	-	546,728	10,744,414
Unavailable revenue - shared tax revenue	8,252,465	-	404,407	8,656,872
Unavailable revenue - loans	147,000	-	17,403,653	17,550,653
	<u>134,766,637</u>	<u>-</u>	<u>18,354,788</u>	<u>153,121,425</u>
FUND BALANCES				
Nonspendable	2,852,473	1,618,932	3,968,503	8,439,908
Restricted	7,567,786	22,419,381	9,657,950	39,645,117
Committed	733,927	-	5,466,410	6,200,337
Assigned	3,111,037	-	953,975	4,065,012
Unassigned	55,580,376	-	-	55,580,376
	<u>69,845,599</u>	<u>24,038,313</u>	<u>20,046,838</u>	<u>113,930,750</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 214,263,474</u>	<u>\$ 27,542,381</u>	<u>\$ 41,155,774</u>	<u>\$ 282,961,629</u>

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

CITY OF CHATTANOOGA, TENNESSEE

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

June 30, 2013

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

Fund balances - total governmental funds \$ 113,930,750

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. 1,489,305,112

Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and are deferred in the funds. 24,090,467

The City's pension plans have been funded in excess of annual required contributions creating a net pension asset. This asset is not a currently available financial resource and is not reported in the funds. 5,405,084

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. 7,418,651

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. 40,250,557

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. (31,381,724)

The City's pollution remediation obligation is considered a long-term obligation and is not reported in the funds. (1,320,542)

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	\$ (171,740,285)	
Add net deferred refunding, issue premiums and discounts	(2,710,189)	
Notes payable	(23,950,370)	
Capital leases	(287,958)	
Capital lease payable to CDRC - reported as internal balance	(97,367,183)	
Compensated absences	(16,852,307)	
Accrued interest payable	(1,944,934)	
		<u>(314,853,226)</u>

Net position of governmental activities \$ 1,332,845,129

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, 2013

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 139,684,383	\$ -	\$ 4,970,247	\$ 144,654,630
Licenses and permits	5,300,519	-	529,735	5,830,254
Intergovernmental	79,709,572	1,522,476	26,184,919	107,416,967
Charges for services	5,837,249	73,973	422,579	6,333,801
Fines, forfeitures and penalties	1,378,817	-	43,739	1,422,556
Investment income	607,357	51,317	526,505	1,185,179
Contributions and donations	128,020	66,925	23,083	218,028
Sale of property	539,553	186,690	24,062	750,305
Miscellaneous	5,267,187	13,733	309,226	5,590,146
Total revenues	238,452,657	1,915,114	33,034,095	273,401,866
EXPENDITURES				
Current:				
General government	52,658,431	-	6,690,225	59,348,656
Finance and administration	4,651,767	-	-	4,651,767
Public safety	91,704,948	-	418,941	92,123,889
Public works	36,574,245	-	4,280,693	40,854,938
Parks and recreation	17,244,974	-	-	17,244,974
Education, arts and culture	2,627,103	-	-	2,627,103
Social services	-	-	16,515,906	16,515,906
Capital outlay/capital assets	-	18,236,057	-	18,236,057
Debt service:				
Principal retirement	-	-	13,037,072	13,037,072
Interest and fiscal charges	-	-	7,178,691	7,178,691
Total expenditures	205,461,468	18,236,057	48,121,528	271,819,053
Excess (deficiency) of revenues over (under) expenditures	32,991,189	(16,320,943)	(15,087,433)	1,582,813
OTHER FINANCING SOURCES (USES)				
Transfers in	9,349	6,269,596	25,278,569	31,557,514
Transfers out	(26,459,824)	(3,996,826)	(5,087,656)	(35,544,306)
Notes issued	-	128,416	-	128,416
Capital lease	301,493	-	-	301,493
Total other financing sources (uses)	(26,148,982)	2,401,186	20,190,913	(3,556,883)
Net change in fund balances	6,842,207	(13,919,757)	5,103,480	(1,974,070)
FUND BALANCES, beginning	63,003,392	37,958,070	14,943,358	115,904,820
FUND BALANCES, ending	\$ 69,845,599	\$ 24,038,313	\$ 20,046,838	\$ 113,930,750

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, 2013

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 \$ (1,974,070)

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. 21,512,807

Depreciation expense for governmental capital assets are included in the governmental activities. (39,208,832)

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. 1,861,471

The net effect of various transactions involving capital assets is to increase net position. 2,294,088

The loss of equity interest in joint venture is reported in the statement of activities. This loss does not use current financial resources and is not reflected in the governmental funds. (186,414)

Bond proceeds and notes issues provide financial resources to governmental funds while repayment of principal consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts and deferred amounts on refundings when debt is first issued; these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt is as follows:

Principal paid	\$ 13,037,072	
Payment of capital lease	3,164,158	
Debt issued	(429,909)	
Amortization	191,525	
Change in accrued interest payable	<u>108,237</u>	16,071,083

Net revenues of the internal service fund are reported with governmental activities. 9,864,627

Expenses in the statement of activities that do not consume current financial resources are not reported as expenditures in the funds (6,141,000)

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	524,295	
Change in pension assets	(58,259)	
Change in OPEB liability	118,565	
Change in pollution remediation liability	<u>22,408</u>	607,009

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 inflows to earned revenue	<u>13,203,232</u>
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Change in net position of governmental activities \$ 17,904,001

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, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 137,250,150	\$ 137,250,150	\$ 139,684,383	\$ 2,434,233
Licenses and permits	3,558,850	5,037,361	5,300,519	263,158
Intergovernmental	78,613,923	76,624,295	79,709,572	3,085,277
Charges for services	4,826,115	4,826,115	5,837,249	1,011,134
Fines, forfeitures and penalties	2,264,100	2,264,100	1,378,817	(885,283)
Investment income	445,000	445,000	607,357	162,357
Miscellaneous	4,655,201	4,655,201	5,934,760	1,279,559
Total revenues	231,613,339	231,102,222	238,452,657	7,350,435
EXPENDITURES				
General government	43,664,622	47,507,266	43,866,815	(3,640,451)
Executive	1,935,361	1,935,361	1,763,951	(171,410)
Finance and administration	5,420,127	5,420,127	4,651,767	(768,360)
General services	3,058,780	3,058,780	2,891,197	(167,583)
Personnel	2,135,945	2,135,945	1,961,367	(174,578)
Neighborhood services	2,278,925	2,278,925	2,175,101	(103,824)
Police	56,865,165	56,900,796	55,050,619	(1,850,177)
Fire	37,370,445	37,370,445	36,654,329	(716,116)
Public works	38,314,138	36,288,879	36,574,245	285,366
Parks and recreation	16,960,580	16,960,580	17,244,974	284,394
Education, arts and culture	2,665,621	2,685,427	2,627,103	(58,324)
Total expenditures	210,669,709	212,542,531	205,461,468	(7,081,063)
Excess of revenues over expenditures	20,943,630	18,559,691	32,991,189	14,431,498
OTHER FINANCING SOURCES (USES)				
Transfers in	23,498	23,498	9,349	(14,149)
Transfers out	(25,844,796)	(25,844,796)	(26,459,824)	(615,028)
Capital leases	-	-	301,493	301,493
Total other financing sources (uses)	(25,821,298)	(25,821,298)	(26,148,982)	(327,684)
Net change in fund balances	(4,877,668)	(7,261,607)	6,842,207	14,103,814
FUND BALANCES, beginning	63,003,392	63,003,392	63,003,392	-
FUND BALANCES, ending	\$ 58,125,724	\$ 55,741,785	\$ 69,845,599	\$ 14,103,814

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, 2013

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds				Other Fund			
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment	Housing Management		Total
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 124,488,000	\$ 13,830,266	\$ -	\$ 15,576,547	\$ 5,081,634	\$ -	\$ 158,976,447	\$ 29,973,055
Investments	-	26,372,912	-	-	-	-	26,372,912	-
Receivables:								
Customer service	61,558,000	6,303,478	41,792	2,831,863	-	-	70,735,133	599,546
Other	-	12,587	37	219	939,565	-	952,408	-
Less allowance for doubtful accounts	(1,157,000)	(288,392)	(100)	(1,734,508)	(55,005)	-	(3,235,005)	-
Inventories	12,478,000	821,270	-	-	132,474	-	13,431,744	1,848,495
Due from other governments	7,739,000	1,748,722	73,114	70,374	-	-	9,631,210	39,490
Prepaid items	7,977,000	-	-	-	115,986	-	8,092,986	-
Total current assets	213,083,000	48,800,843	114,843	16,744,495	6,214,654	-	284,957,835	32,460,586
Noncurrent Assets:								
Restricted Assets:								
Cash and cash equivalents	-	1,653,107	10,150,550	-	-	-	11,803,657	-
Investments	-	-	-	-	9,669,909	-	9,669,909	-
Investment in capital lease	-	-	-	-	97,367,183	-	97,367,183	-
Other	-	1,201	2,673	-	-	-	3,874	-
Total restricted assets	-	1,654,308	10,153,223	-	107,037,092	-	118,844,623	-
Capital Assets:								
Land	6,098,000	10,381,178	1,517,514	1,865,986	-	-	19,862,678	-
Construction in progress	44,533,000	21,709,629	-	2,351,422	-	-	68,594,051	4,683,843
Buildings	66,606,000	55,569,530	1,921,659	10,601,459	806,434	-	135,505,082	627,799
Equipment	-	31,187,540	3,813,487	1,280,640	3,933,597	-	40,215,264	2,947,898
Vehicles	-	3,037,368	1,698,578	2,042,751	23,465	-	6,802,162	22,320,220
Infrastructure	763,512,000	417,632,438	9,520,509	38,934,462	-	-	1,229,599,409	-
	880,749,000	539,517,683	18,471,747	57,076,720	4,763,496	-	1,500,578,646	30,579,760
Less accumulated depreciation	(310,858,000)	(252,885,680)	(8,268,002)	(15,242,445)	(2,224,680)	-	(589,478,807)	(14,081,956)
Net capital assets	569,891,000	286,632,003	10,203,745	41,834,275	2,538,816	-	911,099,839	16,497,804
Other Assets:								
Bond issues costs	5,018,000	-	-	-	-	-	5,018,000	-
Total other assets	5,018,000	-	-	-	-	-	5,018,000	-
Total assets	\$ 787,992,000	\$ 337,087,154	\$ 20,471,811	\$ 58,578,770	\$ 115,790,562	\$ -	\$ 1,319,920,297	\$ 48,958,390
DEFERRED OUTFLOWS OF RESOURCES								
Deferred refunding	\$ -	\$ 825,301	\$ 361,551	\$ 214,721	\$ 2,722,620	\$ -	\$ 4,124,193	\$ -
Total deferred outflows of resources	-	825,301	361,551	214,721	2,722,620	-	4,124,193	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds					Other Fund		
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment	Housing Management		Total
(continued from previous page)								
LIABILITIES								
Current liabilities:								
Current maturities of long-term liabilities:								
Bonds payable	6,000,000	5,129,185	1,600,298	876,971	4,395,000	-	18,001,454	-
Notes payable	3,833,000	3,882,188	70,023	-	-	-	7,785,211	-
Capital leases payable	-	32,138	-	-	-	-	32,138	-
Compensated absences	206,000	373,271	38,614	311,324	-	-	929,209	174,525
Landfill postclosure costs	-	-	271,037	-	-	-	271,037	-
Accounts payable and accrued liabilities:								
Accounts payable	123,877,000	7,113,553	492,844	542,979	1,136,479	-	133,162,855	8,159,892
Accrued payroll	-	252,471	26,564	207,007	227,454	-	713,496	87,276
Other accrued liabilities	-	436,803	217,929	110,390	944,425	-	1,709,547	-
Due to other governments	-	-	-	-	145,074	-	145,074	42
Contracts payable	-	404,301	254,468	-	-	-	658,769	50,000
Other	-	-	-	-	552,566	-	552,566	-
Total current liabilities	133,916,000	17,623,910	2,971,777	2,048,671	7,400,998	-	163,961,356	8,471,735
Long-term liabilities:								
Bonds payable	278,160,000	19,374,743	14,620,476	6,107,569	118,334,598	-	436,597,386	-
Notes payable	7,028,000	42,208,997	520,304	-	-	-	49,757,301	-
Capital leases payable	-	5,562	-	-	-	-	5,562	-
Compensated absences	580,000	428,836	45,788	318,430	-	-	1,373,054	236,098
OPEB liability	9,055,000	-	-	-	-	-	9,055,000	-
Landfill postclosure costs	-	-	5,503,526	-	-	-	5,503,526	-
Customer deposits	22,932,000	-	-	-	-	-	22,932,000	-
Other noncurrent liabilities	63,137,000	-	-	-	-	-	63,137,000	-
Total long-term liabilities	380,892,000	62,018,138	20,690,094	6,425,999	118,334,598	-	588,360,829	236,098
Total liabilities	514,808,000	79,642,048	23,661,871	8,474,670	125,735,596	-	752,322,185	8,707,833
NET POSITION								
Net investment in capital assets	285,731,000	216,824,493	2,729,214	29,178,020	2,538,816	-	537,001,543	16,497,804
Restricted for renewal and replacement	-	22,706,537	9,705,369	2,381,752	10,220,985	-	45,014,643	-
Unrestricted	(12,547,000)	18,739,377	(15,263,092)	18,759,049	(19,982,215)	-	(10,293,881)	23,752,753
Total net position	\$ 273,184,000	\$ 258,270,407	\$ (2,828,509)	\$ 50,318,821	\$ (7,222,414)	\$ -	\$ 571,722,305	\$ 40,250,557

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

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds					Other Fund		
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment	Housing Management		Total
Charges for services:								
Electric	\$ 535,968,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 535,968,000	\$ -
Fiber optic	72,859,000	-	-	-	-	-	72,859,000	-
Sewer	-	51,800,837	-	-	-	-	51,800,837	-
Waste disposal	-	-	6,255,784	-	-	-	6,255,784	-
Water quality	-	-	-	17,243,346	-	-	17,243,346	-
Lease rental revenue	-	-	-	-	4,551,244	-	4,551,244	-
Conference center	-	-	-	-	12,396,680	-	12,396,680	-
Parking garage	-	-	-	-	758,981	-	758,981	-
Other services	16,659,000	657,325	87,066	-	-	494,134	17,897,525	53,908,049
Other	-	249,973	274	2,187	-	9,298	261,732	3,588,466
Total operating revenues	625,486,000	52,708,135	6,343,124	17,245,533	17,706,905	503,432	719,993,129	57,496,515
Power purchases	426,696,000	-	-	-	-	-	426,696,000	-
Other electric operations	60,892,000	-	-	-	-	-	60,892,000	-
Fiber optic operations	46,917,000	-	-	-	-	-	46,917,000	-
Sewer plant operations	-	34,851,175	-	-	-	-	34,851,175	-
Waste disposal operations	-	-	3,015,399	-	-	-	3,015,399	-
Water quality operations	-	-	-	11,355,952	-	-	11,355,952	-
Conference center operations	-	-	-	-	10,314,413	-	10,314,413	-
Parking garage operations	-	-	-	-	334,084	-	334,084	-
Housing operations	-	-	-	-	-	463,327	463,327	-
Fleet operations	-	-	-	-	-	-	-	14,580,050
Liability insurance	-	-	-	-	-	-	-	252,003
Health services	-	-	-	-	-	-	-	33,710,055
Depreciation	44,691,000	14,568,654	530,841	1,216,103	494,898	139,559	61,641,055	3,176,496
Other	11,664,000	-	-	-	78,737	-	11,742,737	-
Total operating expenses	590,860,000	49,419,829	3,546,240	12,572,055	11,222,132	602,886	668,223,142	51,718,604
Operating income (loss)	34,626,000	3,288,306	2,796,884	4,673,478	6,484,773	(99,454)	51,769,987	5,777,911

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds					Other Fund		
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment	Housing Management		Total
(Continued from previous page)								
Investment income	372,000	99,489	39,328	-	545,079	-	1,055,896	-
Interest expense	(14,599,000)	(2,462,888)	(721,242)	(296,801)	(4,974,159)	-	(23,054,090)	-
Tax equivalent	(6,391,000)	-	-	-	-	-	(6,391,000)	-
Other income	220,000	26,000	67,886	34,834	39,548	2,164,214	2,552,482	552,630
Loss on disposal of asset	-	-	-	-	-	(4,150,506)	(4,150,506)	-
Other expense	(18,283,000)	-	-	-	(136,481)	-	(18,419,481)	20,728
Total nonoperating revenues (expenses)	<u>(38,681,000)</u>	<u>(2,337,399)</u>	<u>(614,028)</u>	<u>(261,967)</u>	<u>(4,526,013)</u>	<u>(1,986,292)</u>	<u>(48,406,699)</u>	<u>573,358</u>
Income before transfers, capital contributions and special item	<u>(4,055,000)</u>	<u>950,907</u>	<u>2,182,856</u>	<u>4,411,511</u>	<u>1,958,760</u>	<u>(2,085,746)</u>	<u>3,363,288</u>	<u>6,351,269</u>
Capital contributions	18,283,000	-	-	-	-	-	18,283,000	-
Transfers in	-	-	473,432	-	-	-	473,432	3,513,358
Special item, closure cost overage	-	-	(2,190,475)	-	-	-	(2,190,475)	-
Change in net position	<u>14,228,000</u>	<u>950,907</u>	<u>465,813</u>	<u>4,411,511</u>	<u>1,958,760</u>	<u>(2,085,746)</u>	<u>19,929,245</u>	<u>9,864,627</u>
Net position, beginning, as previously reported	<u>258,956,000</u>	<u>257,833,992</u>	<u>(3,081,771)</u>	<u>45,993,051</u>	<u>-</u>	<u>2,085,746</u>	<u>561,787,018</u>	<u>30,385,930</u>
Change in accounting principle	<u>-</u>	<u>(514,492)</u>	<u>(212,551)</u>	<u>(85,741)</u>	<u>(9,181,174)</u>	<u>-</u>	<u>(9,993,958)</u>	<u>-</u>
Net position, as restated	<u>258,956,000</u>	<u>257,319,500</u>	<u>(3,294,322)</u>	<u>45,907,310</u>	<u>(9,181,174)</u>	<u>2,085,746</u>	<u>551,793,060</u>	<u>30,385,930</u>
Net position, ending	<u>\$ 273,184,000</u>	<u>\$ 258,270,407</u>	<u>\$ (2,828,509)</u>	<u>\$ 50,318,821</u>	<u>\$ (7,222,414)</u>	<u>\$ -</u>	<u>\$ 571,722,305</u>	<u>\$ 40,250,557</u>

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

CITY OF CHATTANOOGA, TENNESSEE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

June 30, 2013

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Fund
	Major Funds					Other Fund		
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Development	Housing Management	Total	
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	\$ 636,029,000	\$ 51,151,069	\$ 6,231,736	\$ 17,210,574	\$ 17,834,664	\$ 510,231	\$ 728,967,274	\$ 57,519,246
Receipts from operating grants	-	-	125,803	-	-	-	125,803	-
Payments to suppliers	(513,754,000)	(23,557,001)	(945,495)	(7,043,623)	(10,847,841)	(511,301)	(556,659,261)	(3,361,874)
Payments to employees	(31,700,000)	(8,255,648)	(4,231,326)	(4,122,790)	-	-	(48,309,764)	(45,175,360)
Payments in lieu of taxes	(16,842,000)	-	-	-	-	-	(16,842,000)	-
Net cash from operating activities	<u>73,733,000</u>	<u>19,338,420</u>	<u>1,180,718</u>	<u>6,044,161</u>	<u>6,986,823</u>	<u>(1,070)</u>	<u>107,282,052</u>	<u>8,982,012</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers in	-	-	473,432	-	-	-	473,432	3,513,358
Special Item	-	-	(2,190,475)	-	-	-	(2,190,475)	-
Net cash flows used in noncapital financing activities	<u>-</u>	<u>-</u>	<u>(1,717,043)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,717,043)</u>	<u>3,513,358</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Principal paid on capital debt	(25,329,000)	5,306,601	(1,602,987)	(962,664)	(4,240,000)	(2,364,133)	(29,192,183)	-
Interest paid on capital debt	(15,080,000)	(8,887,783)	(775,364)	(355,014)	(5,333,719)	-	(30,431,880)	-
Line of credit	49,716,000	-	-	-	-	-	49,716,000	-
Proceeds from capital debt	11,500,000	(2,608,337)	-	-	3,164,158	-	12,055,821	-
Capital grants and contributions	18,283,000	-	-	34,835	-	-	18,317,835	(4,113,868)
Additions to capital assts	(69,021,000)	(12,807,326)	(14,625)	(1,556,708)	-	4,150,505	(79,249,154)	(3,243,926)
Proceeds from the sale of capital assets	(99,000)	6,206	-	-	(816,460)	(1,986,292)	(2,895,546)	764,407
Net cash flows used in capital and related financing activities	<u>(30,030,000)</u>	<u>(18,990,639)</u>	<u>(2,392,976)</u>	<u>(2,839,551)</u>	<u>(7,226,021)</u>	<u>(199,920)</u>	<u>(61,679,107)</u>	<u>(6,593,387)</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of investments	-	(79,109,114)	(2,584,855)	-	(66,450,780)	-	(148,144,749)	-
Proceeds from sales and maturities of investments	-	84,723,791	2,584,855	-	66,536,872	-	153,845,518	-
Interest	343,000	131,868	40,452	-	545,079	-	1,060,399	-
Net cash flows from investing activities	<u>343,000</u>	<u>5,746,545</u>	<u>40,452</u>	<u>-</u>	<u>631,171</u>	<u>-</u>	<u>6,761,168</u>	<u>-</u>

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

June 30, 2013

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Fund
	Major Funds					Other Fund		
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Development	Housing Management	Total	
(Continued from previous page)								
Net increase (decrease) in cash and cash equivalents	44,046,000	6,094,326	(2,888,849)	3,204,610	391,973	(200,990)	50,647,070	5,901,983
Cash and cash equivalents, beginning of year	80,442,000	9,389,047	13,039,399	12,371,937	4,689,661	200,990	120,133,034	24,071,072
Cash and cash equivalents, end of year	<u>\$ 124,488,000</u>	<u>\$ 15,483,373</u>	<u>\$ 10,150,550</u>	<u>\$ 15,576,547</u>	<u>\$ 5,081,634</u>	<u>\$ -</u>	<u>\$ 170,780,104</u>	<u>\$ 29,973,055</u>
CLASSIFIED AS:								
Current assets	\$ 124,488,000	\$ 13,830,266	\$ -	\$ 15,576,547	\$ 5,081,634	\$ -	\$ 158,976,447	\$ 29,973,055
Restricted assets	-	1,653,107	10,150,550	-	-	-	11,803,657	-
	<u>\$ 124,488,000</u>	<u>\$ 15,483,373</u>	<u>\$ 10,150,550</u>	<u>\$ 15,576,547</u>	<u>\$ 5,081,634</u>	<u>\$ -</u>	<u>\$ 170,780,104</u>	<u>\$ 29,973,055</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES								
OPERATING INCOME (LOSS)	\$ 34,626,000	\$ 3,288,306	\$ 2,796,884	\$ 4,673,478	\$ 6,484,773	\$ (99,454)	\$ 51,769,987	\$ 5,777,911
ADJUSTMENTS NOT AFFECTING CASH								
Depreciation and amortization	44,691,000	14,568,654	530,841	1,216,103	494,898	139,559	61,641,055	3,176,496
Miscellaneous nonoperating expenses	1,358,000	-	-	-	-	-	1,358,000	573,358
Provision for uncollectible accounts	(6,391,000)	289,774	-	340,244	3,098	-	(5,757,884)	-
(Increase) decrease in:								
Accounts receivable	396,000	(1,872,840)	(10,780)	(417,359)	124,661	6,800	(1,773,518)	20,605
Due from other funds	-	-	-	-	-	-	-	23
Due from other governments	360,000	-	25,195	-	-	-	385,195	-
Inventory	1,394,000	(142,664)	-	-	(24,832)	-	1,226,504	(176,374)
Prepaid Items	398,000	-	-	-	-	-	398,000	-
Deferred charges	524,000	-	-	-	-	-	524,000	-
Increase (decrease) in:								
Accounts payable	(3,323,000)	3,194,054	(1,012,768)	174,137	(213,889)	(47,975)	(1,229,441)	81,625
Accrued claims	-	(19,712)	(3,591)	15,402	(11,445)	-	(19,346)	-
Claims liabilities	-	-	-	-	-	-	-	(635,936)
Other assets/liabilities	(300,000)	46,152	(1,158,113)	-	129,559	-	(1,282,402)	-
Compensated absences	-	(13,304)	13,050	42,156	-	-	41,902	164,304
Total adjustments	<u>39,107,000</u>	<u>16,050,114</u>	<u>(1,616,166)</u>	<u>1,370,683</u>	<u>502,050</u>	<u>98,384</u>	<u>55,512,065</u>	<u>3,204,101</u>
Net cash from operating activities	<u>\$ 73,733,000</u>	<u>\$ 19,338,420</u>	<u>\$ 1,180,718</u>	<u>\$ 6,044,161</u>	<u>\$ 6,986,823</u>	<u>\$ (1,070)</u>	<u>\$ 107,282,052</u>	<u>\$ 8,982,012</u>

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, 2013

	Other Postemployment Benefits Trust Fund	Pension Trust Fund
ASSETS	<u>Fund</u>	<u>Fund</u>
Investments:		
U.S. Government securities	\$ -	\$ 405,253
Corporate bonds and notes	-	17,415,562
Preferred securities	-	5,011,312
Corporate stocks	-	111,224,192
Foreign equity	-	5,938,394
Mutual funds - preferred securities	-	2,421,408
Mutual funds - equity	18,993,582	113,351,506
Mutual funds - fixed income	8,274,497	72,231,079
Real estate	-	24,239,550
Hedge funds	-	94,083,370
Other investments	-	10,046,099
Temporary investments	743,176	8,776,859
Receivables:		
Accrued income	9,448	395,892
Due from plan custodian	1,182,273	-
	<u>29,202,976</u>	<u>465,540,476</u>
Total assets	29,202,976	465,540,476
LIABILITIES		
Accounts payable and accrued liabilities:		
Accrued payable	-	164,533
Due to plan custodian	271,052	-
	<u>271,052</u>	<u>164,533</u>
Total liabilities	271,052	164,533
NET POSITION		
Held in trust for pension and other postemployment benefits	<u>\$ 28,931,924</u>	<u>\$ 465,375,943</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**

For the Year Ended June 30, 2013

	Other Postemployment Benefits Trust Fund	Pension Trust Fund
	<u>Fund</u>	<u>Fund</u>
ADDITIONS		
Contributions:		
Employer	\$ 12,631,912	\$ 19,957,276
Plan member	2,343,843	4,381,835
Other	-	171,398
	<u>14,975,755</u>	<u>24,510,509</u>
Investment income:		
Net appreciation (depreciation) in fair market value of investments	2,875,488	47,203,289
Interest	-	662,838
Dividends	255,775	6,327,122
	<u>3,131,263</u>	<u>54,193,249</u>
Less investment income (loss)	-	<u>(1,035,947)</u>
Net investment income (loss)	<u>3,131,263</u>	<u>53,157,302</u>
Total additions	<u>18,107,018</u>	<u>77,667,811</u>
DEDUCTIONS		
Benefits paid to participants	12,322,032	40,700,214
Administrative expenses	13,921	649,510
	<u>12,335,953</u>	<u>41,349,724</u>
CHANGE IN NET POSITION	5,771,065	36,318,087
NET POSITION - beginning	<u>23,160,859</u>	<u>429,057,856</u>
NET POSITION - ending	<u>\$ 28,931,924</u>	<u>\$ 465,375,943</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, 2013

	Chattanooga Metropolitan Airport Authority	CARTA	Total
ASSETS			
Cash and cash equivalents	\$ 11,564,741	\$ 1,691,622	\$ 13,256,363
Accounts receivable	4,786,886	1,802,940	6,589,826
Inventories	129,011	463,681	592,692
Prepaid items	367,599	769,239	1,136,838
Other post employment benefit assets	-	94,017	94,017
Restricted assets:			
Cash and cash equivalents	3,809,411	-	3,809,411
Receivables	202,566	-	202,566
Land and other nondepreciable assets	37,380,934	3,258,047	40,638,981
Other capital assets, net of accumulated depreciation	55,350,307	21,119,083	76,469,390
Total assets	<u>113,591,455</u>	<u>29,198,629</u>	<u>142,790,084</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	17,489	-	17,489
Total deferred outflows of resources	<u>17,489</u>	<u>-</u>	<u>17,489</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,522,660	1,638,353	3,161,013
Contracts payable	3,532,681	-	3,532,681
Due to primary government	-	1,711,658	1,711,658
Net pension obligations	-	570,273	570,273
Capital lease obligations	151,010	-	151,010
Notes payable	-	690,372	690,372
Revenue bonds payable	5,249,871	-	5,249,871
Total liabilities	<u>10,456,222</u>	<u>4,610,656</u>	<u>15,066,878</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	14,251	-	14,251
Total deferred inflows of resources	<u>14,251</u>	<u>-</u>	<u>14,251</u>
NET POSITION			
Net investment in capital assets	87,330,360	23,175,100	110,505,460
Restricted for debt service	4,011,977	-	4,011,977
Unrestricted	11,796,134	1,412,873	13,209,007
Total net position	<u>\$ 103,138,471</u>	<u>\$ 24,587,973</u>	<u>\$ 127,726,444</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, 2013

	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	\$ 13,051,583	\$ 10,115,038	\$ -	\$ 9,508,125	\$ 6,571,580	\$ -	\$ 6,571,580
CARTA							
CARTA operations	22,484,344	6,916,655	7,518,673	6,102,555	-	(1,946,461)	(1,946,461)
Total component units	<u>\$ 35,535,927</u>	<u>\$ 17,031,693</u>	<u>\$ 7,518,673</u>	<u>\$ 15,610,680</u>	<u>6,571,580</u>	<u>(1,946,461)</u>	<u>4,625,119</u>
			General revenues:				
			Investment income		66,576	8,533	75,109
			Miscellaneous		1,711,755	293,831	2,005,586
			Total general revenues		<u>1,778,331</u>	<u>302,364</u>	<u>2,080,695</u>
			CHANGE IN NET POSITION		8,349,911	(1,644,097)	6,705,814
			Net position, beginning		<u>94,788,560</u>	<u>26,232,070</u>	<u>121,020,630</u>
			Net position, ending		<u>\$ 103,138,471</u>	<u>\$ 24,587,973</u>	<u>\$ 127,726,444</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, 2013

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CITY OF CHATTANOOGA, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net 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.

(B) Reporting Entity

The City of Chattanooga, Tennessee (the City) was incorporated under the Private Acts of 1869 and operated under the Commission form of government, consisting of an elected Mayor and four elected Commissioners, each of whom served as the head of a city department. The City Charter was amended 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. The Corporation has the authority to issue its own debt, but the City has agreed to finance any operating deficits of the Corporation. 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

(C) Basis of Presentation:

Government-wide Financial Statements

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

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 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 activities of the corporation including redevelopment financing, operations of The Chattanooga Hotel and the Southside Parking Garage. 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.

(D) 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 are 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*.

(E) 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 may make transfers within the General Fund.

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.

At June 30, 2013, General Fund expenditures exceeded budgeted appropriations within the public works and parks and recreation functions by \$285,366 and \$284,394, respectively.

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

(1) 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.

(2) 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.

(3) Inventories and Prepaid Items

Inventories, principally materials, supplies, and replacement parts, are valued at cost in governmental funds and at the lower of cost or market in proprietary funds, with cost determined using the first-in, first-out (FIFO) method. 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).

(4) 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

(5) 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 only has one item that qualifies for reporting in this category: deferred gains on refunding reported in the statement of net position. 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.

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.

(6) 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.

(7) 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.

(8) 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.

(G) Revenues, Expenditures/Expenses

(1) Program Revenues

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than program revenues.

(2) 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.

(3) Functional Expenses

Functional expenses include direct costs of the functions as well as indirect costs for centralized services such as administration of personnel, procurement and financial services.

(4) 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 years 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.

(5) 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.

(6) 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 \$2,828,509 at June 30, 2013. 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 \$465,813 from the prior fiscal year. In addition, the Solid Waste Fund reported a special item as of June 30, 2013. The accrual for closure costs at Birchwood Landfill Area 2 exceeded the estimated amounts accrued. The excess costs were recognized as a special item; closure costs will not occur until Area 3 closes which is estimated at 45 years.

The Downtown Redevelopment Fund, a major enterprise fund, has a deficit in net position of \$7,222,414 at June 30, 2013. This deficit resulted from the settlement of a swap option in fiscal year 2011. The deficit decreased by \$1,958,760 from the prior fiscal year.

NOTE 3. CASH AND INVESTMENTS

(A) 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.

(B) 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, 2013, investments of the primary government (except for Permanent, Pension Trust and Other Postemployment Benefits Trust Funds) and component units consist of the following:

	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value or Carrying Amount</u>
Primary Government – Governmental Activities:		
U.S. Government agency securities	1.42	<u>\$ 25,551,977</u>
Primary Government – Business-Type Activities:		
Certificates of deposits classified as investments	2.08	\$ 26,372,912
Mutual funds – U.S. Government agency securities	0.00	<u>9,669,909</u>
		<u>\$ 36,042,821</u>
Component Units:		
Mutual funds – U.S. Government agency securities	0.00	<u>\$ 9,668,319</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, 2013, the primary government's investments in U.S. Government agency securities consisted of Federal Home Loan Bank bonds, which were rated AAA by Standard & Poor's Rating Service (S & P) and Moody's Investor Service (Moody's).

Component unit investments in mutual funds holding U.S. treasury securities of \$9,668,319 were securities of J.P. Morgan 100% U.S. Treasury Securities Money Market Fund, which was rated AAA by S & P and Moody's.

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

The Permanent, Pension Trust Funds and Other Postemployment Benefit Trust Fund are managed with long-term objectives that include maximizing total investment earnings. State statutes and City policies allow the Permanent, Pension Trust and Other Postemployment Benefit Trust Funds a broader range of investments than other City investments. The City's Pension Trust funds have no investments in any one issuer that represent 5 percent or more of plan net position.

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

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

	<u>S & P or Moody's Rating</u>	<u>Fair Value</u>
<u>Permanent Fund</u>		
Mutual funds – equity	Not rated	\$ 2,755,159
Mutual funds – fixed income	Not rated	1,176,294
Temporary investments	Not rated	<u>25,374</u>
		<u>\$ 3,956,828</u>
<u>City of Chattanooga General Pension Plan</u>		
Domestic corporate bonds	BBB	\$ 398,876
Domestic corporate bonds	BB-	148,838
Domestic corporate bonds	BB	148,720
Domestic corporate bonds	B+	664,639
Domestic corporate bonds	B	413,280
Domestic corporate bonds	B-	624,040
Domestic corporate bonds	CCC+	720,435
Domestic corporate bonds	CCC	797,433
Domestic corporate bonds	CCC-	252,170
Domestic corporate bonds	Not rated	715,717
Corporate stocks	Not rated	80,359,516
Mutual funds – equity	Not rated	63,980,056
Mutual funds – fixed income	Not rated	51,030,138
Hedge funds	Not rated	38,335,305
Other investments	Not rated	4,767,952
Temporary investments	Not rated	<u>5,742,779</u>
		<u>\$ 249,099,894</u>
<u>Fire and Police Pension Fund</u>		
Domestic corporate bonds	AA+	\$ 89,079
Domestic corporate bonds	AA	17,307
Domestic corporate bonds	AA-	24,729
Domestic corporate bonds	A+	108,455
Domestic corporate bonds	A	302,710
Domestic corporate bonds	A-	412,060
Domestic corporate bonds	BBB+	476,651
Domestic corporate bonds	BBB	500,324
Domestic corporate bonds	BBB-	99,771
Domestic corporate bonds	BB+	10,601
Domestic corporate bonds	Not rated	8,502,727
Mortgage Bank Securities	Not rated	1,987,000

	<u>S & P or Moody's Rating</u>	<u>Fair Value</u>
<u>Fire and Police Pension Fund (continued)</u>		
U.S. Government securities	Not rated	405,253
Preferred securities	Not rated	5,011,312
Corporate Stocks	Not rated	30,864,676
Foreign equity	Not rated	5,938,394
Mutual funds - preferred securities	Not rated	2,421,408
Mutual funds – equity	Not rated	49,371,450
Mutual funds - fixed income	Not rated	21,200,941
Real estate	Not rated	24,239,550
Hedge funds	Not rated	55,748,065
Other investments	Not rated	5,278,147
Temporary investments	Not rated	<u>3,034,080</u>
		<u>\$ 216,044,690</u>
<u>Other Postemployment Benefit Trust Fund</u>		
Mutual funds – equity	Not rated	\$ 18,993,582
Mutual funds – fixed income	Not rated	8,274,497
Temporary investments	Not rated	<u>743,176</u>
		<u>\$ 28,011,254</u>

At June 30, 2013, the fair values of the City's investments in hedge funds totaling \$55,748,065 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:

	<u>Governmental Activities Funds</u>					<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Internal Service</u>	<u>Business-Type Activities</u>	
Primary Government						
Receivables:						
Taxes	\$ 121,643,912	\$ -	\$ -	\$ -	\$ -	\$ 121,643,912
Accounts	11,176,072	-	985,684	-	-	12,161,756
Notes	1,909,584	1,618,931	17,198,841	-	-	20,727,356
Customer service	-	-	-	599,546	70,735,133	71,334,679
Other	2,263,989	73,973	105,965	-	952,408	3,396,335
Restricted	-	15,785	-	-	-	15,785
Intergovernmental	<u>22,671,701</u>	<u>12,025</u>	<u>3,478,597</u>	<u>39,490</u>	<u>9,631,210</u>	<u>35,833,023</u>
Gross receivables	159,665,258	1,720,714	21,769,087	639,036	81,318,751	265,112,846
Less:						
Allowance for uncollectibles	<u>(3,918,949)</u>	<u>-</u>	<u>(1,066,369)</u>	<u>-</u>	<u>(3,235,005)</u>	<u>(8,220,323)</u>
Net receivables	<u>\$ 155,746,309</u>	<u>\$ 1,720,714</u>	<u>\$ 20,702,718</u>	<u>\$ 639,036</u>	<u>\$ 78,083,746</u>	<u>\$ 256,892,523</u>

(A) 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 \$3,918,949 is the weighted average percentage of prior year collections on delinquent taxes to the total delinquent taxes receivable at June 30, 2013.

(B) Note from Friends of the Zoo

During 2008, the City entered into a loan agreement with Friends of the Zoo, Inc. (FOZ) for improvements to the Chattanooga Zoo at Warner Park. The City advanced \$2,000,000 to FOZ to pay for construction improvements, which the City retained right, title, and interest in the improvements. In 2010, the loan agreement was amended. Under the new loan agreement, FOZ will repay the outstanding balance of \$1,700,000 with payments of \$150,000 or as an early payoff incentive to FOZ, the City agreed to appropriate to FOZ an amount equal to one dollar for every two dollars raised by FOZ through donations for capital improvements, up to a maximum of \$250,000 per year subject to annual appropriation. Current balance is \$1,062,209.

(C) 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 \$224,243 and \$287,415 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 \$1,200,000.

(D) Community Development Loans

Notes receivable of \$17,198,841 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, \$277,084 represents forgivable loans and \$1,850,124 represents title transfer loans, which are payable only upon the transfer of title by the current loan recipient. The allowance for uncollectable loans is \$1,066,369.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
PRIMARY GOVERNMENT				
Governmental Activities:				
Non-depreciable assets:				
Land and land improvements	\$1,037,882,226	\$ 1,662,679	\$ 14,419	\$1,039,530,486
Construction in progress	<u>41,384,156</u>	<u>23,286,356</u>	<u>10,560</u>	<u>64,659,952</u>
Total non-depreciable assets	<u>1,079,266,382</u>	<u>24,949,035</u>	<u>24,979</u>	<u>1,104,190,438</u>
Depreciable assets:				
Buildings and improvements	216,071,757	846,088	-	216,917,845
Vehicles and machinery	137,889,061	6,396,545	4,162,723	140,122,883
Infrastructure	<u>687,686,619</u>	<u>910,372</u>	<u>-</u>	<u>688,596,991</u>
Total depreciable assets	<u>1,041,647,437</u>	<u>8,153,005</u>	<u>4,162,723</u>	<u>1,045,637,719</u>

	Beginning Balance	Additions	Deductions	Ending Balance
Less accumulated depreciation for:				
Buildings and improvements	97,995,985	7,362,949	-	105,358,934
Vehicles and machinery	104,142,820	7,937,289	4,044,928	108,035,181
Infrastructure	<u>403,546,036</u>	<u>27,085,090</u>	<u>-</u>	<u>430,631,126</u>
Total accumulated depreciation	<u>605,684,841</u>	<u>42,385,328</u>	<u>4,044,928</u>	<u>644,025,241</u>
Depreciable assets, net	<u>435,962,596</u>	<u>(34,232,323)</u>	<u>117,795</u>	<u>401,612,478</u>
Governmental activities capital assets, net	<u>\$1,515,228,978</u>	<u>\$ (9,283,288)</u>	<u>\$ 142,774</u>	<u>\$1,505,802,916</u>
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 19,604,317	\$ 285,361	\$ 27,000	\$ 19,862,678
Construction in progress	<u>53,621,838</u>	<u>15,971,213</u>	<u>999,000</u>	<u>68,594,051</u>
Total non-depreciable assets	<u>73,226,155</u>	<u>16,256,574</u>	<u>1,026,000</u>	<u>88,456,729</u>
Depreciable assets:				
Buildings and improvements	\$ 137,343,367	\$ 5,809,000	\$ 7,647,285	\$ 135,505,082
Vehicles and machinery	244,724,645	9,559,924	162,230,143	92,054,426
Sewer system	417,487,714	144,724	-	417,632,438
Solid waste system	9,520,509	-	-	9,520,509
Water quality management system	38,913,370	21,092	-	38,934,462
Electric system	444,887,000	214,465,000	45,037,000	614,315,000
Communication system	<u>88,091,000</u>	<u>16,934,000</u>	<u>865,000</u>	<u>104,160,000</u>
Total depreciable assets	<u>1,380,967,605</u>	<u>246,933,740</u>	<u>215,779,428</u>	<u>1,412,121,917</u>
Less accumulated depreciation for:				
Buildings and improvements	52,527,728	4,015,055	3,249,075	53,293,708
Vehicles and machinery	62,473,753	4,912,756	1,188,004	66,198,505
Sewer system	189,926,197	10,489,481	-	200,415,678
Solid waste system	1,410,108	317,350	-	1,727,458
Water quality management system	8,432,203	798,255	-	9,230,458
Electric system	190,292,000	28,765,158	8,158,158	210,899,000
Communication system	<u>36,222,000</u>	<u>12,343,000</u>	<u>851,000</u>	<u>47,714,000</u>
Total accumulated depreciation	<u>541,283,989</u>	<u>61,641,055</u>	<u>13,446,237</u>	<u>589,478,807</u>
Depreciable assets, net	<u>829,683,616</u>	<u>185,292,685</u>	<u>202,333,191</u>	<u>822,643,110</u>
Business-type activities capital assets, net	<u>\$ 912,909,771</u>	<u>\$201,549,259</u>	<u>\$203,359,191</u>	<u>\$ 911,099,839</u>
DISCRETELY PRESENTED COMPONENT UNITS				
Non-depreciable assets:				
Land	\$ 7,101,608	\$ -	\$ -	\$ 7,101,608
Construction in progress	<u>23,075,977</u>	<u>10,875,675</u>	<u>414,279</u>	<u>33,537,373</u>
Total non-depreciable assets	<u>30,177,585</u>	<u>10,875,675</u>	<u>414,279</u>	<u>40,638,981</u>
Depreciable assets:				
Buildings and improvements	126,746,487	2,024,012	519,497	128,251,002
Vehicles and equipment	<u>66,178,532</u>	<u>2,110,144</u>	<u>10,138,118</u>	<u>58,150,558</u>
Total depreciable assets	<u>192,925,019</u>	<u>4,134,156</u>	<u>10,657,615</u>	<u>186,401,560</u>
Less accumulated depreciation	<u>111,805,853</u>	<u>8,367,761</u>	<u>10,511,444</u>	<u>109,932,170</u>
Depreciable assets, net	<u>81,119,166</u>	<u>(4,503,605)</u>	<u>146,171</u>	<u>76,469,390</u>
Component units capital assets, net	<u>\$ 111,296,751</u>	<u>\$ 6,372,070</u>	<u>\$ 560,450</u>	<u>\$ 117,108,371</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:	
General government	\$ 10,898,878
Public safety	1,761,902
Public works	25,879,238
Parks, recreation, education, arts & culture	3,754,088
Social services	<u>91,222</u>
Total	<u>\$ 42,385,328</u>
Primary Government – Business-Type Activities:	
Electric Utility	\$ 44,691,000
Sewer	14,568,654
Solid Waste	530,841
Water Quality Management	1,216,103
Downtown Redevelopment	494,898
Housing Management	<u>139,559</u>
Total	<u>\$ 61,641,055</u>
Discretely Presented Component Units:	
CARTA	\$ 3,541,034
Airport Authority	<u>5,096,727</u>
Total	<u>\$ 8,637,761</u>

NOTE 6. LONG-TERM LIABILITIES

(A) Governmental Activities

Debt related to governmental activities at June 30, 2013, consisted of the following:

(1) General Obligation Bonds

The City periodically issues general obligation bonds for the acquisition and construction of major capital facilities. These bonds are direct obligations and are backed by the full faith and credit of the City. Certain bonds are subject to federal arbitrage regulations. These bonds are generally issued as 15 to 30-year serial bonds.

General obligation bonds are summarized by issue as follows:

<u>Series</u>	<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2013</u>
General Obligations Refunding Bonds, Series 1998	\$ 7,292,600	5.25% - 5.50%	09/01/17	\$ 1,711,400
General Obligations Refunding Bonds, Series 2002	15,390,900	4.38% - 5.38%	09/01/15	2,585,000
General Obligations Refunding Bonds, Series 2002 A	6,037,950	3.60% - 5.00%	09/01/14	314,591
General Obligations Refunding Bonds, Series 2005 A	17,436,520	3.50% - 5.00%	09/01/19	12,137,842
Hotel-Motel Tax Refunding Bonds, Series 2005 A	6,469,987	3.50% - 5.00%	09/01/19	4,133,495
General Obligations Bonds, Series 2006 A	20,732,796	4.00% - 5.00%	11/01/26	14,512,957
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	36,320,000
General Obligations Bonds, Series 2010 A	6,725,000	2.00% - 4.00%	02/01/30	5,705,000
General Obligation Refunding Bonds, Series 2010 B	4,707,460	2.00% - 4.00%	02/01/30	4,357,818
Hotel-Motel Tax Refunding Bonds, Series 2010 B	29,557,540	2.00% - 4.00%	02/01/30	27,362,182
General Obligation Bonds, Series 2010C	6,840,000	2.00% - 4.00%	02/01/30	5,810,000
General Obligation Bonds, Series 2011A	26,495,000	2.00% - 4.00%	10/01/26	24,725,000
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
Total payable from Debt Service Fund	<u>\$ 225,165,753</u>			<u>\$ 171,740,285</u>

(2) Notes and Loans Payable

Tennessee Municipal Bond Fund Loan (2003) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$6,000,000 for the purpose of paying for certain general government capital projects. The loan is being repaid over a 15-year period at variable rates through 2018. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2013, is \$2,324,001 of which \$2,110,019 is due from Governmental Activities and \$213,982 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, 2013, is \$15,847,735, of which \$15,471,391 is due from Governmental Activities and \$376,344 is due from Solid Waste Fund.

Fire Hall Land Note - During 1999 the City acquired land for the construction of a fire hall. In connection with acquiring the property, the City executed a note payable to the former owners. The note which bears interest at 9.5% is being repaid over a 15-year period. The balance at June 30, 2013, is \$4,526.

Hennen Land Note - In December 2007, the City purchased the Narrow Bridge Property from Jenkins Road, LLC. The note is being repaid from parking revenue generated by Hennen's Restaurant employees and customers. The note carries fixed parking prices for five years beginning January 2008. In January 2013, this note was extended for an additional five years and fixed parking prices were renegotiated. The balance at June 30, 2013, is \$242,564.

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, 2013 is \$3,356,000.

IDB Foreign Trade Zone Note Payable - In July 2008, the City entered into an agreement with Volkswagen Group of America, Inc. to jointly cover the cost with Hamilton County of application, activation, and annual fees required for Volkswagen to make use of the existing Foreign-Trade Zone designation. The balance at June 30, 2013, is \$15,871.

U.S. General Services Administration Land Note Payable - The City entered into an agreement with the U.S. General Services Administration to jointly purchase land with Hamilton County for economic development. The balance at June 30, 2013 of \$2,750,000 is due in full in 2015.

(3) Capital Leases

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

The City's lease payment for the year ended June 30, 2013, was \$9,683,809, of which \$3,164,158 was a reduction of principal. The debt service reserve fund held by the fiscal agent at June 30, 2013 is \$9,668,319. 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.

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, 2013 is \$287,958.

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.

(B) Business-type Activities

Debt related to business-type activities at June 30, 2013, consisted of the following:

(1) Revenue and General Obligation Bonds

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

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

<u>Series</u>	<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2013</u>
Electric Power Board				
2006B Electric System Refunding Revenue Bonds	\$ 23,430,000	4.00% - 4.25%	09/01/25	\$ 21,660,000
2006A Electric System Revenue Bonds	40,000,000	4.00% - 5.00%	09/01/31	35,475,000
2008A Electric System Revenue Bonds	219,830,000	3.00% - 5.00%	09/01/33	219,830,000
Interceptor Sewer System				
General Obligations Refunding Bonds, Series 1998	13,612,700	5.25% - 5.50%	09/01/17	6,688,600
General Obligations Refunding Bonds, Series 2002	24,642,272	4.38% - 5.38%	09/01/14	4,251,577
General Obligations Refunding Bonds, Series 2002A	32,252,050	3.60% - 5.00%	09/01/14	1,680,409
General Obligations Refunding Bonds, Series 2005A	12,545,129	3.50% - 5.00%	09/01/19	10,998,694
Solid Waste Fund				
General Obligation Refunding Bonds, Series 2002	10,526,302	4.38% - 5.38%	09/01/15	1,075,043
General Obligation Refunding Bonds, Series 2005A	9,877,293	3.50% - 5.00%	09/01/19	8,123,370
General Obligation Bonds, Series 2006A	5,667,204	4.00% - 5.00%	11/01/26	3,967,043
General Obligation Refunding Bonds, Series 2007A	2,480,000	4.30% - 5.00%	03/01/26	2,480,000
Water Quality Fund				
General Obligation Refunding Bonds, Series 2002	7,570,526	4.38% - 5.38%	09/01/15	803,380
General Obligation Refunding Bonds, Series 2005A	6,046,071	3.50% - 5.00%	09/01/19	5,141,598
General Obligation Refunding Bonds, Series 2007A	750,000	24.30% - 5.00%	03/01/26	750,000
Chattanooga Downtown Redevelopment Corporation				
2007 Chatt Lease Rental Rev Ref Bonds	56,110,000	4.00% - 5.00%	10/01/30	48,930,000
2010 Chatt Lease Rental Rev Ref Bonds	<u>66,955,000</u>	3.00% - 5.00%	10/01/24	<u>65,605,000</u>
Total payable from Business-type Activities	<u>\$ 532,294,547</u>			<u>\$ 437,459,714</u>

(2) Notes and Loans 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, 2013 to be paid from Interceptor Sewer Fund is \$2,577,669.

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, 2013 to be paid from Interceptor Sewer Fund is \$26,077,788.

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, 2013, is \$2,324,001 of which \$2,110,019 is due from Governmental Activities and \$213,982 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, 2013, is \$15,847,735, of which \$15,471,391 is due from Governmental Activities and \$376,344 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, 2013 to be paid from Interceptor Sewer Fund is \$12,129,127.

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, 2013 to be paid from Interceptor Sewer Fund is \$5,306,601.

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, 2013 is \$10,861,000.

(3) Capital Lease

Collegedale Capital Lease - The City has a capital lease agreement with the City of Collegedale to purchase sewer system improvements. The capital lease obligation of \$316,052 is to be repaid in monthly lease payments through 2015 at variable rates of interest. The balance on this capital lease at June 30, 2013 to be paid from Interceptor Sewer Fund is \$37,701.

(4) 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	\$ 2,543,991	\$ 81,103	\$ 2,462,888
Water Quality Fund	317,893	21,092	296,801

(C) Component Units

Component Units debt at June 30, 2013, consisted of the following:

(1) 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, 2013</u>
Airport Authority Taxable Refunding Revenue Bonds, Series 2009	\$ 6,600,000	3.54% - 5.41%	04/01/19	\$ 5,249,871
Total payable from Component Units	\$ 6,600,000			\$ 5,249,871

(2) 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, 2013 is \$690,372.

(3) Capital Lease

Fuel Facility Capital Lease – Effective July 1, 2012, the Authority entered into a leasing arrangement for a fuel facility which is classified as a capital lease. The lease agreement specified no rental payment for the first twelve months of the lease. The Authority has recorded lease expense on the straight-line method over the life of the lease and has accrued lease expense as of June 30, 2013. The capital lease obligation of \$186,643 is to be repaid in monthly lease payments of \$4,333 through 2017 at variable rates of interest. The balance on this capital lease at June 30, 2013 to be paid from the Chattanooga Metropolitan Airport Authority is \$151,010.

(D) 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, 2013, the remaining liabilities for the bonds refunded were as follows:

<u>Year Refunded</u>	<u>Primary Government</u>
1992	\$ 2,260,000
1998	8,450,000
2002	9,130,000
2003	2,350,000
2005	41,110,000
2007	66,280,000
2010	30,600,000
2011	65,605,000
2012	18,360,000

(E) Changes in Long-term Liabilities

Changes in long-term liabilities for the fiscal year ended June 30, 2013, were as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Primary Government					
GOVERNMENTAL ACTIVITIES					
General obligation serial bonds	\$ 182,677,809	\$ -	\$10,937,524	\$ 171,740,285	\$ 10,883,546
Notes payable	25,814,209	128,416	1,992,255	23,950,370	2,016,341
Capital leases payable	93,758	301,493	107,293	287,958	55,668
Accrued pollution remediation costs	1,342,950	293,045	315,453	1,320,542	26,308
Accrued postemployment benefits	31,500,289	12,739,235	12,857,800	31,381,724	-
Compensated absences	<u>17,794,264</u>	<u>10,086,997</u>	<u>10,618,331</u>	<u>17,262,930</u>	<u>6,502,101</u>
Total governmental activities	<u>\$ 259,223,279</u>	<u>\$ 23,549,186</u>	<u>\$36,828,656</u>	245,943,809	<u>\$ 19,483,964</u>
Original issue premiums and discounts				<u>5,497,806</u>	
				<u>\$ 251,441,615</u>	
BUSINESS-TYPE ACTIVITIES					
EPB:					
Revenue bonds	\$ 279,930,000	\$ -	\$ 2,965,000	\$ 276,965,000	\$ 6,000,000
Notes payable	21,725,000	11,500,000	22,364,000	10,861,000	3,833,000
Line of credit	-	51,828,000	-	51,828,000	-
Accrued postemployment benefits	8,955,000	1,999,000	1,899,000	9,055,000	-
Compensated absences	<u>820,000</u>	<u>794,000</u>	<u>828,000</u>	<u>786,000</u>	<u>206,000</u>
	<u>311,430,000</u>	<u>66,121,000</u>	<u>28,056,000</u>	<u>349,495,000</u>	<u>10,039,000</u>
Interceptor Sewer System:					
General obligation serial bonds	29,633,265	-	6,013,985	23,619,280	5,129,185
Notes payable	43,628,246	5,306,601	2,843,662	46,091,185	3,882,188
Capital leases payable	67,834	-	30,133	37,701	32,138
Compensated absences	<u>815,411</u>	<u>684,874</u>	<u>698,178</u>	<u>802,107</u>	<u>373,271</u>
	<u>74,144,756</u>	<u>5,991,475</u>	<u>9,585,958</u>	<u>70,550,273</u>	<u>9,416,782</u>
Solid Waste/Sanitation Fund					
General obligation serial bonds	\$ 17,180,490	\$ -	\$ 1,535,034	\$ 15,645,456	\$ 1,600,298
Notes payable	658,281	-	67,955	590,326	70,023
Accrued landfill closure costs	7,000,562	-	1,225,999	5,774,563	271,037
Compensated absences	<u>71,353</u>	<u>84,227</u>	<u>71,178</u>	<u>84,402</u>	<u>38,614</u>
	<u>24,910,686</u>	<u>84,227</u>	<u>2,900,166</u>	<u>22,094,747</u>	<u>1,979,972</u>
Water Quality/Management Fund:					
General obligation serial bonds	7,528,435	-	833,457	6,694,978	876,971
Notes payable	129,207	-	129,207	-	-
Compensated absences	<u>587,598</u>	<u>657,858</u>	<u>615,702</u>	<u>629,754</u>	<u>311,324</u>
	<u>8,245,240</u>	<u>657,858</u>	<u>1,578,366</u>	<u>7,324,732</u>	<u>1,188,295</u>
Chattanooga Downtown Redevelopment Corporation:					
Revenue bonds	<u>118,775,000</u>	<u>-</u>	<u>4,240,000</u>	<u>114,535,000</u>	<u>4,395,000</u>
Total business-type activities	<u>\$ 537,505,682</u>	<u>\$72,854,560</u>	<u>\$46,360,490</u>	563,999,752	<u>\$ 27,019,049</u>
Original issue premiums and discounts				<u>17,139,126</u>	
				<u>\$ 581,138,878</u>	
Discretely Presented Component Units					
Airport Authority:					
Revenue bonds	\$ 5,630,575	\$ -	\$ 380,704	\$ 5,249,871	\$ 394,599
Capital leases payable	<u>186,643</u>	<u>-</u>	<u>35,633</u>	<u>151,010</u>	<u>44,930</u>
	<u>5,817,218</u>	<u>-</u>	<u>416,337</u>	<u>5,400,881</u>	<u>439,529</u>
CARTA:					
Notes payable	<u>-</u>	<u>770,564</u>	<u>80,192</u>	<u>690,372</u>	<u>246,591</u>
Total component units	<u>\$ 5,817,218</u>	<u>\$ 770,564</u>	<u>\$ 496,529</u>	<u>\$ 6,091,253</u>	<u>\$ 686,120</u>

Principal and interest requirements to maturity for bonds and notes payable 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>
2014	\$ 12,899,887	\$ 6,654,922	\$ 25,786,665	\$ 21,712,652
2015	15,962,146	6,300,307	27,262,023	20,794,245
2016	13,319,216	5,888,953	26,203,745	19,797,502
2017	11,811,179	5,491,239	24,963,911	18,775,412
2018	13,174,337	5,126,367	25,660,673	17,690,820
2019-2023	60,263,504	19,526,670	109,129,179	73,152,062
2024-2028	52,370,386	8,189,592	117,361,614	47,894,054
2029-2033	15,890,000	1,133,294	117,964,415	18,783,898
2034-2038	-	-	20,670,000	516,750
	<u>\$ 195,690,655</u>	<u>\$ 58,311,344</u>	<u>\$ 495,002,225</u>	<u>\$ 239,117,395</u>

<u>Year</u>	<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 641,190	\$ 216,707
2015	670,797	187,099
2016	605,901	158,226
2017	439,388	137,207
2018	455,420	121,172
2019-2023	<u>3,127,547</u>	<u>88,269</u>
	<u>\$ 5,940,243</u>	<u>\$ 908,680</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>
2014	\$ 55,668	\$ 11,670	\$ 32,138	\$ 1,515
2015	55,192	9,146	5,563	46
2016	60,831	6,507	-	-
2017	63,590	3,748	-	-
2018	<u>49,677</u>	<u>926</u>	<u>-</u>	<u>-</u>
	<u>\$ 287,958</u>	<u>\$ 31,997</u>	<u>\$ 37,701</u>	<u>\$ 1,561</u>

<u>Year</u>	<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 44,930	\$ 7,066
2015	47,421	4,575
2016	50,051	1,945
2017	<u>8,608</u>	<u>58</u>
	<u>\$ 151,010</u>	<u>\$ 13,644</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 defined benefit 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:

(A) Plans Administered by the City of Chattanooga

Plan Descriptions:

City of Chattanooga General Pension Plan

The City maintains a single-employer defined benefit pension plan for general City employees.

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. A deferred retirement option plan provides alternative benefits for up to 3 years of credited service to eligible members with at least 26 years of credited service.

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.

Fire and Police Pension Fund

The City maintains a single-employer defined benefit pension plan for the firefighters and police officers employed by the City.

The 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. 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 participants, based on predetermined formulas. A deferred retirement option provision (DROP) is available for participants completing 25 years of service. Two DROP options are available. The original (retro) DROP benefit is calculated, based upon service at the DROP date and final average salary at retirement. Up to 36 months of this benefit amount will be used in determine the DROP lump-sum. Effective September 2, 2008, the DROP formula was changed by City ordinance. Participants who were eligible for the original DROP plan were required to contribute an additional 1 percent of pay to remain eligible. The election period to remain in the original DROP plan was closed as of December 31, 2008, for current plan members and February 27, 2009, for cadets. Active participants who did not elect to contribute the additional 1 percent and participants hired on or after January 1, 2009, may participate in a modified DROP.

Future amendments to the plan provisions may be amended by City ordinance upon recommendation from the Board of Trustees of the Fire and Police Pension Fund and a favorable opinion of the Office of the Mayor.

Other Postemployment Benefits

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

Significant Accounting Policies:

Basis of Accounting

The financial statements of the General Pension Plan, the Fire and Police Pension Fund and Other Postemployment Benefits Trust Fund are prepared using the accrual basis of accounting with a December 31 fiscal year end. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Valuation of Investments

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

Funding Policies:

The City contributes to each plan at an actuarially determined rate.

City of Chattanooga General Pension Plan

Each participant is required to contribute 2 percent of earnings. The City is currently contributing 13.65 percent of the total covered payroll of the participants.

Fire and Police Pension Fund

The Plan is designed for each plan participant to contribute 8 or 9 percent of base salary depending on the participant's DROP option. The City is currently contributing 31.8 percent of the total covered payroll of the participants. Members of the Plan are not covered under OASDI through their City of Chattanooga employment. Increased court costs on all forfeitures of fines or monies or on convictions of violating any City ordinances are recorded as additional contributions to the Plan.

Other Postemployment Benefits

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 Pension/OPEB Cost and Net Pension/OPEB Obligation:

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

	General Pension Plan	Fire and Police Pension Fund	Other Postemployment Benefits
Annual required contribution	\$ 7,806,000	\$ 11,859,505	\$ 12,857,800
Interest on net pension/OPEB obligation (asset)	(59,652)	(363,757)	2,362,522
Adjustment to annual required contribution	<u>66,764</u>	<u>286,607</u>	<u>(2,481,087)</u>
Annual pension/OPEB cost	7,813,112	11,782,355	12,739,235
Adjustment to NPO prior contributions	-	-	-
Contributions made	<u>(7,599,939)</u>	<u>(11,937,269)</u>	<u>(12,857,800)</u>
Increase in net pension/OPEB obligation (asset)	213,173	(154,914)	(118,565)
Net pension/OPEB obligation (asset):			
Beginning of year	<u>(769,700)</u>	<u>(4,693,643)</u>	<u>31,500,289</u>
End of year	<u><u>\$ (556,527)</u></u>	<u><u>\$ (4,848,557)</u></u>	<u><u>\$ 31,381,724</u></u>

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

	Year Ended	Annual Pension/OPEB Cost (APC)	Percentage of APC Contributed	Net Pension/ OPEB Obligation (Assets)
General Pension Plan	12/31/12	\$ 7,813,112	97%	\$ (556,527)
	12/31/11	7,215,031	93%	(769,674)
	12/31/10	7,174,558	69%	(1,302,008)
Fire and Police Pension Fund	12/31/12	11,782,355	101%	(4,848,557)
	12/31/11	9,615,142	103%	(4,693,643)
	12/31/10	8,526,415	97%	(4,385,105)
Other Postemployment Benefits	12/31/12	12,739,235	101%	31,381,724
	12/31/11	14,169,688	101%	31,500,289
	12/31/10	13,718,933	101%	31,619,302

Funded Status and Funding Progress:

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

	General Pension Plan	Fire and Police Pension Fund	Other Postemployment Benefits
Actuarial valuation date	January 1, 2013	January 1, 2013	January 1, 2012
Actuarial accrued liability (AAL)	\$ 287,753,658	\$ 408,278,814	\$ 146,748,770
Actuarial value of plan assets	<u>253,442,165</u>	<u>258,596,818</u>	<u>19,853,844</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 34,311,493</u>	<u>\$ 149,681,996</u>	<u>\$ 126,894,926</u>
Funded ratio (actuarial value of plan assets/AAL)	88.08%	63.34%	13.53%
Covered payroll (annual payroll of active Employees covered by the plan)	\$ 56,270,053	\$ 37,215,933	\$ 95,280,557
UAAL as a percentage of covered payroll	60.98%	402.20%	133.2%

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 each plan is as follows:

	General Pension Plan	Fire and Police Pension Fund	Other Postemployment Benefits
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level Dollar	Level Percent	Level Dollar
Remaining amortization period	30 Years Open	26 Years Remaining	30 Years Open
Inflation rate	3.00%	3.25%	3.00%
Asset valuation method	Market Value, Smoothed	Market Value, Smoothed	Market Value
Investment rate of return	7.75%	7.75%	7.50%
Projected salary increases	4.50-5.50%	3.25-7.50%	3.25-7.50%
Cost of living adjustments	3.00%	3.00%	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 percent, reducing incrementally to an ultimate rate of 5 percent.

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
ASSETS			
Receivables:			
Accrued income	\$ 277,810	\$ 118,082	\$ 395,892
Total receivables	<u>277,810</u>	<u>118,082</u>	<u>395,892</u>
Investments, at fair value:			
U.S. Government securities	-	405,253	405,253
Corporate bonds and notes	4,884,148	12,531,414	17,415,562
Preferred securities	-	5,011,312	5,011,312
Corporate stocks	80,359,516	30,864,676	111,224,192
Foreign equity	-	5,938,394	5,938,394
Mutual funds – preferred securities	-	2,421,408	2,421,408
Mutual funds – equity	63,980,056	49,371,450	113,351,506
Mutual funds – fixed income	51,030,138	21,200,941	72,231,079
Real estate	-	24,239,550	24,239,550
Hedge funds	38,335,305	55,748,065	94,083,370
Other investments	4,767,952	5,278,147	10,046,099
Temporary investments	5,742,779	3,034,080	8,776,859
Total investments	<u>249,099,894</u>	<u>216,044,690</u>	<u>465,144,584</u>
Total assets	<u>249,377,704</u>	<u>216,162,772</u>	<u>465,540,476</u>
LIABILITIES			
Accrued expenses	30,742	33,791	164,533
Total liabilities	<u>130,742</u>	<u>33,791</u>	<u>164,533</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS			
	<u>\$ 249,246,962</u>	<u>\$ 216,128,981</u>	<u>\$ 465,375,943</u>

Combining Statement of Changes in Plan Net Position:

	<u>General Pension Plan</u>	<u>Fire and Police Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Employer	\$ 7,840,233	\$ 12,117,043	\$ 19,957,276
Employee	1,150,703	3,231,132	4,381,835
Other	<u>-</u>	<u>171,398</u>	<u>171,398</u>
Total contributions	<u>8,990,936</u>	<u>15,519,573</u>	<u>24,510,509</u>
Investment income:			
Net appreciation in fair market value of investments	27,884,287	19,319,002	47,203,289
Interest	404,556	258,282	662,838
Dividends	<u>2,325,858</u>	<u>4,001,264</u>	<u>6,327,122</u>
	30,614,701	23,578,548	54,193,249
Less investment expense	<u>(589,206)</u>	<u>(446,741)</u>	<u>(1,035,947)</u>
Net investment income (loss)	<u>30,025,495</u>	<u>23,131,807</u>	<u>53,157,302</u>
Total additions	<u>39,016,431</u>	<u>38,651,380</u>	<u>77,667,811</u>
DEDUCTIONS			
Benefits paid to participants	14,840,520	25,859,694	40,700,214
Administrative expenses	<u>175,957</u>	<u>473,553</u>	<u>649,510</u>
Total deductions	<u>15,016,477</u>	<u>26,333,247</u>	<u>41,349,724</u>
NET INCREASE	23,999,954	12,318,133	36,318,087
NET POSITION HELD IN TRUST FOR PENSION BENEFITS			
Beginning of year	<u>225,247,008</u>	<u>203,810,848</u>	<u>429,057,856</u>
End of year	<u>\$ 249,246,963</u>	<u>\$ 216,128,981</u>	<u>\$ 465,375,943</u>

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, 2012	\$ 19,683,727
Deferrals of compensation	2,170,159
Earnings (losses)	2,250,414
Withdrawals	(1,735,890)
Administrative expenses	<u>(10,807)</u>
Asset balance at June 30, 2013	<u>\$ 22,357,603</u>

(B) Plans not Administered by the City of Chattanooga

Plan Descriptions:

EPB Pension Plan

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.

EPB Other Postemployment Benefits

The Electric Power Board of Chattanooga Post Employment Health and Welfare Benefit 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. 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 Policies:

EPB Pension Plan

Contribution requirements of Plan members and EPB are established and may be amended by EPB. The Plan does not require Plan members to make a contribution. EPB's required contributions are calculated based on an actuarially determined rate; the current rate is 11.60 percent of annual covered payroll.

EPB Other Postemployment Benefits

Contribution requirements of plan members and EPB are established and may be amended by EPB. Plan members receiving benefits contribute based on retiree's age, retirement date, and years of service. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2013, EPB contributed approximately \$1.9 million (approximately 84 percent of total claims).

Annual Pension/OPEB Cost and Net Pension/OPEB Obligation:

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

	<u>Pension Plan</u>	Other Postemployment <u>Benefits</u>
Annual required contribution	\$ 3,569,952	\$ 2,180,170
Interest on net pension/OPEB obligation (asset)	-	582,054
Adjustment to annual required contribution	-	(763,094)
Annual pension/OPEB cost	3,569,952	1,999,130
Contributions made	(3,569,952)	(1,898,747)
Increase in net pension/OPEB obligation (asset)	-	100,383
Net pension/OPEB obligation (asset):		
Beginning of year	-	8,954,680
End of year	\$ -	\$ 9,055,062

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>	Annual Pension/OPEB <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension/ OPEB Obligation <u>(Assets)</u>
Pension Plan	7/31/12	\$ 3,569,952	100.00%	\$ -
	7/31/11	2,796,435	121.60%	-
	7/31/10	2,725,560	100.00%	-

	<u>Year Ended</u>	<u>Annual Pension/OPEB Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension/OPEB Obligation (Assets)</u>
Other Postemployment Benefits	6/30/12	\$ 1,999,130	95.00%	\$ 9,055,062
	6/30/11	1,888,329	93.40%	8,954,511
	6/30/10	1,763,819	125.10%	8,830,000

Funded Status and Funding Progress:

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

	<u>Pension Plan</u>	<u>Other Postemployment Benefits</u>
Actuarial valuation date	August 1, 2012	July 1, 2012
Actuarial accrued liability (AAL)	\$ 43,676,939	\$ 25,462,868
Actuarial value of plan assets	<u>31,150,374</u>	<u>15,044,942</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 12,526,565</u>	<u>\$ 10,417,927</u>
Funded ratio (actuarial value of plan assets/AAL)	71.30%	59.10%
Covered payroll (annual payroll of active Employees covered by the plan)	\$ 31,045,236	\$ 32,044,908
UAAL as a percentage of covered payroll	40.30%	32.50%

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:

	<u>Pension Plan</u>	<u>Other Postemployment Benefits</u>
Actuarial cost method	Aggregate	Projected Unit Credit
Amortization method	n/a	Level Dollar
Remaining amortization period	n/a	20 years
Asset valuation method	Market Value Smoothed	Market Value, 3 Year Smoothed
Investment rate of return	7.50%	6.50%
Projected salary increases	3.00%	-

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.

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.

EPB 401(k) Plan

EPB also has a 401(k) defined contribution plan which permits employees to invest up to 15 percent of salary in a tax-deferred savings plan. EPB contributes a 100% matching contribution up to 4.0 percent of an employee's salary after one year of employment. Participating employees are immediately fully vested. For the year ended June 30, 2013, EPB contributions were approximately \$1.1 million while employee contributions were approximately \$2.6 million.

(C) Pension Plans of Component Units

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

<u>Year Ended</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
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:			
6/30/13	\$ 186,731	0.0%	\$ 570,273
6/30/12	160,995	0.0%	383,541
6/30/11	89,461	0.0%	222,546

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, 2013, the minimum fund balance per policy is \$35.8 million. The current unrestricted fund balance is \$56.6 million.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances:				
Nonspendable				
Endowments	\$ -	\$ -	\$ 3,956,828	\$ 3,956,828
Inventory	934,888	-	-	934,888
Long-term notes receivable	1,909,585	1,618,932	-	3,528,517
Prepaid expenses	8,000	-	11,675	19,675
Restricted				
Law enforcement	67,393	-	1,961,165	2,028,558
Economic development	5,111,905	-	11,780	5,123,685
African-American Museum	50,232	-	-	50,232
Special programs	2,338,256	-	-	2,338,256
Capital projects	-	22,419,381	-	22,419,381
Library Endowment	-	-	155,023	155,023
Human services program	-	-	612,407	612,407
State street aid	-	-	1,136,052	1,136,052
Community development	-	-	1,651,976	1,651,976
Hotel-Motel tax revenue pledge	-	-	3,155,014	3,155,014
Regional Planning Agency	-	-	631,183	631,183
Air Pollution Control Bureau	-	-	343,350	343,350

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Committed				
Law enforcement	286,578	-	-	286,578
Economic development	271,143	-	-	271,143
Free Public Library	125,975	-	-	125,975
African-American Museum	50,231	-	-	50,231
Regional Planning Agency	-	-	2,013,690	2,013,690
Air Pollution Control Bureau	-	-	515,024	515,024
Scenic Cities Beautiful Commission	-	-	203,902	203,902
Tennessee Valley Regional Communications	-	-	257,157	257,157
Debt service	-	-	2,476,637	2,476,637
Assigned				
Public Library	1,384,031	-	-	1,384,031
Special programs	609,604	-	-	609,604
Human services program	-	-	296,083	296,083
River Pier garage	-	-	657,892	657,892
Other purposes	1,117,402	-	-	1,117,402
Unassigned	<u>55,580,376</u>	<u>-</u>	<u>-</u>	<u>55,580,376</u>
Total fund balances	<u>\$ 69,845,599</u>	<u>\$24,038,313</u>	<u>\$20,046,838</u>	<u>\$ 113,930,750</u>
Summary for Governmental Funds				
Balance Sheet (page A - 4):				
Nonspendable	\$ 2,852,473	\$ 1,618,932	\$ 3,968,503	\$ 8,439,908
Restricted	7,567,786	22,419,381	9,657,950	39,645,117
Committed	733,927	-	5,466,410	6,200,337
Assigned	3,111,037	-	953,975	4,065,012
Unassigned	<u>55,580,376</u>	<u>-</u>	<u>-</u>	<u>55,580,376</u>
Total fund balances	<u>\$ 69,845,599</u>	<u>\$24,038,313</u>	<u>\$20,046,838</u>	<u>\$ 113,930,750</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	\$ 242,565
Capital Projects Fund	Nonmajor Governmental Funds (Hotel/Motel)	<u>204,418</u>
		<u>\$ 446,983</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.

The Statement of Net Position includes \$97,367,183 of internal balances between Governmental Activities and Business-Type Activities. The internal balance results from a capital lease between governmental activities and a blended component unit reported as a business-type activity. A schedule of long-term debt for this interfund payable is excluded because it would duplicate debt reported as Chattanooga Downtown Redevelopment Corporation Lease Rental Revenue Bonds in Note 6.

NOTE 10. INTERFUND TRANSFERS

	Transfers In:					<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Solid Waste</u>	<u>Internal Service Fund</u>	
Transfer out:						
General Fund	\$ -	\$5,651,042	\$ 20,808,782	\$ -	\$ -	\$ 26,459,824
Capital Projects Fund	9,349	-	686	473,432	3,513,359	3,996,826
Nonmajor Governmental Funds:						
Community Development	-	618,554	467,434	-	-	1,085,988
Hotel/Motel Tax	-	-	<u>4,001,667</u>	-	-	<u>4,001,667</u>
Total	<u>\$ 9,349</u>	<u>\$6,269,596</u>	<u>\$ 25,278,569</u>	<u>\$ 473,432</u>	<u>\$ 3,513,359</u>	<u>\$ 35,544,305</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 \$75,000 depending on the type of damage. As of June 30, 2013, 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, 2013, the Internal Service Fund liability consists of \$4,102,700 related to torts and \$3,235,679 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>Internal General Fund</u>	<u>Service Fund</u>
Unpaid claims, June 30, 2011	\$ 284,568	\$ 7,866,034
Incurred claims, including IBNRs/reduction in estimated liabilities	1,466,033	23,944,066
Claim payments	<u>(1,503,458)</u>	<u>(24,194,279)</u>
Unpaid claims, June 30, 2012	247,143	7,615,821
Incurred claims, including IBNRs/reduction in estimated liabilities	1,519,629	24,061,680
Claim payments	<u>(1,517,346)</u>	<u>(24,339,122)</u>
Unpaid claims, June 30, 2013	<u>\$ 249,426</u>	<u>\$ 7,338,379</u>

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

NOTE 12. COMMITMENTS AND CONTINGENCIES

(A) Construction Commitments

The City has entered into various construction commitments. Such contracts include contracts for improvements to sewer, solid waste, and water quality systems, and acquisition and construction contracts related to general government capital projects. At year end the City's commitment with contractors was approximately \$33,766,035.

(B) Airport Debt

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

(C) Landfill Closure and Postclosure Care Costs

The Solid Waste Fund accounts for all aspects of solid waste disposal, including the city's municipal landfill; operations include a current landfill as well as closure and postclosure care costs of landfills closed in prior years. State and federal regulations require the City to place a final cover on all landfills after closure and perform certain maintenance and monitoring functions for 30 years thereafter. The City recognizes landfill closure and postclosure care costs based on the amount of the landfill used during the year. The estimated liability is based on 6.6 percent of the City Landfill Area III capacity and 100 percent usage of the Summit Landfill and the City Landfill Area II. At the current yield of utilization rate, we expect the landfill to have a remaining life of 45 years.

Changes in the estimated liability for landfill closure and postclosure care costs for the year ended June 30, 2013, are as follows:

Estimated liability, June 30, 2012	\$ 7,000,562
Expenses recognized	-
Costs incurred	<u>(1,225,999)</u>
Estimated liability, June 30, 2013	<u>\$ 5,774,563</u>
Due within one year	<u>\$ 271,037</u>

The estimated costs of closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired at June 30, 2013. 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. An additional \$7,762,003 has not been recognized in the financial statements.

(D) 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, 62 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.

(E) 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 \$435,453 in pollution remediation obligation related activities. At June 30, 2013, the City had an outstanding pollution remediation liability of \$3,390,518 with an estimated \$2,069,976 in grant revenue and donated services to offset these costs leaving a net pollution remediation obligation of \$1,320,542.

Currently, one 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 36th Street and at a railroad overpass on Tennessee Avenue, was covered by a grant from the Environmental Protection Agency (EPA). The City's estimated remaining cost as of June 30, 2013 is \$17,591.

Montague Park, which is on the Tennessee Department of Environment and Conservation's (TDEC) site list, is an old landfill site that was closed in 2003 when methane gas leaks were found. The City is in the process of re-capping the site in compliance with TDEC for use as athletic fields and a sculpture garden. Total costs are estimated at \$4,000,000; 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 \$1,202,951 at the end of fiscal year 2013.

The old Moccasin Bend Firing Range is being donated to the National Park Services (NPS) when the planned firing range becomes operational. However, NPS mandates that City to clean-up the lead and lead-containing soil from the land before the donation can be accepted. The cost of the clean-up is estimated at \$100,000.

(F) 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.

The City of Chattanooga and Hamilton County Board of Education are currently negotiating the payment of prior year's liquor taxes in accordance with Tennessee Code Annotated 57-4-306. City management has not currently entered into such agreement and believes that reimbursements, if any, would not be material.

(G) Conduit Debt Obligations

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

The Industrial Development Board currently has twenty-one (21) outstanding bond issues, the original amounts of which were \$284,250,000. The Health, Educational and Housing Facility Board currently has forty (37) bond issues, the original amount of which were \$587,205,727. 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	\$ 206,753,000	\$ 7,394,000	\$ (1,064,000)	\$ 213,083,000
Restricted assets	4,766,000	252,000	-	5,018,000
Capital assets	<u>499,806,000</u>	<u>70,085,000</u>	-	<u>569,891,000</u>
Total assets	<u>711,325,000</u>	<u>77,731,000</u>	<u>(1,064,000)</u>	<u>787,992,000</u>
Liabilities:				
Current liabilities	120,231,000	14,749,000	(1,064,000)	133,916,000
Noncurrent liabilities	<u>317,586,000</u>	<u>63,306,000</u>	-	<u>380,892,000</u>
Total liabilities	<u>437,817,000</u>	<u>78,055,000</u>	<u>(1,064,000)</u>	<u>514,808,000</u>
Net position:				
Net investment in capital assets	215,646,000	70,085,000	-	285,731,000
Restricted	-	-	-	-
Unrestricted	<u>57,862,000</u>	<u>(70,409,000)</u>	-	<u>(12,547,000)</u>
Total net position	<u>\$ 273,508,000</u>	<u>\$ (324,000)</u>	<u>\$ -</u>	<u>\$ 273,184,000</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	\$ 554,300,000	\$80,715,000	\$ (9,529,000)	\$ 625,486,000
Depreciation expense	(32,348,000)	(12,343,000)	-	(44,691,000)
Other operating expense	<u>(498,596,000)</u>	<u>(57,102,000)</u>	<u>9,529,000</u>	<u>(546,169,000)</u>
Operating income	23,356,000	11,270,000	-	34,626,000
Nonoperating revenues (expenses):				
Investment earnings	531,000	-	(159,000)	372,000
Interest expense	(12,711,000)	(2,047,000)	159,000	(14,599,000)
Other nonoperating	220,000	-	-	220,000
Transfer to General Fund	<u>(5,790,000)</u>	<u>(601,000)</u>	<u>-</u>	<u>(6,391,000)</u>
Change in net position	5,606,000	8,622,000	-	14,228,000
Net position, beginning of year	<u>267,902,000</u>	<u>(8,946,000)</u>	<u>-</u>	<u>258,956,000</u>
Net position, end of year	<u>\$ 273,508,000</u>	<u>\$ (324,000)</u>	<u>\$ -</u>	<u>\$ 273,184,000</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	\$ 49,314,000	\$24,419,000	\$ -	\$ 73,733,000
Capital and related financing activities	(51,748,000)	(25,200,000)	46,918,000	(30,030,000)
Investing activities	<u>47,261,000</u>	<u>-</u>	<u>(46,918,000)</u>	<u>343,000</u>
Net increase (decrease)	44,827,000	(781,000)	-	44,046,000
Beginning cash and cash equivalents	<u>78,802,000</u>	<u>1,640,000</u>	<u>-</u>	<u>80,442,000</u>
Ending cash and cash equivalents	<u>\$ 123,629,000</u>	<u>\$ 859,000</u>	<u>\$ -</u>	<u>\$ 124,488,000</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	\$11,127,977
Multiplied by two-thirds	<u>x 2/3</u>
City's equity interest	<u>\$ 7,418,651</u>

Condensed financial information for Carter Street Corporation as of June 30, 2013, is as follows:

ASSETS

Cash	\$ 1,418,028
Accounts receivable, net	232,556
Prepaid expenses	68,866
Inventories	53,633
Other current assets	5,750
Capital assets, net	<u>9,752,756</u>
Total assets	<u>11,531,589</u>

LIABILITIES AND NET POSITION

LIABILITIES

Accounts payable	\$ 33,623
Accrued expenses	129,104
Deferred revenue	20,000
Advanced deposits	<u>220,885</u>
 Total liabilities	 <u>403,612</u>

NET POSITION

Net investment in capital assets	9,758,506
Unrestricted	<u>1,369,471</u>
 Total net position	 <u>11,127,977</u>
 Total liabilities and net position	 <u>\$11,531,589</u>

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Total operating revenues	\$ 5,761,935
Total operating expenses	<u>6,526,847</u>
Loss from operations	(764,912)
Nonoperating revenues	300,000
Capital contributions	<u>200,000</u>
Net decrease	(264,912)
Net position, beginning of year	<u>11,407,597</u>
Net position, end of year	<u>\$11,672,509</u>

Complete financial statement 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, 2013 the City of Chattanooga implemented several Governmental Accounting Standards Board (GASB) statements: Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*. The City early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organization for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units. As result of the review of the financial reporting entity the Chattanooga Downtown Redevelopment Corporation was moved from a discretely presented component unit to blended component unit. This change required an adjustment of -\$7,838,346 to the beginning net position of both the government-wide and proprietary funds statement of net position.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No.4, Elements of Financial Statements. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 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. The result of implementation was a direct adjustment to net position, in the amount of \$2,285,251 in governmental activities and \$2,155,612 in business-type activities to eliminate bond issue costs.

In addition, an adjustment of \$17,612,083 was made to governmental activities net position due to economic development loans that were previously included as earned revenue at June 30, 2012.

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

	Government- wide Activities
Beginning balance, as previously reported	\$ 1,334,838,462
Prior period adjustment:	
Change in accounting principle (GASB 65)	(2,285,251)
Unearned economic development loans	<u>(17,612,083)</u>
Beginning balance, as restated	<u>\$ 1,314,941,128</u>

	Inteceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment	Business- type Activities
Beginning balance, as previously reported	\$ 257,833,992	\$ (3,081,771)	\$ 45,993,051	\$ -	\$300,745,272
Prior period adjustment:					
Change in accounting principle (GASB 61)	-	-	-	(7,838,346)	(7,838,346)
Change in accounting principle (GASB 65)	<u>(514,492)</u>	<u>(212,551)</u>	<u>(85,741)</u>	<u>(1,342,828)</u>	<u>(2,155,612)</u>
Beginning balance, as restated	<u>\$ 257,319,500</u>	<u>\$ (3,294,322)</u>	<u>\$ 45,907,310</u>	<u>\$ (9,181,174)</u>	<u>\$290,751,314</u>

CITY OF CHATTANOOGA, TENNESSEE

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

June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
CITY OF CHATTANOOGA ADMINISTERED PLANS						
General Pension Plan						
January 1, 2013	\$ 253,442,165	\$ 287,753,658	\$ 34,311,493	88.08%	\$56,270,053	60.98%
January 1, 2012	246,465,076	289,703,203	43,238,127	85.08%	57,976,515	74.58%
January 1, 2011	240,535,112	277,993,458	37,458,346	86.53%	57,061,358	65.65%
January 1, 2010	237,386,130	265,993,912	28,607,782	89.24%	58,140,286	49.20%
January 1, 2009	220,035,854	255,973,845	35,937,991	85.96%	59,645,747	60.25%
January 1, 2008	241,197,693	231,841,794	(9,355,899)	104.04%	56,581,858	-16.54%
Fire and Police Pension Fund						
January 1, 2013	\$ 258,596,818	\$ 408,278,814	\$ 149,681,996	63.34%	\$37,215,933	402.20%
January 1, 2012	258,421,800	390,214,388	131,792,588	66.23%	37,288,914	353.44%
January 1, 2011	269,345,372	374,289,017	104,943,645	71.96%	34,940,022	300.35%
January 1, 2010	265,201,631	358,088,214	92,886,583	74.06%	34,573,261	268.67%
January 1, 2009	250,144,973	327,638,030	77,493,057	76.35%	34,715,838	223.22%
January 1, 2008	256,179,955	316,806,281	60,626,326	80.86%	33,237,063	182.41%
Other Postemployment Benefits						
January 1, 2012	\$ 19,853,844	\$ 146,748,770	\$ 126,894,926	13.53%	\$95,280,557	133.18%
January 1, 2010	5,045,878	148,187,287	143,141,409	3.41%	89,710,458	159.56%
July 1, 2008	4,539,440	192,053,979	187,514,539	2.36%	78,155,219	239.93%
July 1, 2006	-	228,471,342	228,471,342	0.00%	76,239,946	299.67%
ELECTRIC POWER BOARD						
Pension Plan						
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%
Other Postemployment Benefits						
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, 2013

CITY OF CHATTANOOGA ADMINISTERED PLANS

Year ended June 30	General Pension Plan		Fire and Police Pension Fund		Other Postemployment Benefits	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2013	\$ 7,806,000	97.4%	\$ 11,859,505	100.7%	\$12,857,800	100.0%
2012	7,203,000	92.8%	9,692,292	102.4%	14,288,701	100.0%
2011	6,302,882	69.4%	8,613,696	95.6%	13,838,396	100.0%
2010	3,780,000	100.0%	7,903,392	105.9%	18,459,218	57.3%
2009	3,351,000	100.0%	7,686,489	108.5%	17,921,571	44.3%
2008	3,502,000	100.0%	7,504,469	99.0%	20,360,866	53.2%

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

	General Pension Plan	Fire and Police Pension Fund	Other Postemployment Benefits
Valuation date	1/1/2013	1/1/2013	1/1/2012
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar	Level Percent of Payroll	Level Dollar
Remaining amortization period	30 Years Open	26 Years Remaining	30 Years Open
Asset valuation method	Market value, smoothed	Market value, smoothed	Market Value

Actuarial assumptions:

Investment rate of return	7.75%	7.75%	7.50%
Projected salary increases	4.50 - 5.50%	3.25 - 7.50%	3.25 - 7.50%
Includes inflation at	3.00%	3.25%	3.00%
Cost-of-living-adjustments	3.00%	3.00%	n/a

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, 2013

	Special Revenue					
	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax
ASSETS						
Cash and cash equivalents	\$ 11,780	\$ 683,921	\$ 2,744,463	\$ 731,860	\$ 2,191,978	\$ 2,927,508
Investments	-	-	-	-	-	-
Receivables, net of allowance for uncollectibles:						
Other taxes	-	-	-	-	-	985,683
Notes	-	-	-	-	16,132,472	-
Other	-	350	1,493	20	65,029	1,119
Due from other funds	-	-	-	-	-	-
Due from other governments:						
Federal	-	405,742	-	77,848	1,353,789	-
State of Tennessee	-	206,315	-	796,229	7,491	-
Other	-	-	-	-	-	-
Prepaid items	-	-	-	-	10,675	-
Total assets	\$ 11,780	\$ 1,296,328	\$ 2,745,956	\$ 1,605,957	\$ 19,761,434	\$ 3,914,310
LIABILITIES						
Accounts payable and accrued liabilities:						
Accounts payable	\$ -	\$ 138,664	\$ 784,791	\$ 4,587	\$ 83,224	\$ 8,150
Accrued payroll	-	249,160	-	60,911	14,578	-
Due to other funds	-	-	-	-	-	204,418
Unearned grants revenue	-	14	-	-	597,328	-
Total liabilities	-	387,838	784,791	65,498	695,130	212,568
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - other local taxes	-	-	-	-	-	546,728
Unavailable revenue - shared tax revenue	-	-	-	404,407	-	-
Unavailable revenue - loans	-	-	-	-	17,403,653	-
Total deferred inflows of resources	-	-	-	404,407	17,403,653	546,728
FUND BALANCES						
Nonspendable	-	-	-	-	10,675	-
Restricted	11,780	612,407	1,961,165	1,136,052	1,651,976	3,155,014
Committed	-	-	-	-	-	-
Assigned	-	296,083	-	-	-	-
Total fund balances	11,780	908,490	1,961,165	1,136,052	1,662,651	3,155,014
Total liabilities, deferred inflows of resources and fund balances	\$ 11,780	\$ 1,296,328	\$ 2,745,956	\$ 1,605,957	\$ 19,761,434	\$ 3,914,310

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
\$ 626,742	\$ 2,427,172	\$ 1,021,226	\$ 202,589	\$ 275,311	\$ 13,844,550	\$2,234,072	\$ 163,366	\$16,241,988
-	-	-	-	-	-	-	3,956,828	3,956,828
-	-	-	-	-	985,683	-	-	985,683
-	-	-	-	-	16,132,472	-	-	16,132,472
31,150	8	150	3,150	3,497	105,966	-	-	105,966
-	-	-	-	-	-	242,565	-	242,565
-	52,288	-	-	-	1,889,667	-	-	1,889,667
-	466,818	-	-	-	1,476,853	-	-	1,476,853
-	112,077	-	-	-	112,077	-	-	112,077
-	-	-	-	1,000	11,675	-	-	11,675
<u>\$ 657,892</u>	<u>\$ 3,058,363</u>	<u>\$ 1,021,376</u>	<u>\$ 205,739</u>	<u>\$ 279,808</u>	<u>\$ 34,558,943</u>	<u>\$2,476,637</u>	<u>\$ 4,120,194</u>	<u>\$41,155,774</u>
-	\$ 331,000	\$ 2,238	-	\$ 4,180	\$ 1,356,834	-	\$ 8,343	\$ 1,365,177
-	82,490	37,039	1,837	17,471	463,486	-	-	463,486
-	-	-	-	-	204,418	-	-	204,418
-	-	123,725	-	-	721,067	-	-	721,067
-	413,490	163,002	1,837	21,651	2,745,805	-	8,343	2,754,148
-	-	-	-	-	546,728	-	-	546,728
-	-	-	-	-	404,407	-	-	404,407
-	-	-	-	-	17,403,653	-	-	17,403,653
-	-	-	-	-	18,354,788	-	-	18,354,788
-	-	-	-	1,000	11,675	-	3,956,828	3,968,503
-	631,183	343,350	-	-	9,502,927	-	155,023	9,657,950
-	2,013,690	515,024	203,902	257,157	2,989,773	2,476,637	-	5,466,410
657,892	-	-	-	-	953,975	-	-	953,975
657,892	2,644,873	858,374	203,902	258,157	13,458,350	2,476,637	4,111,851	20,046,838
<u>\$ 657,892</u>	<u>\$ 3,058,363</u>	<u>\$ 1,021,376</u>	<u>\$ 205,739</u>	<u>\$ 279,808</u>	<u>\$ 34,558,943</u>	<u>\$2,476,637</u>	<u>\$ 4,120,194</u>	<u>\$41,155,774</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2013

	Special Revenue						
	Downtown Development	Human Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax	River Pier Garage
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,970,247	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental:							
Federal	-	8,921,035	188,894	-	4,208,665	-	-
State	-	4,449,064	25	4,314,246	116,744	-	-
County	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Charges for services	-	54,553	-	-	-	-	326,086
Fines, forfeitures and penalties	-	-	43,739	-	-	-	-
Investment income	-	3,514	2,282	-	67,724	-	-
Contributions and donations	-	22,761	-	-	-	-	-
Sale of property	-	-	24,062	-	-	-	-
Miscellaneous	-	304	1,006,094	-	(911,208)	-	-
Total revenues	-	13,451,231	1,265,096	4,314,246	3,481,925	4,970,247	326,086
EXPENDITURES							
Current:							
General government							
General government & agencies	-	-	-	-	-	153,644	145,497
General services	-	-	-	-	-	-	-
Public safety:							
Police	-	-	418,941	-	-	-	-
Public works	-	-	-	4,280,693	-	-	-
Social services:							
Human services	-	14,524,968	-	-	-	-	-
Community development	-	-	-	-	1,990,938	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	-	14,524,968	418,941	4,280,693	1,990,938	153,644	145,497
Excess (deficiency) of revenues over (under) expenditures	-	(1,073,737)	846,155	33,553	1,490,987	4,816,603	180,589
OTHER FINANCING SOURCES (USES)							
Transfers in	-	1,033,477	196,250	-	9,288	-	-
Transfers out	-	-	-	-	(1,095,277)	(4,001,667)	-
Total other financing sources (uses)	-	1,033,477	196,250	-	(1,085,989)	(4,001,667)	-
Net change in fund balances	-	(40,260)	1,042,405	33,553	404,998	814,936	180,589
FUND BALANCES, beginning	11,780	948,750	918,760	1,102,499	1,257,653	2,340,078	477,303
FUND BALANCES, ending	\$ 11,780	\$ 908,490	\$ 1,961,165	\$ 1,136,052	\$ 1,662,651	\$ 3,155,014	\$ 657,892

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
\$ -	\$ -	\$ -	\$ -	\$ 4,970,247	\$ -	\$ -	\$ 4,970,247
104,465	425,270	-	-	529,735	-	-	529,735
180,058	313,622	-	5,597	13,817,871	-	-	13,817,871
1,201,358	-	41,000	43,290	10,165,727	-	-	10,165,727
559,430	188,548	-	192,898	940,876	513,914	-	1,454,790
108,102	-	-	638,429	746,531	-	-	746,531
-	-	-	41,940	422,579	-	-	422,579
-	-	-	-	43,739	-	-	43,739
-	-	-	-	73,520	-	452,985	526,505
-	-	322	-	23,083	-	-	23,083
-	-	-	-	24,062	-	-	24,062
1,886	-	-	212,150	309,226	-	-	309,226
<u>2,155,299</u>	<u>927,440</u>	<u>41,322</u>	<u>1,134,304</u>	<u>32,067,196</u>	<u>513,914</u>	<u>452,985</u>	<u>33,034,095</u>
3,909,383	1,413,686	74,408	-	5,696,618	-	70,604	5,767,222
-	-	-	923,003	923,003	-	-	923,003
-	-	-	-	418,941	-	-	418,941
-	-	-	-	4,280,693	-	-	4,280,693
-	-	-	-	14,524,968	-	-	14,524,968
-	-	-	-	1,990,938	-	-	1,990,938
-	-	-	-	-	13,037,072	-	13,037,072
-	-	-	-	-	7,178,691	-	7,178,691
<u>3,909,383</u>	<u>1,413,686</u>	<u>74,408</u>	<u>923,003</u>	<u>27,835,161</u>	<u>20,215,763</u>	<u>70,604</u>	<u>48,121,528</u>
<u>(1,754,084)</u>	<u>(486,246)</u>	<u>(33,086)</u>	<u>211,301</u>	<u>4,232,035</u>	<u>(19,701,849)</u>	<u>382,381</u>	<u>(15,087,433)</u>
2,247,235	270,820	5,000	-	3,752,782	21,525,787	-	25,278,569
-	-	-	-	(5,087,656)	-	-	(5,087,656)
<u>2,247,235</u>	<u>270,820</u>	<u>5,000</u>	<u>-</u>	<u>(1,334,874)</u>	<u>21,525,787</u>	<u>-</u>	<u>20,190,913</u>
493,151	(215,426)	(28,086)	211,301	2,897,161	1,823,938	382,381	5,103,480
2,151,722	1,073,800	231,988	46,856	10,561,189	652,699	3,729,470	14,943,358
<u>\$ 2,644,873</u>	<u>\$ 858,374</u>	<u>\$ 203,902</u>	<u>\$ 258,157</u>	<u>\$ 13,458,350</u>	<u>\$ 2,476,637</u>	<u>\$ 4,111,851</u>	<u>\$ 20,046,838</u>

DISCRETELY PRESENTED COMPONENT UNITS

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

Chattanooga Metropolitan Airport Authority accounts for the operation of the Chattanooga Metropolitan Airport.

Chattanooga Area Regional Transit Authority (CARTA) accounts for the operation of the mass transit system for the Chattanooga Metropolitan Area.

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS**

Year Ended June 30, 2013

	Chattanooga Metropolitan Airport Authority	CARTA	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 10,104,052	\$ 7,400,380	\$ 17,504,432
Payments to suppliers	(4,213,998)	(8,097,041)	(12,311,039)
Payments to employees	(3,001,557)	(11,213,959)	(14,215,516)
Net cash from operating activities	<u>2,888,497</u>	<u>(11,910,620)</u>	<u>(9,022,123)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental payments received	-	7,528,673	7,528,673
Net cash from noncapital financing activities	<u>-</u>	<u>7,528,673</u>	<u>7,528,673</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	(380,704)	(161,760)	(542,464)
Proceeds from issuance of note payable	-	770,564	770,564
Principal paid on capital lease	(35,633)		(35,633)
Interest paid on capital debt	(203,582)	(67,687)	(271,269)
Capital contributions	6,720,619	6,515,543	13,236,162
Net increase in revolving line of credit	-	700,000	700,000
Additions to capital assets	(8,269,982)	(2,785,421)	(11,055,403)
Passenger/customer facility charges collected	1,763,149	-	1,763,149
Net cash flows from capital and related financing activities	<u>(406,133)</u>	<u>4,971,239</u>	<u>4,565,106</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	-	-	-
Proceeds from sales and maturities of investments	-	-	-
Interest on investments	66,576	8,533	75,109
Net cash flows from investing activities	<u>66,576</u>	<u>8,533</u>	<u>75,109</u>
Net increase (decrease) in cash and cash equivalents	2,548,940	597,825	3,146,765
Cash and cash equivalents, beginning of year	<u>12,825,212</u>	<u>1,093,797</u>	<u>13,919,009</u>
Cash and cash equivalents, end of year	<u>\$ 15,374,152</u>	<u>\$ 1,691,622</u>	<u>\$ 17,065,774</u>
CLASSIFIED AS:			
Current assets	\$ 11,564,741	\$ 1,691,622	\$ 13,256,363
Restricted assets	3,809,411	-	3,809,411
	<u>\$ 15,374,152</u>	<u>\$ 1,691,622</u>	<u>\$ 17,065,774</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS**

Year Ended June 30, 2013

	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)	\$ (2,734,086)	\$ (15,216,171)	\$ (17,950,257)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Depreciation and amortization	5,099,683	3,541,034	8,640,717
Gain on disposal of property and equipment	(247)	-	(247)
Bad debt expense	15,114	-	15,114
Change in operating assets and liabilities:			-
Trade receivables, net	5,442	199,893	205,335
Inventory	(59,104)	(91,146)	(150,250)
Prepaid items	(93,854)	(300,460)	(394,314)
Other assets	-	(94,017)	(94,017)
Accounts payable and accrued liabilities	671,730	(131,642)	540,088
Deferred revenue	(16,181)	-	(16,181)
Other liabilities	-	181,889	181,889
TOTAL ADJUSTMENTS	<u>5,622,583</u>	<u>3,305,551</u>	<u>8,928,134</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 2,888,497</u>	<u>\$ (11,910,620)</u>	<u>\$ (9,022,123)</u>
SIGNIFICANT NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Additions to property and equipment included in contracts payable	<u>\$ 3,532,681</u>	<u>\$ -</u>	<u>\$ 3,532,681</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$111,280,000	\$111,280,000	\$111,182,245	\$ (97,755)
Payments in lieu of tax:				
PILOT CHA	99,600	99,600	103,022	3,422
PILOT TVA	1,800,000	1,800,000	1,955,139	155,139
PILOT JCT	2,300	2,300	2,280	(20)
PILOT Good Neighbors	2,800	2,800	2,808	8
PILOT Burner Systems	800	800	-	(800)
PILOT Dev Corp O Knob	500	500	480	(20)
PILOT Chattem	-	-	120,441	120,441
PILOT Covenant Transport	25,000	25,000	-	(25,000)
PILOT The Bread Factory	1,900	1,900	1,938	38
PILOT LJT of Tennessee	62,400	62,400	41,221	(21,179)
PILOT UnumProvident Corporation	30,200	30,200	30,998	798
PILOT South Market LLC	1,800	1,800	1,762	(38)
PILOT American Plastic	44,500	44,500	-	(44,500)
PILOT DuPont Sabanci	20,100	20,100	-	(20,100)
PILOT Frazier Partners	620	620	618	(2)
PILOT Invista	30,300	30,300	25,459	(4,841)
PILOT United Enertach Corp	18,000	18,000	-	(18,000)
PILOT Aerisyn Inc	-	-	30,127	30,127
PILOT TAG Manufacturing	50,900	50,900	56,913	6,013
PILOT Wm Wrigley Jr Co	58,300	58,300	40,840	(17,460)
PILOT Astec Industries	38,900	38,900	34,461	(4,439)
PILOT Blue Cross Blue Shield	930,200	930,200	952,397	22,197
PILOT East Tech Co	27,000	27,000	-	(27,000)
PILOT Heatec, Inc	5,200	5,200	14,850	9,650
PILOT Roadtec	27,800	27,800	24,699	(3,101)
PILOT Steel Warehouse of TN	51,700	51,700	45,504	(6,196)
PILOT US Express Inc	51,400	51,400	49,836	(1,564)
PILOT United Packers of Chatt	38,400	38,400	37,105	(1,295)
PILOT MK LLC	2,000	2,000	4,487	2,487
PILOT Jarnigan Road-EMJ Corp	35,700	35,700	35,326	(374)
PILOT National Print-Posters	18,300	18,300	17,043	(1,257)
PILOT Southern Champion Tray	14,400	14,400	11,391	(3,009)
PILOT Vision Chestnut Hotel Group LLC	96,100	96,100	87,988	(8,112)
PILOT Scannell- Fedex, Inc	-	-	55,986	55,986
PILOT Riverset Apartments	5,700	5,700	5,693	(7)
PILOT Westinghouse Electric Co.	49,090	49,090	63,464	14,374
PILOT U.S. Real Estate Ltd Partnership	36,150	36,150	-	(36,150)
PILOT Chit Chatt Properties	-	-	1,345	1,345
PILOT EPB	6,135,190	6,135,190	6,140,478	5,288
Interest and penalty on taxes:				
Current year	150,000	150,000	134,159	(15,841)
Prior years	867,000	867,000	1,283,658	416,658
Collection fees on delinquent taxes	200,000	200,000	279,003	79,003
Other local taxes:				
Franchise taxes	3,206,700	3,206,700	3,870,860	664,160
Liquor taxes	2,020,000	2,020,000	2,156,332	136,332
Beer taxes	5,508,000	5,508,000	5,597,518	89,518

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CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2013

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Taxes: (continued)				
Local litigation tax city court	\$ 2,900	\$ 2,900	\$ 3,009	\$ 109
Gross receipts tax	4,122,300	4,122,300	5,114,910	992,610
Corporate excise tax - intangible property	80,000	80,000	66,590	(13,410)
Total taxes	137,250,150	137,250,150	139,684,383	2,434,233
Licenses, fees and permits:				
Licenses:				
Business License Int & Pen	500	500	-	(500)
Wrecker Business License	6,700	6,700	6,542	(158)
Liquor by Drink License	153,000	153,000	154,970	1,970
Liquor by Drink Int & Pen	1,200	1,200	745	(455)
Motor Vehicle License	380,000	380,000	404,150	24,150
Original Business License Fee	24,500	24,500	25,805	1,305
Permits:				
Building Permits	1,293,500	1,293,500	1,200,667	(92,833)
Electrical Permits	290,800	290,800	304,606	13,806
Plumbing Fixtures Connection Permits	136,000	136,000	153,265	17,265
Street Cut-in Permits	200,000	200,000	304,707	104,707
Mechanical Code Permits	125,000	125,000	223,420	98,420
Hotel Permits	4,700	4,700	4,950	250
Gas Permits	25,000	25,000	32,040	7,040
Sign Permits	136,300	136,300	156,205	19,905
Taxicab Driver Permits	9,000	9,000	5,820	(3,180)
Temporary Use Permits	3,900	3,900	3,700	(200)
Going Out of Business Permits	100	100	300	200
Traffic Eng Special Events Permits	7,100	7,100	17,120	10,020
Fortwood Parking Permits	1,700	1,700	8,238	6,538
Push Cart Permits	200	200	300	100
Mobile Food Unit	-	-	300	300
Tree Ordinance Permit	-	-	350	350
Fees:				
Business License Issuance Fees	64,300	64,300	68,514	4,214
Plumbing Examiners Fees	33,000	33,000	52,220	19,220
Electrical Examiners Fees	139,900	139,900	178,840	38,940
Gas Examiners Fees	34,000	34,000	44,315	10,315
Beer Permit Application Fees	100,000	100,000	98,950	(1,050)
Mechanical Exam Fees	60,000	60,000	58,320	(1,680)
Permit Issuance Fees	43,000	43,000	45,180	2,180
Subdivision Review & Inspection Fees	13,200	13,200	17,575	4,375
Adult Entertain Application Fees	18,000	18,000	15,300	(2,700)
Zoning Letter Fees	10,400	10,400	12,675	2,275
Variance Request Fees	7,400	7,400	7,725	325
Certificate of Occupancy Fees	17,700	17,700	20,115	2,415
Sewer Verification Letter Fees	950	950	450	(500)
Code Compliance Letter Fees	700	700	1,800	1,100
Modular Home Site Investigation Fees	200	200	200	-
Plan Checking Fees	150,000	150,000	154,616	4,616
Phased Construction Plan Review Fees	43,800	43,800	2,559	(41,241)
Construction Board of Appeals Fees	1,300	1,300	1,250	(50)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2013

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Licenses, fees & permits: (continued)				
Sign Board of Appeals Fees	\$ 3,700	\$ 3,700	\$ 3,600	\$ (100)
Dead Animal Pickup at Vet Fees	3,900	3,900	2,854	(1,046)
Historic Zone Construction Fee	-	-	50	50
Hardship-Appropriateness Construction Fee	-	-	125	125
Northshore Design Appeal Fee	1,600	1,600	2,100	500
Northshore-Downtown Plan Review Fee	600	600	725	125
Floodplain Variance Request Fee	1,000	1,000	-	(1,000)
Fire Permits City Code 16-29	11,000	11,000	23,200	12,200
Fire Re-Inspection of Business & Hotels	-	-	550	550
Designated revenue:				
Parking meters	-	1,478,511	1,478,511	-
Total licenses, fees & permits	3,558,850	5,037,361	5,300,519	263,158
Intergovernmental:				
State funds:				
State Operations Funds	-	-	1,921	1,921
State Operations Funds Training Supplement F&P	469,800	469,800	501,000	31,200
State Shared Ops Maintenance of Streets	320,000	320,000	289,567	(30,433)
State Shared City Alloc State Sales Tax	11,667,000	11,667,000	11,544,670	(122,330)
State Shared City Alloc State Income Tax	2,200,000	2,200,000	4,199,313	1,999,313
State Shared City Alloc State Beer Tax	88,000	88,000	82,899	(5,101)
State Shared Mixed Drink Tax	2,088,300	2,088,300	2,229,008	140,708
State Shared Telecommunications Sales Tax	9,900	9,900	14,297	4,397
State Shared Alcoholic Beverage Tax	104,100	104,100	112,935	8,835
State Shared Gas Inspection Fees	346,000	346,000	343,587	(2,413)
State Shared Commission Gross Receipts	365,500	365,500	473,787	108,287
County funds:				
Ham Co Operations Funds	-	-	4,958	4,958
Ham Co Oper Ross's Landing	1,093,700	1,093,700	1,202,944	109,244
Ham Co Shared County-wide Sales Tax	40,741,000	40,741,000	40,007,670	(733,330)
Other intergovernmental	-	-	54,333	54,333
Designated revenue:				
Ham Co Shared County-wide Sales Tax	11,639,000	11,639,000	11,405,092	(233,908)
Other	7,481,623	5,491,995	7,241,591	1,749,596
Total intergovernmental revenues	78,613,923	76,624,295	79,709,572	3,085,277
Charges for services:				
Court charges:				
Court Cost Current	257,600	257,600	296,739	39,139
Court Cost Delinquent	-	-	949	949
Court Commissions	6,500	6,500	9,308	2,808
Court Clerk's Fee Current	954,100	954,100	964,400	10,300
Court Clerk's Fee Delinquent	-	-	862	862
Court Service of Process Current	800	800	120	(680)
Court Service of Process Delinquent	-	-	100	100
Court Processing of Release Forms	17,500	17,500	22,684	5,184
Court Administrative Cost	14,100	14,100	11,899	(2,201)
Court Current State Cost	1,200	1,200	1,034	(166)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Year Ended June 30, 2013

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Charges for services: (continued)				
Court Copy Record Income	\$ -	\$ -	\$ 15	\$ 15
Court Translation Service Fee	-	-	14,728	14,728
Facility charges:				
Facility Rents	220,000	220,000	324,331	104,331
Property Rental Revenue	92,900	92,900	97,533	4,633
Ballfield Income	70,000	70,000	52,651	(17,349)
Skateboard Park Fees	26,300	26,300	20,572	(5,728)
Carousel Ridership	84,800	84,800	83,729	(1,071)
Walker Pavilion Rent	13,800	13,800	14,980	1,180
Coolidge Park Table Rental	500	500	4,518	4,018
Heritage Park House Rent	25,000	25,000	25,284	284
Renaissance Park Rent	-	-	3,858	3,858
Greenway Facility Rent	15,500	15,500	18,527	3,027
Fitness Center Fees	48,900	48,900	47,596	(1,304)
Dock Rental	58,000	58,000	67,128	9,128
Ross' Landing Rent	12,900	12,900	14,179	1,279
Champion's Club Fees	47,900	47,900	43,592	(4,308)
Recreation Center Rental	73,000	73,000	75,538	2,538
Carousel Room Rental	5,400	5,400	8,120	2,720
Coolidge Park Rental	12,400	12,400	6,550	(5,850)
Walnut Street Bridge Rental	-	-	550	550
Event charges:				
Preservation Fee	115,700	115,700	157,029	41,329
Box Office Fee	148,000	148,000	171,455	23,455
Ticket Stock Charge	-	-	8,508	8,508
Overtime Reimbursement	7,200	7,200	14,031	6,831
Handling Fees	-	-	6,363	6,363
Convenience Fees	-	-	70,594	70,594
Liability Insurance	-	-	2,362	2,362
Box Office Staff	-	-	13,398	13,398
Program charges:				
Program Fees	-	-	15,810	15,810
Park Event Fees	28,000	28,000	20,455	(7,545)
Kidz Kamp Fees	30,300	30,300	57,530	27,230
Sports Program Fees	18,900	18,900	16,935	(1,965)
Non-Traditional Program Fees	2,400	2,400	3,352	952
OutVenture Fees	20,000	20,000	37,958	17,958
Therapeutic Fees	3,000	3,000	2,848	(152)
Swimming Pool Fees	101,100	101,100	129,508	28,408
Arts & Culture Fees	14,300	14,300	18,242	3,942
Counter sales:				
Police Report Fees	40,700	40,700	51,048	10,348
ID Card Fees	300	300	-	(300)
Credit Card Processing Fee	88,300	88,300	137,526	49,226
Concessions	78,000	78,000	116,456	38,456
Civic Facilities Show Merchandise	11,000	11,000	23,344	12,344
Other charges:				
Financial Service EPB	7,200	7,200	7,200	-
Fire & Ambulance Service Fees	400	400	255	(145)
General Pension Admin Cost	45,000	45,000	45,000	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2013

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Charges for services: (continued)				
Returned Check Fee	\$ 6,700	\$ 6,700	\$ 4,044	\$ (2,656)
Waste Container Purchases	25,800	25,800	27,420	1,620
Non Profit Request Fee	-	-	1,300	1,300
Recycle Container Purchase	-	-	26,000	26,000
Revenue adjustments:				
Bad Debt Expense	-	-	(4,292)	(4,292)
Revenue Adjustment	-	-	(154)	(154)
Chargebacks	-	-	62	62
Over & Under	-	-	(1,511)	(1,511)
Designated revenue	1,974,715	1,974,715	2,425,099	450,384
Total charges for services	4,826,115	4,826,115	5,837,249	1,011,134
Fines, forfeitures and penalties:				
City court fines	592,300	592,300	769,656	177,356
Criminal court fines	120,000	120,000	110,500	(9,500)
Traffic court fines	448,600	448,600	132,582	(316,018)
Air pollution penalties	3,200	3,200	1,236	(1,964)
Designated revenue	1,100,000	1,100,000	364,843	(735,157)
Total fines and forfeitures	2,264,100	2,264,100	1,378,817	(885,283)
Miscellaneous:				
Investment income	445,000	445,000	538,942	93,942
Sale of property	31,900	31,900	537,974	506,074
Donations	-	-	8,307	8,307
Settlements	70,000	70,000	98,802	28,802
Departmental billings	4,179,024	4,179,024	4,160,227	(18,797)
Miscellaneous revenue	276,276	276,276	822,171	545,895
Designated revenue:				
Investment income	-	-	68,415	68,415
Sale of property	-	-	1,579	1,579
Donations	15,000	15,000	119,714	104,714
Settlements	3,600	3,600	13,100	9,500
Miscellaneous revenue	79,401	79,401	172,886	93,485
Total miscellaneous revenue	5,100,201	5,100,201	6,542,117	1,441,916
Total revenues	231,613,339	231,102,222	238,452,657	7,350,435
EXPENDITURES				
General government:				
City Council	788,233	788,233	829,432	41,199
City Judges	844,054	844,054	841,363	(2,692)
City Attorney	1,465,332	1,465,332	1,373,343	(91,989)
Internal Audit	554,681	554,681	548,265	(6,416)
Information Services:				
Information Services	4,231,051	4,231,051	4,801,829	570,778
Telephone Systems	53,144	53,144	152,576	99,432

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2013

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
General government: (continued)				
311 Call Center	\$ 618,816	\$ 618,816	\$ 579,362	\$ (39,454)
External Appropriations:				
CARCOG & Economic Dev Dist	38,544	38,544	38,535	(9)
Allied Arts Council Fund, Inc.	226,472	226,472	226,472	-
Carter Street Corporation	200,000	200,000	200,000	-
Chatt Neighborhood Enterprise	1,139,283	1,139,283	1,087,275	(52,008)
WTCI-TV Channel 45	85,000	85,000	85,000	-
Tennessee River Park	1,077,154	1,077,154	1,072,871	(4,283)
Homeless Health Care Center	25,000	25,000	25,000	-
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	16,923	16,923	15,648	(1,275)
Enterprise Center	160,500	160,500	160,500	-
Enterprise South Nature Park	682,200	682,200	587,977	(94,223)
Front Porch Alliance	22,800	22,800	-	(22,800)
Choose Chattanooga	16,900	16,900	16,900	-
Friends of Moccasin Bend Natl Park	30,000	30,000	30,000	-
ESIP Security Services	55,427	55,427	52,019	(3,408)
Alexian Brothers Senior Neighbors	12,720	12,720	12,720	-
River City Company	67,500	67,500	67,500	-
Homeless Coalition	75,000	75,000	75,000	-
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	4,772,000	4,772,000	4,772,000	-
Election Expense	200,000	200,000	264,525	64,525
Unemployment Insurance	133,000	133,000	39,453	(93,547)
Contingency Fund	3,326,579	5,690,712	2,904,554	(2,786,158)
Renewal & Replacement	2,191,691	2,191,691	1,706,887	(484,804)
Audits, Dues & Surveys	423,680	423,680	117,680	(306,000)
Intergovernmental Relations	357,000	357,000	115,888	(241,112)
City Water Quality Mgmt Fees	426,371	426,371	403,988	(22,383)
Liability Insurance Premiums	730,000	730,000	730,000	-
Education Per TCA 57-4-306	-	-	1,114,504	1,114,504
Tuition Assistance Program	20,000	20,000	16,092	(3,908)
CARTA Parking Meters	-	1,478,511	1,478,511	-
Office of Sustainability Programs	-	-	8,210	8,210
Automated Traffic Enforcement	1,100,000	1,100,000	926,730	(173,270)
EPA - Brownfield Revolving Loan Brightbridge	-	-	176,189	176,189
EPA - Brownfield at TN Ave and 36th St	-	-	366,306	366,306

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2013

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
General government: (continued)				
ARRA - Office of Sustainability	\$ -	\$ -	\$ 169,186	\$ 169,186
Public Library	6,125,146	6,125,146	6,007,298	(117,847)
Economic Development	10,400,199	10,400,199	8,697,005	(1,703,194)
Total general government	43,664,622	47,507,266	43,866,815	(3,640,451)
Executive Office of the Mayor:				
Executive Office Admin	995,751	995,751	1,126,629	130,878
Multicultural Affairs	412,034	412,034	259,624	(152,410)
Comprehensive Gang Initiative	527,576	527,576	355,002	(172,574)
Designated expenditures:				
Go Fest	-	-	10,672	10,672
Multicultural Affairs Programs	-	-	2,832	2,832
Gang Task Force Be the Change	-	-	1,692	1,692
Gang Task Force Urban Art	-	-	7,500	7,500
Total executive office	1,935,361	1,935,361	1,763,951	(171,410)
Finance and administration:				
Finance Office	3,179,910	3,179,910	2,760,173	(419,737)
Office of the City Treasurer	977,483	977,483	793,398	(184,085)
City Court Clerk's Office	1,262,734	1,262,734	1,098,196	(164,538)
Total finance and administration	5,420,127	5,420,127	4,651,767	(768,360)
General services:				
General Services Administration	513,846	513,846	513,189	(657)
Purchasing	913,235	913,235	857,448	(55,787)
Building Maintenance	1,283,610	1,283,610	1,134,851	(148,759)
Real Estate	48,425	48,425	64,007	15,582
Farmer's Market	17,765	17,765	29,581	11,816
Designated expenditures:				
Heritage Hall & Museum	128,020	128,020	130,485	2,465
DRC Building Operations	153,879	153,879	157,704	3,825
Mobile Communications Grant	-	-	3,932	3,932
Total general services	3,058,780	3,058,780	2,891,197	(167,583)
Personnel:				
Personnel Administration	1,539,451	1,539,451	1,542,646	3,195
Insurance Officer and Programs	596,494	596,494	418,721	(177,773)
Total personnel	2,135,945	2,135,945	1,961,367	(174,578)
Neighborhood services:				
Neighborhood Services Administration	662,640	662,640	618,125	(44,515)
Codes & Community Services	1,519,056	1,519,056	1,491,757	(27,299)
Neighborhood Partners Projects & Initiatives	97,229	97,229	65,219	(32,010)
Total neighborhood services	2,278,925	2,278,925	2,175,101	(103,824)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Year Ended June 30, 2013

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Police:				
Police Administration	\$ 2,883,930	\$ 2,883,930	\$ 2,181,536	\$ (702,394)
Uniform Services	24,635,137	24,635,137	22,710,577	(1,924,561)
Investigative Services	9,575,862	9,575,862	9,151,713	(424,149)
Support Services	19,595,493	19,595,493	19,560,972	(34,520)
Designated expenditures:				
Reduction of Part 1 Offenses	-	-	56,508	56,508
Police Special Programs	-	-	21,463	21,463
Law Enforcement Planning	143,094	178,725	224,425	45,700
Other Police Grants	31,649	31,649	1,143,425	1,111,776
Total police	56,865,165	56,900,796	55,050,619	(1,850,177)
Fire:				
Fire Administration	915,878	915,878	620,976	(294,902)
Fire Marshall	1,539,000	1,539,000	1,470,870	(68,130)
Station Operations	32,738,974	32,738,974	31,479,960	(1,259,014)
Safety, Training and Tactical Services	2,176,593	2,176,593	2,789,408	612,815
Designated expenditures:				
Fire Programs and Grants	-	-	293,115	293,115
Total fire	37,370,445	37,370,445	36,654,329	(716,116)
Public works:				
Public Works Administration	1,081,312	1,081,312	1,105,843	24,531
City Engineer's Office	2,507,167	2,507,167	2,364,903	(142,264)
Utilities	209,357	209,357	187,283	(22,074)
Solid Waste Disposal	5,773,587	5,773,587	5,773,587	-
City-wide Services Administration	999,593	999,593	1,078,266	78,673
Emergency	999,886	999,886	1,000,110	224
Street Cleaning	2,562,163	2,562,163	2,886,808	324,645
Waste Pickup	7,239,787	7,239,787	6,863,591	(376,196)
Municipal Forestry	797,991	797,991	802,668	4,677
Land Development Office	2,869,066	2,869,066	2,741,902	(127,164)
Traffic Engineering	1,005,403	1,005,403	914,838	(90,565)
Street Lighting	3,071,462	3,071,462	3,518,283	446,821
Traffic Operations	2,249,784	2,249,784	2,142,458	(107,326)
Storm Stations	94,540	94,540	65,909	(28,631)
Designated expenditures:				
Public Works Programs	-	-	193,898	193,898
Municipal Forestry Grants and Tree Program	-	-	105,586	105,586
Other Public Works Grants	6,853,040	4,827,781	4,828,312	531
Total public works	38,314,138	36,288,879	36,574,245	285,366
Parks and recreation:				
Parks and Recreation Administration	624,669	624,669	608,104	(16,565)
Parks:				
Park Administration	1,024,840	1,024,840	1,147,127	122,287
Maintenance and Security	5,238,959	5,238,959	5,018,666	(220,293)
Chattanooga Zoo at Warner Park	676,710	676,710	670,791	(5,919)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2013

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Parks and recreation: (continued)				
Recreation:				
Recreation Administration	\$ 1,427,475	\$ 1,427,475	\$ 1,535,692	\$ 108,217
Youth Development	202,323	202,323	262,760	60,437
Kidz Kamp	202,284	202,284	227,103	24,819
Sports Programs	193,649	193,649	221,846	28,197
Aquatics Programs	185,635	185,635	231,493	45,858
Therapeutic Programs	128,644	128,644	138,126	9,482
Fitness Center	251,712	251,712	242,044	(9,668)
Skatepark	85,377	85,377	49,439	(35,938)
Champion's Club	316,070	316,070	317,032	962
Heritage House	371	371	1,465	1,094
Summit of Softball	533,590	533,590	467,775	(65,815)
Recreation Centers	3,516,494	3,516,494	3,473,217	(43,277)
Outdoor Recreation	399,771	399,771	350,506	(49,265)
Agency Funding	100,000	100,000	100,000	-
Designated expenditures:				
Brainerd Golf Course	805,176	805,176	1,148,550	343,374
Brown Acres Golf Course	891,831	891,831	898,711	6,880
Public Art Initiative	-	-	15,000	15,000
Parks and Recreation Special Programs	-	-	38,961	38,961
Parks and Recreation Grants	155,000	155,000	80,566	(74,434)
Total parks and recreation	16,960,580	16,960,580	17,244,974	284,394
Education, arts and culture:				
EAC Administration	453,391	453,391	403,708	(49,683)
Civic Facilities:				
Civic Facilities Administration	973,903	973,903	936,537	(37,366)
Memorial Auditorium	485,406	485,406	468,090	(17,316)
Tivoli Theatre	364,519	364,519	376,428	11,909
Concessions	6,633	6,633	6,344	(289)
Arts and Culture Facilities	307,975	307,975	335,469	27,494
Cultural Arts Programs	28,842	28,842	28,406	(436)
Designated expenditures:				
EAC Special Programs	-	19,806	27,169	7,363
EAC Grants	44,952	44,952	44,952	-
Total education, arts and culture	2,665,621	2,685,427	2,627,103	(58,324)
Total expenditures	210,669,709	212,542,531	205,461,468	(7,081,063)
Excess of revenues over expenditures	20,943,630	18,559,691	32,991,189	14,431,498
OTHER FINANCING SOURCES (USES)				
Transfers in	23,498	23,498	9,349	(14,149)
Transfers out	(25,844,796)	(25,844,796)	(26,459,824)	(615,028)
Capital leases	-	-	301,493	301,493
Total other financing sources (uses)	(25,821,298)	(25,821,298)	(26,148,982)	(327,684)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2013

(continued from previous page)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Net change in fund balances	\$ (4,877,668)	\$ (7,261,607)	\$ 6,842,207	\$ 14,103,814
FUND BALANCES, beginning	<u>63,003,392</u>	<u>63,003,392</u>	<u>63,003,392</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 58,125,724</u>	<u>\$ 55,741,785</u>	<u>\$ 69,845,599</u>	<u>\$ 14,103,814</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2013

	Final Budget					
	Licenses & Permits	Intergovern- mental	Charges for Services	Fines, Forfeitures & penalties	Miscellaneous Revenue	Total
Reduction Part I Programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal Golf Course	-	-	1,764,600	-	3,600	1,768,200
Free Public Library	-	-	-	-	-	-
Law Enforcement Planning	-	210,374	-	-	-	210,374
Economic Development	-	11,639,000	-	-	-	11,639,000
Bessie Smith Hall Maintenance	-	62,653	-	-	-	62,653
Special Programs	1,478,511	5,164,291	9,615	1,100,000	20,557	7,772,974
Library	-	54,677	200,500	-	73,844	329,021
Total designated revenues	\$ 1,478,511	\$ 17,130,995	\$ 1,974,715	\$ 1,100,000	\$ 98,001	\$ 21,782,222

Actual						
Licenses & Permits	Intergovern- mental	Charges for Services	Fines, Forfeitures & penalties	Miscellaneous Revenue	Total	Variance Over (Under)
\$ -	\$ 17,361	\$ -	\$ -	\$ 29,525	\$ 46,886	\$ 46,886
-	-	1,685,806	-	67,593	1,753,399	(14,801)
-	-	-	-	-	-	-
-	1,367,833	-	-	17	1,367,850	1,157,476
-	11,405,092	-	-	10,393	11,415,485	(223,515)
-	62,653	-	-	-	62,653	-
1,478,511	5,739,067	524,126	364,843	148,532	8,255,079	482,105
-	54,677	215,167	-	119,635	389,479	60,458
<u>\$ 1,478,511</u>	<u>\$18,646,683</u>	<u>\$2,425,099</u>	<u>\$ 364,843</u>	<u>\$ 375,695</u>	<u>\$ 23,290,831</u>	<u>\$ 1,508,609</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2013

	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, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 9,121,042	\$ 9,121,042	\$ 8,921,035	\$ (200,007)
State of Tennessee funds	4,939,027	4,933,214	4,449,064	(484,150)
United Way	38,820	38,820	1,501	(37,319)
Project Warm Neighbors	18,000	18,000	15,246	(2,754)
Day care fees	68,800	68,800	54,553	(14,247)
Donations	35,000	35,000	6,014	(28,986)
Investment income	7,200	7,200	3,514	(3,686)
Miscellaneous	-	-	304	304
Total revenues	14,227,888	14,222,075	13,451,231	(770,844)
EXPENDITURES				
Administration	879,920	879,920	746,605	(133,315)
Headstart program	9,000,066	9,000,066	8,752,901	(247,165)
Day care	556,175	556,175	534,036	(22,139)
Food program	131,012	131,012	137,611	6,599
Foster grandparent program	509,761	509,761	507,540	(2,221)
Low-income energy assistance	3,037,458	3,037,458	3,011,148	(26,310)
Community services block grant	780,208	780,208	601,343	(178,865)
Title II commodities	67,000	67,000	62,719	(4,281)
Emergency food and shelter	37,020	37,020	36,815	(205)
Other programs	96,444	96,444	91,056	(5,388)
Capital outlay	200,749	200,749	43,194	(157,555)
Total expenditures	15,295,813	15,295,813	14,524,968	(770,844)
Excess (deficiency) of revenues over (under) expenditures	(1,067,924)	(1,073,737)	(1,073,737)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	1,033,477	1,033,477	1,033,477	-
Total other financing sources (uses)	1,033,477	1,033,477	1,033,477	-
Net change in fund balances	(34,447)	(40,260)	(40,260)	-
FUND BALANCES, beginning	948,750	948,750	948,750	-
FUND BALANCES, ending	<u>\$ 914,303</u>	<u>\$ 908,490</u>	<u>\$ 908,490</u>	<u>\$ -</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 50,000	\$ 50,000	\$ 188,894	\$ 138,894
State of Tennessee funds	12,000	12,000	25	(11,975)
Confiscations	200,000	700,000	1,001,917	301,917
Investment income	-	-	2,282	2,282
Miscellaneous	50,000	50,000	71,978	21,978
Total revenues	312,000	812,000	1,265,096	453,096
EXPENDITURES				
Narcotics program	312,000	812,000	144,565	(667,435)
Capital outlay	-	-	274,376	274,376
Total expenditures	312,000	812,000	418,941	(393,059)
Excess (deficiency) of revenues over (under) expenditures	-	-	846,155	846,155
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	196,250	196,250
Total other financing sources (uses)	-	-	196,250	196,250
Net change in fund balances	-	-	1,042,405	1,042,405
FUND BALANCES, beginning	918,760	918,760	918,760	-
FUND BALANCES, ending	\$ 918,760	\$ 918,760	\$ 1,961,165	\$ 1,042,405

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 4,280,000	\$ 4,280,000	\$ 4,314,246	\$ 34,246
Total revenues	4,280,000	4,280,000	4,314,246	34,246
EXPENDITURES				
Salaries and wages	2,031,873	2,031,873	1,955,300	(76,573)
Fringe benefits	1,064,102	1,064,102	1,073,683	9,581
Purchased services	63,800	63,800	61,117	(2,683)
Vehicle operations	745,000	745,000	989,541	244,541
Materials and supplies	375,918	375,918	200,664	(175,254)
Other expense	-	-	388	388
Total expenditures	4,280,693	4,280,693	4,280,693	-
Net change in fund balances	(693)	(693)	33,553	34,246
FUND BALANCES, beginning	1,102,499	1,102,499	1,102,499	-
FUND BALANCES, ending	\$ 1,101,806	\$ 1,101,806	\$ 1,136,052	\$ 34,246

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 2,572,035	\$ 2,572,035	\$ 4,208,665	\$ 1,636,630
State of Tennessee funds	84,000	84,000	116,744	32,744
Investment income	-	-	67,724	67,724
Miscellaneous	648,916	648,916	(911,208)	(1,560,124)
Total revenues	3,304,951	3,304,951	3,481,925	176,974
EXPENDITURES				
Administration	386,147	386,147	427,361	41,214
Community development programs	449,000	449,000	1,178,413	729,413
Home investment programs	1,081,717	1,081,717	1,660,543	578,826
Emergency shelter programs	84,000	84,000	25,373	(58,627)
Other programs	208,500	208,500	(1,302,176)	(1,510,676)
Capital outlay	-	-	1,424	1,424
Total expenditures	2,209,364	2,209,364	1,990,938	(218,426)
Excess (deficiency) of revenues over (under) expenditures	1,095,587	1,095,587	1,490,987	395,400
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	9,288	9,288
Transfers out	(1,095,587)	(1,095,587)	(1,095,277)	310
Total other financing sources (uses)	(1,095,587)	(1,095,587)	(1,085,989)	9,598
Net change in fund balances	-	-	404,998	404,998
FUND BALANCES, beginning	1,257,653	1,257,653	1,257,653	-
FUND BALANCES, ending	\$ 1,257,653	\$ 1,257,653	\$ 1,662,651	\$ 404,998

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Hotel/Motel tax	\$ 4,949,000	\$ 4,949,000	\$ 4,970,247	\$ 21,247
Total revenues	4,949,000	4,949,000	4,970,247	21,247
EXPENDITURES				
Contracted services	135,645	135,645	135,644	(1)
Capital outlay	18,000	18,000	18,000	-
Total expenditures	153,645	153,645	153,644	(1)
Excess (deficiency) of revenues over (under) expenditures	4,795,355	4,795,355	4,816,603	21,248
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,795,355)	(4,795,355)	(4,001,667)	793,688
Total other financing sources (uses)	(4,795,355)	(4,795,355)	(4,001,667)	793,688
Net change in fund balances	-	-	814,936	814,936
FUND BALANCES, beginning	2,340,078	2,340,078	2,340,078	-
FUND BALANCES, ending	\$ 2,340,078	\$ 2,340,078	\$ 3,155,014	\$ 814,936

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Parking garage income	\$ 250,000	\$ 250,000	\$ 326,086	\$ 76,086
Total revenues	250,000	250,000	326,086	76,086
EXPENDITURES				
Contracted services	250,000	250,000	145,497	(104,503)
Capital outlay	-	-	-	-
Total expenditures	250,000	250,000	145,497	(104,503)
Net change in fund balances	-	-	180,589	180,589
FUND BALANCES, beginning	477,303	477,303	477,303	-
FUND BALANCES, ending	\$ 477,303	\$ 477,303	\$ 657,892	\$ 180,589

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 160,000	\$ 160,000	\$ 180,058	\$ 20,058
State of Tennessee funds	1,901,271	1,133,597	1,201,358	67,761
Hamilton County funds	559,430	559,430	559,430	-
Other intergovernmental	-	-	108,102	108,102
Miscellaneous	90,000	90,000	106,351	16,351
Total revenues	2,710,701	1,943,027	2,155,299	212,272
EXPENDITURES				
Administration	2,550,434	2,550,434	2,226,536	(323,898)
Transportation planning	2,669,771	1,587,350	1,482,677	(104,673)
Brownfield cleanups	-	-	180,076	180,076
Other program	-	-	742	742
Capital outlay	35,500	28,500	19,352	(9,148)
Total expenditures	5,255,705	4,166,284	3,909,383	(256,902)
Excess (deficiency) of revenues over (under) expenditures	(2,545,004)	(2,223,257)	(1,754,084)	469,174
OTHER FINANCING SOURCES (USES)				
Transfers in	2,540,988	2,408,988	2,247,235	(161,753)
Total other financing sources (uses)	2,540,988	2,408,988	2,247,235	(161,753)
Net change in fund balances	(4,016)	185,731	493,151	307,421
FUND BALANCES, beginning	2,151,722	2,151,722	2,151,722	-
FUND BALANCES, ending	\$ 2,147,706	\$ 2,337,453	\$ 2,644,873	\$ 307,421

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 469,058	\$ 265,442	\$ 313,622	\$ 48,180
Hamilton County funds	188,548	188,548	188,548	-
Permits	473,450	473,450	425,270	(48,180)
Total revenues	<u>1,131,056</u>	<u>927,440</u>	<u>927,440</u>	<u>-</u>
EXPENDITURES				
Operations	1,417,700	1,424,992	1,297,837	(127,155)
Special programs	-	-	108,283	108,283
Capital outlay	-	7,500	7,566	66
Total expenditures	<u>1,417,700</u>	<u>1,432,492</u>	<u>1,413,686</u>	<u>(18,806)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(286,644)</u>	<u>(505,052)</u>	<u>(486,246)</u>	<u>18,806</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>289,626</u>	<u>289,626</u>	<u>270,820</u>	<u>(18,806)</u>
Total other financing sources (uses)	<u>289,626</u>	<u>289,626</u>	<u>270,820</u>	<u>(18,806)</u>
Net change in fund balances	2,982	(215,426)	(215,426)	-
FUND BALANCES, beginning	<u>1,073,800</u>	<u>1,073,800</u>	<u>1,073,800</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 1,076,782</u>	<u>\$ 858,374</u>	<u>\$ 858,374</u>	<u>\$ -</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 42,200	\$ 41,000	\$ 41,000	\$ -
Doncations	500	322	322	-
Total revenues	42,700	41,322	41,322	-
EXPENDITURES				
Operations	74,475	74,408	74,408	-
Total expenditures	74,475	74,408	74,408	-
Excess (deficiency) of revenues over (under) expenditures	(31,775)	(33,086)	(33,086)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	5,000	5,000	-
Total other financing sources (uses)	5,000	5,000	5,000	-
Net change in fund balances	(26,775)	(28,086)	(28,086)	-
FUND BALANCES, beginning	231,988	231,988	231,988	-
FUND BALANCES, ending	\$ 205,213	\$ 203,902	\$ 203,902	\$ -

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

TENNESSEE VALLEY REGIONAL COMMUNICATIONS FUND

Year Ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 39,785	\$ 39,785	\$ 43,290	\$ 3,505
Hamilton County funds	191,818	191,818	192,898	1,080
Other intergovernmental	682,110	682,110	638,430	(43,680)
Charges for services	94,592	94,592	41,940	(52,652)
Miscellaneous	2,195	2,195	217,746	215,551
	<u>1,010,500</u>	<u>1,010,500</u>	<u>1,134,304</u>	<u>123,804</u>
EXPENDITURES				
Operations	<u>1,010,853</u>	<u>1,010,853</u>	<u>923,003</u>	<u>(87,850)</u>
	<u>1,010,853</u>	<u>1,010,853</u>	<u>923,003</u>	<u>(87,850)</u>
Net change in fund balances	(353)	(353)	211,301	211,654
FUND BALANCES, beginning	<u>46,856</u>	<u>46,856</u>	<u>46,856</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 46,503</u>	<u>\$ 46,503</u>	<u>\$ 258,157</u>	<u>\$ 211,654</u>

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

Year Ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Hamilton County funds	\$ 473,170	\$ 473,170	\$ 513,914	\$ 40,744
Total revenues	473,170	473,170	513,914	40,744
EXPENDITURES				
Principal retirement	14,828,126	14,828,126	13,037,072	(1,791,054)
Interest	7,302,688	7,302,688	7,062,764	(239,924)
Fiscal charges	110,000	110,000	115,927	5,927
Total expenditures	22,240,814	22,240,814	20,215,763	(2,025,051)
Excess (deficiency) of revenues over (under) expenditures	(21,767,644)	(21,767,644)	(19,701,849)	2,065,795
OTHER FINANCING SOURCES (USES)				
Transfers in	21,767,643	21,767,643	21,525,787	(241,856)
Total other financing sources (uses)	21,767,643	21,767,643	21,525,787	(241,856)
Net change in fund balances	-	-	1,823,938	1,823,939
FUND BALANCES, beginning	652,699	652,699	652,699	-
FUND BALANCES, ending	\$ 652,699	\$ 652,699	\$ 2,476,637	\$ 1,823,939

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, 2013

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
GENERAL FUND			
Federal Farm Credit Bank	0.25%	11/28/2014	<u>\$ 25,551,977</u>
Total governmental fund investments excluding permanent funds			<u><u>\$ 25,551,977</u></u>
 ENTERPRISE FUNDS			
Interceptor Sewer Fund:			
Federal Farm Credit Bank	0.25%	11/28/2014	<u>\$ 26,372,912</u>
			<u>26,372,912</u>
 Chattanooga Downtown Redevelopment Corporation			
Federal National Mortgage Association Discount	0.00%	7/1/2013	<u>9,669,909</u>
			<u>9,669,909</u>
Total enterprise fund investments			<u><u>\$ 36,042,821</u></u>

CITY OF CHATTANOOGA, TENNESSEE

COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE

Year Ended June 30, 2013

TAX YEAR (1)	Property Taxes Receivable Balance June 30, 2012	Property Tax Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2013	Allowance for Uncollectibles	Net Receivable Balance June 30, 2013
2013	\$ -	\$ -	\$ 109,176,195	\$ -	\$ -	\$ 109,176,195		\$ 109,176,195
2012	-	112,552,779	-	(723,577)	105,385,911	6,443,291	709,406	5,733,885
2011	6,174,452	-	-	72,066	3,812,260	2,434,258	579,597	1,854,661
2010	2,466,424	-	-	(132,171)	938,181	1,396,072	561,500	834,572
2009	1,420,285	-	-	(150,575)	746,459	523,251	419,752	103,499
2008	620,073	-	-	(124,708)	88,168	407,197	385,046	22,151
2007	320,426	-	-	(10,807)	22,086	287,533	287,533	-
2006	212,996	-	-	(8,139)	6,117	198,740	198,740	-
2005	321,063	-	-	(2,009)	1,542	317,512	317,512	-
2004	264,606	-	-	(42)	352	264,212	264,212	-
2003	195,922	-	-	(55)	217	195,650	195,650	-
	<u>\$ 11,996,247</u>	<u>\$ 112,552,779</u>	<u>\$ 109,176,195</u>	<u>\$ (1,080,017)</u>	<u>\$ 111,001,293</u>	<u>\$ 121,643,911</u>	<u>\$ 3,918,948</u>	<u>\$ 117,724,963</u>

Note:

- (1) All years prior to 2012 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, 2013

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
2014	\$ 12,955,555	\$ 6,666,592	\$ 19,622,147
2015	16,020,338	6,309,453	22,329,791
2016	13,380,047	5,895,460	19,275,507
2017	11,874,769	5,494,987	17,369,756
2018	13,224,014	5,127,293	18,351,307
2019	11,573,546	4,693,754	16,267,300
2020	11,711,758	4,285,676	15,997,434
2021	12,015,707	3,958,732	15,974,439
2022	12,325,741	3,510,530	15,836,271
2023	12,636,752	3,077,978	15,714,730
2024	12,862,054	2,568,639	15,430,693
2025	11,640,054	2,100,959	13,741,013
2026	11,851,639	1,618,292	13,469,931
2027	9,306,639	1,109,808	10,416,447
2028	6,710,000	791,894	7,501,894
2029	6,810,000	597,294	7,407,294
2030	4,760,000	363,200	5,123,200
2031	4,320,000	172,800	4,492,800
	<u>195,978,613</u>	<u>58,343,341</u>	<u>254,321,954</u>
BUSINESS-TYPE ACTIVITIES			
2014	25,818,803	21,714,167	47,532,970
2015	27,267,586	20,794,291	48,061,877
2016	26,203,745	19,797,502	46,001,247
2017	24,963,911	18,775,412	43,739,323
2018	25,660,673	17,690,820	43,351,493
2019	24,112,626	16,557,444	40,670,070
2020	19,871,328	15,554,654	35,425,982
2021	20,791,045	14,644,888	35,435,933
2022	21,714,204	13,675,963	35,390,167
2023	22,639,976	12,719,113	35,359,089
2024	23,588,467	11,744,942	35,333,409
2025	24,147,486	10,666,863	34,814,349
2026	22,850,736	9,587,153	32,437,889
2027	23,251,149	8,504,641	31,755,790
2028	23,523,776	7,390,455	30,914,231
2029	25,185,364	6,204,257	31,389,621
2030	26,417,552	4,946,897	31,364,449
2031	27,705,376	3,626,130	31,331,506
2032	18,971,123	2,480,989	21,452,112
2033	19,685,000	1,525,625	21,210,625
2034	20,670,000	516,750	21,186,750
	<u>495,039,926</u>	<u>239,118,956</u>	<u>734,158,882</u>
Total primary government indebtedness	<u>\$ 691,018,539</u>	<u>\$ 297,462,297</u>	<u>\$ 988,480,836</u>

CITY OF CHATTANOOGA, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIRMENTS TO MATURITY

June 30, 2013

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
COMPONENT UNITS			
2014	\$ 686,120	\$ 223,773	\$ 909,893
2015	718,218	191,674	909,892
2016	655,953	160,171	816,124
2017	447,996	137,265	585,261
2018	455,420	121,172	576,592
2019	<u>3,127,546</u>	<u>88,269</u>	<u>3,215,815</u>
Total component units indebtedness	<u>\$ 6,091,253</u>	<u>\$ 922,324</u>	<u>\$ 7,013,577</u>

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2013

	Outstanding July 1, 2012	Interest Paid FY2013	Issued FY2013	Retired FY2013	Refunded FY2013	Outstanding June 30, 2013	Maturing FY 2014	Interest Payable FY 2014
GOVERNMENTAL ACTIVITIES								
Serial Bonds:								
1998 Public Improvement Refunding	\$ 1,999,700	\$ 97,416	\$ -	\$ 288,300	\$ -	\$ 1,711,400	\$ 304,600	\$ 81,853
2002 Municipal Public Refunding	3,390,000	141,091	-	805,000	-	2,585,000	840,000	98,581
2002 Series A Refunding	678,855	20,023	-	364,264	-	314,591	160,055	9,537
2005A Municipal Public Improvement Refunding	13,466,162	599,323	-	1,328,320	-	12,137,842	1,396,851	546,566
2005A Hotel-Motel Tax Pledge Refunding	5,378,495	213,033	-	1,245,000	-	4,133,495	400	188,126
2006A Municipal Public Improvement	15,549,597	618,097	-	1,036,640	-	14,512,957	1,036,640	576,631
2007A Municipal Public Refunding	14,520,000	690,782	-	-	-	14,520,000	-	690,805
2009 Series A General Obligation	38,590,000	1,421,588	-	2,270,000	-	36,320,000	2,270,000	1,353,488
2010 Series A GO Bond	6,045,000	202,138	-	340,000	-	5,705,000	340,000	195,337
2010 Series B Refunding Hotel Motel Tax Pledge	28,349,877	968,621	-	987,695	-	27,362,182	2,087,531	948,867
2010 Series B Refunding GO bonds	4,515,123	154,267	-	157,305	-	4,357,818	332,469	151,121
2010 Series C Recovery Zone Bonds	6,155,000	199,400	-	345,000	-	5,810,000	345,000	192,500
2011 Series A General Obligation	26,495,000	838,925	-	1,770,000	-	24,725,000	1,770,000	741,575
2011 Series B Refunding Hotel Motel Tax Pledge	15,595,750	587,318	-	-	-	15,595,750	-	587,319
2011 SeriesB Refunding GO bonds	1,949,250	73,406	-	-	-	1,949,250	-	73,407
Total serial bonds	182,677,809	6,825,428	-	10,937,524	-	171,740,285	10,883,546	6,435,713
Notes Payable:								
1999 Fire Hall Land Note	9,478	686	-	4,953	-	4,525	4,525	198
2003 TML Bond Fund	2,493,161	8,777	-	383,142	-	2,110,019	395,854	8,282
2004 TML Bond Fund	16,548,878	58,954	128,416	1,205,903	-	15,471,391	1,238,123	60,221
2008 Hennen Land Note	323,821	-	-	81,257	-	242,564	56,968	-
2008 HUD Section 108 Loan Program	3,661,000	162,434	-	305,000	-	3,356,000	305,000	150,508
2009 IDB Foreign Trade Zone	27,871	-	-	12,000	-	15,871	15,871	-
2010 VAAP Land Note	2,750,000	-	-	-	-	2,750,000	-	-
Total notes payable	25,814,209	230,851	128,416	1,992,255	-	23,950,370	2,016,341	219,209
Capital leases payable:								
2009 Golf Course Capital Lease	93,758	3,186	-	93,758	-	-	-	-
2013 Golf Course Capital Lease	-	3,299	301,493	13,535	-	287,958	55,668	11,670
Total capital leases payable	93,758	6,485	301,493	107,293	-	287,958	55,668	11,670
Total governmental activities	\$ 208,585,776	\$ 7,062,764	\$ 429,909	\$ 13,037,072	\$ -	\$ 195,978,613	\$ 12,955,555	\$ 6,666,592

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2013

(continued from previous page)

	Outstanding July 1, 2012	Interest Paid FY2013	Issued FY2013	Retired FY2013	Refunded FY2013	Outstanding June 30, 2013	Maturing FY 2014	Interest Payable FY 2014
BUSINESS TYPE ACTIVITIES:								
Interceptor Sewer System:								
Serial Bonds:								
1998 Sewer & Sewage Facilities Refunding	\$ 7,815,300	\$ 380,727	\$ -	\$ 1,126,700	\$ -	\$ 6,688,600	\$ 1,190,400	\$ 319,904
2002 Municipal Public Refunding	7,183,791	270,995	-	2,932,214	-	4,251,577	3,076,577	125,571
2002 Series A Refunding	3,626,145	106,956	-	1,945,736	-	1,680,409	854,945	50,943
2005A Municipal Public Improvement Refunding	11,008,029	550,031	-	9,335	-	10,998,694	7,263	549,708
Total serial bonds	<u>29,633,265</u>	<u>1,308,709</u>	<u>-</u>	<u>6,013,985</u>	<u>-</u>	<u>23,619,280</u>	<u>5,129,185</u>	<u>1,046,126</u>
Notes payable:								
1992 CSO State Revolving Loan	129,206	1,934	-	129,206	-	-	-	-
1998 State of Georgia Revolving Loan	2,977,924	113,163	-	400,255	-	2,577,669	416,507	96,911
2003 State Revolving Loan	27,889,153	806,507	-	1,811,365	-	26,077,788	1,865,637	752,232
2007 State Revolving Loan	12,631,963	346,032	-	502,836	-	12,129,127	517,044	331,824
2011 State Revolving Loan	-	28,474	5,306,601	-	-	5,306,601	1,083,000	106,132
Total notes payable	<u>43,628,246</u>	<u>1,296,110</u>	<u>5,306,601</u>	<u>2,843,662</u>	<u>-</u>	<u>46,091,185</u>	<u>3,882,188</u>	<u>1,287,099</u>
Capital leases payable:								
2001 Capital Lease City of Collegedale	67,834	3,520	-	30,133	-	37,701	32,138	1,515
Total capital leases payable	<u>67,834</u>	<u>3,520</u>	<u>-</u>	<u>30,133</u>	<u>-</u>	<u>37,701</u>	<u>32,138</u>	<u>1,515</u>
Total interceptor sewer system	<u>\$ 73,329,345</u>	<u>\$ 2,608,339</u>	<u>\$ 5,306,601</u>	<u>\$ 8,887,780</u>	<u>\$ -</u>	<u>\$ 69,748,166</u>	<u>\$ 9,043,511</u>	<u>\$ 2,334,740</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2013

(continued from previous page)

	Outstanding July 1, 2012	Interest Paid FY2013	Issued FY2013	Retired FY2013	Refunded FY2013	Outstanding June 30, 2013	Maturing FY 2014	Interest Payable FY 2014
Solid Waste & Sanitation Fund:								
Serial Bonds:								
2002 Municipal Public Improvement Refunding	\$ 2,095,351	\$ 81,173	\$ -	\$ 1,020,308	\$ -	\$ 1,075,043	\$ 1,075,043	\$ 26,876
2005A Municipal Public Improvement Refunding	8,354,735	404,932	-	231,365	-	8,123,370	241,895	395,770
2006A Municipal Public Improvement	4,250,404	168,954	-	283,361	-	3,967,043	283,360	157,619
2007A Municipal Public Improvement Refunding	2,480,000	117,990	-	-	-	2,480,000	-	117,990
Total serial bonds	17,180,490	773,049	-	1,535,034	-	15,645,456	1,600,298	698,255
Notes payable:								
2003 TML Bond Fund	252,840	890	-	38,858	-	213,982	40,146	826
2004 TML Bond Fund	405,441	1,423	-	29,097	-	376,344	29,877	1,477
Total Notes Payable	658,281	2,313	-	67,955	-	590,326	70,023	2,303
Total Solid Waste & Sanitation Fund	17,838,771	775,362	-	1,602,989	-	16,235,782	1,670,321	700,558
Water Quality Fund								
Serial Bonds:								
2002 Municipal Public Improvement Refunding	1,565,856	60,661	-	762,476	-	803,380	803,380	20,085
2005A Municipal Public Improvement Refunding	5,212,579	256,737	-	70,981	-	5,141,598	73,591	253,938
2007A Municipal Public Improvement Refunding	750,000	35,682	-	-	-	750,000	-	35,683
Total serial bonds	7,528,435	353,080	-	833,457	-	6,694,978	876,971	309,706
Notes payable:								
1992 CSO State Revolving Loan	129,207	1,934	-	129,207	-	-	-	-
Total Notes Payable	129,207	1,934	-	129,207	-	-	-	-
Total Water Quality Fund	7,657,642	355,014	-	962,664	-	6,694,978	876,971	309,706
Total Business-Type Activities	98,825,758	3,738,715	5,306,601	11,453,433	-	92,678,926	11,590,803	3,345,004
TOTAL GENERAL OBLIGATION DEBT	\$ 307,411,534	\$10,801,479	\$ 5,736,510	\$ 24,490,505	\$ -	\$288,657,539	\$24,546,358	\$ 10,011,596

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, 2013

	Outstanding July 1, 2012	Interest Paid FY2013	Issued FY2013	Retired FY2013	Refunded FY2013	Outstanding June 30, 2013	Maturing FY 2014	Interest Payable FY 2014
PRIMARY GOVERNMENT:								
Electric Power Board								
Revenue Bonds:								
2006B Electric System Refunding Revenue Bonds	\$ 23,430,000	\$ 922,156	\$ -	\$ 1,770,000	\$ -	\$ 21,660,000	\$ 1,755,000	\$ 851,656
2006A Electric System Revenue Bonds	36,670,000	1,568,625	-	1,195,000	-	35,475,000	1,245,000	1,513,600
2008A Electric System Revenue Bonds	219,830,000	10,764,500	-	-	-	219,830,000	3,000,000	10,719,500
Total Revenue Bonds	<u>279,930,000</u>	<u>13,255,281</u>	<u>-</u>	<u>2,965,000</u>	<u>-</u>	<u>276,965,000</u>	<u>6,000,000</u>	<u>13,084,756</u>
Notes Payable								
2011 Secured Term Note - Telecom	14,412,000	356,000	-	14,412,000	-	-	-	-
2011 Secured Term Note - Internet	7,313,000	206,227	-	7,313,000	-	-	-	-
2013 Secured Term Note - Internet	-	-	11,500,000	639,000	-	10,861,000	3,833,000	116,213
Total Notes Payable	<u>21,725,000</u>	<u>562,227</u>	<u>11,500,000</u>	<u>22,364,000</u>	<u>-</u>	<u>10,861,000</u>	<u>3,833,000</u>	<u>116,213</u>
Total Electric Power Board	<u>301,655,000</u>	<u>13,817,508</u>	<u>11,500,000</u>	<u>25,329,000</u>	<u>-</u>	<u>287,826,000</u>	<u>9,833,000</u>	<u>13,200,969</u>
Chatt Downtown Redevelopment Coproration								
Revenue Bonds:								
2007 Chatt Lease Rental Rev Ref Bonds	52,485,000	2,432,575	-	3,555,000	-	48,930,000	90,000	2,341,900
2010 Chatt Lease Rental Rev Ref Bonds	66,290,000	2,904,144	-	685,000	-	65,605,000	4,305,000	2,826,294
Total Chatt. Downtown Redevel. Corp.	<u>118,775,000</u>	<u>5,336,719</u>	<u>-</u>	<u>4,240,000</u>	<u>-</u>	<u>114,535,000</u>	<u>4,395,000</u>	<u>5,168,194</u>
Total Primary Government	<u>\$ 727,841,534</u>	<u>\$29,955,706</u>	<u>\$17,236,510</u>	<u>\$ 54,059,505</u>	<u>\$ -</u>	<u>\$691,018,539</u>	<u>\$38,774,358</u>	<u>\$ 28,380,759</u>
COMPONENT UNITS								
Metropolitan Airport Authority:								
Revenue Bonds:								
2009 Refunding	\$ 5,630,575	\$ 195,885	\$ -	\$ 380,704	\$ -	\$ 5,249,871	\$ 394,599	\$ 181,994
Capital leases payable:								
2012 Fuel Facility Capital Lease	186,643	7,697	-	35,633	-	\$ 151,010	44,930	7,066
Total Metropolitan Airport Authority	<u>5,817,218</u>	<u>203,582</u>	<u>-</u>	<u>416,337</u>	<u>-</u>	<u>5,400,881</u>	<u>439,529</u>	<u>189,060</u>
CARTA								
Note Payable:								
Republic Parking System, Inc.	-	13,576	770,564	80,192	-	690,372	246,591	34,713
Total CARTA	<u>-</u>	<u>13,576</u>	<u>770,564</u>	<u>80,192</u>	<u>-</u>	<u>690,372</u>	<u>246,591</u>	<u>34,713</u>
Total Component Units	<u>\$ 5,817,218</u>	<u>\$ 217,158</u>	<u>\$ 770,564</u>	<u>\$ 496,529</u>	<u>\$ -</u>	<u>\$ 6,091,253</u>	<u>\$ 686,120</u>	<u>\$ 223,773</u>

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

DIRECT INDEBTEDNESS

Fiscal Year Ended	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2014	1998 Municipal Public Improvement Refunding	5.250%	\$ 304,600	\$ 81,853	\$ 386,453
2015		5.250%	321,900	65,407	387,307
2016		5.250%	341,300	47,998	389,298
2017		5.250%	361,600	29,547	391,147
2018		5.250%	382,000	10,027	392,027
			<u>1,711,400</u>	<u>234,832</u>	<u>1,946,232</u>
2014	1999 Fire Hall Land Note	9.500%	4,525	198	4,723
			<u>4,525</u>	<u>198</u>	<u>4,723</u>
2014	2002 Municipal Public Improvement Refunding	5.000%	840,000	98,581	938,581
2015		4.380%	855,000	58,753	913,753
2016		4.500%	890,000	20,025	910,025
			<u>2,585,000</u>	<u>177,359</u>	<u>2,762,359</u>
2014	2002 Series A Refunding	4.000%	160,055	9,537	169,592
2015		4.100%	154,536	3,168	157,704
			<u>314,591</u>	<u>12,705</u>	<u>327,296</u>
2014	2003 Note Payable - Tennessee Municipal Bond Fund	0.393%	395,854	8,282	404,136
2015		0.393%	408,565	6,728	415,293
2016		0.393%	421,276	5,124	426,400
2017		0.393%	434,895	3,471	438,366
2018		0.393%	449,429	1,764	451,193
		<u>2,110,019</u>	<u>25,369</u>	<u>2,135,388</u>	
2014	2004 Note Payable - Tennessee Municipal Bond Fund	0.393%	1,238,123	60,221	1,298,344
2015		0.393%	1,271,322	55,362	1,326,684
2016		0.393%	1,305,497	50,372	1,355,869
2017		0.393%	1,340,649	45,248	1,385,897
2018		0.393%	1,375,801	39,985	1,415,786
2019		0.393%	1,412,905	34,585	1,447,490
2020		0.393%	1,450,986	29,040	1,480,026
2021		0.393%	1,489,067	23,345	1,512,412
2022		0.393%	1,529,101	17,500	1,546,601
2023		0.393%	1,570,112	11,498	1,581,610
2024		0.393%	1,359,414	5,336	1,364,750
2025	0.393%	128,414	495	128,909	
		<u>15,471,391</u>	<u>372,987</u>	<u>15,844,378</u>	

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2014	2005 A Hotel-Motel Tax Refunding	3.75%	\$ 400	\$ 188,126	\$ 188,526
2015		5.00%	393	188,108	188,501
2016		5.00%	14,336	187,740	202,076
2017		5.00%	16,000	186,982	202,982
2018		5.00%	16,500	186,169	202,669
2019		5.00%	1,967,390	136,572	2,103,962
2020		4.13%	2,118,476	43,694	2,162,170
			<u>4,133,495</u>	<u>1,117,391</u>	<u>5,250,886</u>
2014	2005 Series A Refunding	3.75%	1,396,851	546,566	1,943,417
2015		5.00%	1,586,822	480,705	2,067,527
2016		5.00%	1,673,199	399,204	2,072,403
2017		5.00%	1,759,427	313,388	2,072,815
2018		5.00%	1,859,275	222,921	2,082,196
2019		5.00%	1,956,612	127,524	2,084,136
2020		4.13%	1,905,656	39,304	1,944,960
			<u>12,137,842</u>	<u>2,129,612</u>	<u>14,267,454</u>
2014	2006 A Municipal Public Improvement	4.00%	1,036,640	576,631	1,613,271
2015		4.00%	1,036,640	535,165	1,571,805
2016		5.00%	1,036,640	488,517	1,525,157
2017		4.00%	1,036,640	441,868	1,478,508
2018		4.00%	1,036,640	400,402	1,437,042
2019		4.00%	1,036,639	358,937	1,395,576
2020		4.13%	1,036,640	316,823	1,353,463
2021		4.25%	1,036,640	273,414	1,310,054
2022		4.25%	1,036,640	229,357	1,265,997
2023		4.00%	1,036,640	186,595	1,223,235
2024		4.00%	1,036,640	145,130	1,181,770
2025		4.00%	1,036,640	103,664	1,140,304
2026		4.00%	1,036,639	62,198	1,098,837
2027		4.00%	1,036,639	20,733	1,057,372
			<u>14,512,957</u>	<u>4,139,434</u>	<u>18,652,391</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2014	2007 A Municipal Public Improvement Refunding	5.00%	\$ -	\$ 690,805	\$ 690,805
2015		5.00%	-	690,805	690,805
2016		5.00%	-	690,805	690,805
2017		5.00%	-	690,805	690,805
2018		5.00%	-	690,805	690,805
2019		5.00%	-	690,805	690,805
2020		5.00%	-	690,805	690,805
2021		5.00%	2,120,000	690,805	2,810,805
2022		4.30%	2,235,000	584,805	2,819,805
2023		5.00%	2,345,000	488,700	2,833,700
2024		4.75%	2,470,000	371,450	2,841,450
2025		4.75%	2,605,000	254,125	2,859,125
2026		4.75%	2,745,000	130,388	2,875,388
			<u>14,520,000</u>	<u>7,355,908</u>	<u>21,875,908</u>
2014	2008 Hennen Notes Payable	0.00%	56,968	-	56,968
2015			56,968	-	56,968
2016			56,968	-	56,968
2017			56,968	-	56,968
2018			14,692	-	14,692
			<u>242,564</u>	<u>-</u>	<u>242,564</u>
2014	2008 Section 108 HUD Loan	4.00%	305,000	150,508	455,508
2015			305,000	138,095	443,095
2016			305,000	125,178	430,178
2017			305,000	111,743	416,743
2018			305,000	97,957	402,957
2019			305,000	83,957	388,957
2020			305,000	69,485	374,485
2021			305,000	54,494	359,494
2022			305,000	39,229	344,229
2023			305,000	23,705	328,705
2024	306,000	7,941	313,941		
			<u>3,356,000</u>	<u>902,292</u>	<u>4,258,292</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2014	2009 Series A General Obligation	3.00%	\$ 2,270,000	\$ 1,353,488	\$ 3,623,488
2015		3.00%	2,270,000	1,285,387	3,555,387
2016		3.00%	2,270,000	1,217,288	3,487,288
2017		3.00%	2,270,000	1,149,187	3,419,187
2018		3.25%	2,270,000	1,078,250	3,348,250
2019		3.50%	2,270,000	1,001,637	3,271,637
2020		4.00%	2,270,000	916,513	3,186,513
2021		4.00%	2,270,000	825,712	3,095,712
2022		4.00%	2,270,000	734,913	3,004,913
2023		4.00%	2,270,000	644,112	2,914,112
2024		4.13%	2,270,000	551,894	2,821,894
2025		4.25%	2,270,000	456,837	2,726,837
2026		4.38%	2,270,000	358,944	2,628,944
2027		4.50%	2,270,000	258,212	2,528,212
2028		4.50%	2,270,000	156,063	2,426,063
2029		4.63%	2,270,000	52,494	2,322,494
			<u>36,320,000</u>	<u>12,040,931</u>	<u>48,360,931</u>
2014	2009 IDB Foreign Trade Zone	0.00%	15,871	-	15,871
			<u>15,871</u>	<u>-</u>	<u>15,871</u>
2014	2010 Series A General Obligation	2.00%	340,000	195,337	535,337
2015		2.00%	340,000	188,538	528,538
2016		2.50%	335,000	181,738	516,738
2017		2.75%	335,000	173,363	508,363
2018		3.00%	335,000	164,150	499,150
2019		3.25%	335,000	154,100	489,100
2020		3.25%	335,000	143,212	478,212
2021		3.50%	335,000	132,325	467,325
2022		4.00%	335,000	120,600	455,600
2023		4.00%	335,000	107,200	442,200
2024		4.00%	335,000	93,800	428,800
2025		4.00%	335,000	80,400	415,400
2026		4.00%	335,000	67,000	402,000
2027		4.00%	335,000	53,600	388,600
2028		4.00%	335,000	40,200	375,200
2029	4.00%	335,000	26,800	361,800	
2030	4.00%	335,000	13,400	348,400	
			<u>5,705,000</u>	<u>1,935,763</u>	<u>7,640,763</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2014	2010 Series B Refunding Hotel Motel	2.00%	\$ 2,087,531	\$ 948,867	\$ 3,036,398
2015		2.00%	2,147,914	907,116	3,055,030
2016		2.50%	2,208,297	864,158	3,072,455
2017		2.75%	1,535,457	803,430	2,338,887
2018		3.00%	1,626,031	757,366	2,383,397
2019		3.00%	133,705	708,585	842,290
2020		3.25%	138,019	704,240	842,259
2021		3.50%	2,005,582	699,409	2,704,991
2022		4.00%	2,139,288	619,186	2,758,474
2023		4.00%	2,277,306	533,614	2,810,920
2024		4.00%	90,575	442,522	533,097
2025		4.00%	90,575	438,899	529,474
2026		4.00%	94,888	435,276	530,164
2027		4.00%	99,201	431,481	530,682
2028		4.00%	103,514	427,512	531,026
2029		4.00%	3,334,011	423,372	3,757,383
2030	4.00%	3,523,787	290,012	3,813,799	
2031	4.00%	3,726,501	149,060	3,875,561	
			<u>27,362,182</u>	<u>10,584,105</u>	<u>37,946,287</u>
2014	2010 Series B Refunding General Obligation	2.00%	332,469	151,121	483,590
2015		2.00%	342,086	144,471	486,557
2016		2.50%	351,703	137,630	489,333
2017		2.75%	244,543	127,958	372,501
2018		3.00%	258,969	120,621	379,590
2019		3.00%	21,295	112,852	134,147
2020		3.25%	21,981	112,160	134,141
2021		3.50%	319,418	111,391	430,809
2022		4.00%	340,712	98,615	439,327
2023		4.00%	362,694	84,986	447,680
2024		4.00%	14,425	70,478	84,903
2025		4.00%	14,425	69,901	84,326
2026		4.00%	15,112	69,324	84,436
2027		4.00%	15,799	68,719	84,518
2028		4.00%	16,486	68,087	84,573
2029		4.00%	530,989	67,428	598,417
2030	4.00%	561,213	46,188	607,401	
2031	4.00%	593,499	23,740	617,239	
			<u>4,357,818</u>	<u>1,685,670</u>	<u>6,043,488</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2014	2010 Series C Recovery Zone	2.000%	\$ 345,000	\$ 192,500	\$ 537,500
2015		2.500%	345,000	185,600	530,600
2016		3.000%	345,000	176,975	521,975
2017		3.000%	345,000	166,625	511,625
2018		3.000%	345,000	156,275	501,275
2019		3.000%	345,000	145,925	490,925
2020		3.000%	340,000	135,575	475,575
2021		2.000%	340,000	125,375	465,375
2022		3.125%	340,000	115,175	455,175
2023		3.250%	340,000	104,550	444,550
2024		3.500%	340,000	93,500	433,500
2025		4.000%	340,000	81,600	421,600
2026		4.000%	340,000	68,000	408,000
2027		4.000%	340,000	54,400	394,400
2028		4.000%	340,000	40,800	380,800
2029		4.000%	340,000	27,200	367,200
2030		4.000%	340,000	13,600	353,600
			<u>5,810,000</u>	<u>1,883,675</u>	<u>7,693,675</u>
2014	2010 VAAP Note	0.00%	-	-	-
2015		0.00%	2,750,000	-	2,750,000
			<u>2,750,000</u>	<u>-</u>	<u>2,750,000</u>
2014	2011 Series A General Obligation	4.00%	1,770,000	741,575	2,511,575
2015		4.00%	1,770,000	706,175	2,476,175
2016		4.00%	1,765,000	635,475	2,400,475
2017		1.50%	1,770,000	586,900	2,356,900
2018		2.00%	1,765,000	555,975	2,320,975
2019		3.00%	1,765,000	511,850	2,276,850
2020		3.00%	1,765,000	458,900	2,223,900
2021		4.00%	1,765,000	397,125	2,162,125
2022		4.00%	1,765,000	326,525	2,091,525
2023		2.50%	1,765,000	269,162	2,034,162
2024		3.00%	1,765,000	220,625	1,985,625
2025		3.00%	1,765,000	167,675	1,932,675
2026		4.00%	1,765,000	105,900	1,870,900
2027	4.00%	1,765,000	35,300	1,800,300	
			<u>24,725,000</u>	<u>5,719,162</u>	<u>30,444,162</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2014	2011 Series B Refunding Hotel Motel	0.00%	\$ -	\$ 587,319	\$ 587,319
2015		0.00%	-	587,318	587,318
2016		0.00%	-	587,319	587,319
2017		0.00%	-	587,318	587,318
2018		3.00%	1,008,901	572,185	1,581,086
2019		2.00%	22,223	556,829	579,052
2020		2.00%	22,223	556,385	578,608
2021		2.25%	26,667	555,862	582,529
2022		2.50%	26,667	555,229	581,896
2023		2.63%	26,667	554,546	581,213
2024		4.00%	2,555,587	503,084	3,058,671
2025		4.00%	2,715,590	397,661	3,113,251
2026		4.00%	2,888,925	285,570	3,174,495
2027	4.00%	3,062,260	166,547	3,228,807	
2028	3.25%	3,240,040	52,651	3,292,691	
			<u>15,595,750</u>	<u>7,105,823</u>	<u>22,701,573</u>
2014	2011 Series B Refunding General Obligation	0.00%	-	73,407	73,407
2015		0.00%	-	73,406	73,406
2016		0.00%	-	73,407	73,407
2017		0.00%	-	73,406	73,406
2018		3.00%	126,099	71,515	197,614
2019		2.00%	2,777	69,596	72,373
2020		2.00%	2,777	69,540	72,317
2021		2.25%	3,333	69,475	72,808
2022		2.50%	3,333	69,396	72,729
2023		2.63%	3,333	69,310	72,643
2024		4.00%	319,413	62,879	382,292
2025		4.00%	339,410	49,702	389,112
2026		4.00%	361,075	35,692	396,767
2027	4.00%	382,740	20,816	403,556	
2028	3.25%	404,960	6,581	411,541	
			<u>1,949,250</u>	<u>888,128</u>	<u>2,837,378</u>
2014	2013 Golf Course Capital Lease	0.00%	55,668	11,670	67,338
2015		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>287,958</u>	<u>31,997</u>	<u>319,955</u>
	Total direct indebtedness		<u>195,978,613</u>	<u>58,343,341</u>	<u>254,321,954</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2014	1998 Municipal Public Improvement Refunding	5.25%	\$ 1,190,400	\$ 319,904	\$ 1,510,304
2015		5.25%	1,258,100	255,630	1,513,730
2016		5.25%	1,333,700	187,596	1,521,296
2017		5.25%	1,413,400	115,484	1,528,884
2018		5.25%	1,493,000	39,191	1,532,191
				<u>6,688,600</u>	<u>917,805</u>
2014	Georgia Environmental Facilities Authority	4.00%	416,507	96,911	513,418
2015		4.00%	433,419	79,999	513,418
2016		4.00%	451,017	62,401	513,418
2017		4.00%	469,331	44,087	513,418
2018		4.00%	488,387	25,031	513,418
2019		4.00%	319,008	5,803	324,811
			<u>2,577,669</u>	<u>314,232</u>	<u>2,891,901</u>
2014	2001 Capital Lease City of Collegedale	6.52%	32,138	1,515	33,653
2015		6.68%	5,563	46	5,609
			<u>37,701</u>	<u>1,561</u>	<u>39,262</u>
2014	2002 Municipal Public Improvement Refunding	4.25%	3,076,577	125,571	3,202,148
2015		4.50%	1,175,000	26,437	1,201,437
			<u>4,251,577</u>	<u>152,008</u>	<u>4,403,585</u>
2014	2002 Series A Refunding	4.00%	854,945	50,943	905,888
2015		4.10%	825,464	16,922	842,386
			<u>1,680,409</u>	<u>67,865</u>	<u>1,748,274</u>
2014	2003 State Revolving Loan	2.98%	1,865,637	752,232	2,617,869
2015		2.98%	1,922,463	695,412	2,617,875
2016		2.98%	1,980,540	637,332	2,617,872
2017		2.98%	2,040,373	577,500	2,617,873
2018		2.98%	2,102,014	515,856	2,617,870
2019		2.98%	2,165,817	452,052	2,617,869
2020		2.98%	2,230,938	386,940	2,617,878
2021		2.98%	2,298,336	319,536	2,617,872
2022		2.98%	2,367,768	250,104	2,617,872
2023		2.98%	2,439,300	178,572	2,617,872
2024		2.98%	2,512,992	104,880	2,617,872
2025		2.98%	2,151,610	26,541	2,178,151
			<u>26,077,788</u>	<u>4,896,957</u>	<u>30,974,745</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2014	2005 Series A Refunding	3.75%	\$ 7,263	\$ 549,708	\$ 556,971
2015		5.00%	1,993,724	499,729	2,493,453
2016		5.00%	2,085,759	397,742	2,483,501
2017		5.00%	2,191,790	290,803	2,482,593
2018		5.00%	2,302,679	178,441	2,481,120
2019		5.00%	2,417,479	60,437	2,477,916
			<u>10,998,694</u>	<u>1,976,860</u>	<u>12,975,554</u>
2014	2007 State Revolving Loan	2.79%	517,044	331,824	848,868
2015		2.79%	531,660	317,208	848,868
2016		2.79%	546,684	302,184	848,868
2017		2.79%	562,128	286,740	848,868
2018		2.79%	578,016	270,852	848,868
2019		2.79%	594,348	254,520	848,868
2020		2.79%	611,148	237,720	848,868
2021		2.79%	628,416	220,452	848,868
2022		2.79%	646,176	202,692	848,868
2023		2.79%	664,428	184,440	848,868
2024		2.79%	683,208	165,660	848,868
2025		2.79%	702,516	146,352	848,868
2026		2.79%	722,376	126,492	848,868
2027		2.79%	742,788	106,080	848,868
2028		2.79%	763,776	85,092	848,868
2029		2.79%	785,364	63,504	848,868
2030		2.79%	807,552	41,316	848,868
2031	2.79%	830,376	18,492	848,868	
2032	2.79%	211,123	1,001	212,124	
			<u>12,129,127</u>	<u>3,362,621</u>	<u>15,491,748</u>
2014	2011 State Revolving Loan	2.00%	1,083,000	106,132	1,189,132
2015		2.00%	1,104,660	84,472	1,189,132
2016		2.00%	1,126,753	62,379	1,189,132
2017		2.00%	1,149,288	39,844	1,189,132
2018		2.00%	842,900	16,858	859,758
			<u>5,306,601</u>	<u>309,685</u>	<u>5,616,286</u>
	Total Interceptor Sewer System indebtedness		<u>69,748,166</u>	<u>11,999,594</u>	<u>81,747,760</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

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SOLID WASTE/SANITATION FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2014	2002 Municipal Public Improvement Refunding	4.375%	\$ 1,075,043	\$ 26,876	\$ 1,101,919
			<u>1,075,043</u>	<u>26,876</u>	<u>1,101,919</u>
2014	2003 Note Payable - Tennessee Municipal	0.395%	40,146	826	40,972
2015	Bond Fund	0.395%	41,435	671	42,106
2016		0.395%	42,724	511	43,235
2017		0.395%	44,105	346	44,451
2018		0.395%	45,572	176	45,748
			<u>213,982</u>	<u>2,530</u>	<u>216,512</u>
2014	2004 Note Payable - Tennessee Municipal	0.395%	29,877	1,477	31,354
2015	Bond Fund	0.395%	30,678	1,360	32,038
2016		0.395%	31,503	1,239	32,742
2017		0.395%	32,351	1,116	33,467
2018		0.395%	33,199	989	34,188
2019		0.395%	34,095	859	34,954
2020		0.395%	35,014	725	35,739
2021		0.395%	35,933	587	36,520
2022		0.395%	36,899	446	37,345
2023		0.395%	37,888	301	38,189
2024		0.395%	38,907	153	39,060
			<u>376,344</u>	<u>9,252</u>	<u>385,596</u>
2014	2005 Series A Refunding	3.75%	241,895	395,770	637,665
2015		5.00%	1,368,050	357,033	1,725,083
2016		5.00%	1,433,438	286,996	1,720,434
2017		5.00%	1,506,507	213,497	1,720,004
2018		5.00%	1,584,570	136,220	1,720,790
2019		5.00%	1,664,360	54,997	1,719,357
2020		4.13%	324,550	6,694	331,244
			<u>8,123,370</u>	<u>1,451,207</u>	<u>9,574,577</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

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SOLID WASTE/SANITATION FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal	
2014	2006 Series A Municipal Public Improvement	4.00%	\$ 283,360	\$ 157,619	\$ 440,979	
2015		4.00%	283,360	146,285	429,645	
2016		5.00%	283,360	133,533	416,893	
2017		4.00%	283,361	120,782	404,143	
2018		4.00%	283,360	109,448	392,808	
2019		4.00%	283,360	98,113	381,473	
2020		4.13%	283,360	86,602	369,962	
2021		4.25%	283,360	74,736	358,096	
2022		4.25%	283,361	62,693	346,054	
2023		4.00%	283,360	51,005	334,365	
2024		4.00%	283,360	39,671	323,031	
2025		4.00%	283,360	28,336	311,696	
2026		4.00%	283,360	17,002	300,362	
2027		4.00%	283,361	5,667	289,028	
				<u>3,967,043</u>	<u>1,131,492</u>	<u>5,098,535</u>
2014		2007 Series A Municipal Public Improvement Refunding	5.00%	-	117,990	117,990
2015			5.00%	-	117,990	117,990
2016	5.00%		-	117,990	117,990	
2017	5.00%		-	117,990	117,990	
2018	5.00%		-	117,990	117,990	
2019	5.00%		-	117,990	117,990	
2020	5.00%		-	117,990	117,990	
2021	5.00%		360,000	117,990	477,990	
2022	4.30%		380,000	99,990	479,990	
2023	5.00%		400,000	83,650	483,650	
2024	4.75%		425,000	63,650	488,650	
2025	4.75%	445,000	43,463	488,463		
2026	4.75%	470,000	22,325	492,325		
			<u>2,480,000</u>	<u>1,256,998</u>	<u>3,736,998</u>	
Total SolidWaste/Sanitation Fund indebtedness			<u>16,235,782</u>	<u>3,878,355</u>	<u>20,114,137</u>	

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

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WATER QUALITY FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2014	2002 Municipal Public Improvement Refunding	4.375%	\$ 803,380	\$ 20,085	\$ 823,465
			<u>803,380</u>	<u>20,085</u>	<u>823,465</u>
2014	2005 Series A Refunding	3.750%	73,591	253,938	327,529
2015		5.000%	901,010	230,033	1,131,043
2016		5.000%	943,267	183,926	1,127,193
2017		5.000%	991,277	135,562	1,126,839
2018		5.000%	1,041,976	84,731	1,126,707
2019		5.000%	1,094,159	31,328	1,125,487
2020		4.125%	96,318	1,987	98,305
			<u>5,141,598</u>	<u>921,505</u>	<u>6,063,103</u>
2014	2007 Series A Municipal Public Improvement	5.000%	-	35,683	35,683
2015	Refunding	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>379,830</u>	<u>1,129,830</u>
Total Water Quality Fund			<u>6,694,978</u>	<u>1,321,420</u>	<u>8,016,398</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

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CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal	
2014	2007 Lease Rental Revenue Refunding Bonds	4.000%	\$ 90,000	\$ 2,341,900	\$ 2,431,900	
2015		4.000%	90,000	2,338,300	2,428,300	
2016		4.000%	95,000	2,334,600	2,429,600	
2017		4.000%	100,000	2,330,700	2,430,700	
2018		4.000%	105,000	2,326,600	2,431,600	
2019		4.000%	105,000	2,322,400	2,427,400	
2020		4.125%	110,000	2,318,031	2,428,031	
2021		4.200%	115,000	2,313,348	2,428,348	
2022		4.250%	120,000	2,308,383	2,428,383	
2023		4.250%	125,000	2,303,176	2,428,176	
2024		4.300%	130,000	2,297,725	2,427,725	
2025		4.300%	135,000	2,292,028	2,427,028	
2026		4.375%	7,155,000	2,132,609	9,287,609	
2027		4.375%	7,465,000	1,812,797	9,277,797	
2028		5.000%	7,275,000	1,467,625	8,742,625	
2029		5.000%	8,155,000	1,081,875	9,236,875	
2030		5.000%	8,565,000	663,875	9,228,875	
2031		5.000%	8,995,000	224,875	9,219,875	
				<u>48,930,000</u>	<u>35,210,847</u>	<u>84,140,847</u>
2014		2010 IDB Revenue Refunding	3.000%	4,305,000	2,826,294	7,131,294
2015	3.000%		4,430,000	2,695,269	7,125,269	
2016	4.000%		4,580,000	2,537,219	7,117,219	
2017	5.000%		4,790,000	2,325,869	7,115,869	
2018	5.000%		5,020,000	2,080,619	7,100,619	
2019	5.000%		5,270,000	1,823,369	7,093,369	
2020	5.000%		5,540,000	1,553,119	7,093,119	
2021	5.000%		5,815,000	1,269,244	7,084,244	
2022	5.000%		6,090,000	971,619	7,061,619	
2023	3.250%		6,340,000	716,344	7,056,344	
2024	5.000%		6,565,000	478,159	7,043,159	
2025	5.000%		6,860,000	171,500	7,031,500	
			<u>65,605,000</u>	<u>19,448,624</u>	<u>85,053,624</u>	
Total Chatt. Downtown Redevelopment Corp			<u>114,535,000</u>	<u>54,659,471</u>	<u>169,194,471</u>	

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

(continued from previous page)

Fiscal Year Ended June 30	Issue	<u>EPB</u>				
		Interest Rate	Principal	Due Interest	Total Interest and Principal	
2014	2006B Electric System Refunding Revenue Bonds	4.000%	\$ 1,755,000	\$ 851,656	\$ 2,606,656	
2015		4.000%	1,745,000	781,656	2,526,656	
2016		4.125%	1,730,000	711,075	2,441,075	
2017		4.125%	1,715,000	640,022	2,355,022	
2018		4.125%	1,705,000	569,484	2,274,484	
2019		4.000%	1,690,000	500,519	2,190,519	
2020		4.000%	1,670,000	433,319	2,103,319	
2021		4.000%	1,655,000	366,819	2,021,819	
2022		4.125%	1,635,000	299,997	1,934,997	
2023		4.125%	1,620,000	232,863	1,852,863	
2024		4.125%	1,600,000	166,450	1,766,450	
2025		4.250%	1,580,000	99,875	1,679,875	
2026		4.250%	1,560,000	33,150	1,593,150	
				<u>21,660,000</u>	<u>5,686,885</u>	<u>27,346,885</u>
2014		2006A Electric System Revenue Bonds	5.000%	1,245,000	1,513,600	2,758,600
2015			4.125%	1,295,000	1,455,766	2,750,766
2016	4.125%		1,345,000	1,401,316	2,746,316	
2017	4.125%		1,400,000	1,344,700	2,744,700	
2018	4.125%		1,460,000	1,285,713	2,745,713	
2019	4.125%		1,520,000	1,224,250	2,744,250	
2020	4.250%		1,585,000	1,159,219	2,744,219	
2021	4.250%		1,655,000	1,090,369	2,745,369	
2022	4.375%		1,730,000	1,017,356	2,747,356	
2023	4.500%		1,805,000	938,900	2,743,900	
2024	4.250%		1,885,000	858,231	2,743,231	
2025	4.375%		1,970,000	775,081	2,745,081	
2026	4.375%		2,060,000	686,925	2,746,925	
2027	4.375%		2,155,000	594,722	2,749,722	
2028	4.375%		2,250,000	498,363	2,748,363	
2029	4.375%		2,355,000	397,628	2,752,628	
2030	4.375%		2,470,000	292,081	2,762,081	
2031	4.500%		2,585,000	179,888	2,764,888	
2032	4.500%		2,705,000	60,863	2,765,863	
			<u>35,475,000</u>	<u>16,774,971</u>	<u>52,249,971</u>	

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

(continued from previous page)

Fiscal Year Ended June 30	Issue	EPB			Total Interest and Principal
		Interest Rate	Principal	Due Interest	
2014	2008 A Electric System Revenue Bonds	3.00%	\$ 3,000,000	\$ 10,719,500	\$ 13,719,500
2015		4.00%	4,000,000	10,594,500	14,594,500
2016		5.00%	5,000,000	10,389,500	15,389,500
2017		3.50%	6,275,000	10,154,688	16,429,688
2018		4.50%	6,575,000	9,896,938	16,471,938
2019		5.00%	6,955,000	9,575,125	16,530,125
2020		5.00%	7,385,000	9,216,625	16,601,625
2021		5.00%	7,835,000	8,836,125	16,671,125
2022		5.00%	8,310,000	8,432,500	16,742,500
2023		5.00%	8,805,000	8,004,625	16,809,625
2024		5.00%	9,335,000	7,551,125	16,886,125
2025		5.00%	9,885,000	7,070,625	16,955,625
2026		5.00%	10,460,000	6,562,000	17,022,000
2027		5.00%	12,605,000	5,985,375	18,590,375
2028		5.00%	13,235,000	5,339,375	18,574,375
2029		5.00%	13,890,000	4,661,250	18,551,250
2030		5.00%	14,575,000	3,949,625	18,524,625
2031	5.00%	15,295,000	3,202,875	18,497,875	
2032	5.00%	16,055,000	2,419,125	18,474,125	
2033	5.00%	19,685,000	1,525,625	21,210,625	
2034	5.00%	20,670,000	516,750	21,186,750	
			<u>219,830,000</u>	<u>144,603,876</u>	<u>364,433,876</u>
2014	2013 Internet System Secured Term Promissory Note	2.82%	3,833,000	116,213	3,949,213
2015		2.82%	3,833,000	63,891	3,896,891
2016		2.82%	3,195,000	14,280	3,209,280
			<u>10,861,000</u>	<u>194,384</u>	<u>11,055,384</u>
	Total Electric Power Board		<u>287,826,000</u>	<u>167,260,116</u>	<u>455,086,116</u>
	Total Primary Government		<u>\$ 691,018,539</u>	<u>\$ 297,462,297</u>	<u>\$ 988,480,836</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2013

(continued from previous page)

METROPOLITAN AIRPORT AUTHORITY

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2014	2009 Taxable Refunding Revenue Bonds	3.540%	\$ 394,599	\$ 181,994	\$ 576,593
2015			408,997	167,595	576,592
2016			423,920	152,672	576,592
2017			439,388	137,207	576,595
2018			455,420	121,172	576,592
2019			3,127,547	88,269	3,215,816
			<u>5,249,871</u>	<u>848,909</u>	<u>6,098,780</u>
2014	2012 Fuel Facility Capital Lease	N/A	44,930	7,066	51,996
2015			47,421	4,575	51,996
2016			50,051	1,945	51,996
2017			8,608	58	8,666
			<u>151,010</u>	<u>13,644</u>	<u>164,654</u>
	Total Airport Authority		<u>5,400,881</u>	<u>862,553</u>	<u>6,263,434</u>

CARTA

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2014	Note Payable - Republic Parking System, Inc.	6.000%	\$ 246,591	\$ 34,713	\$ 281,304
2015			261,800	19,504	281,304
2016			181,981	5,554	187,535
			<u>690,372</u>	<u>59,771</u>	<u>750,143</u>
	Total CARTA		<u>690,372</u>	<u>59,771</u>	<u>750,143</u>
	Total component unit indebtedness		<u>\$ 6,091,253</u>	<u>\$ 922,324</u>	<u>\$ 7,013,577</u>

CITY OF CHATTANOOGA, TENNESSEE

STATISTICAL SECTION (Unaudited)

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CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses									
Governmental activities:									
General government	\$ 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
Public safety	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
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	6,763,002	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	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	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	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	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	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	16,196,291	-	-	-	-	-	-	-	-
Total business-type activities expenses	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	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
Program Revenues									
Governmental activities:									
Charges for services:									
General government	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
Public safety	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
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	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	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	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	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	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	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	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	17,706,905	-	-	-	-	-	-	-	-
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	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	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	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 NINE FISCAL YEARS
(accrual basis of accounting)**

(continued from previous page)

	Fiscal Year								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net (expense)/revenue:									
Governmental activities	\$ (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	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>(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>
General Revenues and Other Changes in Net Position									
Governmental activities:									
Taxes:									
Property taxes	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	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	4,231,661	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	4,115,338	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	5,004,320	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	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	1,069,002	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	70,563,200	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 disposal of capital assets	890,681	370,285	179,644	-	-	-	-	-	81,638
Miscellaneous	-	-	-	22,679	-	3,312,122	-	-	-
Change in equity interest	-	-	-	(196,534)	(457,589)	(439,341)	6,362	8,789,979	-
Endowment contributions	-	4,554	-	-	-	19,306	11,044	500	-
Transfers	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>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	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)	-	-	-	-	-	-	-	-
Extra ordinary - tornado damage	-	-	(28,000,000)	-	-	-	-	-	-
Total business-type activities	<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>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>
Change in Net Position									
Governmental activities	17,904,001 ³	12,664,192	(3,292,342)	(15,769,633) ⁽²⁾	(34,814,039) ⁽¹⁾	5,070,995	1,302,335	10,742,973	(2,959,151)
Business-type activities	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>\$ 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>

Note: The city began to report accrual information when it implemented GASB Statement 34 in FY2002. However, this schedule was not required until FY06; there will ultimately be ten years of information provided

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

(2) In fiscal year 2010 the City appropriated \$5,164,968 to the IDB for the VW Project. Also, the OPEB obligation increased \$7,767,233 during the fiscal year.

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

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year		
	2013	2012	2011
Governmental activities			
Net investment in capital assets	\$ 1,212,457,120	\$ 1,203,907,660	\$ 1,231,353,280
Restricted	28,150,164	41,687,490	27,167,455
Unrestricted	92,237,845	89,243,312	63,653,535
Total governmental activities net position	<u>1,332,845,129</u>	<u>1,334,838,462</u>	<u>1,322,174,270</u>
Business-type activities			
Net investment in capital assets	537,001,543	527,583,854	568,185,846
Restricted	45,014,643	30,684,020	18,097,653
Unrestricted (1)	(10,293,881)	3,519,144	(43,451,928)
Total business-type activities net position	<u>571,722,305</u>	<u>561,787,018</u>	<u>542,831,571</u>
Primary government			
Net investment in capital assets	1,749,458,663	1,731,491,514	1,799,539,126
Restricted	73,164,807	72,371,510	45,265,108
Unrestricted	81,943,964	92,762,456	20,201,607
Total primary government net position	<u>\$ 1,904,567,434</u>	<u>\$ 1,896,625,480</u>	<u>\$ 1,865,005,841</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. However, this schedule was not required until fiscal year 2006; there will ultimately be ten years of information provided.

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

In 2008 significant investment was made in the EPB utility plant reallocating net assets between invested in capital and unrestricted.

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

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

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. However this schedule was not required until fiscal year 2006; there will ultimately be ten years of information provided.

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

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year								
	2013	2012	2011	2010 (1)	2009	2008	2007	2006	2005
General fund									
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 8,617,430	\$ 3,535,673	\$ 3,593,931	\$ 4,347,114	\$ 3,473,740
Unreserved:									
Designated	-	-	-	-	3,608,909	7,812,678	6,509,160	6,557,035	5,000,477
Undesignated	-	-	-	-	31,520,660	40,746,518	45,027,258	45,138,561	38,975,983
Nonspendable	2,852,473	4,377,659	4,286,374	1,780,661	-	-	-	-	-
Restricted	7,567,786	7,502,063	6,658,785	7,455,576	-	-	-	-	-
Committed	733,927	967,538	898,772	1,184,148	-	-	-	-	-
Assigned	3,111,037	4,686,118	4,572,721	993,642	-	-	-	-	-
Unassigned	55,580,376	45,470,014	33,863,477	28,415,466	-	-	-	-	-
Total general fund (2)	<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	5,587,435	5,418,717	5,669,095	5,695,501	-	-	-	-	-
Restricted	32,077,331	43,422,413	30,890,348	43,983,628	-	-	-	-	-
Committed	5,466,410	3,456,211	7,063,311	6,559,175	-	-	-	-	-
Assigned	953,975	604,092	338,988	205,049	-	-	-	-	-
Unassigned	-	-	-	(777,863)	-	-	-	-	-
Total all other governmental funds	<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>\$ 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>

Notes:

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

- (1) The City implemented GASB Statement 54 in fiscal year 2010.
- (2) Reductions in General Fund are due to one-time capital appropriations as follows: 2007 - \$6,761,735; 2008 - \$12,058,840 (including \$5,985,000 for the VW project); 2009 - \$8,949,717 (including \$4,989,473 for the VW project); 2010 - \$9,461,261 (including \$4,747,968 for the VW project).

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year			
	2013	2012	2011	2010
Revenues				
Taxes	\$ 144,654,630	\$ 135,223,433	\$ 133,486,033	\$ 114,584,911
Licenses and permits	5,830,254	5,738,751	5,176,412	5,368,232
Intergovernmental	107,416,967	103,679,076	100,441,019	97,317,492
Charges for services	6,333,801	6,045,639	5,602,433	6,182,979
Fines, forfeitures and penalties	1,422,556	2,148,952	2,705,952	3,256,983
Investment income	1,185,179	1,170,671	1,476,502	1,350,106
Contributions and donations	218,028	839,599	1,208,813	754,226
Miscellaneous	6,340,451	5,730,827	4,813,272	5,953,361
Total revenues	<u>273,401,866</u>	<u>260,576,948</u>	<u>254,910,436</u>	<u>234,768,290</u>
Expenditures				
General government	64,000,423	57,347,682	54,344,907	68,917,674
Public safety	92,123,889	90,486,931	83,338,295	71,310,426
Public works	40,854,938	39,283,330	39,260,630	31,601,596
Parks and recreation, education, arts & culture	19,872,077	19,459,895	18,003,988	16,979,064
Social Services	16,515,906	19,123,591	20,977,875	22,890,301
Capital outlay	18,236,057	24,674,873	24,601,428	23,446,614
Debt service:				
Principal	13,037,072	11,846,305	13,007,185	12,532,082
Interest	7,178,691	7,683,913	7,211,011	7,979,170
Total expenditures	<u>271,819,053</u>	<u>269,906,520</u>	<u>260,745,319</u>	<u>255,656,927</u>
Excess of revenues over (under) expenditures	1,582,813	(9,329,572)	(5,834,883)	(20,888,637)
Other financing sources (uses)				
Transfers in	31,557,514	33,930,297	33,896,437	31,587,851
Transfers out	(35,544,306)	(31,650,986)	(29,444,666)	(27,567,851)
Refunding bonds issued	-	-	-	14,219,204
Bonds issued	-	44,115,201	-	34,265,000
Premium on bonds issued	-	3,172,754	-	730,718
Payments to refunded bond escrow agent	-	(18,574,740)	-	(34,123,256)
Proceeds of notes payable	128,416	-	130,000	-
Capital leases	301,493	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(3,556,883)</u>	<u>30,992,526</u>	<u>4,581,771</u>	<u>19,111,666</u>
Net change in fund balances	<u>\$ (1,974,070)</u>	<u>\$ 21,662,954</u>	<u>\$ (1,253,112)</u>	<u>\$ (1,776,971)</u>
Debt service as a percentage of non-capital expenditures	8.08%	7.82%	8.56%	9.00%

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

Fiscal Year Ended June 30	Assessed Value					Original Total Taxable Value (1) (2)	Direct Tax Rate	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Multi-Use Property	Personalty (4)	Public Utilities (5)				
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%

Source: City Treasurer

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

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

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

(3) Real property includes residential and farms assessed at 25% of the estimated actual value, commercial and industrial property assessed at 40% of the estimated actual value, and Multi-use as a combination of assessment rates based on the use of the property.

(4) Personal property is assessed at 30% of the estimated actual value.

(5) Utilities are assessed at 55% of estimated actual value.

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 Tax Rate	Total Direct & Overlapping Rates (1)
		General Fund Tax Rate	School Fund Tax Rate	Road Fund Tax Rate		
2004	2.5160	1.4128	1.6334	0.0148	3.0610	5.5770
2005	2.5160	1.4128	1.6334	0.0148	3.0610	5.5770
2006	2.2020	1.3159	1.5655	0.0126	2.8940	5.0960
2007	2.2020	1.3159	1.5655	0.0126	2.8940	5.0960
2008	2.2020	1.5759	1.5655	0.0126	3.1540	5.3560
2009	2.2020	1.3816	1.3726	0.0110	2.7652	4.9672
2010	1.9390	1.3816	1.3726	0.0110	2.7652	4.7042
2011	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2012	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2013	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742

Source: www.hamiltontn.gov/trustee/

Note: This format was not required until fiscal year 2006; however, ten years of information has been provided.

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Chattanooga.

CITY OF CHATTANOOGA, TENNESSEE

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer (1)	2013			2004		
	Taxable (2) Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Electric Power Board (2)	\$ 276,790,949	1	5.17%			
BlueCross BlueShield	98,149,117	2	1.83%	\$ 25,323,920	8	0.78%
Tennessee Valley Authority (Computer Center)	88,377,696	3	1.65%	80,233,095	1	2.48%
CBL & Associates	75,289,041	4	1.41%	48,886,481	4	1.51%
AT&T (BellSouth)	54,886,822	5	1.02%	50,662,009	3	1.56%
Tennessee-American Water Co.	42,030,950	6	0.78%	35,779,979	6	1.10%
Unum/Provident	36,670,433	7	0.68%	41,324,675	5	1.27%
WALMART	30,540,770	8	0.57%			
JDK Real Estate (KENCO Group Inc)	28,841,006	9	0.54%	22,234,834	9	0.69%
Parkridge Medical Center	25,606,975	10	0.48%			
Chattem	21,326,453	11	0.40%			
AGL Resources	21,220,771	12	0.40%	20,972,881	10	0.65%
Signal Mountain Cement Co.				27,711,336	7	0.85%
E.I. DuPont de Nemours & Co.				53,872,130	2	1.66%
Totals	<u>\$ 799,730,983</u>		<u>14.93%</u>	<u>\$ 407,001,340</u>		<u>12.55%</u>

Source: The City Treasurer

Notes:

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

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

CITY OF CHATTANOOGA, TENNESSEE

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST NINE FISCAL YEARS**

Fiscal Year Ended June 30	Original Tax Levy(1)	Cumulative Adjustments to Tax Levy(2)	Adjusted Tax Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2005	83,512,333	22,117	83,534,450	\$ 79,901,518	95.7%	3,380,072	\$ 83,281,590	99.7%
2006	85,007,191	(267,776)	84,739,415	81,194,003	95.8%	3,545,412	84,739,415	100.0%
2007	87,378,841	107,626	87,486,467	83,848,154	95.8%	3,477,209	87,325,363	99.8%
2008	89,153,730	63,822	89,217,552	85,019,277	95.3%	3,941,819	88,961,096	99.7%
2009	91,760,952	(259,193)	91,501,759	87,144,122	95.2%	3,951,695	91,095,817	99.6%
2010	93,958,030	(1,208,571)	92,749,459	88,615,281	95.5%	3,556,340	92,171,621	99.4%
2011	111,034,964	(269,946)	110,765,018	104,399,752	94.3%	4,785,749	109,185,501	98.6%
2012	111,312,877	(451,413)	110,861,464	104,608,676	94.4%	3,570,236	108,178,912	97.6%
2013	112,552,779	(475,479)	112,077,300	105,385,912	94.0%	-	105,385,912	94.0%

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

(1) Total billed amounts from City Treasurer's Office.

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

CITY OF CHATTANOOGA, TENNESSEE

**PROPERTY VALUE AND CONSTRUCTION PERMITS
LAST NINE CALENDAR YEARS**

Calendar Year (1)	Commercial Construction/Others		Residential Construction		Property Value		
	Number of Permits	Value	Number of Permits	Value	Commercial	Residential	Public Utilities
2004	690	\$ 226,955,234	1,810	\$ 120,703,243	\$ 4,026,000,322	\$ 4,313,292,300	\$ 383,393,247
2005	808	226,421,856	1,870	162,002,991	4,713,822,750	5,296,293,120	427,785,073
2006	907	234,192,365	1,760	181,022,954	4,839,133,200	5,450,878,720	420,570,231
2007	735	489,134,625 (2)	1,652	184,475,058	5,004,087,050	5,685,416,370	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 (3)	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 (4)	1,155	92,540,434	5,946,058,500	7,183,769,166	572,274,272

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. However this schedule was not required until fiscal year 2006; there will ultimately be ten years of information provided.

- (1) Latest information available for the calendar year.
- (2) The value of the 2007 permits increased while the number of permits decreased as a result of a number of large Condominiums and continuing work on the Blue Cross Building Complex.
- (3) Starting 2009 combined commercial and other permits such as electrical, plumings and fire permits.
- (4) 2012 includes \$145,000 of permits related to a major hospital campus renovation.

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

CITY OF CHATTANOOGA, TENNESSEE

**GENERAL FUND INTERGOVERNMENTAL REVENUE
LAST NINE 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 (1)	69,532,447
2010	25,116,025	9,904,220	10,182,243	2,578,926	1,888,061	13,749,395 (2)	63,418,870
2011	26,462,886	10,357,166	10,652,849	2,714,695	1,942,779	10,987,506 (3)	63,117,881
2012	38,054,892 (4)	11,313,906	11,365,043	2,651,353	2,095,770	10,421,921	75,902,885
2013	40,007,670	11,544,670	11,405,092	4,199,313	2,229,008	10,323,819	79,709,572

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

- (1) In fiscal year 2009 the City of Chattanooga began the Public Safety Interoperable Communications Grant Program (PSIC), a \$16,780,000 award. At fiscal year end the City of Chattanooga recognized \$10,800,490 in PSIC grant revenue.
- (2) In fiscal year 2010 the City of Chattanooga began reporting Regional Planning Agency, Air Pollution Control Bureau, and Scenic Cities Beautiful as Special Revenue Funds.
- (3) In fiscal year 2011 the City of Chattanooga recognized the remaining of the Public Safety Interoperable Communications (PSIC) Grant revenue which decreased by \$5,740,453 from fiscal year 2010.
- (4) In fiscal year 2012 the 1966 Sales Tax agreement with Hamilton County expired returning the City's portion of the sales tax dollars to the City.

CITY OF CHATTANOOGA, TENNESSEE

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

<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>
2004	139,126	6.67	19,222	7.45	3,196	5.46	142	8.40	161,686	6.06
2005	140,549	6.81	20,125	7.60	3,204	5.50	139	8.66	164,017	6.15
2006	141,839	7.16	20,331	8.04	3,289	6.09	142	9.21	165,601	6.65
2007	144,288	7.56	19,630	8.46	3,363	6.39	143	9.37	167,424	7.00
2008	145,941	8.14	19,450	9.06	3,438	6.99	141	9.97	168,970	7.59
2009	147,301	9.55	19,326	10.53	3,414	8.39	139	11.35	170,180	9.01
2010	147,532	8.67	19,226	9.77	3,379	7.54	141	10.45	170,278	8.17
2011	148,033	9.56	19,157	10.69	3,524	8.32	138	11.37	170,852	9.00
2012	149,141	10.22	19,670	11.31	3,488	8.13	140	11.89	172,439	9.12
2013	150,721	10.17	19,409	11.30	3,169	8.29	119	12.17	173,418	9.23

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 NINE FISCAL YEARS**

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Total Primary Government		Total Excluding Revenue Bonds	
	General Obligation	Notes	Capital	Revenue	General Obligation	Notes	Capital		Percentage of Personal	Per	Percentage of Personal	Per
	Bonds	Payable	Leases	Bonds	Bonds	Payable	Leases		Income ⁽¹⁾	Capita ⁽¹⁾	Income ⁽¹⁾	Capita ⁽¹⁾
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 ⁽²⁾	406,889,598 ⁽²⁾	47,709,242	57,542,512	37,701	713,655,474	11.55%	4,167	4.97%	1,791

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

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

(2) 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 NINE FISCAL YEARS**

Fiscal Year	GO Bonds	Notes and Capital Leases	Total	Less: Debt Supported by Designated Revenue Streams Other Than Property Taxes					
				Hotel-Motel Debt	CDRC Capital Lease	Fannie Mae Loan	Golf Course Capital Lease	HUD Sec. 108 Notes	Republic 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 ⁽³⁾	306,765,876	47,091,427	- ⁽³⁾	-	287,958	3,356,000	-

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

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

⁽²⁾ See the schedule of Demographic and Economic Statistics for population data.

⁽³⁾ 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 Capital Lease	Sewer Debt	Solid Waste Debt	Water Quality Debt	EPB Debt	Less: Debt Service Fund Balance	Total	Debt Supported by Property Tax Total	% Estimated Actual Taxable Value of Property ⁽¹⁾	Per Capita ⁽²⁾
\$ 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

CITY OF CHATTANOOGA, TENNESSEE

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2013

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ⁽²⁾</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Hamilton County General Obligation Debt	\$ 263,186,600	59.6884%	\$ 157,091,871
Other debt:			
Hamilton County Notes Payable	2,622,595	59.6884%	<u>1,565,385</u>
Subtotal, overlapping debt ⁽¹⁾			158,657,256
City of Chattanooga gross direct debt ⁽³⁾			<u>691,018,541</u>
Total direct and overlapping debt			<u>\$ 849,675,797</u>

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

Notes:

- ⁽¹⁾ Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Chattanooga. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.
- ⁽²⁾ The percentage of overlapping debt is calculated by dividing the City's assessed property values by the total Hamilton County assessments.
- ⁽³⁾ Direct and overlapping includes \$52,918,363 of self-supporting governmental debt and \$495,039,927 of self-supporting enterprise debt. Please see Ratios of General Bonded Debt Outstanding for the debt supported by property taxes. Net overlapping is \$301,717,507.

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year			
	2013	2012	2011	2010
Debt limit (1)	\$ 487,452,421	\$ 482,082,558	\$ 480,878,951	\$ 484,569,450
Total net debt applicable to limit (2)	148,264,399	154,854,197	133,432,404	144,733,451
Legal debt margin	\$ 339,188,022	\$ 327,228,361	\$ 347,446,547	\$ 339,835,999
Total net debt applicable to the limit as a percentage of debt limit	30.42%	32.12%	27.75%	29.87%

Legal Debt Margin Calculation by Fiscal Year

Assessed value	\$ 4,874,524,209	\$ 4,820,825,577	\$ 4,808,789,510	\$ 4,845,694,497
Debt limit (10% of total assessed value)	487,452,421	482,082,558	480,878,951	484,569,450
Debt applicable to limit:				
General obligation bonds	150,741,036	155,506,895	138,386,776	149,603,816
Less: amount set aside for repayment of general obligation debt	(2,476,637)	(652,700)	(4,954,374)	(4,870,365)
Total net debt applicable to limit	148,264,399	154,854,195	133,432,402	144,733,451
Legal debt margin	\$ 339,188,022	\$ 327,228,363	\$ 347,446,549	\$ 339,835,999

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

- (1) The City of Chattanooga's outstanding general obligation debt should not exceed 10 percent of total assessed property value.
- (2) General obligation debt may be offset by amounts set aside for repaying general obligation bonds. See "Ratio's of General Bonded Debt Outstanding" on page F-17 and F-18 for details.

2009	2008	2007	2006	2005
\$ 416,716,328	\$ 404,876,088	\$ 396,815,737	\$ 386,045,296	\$ 331,924,917
134,037,552	96,296,919	97,632,028	77,122,240	75,729,909
<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>
32.17%	23.78%	24.60%	19.98%	22.82%

\$ 4,167,163,278	\$ 4,048,760,875	\$ 3,968,157,371	\$ 3,860,452,959	\$ 3,319,249,168
416,716,328	404,876,088	396,815,737	386,045,296	331,924,917
142,962,554	105,221,922	106,503,597	84,261,448	82,201,838
(8,925,003)	(8,925,003)	(8,871,564)	(7,139,208)	(6,471,929)
134,037,551	96,296,919	97,632,033	77,122,240	75,729,909
<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, 2013

	Fiscal Year				
	2013	2012	2011	2010	2009
Estimated population	171,279	170,136	167,674	171,349	170,880
Appraised property valuation	\$ 15,498,290,496	\$ 15,239,117,325	\$ 15,187,143,683	\$ 15,307,270,881	\$ 13,294,163,310
Assessed property valuation	4,874,524,209	4,820,825,577	4,808,789,510	4,845,694,497	4,167,163,278
Gross indebtedness ⁽¹⁾	288,657,541	407,942,874	408,416,390	436,663,186	445,601,083
Less: Self-supporting indebtedness ⁽²⁾	143,414,312	252,435,979	270,029,615	287,059,370	302,638,530
Debt Service Fund	2,476,637	652,700	4,954,374	4,870,365	8,925,003
Net direct indebtedness	142,766,592	154,854,195	133,432,402	144,733,451	134,037,550
Plus: Estimated net overlapping indebtedness	158,657,256	152,555,047	148,698,012	154,968,909	149,048,842
Net direct and overlapping indebtedness	<u>\$ 301,423,848</u>	<u>\$ 307,409,242</u>	<u>\$ 282,130,414</u>	<u>\$ 299,702,360</u>	<u>\$ 283,086,392</u>
Gross debt per capita	\$ 1,685.31	\$ 2,397.75	\$ 2,435.78	\$ 2,548.38	\$ 2,607.68
Net direct debt per capita	833.53	910.18	795.78	844.67	784.40
Net direct and overlapping debt per capita	1,759.84	1,806.84	1,682.61	1,749.08	1,656.64
Gross debt to appraised valuation	1.86%	2.68%	2.69%	2.85%	3.35%
Net direct debt to appraised valuation	0.92%	1.02%	0.88%	0.95%	1.01%
Net direct debt and overlapping debt to appraised valuation	1.94%	2.02%	1.86%	1.96%	2.13%
Gross debt to assessed valuation	5.92%	8.46%	8.49%	9.01%	10.69%
Net direct debt to assessed valuation	2.93%	3.21%	2.77%	2.99%	3.22%
Net direct and overlapping debt to assessed valuation	6.18%	6.38%	5.87%	6.18%	6.79%

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

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

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

CITY OF CHATTANOOGA, TENNESSEE

**REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	EPB Revenue Bonds					Times Coverage
	Total Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2004	\$ 368,733,000	\$ 338,630,000	\$ 30,103,000	\$ 1,600,000	\$1,810,000	8.8
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	486,843,000	68,208,000	2,965,000	13,256,000	4.2

Source: Electric Power Board.

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

Fiscal Year Ended June 30	CDRC Lease Rental Revenue Bonds					Times Coverage
	Total Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service (3)		
				Principal	Interest	
2004	11,848,210	1,325	11,846,885	-	7,198,975	1.6
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

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

<u>Calendar Year</u>	<u>Personal Income (4)</u>	<u>Population (1)</u>	<u>Per Capita Income(4)</u>	<u>Median Age (2)</u>	<u>Education Level In Years of Formal Schooling (2)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
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%

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

- (1) U.S. Census Bureau.
- (2) Chamber of Commerce
- (3) Tennessee Department of Labor and Workforce Development
- (4) U.S. Department of Commerce Bureau of Economic Analysis

CITY OF CHATTANOOGA, TENNESSEE

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

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Hamilton County Department of Education	4,480	1	2.62%	6,793	1	4.39%
BlueCross BlueShield of Tennessee	4,282	2	2.50%	4,300	4	2.78%
Tennessee Valley Authority	4,180	3	2.44%	3,338	7	2.16%
Erlanger Health System	3,176	4	1.85%	4,300	3	2.78%
Memorial Health Care System	3,171	5	1.85%	3,500	5	2.26%
Unum	2,800	6	1.63%	2,822	8	1.82%
McKee Foods Corporation	2,650	7	1.55%	3,500	6	2.26%
Volkswagen Chattanooga	2,459	8	1.44%	-	-	0.00%
City of Chattanooga	2,251	9	1.31%	2,627	9	1.70%
Amazon.com.dcdc LLC	1,879	10	1.10%	-	-	0.00%
Convenant Transport	-	-	0.00%	5,629	2	3.64%
Synthetic Industries	-	-	0.00%	2,343	10	1.51%
Total	31,328		18.41%	39,152		25.17%

Source: Chattanooga Area Chamber of Commerce Business Information Center, Economic Development Department

CITY OF CHATTANOOGA, TENNESSEE

**FULL-TIME EQUIVALENT CITY GOVERNMENT POSITIONS
BY FUNCTION
LAST NINE FISCAL YEARS**

FUNCTION	Full-Time Equivalent Positions as of June 30								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government	301	300	301	291	279	277	276	266	276
Public Safety:									
Police:									
Sworn	475	475	481	475	472	472	471	472	472
Civilian	129	129	123	130	139 ⁽¹⁾	213	212	206	196
Fire:									
Sworn	429	414	412	400	400	400	400	400	400
Civilian	17	17	17	17	17	17	17	18	18
Public Works	337	337	338	409	326	331	333	339	338
Neighborhood Services	35	35	35	29	36	36	36	36	37
Parks & Recreation	230	230	237	236	230	229	226	217	238
Education, Arts and Culture	28	27	27	26	27	26	26	24	0
Social Services	307	305	286	293	249	289	294	339	340
Interceptor Sewer System	143	139	137	136	135	132	124	115	115
Solid Waste/Sanitation	19	19	16	16	17	14	13	14	13
Water Quality	138	138	137	59	55	47	50	49	48
EPB	521	499	453	435	398	389	394	402	407
Totals	<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.

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

(1) 74 Police Civilian Positions were transferred to 911.

CITY OF CHATTANOOGA, TENNESSEE

**OPERATING INDICATORS BY FUNCTION
LAST NINE FISCAL YEARS**

Function	Fiscal Year								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government									
311 Service Requests Created	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	94.3	95.0	95.4	95.9	95.8	95.6
Police									
Crimes Committed (1)	12,869	12,037	12,158	14,385	14,577	14,219	13,999	13,843	14,315
Moving/Parking Violations (2)	51,674	102,067	105,470	166,438	105,069	64,928	98,984	78,052	75,826
Citizen Complaints	66	44	47	56	47	35	33	96	102
Fire									
Emergency Calls	15,858	16,161	16,363	12,473	12,889	11,849	11,385	10,617	9,899
Inspections	3,551	4,298	4,750	5,466	7,769	5,978	3,774	2,492	2,586
Public Works									
Sidewalks Repaired (sq.ft.)	5,938	13,344	12,359	8,186	848	80	335	1,660	3,374
Streets Paved (sq.ft.)	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	151,699	177,723	210,966	253,115	231,225	174,093	149,582	125,293	127,974
Recreation Centers-Attendance	833,674	630,178	630,178	550,496	588,927	567,444	458,331	394,660	400,959
Social Services									
Children Immunized	946	1,223	888	1014	869	897	865	768	875
Households Assisted	7,184	10,905	6,334	8,473	6,280	4,950	4,284	4,119	6,566
Interceptor Sewer System									
NPDES Violations	28	29	10	19	10	7	5	5	4
Combined Sewer Overflows	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	2,229	1,632	1727	3206	1764	1798	1,586	1,808	2,559
311 Service Requests Unresolved	55	58	89	388	69	52	34	53	269

Source: City budget office.

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

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

(2) Parking was transferred to CARTA (Chattanooga Parking Authority) in October 2012.

CITY OF CHATTANOOGA, TENNESSEE

**CAPITAL ASSET STATISTICS BY FUNCTION
LAST NINE FISCAL YEARS**

Function	Fiscal Year								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government									
City Fleet	1,734	1,854	1,769	1,774	1,773	1,769	1,709	1,670	1,663
Properties Returned to Tax Rolls	138	65	47	24	21	26	33	22	23
Police									
Stations	4	3	3	3	3	3	3	3	3
Patrol Units	551	555	450	450	450	450	450	450	450
Fire									
Stations	18	18	18	18	17	17	17	17	17
Ladder Trucks/Fire Engines/Combos (1)	27	25	25	25	24	24	24	24	23
Public Works									
Miles of Paved Streets	1,151	1,151	1,151	1,151	1,159	1,159	1,154	1,150	1,200
Signalized Intersections	332	320	320	321	318	315	314	312	303
Garbage Trucks	25	21	21	18	23	21	21	21	21
Knuckleboom Trucks	22	19	23	20	20	21	21	21	21
Interceptor Sewer System									
Miles of Sewer	1254	1254	1254	1254	1,255	1,239	1,200	1,200	1,200
Pump Stations	70	70	70	70	70	67	67	67	67
Parks, Recreation, Arts & Culture									
Parks	70	51	51	51	51	50	50	50	50
Recreation Centers	17	16	16	16	16	16	16	16	15

Source: City of Chattanooga

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

(1) Only includes front line apparatus. Does not include reserve or support equipment.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2013

<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>
U.S. DEPARTMENT OF AGRICULTURE							
Passed Through Tennessee Department of Agriculture:							
Emergency Food Assistance Program (Admin Costs)	10.568	20779	\$ (22,540)	\$ 34,906	\$ 12,366	\$ -	\$ -
Emergency Food Assistance Program (Admin Costs)	10.568	28257	-	33,342	48,820	-	(15,478)
Emergency Food Assistance Program (Commodities-Noncash)	10.569	N/A	-	208,713	208,713	-	-
Total Emergency Food Assistance Program			<u>(22,540)</u>	<u>276,961</u>	<u>269,899</u>	<u>-</u>	<u>(15,478)</u>
Passed Through Tennessee Department of Human Services:							
2012 CHS Child Care Program	10.558	N/A	(68,942)	68,942	-	-	-
2013 CHS Child Care Program	10.558	N/A	-	289,334	308,940	-	(19,606)
2012 Child and Adult Food Program	10.558	03-47-56136-00-6&9	(21,050)	21,050	-	-	-
2013 Child and Adult Food Program	10.558	03-47-60076-00	-	111,826	124,368	-	(12,542)
2012 Child and Adult Food Program	10.558	03-47-55915-00-8	(6,839)	6,839	-	-	-
2013 Child and Adult Food Program	10.558	03-47-55915-00-8	-	313,078	319,305	-	(6,227)
Total Child and Adult Food Program			<u>(96,831)</u>	<u>811,069</u>	<u>752,613</u>	<u>-</u>	<u>(38,375)</u>
Total U.S. Department of Agriculture			<u>(119,371)</u>	<u>1,088,030</u>	<u>1,022,512</u>	<u>-</u>	<u>(53,853)</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-47-0001	(503,118)	692,938	189,820	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-47-0001	(769,259)	1,443,813	674,554	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-47-0001	-	941,276	1,625,052	-	(683,776)
Total Community Development Block Grants/Entitlement Grants			<u>(1,272,377)</u>	<u>3,078,027</u>	<u>2,489,426</u>	<u>-</u>	<u>(683,776)</u>
Shelter Plus Care	14.238	TN0010C4J00104	-	176,520	176,520	-	-
Shelter Plus Care	14.238	TN0144C4J001102	-	31,980	31,980	-	-
THDA NSP1	14.238	NSP1-09-044	(80,180)	197,376	117,196	-	-
THDA ESG Stage	14.231	ESG-11-23	-	18,882	18,882	-	-
THDA ESG Stage	14.231	ESG-12-09	-	-	7,491	-	(7,491)
Total Shelter Plus Care			<u>(80,180)</u>	<u>424,758</u>	<u>352,069</u>	<u>-</u>	<u>(7,491)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2013

<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)							
HOME Investment Partnerships Program	14.239	M-01-MC-47-0200	-	7,473	7,473	-	-
HOME Investment Partnerships Program	14.239	M-10-MC-47-0200	(32,699)	84,681	51,982	-	-
HOME Investment Partnerships Program	14.239	M-10-MC-47-0200	(392,608)	1,058,485	665,877	-	-
HOME Investment Partnerships Program	14.239	M-12-MC-47-0200	-	65,443	683,201	-	(617,758)
Total HOME Investment Partnerships Program			<u>(425,307)</u>	<u>1,216,082</u>	<u>1,408,533</u>	<u>-</u>	<u>(617,758)</u>
ARRA - Community Development Block Grant CDBG-R	14.253	B-09-MY-47-0001	(45,814)	105,630	59,816	-	-
ARRA - HUD Neighborhood Stabilization	14.256	B-08-MN-47-0001	(82,942)	36,868	6,180	-	(52,254)
ARRA - Homeless Prev & Rapid ReHousng (HPRP)	14.262	S-09-MY-47-0003	(26,825)	43,682	16,857	-	-
Total ARRA			<u>(155,581)</u>	<u>186,180</u>	<u>82,853</u>	<u>-</u>	<u>(52,254)</u>
Total U.S. Department of Housing and Urban Development			<u>(1,933,445)</u>	<u>4,905,047</u>	<u>4,332,881</u>	<u>-</u>	<u>(1,361,279)</u>
U.S. DEPARTMENT OF JUSTICE							
Edward Byrne Memorial Justice Assistance Grant Program (Local Solicitation)	16.738	2009-DJ-BX-0530	-	35,631	35,631	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0825	(10,379)	29,872	43,871	-	(24,378)
Edward Byrne Memorial Grant - Police Explorers	16.738	2011-DJ-BX-3041	(6,185)	28,574	24,932	-	(2,543)
Edward Byrne Memorial Justice Assistance Grant Program - ARRA	16.804	2009-SB-B9-2602	22,924	16	20,362	(2,578)	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0641	-	37,175	99,629	-	(62,454)
Total Edward Byrne Memorial Grant			<u>6,360</u>	<u>131,268</u>	<u>224,425</u>	<u>(2,578)</u>	<u>(89,375)</u>
2010 COPS Hiring Grant	16.710	2010-CK-WX-0391	(84,541)	949,346	1,106,604	-	(241,799)
Total COPS Grant			<u>(84,541)</u>	<u>949,346</u>	<u>1,106,604</u>	<u>-</u>	<u>(241,799)</u>
Total U.S. Department of Justice			<u>(78,181)</u>	<u>1,080,614</u>	<u>1,331,029</u>	<u>(2,578)</u>	<u>(331,174)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2013

<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)							
U.S. DEPARTMENT OF TRANSPORTATION							
Passed Through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	PL000-0009-00-660	(18,493)	102,024	84,091	-	(560)
Highway Planning and Construction	20.205	PL000-0001-00-804	-	103,168	273,248	-	(170,080)
Total GA Highway Planning and Construction			<u>(18,493)</u>	<u>205,192</u>	<u>357,339</u>	<u>-</u>	<u>(170,640)</u>
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	DG-07-02041	(30,250)	211,294	181,044	-	-
Highway Planning and Construction	20.205	GG1237131	-	282,119	566,221	-	(284,102)
Highway Planning and Construction	20.205	33LPLM-F311,61-65	(28,000)	28,532	532	-	-
Governor's Highway Safety Grant	20.607	Z12GHS054	(3,393)	8,565	5,172	-	-
Governor's Highway Safety Grant	20.600	Z13GHSO57	-	31,649	31,649	-	-
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F0-066	(83,703)	475,148	415,262	-	(23,817)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F3-076	(546,960)	3,137,176	4,412,519	-	(1,822,303)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	TN-95-X034-00	(52,181)	115,286	80,566	-	(17,461)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F0-095	-	17,407	34,338	-	(16,931)
Total TN Highway Planning and Construction			<u>(744,487)</u>	<u>4,307,176</u>	<u>5,727,303</u>	<u>-</u>	<u>(2,164,614)</u>
Federal Transit Metropolitan Planning Grant	20.205	GG-11-35659	(7,427)	26,771	19,344	-	-
Federal Transit Metropolitan Planning Grant	20.205	GG-13-34410	-	43,952	151,174	-	(107,222)
Total Federal Transit: Metropolitan Planning Grant			<u>(7,427)</u>	<u>70,723</u>	<u>170,518</u>	<u>-</u>	<u>(107,222)</u>
Total U.S. Department of Transportation			<u>(770,407)</u>	<u>4,583,091</u>	<u>6,255,160</u>	<u>-</u>	<u>(2,442,476)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2013

<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)							
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed Through Tennessee Libraries and Archives							
Library Bridging the Gap Grant	45.310	30504-00713	-	48,700	48,700	-	-
Total Institute of Museum and Library Services			-	48,700	48,700	-	-
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95441209	(78,237)	219,188	140,951	-	-
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95462810-0	(10,173)	303,218	293,045	-	-
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95462910-0	(19,674)	147,445	180,058	-	(52,287)
Air Pollution Control Program	66.001	A0040410-0	-	142,136	142,136	-	-
Air Pollution Control Program	66.001	A00408410-5	-	197,960	74,235	-	123,725
Surveys, Studies, Investigations and Special Purpose Grants	66.034	PM-96497408-6	(32,748)	130,000	97,252	-	-
Total U.S. Environmental Protection Agency			(140,832)	1,139,947	927,677	-	71,438
Passed Through Tennessee Department of Environment And Conservation:							
Clean Water State Revolving Loan Program	66.458	SRF 2011-289	(1,255,695)	1,255,695	1,748,722	-	(1,748,722)
Total U.S. Environmental Protection Agency			(1,396,527)	2,395,642	2,676,399	-	(1,677,284)
U.S. DEPARTMENT OF ENERGY							
ARRA Grant Department of Energy	81.128	SC0002685	(660,571)	428,913	169,186	-	(400,844)
Total U.S. Department of Energy			(660,571)	428,913	169,186	-	(400,844)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2013

<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)							
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Head Start	93.600	04/CH0047/35	(520,110)	526,807	6,697	-	-
Head Start	93.600	04CH0047/36	-	8,046,737	8,452,479	-	(405,742)
Total Head Start			<u>(520,110)</u>	<u>8,573,544</u>	<u>8,459,176</u>	<u>-</u>	<u>(405,742)</u>
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance	93.568	Z 12-203	(112,256)	112,256	-	-	-
Low-Income Home Energy Assistance	93.568	Z 13-49203	-	2,971,075	3,011,503	-	(40,428)
Total Low-Income Home Energy Assistance			<u>(112,256)</u>	<u>3,083,331</u>	<u>3,011,503</u>	<u>-</u>	<u>(40,428)</u>
Community Services Block Grant	93.569	Z 12-104	(66,815)	66,815	-	-	-
Community Services Block Grant	93.569	Z 13-49104	-	489,678	601,713	-	(112,035)
Total Community Services Block Grant			<u>(66,815)</u>	<u>556,493</u>	<u>601,713</u>	<u>-</u>	<u>(112,035)</u>
Total U.S. Department of Health and Human Services			<u>(699,181)</u>	<u>12,213,368</u>	<u>12,072,392</u>	<u>-</u>	<u>(558,205)</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES							
Foster Grandparents Program	94.011	10SFSTN004	(3,410)	3,410	-	-	-
Foster Grandparents Program	94.011	12-SF138676	-	424,854	424,854	-	-
Total Corporation for National and Community Services			<u>(3,410)</u>	<u>428,264</u>	<u>424,854</u>	<u>-</u>	<u>-</u>
U.S. Department of Homeland Security							
Homeland Security IECGP 2010-IP-TO-0021	97.001	2010-IP-TO-0021	(17,469)	21,401	3,932	-	-
Fire Prevention and Safety	97.044	EMW-2010-FP-00276	(37,659)	37,659	-	-	-
Emergency Food and Shelter National Board Program	97.024	768200-001	-	37,019	37,005	-	14
Total Homeland Security Grant			<u>(55,128)</u>	<u>96,079</u>	<u>40,937</u>	<u>-</u>	<u>14</u>

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CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2013

<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 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			<u>(1,025,339)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,025,339)</u>
Total U.S. Department of Homeland Security			<u>(1,080,467)</u>	<u>96,079</u>	<u>40,937</u>	<u>-</u>	<u>(1,025,325)</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			<u>(6,741,560)</u>	<u>27,267,748</u>	<u>28,374,050</u>	<u>(2,578)</u>	<u>(7,850,440)</u>
STATE AWARDS							
Tennessee Commission on Aging & Disability							
Southeast Tennessee Development District	N/A	GG1339522	-	44,952	44,952	-	-
Tennessee Department of Agriculture:							
Lower Tennessee Watershed Academy	N/A	GG-08-23674-00	(16,000)	42,000	26,000	-	-
Tennessee Department of Economic & Community Development							
Urban Forestry Grant	N/A	GG-09-28278-00	117,228	-	105,586	-	11,642
Tennessee Department of Environment & Conservation							
Household Hazardous Waste	N/A	GG-08-23097-00	(73,443)	73,443	-	-	-
Household Hazardous Waste	N/A	GG-1338886	-	38,945	70,260	-	(31,315)
Used Oil Collection and Recycling	N/A	34557	-	-	16,933	-	(16,933)
Total Tennessee Department of Environment & Conservation			<u>(73,443)</u>	<u>112,388</u>	<u>87,193</u>	<u>-</u>	<u>(48,248)</u>
Tennessee Department of Finance & Administration							
THDA Entitlement - CNE Project	N/A	N/A	656,461	35,765	94,898	-	597,328
Tennessee Sate Library & Archives		2013LSTA	-	5,517	5,977	-	(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	(159,916)	-	-	-	(159,916)
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT			<u>521,505</u>	<u>240,622</u>	<u>364,606</u>	<u>-</u>	<u>397,521</u>
TOTAL EXPENDIUTRE OF FEDERAL AND STATE AWARDS - PRIMARY GOVERNMENT			<u>\$ (6,220,055)</u>	<u>\$ 27,508,370</u>	<u>\$ 28,738,656</u>	<u>\$ (2,578)</u>	<u>\$ (7,452,919)</u>

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

June 30, 2013

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 \$291,403 and \$259,484, 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	\$2,060,641
Home Investment Partnerships Program	14.239	1,355,142



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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 2, 2013. 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
December 2, 2013

Henderson Hutcherson
& McCullough, PLLC



**HENDERSON HUTCHERSON
& MCCULLOUGH, PLLC**

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY 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, 2013. 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, 2013. 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, 2013 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, 2013.

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
December 2, 2013

*Henderson Hutcherson
& McCullough, PLLC*

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified: yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified: yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditor’s report issued on compliance for major programs: Unqualified

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	U.S. Department of Housing and Urban Development
14.253	Community Development Block Grant
14.239	Community Development Block Grant - ARRA
	Home Investment Partnerships Program
16.710	U.S. Department of Justice
	COPS Hiring Grant
20.205	U.S. Department of Transportation
	Metropolitan Planning Grants/Congestion Management
	Air Quality

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Identification of major programs (continued):

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.001	U.S. Environmental Protection Agency Air Pollution Control Program
93.568	U.S. Department of Health and Human Services Low-Income Home Energy Assistance
93.569	Community Services Block Grant

Dollar threshold used to distinguish between Type A
and Type B programs: \$851,221

Auditee qualified as low-risk auditee? yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

None reported



City of Chattanooga

Department of Finance and Administration

City Hall

101 East 11th Street

Chattanooga, Tennessee 37402

423.757.5232

www.chattanooga.gov