

# City of Chattanooga, Tennessee

## CAFR 2016



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2016

### **About the Cover**

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

CITY OF CHATTANOOGA, TENNESSEE

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016

DEPARTMENT OF FINANCE AND ADMINISTRATION  
DAISY W. MADISON, ADMINISTRATOR

# CITY OF CHATTANOOGA, TENNESSEE

## CONTENTS

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Letter from Mayor Andy Berke	Intro 1
City Council	Intro 2
Finance Administrator's Letter of Transmittal	Intro 3
Certificate of Achievement for Excellence in Financial Reporting	Intro 9
City Officials	Intro 10
Organization Chart	Intro 11
<b>FINANCIAL SECTION</b>	
<b>Report of Independent Certified Public Accountants</b>	i
<b>Management's Discussion and Analysis</b>	iv
<b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	A-1
Statement of Activities	A-2
<b>Fund Financial Statements</b>	
<b>Governmental Fund Financial Statements</b>	
Balance Sheet	A-4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	A-5
Statement of Revenues, Expenditures, and Changes in Fund Balances	A-6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-7
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	A-8
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Position	A-9
Statement of Revenues, Expenses, and Changes in Net Position	A-11
Statement of Cash Flows	A-13
<b>Fiduciary Fund Financial Statements</b>	
Statement of Fiduciary Net Position	A-15
Statement of Changes in Fiduciary Net Position	A-16
<b>Component Units Financial Statements</b>	
Combining Statement of Net Position	A-17
Combining Statement of Activities	A-18
<b>Notes to Basic Financial Statements</b>	A-19

# CITY OF CHATTANOOGA, TENNESSEE

## CONTENTS

### **REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

#### **Schedules of Required Supplementary Information:**

##### Pension and OPEB Trust Funds –

Schedule of Changes in the City's Net Pension Liability and  
Related Ratios – Pension Trust Fund – General B-1

Schedule of Changes in the City's Net Pension Liability and  
Related Ratios – Pension Trust Fund – Fire and Police B-2

Schedule of City Contributions – Pension Trust Fund – General B-3

Schedule of City Contributions – Pension Trust Fund – Fire and Police B-4

Schedule of Investment Returns B-5

Schedule of Changes in the City's Net Pension Liability and  
Related Ratios – OPEB Trust Fund B-6

Schedule of City Contributions – OPEB Trust Fund B-7

Schedule of Investment Returns – OPEB Trust Fund B-8

##### City Pension and OPEB Plans –

Schedule of Changes in the City's Net Pension Liability and  
Related Ratios – General Pension Plan B-9

Schedule of Changes in the City's Net Pension Liability and  
Related Ratios – Fire and Police Pension Fund B-10

Schedule of Changes in the City's Net Pension Liability and  
Related Ratios – Electric Power Board of Chattanooga Retirement Plan B-11

Schedule of City Contributions – General Pension Plan B-12

Schedule of City Contributions – Fire and Police Pension Fund B-13

Schedule of City Contributions – Electric Power Board of Chattanooga  
Retirement Plan B-14

Public Employee Retirement Systems – Schedule of Fundings Progress B-15

Public Employee Retirement Systems – Schedule of Employer Contributions B-16

### **OTHER SUPPLEMENTARY INFORMATION**

#### **Combining Financial Statements**

Combining Balance Sheet – Nonmajor Governmental Funds C-1

Combining Statement of Revenues, Expenditures and Changes in  
Fund Balances – Nonmajor Governmental Funds C-3

Combining Statement of Revenues, Expenses and Changes in Net  
Position – Component Units C-5

Combining Statement of Cash Flows – Component Units C-6

#### **Budgetary Comparison Schedules**

**General Fund** D-1

# CITY OF CHATTANOOGA, TENNESSEE

## CONTENTS

<b>Special Revenue Funds</b>	
Downtown Development Fund	D-12
Social Services Program Fund	D-13
Narcotics Program Fund	D-14
State Street Aid Fund	D-15
Community Development Fund	D-16
Hotel/Motel Tax Fund	D-17
River Pier Garage Fund	D-18
Regional Planning Agency Fund	D-19
Air Pollution Control Fund	D-20
Scenic Cities Beautiful Commission Fund	D-21
Tennessee Valley Regional Communications Fund	D-22
<b>Debt Service Fund</b>	D-23
<b>Financial Schedules</b>	
Schedule of Investments by Funds	E-1
Combined Schedule of Changes in Taxes Receivable	E-2
Summary Schedule of Debt Service Requirements to Maturity	E-3
Analysis of General Obligation Debt	E-5
Schedule of Bonds, Notes, and Capital Leases Payable – by Fiscal Year	E-9
<b>STATISTICAL SECTION (Unaudited)</b>	
Changes in Net Position	F-1
Net Position by Component	F-3
Governmental Activities Tax Revenue by Source	F-5
Fund Balances of Governmental Funds	F-6
Changes in Fund Balances of Governmental Funds	F-7
Assessed and Estimated Actual Value of Taxable Property	F-9
Property Tax Rates – Direct and Overlapping Governments	F-10
Principal Property Taxpayers	F-11
Property Tax Levies and Collections	F-12
Property Value and Construction Permits	F-13
General Fund Intergovernmental Revenue	F-14
EPB Utility Rate Structure and Number of Customers	F-15
Ratios of Outstanding Debt by Type	F-16
Ratios of General Bonded Debt Outstanding	F-17
Direct and Overlapping Governmental Activities Debt	F-19
Legal Debt Margin Information	F-20
Historical Debt Ratios	F-22
Revenue Bond Coverage	F-24
Demographic and Economic Statistics	F-25
Principal Employers	F-26
Full-Time Equivalent City Government Positions by Function	F-27
Operating Indicators by Function	F-28
Capital Asset Statistics by Function	F-29
Employment and Unemployment Statistics	F-30
Other Taxes	F-31
Capital Improvement Program	F-32

# CITY OF CHATTANOOGA, TENNESSEE

## CONTENTS

### SINGLE AUDIT SECTION

Schedule of Expenditures of Federal and State Awards	G-1
Notes to Schedule of Expenditures of Federal and State Awards	G-7
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 <i>Government Auditing Standards</i>	G-8
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with the Uniform Guidance	G-10
Schedule of Findings and Questioned Costs	G-12
Schedule of Prior Audit Findings	G-14





# Mayor's Letter



City of Chattanooga  
Office of the Mayor

City Hall 101 East 11th Street Chattanooga, Tennessee 37402

December 20, 2016



Mayor Andy Berke

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

I am honored to present the City of Chattanooga's annual financial report for the year ended June 30, 2016. As an Administration, we focused on spreading opportunity to those in our community who have been left out of our growing prosperity. Over the past year, we have made critical investments and progress in neighborhoods, workforce development, public safety, and education. Whether it's making our streets safer or growing our local economy, the City of Chattanooga works to provide the best services to our citizens while producing real results in the priority areas that matter most to our community.

In the last three years, Chattanooga has made tremendous strides. Our unemployment rate has fallen dramatically, from 8.1 percent in May of 2013 to 4.0 percent in May of 2016, and we have experienced the third highest wage growth in the country for a mid-sized city. Downtown Chattanooga is booming and our rising home prices reflect the buying power of more citizens. Home to the first Innovation District in a mid-sized city, Chattanooga has worked to leverage our resources and maximize the impact of our burgeoning tech sector. And through initiatives like TechHire and NetBridge, we push to ensure digital equity throughout our diverse community.

While we have made our streets safer for more Chattanoogaans, there is always work to do. Robberies are at a five-year low and violent crime and property crimes have fallen over the past three years. To address the all too prevalent gun violence in our streets, the City invested in technology and cameras which provide important resources to our Chattanooga Police Department's investigation unit. In partnership with our Community Police Response to Victims of Violence initiative and our Citizens Safety Coalition, we established a Witness Support Fund to help bring more criminals to justice while keeping our witnesses safe. And this past year we have made real progress on our Family Justice Center to service survivors of domestic and family violence, opened in its permanent location in the fall of 2016.

Over the last year, people and organizations from across the city have taken part in a public process called Chattanooga 2.0. Through this important initiative, we can see clearly the difficult path our kids face every day—on the streets, in our school system, and in the job market. The City of Chattanooga is committed to tackling these issues head on, specifically ensuring more of our citizens have access to early learning opportunities. From initiatives like Baby University to Head Start expansion, we have made progress, but we are ready to do more. In the year to come, the City will kick our early learning efforts into high gear with a newly established Office of Early Learning, expanded Baby University, and major investments in Pre-K scholarships.

For every Chattanoogaan to live the life of their choosing, we must come together as a community—non-profits, private businesses, churches, schools, leaders, government. When I reflect on the past three years, I am proud of the results we have achieved together and look forward to accomplishing even more to strengthen our city and our community.

Sincerely,

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

Mayor Andy Berke  
City of Chattanooga



# City Council



Chip Henderson  
District 1



Jerry Mitchell  
Vice Chair  
District 2



Ken Smith  
District 3



Larry Grohn  
District 4



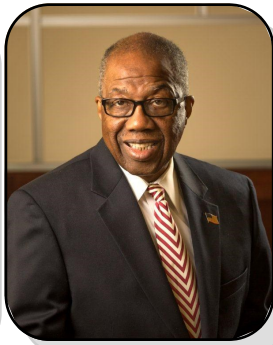
Russell Gilbert  
District 5



Carol Berz  
District 6



Chris Anderson  
District 7



Moses Freeman  
Chair  
District 8



Yusuf Hakeem  
District 9



# Letter of Transmittal



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

December 20, 2016

**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 of the City of Chattanooga for the fiscal year ended June 30, 2016 is submitted in compliance with this requirement.

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

Henderson, Hutcherson & McCullough, PLLC, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Chattanooga's financial statements for the year ended June 30, 2016. The independent auditor's report is presented as the first item in the financial section of this report.

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

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



Daisy W. Madison, City Finance Officer





## GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND MAJOR INITIATIVES

### PROFILE OF THE GOVERNMENT

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

Founded as a ferry landing and warehouse site in 1815, the City of Chattanooga was incorporated under State of Tennessee Private Acts of 1839. The City is the county seat of Hamilton County and is located near the southeastern corner of the state on the Tennessee-Georgia border. Chattanooga is centrally located in relation to other major population centers of the southeast, being within a 150-mile radius of Knoxville and Nashville, Tennessee; Birmingham, 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 Census Bureau data shows the city is the second-fastest growing urban area in the state, with a population estimated at 176,588. The City is empowered to levy a property tax on both real and personal property located within its boundaries. Corporate limits may be extended at the request of the property owner or by a referendum of the people in the affected areas that might want to petition to come into the city.

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

The City provides a full range of municipal services including but not limited to fire and police protection; sanita-



tion services and recycling; construction and maintenance of highways, streets and infrastructure; recreation and cultural activities; youth and family development; public library; community development; planning and zoning; neighborhood services; social services; and general administrative services. It also operates a water quality program, a solid waste program, communication system 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 along with EPB as an enterprise fund. Additional services are provided through the legally separate Metropolitan Airport Authority and the Chattanooga Area Regional Transportation Authority, both of which are reported separately within the City's financial statements. Additional information on all these legally separate entities can be found in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial plan. In lieu of the traditional approach, the City develops its annual budget utilizing the Budgeting for Outcomes (BFO) approach. BFO is a process designed to operate a government that works better and costs less. It is based on the premise that the percentage of personal income the public is willing to pay for their government through taxes, fees, and charges is fixed. While the "price of government" is fixed, the cost of providing services is increasing. Budgeting for Outcomes focuses on results and priorities, not cost. The budget process shifts from paying for costs to buying results. It puts citizens and their priorities, not status quo, first. It emphasizes accountability, innovation, and partnerships. The City Finance Officer obtains budget offers from all City departments and agencies to address the major results areas communicated by the citizens. These results areas are safer streets, a growing economy, stronger neighborhoods, smarter students and stronger families, and high performing government. Offers are evaluated by results team's and allocations are recommended to the Mayor based on citizens' priorities and available funding. During the months of May and June, advertised public hearings are held by the Council whereby taxpayers are given the opportunity to comment prior to final passage. The budget is legally enacted through passage of an ordinance with an operative date of July 1. The appropriated budget is adopted on a departmental basis; the legal level of budgetary control is the fund level. The City Finance Officer is authorized to make intra-fund transfers if necessary. Budgetary comparison schedules are provided in the budget document for each individual governmental fund for which an appropriated annual budget has been adopted.

## FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements

may be best understood when it is considered from the broader perspective of the specific economic environment within which the City of Chattanooga operates.

**The Local Economy:** The City of Chattanooga is well positioned for future growth. Employment in the Chattanooga area is diverse. The top employment sectors of trades, transportation, and utilities (20%), government (15%), manufacturing (13%), professional and business services (18%), education and health (14%), and leisure and hospitality (11%) comprise 91% of the workforce. The local unemployment rate of 5.1% for the Metropolitan Statistical Area is comparable to the state and national averages of 4.3% and 4.9% as of July, 2016, according to the U.S. Bureau of Labor Statistics. Tennessee added jobs at a faster pace than the rest of the country on average over the past year and had the third largest increase in manufacturing wages nationally.



Chattanooga enjoys strategic advantages related to its location, strong transportation system, natural resources and competitive cost of doing business. The Chattanooga area is served by three interstate highways, seven U.S. highways, two railways, airlines, bus service, and the Tennessee River system. Work on the Chickamauga Lock, a key to transportation along the Tennessee River, is resuming, with an expected project cost of \$755 million. The prior phase was completed in 2013 at a cost of \$185 million. This phase of the project will replace the existing 60 by 360 foot lock with one that is 110 by 600. Direct flights are available to eight major cities. The Airport has added 230 parking spaces to accommodate a rise in passenger traffic, which exceeded 390,000 through last December. Through July of 2016, boarding's are up 2.5% over 2015. A newly recruited air maintenance company which currently employs 35 people could eventually expand to a total of 250 employees as it continues to expand. Chattanooga is home to three major air cargo facilities, three public use port terminals, and four major industrial parks. Railway service is provided by four divisions of the Norfolk Southern Railway System and two divisions of the CSX Transportation System, all with switching service throughout the entire area. Modern "piggyback" service is provided by both lines.



Employment in the retail service sector continues to thrive. Hamilton Place Mall, which is in its 30<sup>th</sup> year of operation, anchors the area's I-75 retail corridor. A \$100 million expansion of retail and residential development is in the planning stages just north of the mall. Early plans for the development known as Waterside could include 350,000 square feet of retail space, restaurants, and up to 300 apartments in this mixed use development encompassing over 60 acres. The Hixson area at the north end of Highway 153 is also enjoying a resurgence of activity. Just north of the current retail area, developers have announced plans for Hillocks Farm, a mixed use retail, office, and apartment project on 190 acres. Each of these developments is expected to be valued at more than \$100 million.

Downtown is thriving. The first two phases of \$100 million housing and commercial project on the west side of downtown along the river have sold out and the third phase is available. An additional section valued at up to \$100 million may be added. A new \$19 million hotel, with 140 rooms, opened in December, 2015. The "Gold Building", former headquarters of Blue Cross Blue Shield of Tennessee, is being converted into a 254 room hotel which will include a ballroom and meeting rooms. In the core of downtown, construction is well under way on a 10-story building in the 700 block of Market Street. The \$30 million development will include retail, office, and 125 apartments. Construction is also underway in the McClelland Building on Broad Street, converting the historic structure, a landmark since 1924, into apartments with commercial space on the ground floor. Renovation of the First Tennessee Bank Building on Market Street will bring apartments to that building as well. The value of these two projects is expected to exceed \$25 million. Many other large projects under way or in the planning stages will bring continued transformation to the core of Chattanooga.

Chattanooga continues to receive recognition as a world leader in technology. EPB was recognized in June by The Nation magazine for its one-gigabit per second internet service. Additionally BBC World Service produced a feature called "Chattanooga – the High Speed City" touting the advantages the service has provided to the area and its citizens. Offered since 2010, Chattanooga became the first city to provide a ten-gigabit connection to all 170,000 homes in its service area beginning in 2015. The Fiber-to-the-Home network is available to individuals, schools, and businesses in a service area covering 600 square miles including urban, suburban, and rural places and a diverse population of 300,000 people. There are currently over 82,000 customers. The system is integrated with Smart Grid, a technology which allows remote monitoring of meters for every customer. A \$111 million federal stimulus grant from the Department of Energy in 2010 dramatically accelerated the installation in 2012 of the Smart Grid, allowing for an implementation schedule to taking only two years. A wireless mesh network is piggybacked onto the entire system, enhancing public safety. In 2016, EPB invested \$320 million to add 4K ultra high definition TV service, the first in the area.

The establishment of NoogaNet in city-owned spaces and buildings takes advantage of the 10-gig Wi-Fi at 30 locations; expansion plans include 11 additional locations.



The economic impact of the EPB fiber optic network has approached \$1 billion since its inception according to a study published in 2015 by the University of Tennessee at Chattanooga, with an estimated creation of 2800 jobs. The Oak Ridge National Laboratory is locating an office at EPB to take advantage of the network. Potentially lead to a permanent presence for the U.S. Department of Energy. The high-speed internet continues to attract competition and international visitors. GigTank, hosted in Chattanooga by The Company Lab (CO.LAB), is in its fifth year. The availability of technology helped foster "Startup Week Chattanooga" which held its third annual week-long workshop in October to provide a networking venue for internet entrepreneurs.

Manufacturing continues the resurgence that began in 2008 with the announcement that Volkswagen AG would locate its United States manufacturing headquarters in Chattanooga. Since that time, the area has attracted \$4 billion in foreign direct investment. The Enterprise South Industrial Park (ESIP), home to Volkswagen AG, hosts numerous companies associated with automobile manufacturing, as well as an Amazon distribution center. The 3000 acre industrial site has essentially been filled or committed for potential expansion of the VW plant which will house the new SUV designed and built specifically for the U.S. market. As commencement of production approaches, the recruitment process has begun for up to 2000 additional jobs at the plant. The \$900 million expansion includes \$600 million by VW, \$230 million from state and local government, and up to \$70 million in additional incentives and infrastructure improvements over the next decade. The City and County share equally a \$52.5 million direct investment in this expansion. VW retains an option on 900 additional acres adjacent to their 1300 acre facility, in anticipation of significant additional future expansion. Spanish supplier Gestamp, a world leader in hot-stamp technology and a Tier 1 supplier for VW, BMW, and Mercedes-Benz, has embarked on a \$180 million expansion of its existing facility as well as a second plant on site and a third location in an existing building near the park on Jersey Pike. The company, which already had a significant presence as a supplier of cold-stamped components, says the expansions will create an additional 510 jobs over the next two



years. The City and County have begun to develop 250 acres within the park for additional automotive suppliers.

Chattanooga is one of the leading areas in the state for business start-ups. Large announcements get the headlines, but small business growth can make up the bulk of our job growth and diversity. Our success in this regard is driven by technology, capital venture funding, business incubators, and a City initiative which will award a total of \$100,000 in grants to small companies. This initiative, called the “Innovation District”, is designed to connect entrepreneurs who have creative ideas with existing businesses to jump start new successful companies. Chattanooga again ranked as the least expensive city for business start-ups by SmartAssets when compared to the 80 largest cities in the country. Venture capital funding of local business is setting new records for the area in 2016.

Retention and growth of existing business is as important as attracting new industry. TAG Manufacturing is one example. The maker of attachments for heavy equipment announced a \$15 million expansion at its ESIP location, adding 200 jobs and a 200,000 square foot facility to be built on 19 acres it recently acquired. Another manufacturer that announced expansion is Astec Inc., adding 25,000 square feet and 40 jobs.

The fourth phase of the Chattanooga Chamber of Commerce “Chattanooga Can Do” campaign, conducted from July 2015 – June 2019, set goals for job growth. These four year goal includes the following benchmarks with progress as of June 2016, the first of four years:

	<u>4 Year</u>	<u>Actual</u>
<u>Goal to increase</u>	<u>Target</u>	<u>(1 year)</u>
Regional Employment	15,121	2,563
Private Investment	\$500 M	\$247 M
Payroll	\$439 M	\$118 M

Quality education is also the centerpiece of a successful community. A study released in 2015 by the Manhattan Institute shows the number of adults age 25 and over in the Chattanooga MSA with a bachelor’s degree or higher has increased over 40% since 2000. Chattanooga State Technical Community College maintains five training partnerships with local manufacturers or groups to provide industry-specific training to students, allowing flexibility so programs can be tailored to current needs. This approach to educational and training support to industry will serve to attract additional new manufacturing and technical jobs to the area. The Hamilton County Public School System has established a school for Science, Technology, Engineering and Math (STEM), located on the Chattanooga State campus, which provides coursework based in hands-on training and offers internships or apprentice-

ships to the students.

Downtown remains a popular tourist destination, anchored by the Tennessee River and the Tennessee Aquarium. Hotel tax receipts within the city are up 33% over the last five years. Among national events which took place over the past year were Ironman, the Head of the Hooch rowing competition and the USA Cycling pro championships. These and a host of regional tournaments, outdoor events, and recreational activities, bring millions to the local economy and help keep Chattanooga in the forefront. Locally organized events such as the Chattanooga Track Club’s 25<sup>th</sup> triathlon remain popular as well.

Outdoor activity is offered in abundance. The newest section of the Tennessee Riverwalk system opened, adding three miles of pathway connecting the downtown to the St. Elmo district to the south. The Where to Retire magazine ranks the city among the eight best to cycle. The Kiplinger newsletter highlighted Chattanooga as one of the best areas to retire, citing outdoor activities and low cost of housing.

The fiscal health of Chattanooga City Government remains strong. As outlined in the Management’s Discussion and Analysis on page iii, the City has maintained a healthy financial position through sound fiscal management. Standard and Poor’s and Fitch Ratings Services has assigned the City a AAA and AA+ bond rating respectively.



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

The City began its Budgeting for Outcomes approach to budget preparation and management in the Fiscal Year 2014



budget. This approach, in its third year with the Fiscal Year 2016 budget, is designed to measure results against goals and benchmarks used in determining funding levels for all city operations. It provides accountability by requiring regular review and monitoring of departmental performance by the Mayor, the City Finance Officer and other senior City officials. The City's annual performance report to the citizens of Chattanooga gives residents an update on how city services are responding to their needs. An Open Data portal was implemented in 2015 to improve transparency and promote citizen engagement. It includes up to date budget and spending data on the City's website.

**Relevant financial policies:** The City Council has adopted a Debt Management Policy which guides 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. The City Council has also adopted a Pension Funding Policy in compliance with State of Tennessee Law.

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





# Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chattanooga, Tennessee for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the twenty-fourth consecutive year that the City has received this award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

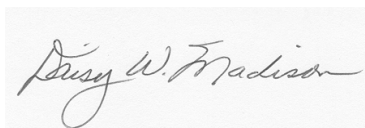
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget for each of the twenty 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.

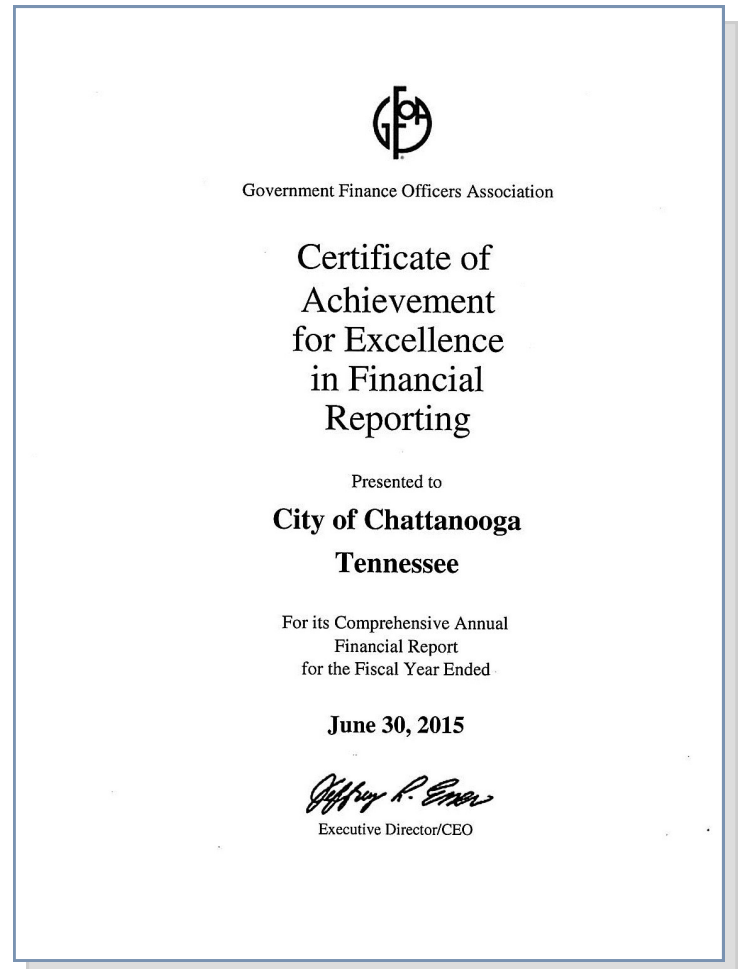
The GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting was received for the fiscal year ended June 30, 2015. This is the fifth consecutive year for which the City applied for the award. In order to qualify, a government must publish a Popular Annual Financial Report with contents 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, 2016



## EXECUTIVE BRANCH:

**Andy Berke, Mayor**  
 Stacy Richardson, Chief of Staff  
 Maura Sullivan, Chief Operating Officer

## CITY COUNCIL:

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

## COURTS:

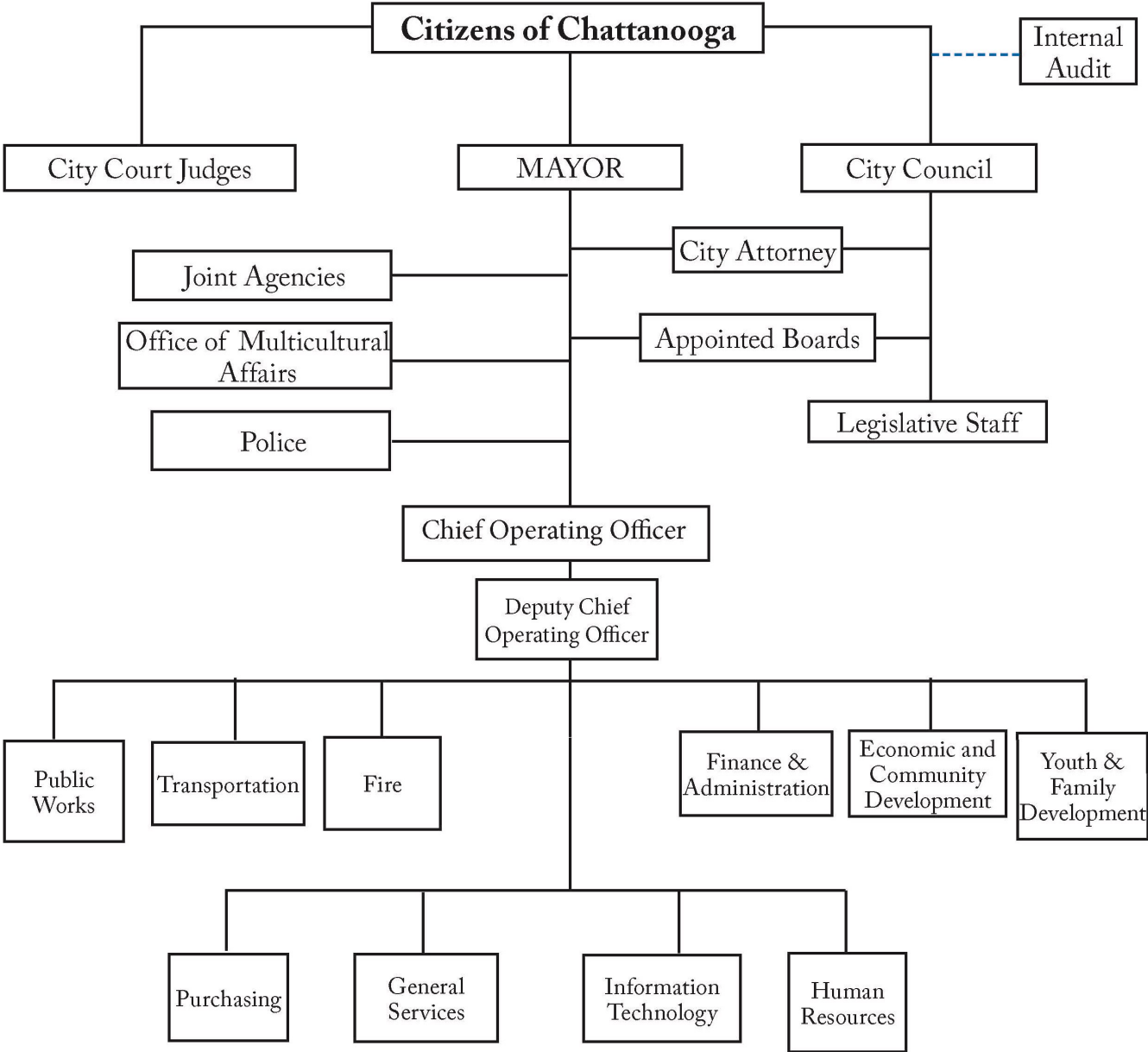
Sherry B. Paty.....City Court Judge      Russell J. Bean.....City Court Judge  
 Ron Swafford.....City Court Clerk

## DEPARTMENT ADMINISTRATORS

Legal.....	Wade Hinton.....	City Attorney
Legislative.....	Nicole Gwyn.....	Clerk of Council
Finance and Administration.....	Daisy W. Madison.....	Administrator
	Vickie C. Haley.....	Deputy Administrator
Fire.....	Chief Chris Adams.....	Administrator
Economic and .....	Donna Williams.....	Administrator
Community Development	Anthony Sammons.....	Deputy Administrator
Police.....	Chief Fred Fletcher.....	Administrator
Public Works.....	Justin Holland.....	Administrator
Youth and Family Development.....	Lurone Jennings.....	Administrator
Transportation.....	Blythe Bailey.....	Administrator



# Organization Chart







CERTIFIED PUBLIC ACCOUNTANTS  
CHATTANOOGA | MEMPHIS

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee (the City), as of and for the year ended June 30, 2016, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Chattanooga Metropolitan Airport Authority and Chattanooga Area Regional Transit Authority, which represent 100 percent of the assets, net position, and revenues of the discretely-presented component units. Additionally, we did not audit the financial statements of EPB, which represent 56 percent, 47 percent, and 85 percent, respectively, of the assets, net position, and operating revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Chattanooga Metropolitan Airport Authority, Chattanooga Area Regional Transit Authority and EPB is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chattanooga's basic financial statements. The introductory section, combining and individual nonmajor fund and component unit financial statements, the budgetary comparison schedules included as other supplementary information, financial schedules, statistical tables and schedule of expenditures of federal and state awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund and component unit financial statements, the budgetary comparison schedules included as other supplementary information, financial schedules, and schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund and component unit financial statements, the budgetary comparison schedules included as other supplementary information, financial schedules, and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Chattanooga, Tennessee  
December 19, 2016

Henderson Hutcherson  
is McCullough, PLLC

# Management's Discussion and Analysis

As management of the City of Chattanooga (the "City"), we provide readers of the City's financial statements with this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with our Letter of Transmittal beginning on page Intro 3 and the financial statements beginning on page A-1.

## Financial Highlights

- Assets and deferred outflow of resources for the primary government exceeded liabilities and deferred inflow of resources by \$1.9 billion (net position), an increase of \$100.0 million, or 5.5 percent, at the close of the fiscal year. Of this amount there is a \$55.4 million deficit unrestricted net position. The deficit in unrestricted net position improved by \$117.1 million largely due to a \$101.5 million increase in Business-Type Activities.
- Net position of governmental activities at June 30, 2016 was \$1.2 billion, an increase of \$30.6 million, or 2.6 percent. Business-type activities reported ending net position of \$718.8 million, an increase of \$69.4 million, or 10.7 percent due to favorable operations trend in all business-type activities.
- Long-term liabilities for the City's primary government increased \$113.7 million or 11.9 percent, during the current fiscal year. Governmental activities long-term liabilities increased \$62.2 million. \$47.2 million in bonds were issued: \$28.2 million to finance new projects and \$19.0 million to refinance \$19.5 million. \$17.2 million in debt was retired in fiscal year 2016. Liabilities for pension and employee accrued leave increased by \$48.2 million and Other Post Employment Benefits (OPEB) decreased by \$3.0 million. Business-type activities long-term liabilities increased \$48.5 million. \$268.2 million in bonds were issued \$49.3 to finance new projects and \$218.9 million to refinance \$239.9 million in existing debt. An additional \$19.2 million in bonds were retired. \$33.8 million in notes were issued for the Interceptor Sewer System. EPB decreased a line of credit \$17.5 million.
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$65.9 million, an increase of \$10.8 million or 19.6 percent from prior year. This represents 27.3 percent of total General Fund expenditures and transfers out.





# Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Chattanooga's basic financial statements which consist of three parts: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This comprehensive financial report also contains supplementary information intended to furnish additional detail to support the basic financial statements themselves.

## Government-wide Financial Statements

The first statements presented are government-wide financial statements. They are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

There are two government-wide financial statements:

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

**Statement of Activities** - This statement presents information showing how the City's net position changed during the most recent fiscal year. All current year revenues and expenses are reported as soon as the underlying event giving rise to the change occurs. Thus revenues and expenses are reported in this statement for items that will only result in cash flows in future fiscal years (e.g., revenue includes uncollected taxes and expenses include earned but unused vacation leave).

The government-wide financial statements reflect three distinct activities:

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

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

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

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



# Fund Financial Statements

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

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

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

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

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

The City of Chattanooga adopts an annually appropriated budget for the General Fund, special revenue funds and the debt service fund. Budgetary comparisons are provided for these funds to demonstrate compliance with the budget. The General Fund budgetary comparison is found in the fund statements of this report. Additional details for the General Fund along with budgetary comparisons for special revenue funds and the debt service fund are provided in the other supplementary information section of this report. Since neither the Capital Projects Fund nor the permanent fund adopts an annual budget, they are excluded from budgetary reporting.

Governmental fund financial statements begin on page A-4 of this report.



**Proprietary Funds** - The City of Chattanooga maintains two types of proprietary funds: (1) enterprise funds and (2) internal service funds.

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements but provide more detail and additional information, such as cash flows. The Electric Power Board (EPB), Interceptor Sewer System, Water Quality Management, Solid Waste, Tennessee Valley Regional Communications System and Chattanooga Downtown Redevelopment Corporation are considered major funds.
- **Internal service funds** are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Chattanooga accounts for fleet maintenance, technology replacement and risk financing (e.g. medical cost and third party liability claims) in the internal service fund. The internal service funds are combined into a single column in the proprietary fund statements. Because these services predominantly benefit governmental rather than business-type functions, they have been included as part of governmental activities in the government-wide financial statements.

Proprietary funds statements begin on page A-9 of this report.

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

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

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

## Notes to the Financial Statements

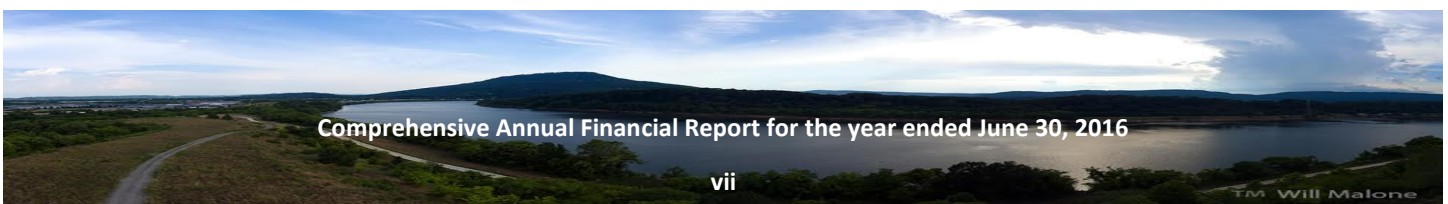
The financial statements also include notes that provide additional information that is essential to a full understanding of the government-wide and fund financial statements.

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

## Supplemental Information

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

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



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

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

## Government-wide Overall Financial Analysis

Net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$1.9 billion at the close of the most recent fiscal year, an increase of \$100.0 million, or 5.5 percent, from last year. At the end of the fiscal year, the City of Chattanooga is once again able to report a positive net position for the government as a whole, as well as for its governmental and business-type activities individually.

### City of Chattanooga's Net Position

(in thousands)

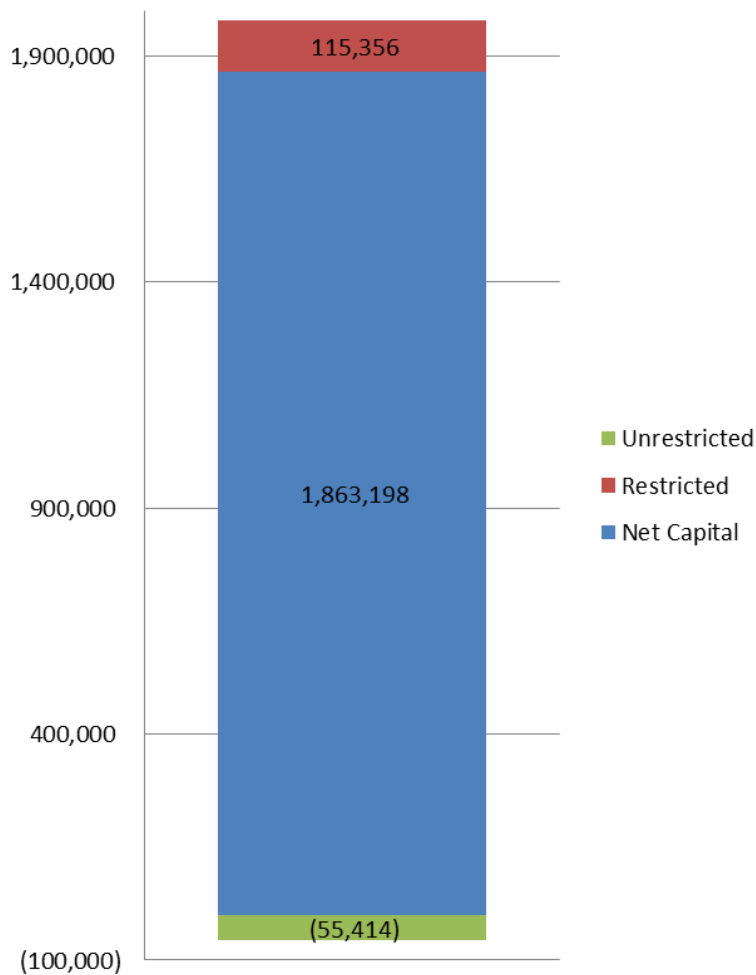
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 298,558	\$ 260,825	\$ 465,806	\$ 412,194	\$ 764,364	\$ 673,019
Capital assets	1,486,828	1,472,295	1,009,687	964,104	2,496,515	2,436,399
<b>Total assets</b>	<b>1,785,386</b>	<b>1,733,120</b>	<b>1,475,493</b>	<b>1,376,298</b>	<b>3,260,879</b>	<b>3,109,418</b>
Total deferred outflows of resources	66,438	28,443	28,310	11,512	94,748	39,955
Long-term liabilities outstanding	467,549	405,393	598,409	546,840	1,065,958	952,233
Other liabilities	29,012	26,387	183,645	186,587	212,657	212,974
<b>Total liabilities</b>	<b>496,561</b>	<b>431,780</b>	<b>782,054</b>	<b>733,427</b>	<b>1,278,615</b>	<b>1,165,207</b>
Total deferred inflows of resources	150,886	155,982	2,986	5,027	153,872	161,009
Net position:						
Net investment						
in capital assets	1,272,354	1,275,429	590,844	603,011	1,863,198	1,878,440
Restricted	66,118	47,791	49,238	69,422	115,356	117,213
Unrestricted	(134,095)	(149,419)	78,681	(23,077)	(55,414)	(172,496)
<b>Total net position</b>	<b>\$ 1,204,377</b>	<b>\$ 1,173,801</b>	<b>\$ 718,763</b>	<b>\$ 649,356</b>	<b>\$ 1,923,140</b>	<b>\$ 1,823,157</b>

By far the largest portion of the City’s net position, \$1.9 billion, reflects its investment in capital assets (land, buildings, equipment, infrastructure, etc.), less any related outstanding debt that was issued to acquire those assets. While capital assets are used to provide services to citizens, these assets are not available for future spending. It should be noted that although the City reports capital assets net of related debt, the resources needed to repay the debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position, \$115.4 million, represents resources that are subject to external restrictions on how they may be used. There is a \$55.4 million deficit in unrestricted net position due to recording of unfunded pension liabilities. Please refer to Note 8.

## Government-wide Net Position

(in thousands)



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

## City of Chattanooga's Changes in Net Position

(in thousands)

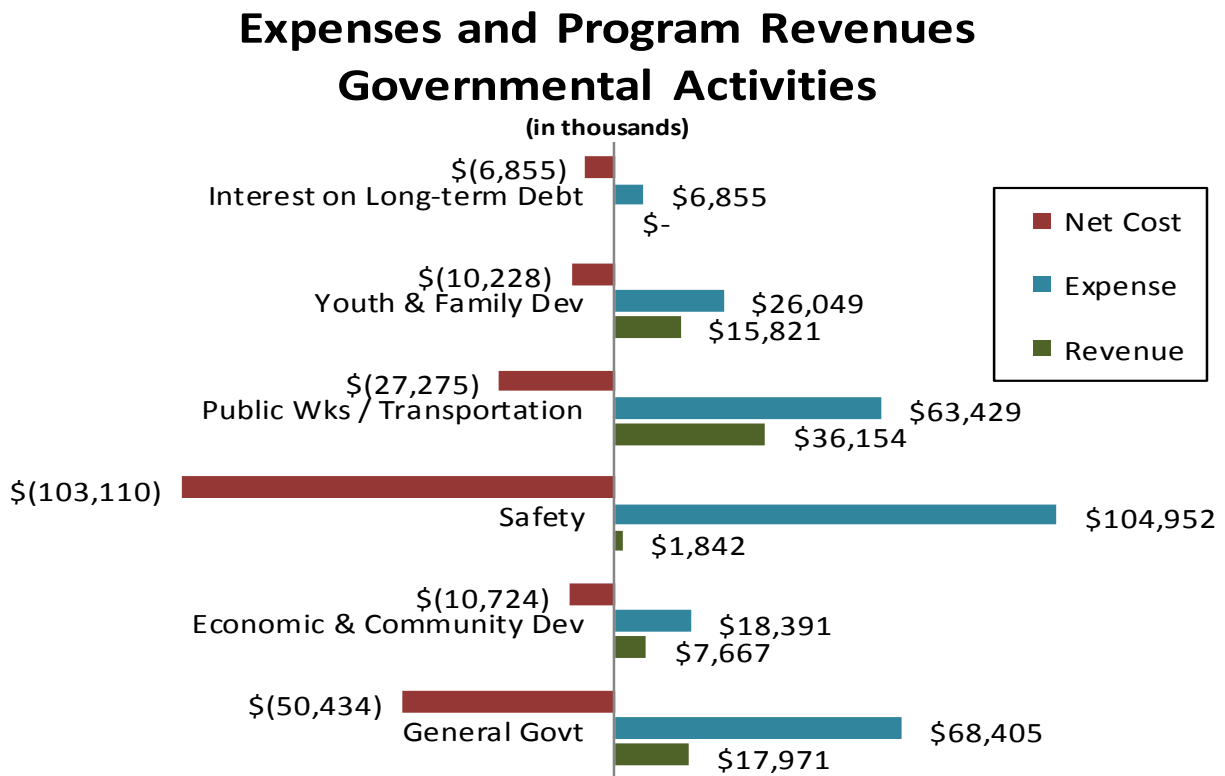
	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 20,618	\$ 21,898	\$ 801,528	\$ 781,226	\$ 822,146	\$ 803,124
Operating grants	30,519	36,065	-	-	30,519	36,065
Capital grants	28,318	1,557	985	739	29,303	2,296
General revenues:						
Property taxes	130,903	127,520	-	-	130,903	127,520
Other taxes	26,073	23,361	-	-	26,073	23,361
Investment income	1,753	955	1,816	1,186	3,569	2,141
Miscellaneous	836	1,525	-	-	836	1,525
Unrestricted grants and contributions	79,586	75,505	-	-	79,586	75,505
Total revenues	<u>318,606</u>	<u>288,386</u>	<u>804,329</u>	<u>783,151</u>	<u>1,122,935</u>	<u>1,071,537</u>
<b>Expenses</b>						
Governmental activities:						
General government	68,405	68,923	-	-	68,405	68,923
Economic and community development	18,391	25,728	-	-	18,391	25,728
Public safety	104,952	82,129	-	-	104,952	82,129
Public works and transportation	63,429	66,225	-	-	63,429	66,225
Youth and family development	26,049	23,455	-	-	26,049	23,455
Interest on long-term debt	6,855	6,904	-	-	6,855	6,904
Business-type activities:						
Electric utility	-	-	653,115	655,053	653,115	655,053
Sewer	-	-	46,230	48,141	46,230	48,141
Solid waste	-	-	4,146	4,126	4,146	4,126
Water quality	-	-	13,689	13,152	13,689	13,152
Regional communications	-	-	931	-	931	-
Downtown redevelopment	-	-	16,760	16,761	16,760	16,761
Total expenses	<u>288,081</u>	<u>273,364</u>	<u>734,871</u>	<u>737,233</u>	<u>1,022,952</u>	<u>1,010,597</u>
Excess (deficiency) before transfers	30,525	15,022	69,458	45,918	99,983	60,940
Transfers	51	-	(51)	-	-	-
Increase (decrease) in net position	30,576	15,022	69,407	45,918	99,983	60,940
Net position, beginning	1,173,801	1,158,779	649,356	603,438	1,823,157	1,762,217
Net position, ending	<u>\$ 1,204,377</u>	<u>\$ 1,173,801</u>	<u>\$ 718,763</u>	<u>\$ 649,356</u>	<u>\$ 1,923,140</u>	<u>\$ 1,823,157</u>

# Governmental Activities

During the current fiscal year, net position of the City's governmental activities increased \$30.6 million from the prior year for an ending balance of \$1.2 billion. Overall revenue increased \$30.3 million or 10.5 percent. \$21.6 million of the increase is from capital grants primarily from donations of streets. County-wide sales tax increased by \$3.8 million or 6.9 percent and state sales increased 0.8 million or 5.9 percent over the prior year and property tax increased by \$3.4 million or 2.7 percent.

Expenses for the current year increased \$14.7 million or 5.4 percent. \$22.8 million or 27.8 percent of the increase is in Public Safety. The increase primarily consists of \$8.5 million in personnel costs and an \$11.7 million pension expense adjustment to pension expense to record the change in pension liability. This is offset by a decrease in Economic and Community Development of \$7.3 million or 28.5 percent. In fiscal year 2015 there was a \$4.4 million project to demolish a housing complex. The City's remaining appropriation to the VW expansion was \$2.7 million less in fiscal year 2016.

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



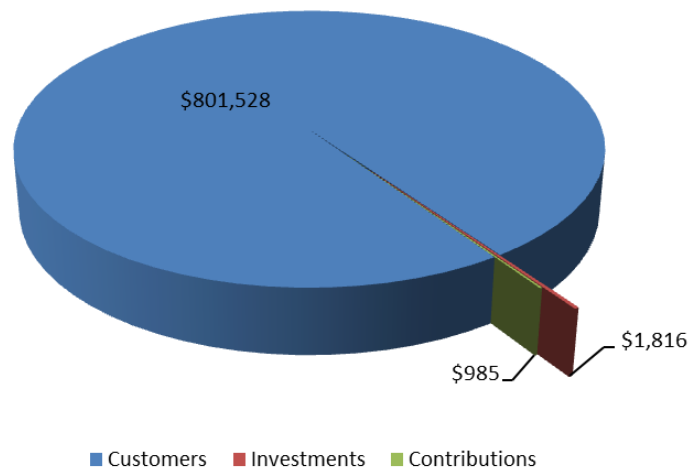
# Business-type Activities

During the current year, net position of the business-type activities increased \$69.4 million or 10.7 percent, to \$718.8 million. This net position is dedicated solely to finance the continuing operations of the electric, sewer, water quality systems, solid waste disposal, regional communications systems and downtown redevelopment operations.

Revenues for the City's business-type activities were \$804.3 million for the year just completed; this is a \$21.2 million or 2.7 percent increase. Expenses decreased \$2.4 million or 0.3 percent resulting in total expense of \$734.9 million for the year. Please see Enterprise Fund detail for additional information.

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

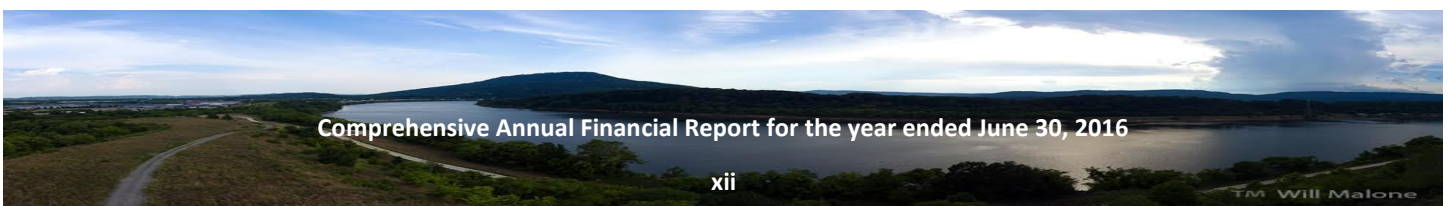
**Revenues by Source Business-type Activities**  
(in thousands)



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

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

	Electric	Sewer	Solid Waste	Water Quality	Regional Communication System	Downtown Revelopment	Total
Expenses	\$ 653,115	\$ 46,230	\$ 4,146	\$ 13,689	\$ 931	\$ 16,759	\$ 734,870
Revenues	684,925	70,770	7,002	19,626	1,307	18,883	802,513
Change in net position	\$ 31,810	\$ 24,540	\$ 2,856	\$ 5,937	\$ 376	\$ 2,124	\$ 67,643





# Financial Analysis of the City's Funds

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

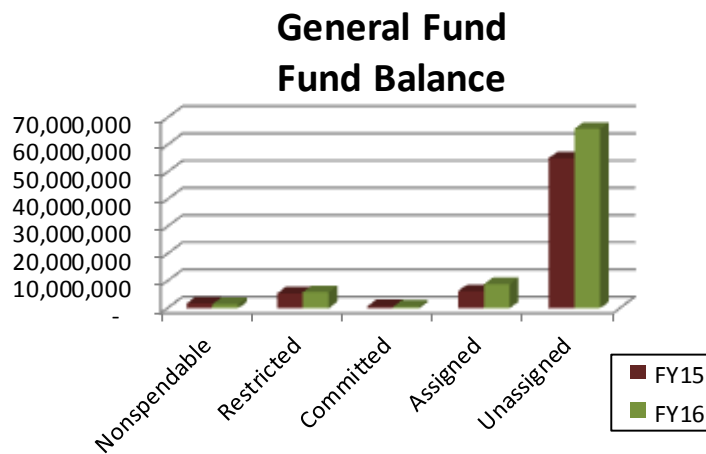
## Governmental Funds

Governmental funds focus on the near-term flow of resources and balance of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's resources available for discretionary use since it represents the portion of fund balance which has not been limited for a specific purpose.

The City's governmental funds reported a combined fund balance of \$169.2 million at the end of the fiscal year. Of this amount 39.0 percent or \$65.9 million, is available for spending at the City's discretion (unassigned fund balance). Total fund balance is made up of the following:

- \$6.3 million is in non-spendable form such as inventories and notes receivable.
- \$79.7 million is restricted for particular purposes due to restrictions placed by grants, bond covenants, other governments or by City ordinance.
- \$7.1 million is committed for specific purposes based on City resolutions.
- \$10.1 million is assigned for particular purposes such as under control of boards or designated purpose by management.
- \$65.9 million is unassigned for General Fund discretionary use.

**General Fund:** This is the chief operating fund of the City. Total fund balance of the General Fund increased by 19.3 percent or \$13.4 million to \$82.8 million during the fiscal year. Unassigned fund balance increased \$10.8 million or 19.6 percent to \$65.9 million. During fiscal year 2015 there was a \$26.5 million planned use of operational dollars and fund balance for pay-as-you-go capital and economic development incentives.



As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Unassigned fund balance represents approximately 27.3 percent of total General Fund expenditures and transfers out, while total fund balance represents 34.3 percent.

**Revenues:** Total revenues increased \$8.8 million or 3.6 percent, from the prior year. All major revenue sources are discussed as follows.

- Tax revenue is \$3.4 million or 2.3 percent higher than in the prior year. During the current fiscal year, property tax, along with payments in lieu of tax (PILOT), increased \$2.5 million or 2.0 percent over last year with \$1.6 million of the growth in property taxes and \$0.9 million PILOT revenue. Liquor and beer taxes are up \$438,000 or 5.4 percent while gross receipts increased \$706,000 or 14.4 percent. Franchise fees are \$312,000 or 6.6 percent lower than prior year. The gas company's franchise fee was \$407,000 or 19.4 percent less due to a mild winter.
- Licenses and permits are up \$854,000 or 14.3 percent. Building related permits increased \$639,000 or 23.5 percent highlighting the health of the local economy. In 2015 a new revenue source was an economic development fee imposed as part of all new PILOT agreements; this fee increased 18.3 percent to \$148,000 in 2016.
- Intergovernmental revenues increased \$4.6 million or 5.8 percent over the prior year. This is primarily resulting from a \$3.9 million or 7.2 percent increase in local option sales tax, another indicator of the health of the local economy. State shared sales tax is up \$866,000 or 6.9 percent. These increases are offset by a \$390,000 or 100.0 percent decrease in the congestion mitigation grant from the State of Tennessee as the final phase of the project was completed in 2015.
- Charges for services decreased 19.9 percent or \$1.0 million. This decrease is primarily due to loss of \$931,000 resulting from council decision to contract the management of the civic facilities to the Tivoli and Memorial Foundation.
- Fines, forfeitures and penalties decreased \$117,000 or 4.4 percent primarily due to decrease from automated traffic enforcement. A new state law is being phased in which limits this type of enforcement.
- Investment income increased \$1.0 million or 111.2 percent resulting from the availability of additional proceeds from a bond sale, more timely request for grant reimbursements and decrease in cash flow funding for economic development projects. The city has also placed greater emphasis on ensuring all idle funds are invested at the maximum rate of return allowed by law.
- Major changes in the \$115,500 or 1.7 percent increase in miscellaneous income include a \$104,000 increase of contributions for programs such as Bike Chattanooga.



**Expenditures:** Total expenditures increased \$1.2 million or 0.6 percent, from the previous year. Major changes during fiscal year 2016 are discussed below:

- Employee Compensation increased by \$2.1 million or 2.4 percent. Civilian personnel earning less than \$50,000 received a lump sum increase of \$750 while all other civilians received a 1.5 percent increase in base pay. Sworn personnel increases were provided based on a career ladder program. The largest increase in personnel costs was a \$1.7 million or 16.6 percent increase in Fire and Police Pension contributions. General Pensions contribution amounts were flat.
- Operations costs decreased by 1.1 million or 0.9 percent. During the prior year, the first of six \$1.96 million installments were made to Hamilton County Tennessee based on a settlement for past mixed-drink taxes. The second installment for fiscal year 2016 is shown as a transfer to the Debt Service fund .
- Transfers out included an additional \$30.6 million for capital projects.

**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 \$61.6 million in fund balance; of that amount \$0.4 million is nonspendable for long-term note receivables leaving \$61.2 million restricted for completion of capital projects. Fund balance for this fund fluctuates from year-to-year based on debt issued and project expenditures; new debt increases fund balance while project expenditures decreases it. For fiscal year 2016 there was an \$18.5 million increase in fund balance as \$18.9 million of bonds were issued to fund capital projects. Analysis of project income and expenditures follows.

Project inflows for the year of \$75.2 million include \$54.9 million in proceeds and bond premiums for new debt and to refinance existing debt. Transfers in of \$17.8 million include \$16.8 million from General Fund, \$1.0 million from Hotel Motel Tax, and \$0.1 million from Community Development. The transfers from General Fund include \$11.9 million planned use of operational dollars and fund balance for pay-as-you-go capital; the remaining dollars were earmarked for economic development and special programs.

Current year project outflows of \$56.6 million include \$10.6 million of economic development projects, \$1.1 million for waterfront improvements, \$7.0 million for street, sidewalk, bridge and tunnel projects, \$1.3 million for ballfields, parks and family centers and \$6.8 million for safety building improvements and equipment. Transfers out of \$1.0 million were to an internal service technology replacement fund and a brownfield grant match.

## 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 \$760.3 million. Net investment in capital assets is \$607.8 million, with an additional \$48.3 million restricted for future use, leaving \$104.2 million available to meet on-going obligations.



**Enterprise Funds** - Total net position of the enterprise funds is \$718.8 million, an increase of \$69.4 million or 10.7 percent. Details for each fund are presented below:

- **Electric Power Board** – The largest enterprise fund is EPB, which has both an electric and a fiber optic division. Total net position increased \$32.0 million or 10.6 percent to \$334.2 million, mainly due to an increase in Utility Plant of \$14.4 million. The remainder is a combination of refinancing and repayment of debt. Operating revenues are up \$12.8 million or 1.9 percent. A closer examination reveals that electric sales decreased \$3.9 million or 0.7 percent while fiber optic sales increased by \$15.8 million or 14.8 percent due to the continued success of the residential service offerings. Combined operating expenses, which includes tax equivalents and depreciation, remain even to prior year.
- **Interceptor Sewer System** – Net position of the Interceptor Sewer System increased \$25.3 million or 8.8 percent, to \$311.3 million. Operating revenues rose \$6.7 million or 10.5 percent while operating expenses decreased by \$1.8 million or 3.8 percent. Unrestricted net position (available to finance on-going operations) increased \$37.7 million or 209.9 percent to \$55.6 million. An additional \$34.3 million is restricted for future capital spending, a decrease of \$14.0 million due to less outstanding contract commitments at year end.
- **Solid Waste** – The City of Chattanooga operates a municipal solid waste landfill established to comply with the Environmental Protection Agency (EPA) mandate establishing closure and post closure requirements. The fund has a net position of \$4.7 million. To date the City has accrued liabilities of \$5.4 million for closure and post closure care costs with adequate investments earmarked to cover these costs.
- **Water Quality Management** – The Water Quality Fund, established to comply with EPA guidelines, now has \$67.7 million in net position, an increase of \$6.0 million or 9.8 percent from last year. Net investment in capital is \$26.9 million, leaving the amount available to fund day-to-day operations (unrestricted net position) at \$38.8 million. Unrestricted net position increased 42.4 percent, \$11.6 million.
- **Tennessee Valley Regional Communications System** – The Tennessee Valley Regional Communications System Fund was established in fiscal year 2016 to account for a regional communication system that services a multi-county/multi-state region. The fund has \$1.3 million in net position of which approximately \$1.0 million is restricted for replacement of system infrastructure.
- **Chattanooga Downtown Redevelopment Corporation** – The Chattanooga Downtown Redevelopment Corporation (CDRC) remains in a negative net asset position of \$0.5 million. However, during the fiscal year net position increased \$2.8 million following a continual improvement trend.

**Internal Service Fund** – The internal service fund is used to account for the City’s vehicle operation and maintenance program, employee medical benefits program, technology replacement and third party liability claims. Net position for this fund decreased \$0.4 million or 1.0 percent. This decrease is primarily comprised of \$2.8 million of healthcare costs over premiums and \$2.4 million increase in fleet program reserves for future vehicle purchases.



# General Fund Budgetary Highlights

## Original Budget Compared to Final Budget

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

## Final Budget Compared to Actual Results

Revenues exceeded budget for the year by \$14.8 million or 6.2 percent. All revenue categories with the exception of charges for service exceeded expectations. All major revenue categories are addressed below.

- Total tax revenue for the year was higher than budget by \$4.1 million or 2.8 percent. Property taxes, inclusive of payments in lieu of tax, exceeded budget by \$2.4 million or 1.9 percent. The remaining amount is primarily gross receipts tax of \$667,000, liquor taxes of \$408,000 and beer taxes of \$406,000, all exceeding budget estimates.
- Licenses and permits are \$1.5 million or 28.0 percent above budget primarily from building related permits.
- Intergovernmental revenue is \$5.2 million or 6.7 percent more than budget, primarily due to sales tax. Local option sales tax is \$4.2 million or 7.8 percent over budget while state shared sales tax exceeds budget by \$821,000 or 6.5 percent.
- Charges for services are \$863,000 under budget or 17.5 percent primarily from golf revenues being \$184,000 under budget and Metropolitan Medical Response System revenue budgeted but not received.
- Fines and forfeitures are \$1.6 million above estimates. This is primarily due to higher than expected collections for automated traffic enforcement, which was budgeted low pending effects of new state law restricting use.
- Miscellaneous revenue is \$1.7 million or 34.2 percent above budget primarily due to sale of property of \$640,000 and donations of \$704,000.

Expenditures were less than budget by \$9.9 million or 4.6 percent. All departments were under budget. Employee compensation, which is budgeted at 100 percent of budgeted positions, is \$6.3 million below budget due to vacancies. Operations are down by \$3.6 million or 4.4 percent.



# Capital Assets and Debt Administration

## Capital Assets

At fiscal year end, the City had a \$2.5 billion net investment in capital assets, an increase of \$60.1 million or 2.5 percent. This investment includes land, buildings, utility system improvements, machinery and equipment, park facilities and infrastructure. Net investment in capital assets for governmental funds increased \$14.5 million or 1.0 percent while business-type net investment in capital assets increased by \$45.6 million or 4.7 percent. The following table shows the net investment in capital assets by both governmental activities and business-type activities.

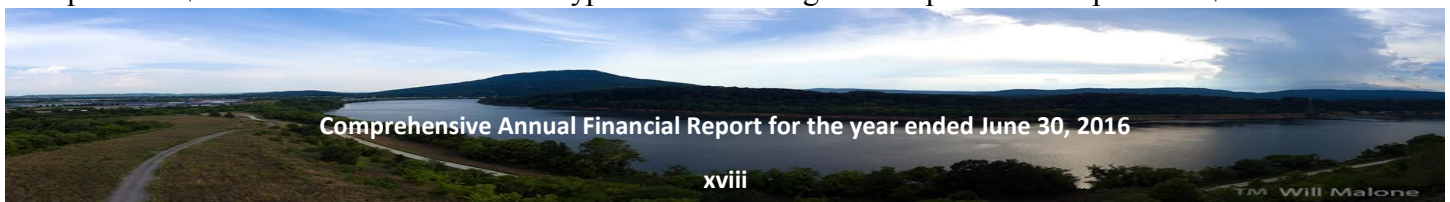
### City of Chattanooga's Capital Assets

(net of depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Non-depreciable:</b>						
Land & Easements	\$ 1,063,694	\$ 1,045,748	\$ 20,749	\$ 20,517	\$ 1,084,443	\$ 1,066,265
Construction in progress	84,911	77,087	91,471	66,019	\$ 176,382	\$ 143,106
<b>Depreciable:</b>						
Buildings & Improvements	104,574	107,490	81,559	82,628	\$ 186,133	\$ 190,118
Vehicles & Machinery	28,934	25,167	90,008	90,393	\$ 118,942	\$ 115,560
Infrastructure	204,715	216,804	725,901	704,549	\$ 930,616	\$ 921,353
<b>Total</b>	<b>\$ 1,486,828</b>	<b>\$ 1,472,296</b>	<b>\$1,009,686</b>	<b>\$964,106</b>	<b>\$2,496,516</b>	<b>\$ 2,436,402</b>

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

- Construction-in-progress (CIP) additions for governmental activities include \$2.7 million for the Family Justice Center, \$2.3 million for paving/sidewalks/road improvements, \$2.1 million for repairs to the Wilcox Tunnel, \$1.4 million for the new Hixson fire station, \$1.2 million for traffic signals and bike lanes, \$1.0 million of waterfront improvements, \$0.6 million in Miller Park District improvements, and \$0.6 million for a Chattanooga Rail Implementation Study. \$6.4 million of CIP projects were capitalized for governmental activities. Construction of projects related to the sewer system's consent decree comprised the majority of the increase in business-type activities.
- The infrastructure decrease in governmental activities is primarily due to depreciation of roads, \$23.5 million which offset the \$9.6 million of CIP infrastructure that was capitalized. Business-type activities infrastructure assets increased primarily from a \$20.4 million addition to the electric distribution system and \$17.0 million increase in the fiber optic customer premises wiring which is offset by a \$7.1 million decrease in customer premises equipment and a \$2.3 million decrease in cable and wire facilities. The net increase was partially offset by depreciation.
- 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 \$38.7 million while business-type activities recognized depreciation expense of \$69.0 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 \$718.7 million in long-term debt outstanding. This is a \$50.4 million increase or 7.5 percent, from last year. Detail is provided in the table and narrative that follows.

The City of Chattanooga maintains a “AAA” rating from Standard & Poor’s and “AA+” from Fitch Inc. for general obligation debt. The City Charter limits the amount of net general obligation debt to 10 percent of the assessed value of all taxable property within its corporate limits. The City’s general obligation debt, net of self-supporting debt, is \$174.6 million; this is 34.2 percent of its current limit of \$511.1 million. As of year-end, EPB had \$276.1 million in revenue bond debt outstanding compared to \$263.9 million last year; these bonds are rated “AA+” by Standard & Poor’s and Fitch. CDRC had \$100.9 million in revenue bonds outstanding compared to \$105.6 million last year; these bonds are rated “AA” by Standard & Poor’s and Fitch.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds (backed by the City)	\$ 189,225	\$ 174,575	\$ 36,935	\$ 35,275	\$ 226,160	\$ 209,850
Revenue bonds (backed by specific revenues)	-	-	377,000	369,545	377,000	369,545
Notes payable and other	22,937	26,990	92,505	61,742	115,442	88,732
Capital leases	113	174	-	-	113	174
<b>Total</b>	<b>\$ 212,275</b>	<b>\$ 201,739</b>	<b>\$ 506,440</b>	<b>\$ 466,562</b>	<b>\$ 718,715</b>	<b>\$ 668,301</b>

During the year the City issued the following new debt:

- The City issued \$36.3 million in new general obligation bonds. \$28.2 million were related to governmental activities while \$8.1 million were related to business-type activities.
- The City issued \$19.0 million in general obligation bonds to refund \$19.5 million, all were related to governmental activities.
- EPB issued \$41.2 million in new revenue bonds in addition to \$218.9 million in revenue bonds to refund \$239.9 million.
- The Interceptor Sewer System drew down \$33.8 million from a state revolving fund loan for consent decree projects.
- A total of \$39.4 million in debt was retired during the fiscal year; \$32.2 million in bond principal payments were made with an additional \$7.1 million in note repayments.



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

## Economic Factors and Next Year's Budgets and Rates

The following factors were taken into account when adopting the budget for 2017:

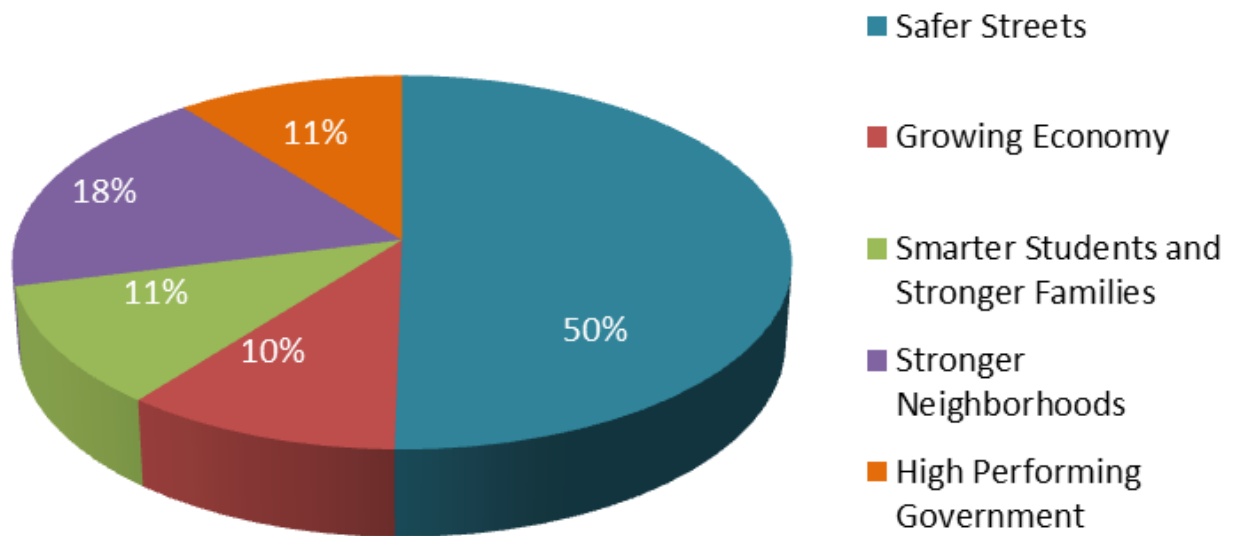
- Anticipated revenues in the General Fund are \$250.2 million, up \$10.2 million or 4.3 percent from the 2016 budget. The City conservatively forecasts property tax at 95 percent of the tax levy. The fiscal year 2017 budget includes no increase in the property tax rate yet provides sufficient revenue to fund the priorities of residents and meet the City's financial obligations.
- Major revenue increases include property tax revenue of \$3.0 million or 2.3 percent, local sales taxes \$0.5 million or 3.8 percent, and additional local sales tax designated for economic development \$0.5 million or 12.0 percent.
- Expenditures of \$247.4 million reflect an elevated awareness of constituent priorities in the following areas: safer streets; growing the local economy; smarter students and stronger families; stronger neighborhoods; and a high performing government. Expenditures are expected to be \$2.3 million or 0.9 percent more in 2017, primarily because \$2.5 million increase to police or 4.1 percent.
- The City of Chattanooga uses the Budgeting for Outcomes (BFO) approach to establish the annual financial plan for undesignated general funds (\$230,275,000). This approach is based on collaboration, transparency and delivery of services that matter most to citizens. Requests in the form of offers are prioritized by results areas and funded as revenue permits.
  - The 2017 budget funds 34 offers totaling \$115,496,925 (50.3 percent) of the budget for safer streets. This continues funding for 486 police officers, an all-time high, to implement a community-based policing model. Also included is funding for the pay plan for sworn personnel, maintaining a full-time Federal prosecutor, and funding for a Family Justice Center.
  - 25 offers were funded for a total of \$23,690,300 (10.3 percent) for growing the local economy. These offers which invest in the Innovation District and continue the small business incentives of the prior year, will ensure Chattanooga have the skills to compete, while strengthening infrastructure to support business expansion.
  - \$24,133,965 (10.5 percent) of the budget provides funding for 27 offers for smarter students and stronger families. These dollars will support children from cradle to career, providing character education, and creating effective programming for parents and seniors.





- Stronger neighborhoods received \$42,079,222 (18.3 percent) to fund 24 offers. This will provide opportunities for every citizen to live in a thriving neighborhood with recreation opportunities and access to variety of transportation options.
- Effective use of every tax dollar is ensured by funding 25 offers totaling \$24,361,406 (10.6 percent) for high performing government. These offers focus on long-term financial health of the City and providing customer service.

## Funding of Results Areas



# Requests for Information

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

**City of Chattanooga Finance Department**

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

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

**Chattanooga Metropolitan Airport Authority**

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

**CARTA**

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





**CITY OF CHATTANOOGA, TENNESSEE**

**STATEMENT OF NET POSITION**

**June 30, 2016**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 94,788,886	\$ 207,653,059	\$ 302,441,945	\$ 11,530,558
Investments	67,571,914	30,898,432	98,470,346	-
Receivables, net of allowance for uncollectible	175,109,124	86,011,189	261,120,313	8,902,140
Internal balances	(86,639,268)	86,639,268	-	-
Due from component units	646,535	-	646,535	-
Inventories	2,850,282	14,886,052	17,736,334	757,171
Prepaid items	18,519	9,332,362	9,350,881	1,553,796
Restricted assets:				
Cash and cash equivalents	29,288,739	13,070,917	42,359,656	2,888,701
Investments	2,985,000	17,278,042	20,263,042	-
Endowment investments	4,411,028	-	4,411,028	-
Receivables	37,609	-	37,609	281,068
Other	-	36,757	36,757	-
Other postemployment benefit assets	-	-	-	60,935
Equity interest in joint venture	7,489,062	-	7,489,062	-
Land and other nondepreciable assets	1,148,604,734	112,219,701	1,260,824,435	12,419,987
Other capital assets, net of accumulated depreciation	338,223,605	897,467,608	1,235,691,213	128,123,129
Total assets	<u>1,785,385,769</u>	<u>1,475,493,387</u>	<u>3,260,879,156</u>	<u>166,517,485</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	3,931,305	17,266,583	21,197,888	-
Deferred contribution pension plans	18,372,835	9,533,592	27,906,427	966,664
Deferred experience loss pension plans	7,871,362	-	7,871,362	827,026
Deferred investment loss pension plans	15,690,923	1,509,606	17,200,529	1,178,277
Deferred assumption loss pension plans	20,571,120	-	20,571,120	160,930
Total deferred outflows of resources	<u>66,437,545</u>	<u>28,309,781</u>	<u>94,747,326</u>	<u>3,132,897</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	27,837,080	151,815,246	179,652,326	6,901,628
Customer deposits	-	20,117,000	20,117,000	-
Due to primary government	-	-	-	646,535
Contracts payable	528,165	1,455,656	1,983,821	722,112
Unearned grants revenue	646,477	-	646,477	-
Other liabilities	-	10,257,000	10,257,000	-
Long-term liabilities:				
Due within one year	19,060,103	30,817,117	49,877,220	734,126
Due in more than one year	448,488,958	567,591,952	1,016,080,910	24,446,644
Total liabilities	<u>496,560,783</u>	<u>782,053,971</u>	<u>1,278,614,754</u>	<u>33,451,045</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue	131,416,150	-	131,416,150	77,883
Deferred investment gains pension plans	16,257,890	2,279,934	18,537,824	-
Deferred assumption change pension plans	2,998,274	659,080	3,657,354	135,330
Deferred experience gains pension plans	213,388	46,907	260,295	9,632
Total deferred inflows of resources	<u>150,885,702</u>	<u>2,985,921</u>	<u>153,871,623</u>	<u>222,845</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,272,353,698	590,844,184	1,863,197,882	129,599,322
Restricted for:				
Capital projects	61,573,142	-	61,573,142	-
Debt service reserve	-	9,748,000	9,748,000	2,447,657
Renewal and replacement	-	39,490,536	39,490,536	-
Permanent endowments:				
Expendable	133,864	-	133,864	-
Nonexpendable	4,411,028	-	4,411,028	-
Unrestricted	<u>(134,094,903)</u>	<u>78,680,556</u>	<u>(55,414,347)</u>	<u>3,929,513</u>
Total net position	<u>\$1,204,376,829</u>	<u>\$ 718,763,276</u>	<u>\$1,923,140,105</u>	<u>\$ 135,976,492</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, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental activities:				
General government	\$ 68,405,139	\$ 14,530,075	\$ 3,264,548	\$ 175,953
Economic and community development	18,390,875	4,130,813	3,336,571	200,000
Public safety	104,952,395	878,733	963,401	-
Public works and transportation	63,429,352	524,452	7,688,183	27,941,813
Youth and family development	26,048,987	553,403	15,267,055	-
Interest on long-term debt	6,854,540	-	-	-
Total governmental activities	<u>288,081,288</u>	<u>20,617,476</u>	<u>30,519,758</u>	<u>28,317,766</u>
Business-type activities:				
Electric utility, including fiber optics	653,115,000	684,060,000	-	865,000
Sewer	46,229,974	70,770,332	-	-
Solid waste	4,145,986	6,981,881	-	20,000
Water quality management	13,688,806	19,526,288	-	100,000
Regional communications	931,065	1,306,785	-	-
Downtown redevelopment	16,759,306	18,882,874	-	-
Total business-type activities	<u>734,870,137</u>	<u>801,528,160</u>	<u>-</u>	<u>985,000</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 1,022,951,425</u>	<u>\$ 822,145,636</u>	<u>\$ 30,519,758</u>	<u>\$ 29,302,766</u>
<b>COMPONENT UNITS</b>				
Airport authority	\$ 19,029,450	\$ 18,426,061	\$ -	\$ 7,407,034
Transportation authority	24,161,012	9,732,150	7,773,956	4,685,637
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 43,190,462</u>	<u>\$ 28,158,211</u>	<u>\$ 7,773,956</u>	<u>\$ 12,092,671</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 on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (50,434,563)	\$ -	\$ (50,434,563)	\$ -
(10,723,491)	-	(10,723,491)	-
(103,110,261)	-	(103,110,261)	-
(27,274,904)	-	(27,274,904)	-
(10,228,529)	-	(10,228,529)	-
(6,854,540)	-	(6,854,540)	-
<u>(208,626,288)</u>	<u>-</u>	<u>(208,626,288)</u>	<u>-</u>
-	31,810,000	31,810,000	-
-	24,540,358	24,540,358	-
-	2,855,895	2,855,895	-
-	5,937,482	5,937,482	-
-	375,720	375,720	-
-	2,123,568	2,123,568	-
-	<u>67,643,023</u>	<u>67,643,023</u>	<u>-</u>
<u>(208,626,288)</u>	<u>67,643,023</u>	<u>(140,983,265)</u>	<u>-</u>
-	-	-	6,803,645
-	-	-	<u>(1,969,269)</u>
-	-	-	4,834,376
130,902,972	-	130,902,972	-
8,997,261	-	8,997,261	-
6,589,452	-	6,589,452	-
5,882,100	-	5,882,100	-
4,382,373	-	4,382,373	-
222,074	-	222,074	-
58,584,096	-	58,584,096	-
13,453,178	-	13,453,178	-
3,532,771	-	3,532,771	-
4,015,247	-	4,015,247	-
1,753,046	1,815,617	3,568,663	16,651
-	-	-	2,375,052
836,089	-	836,089	-
50,952	(50,952)	-	-
<u>239,201,611</u>	<u>1,764,665</u>	<u>240,966,276</u>	<u>2,391,703</u>
30,575,323	69,407,688	99,983,011	7,226,079
<u>1,173,801,506</u>	<u>649,355,588</u>	<u>1,823,157,094</u>	<u>128,750,413</u>
<u>\$ 1,204,376,829</u>	<u>\$ 718,763,276</u>	<u>\$ 1,923,140,105</u>	<u>\$ 135,976,492</u>

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

**CITY OF CHATTANOOGA, TENNESSEE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**June 30, 2016**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,981,730	\$ 60,179,871	\$ 21,083,861	\$ 91,245,462
Investments	67,571,914	2,985,000	4,411,028	74,967,942
Receivables, net of allowance for uncollectibles:				
Property taxes	122,688,011	-	-	122,688,011
Other taxes	12,581,913	-	1,173,031	13,754,944
Notes	1,035,765	388,946	12,746,843	14,171,554
Other	750,257	36,476	138,368	925,101
Due from other funds	-	204,419	29,830	234,249
Due from other governments	19,605,317	738,256	2,828,934	23,172,507
Inventories	859,386	-	-	859,386
Prepaid items	4,000	-	14,519	18,519
	<u>\$ 235,078,293</u>	<u>\$ 64,532,968</u>	<u>\$ 42,426,414</u>	<u>\$ 342,037,675</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities:				
Accounts payable	\$ 4,012,533	\$ 1,685,727	\$ 1,477,622	\$ 7,175,882
Accrued payroll	5,957,332	-	648,903	6,606,235
Due to other funds	-	745,935	204,418	950,353
Due to other governments	143,167	-	-	143,167
Contracts payable	-	528,164	-	528,164
Unearned grants revenue	3,433	-	643,044	646,477
	<u>10,116,465</u>	<u>2,959,826</u>	<u>2,973,987</u>	<u>16,050,278</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	131,208,653	-	-	131,208,653
Unavailable revenue - other local taxes	2,217,200	-	558,333	2,775,533
Unavailable revenue - shared tax revenue	8,209,201	-	377,540	8,586,741
Unavailable revenue - CDBG loans	-	-	13,762,868	13,762,868
Unavailable revenue - other	483,281	-	-	483,281
	<u>142,118,335</u>	<u>-</u>	<u>14,698,741</u>	<u>156,817,076</u>
<b>FUND BALANCES</b>				
Nonspendable	1,521,502	388,946	4,425,547	6,335,995
Restricted	5,924,050	61,184,196	12,599,118	79,707,364
Committed	645,036	-	6,413,573	7,058,609
Assigned	8,830,766	-	1,315,448	10,146,214
Unassigned	65,922,139	-	-	65,922,139
	<u>82,843,493</u>	<u>61,573,142</u>	<u>24,753,686</u>	<u>169,170,321</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 235,078,293</u>	<u>\$ 64,532,968</u>	<u>\$ 42,426,414</u>	<u>\$ 342,037,675</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, 2016**

Differences in amounts reported for governmental activities in the statement of net position on page A-1:		
Fund balances - total governmental funds		\$ 169,170,321
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.		1,469,911,230
Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and are deferred in the funds.		25,400,926
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.		7,489,062
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.		41,498,438
Contributions to pension plans made after the measurement date are recorded as expenditures in governmental fund but must be deferred in the statement of net position in addition to certain other items:		
Contribution to pension plans	\$ 18,372,835	
Deferred experience loss pension plans	7,871,362	
Investment loss - pension plans	15,690,923	
Assumption change loss - pension plans	<u>20,571,120</u>	62,506,240
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.		(23,544,606)
The City's pollution remediation obligation is considered a long-term obligation.		(1,315,071)
Net pension liabilities are not due and payable in the current period and are not reported in the funds:		
General pension	(30,277,086)	
Fire and police pension	<u>(163,621,947)</u>	(193,899,033)
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	(189,224,880)	
Add net deferred refunding, issue premiums and discounts	(10,155,034)	
Notes payable	(22,937,045)	
Capital leases	(113,267)	
Capital lease payable to CDRC - reported as internal balance	(86,639,268)	
Compensated absences	(21,954,905)	
Accrued interest payable	<u>(2,346,727)</u>	(333,371,126)
Certain amounts related to the net pension liability are deferred and amortized over time. These are not reported in the funds:		
Investment gain- pension plans	(16,257,890)	
Experience gain-pension plans	(213,388)	
Assumption change gain - pension plans	<u>(2,998,274)</u>	(19,469,552)
Net position of governmental activities		<u><u>\$ 1,204,376,829</u></u>

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, 2016**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 149,130,912	\$ -	\$ 6,668,896	\$ 155,799,808
Licenses and permits	6,843,906	-	508,562	7,352,468
Intergovernmental	83,396,137	1,561,889	24,625,797	109,583,823
Charges for services	4,067,721	-	424,034	4,491,755
Fines, forfeitures and penalties	2,544,953	-	54,632	2,599,585
Investment income	1,891,715	150,130	(69,674)	1,972,171
Contributions and donations	736,984	804,894	67,288	1,609,166
Sale of property	745,075	-	26,304	771,379
Miscellaneous	5,361,993	712	517,507	5,880,212
<b>Total revenues</b>	<b>254,719,396</b>	<b>2,517,625</b>	<b>32,823,346</b>	<b>290,060,367</b>
<b>EXPENDITURES</b>				
Current:				
General government	52,183,848	-	5,676,874	57,860,722
Finance and administration	5,244,946	-	-	5,244,946
Economic and community development	6,781,362	-	1,851,992	8,633,354
Public safety	95,998,982	-	261,566	96,260,548
Public works and transportation	34,316,845	-	3,517,759	37,834,604
Youth and family development	9,836,909	-	15,936,011	25,772,920
Capital outlay/capital assets	-	35,147,388	-	35,147,388
Debt service:				
Principal retirement	-	-	17,164,347	17,164,347
Interest and fiscal charges	-	-	7,426,116	7,426,116
<b>Total expenditures</b>	<b>204,362,892</b>	<b>35,147,388</b>	<b>51,834,665</b>	<b>291,344,945</b>
Excess (deficiency) of revenues over (under) expenditures	50,356,504	(32,629,763)	(19,011,319)	(1,284,578)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	48,000	17,753,398	26,653,294	44,454,692
Transfers out	(36,997,175)	(62,500)	(7,344,065)	(44,403,740)
General obligation bonds issued	-	47,200,000	-	47,200,000
Premium on bonds issued	-	7,684,371	-	7,684,371
Payments to refunded bonds escrow agent	-	(21,414,829)	-	(21,414,829)
<b>Total other financing sources (uses)</b>	<b>(36,949,175)</b>	<b>51,160,440</b>	<b>19,309,229</b>	<b>33,520,494</b>
Net change in fund balances	13,407,329	18,530,677	297,910	32,235,916
FUND BALANCES, beginning	69,436,164	43,042,465	24,455,776	136,934,405
FUND BALANCES, ending	<u>\$ 82,843,493</u>	<u>\$ 61,573,142</u>	<u>\$ 24,753,686</u>	<u>\$ 169,170,321</u>

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

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2016**

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

Net change in fund balances - total governmental funds \$ 32,235,916

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. 21,615,854

Depreciation expense for governmental capital assets are included in the governmental activities. (34,954,716)

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. 27,167,616

The net effect of various transactions involving capital assets is to decrease net position. (1,798,169)

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. (18,524)

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

Principal paid	\$ 17,164,347	
Payment of capital lease	3,797,017	
Bonds issued	(47,200,000)	
Premiums on bonds issued	(7,684,371)	
Escrow payment	21,414,829	
Amortization	718,515	
Change in accrued interest payable	(234,590)	(12,024,253)

Net loss of the internal service fund are reported with governmental activities. (437,463)

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	(3,270,822)	
Change in pension expense	(2,142,053)	
Change in pollution remediation liability	(81,722)	
Change in OPEB liability	2,997,116	(2,497,481)

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 end are deferred. The statement of activities includes certain revenues that do not provide current financial resources. This item consists of:

Change in deferred revenue to earned revenue	1,286,543	1,286,543
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Change in net position of governmental activities \$ 30,575,323

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, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 145,056,600	\$ 145,056,600	\$ 149,130,912	\$ 4,074,312
Licenses and permits	5,347,393	5,347,393	6,843,906	1,496,513
Intergovernmental	78,175,629	78,175,629	83,396,137	5,220,508
Charges for services	4,930,302	4,930,302	4,067,721	(862,581)
Fines, forfeitures and penalties	896,815	896,815	2,544,953	1,648,138
Investment income	448,797	448,797	1,891,715	1,442,918
Miscellaneous	5,101,437	5,101,437	6,844,052	1,742,615
<b>Total revenues</b>	<b>239,956,973</b>	<b>239,956,973</b>	<b>254,719,396</b>	<b>14,762,423</b>
<b>EXPENDITURES</b>				
General government	44,531,142	44,531,142	42,486,803	(2,044,339)
Executive	1,964,184	1,964,184	1,793,598	(170,586)
Finance and administration	6,356,942	6,356,942	5,244,946	(1,111,996)
General services	7,111,121	7,111,121	6,139,928	(971,193)
Human resources	1,858,919	1,858,919	1,763,519	(95,400)
Economic and community development	7,992,734	7,992,734	6,781,362	(1,211,372)
Police	61,185,701	61,185,701	58,849,201	(2,336,500)
Fire	37,758,390	37,758,390	37,149,781	(608,609)
Public works	27,769,833	27,769,833	26,805,025	(964,808)
Transportation	7,674,366	7,674,366	7,511,820	(162,546)
Youth and family development	10,109,003	10,109,003	9,836,909	(272,094)
<b>Total expenditures</b>	<b>214,312,335</b>	<b>214,312,335</b>	<b>204,362,892</b>	<b>(9,949,443)</b>
<b>Excess of revenues over expenditures</b>	<b>25,644,638</b>	<b>25,644,638</b>	<b>50,356,504</b>	<b>24,711,866</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	48,000	48,000	48,000	-
Transfers out	(37,088,905)	(37,088,905)	(36,997,175)	91,730
<b>Total other financing sources (uses)</b>	<b>(37,040,905)</b>	<b>(37,040,905)</b>	<b>(36,949,175)</b>	<b>91,730</b>
<b>Net change in fund balances</b>	<b>(11,396,267)</b>	<b>(11,396,267)</b>	<b>13,407,329</b>	<b>24,803,596</b>
<b>FUND BALANCES, beginning</b>	<b>69,436,164</b>	<b>69,436,164</b>	<b>69,436,164</b>	<b>-</b>
<b>FUND BALANCES, ending</b>	<b>\$ 58,039,897</b>	<b>\$ 58,039,897</b>	<b>\$ 82,843,493</b>	<b>\$ 24,803,596</b>

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

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

June 30, 2016

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Regional Communications	Downtown Redevelopment		Total
<b>ASSETS</b>								
<b>Current Assets:</b>								
Cash and cash equivalents	\$ 101,573,000	\$ 56,144,548	\$ 10,723,055	\$ 30,925,692	\$ 1,366,325	\$ 6,920,439	\$ 207,653,059	\$ 32,832,161
Investments	-	30,898,432	-	-	-	-	30,898,432	-
<b>Receivables:</b>								
Customer service	64,682,000	16,023,582	42,523	3,165,604	-	-	83,913,709	1,024,486
Other	-	165,385	212	500	-	1,686,051	1,852,148	-
Less allowance for doubtful accounts	(1,256,000)	(5,365,050)	(100)	(1,760,392)	-	(43,974)	(8,425,516)	-
Inventories	13,293,000	1,492,507	-	-	-	100,545	14,886,052	1,990,894
Due from other funds	-	-	-	-	-	-	-	716,105
Due from other governments	-	7,627,231	-	1,043,617	-	-	8,670,848	56,665
Prepaid items	9,128,000	-	-	-	1,000	203,362	9,332,362	-
Total current assets	187,420,000	106,986,635	10,765,690	33,375,021	1,367,325	8,866,423	348,781,094	36,620,311
<b>Noncurrent Assets:</b>								
<b>Restricted Assets:</b>								
Cash and cash equivalents	-	1,650,000	1,306,035	10,114,882	-	-	13,070,917	-
Investments	5,000,000	-	750,000	1,503,000	-	10,025,042	17,278,042	-
Investment in capital lease	-	-	-	-	-	86,639,268	86,639,268	-
Other	-	5,593	1,071	30,092	-	-	36,756	-
Total restricted assets	5,000,000	1,655,593	2,057,106	11,647,974	-	96,664,310	117,024,983	-
<b>Capital Assets:</b>								
Land	6,476,000	10,585,211	1,517,514	2,170,099	-	-	20,748,824	-
Construction in progress	9,798,000	75,207,334	334,533	6,131,010	-	-	91,470,877	7,500
Buildings	71,836,000	59,481,771	1,955,387	10,601,459	-	766,146	144,640,763	5,328,860
Equipment	112,017,000	38,148,912	4,521,940	2,221,768	24,850	5,565,762	162,500,232	3,493,967
Vehicles	-	2,918,675	1,216,676	2,132,965	-	23,465	6,291,781	31,278,033
Infrastructure	773,178,000	430,834,063	9,520,509	41,071,310	-	-	1,254,603,882	-
	973,305,000	617,175,966	19,066,559	64,328,611	24,850	6,355,373	1,680,256,359	40,108,360
Less accumulated depreciation	(345,792,000)	(293,747,210)	(9,115,033)	(18,819,298)	(621)	(3,094,887)	(670,569,049)	(23,191,249)
Net capital assets	627,513,000	323,428,756	9,951,526	45,509,313	24,229	3,260,486	1,009,687,310	16,917,111
Total assets	819,933,000	432,070,984	22,774,322	90,532,308	1,391,554	108,791,219	1,475,493,387	53,537,422
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Deferred refunding	14,586,000	194,621	242,313	79,029	-	2,164,620	17,266,583	-
Deferred contribution pension	8,130,000	711,982	95,340	596,270	-	-	9,533,592	-
Investment loss pension	-	765,758	102,542	641,306	-	-	1,509,606	-
Total deferred outflows of resources	22,716,000	1,672,361	440,195	1,316,605	-	2,164,620	28,309,781	-

(Continued on next page)

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, 2016

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Regional Communications	Downtown Redevelopment		Total
(Continued from previous page)								
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable and accrued liabilities:								
Accounts payable	\$ 133,007,000	\$ 12,876,327	\$ 378,974	\$ 451,399	\$ 10,227	\$ 2,236,642	\$ 148,960,569	\$ 11,438,202
Accrued payroll	-	397,836	45,159	307,750	27,713	-	778,458	126,867
Other accrued liabilities	-	182,642	130,123	222,095	-	1,386,648	1,921,508	-
Due to other governments	-	-	-	-	-	154,711	154,711	-
Current maturities of long-term liabilities:								
Bonds payable	9,560,000	3,605,190	1,789,869	1,891,277	-	4,890,000	21,736,336	-
Notes payable	-	8,472,540	76,548	-	-	-	8,549,088	-
Compensated absences	200,000	65,441	10,356	57,004	5,254	-	338,055	31,807
Landfill postclosure costs	-	-	193,638	-	-	-	193,638	-
Contracts payable	-	1,392,006	-	63,650	-	-	1,455,656	-
Total current liabilities	<u>142,767,000</u>	<u>26,991,982</u>	<u>2,624,667</u>	<u>2,993,175</u>	<u>43,194</u>	<u>8,668,001</u>	<u>184,088,019</u>	<u>11,596,876</u>
Long-term liabilities:								
Bonds payable	297,777,000	6,496,611	9,262,522	16,705,279	-	102,761,642	433,003,054	-
Notes payable	-	83,657,871	297,422	-	-	-	83,955,293	-
Compensated absences	561,000	909,616	143,944	792,348	73,035	-	2,479,943	442,108
OPEB liability	8,921,000	-	-	-	-	-	8,921,000	-
Pension liability	7,768,000	3,376,049	452,082	2,827,370	-	-	14,423,501	-
Landfill postclosure costs	-	-	5,579,161	-	-	-	5,579,161	-
Customer deposits	20,117,000	-	-	-	-	-	20,117,000	-
Other noncurrent liabilities	29,487,000	-	-	-	-	-	29,487,000	-
Total long-term liabilities	<u>364,631,000</u>	<u>94,440,147</u>	<u>15,735,131</u>	<u>20,324,997</u>	<u>73,035</u>	<u>102,761,642</u>	<u>597,965,952</u>	<u>442,108</u>
Total liabilities	<u>507,398,000</u>	<u>121,432,129</u>	<u>18,359,798</u>	<u>23,318,172</u>	<u>116,229</u>	<u>111,429,643</u>	<u>782,053,971</u>	<u>12,038,984</u>
DEFERRED INFLOWS OF RESOURCES								
Investment gains pension	1,013,000	642,661	86,058	538,215	-	-	2,279,934	-
Assumption change pension	-	334,323	44,769	279,988	-	-	659,080	-
Experience gains pension	-	23,794	3,186	19,927	-	-	46,907	-
Total deferred inflows of resources	<u>1,013,000</u>	<u>1,000,778</u>	<u>134,013</u>	<u>838,130</u>	<u>-</u>	<u>-</u>	<u>2,985,921</u>	<u>-</u>
NET POSITION								
Net investment in capital assets	334,762,000	221,391,163	4,471,524	26,934,782	24,229	3,260,486	590,844,184	16,917,111
Restricted for renewal and replacement	-	34,305,427	2,222,255	1,965,541	997,313	-	39,490,536	-
Restricted for debt service	-	-	-	-	-	9,748,000	9,748,000	-
Unrestricted	(524,000)	55,613,848	(1,973,073)	38,792,288	253,783	(13,482,290)	78,680,556	24,581,327
Total net position	<u>\$ 334,238,000</u>	<u>\$ 311,310,438</u>	<u>\$ 4,720,706</u>	<u>\$ 67,692,611</u>	<u>\$ 1,275,325</u>	<u>\$ (473,804)</u>	<u>\$ 718,763,276</u>	<u>\$ 41,498,438</u>

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

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Regional Communications	Downtown Redevelopment		Total
<b>OPERATING REVENUES</b>								
Charges for services:								
Electric	\$ 539,908,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 539,908,000	\$ -
Fiber optic	122,695,000	-	-	-	-	-	122,695,000	-
Sewer	-	69,451,000	-	-	-	-	69,451,000	-
Waste disposal	-	-	6,650,526	-	-	-	6,650,526	-
Water quality	-	-	-	19,490,196	-	-	19,490,196	-
Lease rental revenue	-	-	-	-	-	4,034,129	4,034,129	-
Conference center	-	-	-	-	-	13,853,511	13,853,511	-
Parking garage	-	-	-	-	-	995,234	995,234	-
Regional Communications Services	-	-	-	-	1,030,955	-	1,030,955	-
Other services	21,253,000	1,305,836	171,956	-	275,830	-	23,006,622	56,745,910
Other	-	144	12,030	1,577	-	-	13,751	2,201,620
Total operating revenues	<u>683,856,000</u>	<u>70,756,980</u>	<u>6,834,512</u>	<u>19,491,773</u>	<u>1,306,785</u>	<u>18,882,874</u>	<u>801,128,924</u>	<u>58,947,530</u>
<b>OPERATING EXPENSES</b>								
Power purchases	424,355,000	-	-	-	-	-	424,355,000	-
Other electric operations	63,337,000	-	-	-	-	-	63,337,000	-
Fiber optic operations	78,530,000	-	-	-	-	-	78,530,000	-
Sewer plant operations	-	32,883,934	-	-	-	-	32,883,934	-
Waste disposal operations	-	-	3,059,122	-	-	-	3,059,122	-
Closure/postclosure costs	-	-	203,216	-	-	-	203,216	-
Water quality operations	-	-	-	11,854,844	-	-	11,854,844	-
Conference center operations	-	-	-	-	-	11,333,748	11,333,748	-
Parking garage operations	-	-	-	-	-	284,156	284,156	-
Regional Communication Services	-	-	-	-	930,444	-	930,444	-
Fleet operations	-	-	-	-	-	-	-	13,495,516
Liability insurance	-	-	-	-	-	-	-	358,464
Health services	-	-	-	-	-	-	-	41,989,187
Technology replacement	-	-	-	-	-	-	-	137,993
Depreciation	54,876,000	11,697,448	517,286	1,367,392	621	588,364	69,047,111	3,814,245
Other	12,580,000	-	-	-	-	37,954	12,617,954	-
Total operating expenses	<u>633,678,000</u>	<u>44,581,382</u>	<u>3,779,624</u>	<u>13,222,236</u>	<u>931,065</u>	<u>12,244,222</u>	<u>708,436,529</u>	<u>59,795,405</u>
<b>OPERATING INCOME (LOSS)</b>	<u>50,178,000</u>	<u>26,175,598</u>	<u>3,054,888</u>	<u>6,269,537</u>	<u>375,720</u>	<u>6,638,652</u>	<u>92,692,395</u>	<u>(847,875)</u>

(Continued on next page)

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

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Regional Communications	Downtown Redevelopment		Total
(Continued from previous page)								
NONOPERATING REVENUES (EXPENSES)								
Investment income	272,000	722,494	127,241	49,106	-	644,776	1,815,617	-
Interest expense	(11,735,000)	(1,648,592)	(366,362)	(450,210)	-	(4,515,084)	(18,715,248)	-
Tax equivalent	(6,837,000)	-	-	-	-	-	(6,837,000)	-
Other income	204,000	13,352	147,369	34,515	-	-	399,236	410,412
Other expense	(865,000)	-	-	(16,360)	-	-	(881,360)	-
Total nonoperating revenues (expenses)	<u>(18,961,000)</u>	<u>(912,746)</u>	<u>(91,752)</u>	<u>(382,949)</u>	<u>-</u>	<u>(3,870,308)</u>	<u>(24,218,755)</u>	<u>410,412</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>31,217,000</u>	<u>25,262,852</u>	<u>2,963,136</u>	<u>5,886,588</u>	<u>375,720</u>	<u>2,768,344</u>	<u>68,473,640</u>	<u>(437,463)</u>
Capital contributions	865,000	-	20,000	100,000	-	-	985,000	-
Transfers in	-	-	-	28,203	899,605	-	927,808	-
Transfers out	-	-	(978,760)	-	-	-	(978,760)	-
CHANGE IN NET POSITION	<u>32,082,000</u>	<u>25,262,852</u>	<u>2,004,376</u>	<u>6,014,791</u>	<u>1,275,325</u>	<u>2,768,344</u>	<u>69,407,688</u>	<u>(437,463)</u>
NET POSITION, beginning	<u>302,156,000</u>	<u>286,047,586</u>	<u>2,716,330</u>	<u>61,677,820</u>	<u>-</u>	<u>(3,242,148)</u>	<u>649,355,588</u>	<u>41,935,901</u>
NET POSITION, ending	<u>\$ 334,238,000</u>	<u>\$ 311,310,438</u>	<u>\$ 4,720,706</u>	<u>\$ 67,692,611</u>	<u>\$ 1,275,325</u>	<u>\$ (473,804)</u>	<u>\$ 718,763,276</u>	<u>\$ 41,498,438</u>

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

**CITY OF CHATTANOOGA, TENNESSEE**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**Year Ended June 30, 2016**

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Regional Communications	Downtown Development		Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Receipts from customers and users	\$ 688,015,000	\$ 70,391,269	\$ 6,709,034	\$ 19,595,458	\$ 1,306,785	\$ 18,443,944	\$ 804,461,490	\$ 59,511,341
Receipts from operating grants	-	-	196,604	-	-	-	196,604	-
Payments to suppliers	(519,867,000)	(28,987,511)	(1,887,846)	(4,486,192)	(430,742)	(11,096,767)	(566,756,058)	(50,233,080)
Payments to employees	(42,944,000)	(8,677,146)	(1,010,812)	(7,758,921)	(384,473)	-	(60,775,352)	(3,491,692)
Payments in lieu of taxes	(19,470,000)	-	-	-	-	-	(19,470,000)	-
Net cash from operating activities	<u>105,734,000</u>	<u>32,726,612</u>	<u>4,006,980</u>	<u>7,350,345</u>	<u>491,570</u>	<u>7,347,177</u>	<u>157,656,684</u>	<u>5,786,569</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Transfers in	-	-	-	28,203	899,605	-	927,808	-
Transfers out	-	-	(978,760)	-	-	-	(978,760)	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>-</u>	<u>(978,760)</u>	<u>28,203</u>	<u>899,605</u>	<u>-</u>	<u>(50,952)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Principal paid on capital debt	22,047,000	(6,397,702)	(1,791,023)	(1,303,267)	-	(4,675,000)	7,880,008	-
Payments made to escrow agent	262,716,000	-	-	-	-	-	262,716,000	-
Interest paid on capital debt	(7,391,000)	(2,011,505)	(426,773)	(467,134)	-	(4,871,819)	(15,168,231)	-
Line of credit	(17,495,000)	-	-	-	-	-	(17,495,000)	-
Proceeds from capital debt	(268,243,000)	33,814,889	-	8,100,000	-	3,797,018	(222,531,093)	-
Capital grants and contributions	865,000	-	20,000	100,000	-	-	985,000	-
Additions to capital assets	(70,850,000)	(40,391,492)	(827,736)	(2,909,890)	(24,850)	(874,691)	(115,878,659)	(6,362,889)
Proceeds from sale of capital assets	-	-	-	34,515	-	-	34,515	46,609
Premium on debt	-	-	-	1,452,502	-	-	1,452,502	-
Net cash flows from capital and related financing activities	<u>(78,351,000)</u>	<u>(14,985,810)</u>	<u>(3,025,532)</u>	<u>5,006,726</u>	<u>(24,850)</u>	<u>(6,624,492)</u>	<u>(98,004,958)</u>	<u>(6,316,280)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Purchase of investments	(5,000,000)	(57,505,779)	(10,419,797)	(3,957,899)	-	(58,524,241)	(135,407,716)	-
Proceeds from sales and maturities of investments	-	69,109,682	18,669,797	2,454,899	-	58,167,483	148,401,861	-
Interest	272,000	717,493	145,663	75,159	-	644,776	1,855,091	-
Net cash flows from investing activities	<u>(4,728,000)</u>	<u>12,321,396</u>	<u>8,395,663</u>	<u>(1,427,841)</u>	<u>-</u>	<u>288,018</u>	<u>14,849,236</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	22,655,000	30,062,198	8,398,351	10,957,433	1,366,325	1,010,703	74,450,010	(529,711)
Cash and cash equivalents, beginning of year	78,918,000	27,732,350	3,630,739	30,083,141	-	5,909,736	146,273,966	33,361,872
Cash and cash equivalents, end of year	<u>\$ 101,573,000</u>	<u>\$ 57,794,548</u>	<u>\$ 12,029,090</u>	<u>\$ 41,040,574</u>	<u>\$ 1,366,325</u>	<u>\$ 6,920,439</u>	<u>\$ 220,723,976</u>	<u>\$ 32,832,161</u>

(Continued on next page)

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



CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Regional Communications	Downtown Development		Total
(Continued from previous page)								
CLASSIFIED AS:								
Current assets	\$ 101,573,000	\$ 56,144,548	\$ 10,723,055	\$ 30,925,692	\$ 1,366,325	\$ 6,920,439	\$ 207,653,059	\$ 32,832,161
Restricted assets	-	1,650,000	1,306,035	10,114,882	-	-	13,070,917	-
	<u>\$ 101,573,000</u>	<u>\$ 57,794,548</u>	<u>\$ 12,029,090</u>	<u>\$ 41,040,574</u>	<u>\$ 1,366,325</u>	<u>\$ 6,920,439</u>	<u>\$ 220,723,976</u>	<u>\$ 32,832,161</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES								
OPERATING INCOME (LOSS)	\$ 50,178,000	\$ 26,175,598	\$ 3,054,888	\$ 6,269,537	\$ 375,720	\$ 6,638,652	\$ 92,692,395	\$ (847,875)
ADJUSTMENTS NOT AFFECTING CASH								
Depreciation and amortization	54,876,000	11,697,448	517,286	1,367,392	621	588,365	69,047,112	3,814,244
Amortization	1,128,000	-	-	-	-	-	1,128,000	-
Loss on donation of assets	-	-	9,750	-	-	-	9,750	-
Loss/disposal of capital assets	-	-	-	-	-	4,211	4,211	-
Miscellaneous nonoperating expenses	204,000	-	-	-	-	-	204,000	410,411
Tax equivalents transferred to City	(6,837,000)	-	-	-	-	-	(6,837,000)	-
Provision for uncollectible accounts	-	3,364,010	-	50,315	-	2,086	3,416,411	-
(Increase) decrease in:								
Accounts receivable	1,220,000	(3,743,073)	46,478	(313,181)	-	(441,017)	(3,230,793)	559,692
Due from other governments	4,819,000	-	24,648	260,904	-	-	5,104,552	-
Inventory	(227,000)	(415,792)	-	-	-	(401)	(643,193)	(113,205)
Prepaid Items	(831,000)	-	-	-	-	-	(831,000)	-
Increase (decrease) in:								
Accounts payable	(420,000)	(4,262,841)	148,301	(109,861)	10,227	187,023	(4,447,151)	6,309,865
Accrued claims	-	-	-	-	-	247,553	247,553	-
Accrued liabilities	-	93,737	8,267	37,959	27,713	-	167,676	-
Claims liabilities	-	-	-	-	-	-	-	(4,392,322)
Other assets/liabilities	2,409,000	(279,717)	164,508	(318,367)	(1,000)	120,705	2,095,129	-
Net pension liability	(812,000)	-	-	-	-	-	(812,000)	-
OPEB	27,000	-	-	-	-	-	27,000	-
Compensated absences	-	97,242	32,854	105,647	78,289	-	314,032	45,759
Total adjustments	<u>55,556,000</u>	<u>6,551,014</u>	<u>952,092</u>	<u>1,080,808</u>	<u>115,850</u>	<u>708,525</u>	<u>64,964,289</u>	<u>6,634,444</u>
Net cash from operating activities	<u>\$ 105,734,000</u>	<u>\$ 32,726,612</u>	<u>\$ 4,006,980</u>	<u>\$ 7,350,345</u>	<u>\$ 491,570</u>	<u>\$ 7,347,177</u>	<u>\$ 157,656,684</u>	<u>\$ 5,786,569</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, 2016**

	Other Postemployment Benefits Trust Fund	Pension Trust Fund
ASSETS	<u>                    </u>	<u>                    </u>
Investments:		
Corporate bonds and notes	\$ 6,590,329	\$ 17,911,101
Preferred securities	-	2,925,848
Corporate stocks	-	83,865,555
Foreign equity	-	5,397,127
Mutual funds - preferred securities	-	2,921,858
Mutual funds - equity	15,422,377	70,994,558
Mutual funds - fixed income	9,617,953	60,569,790
Real estate	1,611,913	35,314,271
Hedge funds	2,930,139	105,468,056
Other investments	-	81,877,241
Temporary investments	2,597,974	5,407,513
Receivables:		
Accrued income	11,054	224,636
Due from plan custodian	<u>3,589,021</u>	<u>-</u>
Total assets	<u>42,370,760</u>	<u>472,877,554</u>
 LIABILITIES		
Accounts payable and accrued liabilities:		
Accrued payable	-	219,216
Due to plan custodian	<u>813,100</u>	<u>-</u>
Total liabilities	<u>813,100</u>	<u>219,216</u>
 NET POSITION		
Held in trust for other postemployment benefits and net position restricted for pensions	<u>\$ 41,557,660</u>	<u>\$ 472,658,338</u>

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

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2016**

	Other Postemployment Benefits Trust Fund	Pension Trust Fund
	<u>                    </u>	<u>                    </u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 12,917,243	\$ 20,064,630
Plan member	2,739,171	5,028,000
Other	-	326,393
	<u>                    </u>	<u>                    </u>
Total contributions	<u>15,656,414</u>	<u>25,419,023</u>
Investment income:		
Net appreciation (depreciation) in fair market value of investments	(2,853,757)	(9,149,016)
Interest	-	348,586
Dividends	456,240	4,516,837
	<u>                    </u>	<u>                    </u>
	(2,397,517)	(4,283,593)
Less investment income (loss)	<u>(71,861)</u>	<u>(963,069)</u>
Net investment income (loss)	<u>(2,469,378)</u>	<u>(5,246,662)</u>
Total additions	<u>13,187,036</u>	<u>20,172,361</u>
<b>DEDUCTIONS</b>		
Benefits paid to participants	11,657,113	48,481,461
Administrative expenses	41,906	1,430,808
	<u>                    </u>	<u>                    </u>
Total deductions	<u>11,699,019</u>	<u>49,912,269</u>
<b>CHANGE IN NET POSITION</b>	1,488,017	(29,739,908)
<b>NET POSITION - beginning</b>	<u>40,069,643</u>	<u>502,398,246</u>
<b>NET POSITION - ending</b>	<u>\$ 41,557,660</u>	<u>\$ 472,658,338</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**COMBINING STATEMENT OF NET POSITION  
COMPONENT UNITS**

**June 30, 2016**

	Chattanooga Metropolitan Airport Authority	CARTA	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,379,803	\$ 2,150,755	\$ 11,530,558
Accounts receivable	5,526,271	3,375,869	8,902,140
Inventories	115,578	641,593	757,171
Prepaid items	912,537	641,259	1,553,796
Other postemployment benefit assets	-	60,935	60,935
Restricted assets:			
Cash and cash equivalents	2,888,701	-	2,888,701
Receivables	281,068	-	281,068
Land and other nondepreciable assets	8,389,410	4,030,577	12,419,987
Other capital assets, net of accumulated depreciation	108,095,896	20,027,233	128,123,129
Total assets	<u>135,589,264</u>	<u>30,928,221</u>	<u>166,517,485</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflows	498,961	2,633,936	3,132,897
Total deferred outflows of resources	<u>498,961</u>	<u>2,633,936</u>	<u>3,132,897</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	1,582,360	5,319,268	6,901,628
Contracts payable	722,112	-	722,112
Due to primary government	-	646,535	646,535
Net pension obligation	1,366,588	12,970,112	14,336,700
Net OPEB obligation	146,811	-	146,811
Capital lease obligations	8,608	-	8,608
Revenue bonds payable	10,688,651	-	10,688,651
Total liabilities	<u>14,515,130</u>	<u>18,935,915</u>	<u>33,451,045</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	77,883	-	77,883
Deferred pension inflows	144,962	-	144,962
Total deferred inflows of resources	<u>222,845</u>	<u>-</u>	<u>222,845</u>
<b>NET POSITION</b>			
Net investment in capital assets	105,788,047	23,811,275	129,599,322
Restricted for debt service and construction	2,447,657	-	2,447,657
Unrestricted	13,114,546	(9,185,033)	3,929,513
Total net position	<u>\$ 121,350,250</u>	<u>\$ 14,626,242</u>	<u>\$ 135,976,492</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, 2016**

	<b><u>Page</u></b>	
Note 1	Summary of Significant Accounting Policies	A-19
Note 2	Stewardship, Compliance and Accountability	A-26
Note 3	Cash and Investments	A-26
Note 4	Receivables	A-29
Note 5	Capital Assets	A-30
Note 6	Long-Term Liabilities	A-31
Note 7	Pension and Other Postemployment Benefit Trusts Fund	A-38
Note 8	Pension and Other Postemployment Benefit Obligations	A-48
Note 9	Fund Balance	A-65
Note 10	Interfund Receivables and Payables	A-66
Note 11	Interfund Transfers	A-66
Note 12	Risk Management	A-66
Note 13	Tax Abatements	A-67
Note 14	Commitments and Contingencies	A-69
Note 15	Segment Information	A-71
Note 16	Joint Venture	A-72
Note 17	Subsequent Events	A-73

# CITY OF CHATTANOOGA, TENNESSEE

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Description of Government-wide Financial Statements

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

#### Reporting Entity

The City of Chattanooga, Tennessee (the City) was incorporated under the Private Acts of 1869. The Mayor, who is elected at-large, has all executive and administrative authority. The City Council has all legislative authority and is composed of nine members, with each member elected from one of nine districts within the geographic boundaries of the City. The Mayor is not a member of the City Council.

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

The City reports the following blended component unit:

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

The City reports the following discretely-presented component units:

**Chattanooga Metropolitan Airport Authority (Airport Authority)** – The Airport Authority was established under Tennessee Code Annotated Section 42-4-101 for the management, operation and maintenance of Lovell Field. The City appoints all board members and is secondarily responsible for retirement of a portion of the revenue bonds recorded as a liability of the Airport Authority. Separately issued financial statements can be obtained from:

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

**Chattanooga Area Regional Transit Authority (CARTA)** – CARTA was established under Tennessee Code Annotated (TCA) 7-56; CARTA is responsible for the public transportation system. The City Council appoints ten members of the twelve-member board. CARTA has the authority to issue its own debt; the City finances the majority of CARTA's operating deficits. Separately issued financial statements can be obtained from:

(Continued)



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CARTA  
1617 Wilcox Boulevard  
Chattanooga, TN 37406

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

### **Basis of Presentation**

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

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

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

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

#### **Fund Financial Statements**

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

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

(Continued)

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Additionally, the City reports the following fund types:

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

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

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

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

**Other Postemployment Benefits Trust** - The Other Postemployment Benefits Trust Fund accounts for resources held in trust for a defined benefit postemployment health and medical care plan for City retirees and their dependents.

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

During the course of normal operations, the City has numerous transactions between funds to provide services, construct assets and service debt; these transactions are generally reflected as transfers. Any residual balances outstanding at year end are reported as due to/due from other funds or component units.

### **Measurement Focus and Basis of Accounting**

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

**Government-wide Financial Statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Governmental Fund Financial Statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The City considers revenues as available if they are collected within thirty days of the end of the fiscal period, except for property taxes, for which the time period is sixty days. Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

(Continued)

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

### **Budgetary Information**

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

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

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

Appropriations for capital projects do not lapse until completion of the project. Because of the project nature of these funds, budgetary comparison statements on an annual basis do not provide meaningful information and, accordingly, are not presented in the accompanying financial statements.

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

#### **Cash and Cash Equivalents**

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

#### **Investments**

Investments, including pension and other post-employment benefit investments, are reported at fair value, except for interest-earning investment contracts that have a remaining maturity of one year or less at the time of purchase. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Any change in the value of investments recorded at fair value is included in investment income.

#### **Internal Balances**

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

#### **Inventories and Prepaid Items**

Inventories, principally materials, supplies, and replacement parts, 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) or the weighted average 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).

(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

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

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

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets construction. The amount of interest capitalized is the net interest expense incurred (interest expense less interest income) from the date of the borrowing until completion of the project.

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

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

**Deferred Outflows/Inflows of Resources**

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

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

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

(Continued)

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Pensions

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

Benefit payments (including refunds of employee contributions) are recognized in the fund financial statements when due and payable in accordance with the benefit terms. Payments made after the measurement date are deferred in government-wide statements. Investments are reported at fair value.

### Net Position Flow Assumption

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

### Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report for each category of fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### Fund Balance Policies

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

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for specific purposes imposed by an ordinance of the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by ordinance.

**Assigned Fund Balance** - represents amounts the City intends to use for specific purposes as expressed by City Council resolution or an official delegated the authority to assign amounts. The City Finance Officer has been granted the ability to assign amounts to a specific purpose as part of the annual budget ordinance.

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

(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenues, Expenditures/Expenses**

**Program Revenues**

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

**Property Taxes**

Property taxes are levied annually by the City based upon assessed valuations established by the Hamilton County Assessor of Property. The various types of property are assessed at a percentage of market value as follows:

Farm and residential real property:	25%
Commercial and industrial property:	
Real	40%
Personal	30%
Public utilities real and personal property	55%

The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the City Council and collected by the City Treasurer. Property taxes are secured by a statutory lien effective as of the original levy date of January 1. Taxes are due October 1 and become delinquent March 1.

**Indirect Costs**

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

**Compensated Absences**

The City of Chattanooga allows employees to accumulate earned but unused personal leave benefits which are eligible for payment upon separation from employment. The benefit is set by prescribed formula based on length of service. The City limits personal leave to twenty (20) days for library employees and one hundred fifty (150) days for all other employees hired on or before March 27, 1990, and one hundred (100) days for all other employees hired thereafter.

Expenditures for compensated absences are reported in governmental funds as they mature (i.e., accrued leave outstanding following an employee's resignation or retirement). The liability for compensated absences attributable to the City's governmental activities is recorded in the government-wide financial statements. The general fund and special revenue funds are used to liquidate this liability. The non-current portion of the liability for employees of governmental funds is a reconciling item between the fund and government-wide financial statements. Compensated absences related to business-type activities are charged to expense with a corresponding liability established in the government-wide financial statements as well as the applicable proprietary funds.

**Proprietary Funds Operating and Non-operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New GASB Standards**

GASB Statement No. 72, establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. This standard supersedes previous 62 statements as they relate to measuring fair value of certain assets and liabilities.

During the year ended June 30, 2016, the City of Chattanooga opted to early implement Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which has an effective date of June 30, 2017.

The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general purpose external financial report of state and local government OPEB Plans for making decisions and assessing accountability. This Statement replaces GASB Statement No. 43: *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

GASB Statement No. 76 addresses changes made to the hierarchy of generally accepted accounting principles. This standard supersedes Statement No. 55 and reduces the hierarchy from four to two categories.

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

**Deficit Net Position**

The Downtown Redevelopment Fund, a major enterprise fund, has a deficit in net position of \$473,804 at June 30, 2016. This deficit resulted from the settlement of a swap option in fiscal year 2011. The deficit decreased by \$2,768,344 from the prior fiscal year.

**NOTE 3. CASH AND INVESTMENTS**

**Cash Deposits with Financial Institutions**

The City utilizes a pooled cash concept for its funds which are collateralized. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third-party agents.

**Investments**

The City utilizes a pooled investment concept. The City's investment policy with respect to the cash and investment pool is to maximize investment earnings while maintaining an acceptable level of risk. At June 30, 2016, investments of the primary government (except for Permanent, Pension Trust and Other Postemployment Benefits Trust Funds) 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	3.60	<u>\$ 70,556,914</u>
Primary Government – Business-Type Activities:		
Certificates of deposit classified as investments	2.66	\$ 33,151,432
U.S. Government agency securities	0.00	10,025,042
Bonds	2.50	<u>5,000,000</u>
		<u>\$ 48,176,474</u>

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

(Continued)

**NOTE 3. CASH AND INVESTMENTS (Continued)**

	S&P or Moody's Rating	Fair Value	Fair Value Measurements Using:	
			Level 1	Level 2
<b>Primary Government – Governmental Activities:</b>				
Corporate Bonds - Federal Home Loan Bank	AA+	\$ 11,492,812	\$ 11,492,812	\$ -
Corporate Bonds - Federal Farm Credit Bank	AA+	44,411,902	44,411,902	-
Corporate Bonds - Federal Home Loan Mortgage Corp.	AA+	5,000,000	5,000,000	-
Corporate Bonds - Federal National Mortgage Association	AA+	4,484,895	4,484,895	-
Corporate Bonds - Financial Corporation	AA+	5,167,305	5,167,305	-
		<u>\$ 70,556,914</u>	<u>\$ 70,556,914</u>	<u>\$ -</u>
<b>Primary Government – Business-Type Activities:</b>				
Corporate Bonds – Federal National Mortgage Association	AA+	\$ 6,219,039	\$ 6,219,039	\$ -
Corporate Bonds - Federal Farm Credit Bank	AA+	750,000	750,000	-
Corporate Bonds - Federal Home Loan Bank	AA+	26,182,393	26,182,393	-
Corporate Bonds - Federal National Mortgage Agency	N/A	5,000,000	-	5,000,000
Corporate Bonds - Federal Home Loan Bank Discount Note	AA+	10,025,042	10,025,042	-
		<u>\$ 48,176,474</u>	<u>\$ 43,176,474</u>	<u>\$ 5,000,000</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.

**Permanent, Pension Trust Funds and Other Postemployment Benefit Trust Fund Investments**

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

(Continued)



**NOTE 3. CASH AND INVESTMENTS (Continued)**

	S&P or Moody's Rating	Fair Value	Fair Value Measurements Using:	
			Level 1	Level 3
<b>Permanent Fund</b>				
Mutual funds – equity	Not rated	\$ 2,623,477	\$ 2,623,477	\$ -
Mutual funds – fixed income	Not rated	1,225,307	1,225,307	-
Other investments	Not rated	380,009	-	380,009
Temporary investments	Not rated	182,235	182,235	-
		<u>\$ 4,411,028</u>	<u>\$ 4,031,019</u>	<u>\$ 380,009</u>
<b>City of Chattanooga General Pension Plan</b>				
Domestic corporate bonds	BBB-	\$ 993,433	\$ 993,433	\$ -
Domestic corporate bonds	BB+	1,338,303	1,338,303	-
Domestic corporate bonds	BB-	1,478,503	1,478,503	-
Domestic corporate bonds	BB	1,024,613	1,024,613	-
Domestic corporate bonds	B+	127,110	127,110	-
Domestic corporate bonds	Not rated	654,993	654,993	-
Corporate stocks	Not rated	69,858,816	69,858,816	-
Mutual funds – equity	Not rated	21,833,218	21,833,218	-
Mutual funds – fixed income	Not rated	40,183,077	40,183,077	-
Hedge funds	Not rated	42,944,639	-	42,944,639
Private equity funds	Not rated	60,920,418	-	60,920,418
Other investments	Not rated	19,043,980	-	19,043,980
Temporary investments	Not rated	3,657,761	3,657,761	-
		<u>\$ 264,058,864</u>	<u>\$ 141,149,827</u>	<u>\$ 122,909,037</u>
<b>Fire and Police Pension Fund</b>				
Corporate bonds and notes	Not rated	\$ 12,294,146	\$ 12,294,146	\$ -
Preferred securities	Not rated	2,925,848	2,925,848	-
Corporate Stocks	Not rated	14,006,739	14,006,739	-
Mutual funds – equity	Not rated	49,161,340	49,161,340	-
Mutual funds - fixed income	Not rated	20,386,713	20,386,713	-
Mutual funds – preferred securities	Not rated	2,921,858	2,921,858	-
Private equity funds	Not rated	20,956,823	-	20,956,823
Foreign equity	Not rated	5,397,127	-	5,397,127
Real estate	Not rated	16,270,291	-	16,270,291
Hedge funds	Not rated	62,523,417	-	62,523,417
Temporary investments	Not rated	1,749,752	1,749,752	-
		<u>\$ 208,594,054</u>	<u>\$ 103,446,396</u>	<u>\$ 105,147,658</u>
<b>Other Postemployment Benefit Trust Fund</b>				
Mutual funds – equity	Not rated	\$ 15,422,377	\$ 15,422,377	\$ -
Mutual funds – fixed income	Not rated	9,617,953	9,617,953	-
Corporate bonds and notes	Note rated	6,590,329	6,590,329	-
Real estate	Not rated	1,611,913	-	1,611,913
Hedge funds	Not rated	2,930,139	-	2,930,139
Temporary investments	Not rated	2,597,974	2,597,974	-
		<u>\$ 38,770,685</u>	<u>\$ 34,228,633</u>	<u>\$ 4,542,052</u>

At June 30, 2016, the fair values of the City's investments in items classified as Level 3 on the fair value hierarchy totaling \$232,978,756 are based on valuations for which a readily determinable fair value does not exist. These investments are not listed on national exchanges or over-the-counter markets, and quoted market prices are not available. These investments include hedge funds, limited partnerships, private equity funds, and other types of non-traditional investments. Management estimates the fair values of these investments based on a review of all available information provided by fund managers and general partners. These fair value estimates are evaluated on a regular basis by management and are susceptible to revisions as more information becomes available. Because of these factors, it is reasonably possible that the estimated fair values of these investments may change materially in the near term.

**NOTE 4. RECEIVABLES**

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

	Governmental Activities Funds					Total
	General	Capital Projects	Other Governmental	Internal Service	Business-Type Activities	
<b>Primary Government</b>						
Receivables:						
Taxes	\$ 126,507,853	\$ -	\$ -	\$ -	\$ -	\$ 126,507,853
Accounts	12,581,913	-	1,173,031	-	-	13,754,944
Notes	1,035,765	388,946	13,700,320	-	-	15,125,031
Customer service	-	-	-	1,024,486	83,913,709	84,938,195
Other	749,124	-	138,368	-	1,852,148	2,739,640
Restricted	1,133	36,476	-	-	-	37,609
Intergovernmental	<u>19,605,317</u>	<u>738,256</u>	<u>2,828,934</u>	<u>56,665</u>	<u>8,670,848</u>	<u>31,900,020</u>
Gross receivables	160,481,105	1,163,678	17,840,653	1,081,151	94,436,705	275,003,292
Less:						
Allowance for uncollectibles	<u>(3,819,842)</u>	<u>-</u>	<u>(953,477)</u>	<u>-</u>	<u>(8,425,516)</u>	<u>(13,198,835)</u>
Net receivables	<u>\$ 156,661,263</u>	<u>\$ 1,163,678</u>	<u>\$ 16,887,176</u>	<u>\$ 1,081,151</u>	<u>\$ 86,011,189</u>	<u>\$ 261,804,457</u>

**Taxes Receivable**

Taxes receivable include the uncollected property taxes from tax levies made during the current and past nine years, as well as the anticipated levy for the current calendar year. The allowance for uncollectible taxes of \$4,624,659 is the weighted average percentage of prior year collections on delinquent taxes to the total delinquent taxes receivable at June 30, 2016.

**Note from Friends of the Zoo**

During 2008, the City entered into a loan agreement with Friends of the Zoo, Inc. (FOZ) for improvements to the Chattanooga Zoo at Warner Park. The City advanced \$2,000,000 to FOZ to pay for construction improvements, which the City retained right, title, and interest. In 2010, the loan agreement was amended. Under the new loan agreement, FOZ agreed to repay the outstanding balance of \$1,700,000 with scheduled payments of \$150,000 per year. As an early payoff incentive, the City agreed to appropriate to FOZ an amount equal to one dollar for every two dollars raised by FOZ through donations for capital improvements, up to a maximum of \$250,000 per year subject to annual appropriation. The amount credited for fiscal year 2016 was \$434,351. The current balance is \$250,000.

**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 \$107,589 and \$138,946, 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 \$400,000.

**Community Development Loans**

Notes receivable of \$13,700,320 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, \$48,990 represents forgivable loans and \$3,703,014 represents title transfer loans, which are payable only upon the transfer of title by the current loan recipient. The allowance for uncollectable loans is \$953,477.

## NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Land and land improvements	\$1,045,747,577	\$ 17,959,415	\$ 13,020	\$ 1,063,693,972
Construction in progress	<u>77,086,828</u>	<u>19,297,803</u>	<u>11,473,869</u>	<u>84,910,762</u>
Total non-depreciable assets	<u>1,122,834,405</u>	<u>37,257,218</u>	<u>11,486,889</u>	<u>1,148,604,734</u>
Depreciable assets:				
Buildings and improvements	226,439,150	3,626,638	24,634	230,041,154
Vehicles and machinery	145,122,810	10,268,672	3,637,099	151,754,383
Infrastructure	<u>700,903,077</u>	<u>13,686,141</u>	<u>-</u>	<u>714,589,218</u>
Total depreciable assets	<u>1,072,465,037</u>	<u>27,581,451</u>	<u>3,661,733</u>	<u>1,096,384,755</u>
Less accumulated depreciation for:				
Buildings and improvements	118,949,347	6,536,313	18,886	125,466,774
Vehicles and machinery	119,955,329	6,457,211	3,592,649	122,819,891
Infrastructure	<u>484,099,048</u>	<u>25,775,437</u>	<u>-</u>	<u>509,874,485</u>
Total accumulated depreciation	<u>723,003,724</u>	<u>38,768,961</u>	<u>3,611,535</u>	<u>758,161,150</u>
Depreciable assets, net	<u>349,461,313</u>	<u>(11,187,510)</u>	<u>50,198</u>	<u>338,223,605</u>
Governmental activities capital assets, net	<u>\$1,472,295,718</u>	<u>\$ 26,069,708</u>	<u>\$ 11,537,087</u>	<u>\$ 1,486,828,339</u>
<b>Business-Type Activities:</b>				
Non-depreciable assets:				
Land	\$ 20,516,552	\$ 232,272	\$ -	\$ 20,748,824
Construction in progress	<u>66,018,517</u>	<u>35,788,390</u>	<u>10,336,030</u>	<u>91,470,877</u>
Total non-depreciable assets	<u>86,535,069</u>	<u>36,020,662</u>	<u>10,336,030</u>	<u>112,219,701</u>
Depreciable assets:				
Buildings and improvements	143,691,308	1,608,000	658,545	144,640,763
Vehicles and machinery	160,098,672	16,275,622	7,582,281	168,792,013
Sewer system	420,590,367	10,243,696	-	430,834,063
Solid waste system	9,520,509	-	-	9,520,509
Water quality management system	41,032,542	38,768	-	41,071,310
Electric system	666,683,000	42,781,000	24,400,000	685,064,000
Communication system	<u>80,794,000</u>	<u>14,967,000</u>	<u>7,647,000</u>	<u>88,114,000</u>
Total depreciable assets	<u>1,522,410,398</u>	<u>85,914,086</u>	<u>40,287,826</u>	<u>1,568,036,658</u>
Less accumulated depreciation for:				
Buildings and improvements	61,063,558	4,248,380	2,230,000	63,081,938
Vehicles and machinery	69,705,981	13,964,472	4,886,427	78,784,026
Sewer system	221,457,526	7,310,223	-	228,767,749
Solid waste system	2,362,158	317,350	-	2,679,508
Water quality management system	10,860,143	841,686	-	11,701,829
Electric system	235,232,000	25,770,000	23,974,000	237,028,000
Communication system	<u>44,160,000</u>	<u>16,595,000</u>	<u>12,229,000</u>	<u>48,526,000</u>
Total accumulated depreciation	<u>644,841,366</u>	<u>69,047,111</u>	<u>43,319,427</u>	<u>670,569,050</u>
Depreciable assets, net	<u>877,569,032</u>	<u>16,866,975</u>	<u>(3,031,601)</u>	<u>897,467,608</u>
Business-type activities capital assets, net	<u>\$ 964,104,101</u>	<u>\$ 52,887,637</u>	<u>\$ 7,304,429</u>	<u>\$ 1,009,687,309</u>

(Continued)

**NOTE 5. CAPITAL ASSETS (Continued)**

**DISCRETELY-PRESENTED COMPONENT UNITS**

Non-depreciable assets:

Land	\$ 7,101,608	\$ 4,336,681	\$ -	\$ 11,438,289
Construction in progress	<u>5,462,655</u>	<u>6,975,369</u>	<u>11,456,326</u>	<u>981,698</u>
Total non-depreciable assets	<u>12,564,263</u>	<u>11,312,050</u>	<u>11,456,326</u>	<u>12,419,987</u>

Depreciable assets:

Buildings and improvements	184,265,483	13,173,171	2,254,068	195,184,586
Vehicles and equipment	<u>65,110,724</u>	<u>1,941,346</u>	<u>616,709</u>	<u>66,435,361</u>
Total depreciable assets	<u>249,376,207</u>	<u>15,114,517</u>	<u>2,870,777</u>	<u>261,619,947</u>

Less accumulated depreciation	<u>124,529,758</u>	<u>9,583,768</u>	<u>616,708</u>	<u>133,496,818</u>
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Depreciable assets, net	<u>124,846,449</u>	<u>5,530,749</u>	<u>2,254,069</u>	<u>128,123,129</u>
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Component units capital assets, net	<u>\$ 137,410,712</u>	<u>\$ 16,842,799</u>	<u>\$ 13,710,395</u>	<u>\$ 140,543,116</u>
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Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:

General Government	\$ 11,182,825
Public Safety	1,188,007
Economic Development	4,701
Public Works	25,553,274
Youth & Family Development	199,255
Transportation	<u>640,899</u>
Total	<u>\$ 38,768,961</u>

Primary Government – Business-Type Activities:

Electric Utility	\$ 54,876,000
Sewer	11,697,448
Solid Waste	517,286
Water Quality Management	1,367,392
Tennessee Valley Regional Communications	621
Downtown Redevelopment	<u>588,364</u>
Total	<u>\$ 69,047,111</u>

Discretely-Presented Component Units:

CARTA	\$ 3,100,378
Airport Authority	<u>6,483,390</u>
Total	<u>\$ 9,583,768</u>

**NOTE 6. LONG-TERM LIABILITIES**

**Governmental Activities**

Debt related to governmental activities at June 30, 2016, consisted of the following:

**General Obligation Bonds**

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

(Continued)

**NOTE 6. LONG-TERM LIABILITIES (Continued)**

General obligation bonds are summarized by issue as follows:

<u>Series</u>	<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2016</u>
General Obligations Refunding Bonds, Series 1998	\$ 7,292,600	5.25% - 5.50%	09/01/17	\$ 743,600
General Obligations Refunding Bonds, Series 2005 A	17,436,520	3.50% - 5.00%	09/01/19	3,618,703
Hotel-Motel Tax Refunding Bonds, Series 2005 A	6,469,987	3.50% - 5.00%	09/01/19	32,499
General Obligations Bonds, Series 2006 A	20,732,796	4.00% - 5.00%	11/01/16	1,036,638
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	11,350,000
General Obligations Bonds, Series 2010 A	6,725,000	2.00% - 4.00%	02/01/30	3,350,000
General Obligation Refunding Bonds, Series 2010 B	4,707,460	2.00% - 4.00%	02/01/30	3,331,560
Hotel-Motel Tax Refunding Bonds, Series 2010 B	29,557,540	2.00% - 4.00%	02/01/30	20,918,440
General Obligation Bonds, Series 2010 C	6,840,000	2.00% - 4.00%	02/01/30	4,775,000
General Obligation Bonds, Series 2011 A	26,495,000	2.00% - 4.00%	10/01/26	19,420,000
General Obligation Refunding Bonds, Series 2011 B	1,949,250	2.00% - 4.00%	10/01/27	1,949,250
Hotel-Motel Tax Refunding Bonds, Series 2011 B	15,595,750	2.00% - 4.00%	10/01/27	15,595,750
General Obligation Bonds, Series 2013	19,355,000	2.00% - 5.00%	10/01/28	17,080,000
Hotel-Motel Tax Pledge, Series 2013	7,420,000	2.00% - 5.00%	10/01/28	6,550,000
General Obligation Refunding Bonds, Series 2014 A	13,792,100	1.75% - 5.00%	11/01/26	13,792,100
Hotel-Motel Tax Refunding Bonds, Series 2014 A	3,961,340	1.75% - 5.00%	11/01/26	3,961,340
General Obligation Bonds, Series 2015 A	28,245,000	5.00%	09/01/30	28,245,000
General Obligation Refunding Bonds, Series 2015 B	<u>18,955,000</u>	3.00% - 5.00%	11/01/28	<u>18,955,000</u>
Total payable from Debt Service Fund	<u>\$ 295,465,343</u>			<u>\$ 184,224,880</u>

**Notes and Loans Payable**

Tennessee Municipal Bond Fund Loan (2003) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$6,000,000 for the purpose of paying for certain general government capital projects. The loan is being repaid over a 15-year period at variable rates through 2018. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2016, is \$974,000 of which \$884,326 is due from Governmental Activities and \$89,674 is due from Solid Waste Fund (a Business-type Activity).

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, 2016, is \$12,023,868, of which \$11,739,572 is due from Governmental Activities and \$284,296 is due from Solid Waste Fund (a Business-type Activity).

Hennen Land Note - In December 2007, the City purchased the Narrow Bridge Property from Jenkins Road, LLC. The \$546,428 note is being repaid from parking revenue generated by Hennen's Restaurant employees and customers. The balance at June 30, 2016 is \$29,829.

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, 2016 is \$2,441,000.

Hamilton County Department of Education Note Payable - In July 2014, the Chancery Court for Hamilton County approved a joint motion by the Hamilton County Department of Education (HCDE) and the City of Chattanooga for compromise of litigation whereby HCDE filed a declaratory judgment action asking the Court to declare the rights and responsibilities of the parties under TCA § 57-4-306(2) relative to past liquor-by-the drink tax revenues. Under provisions of the Compromise, the City of Chattanooga will pay \$11,763,477 to the HCDE in six equal annual payments of \$1,960,580 over a five-year period commencing on August 1, 2014 and ending in August 2019. The balance at June 30, 2016 is \$7,842,318.

(Continued)

**NOTE 6. LONG-TERM LIABILITIES (Continued)**

**Capital Leases**

Chattanooga Downtown Redevelopment Corporation Capital Lease - In October 2000, the City entered into a non-cancelable long-term lease with the Chattanooga Downtown Redevelopment Corporation (CDRC), for financing the cost of designing, acquiring, constructing and equipping four facilities in the Tourist Development Zone comprising more than 631,210 square feet at a cost of over \$120 million. Facilities include (1) The Chattanooga - a residential conference center, (2) parking garage, (3) the Development Resource Center, and (4) an expansion of the Chattanooga-Hamilton County Convention and Trade Center. The lease provides for semi-annual payments in amounts sufficient to meet the annual debt service requirements on \$129 million in revenue bonds issued by the Industrial Development Board of the City of Chattanooga (IDB) on behalf of the CDRC, a non-profit corporation. The IDB bonds are secured by payments to be made by the CDRC. The lease payments are funded by the City's share of the 0.5% increase in the county-wide sales tax passed by county-wide referendum, income from the Chattanooga, state incremental sales tax generated in the Tourist Development Zone and interest income from a debt service reserve fund in excess of \$9 million included as part of the bond issue. In the event these sources are insufficient, the City agreed to appropriate sufficient moneys to make the lease payments. The City's lease payment for the year ended June 30, 2016, was \$9,661,984, of which \$3,797,017 was a reduction of principal. The debt service reserve fund held by the fiscal agent at June 30, 2016 is \$9,748,000. The fiscal agent is required by the agreement to apply any interest on the debt service reserve fund toward the lease payments. The debt service reserve fund will be used to retire debt near the end of the lease.

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

Golf Course Capital Lease - In April 2013, the City entered into an equipment lease-purchase agreement to finance golf carts at the Brainerd and Brown Acres Golf Courses totaling \$301,493. The lease term is five years and provides for monthly payments which began April 1, 2013. The recorded liability under this capital lease at June 30, 2016 is \$113,267.

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

**Business-type Activities**

Debt related to business-type activities at June 30, 2016, consisted of the following:

**Revenue and General Obligation Bonds**

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

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

<u>Series</u>	<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2016</u>
Electric Power Board				
2006A Electric System Revenue Bonds	\$ 40,000,000	4.00% - 5.00%	09/01/16	\$ 1,400,000
2006B Electric System Refunding Revenue Bonds	23,430,000	4.00% - 4.25%	09/01/16	1,715,000
2008A Electric System Revenue Bonds	219,830,000	3.00% - 5.00%	09/01/17	12,850,000
2015A Electric System Refunding Revenue Bonds	218,855,000	2.88% - 5.00%	09/01/33	218,855,000
2015B Electric System Revenue Bonds	15,355,000	0.70% - 3.38%	09/01/25	15,355,000
2015C Electric System Revenue Bonds	25,880,000	4.00% - 5.00%	09/01/40	25,880,000
Interceptor Sewer System				
General Obligations Refunding Bonds, Series 1998	13,612,700	5.25% - 5.50%	09/01/17	2,906,400
General Obligations Refunding Bonds, Series 2005A	12,545,129	3.50% - 5.00%	09/01/17	4,494,468
General Obligations Refunding Bonds, Series 2014A	2,343,620	1.75% - 5.00%	11/01/26	2,343,620

(Continued)

**NOTE 6. LONG-TERM LIABILITIES (Continued)**

<u>Series</u>	<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2016</u>
<b>Solid Waste Fund</b>				
General Obligation Refunding Bonds, Series 2005A	\$ 9,877,293	3.50% - 5.00%	09/01/17	\$ 3,091,077
General Obligation Bonds, Series 2006A	5,667,204	4.00% - 5.00%	11/01/26	283,362
General Obligation Refunding Bonds, Series 2007A	2,480,000	4.30% - 5.00%	03/01/26	2,480,000
General Obligations Refunding Bonds, Series 2014A	4,674,278	1.75% - 5.00%	11/01/26	4,674,278
<b>Water Quality Fund</b>				
General Obligation Refunding Bonds, Series 2005A	6,046,071	3.50% - 5.00%	09/01/17	2,033,253
General Obligation Refunding Bonds, Series 2007A	750,000	4.30% - 5.00%	03/01/26	750,000
General Obligation Bonds, Series 2013	5,245,000	2.00% - 5.00%	10/01/28	4,625,000
General Obligations Refunding Bonds, Series 2014A	1,153,663	1.75% - 5.00%	11/01/26	1,153,663
General Obligation Bonds, Series 2015 A	8,100,000	5.00%	09/01/30	8,100,000
<b>Chattanooga Downtown Redevelopment Corporation</b>				
2007 Chatt Lease Rental Rev Ref Bonds	56,110,000	4.00% - 5.00%	10/01/30	48,655,000
2010 Chatt Lease Rental Rev Ref Bonds	<u>66,955,000</u>	3.00% - 5.00%	10/01/24	<u>52,290,000</u>
Total payable from Business-type Activities	<u>\$ 738,909,958</u>			<u>\$ 413,935,121</u>

**Notes, Loans, and Line of Credit Payable**

1998 Georgia Environmental Facilities Authority - Pursuant to a loan agreement with the Georgia State Revolving Loan Fund, the City of Chattanooga was authorized to incur indebtedness up to \$7,255,000 for the purpose of financing sewer expansion in Northwest Georgia. The 20 year loan is being repaid at 4% interest through 2019. The balance at June 30, 2016 to be paid from Interceptor Sewer Fund is \$1,276,726.

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, 2016 to be paid from Interceptor Sewer Fund is \$20,309,147.

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, 2016, is \$974,000 of which \$884,326 is due from Governmental Activities and \$89,674 is due from Solid Waste Fund (a Business-type Activity).

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, 2016, is \$12,023,868, of which \$11,739,572 is due from Governmental Activities and \$284,296 is due from Solid Waste Fund (a Business-type Activity).

State Revolving Loan 2007 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a 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, 2016 to be paid from Interceptor Sewer Fund is \$10,533,739.

State Revolving Loan 2011 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a \$20,000,000 loan for the purpose of financing sewer projects. The loan will be repaid in monthly installments after 90 percent of the loan has been drawn down at 2.00% interest. The balance at June 30, 2016 to be paid from Interceptor Sewer Fund is \$16,174,136.

(Continued)

**NOTE 6. LONG-TERM LIABILITIES (Continued)**

EPB Video and Internet LOC - In August 2012, a \$60 million revolving line of credit was obtained for the benefit of EPB’s Video and Internet system. The line of credit was used for repayment of all funds borrowed from the Electric System and retirement of the outstanding principal of a \$7.5 million bank loan obtained in October 2011. This loan is secured by the revenue, assets, and other income of the Video and Internet System. The loan matures in December 2017 and incurs monthly interest payments equal to 30-day LIBOR plus 0.95%; subject to a total 1.0% floor. At June 30, 2016, the outstanding balance under the revolving line of credit was \$19,230,000.

State Revolving Loan 2012 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a \$33,100,000 loan for the purpose of financing sewer projects. The loan will be repaid in monthly installments after 90 percent of the loan has been drawn down at 1.15% interest. The balance at June 30, 2016 to be paid from Interceptor Sewer Fund is \$23,552,954.

State Revolving Loan 2013 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a \$66,800,000 loan for the purpose of financing sewer projects. The loan will be repaid in monthly installments after 90 percent of the loan has been drawn down at 1.67% interest. The balance at June 30, 2016 to be paid from Interceptor Sewer Fund is \$20,283,709.

**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	\$ 1,948,359	\$ 299,767	\$ 1,648,592
Water Quality Fund	470,064	19,854	450,210

**Component Units**

Component Units debt at June 30, 2016, consisted of the following:

**Revenue Bonds**

<u>Series</u>	<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2016</u>
Metropolitan Airport Authority				
Taxable Refunding Revenue Bonds, Series 2009	\$ 6,600,000	2.95%	04/01/19	\$ 3,993,010
Tax Exempt Revenue Bonds, Series 2014	5,086,077	2.67%	01/10/24	2,940,923
Taxable Revenue Bonds, Series 2014	<u>4,913,923</u>	4.03%	01/10/24	<u>3,754,718</u>
 Total payable from Component Units	 <u>\$ 16,600,000</u>			 <u>\$ 10,688,651</u>

**Capital Lease**

Fuel Facility Capital Lease – Effective July 1, 2012, the Airport Authority entered into a \$186,643 leasing arrangement for a fuel facility which is classified as a capital lease. The lease agreement specified no rental payment for the first twelve months of the lease. The Authority has recorded lease expense on the straight-line method over the life of the lease and has accrued lease expense. The balance on this capital lease at June 30, 2016 to be paid from the Chattanooga Metropolitan Airport Authority is \$8,608.

**Refunding**

During the 2016 fiscal year the City issued \$18,955,000 of general obligation bonds to refinance \$19,500,000 resulting in present value savings of \$545,000.

(Continued)



**NOTE 6. LONG-TERM LIABILITIES (Continued)**

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, 2016, the remaining liabilities for the bonds refunded were as follows:

<u>Year Refunded</u>	<u>Primary Government</u>
1998	\$ 3,705,000
2005	27,165,000
2007	66,280,000
2010	23,575,000
2011	52,290,000
2012	18,360,000
2014	26,745,001
2015	19,500,000

**Changes in Long-term Liabilities**

Changes in long-term liabilities for the fiscal year ended June 30, 2016, were as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
<b>Primary Government</b>					
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation serial bonds	\$ 174,575,355	\$ 47,200,000	\$ 32,550,475	\$ 189,224,880	\$ 13,378,665
Notes payable	26,990,086	-	4,053,041	22,937,045	4,070,862
Capital leases payable	174,098	-	60,831	113,267	63,590
Accrued pollution remediation costs	1,233,350	101,812	20,089	1,315,073	61,500
Accrued postemployment benefits	26,541,722	-	2,997,116	23,544,606	-
Accrued general pension costs	22,479,318	7,797,768	-	30,277,086	-
Accrued fire and police pension costs	126,527,803	37,094,144	-	163,621,947	-
Compensated absences	19,111,156	14,399,030	11,081,366	22,428,820	1,485,486
	<u>397,632,888</u>	<u>106,592,754</u>	<u>50,762,918</u>	453,462,724	<u>19,060,103</u>
Total governmental activities				453,462,724	<u>19,060,103</u>
Original issue premiums and discounts				<u>14,086,337</u>	
				<u>467,549,061</u>	
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>EPB:</b>					
Revenue bonds	\$ 263,925,000	\$260,090,000	\$ 247,960,000	\$ 276,055,000	\$ 9,560,000
Line of credit	36,725,000	-	17,495,000	19,230,000	-
Accrued postemployment benefits	8,894,000	27,000	-	8,921,000	-
Accrued pension costs	6,134,000	1,634,000	-	7,768,000	-
Compensated absences	606,000	181,000	26,000	761,000	200,000
	<u>316,284,000</u>	<u>261,932,000</u>	<u>265,481,000</u>	<u>312,735,000</u>	<u>9,760,000</u>
<b>Interceptor Sewer System:</b>					
General obligation serial bonds	13,163,948	-	3,419,460	9,744,488	3,605,190
Notes payable	61,293,764	33,814,889	2,978,242	92,130,411	8,472,540
Accrued general pension costs	2,564,009	812,040	-	3,376,049	-
Compensated absences	877,815	818,614	721,372	975,057	65,441
	<u>77,899,536</u>	<u>35,445,543</u>	<u>7,119,074</u>	<u>106,226,005</u>	<u>12,143,171</u>
<b>Solid Waste Fund:</b>					
General obligation serial bonds	12,245,516	-	1,716,799	10,528,717	1,789,869
Notes payable	448,195	-	74,225	373,970	76,548
Accrued landfill closure costs	5,743,384	203,216	173,802	5,772,798	193,638
Accrued general pension costs	324,716	127,366	-	452,082	-
Compensated absences	121,446	110,004	77,150	154,300	10,356
	<u>18,883,257</u>	<u>440,586</u>	<u>2,041,976</u>	<u>17,281,867</u>	<u>2,070,411</u>

(Continued)

**NOTE 6. LONG-TERM LIABILITIES (Continued)**

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
<b>Water Quality Management Fund:</b>					
General obligation serial bonds	9,865,182	8,100,000	1,303,266	16,661,916	1,891,277
Accrued general pension costs	2,192,312	635,058	-	2,827,370	-
Compensated absences	<u>743,705</u>	<u>808,924</u>	<u>703,277</u>	<u>849,352</u>	<u>57,004</u>
	<u>12,801,199</u>	<u>9,543,982</u>	<u>2,006,543</u>	<u>20,338,638</u>	<u>1,948,281</u>
<b>Tennessee Valley Regional Communication Systems Fund:</b>					
Compensated absences	-	119,145	40,856	78,289	5,254
<b>Chattanooga Downtown Redevelopment Corporation:</b>					
Revenue bonds	<u>105,620,000</u>	-	4,675,000	<u>100,945,000</u>	<u>4,890,000</u>
<b>Total business-type activities</b>	<b><u>\$ 531,487,992</u></b>	<b><u>\$307,455,256</u></b>	<b><u>\$ 281,338,449</u></b>	<b>557,604,799</b>	<b><u>\$ 30,817,117</u></b>
Original issue premiums and discounts				<u>40,804,270</u>	
				<b><u>\$ 598,409,069</u></b>	
<b>Discretely-Presented Component Units</b>					
<b>Airport Authority:</b>					
Revenue bonds	\$ 11,390,665	\$ -	\$ 702,014	\$ 10,688,651	\$ 725,518
Capital lease payable	58,660	-	50,052	8,608	8,608
Accrued postemployment benefits	146,811	-	-	146,811	-
Accrued general pension costs	<u>890,448</u>	<u>476,140</u>	-	<u>1,366,588</u>	-
	<u>12,486,584</u>	<u>476,140</u>	<u>752,066</u>	<u>12,210,658</u>	<u>734,126</u>
<b>CARTA:</b>					
Notes payable	181,981	-	181,981	-	-
Accrued general pension costs	<u>11,358,348</u>	<u>3,494,048</u>	<u>1,882,284</u>	<u>12,970,112</u>	-
	<u>11,540,329</u>	<u>3,494,048</u>	<u>2,064,265</u>	<u>12,970,112</u>	-
<b>Total component units</b>	<b><u>\$ 24,026,913</u></b>	<b><u>\$ 3,970,188</u></b>	<b><u>\$ 2,816,331</u></b>	<b><u>\$ 25,180,770</u></b>	<b><u>\$ 734,126</u></b>

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>
2017	\$ 17,449,526	\$ 7,611,908	\$ 30,285,424	\$ 20,661,496
2018	18,754,037	6,973,165	31,456,186	19,600,629
2019	19,047,473	6,310,940	28,284,455	18,527,101
2020	15,867,069	5,745,555	27,366,196	17,468,861
2021	15,646,087	5,258,192	27,586,160	15,417,261
2022-2026	79,028,663	17,559,723	144,060,437	62,179,391
2027-2031	46,369,070	4,378,673	145,284,521	32,978,486
2032-2036	-	-	63,141,123	6,952,501
2037-2041	-	-	<u>8,975,000</u>	<u>1,165,625</u>
	<u>\$ 212,161,925</u>	<u>\$ 53,838,156</u>	<u>\$ 506,439,502</u>	<u>\$ 194,951,351</u>

(Continued)

**NOTE 6. LONG-TERM LIABILITIES (Continued)**

<u>Year</u>	<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 725,518	\$ 342,034
2018	748,801	318,751
2019	3,384,100	281,354
2020	308,890	198,415
2021	319,722	187,583
2022-2026	<u>5,201,620</u>	<u>432,057</u>
	<u>\$ 10,688,651</u>	<u>\$ 1,760,194</u>

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

<u>Year</u>	<u>Primary Government</u>		<u>Component Units</u>	
	<u>Governmental Activities</u>		<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>		
2017	\$ 63,590	\$ 3,748	\$ 8,608	\$ 58
2018	<u>49,677</u>	<u>926</u>	<u>-</u>	<u>-</u>
	<u>\$ 113,267</u>	<u>\$ 4,674</u>	<u>\$ 8,608</u>	<u>\$ 58</u>

**NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUND**

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

**General Pension Plan**

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

**Plan Description**

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

Plan membership - Pension plan membership as of January 1, 2016, the valuation date, consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	1,080
Inactive plan members entitled to but not yet receiving benefits	107
Active plan members	<u>1,385</u>
Total	<u>2,572</u>

Benefits - The GPP provides retirement and disability benefits. The normal retirement benefit is two percent of average compensation multiplied by years of credited service up to twenty (20) years plus one percent of average earnings multiplied by years of credited service in excess of twenty (20) years. The normal retirement date is the first day of the month following the participant's attainment of age 62. Benefits are reduced on a pro rata basis for early retirement. An employee otherwise vested shall be penalized two and one-half percent for each year of age less than 62. However, if the sum of the participant's age and years of credited service is at least eighty (80), there shall be no reduction in the immediate early retirement benefit. Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is 3.0 percent. Chapter 2, Article III, Division 17 of the City Code provides for the General Pension Plan. Future amendments to the plan provisions can be authorized by City ordinance upon recommendation from the Board of Trustees of the GPP, upon advice by the Mayor and upon receipt of an actuarial report as to the costs and actuarial soundness of such changes.

(Continued)

**NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUND (Continued)**

Contributions - The GPP Board of Trustees establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, the active member contribution rate was 2.0 percent of annual pay, and the City’s contribution rate was 14.11 percent of pay.

**Plan Investments**

Investment policy - The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the GPP Board of Trustees. It is the policy of the GPP Board of Trustees to pursue an investment strategy that provides sufficient return to meet its actuarial assumptions without undue investment risk. The following was the adopted asset allocation policy as of June 30, 2016:

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

Rate of return - For the year ended June 30, 2016, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was (0.78) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Partial Lump Sum Option**

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

**Net Pension Liability**

The components of the net pension liability of the City at June 30, 2016 were as follows:

Total pension liability	\$ 331,252,472
Plan fiduciary net position	<u>(264,066,396)</u>
Net pension liability	<u>\$ 67,186,076</u>
 Plan fiduciary net position as a percentage of the total pension liability	 79.72%

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2016 using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016:

Inflation	3.0 percent
Salary increases	4.0 - 5.0 percent
Investment rate of return	7.25 percent, net of investment expenses

(Continued)

**NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUND (Continued)**

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

Actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study, dated January 7, 2014. The investment rate of return was decreased from 7.5 percent to 7.25 percent as of January 1, 2016.

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

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

Discount rate - The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that plan members contribute 2 percent of pay and that the Board of Trustees adopts the actuarially determined contribution rate for the employer. Projected future benefit payments for all current plan members were projected through 2128.

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

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
GPP net pension liability	<u>\$ 104,215,932</u>	<u>\$ 67,186,076</u>	<u>\$ 35,716,415</u>

**Fire and Police Pension Plan**

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

**Plan Description**

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

(Continued)

**NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUND (Continued)**

Plan membership – Pension plan membership as of December 31, 2015, the valuation date, consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	769
Inactive plan members entitled to but not yet receiving benefits	22
Active plan members	<u>851</u>
	<u>1,642</u>

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

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

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

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

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

Contributions - The CFPPF Board of Directors establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate and amount is determined as of January 1 and projected to July 1, so that the City’s contributions are based on their fiscal year. The contribution as determined in the January 1, 2016 valuation is 30.63% of projected payroll. The active member contribution rate was either 9 or 10 percent of payroll, and will continue to increase each July 1<sup>st</sup> until they reach 11 or 12 percent effective July 1, 2016.

**Plan Investments**

Investment policy - The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the CFPPF Board of Directors. It is the policy of the CFPPF Board of Directors to pursue an investment strategy that provides sufficient return to meet its actuarial assumptions without undue investment risk. The following was the adopted asset allocation policy as of June 30, 2016:

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

(Continued)

**NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUND (Continued)**

Rate of return - For the year ended June 30, 2016, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was (2.61) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Deferred Retirement Option Program**

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

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

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

**Net Pension Liability**

The components of the net pension liability of the City at June 30, 2016 were as follows:

Total pension liability	\$ 397,770,631
Plan fiduciary net position	<u>208,591,942</u>
Net pension liability	<u>\$ 189,178,689</u>
 Plan fiduciary net position as a percentage of the total pension liability	 52.44%

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016:

Inflation	2.75 percent
Salary increases	2.75 percent plus service based merit increases
Investment rate of return	7.75 percent net of pension plan investment expenses
COLA	1.50 percent

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

(Continued)

**NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUND (Continued)**

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an experience study for the period January 1, 2010 through December 31, 2014 and based on changes to the retirement rate and COLA assumptions made in the conjunction with plan changes effective July 1, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2015 (see the discussion of the pension plan’s investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic equity	6.75%
International equity	7.45
Fixed income	1.75
Real estate	4.55
Hedge funds	3.75
Private equity	11.50
*Arithmetic mean	

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

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the CFPPF, calculated using the discount rate of 7.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
CFPPF net pension liability	<u>\$ 233,865,622</u>	<u>\$ 189,178,689</u>	<u>\$ 151,723,631</u>

**Combining Statements for Pension Trust Fund**

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

(Continued)



**NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUND (Continued)**

Combining Statement of Pension Trust Net Position:

	General Pension Plan	Fire and Police Pension Fund	Total
<b>ASSETS</b>			
Receivables:			
Accrued income	\$ 195,472	\$ 29,164	\$ 224,636
Total receivables	<u>195,472</u>	<u>29,164</u>	<u>224,636</u>
Investments:			
Corporate bonds and notes	5,616,955	12,294,146	17,911,101
Preferred securities	-	2,925,848	2,925,848
Corporate stocks	69,858,816	14,006,739	83,865,555
Foreign equity	-	5,397,127	5,397,127
Mutual funds – preferred securities	-	2,921,858	2,921,858
Mutual funds – equity	21,833,218	49,161,340	70,994,558
Mutual funds – fixed income	40,183,077	20,386,713	60,569,790
Real estate	19,043,980	16,270,291	35,314,271
Hedge funds	42,944,639	62,523,417	105,468,056
Other investments	60,920,418	20,956,823	81,877,241
Temporary investments	<u>3,657,761</u>	<u>1,749,752</u>	<u>5,407,513</u>
Total investments	<u>264,058,864</u>	<u>208,594,054</u>	<u>472,652,918</u>
Total assets	<u>264,254,336</u>	<u>208,623,218</u>	<u>472,877,554</u>
<b>LIABILITIES</b>			
Accrued expenses	<u>187,940</u>	<u>31,276</u>	<u>219,216</u>
Total liabilities	<u>187,940</u>	<u>31,276</u>	<u>219,216</u>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<u>\$ 264,066,396</u>	<u>\$ 208,591,942</u>	<u>\$ 472,658,338</u>

Combining Statement of Changes in Plan Net Position:

<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 8,076,989	\$ 11,987,641	\$ 20,064,630
Employee	1,158,835	3,869,165	5,028,000
Other	<u>-</u>	<u>326,393</u>	<u>326,393</u>
Total contributions	<u>9,235,824</u>	<u>16,183,199</u>	<u>25,419,023</u>
Investments income:			
Net appreciation in fair value of investments	(1,591,223)	(7,557,793)	(9,149,016)
Interest	337,670	10,916	348,586
Dividends	<u>2,074,341</u>	<u>2,442,496</u>	<u>4,516,837</u>
	820,788	(5,104,381)	(4,283,593)
Less investment expense	<u>(627,598)</u>	<u>(335,471)</u>	<u>(963,069)</u>
Net investment income (loss)	<u>193,190</u>	<u>(5,439,852)</u>	<u>(5,246,662)</u>
Total additions	<u>9,429,014</u>	<u>10,743,347</u>	<u>20,172,361</u>
<b>DEDUCTIONS</b>			
Benefits paid to participants	18,970,026	29,511,435	48,481,461
Administrative expenses	<u>161,500</u>	<u>1,269,308</u>	<u>1,430,808</u>
Total deductions	<u>19,131,526</u>	<u>30,780,743</u>	<u>49,912,269</u>
<b>NET CHANGE</b>	(9,702,512)	(20,037,396)	(29,739,908)
<b>NET POSITION RESTRICTED FOR PENSIONS</b>			
Beginning of year	<u>273,768,908</u>	<u>228,629,338</u>	<u>502,398,246</u>
End of year	<u>\$ 264,066,396</u>	<u>\$ 208,591,942</u>	<u>\$ 472,658,338</u>

(Continued)

**NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUND (Continued)**

**Other Postemployment Benefits Plan**

The City’s OPEB plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions for all permanent, full-time general City employees and employees of the Chattanooga Metropolitan Airport Authority.

**Plan Description**

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

Plan membership – OPEB plan membership as of January 1, 2016, the date of the valuation, consisted of the following:

Inactive members or their beneficiaries currently receiving benefits	1,316
Inactive members entitled to but not yet receiving benefits	0
Active members	<u>2,225</u>
Total	<u>3,541</u>

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

Contributions - The City contributes to the plan at an actuarially determined rate. Retired plan members and beneficiaries are required to contribute specified amounts monthly toward the cost of health insurance premiums. Employees who retired prior to 2002 contribute an amount equal to the amount paid by active employees. Employees who retire after 2002 with 25 years of service or a job-related disability contribute an amount equal to 1.5 times that paid by active employees. Employees who retire after 2002 with less than 25 years of service or a non-job-related disability contribute an increased amount on the member of years’ service less than 25 years. The City pays the remainder of the costs of medical coverage. The City established an Other Postemployment Benefits Trust (the Trust) in 2008 to partially pre-fund benefits. Beginning in 2011, the City began funding the Trust based on an actuarial calculation in which all unfunded prior service costs as well as normal costs are allocated to various funds based on applicable payroll. The City is currently contributing 13.39 percent of the total covered payroll of participants. All obligations are liquidated from the OPEB trust.

**Plan Investments**

Investment policy - The OPEB plan’s policy in regard to the allocation of invested assets is established and may be amended by the GPP Board of Trustees. It is the policy of the GPP Board of Trustees to pursue an investment strategy that provides sufficient return to meet its actuarial assumptions without undue investment risk. The following was the adopted asset allocation policy as of June 30, 2016:

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

(Continued)

**NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUND (Continued)**

Rate of return - For the year ended June 30, 2016, the annual money-weighted rate of return on OPEB investments, net of OPEB plan investment expense, was (0.77) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Liability**

The components of the net OPEB liability of the City at June 30, 2016 were as follows:

Total OPEB liability	\$ 169,492,863
Plan fiduciary net position	<u>(41,557,660)</u>
City's net OPEB liability	<u>\$ 127,935,203</u>
Plan fiduciary net position as a percentage of the total OPEB liability	24.52%

Actuarial assumptions - The total OPEB liability was determined by an actuarial valuation as of January 1, 2016 using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016:

Inflation	3.0 percent
Salary increases	1.5 to 5.0 percent, including inflation
Investment rate of return	7.5 percent compounded annually, net of OPEB
plan investment expenses, including inflation	
Healthcare cost trend rates	
Pre-medicare eligible	7.0%
Medicare eligible	5.75%
Ultimate trend rate	
Pre-medicare eligible	5.0%
Medicare eligible	5.0%

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

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

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

The long-term expected rate of return on plan assets is to be reviewed as part of regular experience studies prepared for the Plan every four to five years. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in the current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

(Continued)

**NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUND (Continued)**

The capital market assumptions to be developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

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

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current discount rate:

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net OPEB liability (asset)	\$ 145,808,359	\$ 127,935,203	\$ 112,517,327

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. - The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (6.0 percent decreasing to 4.0% for pre-Medicare, 4.75% decreasing 4.00% for Medicare) or 1-percentage point higher (8.0 percent decreasing to 6.0% for pre-Medicare, 6.75% decreasing to 6.00% for Medicare) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability (asset)	\$ 110,467,580	\$ 127,935,203	\$ 148,471,388

Alternative measurement method – January 1, 2016 is the actuarial valuation date upon which the total OPEB liability is based. The result was rolled forward using standard actuarial techniques to the measurement date. The roll forward calculation adds the normal cost (also called the service cost) for the first half of 2016, subtracts the actual benefits payments for the six month period and then applies the expected investment rate of return for the period. If applicable, actuarial gains and losses arising from benefit changes, the differences between estimates and actual experience, and changes in assumptions or other inputs are reconciled to the total OPEB liability as of the Measurement Date.

(Continued)

**NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUND (Continued)**

The procedure was used to determine the total OPEB liability as of June 30, 2016, as shown in the following:

Total OPEB Liability Roll Forward	
Total OPEB liability as of January 1, 2016	\$ 167,606,425
Actual benefit payment and refunds for January 1, 2016 – June 30, 2016	(5,828,556)
Interest on TOL	6,175,956
Service cost for the period January 1, 2016 – June 30, 2016 at the end of the period	<u>1,539,039</u>
Total OPEB liability rolled forward to June 30, 2016	<u>\$ 169,492,864</u>

**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS**

The primary government provides retirement benefits through three single-employer defined benefit pension plans: General Pension Plan, Fire and Police Pension Fund, and Electric Power Board of Chattanooga Retirement Plan. All permanent employees are eligible to participate in one of these retirement benefit pension plans. The component units provide retirement benefits as well. The Airport participates in the General Pension Plan while CARTA employees are covered by a separate defined benefit plan.

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

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

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
	Balances at 6/30/2014	\$ 701,458,706	\$ 541,361,280
Changes for the year:			
Service cost	14,672,932	-	14,672,932
Interest expense	55,221,435	-	55,221,435
Changes of benefit terms	-	-	-
Experience losses (gains)	3,280,062	-	3,280,062
Changes of assumptions	23,999,640	-	23,999,640
Contributions – city	-	24,457,631	(24,457,631)
Contributions – members	-	4,628,262	(4,628,262)
Net investment income	-	17,862,524	(17,862,524)
Benefits paid	(49,930,577)	(49,930,577)	-
Plan administrative expenses	-	(1,160,979)	1,160,979
Other	-	162,076	(162,076)
Net changes	<u>(44,243,492)</u>	<u>(3,981,063)</u>	<u>(48,224,555)</u>
Balances at 6/30/2015	<u>\$ 745,702,198</u>	<u>\$ 537,380,217</u>	<u>\$ 208,321,981</u>

(Continued)

**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

	Component Units Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balances at 6/30/2014	\$ 34,970,903	\$ 22,792,014	\$ 12,178,889
Changes for the year:			
Service cost	1,009,522	-	1,009,522
Interest expense	2,525,325	-	2,525,325
Changes of benefit terms	-	-	-
Experience losses (gains)	460,030	-	460,030
Changes of assumptions	-	-	-
Contributions – city	-	1,534,581	(1,534,581)
Contributions – members	-	341,931	(341,931)
Net investment income	-	76,118	(76,118)
Benefits paid	(2,053,124)	(2,053,124)	-
Plan administrative expenses	-	(115,338)	115,338
Other	-	(226)	226
Net changes	<u>1,941,753</u>	<u>(216,058)</u>	<u>2,157,811</u>
Balances at 6/30/2015	<u>\$ 36,912,656</u>	<u>\$ 22,575,956</u>	<u>\$ 14,336,700</u>

	<u>General Pension Plan</u>	<u>Fire &amp; Police Pension Plan</u>	<u>EPB Pension Plan</u>	<u>CARTA Pension Plan</u>	<u>Totals</u>
Net pension liability	\$ 38,299,175	\$163,621,947	\$ 7,767,447	\$ 12,970,112	\$ 222,658,681
Deferred pension outflows					
Contributions	8,076,989	11,987,641	2,500,000	678,461	23,243,091
Change in assumptions	-	20,571,120	-	-	20,571,120
Difference between expected and actual experience	-	7,871,362	5,630,000	827,026	14,328,388
Net difference between projected and actual earnings on pension plan investments	<u>8,687,047</u>	<u>-</u>	<u>-</u>	<u>1,128,449</u>	<u>9,815,496</u>
	<u>16,764,036</u>	<u>40,430,123</u>	<u>8,130,000</u>	<u>2,633,936</u>	<u>67,958,095</u>
Deferred pension inflows					
Change in assumptions	3,792,684	-	-	-	3,792,684
Difference between expected and actual experience	269,927	-	-	-	269,927
Net difference between projected and actual earnings on pension plan investments	<u>7,290,587</u>	<u>1,670,927</u>	<u>1,013,000</u>	<u>-</u>	<u>9,974,514</u>
	<u>11,353,198</u>	<u>1,670,927</u>	<u>1,013,000</u>	<u>-</u>	<u>14,037,125</u>
Pension expense (income)	5,875,646	15,854,869	3,687,000	1,535,580	26,953,095

The following is a summary of each of these plans:

**City of Chattanooga General Pension Plan**

**General Information**

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

(Continued)

**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

Benefits provided - The GPP provides retirement and disability benefits. The normal retirement benefit is two percent of average compensation multiplied by years of credited service up to twenty (20) years plus one percent of average earnings multiplied by years of credited service in excess of twenty (20) years. The normal retirement date is the first day of the month following the participant's attainment of age 62. Benefits are reduced on a pro rata basis for early retirement. An employee otherwise vested shall be penalized two and one-half percent for each year of age less than 62. However, if the sum of the participant's age and years of credited service is at least eighty (80), there shall be no reduction in the immediate early retirement benefit.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual cost-of-living adjustment will be made each January 1 and shall be equal to 3.0 percent.

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

Employees covered by benefit terms – The following employees were covered by the benefit terms as of January 1, 2015, the valuation date:

Inactive employees or beneficiaries currently receiving benefits	1,030
Inactive employees entitled to but not yet receiving benefits	102
Active employees	<u>1,400</u>
	<u>2,532</u>

Contributions - The GPP Board of Trustees establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, the active member contribution rate was 2.0 percent of annual pay, and the City's contribution rate was 13.91 percent of the total covered payroll of participants.

**Net Pension Liability**

The City's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015, rolled-forward to June 30, 2016.

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.0 percent
Salary increases	4.0 - 5.0 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expenses, including inflation
COLA	3.0 percent

Both pre-retirement and post-retirement mortality rates were based on the RP 2000 combined mortality table set forward four years for males and set forward two years for females and using a Scale AA projection to 2025. Post-disability mortality rates were based on the RP 2000 disabled retiree mortality table set forward eight years for males and set forward nine years for females. The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study, dated January 7, 2014.

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

(Continued)

**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

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

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

Discount rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Net Position</u> <u>(b)</u>	<u>Net Pension Liability</u> <u>(a) – (b)</u>
Balances at 6/30/2014	\$ 301,276,271	\$ 272,825,468	\$ 28,450,803
Changes for the year:			
Service cost	6,381,168	-	6,381,168
Interest expense	21,950,480	-	21,950,480
Changes of assumptions	(333,439)	-	(333,439)
Contributions – city	-	7,925,195	(7,925,195)
Contributions – members	-	1,140,121	(1,140,121)
Net investment income	-	9,290,101	(9,290,101)
Benefits paid	(17,206,397)	(17,206,397)	-
Plan administrative expenses	-	(205,580)	205,580
Net changes	<u>10,791,812</u>	<u>943,440</u>	<u>9,848,372</u>
Balances at 6/30/2015	<u>\$ 312,068,083</u>	<u>\$ 273,768,908</u>	<u>\$ 38,299,175</u>

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

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City’s net pension liability	<u>\$ 73,179,998</u>	<u>\$ 38,299,175</u>	<u>\$ 8,642,591</u>

(Continued)



**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

Pension plan fiduciary net position – The plan does not issue a separate financial report. Detailed information about the pension plan’s fiduciary net position is found in Note 7.

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

For the year ended June 30, 2016, the City recognized pension expense of \$5,665,992 with an additional \$209,654 for the Airport Authority, a component unit of the City.

Deferred outflows of resources related to pensions are as follows:

	<u>Primary Government</u>	<u>Authority</u>	<u>Airport Total</u>
Deferred contributions	\$ 7,788,787	\$ 288,202	\$ 8,076,989
Net difference between projected and actual earnings on pension plan investments	<u>8,377,077</u>	<u>309,970</u>	<u>8,687,047</u>
Total deferred outflow of resources	<u>\$ 16,165,864</u>	<u>\$ 598,172</u>	<u>\$ 16,764,036</u>

Deferred inflows of resources related to pensions are as follows:

	<u>Primary Government</u>	<u>Airport Authority</u>	<u>Total</u>
Changes of assumptions	\$ 3,657,354	\$ 135,330	\$ 3,792,684
Difference between expected and actual experience	260,295	9,632	269,927
Net difference between projected and actual earnings on pension plan investments	<u>7,030,445</u>	<u>260,142</u>	<u>7,290,587</u>
Total deferred inflow of resources	<u>\$ 10,948,094</u>	<u>\$ 405,104</u>	<u>\$ 11,353,198</u>

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

Year ended June 30,	
2017	\$ 1,372,551
2018	1,372,551
2019	1,372,551
2020	(1,467,380)
2021	<u>15,879</u>
	<u>\$ 2,666,152</u>

**Payable to the Pension Plan**

At June 30, 2016, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan.

**Fire and Police Pension Fund**

**General Information**

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

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

(Continued)

**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

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

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

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

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

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

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

Employees covered by benefit terms – The following employees were covered by the benefit terms as of December 31, 2014, the valuation date:

Inactive plan members or beneficiaries currently receiving benefits	761
Inactive plan members entitled to but not yet receiving benefits	11
Active plan members	<u>850</u>
	<u>1,622</u>

Contributions - The CFPPF Board of Directors establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, the active member contribution rate was either 10 or 11 percent of payroll, and will continue to increase each July 1<sup>st</sup> until they reach 11 or 12 percent effective July 1, 2016. The City’s contribution rate was 26.19% of the total covered payroll of participants.

**Net Pension Liability**

The City’s net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, rolled-forward to June 30, 2015.

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.75 percent
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(Continued)

**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

Salary increases	2.75 percent plus service based merit increases
Investment rate of return	7.75 percent
COLA	1.50 percent

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	16%	6.70%
International equity	17	7.40
Fixed income	21	1.60
Real estate	14	4.50
Hedge funds	25	3.60
Private equity	7	11.80
	<u>100%</u>	

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

**Changes in Net Pension Liability**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balances at 6/30/2014	\$ 362,580,187	\$ 236,052,384	\$ 126,527,803
Changes for the year:			
Service cost	5,754,036	-	5,754,036
Interest expense	27,011,054	-	27,011,054
Difference between expected and actual experience	1,007,292	-	1,007,292
Change of assumptions	23,999,640	-	23,999,640
Contributions – city	-	11,115,222	(11,115,222)
Contributions – members	-	3,528,823	(3,528,823)
Net investment income	-	6,760,919	(6,760,919)
Benefits paid	(28,100,924)	(28,100,924)	-
Plan administrative expenses	-	(889,162)	889,162
Other	-	162,076	(162,076)
Net changes	<u>29,671,098</u>	<u>(7,423,046)</u>	<u>37,094,144</u>
Balances at 6/30/2015	<u>\$ 392,251,285</u>	<u>\$ 228,629,338</u>	<u>\$ 163,621,947</u>

(Continued)

**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

Changes in actuarial assumptions – A detailed study of experience for the five-year period ending December 31, 2014 was performed. The recommendations of the study were adopted by the Board on April 16, 2015 and detailed in the notes for fiscal year ended June 30, 2015.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City’s net pension liability	<u>\$ 207,695,447</u>	<u>\$ 163,621,947</u>	<u>\$ 126,700,121</u>

Pension plan fiduciary net position – The plan does not issue a separate financial report. Detailed information about the pension plan’s fiduciary net position is found in Note 7.

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

For the year ended June 30, 2016, the City recognized \$15,854,869 in pension expense. Deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 7,871,362	\$ -
Change of assumptions	20,571,120	-
Deferred contributions	11,987,641	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>1,670,927</u>
Total	<u>\$ 40,430,123</u>	<u>\$ 1,670,927</u>

Deferred outflows of resources totaling \$11,987,641 represent contributions made after the plan’s valuation date. Amounts reported as deferred outflows of resources and deferred inflows of resources, excluding deferred contributions, related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	\$ 3,681,750
2018	3,681,750
2019	3,681,749
2020	7,179,876
2021	4,974,012
Thereafter	<u>3,572,418</u>
	<u>\$ 26,771,555</u>

**Payable to the Pension Plan**

At June 30, 2016, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan.

(Continued)

**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

**Electric Power Board of Chattanooga Retirement Plan**

**General Information**

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

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

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

The death benefit is a survivor annuity benefit if the participant was vested and married under prescribed conditions.

Final monthly salary is the three-year average of base salary on the actual retirement date and the two previous August 1sts. The normal retirement date is the first day of the month coincident with the participant's 65<sup>th</sup> birthday or having five years of participation in the plan.

Employees covered by benefit terms - The following employees were covered by the benefit terms as of June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	121
Active plan members	<u>487</u>
	<u>623</u>

Contributions - Plan members are not required to contribute to the Plan. EPB's contributions are calculated based on an actuarially determined rate, which is currently 12.60% of annual covered payroll.

**Net Pension Liability**

EPB's net pension liability was measured as of August 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of August 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	1.5 percent
Salary increases	3.0 percent
Investment rate of return	7.5 percent

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

The actuarial assumptions used in the August 1, 2015 valuation were based on the results of an experience study for the period August 1, 2012 through July 31, 2014.

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

(Continued)

**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	40-50%	6.2%
International equity	20-30	5.9
Fixed income	20-30	1.9
Real estate	0-10	5.1
Cash	0-10	0.0

Discount rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that EPB contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> (a)	<u>Plan Net Position</u> (b)	<u>Net Pension Liability</u> (a) – (b)
Balances at 6/30/2014	\$ 48,352,360	\$ 42,218,360	\$ 6,134,000
Changes for the year:			
Service cost	2,765,420	-	2,765,420
Interest expense	4,043,136	-	4,043,136
Difference between expected and actual experience	2,594,311	-	2,594,311
Contributions – EPB	-	5,700,000	(5,700,000)
Net investment income	-	2,142,992	(2,142,992)
Benefits paid	(5,237,213)	(5,237,213)	-
Plan administrative expenses	-	(73,572)	73,572
Net changes	<u>4,165,654</u>	<u>2,532,207</u>	<u>1,633,447</u>
Balances at 6/30/2015	<u>\$ 52,518,014</u>	<u>\$ 44,750,567</u>	<u>\$ 7,767,447</u>

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease</u> (6.5%)	<u>Current Discount Rate</u> (7.5%)	<u>1% Increase</u> (8.5%)
City's net pension liability	<u>\$ 13,019,248</u>	<u>\$ 7,767,447</u>	<u>\$ (4,836,876)</u>

The plan does not issue a separate report.

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

For the year ended June 30, 2016, EPB recognized \$3,687,000 in pension expense. Deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

(Continued)

**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,630,000	\$ -
Deferred contributions	2,500,000	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>1,013,000</u>
Total	<u>\$ 8,130,000</u>	<u>\$ 1,013,000</u>

Deferred outflows of resources totaling \$2,500,000 represent contributions made after the plan’s valuation date. Amounts reported as deferred outflows of resources and deferred inflows of resources, excluding deferred contributions, related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	\$ (43,648)
2018	(43,648)
2019	(43,648)
2020	562,778
2021	361,170
Thereafter	<u>3,824,261</u>
	<u>\$ 4,617,265</u>

**Payable to the Pension Plan**

At June 30, 2016, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan.

**Other Postemployment Benefits (City)**

**Plan Description**

The City maintains a 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; those requirements are different for general employees and sworn safety employees. Those members meeting the eligibility conditions as of July 1, 2010 receive health benefits for life. Those not meeting the eligibility conditions as of July 1, 2010 receive health benefits until eligible for Medicare. A stand-alone financial report is not issued for the plan.

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

**Funding Policy**

The City contributes to the plan at an actuarially determined rate. Retired plan members and beneficiaries are required to contribute specified amounts monthly toward the cost of health insurance premiums. Employees who retired prior to 2002 contribute an amount equal to the amount paid by active employees.

Employees who retire after 2002 with 25 years of service or a job-related disability contribute an amount equal to 1.5 times that paid by active employees. Employees who retire after 2002 with less than 25 years of service or a non-job-related disability contribute an amount increased on a pro rata year's basis. The City pays the remainder of the costs of medical coverage.

The City established an Other Postemployment Benefits Trust (the Trust) in 2008 to partially pre-fund benefits. Beginning in 2011, the City began funding the Trust based on an actuarial calculation in which all unfunded prior service costs as well as normal costs are allocated to various funds based on applicable payroll. The City’s contribution rate was 13.65 percent of the total covered payroll of participants.

(Continued)

**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 12,759,200
Interest on net OPEB obligation	1,990,629
Adjustment to annual required contribution	<u>(2,090,531)</u>
Annual OPEB cost	12,659,298
Contributions made	<u>(15,656,414)</u>
Decrease in net OPEB obligation	(2,997,116)
Net OPEB obligation:	
Beginning of year	<u>26,541,722</u>
End of year	<u>\$ 23,544,606</u>

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

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Other Postemployment	6/30/16	\$12,659,298	123.7%	\$ 23,544,606
Benefits	6/30/15	12,648,284	123.1%	26,541,722
	6/30/14	13,157,560	114.5%	29,467,895

**Funded Status and Funding Progress**

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

Actuarial valuation date	January 1, 2016
Actuarial accrued liability (AAL)	\$ 167,606,425
Actuarial value of plan assets	<u>38,150,475</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 129,455,950</u>
Funded ratio (actuarial value of plan assets/AAL)	22.8%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 96,436,271
UAAL as a percentage of covered payroll	134.2%

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.

**Actuarial Methods and Assumptions**

The annual required contribution for the plan is as follows:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Open
Remaining amortization period	30 Years
Asset valuation method	Market Value
Investment rate of return*	7.50%
Healthcare trend:	
Pre-Medicare	7.00 - 5.00%
Medicare	5.75 - 5.00%

\*Includes inflation at 3.00%.

(Continued)



**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

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.

**Other Postemployment Benefits (EPB)**

**Plan Description**

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

**Funding Policy**

The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2016, EPB contributed approximately \$1.7 million (approximately 85 percent of total claims). Presently, EPB has the option of prefunding a “Voluntary Employees’ Beneficiary Association Trust” (VEBA) to pay post-employment benefit claims. During fiscal year 2016, EPB had no additional funding to the VEBA for post-employment benefit claims.

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

**Annual OPEB Cost and Net OPEB Obligation**

EPB’s annual OPEB cost and net OPEB obligation for the current year was as follows:

Annual required contribution	\$ 1,925,253
Interest on net OPEB obligation	578,160
Adjustment to annual required contribution	<u>(761,375)</u>
Annual OPEB cost	1,742,038
Contributions made	<u>(1,716,234)</u>
Change in net OPEB obligation	25,804
Net OPEB obligation:	
Beginning of year	<u>8,894,769</u>
End of year	<u>\$ 8,920,573</u>

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

	<u>Year Ended</u>	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Other Postemployment	6/30/16	\$ 1,742,038	98.50%	\$ 8,920,573
Benefits	6/30/15	1,565,222	130.00%	8,894,770
	6/30/14	2,039,255	84.70%	9,365,436

(Continued)

**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

**Funded Status and Funding Progress**

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

Actuarial valuation date	July 1, 2015
Actuarial accrued liability (AAL)	\$ 25,756,143
Actuarial value of plan assets	<u>20,784,362</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,971,781</u>
Funded ratio (actuarial value of plan assets/AAL)	80.7%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 37,644,000
UAAL as a percentage of covered payroll	13.2%

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. 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-13.

**Actuarial Methods and Assumptions**

The annual required contribution for each plan is as follows:

Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Closed
Remaining amortization period	20 Years
Asset valuation method	3-year Smoothed Market
Investment rate of return	6.50%
Healthcare trend	7.5% initial, 5.5% ultimate

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.

**City Deferred Compensation Plan**

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

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

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

Asset balance at July 1, 2015	\$ 27,383,516
Deferrals of compensation	3,260,145
Earnings (losses)	168,859
Withdrawals	(2,749,781)
Administrative expenses	<u>(22,695)</u>
Asset balance at June 30, 2016	<u>\$ 28,040,044</u>

(Continued)

**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

**EPB 401(k) Plan**

Effective August 1, 1984, EPB implemented a 401(k) defined contribution plan, the EPB Retirement Savings Plan, which allows employees to invest up to 100% of their salary in a tax-deferred savings plan. EPB contributes 100% matching contribution up to 4.0% of an employee's salary after one year of employment. All employees who have completed three months of employment and have attained age 18 are eligible to participate in the 401(k) defined contribution plan. Participating employees are immediately fully vested in EPB contributions, which amounted to approximately \$1.2 million in fiscal year 2016. Employee contributions were approximately \$2.8 million in fiscal year 2015. The EPB Retirement Savings Plan is administered by an individual designated by EPB; the EPB Retirement Savings Plan assigns the authority to establish and amend the plan to EPB.

**Pension Plans of Component Units**

Chattanooga Area Regional Transportation Authority (CARTA or Authority) is the only component unit with separate defined benefit pension plans. As of June 30, 2016, CARTA has two plans, The Disability and Retirement Plan and The Defined Benefit Plan. Condensed disclosures for CARTA's defined benefit pension plans are as follows:

**General Information**

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

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

Employees covered by benefit terms – The following employees were covered by the benefit terms as of January 1, 2016, the valuation date, inclusive of both plans:

Inactive employees or beneficiaries currently receiving benefits	98
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>162</u>
	<u>270</u>

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

**Net Pension Liability**

The Authority's net pension liability was measured as of January 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

(Continued)

**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

**Changes in Net Pension Liability**

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 1/1/15	\$ 24,220,791	\$ 13,057,082	\$ 11,163,709
Changes for the year:			
Service cost	781,830	-	781,830
Interest expense	1,742,090	-	1,742,090
Difference between expected and actual experience	471,928	-	471,928
Contributions – CARTA	-	1,251,795	(1,251,795)
Contributions – members	-	301,249	(301,249)
Net investment income	-	(255,370)	255,370
Benefits paid	(1,439,167)	(1,439,167)	-
Plan administrative expenses	-	(108,003)	108,003
Other	-	(226)	226
Net changes	<u>1,556,681</u>	<u>(249,722)</u>	<u>1,806,403</u>
Balances at 1/1/16	<u>\$ 25,777,472</u>	<u>\$ 12,807,360</u>	<u>\$ 12,970,112</u>

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

	1% Decrease (6.5% & 4.5%)	Current Discount Rate (7.5% & 5.5%)	1% Increase (8.5% & 6.5%)
Authority's net pension liability:			
Disability and Retirement Plan	\$ 15,512,702	\$ 12,669,401	\$ 10,281,635
Defined Benefit Plan	411,574	300,711	206,619

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

For the year ended June 30, 2016, the Authority recognized pension expense of \$1,535,580. Deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 827,026	\$ -
Deferred contributions	678,461	-
Net difference between projected and actual earnings on pension plan investments	<u>1,128,449</u>	<u>-</u>
Total	<u>\$ 2,633,936</u>	<u>\$ -</u>

(Continued)

**NOTE 8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

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

Year ended June 30,	
2016	\$ 439,863
2017	454,239
2018	454,241
2019	404,497
2020	172,359
Thereafter	<u>30,276</u>
	<u>\$ 1,955,475</u>

**Other Postemployment Benefits of Component Units****Plan Description**

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

**Funding Policy**

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

**Annual OPEB Cost and Net OPEB Obligation**

For the year ended June 30, 2016, the annual OPEB cost is equal to the annual required contribution of \$34,948, as determined by actuarial valuations performed as of July 1, 2015, respectively.

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

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
Other Postemployment	6/30/16	\$ 42,165	40.3%	\$ (60,935)
Benefits	6/30/15	38,529	114.4%	(97,643)
	6/30/14	47,385	308.4%	(94,017)

**Actuarial Methods and Assumptions**

The annual required contribution for the plan is as follows:

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

**NOTE 9. 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, 2016, the minimum fund balance per policy is \$38.2 million. The current unrestricted fund balance is \$75.4 million.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Fund Balances:</b>				
<b>Nonspendable</b>				
Endowments	\$ -	\$ -	\$ 4,411,028	\$ 4,411,028
Inventory	859,387	-	-	859,387
Long-term notes receivable	658,115	388,946	-	1,047,061
Prepaid expenses	4,000	-	14,519	18,519
<b>Restricted</b>				
Law enforcement	67,393	-	1,675,330	1,742,723
Economic development	5,570,846	-	11,780	5,582,626
African-American Museum	72,211	-	-	72,211
Special programs	213,600	-	-	213,600
Capital projects	-	61,184,196	-	61,184,196
Library Endowment	-	-	133,864	133,864
Social services program	-	-	741,314	741,314
State street aid	-	-	3,559,897	3,559,897
Community development	-	-	1,412,358	1,412,358
Hotel-Motel tax revenue pledge	-	-	4,160,740	4,160,740
Regional Planning Agency	-	-	558,304	558,304
Air Pollution Control Bureau	-	-	345,531	345,531
<b>Committed</b>				
Law enforcement	260,934	-	-	260,934
Economic development	194,882	-	-	194,882
Free Public Library	117,008	-	-	117,008
African-American Museum	72,212	-	-	72,212
Regional Planning Agency	-	-	3,636,551	3,636,551
Air Pollution Control Bureau	-	-	518,297	518,297
Scenic Cities Beautiful Commission	-	-	96,748	96,748
Debt service	-	-	2,161,977	2,161,977
<b>Assigned</b>				
Public Library	1,556,630	-	-	1,556,630
Special programs	4,557,487	-	-	4,557,487
River Pier garage	-	-	1,315,448	1,315,448
Other purposes	2,716,649	-	-	2,716,649
Unassigned	<u>65,922,139</u>	<u>-</u>	<u>-</u>	<u>65,922,139</u>
<b>Total fund balances</b>	<b><u>\$ 82,843,493</u></b>	<b><u>\$61,573,142</u></b>	<b><u>\$24,753,686</u></b>	<b><u>\$ 169,170,321</u></b>
<b>Summary for Governmental Funds</b>				
<b>Balance Sheet:</b>				
Nonspendable	\$ 1,521,502	\$ 388,946	\$ 4,425,547	\$ 6,335,995
Restricted	5,924,050	61,184,196	12,599,118	79,707,364
Committed	645,036	-	6,413,573	7,058,609
Assigned	8,830,766	-	1,315,448	10,146,214
Unassigned	<u>65,922,139</u>	<u>-</u>	<u>-</u>	<u>65,922,139</u>
<b>Total fund balances</b>	<b><u>\$ 82,843,493</u></b>	<b><u>\$61,573,142</u></b>	<b><u>\$24,753,686</u></b>	<b><u>\$ 169,170,321</u></b>

**NOTE 10. INTERFUND RECEIVABLES AND PAYABLES**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds (Debt Service)	Capital Projects Fund	\$ 29,830
Capital Projects Fund	Nonmajor Governmental Funds (Hotel/Motel)	204,418
Internal Service Fund	Capital Project Fund	<u>716,105</u>
		<u>\$ 950,353</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE 11. INTERFUND TRANSFERS**

	<u>Transfers In:</u>					<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Water Quality Management</u>	<u>Regional Communications</u>	
Transfers out:						
General Fund	\$ -	\$ 15,638,188	\$ 21,358,987	\$ -	\$ -	\$ 36,997,175
Capital Projects Fund	48,000	-	14,500	-	-	62,500
Nonmajor Governmental Funds:						
Community Development	-	115,887	430,178	28,203	-	574,268
Hotel/Motel Tax	-	1,020,563	4,849,629	-	-	5,870,192
TN Valley Regional Communication	-	-	-	-	899,605	899,605
Solid Waste	-	<u>978,760</u>	-	-	-	<u>978,760</u>
Total	<u>\$ 48,000</u>	<u>\$ 17,753,398</u>	<u>\$ 26,653,294</u>	<u>\$ 28,203</u>	<u>\$ 899,605</u>	<u>\$ 45,382,500</u>

Transfers are used to: (1) move revenues from the General Fund, the Capital Projects Fund, the Community Development Fund, and the Hotel/Motel Tax Fund to the Debt Service Fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the Capital Projects Fund and the Debt Service Fund as required, (3) move unrestricted revenues from the General Fund to other funds for various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, (4) move TN Valley Regional Communication Services from Special Revenue Fund to Enterprise Fund, (5) move Water Quality revenue to Community Development to pay for the "SLAP" program, (6) move Solid Waste revenue to Capital Projects for correction of prior year transfers.

**NOTE 12. 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 \$5,000 to \$100,000 depending on the type of damage. As of June 30, 2016, there were no significant reductions in insurance coverage in the prior year.

The Internal Service Fund accounts for all exposures, except on-the-job-injury claims. To minimize its losses, the City has established a limited risk management program. Premiums are paid by all funds and are available to pay claims, claim reserves, and administrative costs of the program. The City has a self-funded medical benefits plan that is administered by Blue Cross/Blue Shield of Tennessee with the City's exposure limited by a stop-loss policy. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The liability does not include 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.

(Continued)

**NOTE 12. RISK MANAGEMENT (Continued)**

Interfund premiums in the Internal Service Fund are based on the insured funds' claims experience. Premiums are adjusted to cover all reported claims. It is anticipated that the settlement of an individual claim will be funded by premiums subsequent to the filing of the claim and prior to its settlement. At June 30, 2016, the Internal Service Fund liability consists of \$3,137,865 related to torts and \$4,345,853 related to medical benefits. Assets are sufficient in the fund to cover unpaid claims.

Changes in the balances of claims liabilities during the year are as follows:

	<u>General Fund</u>	<u>Internal Service Fund</u>
Unpaid claims, June 30, 2014	\$ 265,657	\$ 8,425,939
Incurred claims, including IBNRs/reduction in estimated liabilities	1,860,462	24,020,609
Claim payments	<u>(1,827,512)</u>	<u>(24,417,343)</u>
Unpaid claims, June 30, 2015	298,607	8,029,205
Incurred claims, including IBNRs/reduction in estimated liabilities	2,270,285	28,307,820
Claim payments	<u>(2,206,596)</u>	<u>(28,853,307)</u>
Unpaid claims, June 30, 2016	<u>\$ 362,296</u>	<u>\$ 7,483,718</u>

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

**NOTE 13. TAX ABATEMENTS**

The City of Chattanooga currently offers three types of tax abatement programs: (1) Downtown Housing Development; (2) Commercial and Industrial Development; and (3) Tax Increment Financing. Pursuant to Tennessee Code Annotated (TCA) 7-53-305, the Industrial Development Board (IDB) of the City of Chattanooga and the Health and Education Board (HEB) are allowed to own property within the city. The city may delegate the authority to the IDB and the HEB to negotiate and accept payments in lieu of ad valorem taxes from the corporation's lessees, provided that such payments are deemed to be in furtherance of the corporation's public purposes. Every PILOT has to be for business operations, which are defined as a project under TCA 7-53-101 (13). The IDB is allowed by state law to be exempt from taxation and to lease property as a method of security so that PILOT payments may be accepted by cities and counties.

**Downtown Housing Development**

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

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

(Continued)



**NOTE 13. TAX ABATEMENTS (Continued)**

**Economic Development**

The City utilizes two programs to promote economic development and growth, in particular, commercial and industrial projects that involve a significant capital investment and the generation of new jobs with wages in excess of the annual average wage in the City of Chattanooga.

- **Commercial and Industrial Development**

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

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

- **Tax Increment Financing (TIF)**

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

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

As of June, 30, 2016 the City has entered into only one Tax Incremental Financing (TIF) agreement.

Information relevant to disclosure of these programs includes the following:

	<u>Number of New Abatements During he Fiscal Year</u>	<u>Number of Abatements as of End of the Fiscal Year</u>	<u>Number of Future Abatements Approved by Council</u>	<u>Amounts of Abatements During the Fiscal Year</u>
Downtown Housing Development	-	8	4	\$ 155,490
Economic Development:				
Commercial and Industrial Development	2	35	4	9,206,181
Infrastructure (TIF)	<u>-</u>	<u>1</u>	<u>-</u>	<u>59,932</u>
Total	<u>2</u>	<u>44</u>	<u>8</u>	<u>\$ 9,421,603</u>

**NOTE 14. COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

The City has entered into various construction commitments. Such contracts include contracts for improvements to sewer, solid waste, and water quality systems, and acquisition and construction contracts related to general government capital projects. As of June 30, 2016 the City’s commitment with contractors was \$46,323,994.

**Airport Debt**

In May 2009, the City guaranteed the 10-year, \$6.6 million Taxable Revenue Refunding Bonds of the Chattanooga Metropolitan Airport Authority, a legally separate component unit of the City of Chattanooga, through an Airport Operation Service Contract. The bonds mature annually through April 1, 2019, with semiannual interest payments. In the event the Airport is unable to make payment, the City will be required to make that payment. The balance at June 30, 2016 is \$3,993,010. The Airport issued an additional \$10,000,000 in Taxable and Tax-Exempt bonds in 2014 which are not guaranteed by the City.

**Landfill Closure and Post Closure Care Costs**

The Solid Waste Fund accounts for all aspects of solid waste disposal, including the city’s municipal landfill; operations include a current landfill as well as closure and post closure care costs of landfills closed in prior years. State and federal regulations require the City to place a final cover on all landfills after closure and perform certain maintenance and monitoring functions for 30 years thereafter. The City recognizes landfill closure and post closure care costs based on the amount of the landfill used during the year. The estimated liability is based on 15.2 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 60 years.

Changes in the estimated liability for landfill closure and post closure care costs for the year ended June 30, 2016, are as follows:

Estimated liability, June 30, 2015	\$ 5,743,383
Expenses recognized	203,218
Costs incurred	<u>(173,801)</u>
Estimated liability, June 30, 2016	<u>\$ 5,772,800</u>
Due within one year	<u>\$ 193,638</u>

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

**Consent Decree**

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

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

(Continued)

## **NOTE 14. COMMITMENTS AND CONTINGENCIES (Continued)**

### **Pollution Remediation**

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

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

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

During the fiscal year, the City spent \$21,369 in pollution remediation obligation related activities. At June 30, 2016, the City had an outstanding pollution remediation liability of \$3,313,407 with an estimated \$1,998,334 in grant revenue and donated services to offset these costs leaving a net pollution remediation obligation of \$1,315,073.

Site investigation, planning, cleanup and site monitoring are typical remediation activities underway across the City. Montague Park, which is on the Tennessee Department of Environment and Conservation's (TDEC) site list, is an old landfill site. The park was closed in 2003 when methane gas leaks were found. The City is in the process of re-capping a small area in compliance with TDEC; work is being done by volunteer contractors leaving City resources to pay for cover topsoil and erosion control. Eventually the entire area will be remediated for use as athletic fields and a sculpture garden. Total costs are estimated at \$4,000,000 for the entire project but are not currently divided into remediation and construction costs. The reasonable range of potential outlays was estimated and multiplied by the probability of occurrence. This estimate was reduced by anticipated volunteer participation for a total estimate of \$1,187,573 at the end of fiscal year 2016.

In November 2014, State of Tennessee Department of Environment and Conservation notified the City and the Hamilton County to remediate, prevent or reduce pollutant, lead, from the firing range which is jointly owned, to leak into the storm water drainage channels and possibly get into the Tennessee River. In response, the City developed a Storm Water Pollution Prevention Plan to remove the contaminated soils, to install structural controls, and to maintain a schedule to inspect and repair the measures. The cost is budgeted in the next fiscal year at \$40,000. This remediation will be completed in fiscal year 2017.

In the early 2000's, City took possession of the Butcher Block in a land swap deal worked out with EPB. At the same time, Butcher Block revealed contamination from former uses within the block: One Hour Valet Cleaners and a gas station. As part of the land swap agreement, the City agreed to remediate the pollution. The City applied and was granted assistance by the Dry Cleaner Environmental Remediation Program (DCERP) with the cleanup efforts and costs. DCERP is a state program funded by fees charged to drycleaner facilities to help clean up the contaminated property that has been affected by dry cleaning solvent. Based on the most recent work authorizations from DCERP and monitoring reports from S&ME, the company under contract with City to perform the remediation, it has been estimated that the remaining remediation could take up to ten (10) years to complete. Excluding the assistance from DCERP, the cost for the City to complete the remediation is estimated currently at \$87,500 at the end of fiscal year 2016.

### **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.

(Continued)

**NOTE 14. COMMITMENTS AND CONTINGENCIES (Continued)**

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

**Conduit Debt Obligations**

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

The Industrial Development Board currently has sixteen (16) outstanding bond issues, the original amounts of which were \$282,400,000. The Health, Educational and Housing Facility Board currently has thirty-six (36) bond issues, the original amount of which were \$851,840,727. The Boards have no means of determining the outstanding amount of these bonds.

**NOTE 15. SEGMENT INFORMATION**

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

**CONDENSED STATEMENT OF NET POSITION**

	<u>Electric Division</u>	<u>Fiber Optics Division</u>	<u>Eliminations</u>	<u>Total</u>
Assets and deferred outflows of resources:				
Current assets	\$ 172,222,000	\$15,909,000	\$ (711,000)	\$ 187,420,000
Investments	5,000,000	-	-	5,000,000
Capital assets	547,715,000	79,798,000	-	627,513,000
Deferred outflows of resources	<u>21,700,000</u>	<u>1,016,000</u>	<u>-</u>	<u>22,716,000</u>
Total assets and deferred outflows of resources	<u>746,637,000</u>	<u>96,723,000</u>	<u>(711,000)</u>	<u>842,649,000</u>
Liabilities and deferred inflows of resources:				
Current liabilities	129,138,000	14,340,000	(711,000)	142,767,000
Noncurrent liabilities	337,321,000	27,310,000	-	364,631,000
Deferred inflows of resources	<u>886,000</u>	<u>127,000</u>	<u>-</u>	<u>1,013,000</u>
Total liabilities and deferred inflows of resources	<u>467,345,000</u>	<u>41,777,000</u>	<u>(711,000)</u>	<u>508,411,000</u>
Net position:				
Net investment in capital assets	254,964,000	79,798,000	-	334,762,000
Unrestricted	<u>24,328,000</u>	<u>(24,852,000)</u>	<u>-</u>	<u>(524,000)</u>
Total net position	<u>\$ 279,292,000</u>	<u>\$54,946,000</u>	<u>\$ -</u>	<u>\$ 334,238,000</u>

(Continued)

**NOTE 15. SEGMENT INFORMATION (Continued)****CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	<u>Electric Division</u>	<u>Fiber Optics Division</u>	<u>Eliminations</u>	<u>Total</u>
Customer charges	\$ 563,804,000	\$ 134,973,000	\$ (14,921,000)	\$ 683,856,000
Depreciation expense	(38,281,000)	(16,595,000)	-	(54,876,000)
Other operating expense	<u>(499,782,000)</u>	<u>(93,941,000)</u>	<u>14,921,000</u>	<u>(578,802,000)</u>
Operating income	25,741,000	24,437,000	-	50,178,000
Nonoperating revenues (expenses):				
Investment earnings	272,000	-	-	272,000
Interest expense	(11,444,000)	(291,000)	-	(11,735,000)
Other nonoperating	204,000	-	-	204,000
Tax equivalent	<u>(6,271,000)</u>	<u>(566,000)</u>	<u>-</u>	<u>(6,837,000)</u>
Change in net position	<u>8,502,000</u>	<u>23,580,000</u>	<u>-</u>	<u>32,082,000</u>
Net position, beginning, as previously reported	<u>270,790,000</u>	<u>31,366,000</u>	<u>-</u>	<u>302,156,000</u>
Net position, end of year	<u>\$ 279,292,000</u>	<u>\$ 54,946,000</u>	<u>\$ -</u>	<u>\$ 334,238,000</u>

**CONDENSED STATEMENT OF CASH FLOWS**

	<u>Electric Division</u>	<u>Fiber Optics Division</u>	<u>Eliminations</u>	<u>Total</u>
Net cash provided (used) by:				
Operating activities	62,314,000	43,420,000	-	105,734,000
Capital and related financing activities	(41,397,000)	(36,954,000)	-	(78,351,000)
Investing activities	<u>(4,728,000)</u>	<u>-</u>	<u>-</u>	<u>(4,728,000)</u>
Net increase (decrease)	16,189,000	6,466,000	-	22,655,000
Beginning cash and cash equivalents	<u>77,471,000</u>	<u>1,447,000</u>	<u>-</u>	<u>78,918,000</u>
Ending cash and cash equivalents	<u>\$ 93,660,000</u>	<u>\$ 7,913,000</u>	<u>\$ -</u>	<u>\$ 101,573,000</u>

**NOTE 16. 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	\$ 11,233,593
Multiplied by two-thirds	<u>x 2/3</u>
City's equity interest	<u>\$ 7,489,062</u>

(Continued)

**NOTE 16. JOINT VENTURE (Continued)**

Condensed financial information for Carter Street Corporation as of June 30, 2016, is as follows:

**STATEMENT OF NET POSITION**

Assets:	
Cash	\$ 1,809,059
Accounts receivable, net	322,338
Prepaid expenses	21,980
Inventories	60,630
Capital assets, net	<u>9,487,863</u>
Total assets	<u>\$ 11,701,870</u>
Liabilities:	
Accounts payable	\$ 73,337
Accrued expenses	161,951
Advanced deposits	<u>232,989</u>
Total liabilities	<u>468,277</u>
Net Position:	
Net investment in capital assets	9,487,863
Unrestricted	<u>1,745,730</u>
Total net position	<u>11,233,593</u>
Total liabilities and net position	<u>\$ 11,701,870</u>

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Total operating revenues	\$ 3,717,554
Total operating expenses	<u>4,245,278</u>
Loss from operations	(527,724)
Nonoperating revenues	300,000
Loss on disposal of capital assets	(62)
Capital contributions	<u>200,000</u>
Net increase	(27,786)
Net position, beginning of year	<u>11,261,379</u>
Net position, end of year	<u>\$ 11,233,593</u>

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

**NOTE 17. SUBSEQUENT EVENTS**

Management has evaluated events and transactions subsequent to the balance sheet date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. In July 2016, the City entered into an Equipment Lease Purchase Agreement (a capital lease) with Motorola Solutions, Inc. for certain radio equipment and system to be used by the City of Chattanooga. The lease is payable from General Fund revenues. The term of the agreement is 5 years at 2.5 percent interest payable in equal installments for a total amount of \$5,997,735. The first installment payment of \$1.2 million is expected to take place in January 2017 upon delivery of the system.



**Required Supplementary Information**

Pension and OPEB Trust Funds



**CITY OF CHATTANOOGA, TENNESSEE**

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

**PENSION TRUST FUND - GENERAL**

**Last 10 Fiscal Years**

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

**Notes to Schedule:**

*Benefit changes.* None

*Changes in actuarial assumptions and methods:* The following changes to the actuarial assumptions were made as identified:

2016:

\* The assumed investment rate of return was lowered from 7.50% to 7.25%.

This schedule will present 10 years as information is available.

**CITY OF CHATTANOOGA, TENNESSEE**

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

**PENSION TRUST FUND - FIRE AND POLICE**

**Last 10 Fiscal Years**

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

**Notes to Schedule:**

*Benefit changes.* None.

*Changes in assumptions.* None.

This schedule will present 10 years as information is available.

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF CITY CONTRIBUTIONS  
PENSION TRUST FUND - GENERAL**

**Last 10 Fiscal Years**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Actuarially determined contribution	\$ 8,120,912	\$ 7,771,920	\$ 7,717,400	\$ 7,806,000	\$ 7,203,000	\$ 6,302,882	\$ 3,779,597	\$ 3,600,000	\$ 3,502,000	\$ 3,786,128
Contributions in relation to the actuarially determined contribution	8,076,989	7,925,195	7,751,909	7,599,939	6,682,722	4,376,484	3,779,597	3,600,000	3,502,000	3,786,128
Contribution deficiency (excess)	\$ 43,923	\$ (153,275)	\$ (34,509)	\$ 206,061	\$ 520,278	\$ 1,926,398	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 57,608,950	\$ 57,555,196	\$ 55,815,216	\$ 56,270,053	\$ 57,976,515	\$ 57,061,358	\$ 58,140,286	\$ 59,645,747	\$ 56,581,858	\$ 54,545,300
Contributions as a percentage of covered-employee payroll	14.02%	13.77%	13.89%	13.51%	11.53%	7.67%	6.50%	6.04%	6.19%	6.94%

**Notes to Schedule:**

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	28 years
Asset valuation method	10-year smoothed market with a 20% corridor
Inflation	3.0%
Salary increases	4.0-5.0%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost of living adjustments	3.0%
Mortality	Pre-retirement and post-retirement: RP2000 Combined Mortality Table set forward four years for males and set forward two years for females and using a Scale AA projection to 2025. Post-retirement mortality: RP-2000 Disabled Mortality Table set forward eight years for males and set forward nine years for females.

CITY OF CHATTANOOGA, TENNESSEE

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 13,573,691	\$ 9,478,900	\$ 13,346,490	\$ 11,859,505	\$ 9,692,292	\$ 8,613,696	\$ 7,903,392	\$ 7,686,489	\$ 7,504,469	\$ 7,540,220
Contributions in relation to the actuarially determined contribution	11,987,641	11,115,222	13,495,433	12,258,360	10,542,423	9,004,655	7,522,018	8,390,161	8,291,088	6,873,733
Contribution deficiency (excess)	<u>\$ 1,586,050</u>	<u>\$ (1,636,322)</u>	<u>\$ (148,943)</u>	<u>\$ (398,855)</u>	<u>\$ (850,131)</u>	<u>\$ (390,959)</u>	<u>\$ 381,374</u>	<u>\$ (703,672)</u>	<u>\$ (786,619)</u>	<u>\$ 666,487</u>
Covered employee payroll	\$ 39,282,422	\$ 36,187,624	\$ 37,215,933	\$ 37,288,914	\$ 34,940,022	\$ 34,573,261	\$ 34,715,838	\$ 33,237,063	\$ 31,983,375	\$ 32,010,229
Contributions as a percentage of covered-employee payroll	30.52%	30.72%	36.26%	32.87%	30.17%	26.05%	21.67%	25.24%	25.92%	21.47%

**Notes to Schedule:**

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, 2016.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, with level dollar phase-in through 2020; 100% level dollar beginning in 2021.
Remaining amortization period	23 years remaining for level percent of payroll method; separate 30-year bases established annually for level dollar method.
Asset valuation method	10-year smoothed market; the actuarial value of assets is adjusted, if necessary, to be within 20% of the market value.
Inflation	2.75%
Salary increases	1.50%-2.75%
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Cost of living adjustments	1.5% (starting January 1 after third anniversary of retirement date)
Mortality	<i>Pre-retirement:</i> RP-2014 Blue Collar Employee Mortality Table, set forward two years, projected generationally with a modified versions of Scale MP-2014. <i>Healthy annuitant:</i> RP-2014 Blue Collar Healthy Annuitant Mortality Table, set forward three years, projected generationally with a modified version of Scale MP-2014. <i>Disabled annuitant:</i> RP-2014 Disabled Retiree Mortality Table, set forward three years, projected generationally with a modified version of Scale MP-2014.

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF INVESTMENT RETURNS**

**Last 10 Fiscal Years**

**PENSION TRUST FUND**

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

**Notes to Schedule:**

This schedule will present 10 years as information is available.

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND  
RELATED RATIOS  
OPEB TRUST FUND  
Last 10 Fiscal Years**

	<u><b>2016</b></u>
<b>Total OPEB liability</b>	
Service cost	\$ 3,078,078
Interest	12,016,977
Benefit payments, including refund of member contributions	(11,657,111)
<b>Net change in total OPEB liability</b>	<u>3,437,944</u>
<b>Total OPEB liability - beginning</b>	166,054,919
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 169,492,863</u></u>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 12,917,243
Contributions - member	2,739,171
Net investment income	(2,469,379)
Benefit payments, including refund of member contributions	(11,657,111)
Administrative expense	(41,906)
<b>Net change in plan fiduciary net position</b>	<u>1,488,018</u>
<b>Plan fiduciary net position - beginning</b>	40,069,642
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 41,557,660</u></u>
 <b>Net OPEB liability - ending (a) - (b)</b>	<u><u>\$ 127,935,203</u></u>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	 24.52%
 <b>Covered employee payroll</b>	 \$ 96,436,271
 <b>Net OPEB liability as a percentage of covered employee payroll</b>	 132.66%

**Notes to Schedule:**

*Benefit changes.* None

*Changes in actuarial assumptions and methods:* None

This schedule will present 10 years as information is available.

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF CITY CONTRIBUTIONS  
OPEB TRUST FUND**

**Last 10 Fiscal Years**

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

**Notes to Schedule:**

Valuation date:

Actuarially determined contribution rates are calculated as of every other June 30, two years prior to the end of the fiscal year in which contribution are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Inflation	3.00%
Healthcare cost trend rate	
Pre-Medicare eligible	7.00%
Medicare eligible	5.75%
Ultimate trend rate	
Pre-Medicare eligible	5.00%
Medicare eligible	5.00%
Year of ultimate trend rate	2021
Investment rate of return	7.50%, including inflation

This schedule will present 10 years as information is available.

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF INVESTMENT RETURNS**

**Last 10 Fiscal Years**

**OPEB TRUST FUND**

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

**Notes to Schedule:**

This schedule will present 10 years as information is available.



**Required Supplementary Information**

City Pension and OPEB Plans

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND  
RELATED RATIOS  
GENERAL PENSION PLAN  
Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>		
Service cost	\$ 6,381,168	\$ 6,069,090
Interest	21,950,480	22,247,450
Changes of assumptions	-	(5,893,894)
Difference between expected and actual experience	(333,439)	-
Benefit payments, including refund of member contributions	(17,206,397)	(16,420,492)
<b>Net change in total pension liability</b>	<u>10,791,812</u>	<u>6,002,154</u>
<b>Total pension liability - beginning</b>	<u>301,276,271</u>	<u>295,274,117</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 312,068,083</u></u>	<u><u>\$ 301,276,271</u></u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 7,925,195	\$ 7,751,909
Contributions - member	1,140,121	1,130,354
Net investment income	9,290,101	31,178,197
Benefit payments, including refund of member contributions	(17,206,397)	(16,420,492)
Administrative expense	(205,580)	(192,205)
<b>Net change in plan fiduciary net position</b>	<u>943,440</u>	<u>23,447,763</u>
<b>Plan fiduciary net position - beginning</b>	<u>272,825,468</u>	<u>249,377,705</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 273,768,908</u></u>	<u><u>\$ 272,825,468</u></u>
 <b>Net pension liability - ending (a) - (b)</b>	<u><u>\$ 38,299,175</u></u>	<u><u>\$ 28,450,803</u></u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 87.73%	 90.56%
<b>Covered employee payroll</b>	\$ 57,555,196	\$ 55,815,216
<b>Net pension liability as a percentage of covered employee payroll</b>	66.54%	50.97%

**Notes to Schedule:**

*Benefit changes.* None

*Changes in assumptions.* None.

This schedule will present 10 years as information is available.

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND  
RELATED RATIOS  
FIRE AND POLICE PENSION FUND  
Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>		
Service cost	\$ 5,754,036	\$ 5,858,028
Interest	27,011,054	30,728,527
Changes of benefit terms	-	(65,257,551)
Differences between expected and actual experience	1,007,292	9,811,157
Changes of assumptions	23,999,640	-
Benefit payments, including refund of member contributions	(28,100,924)	(30,114,186)
<b>Net change in total pension liability</b>	<u>29,671,098</u>	<u>(48,974,025)</u>
<b>Total pension liability - beginning</b>	<u>362,580,187</u>	<u>411,554,212</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 392,251,285</u></u>	<u><u>\$ 362,580,187</u></u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 11,115,222	\$ 13,495,433
Contributions - member	3,528,823	3,199,093
Net investment income	6,760,919	33,750,882
Benefit payments, including refund of member contributions	(28,100,924)	(30,114,186)
Administrative expense	(889,162)	(608,924)
Other	162,076	167,314
<b>Net change in plan fiduciary net position</b>	<u>(7,423,046)</u>	<u>19,889,612</u>
<b>Plan fiduciary net position - beginning</b>	<u>236,052,384</u>	<u>216,162,772</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 228,629,338</u></u>	<u><u>\$ 236,052,384</u></u>
<b>Net pension liability - ending (a) - (b)</b>	<u><u>\$ 163,621,947</u></u>	<u><u>\$ 126,527,803</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	58.29%	65.10%
<b>Covered employee payroll</b>	\$ 39,282,422	\$ 36,187,624
<b>Net pension liability as a percentage of covered employee payroll</b>	416.53%	349.64%

**Notes to Schedule:**

*Benefit changes.* None.

*Changes in assumptions.* None.

This schedule will present 10 years as information is available.

**CITY OF CHATTANOOGA, TENNESSEE**

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

	<b>2015</b>	<b>2014</b>
<b>Total pension liability</b>		
Service cost	\$ 2,765,420	\$ 2,395,069
Interest	4,043,136	3,637,040
Differences between expected and actual experience	2,594,311	3,608,092
Benefit payments, including refund of member contributions	(5,237,213)	(2,455,053)
<b>Net change in total pension liability</b>	<b>4,165,654</b>	<b>7,185,148</b>
<b>Total pension liability - beginning</b>	<b>48,352,360</b>	<b>41,167,212</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 52,518,014</b>	<b>\$ 48,352,360</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 5,700,000	\$ 3,630,048
Net investment income	2,142,992	5,735,092
Benefit payments, including refund of member contributions	(5,237,213)	(2,455,053)
Administrative expense	(73,572)	(86,522)
<b>Net change in plan fiduciary net position</b>	<b>2,532,207</b>	<b>6,823,565</b>
<b>Plan fiduciary net position - beginning</b>	<b>42,218,360</b>	<b>35,394,795</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 44,750,567</b>	<b>\$ 42,218,360</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 7,767,447</b>	<b>\$ 6,134,000</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>85.21%</b>	<b>87.31%</b>
<b>Covered employee payroll</b>	<b>\$ 35,014,644</b>	<b>\$ 32,127,132</b>
<b>Net pension liability as a percentage of covered employee payroll</b>	<b>22.18%</b>	<b>19.09%</b>

**Notes to Schedule:**

*Benefit changes.* None.

*Changes in assumptions.* None.

This schedule will present 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 7,771,920	\$ 7,717,400	\$ 7,806,000	\$ 7,203,000	\$ 6,302,882	\$ 3,779,597	\$ 3,600,000	\$ 3,502,000	\$ 3,786,128	\$ 3,518,054
Contributions in relation to the actuarially determined contribution	7,925,195	7,751,909	7,599,939	6,682,722	4,376,484	3,779,597	3,600,000	3,502,000	3,786,128	3,470,815
Contribution deficiency (excess)	<u>\$ (153,275)</u>	<u>\$ (34,509)</u>	<u>\$ 206,061</u>	<u>\$ 520,278</u>	<u>\$ 1,926,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,239</u>
Covered employee payroll	\$ 57,555,196	\$ 55,815,216	\$ 56,270,053	\$ 57,976,515	\$ 57,061,358	\$ 58,140,286	\$ 59,645,747	\$ 56,581,858	\$ 54,545,300	\$ 54,636,392
Contributions as a percentage of covered-employee payroll	13.77%	13.89%	13.51%	11.53%	7.67%	6.50%	6.04%	6.19%	6.94%	6.35%

**Notes to Schedule:**

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, opened
Remaining amortization period	29 years
Asset valuation method	10-year smoothed market with a 20% corridor
Inflation	3.0%
Salary increases	4.0-5.0%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

CITY OF CHATTANOOGA, TENNESSEE

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 9,478,900	\$ 13,346,490	\$ 11,859,505	\$ 9,692,292	\$ 8,613,696	\$ 7,903,392	\$ 7,686,489	\$ 7,504,469	\$ 7,540,220	\$ 6,454,038
Contributions in relation to the actuarially determined contribution	11,115,222	13,495,433	12,258,360	10,542,423	9,004,655	7,522,018	8,390,161	8,291,088	6,873,733	6,510,992
Contribution deficiency (excess)	<u>\$ (1,636,322)</u>	<u>\$ (148,943)</u>	<u>\$ (398,855)</u>	<u>\$ (850,131)</u>	<u>\$ (390,959)</u>	<u>\$ 381,374</u>	<u>\$ (703,672)</u>	<u>\$ (786,619)</u>	<u>\$ 666,487</u>	<u>\$ (56,954)</u>
Covered employee payroll	\$ 36,187,624	\$ 37,215,933	\$ 37,288,914	\$ 34,940,022	\$ 34,573,261	\$ 34,715,838	\$ 33,237,063	\$ 31,983,375	\$ 32,010,229	\$ 31,869,770
Contributions as a percentage of covered-employee payroll	30.72%	36.26%	32.87%	30.17%	26.05%	21.67%	25.24%	25.92%	21.47%	20.43%

**Notes to Schedule:**

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset valuation method	10-year smoothed market
Inflation	2.75%
Salary increases	1.50%-2.75%
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Cost of living adjustment	1.50%, (starting January 1 after third anniversary of retirement date)

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF CITY CONTRIBUTIONS**

**ELECTRIC POWER BOARD OF CHATTANOOGA RETIREMENT PLAN**

**Last 10 Calendar Years**

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 3,561,883	\$ 3,646,080
Contributions in relation to the actuarially determined contribution	3,700,000	3,630,048
Contribution deficiency (excess)	<u>\$ (138,117)</u>	<u>\$ 16,032</u>
Covered employee payroll	\$ 34,480,956	\$ 32,127,132
Contributions as a percentage of covered-employee payroll	10.73%	11.30%

**Notes to Schedule:**

Valuation date:

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

Methods and assumptions used to determine contribution rates:

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

This schedule will present 10 years as information is available.

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

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

**Other Postemployment Benefit Plan**

January 1, 2016	\$ 38,150,475	\$ 167,606,425	\$ 129,455,950	22.76%	\$ 96,436,271	134.24%
January 1, 2014	32,970,171	163,843,121	130,872,950	20.12%	95,390,933	137.20%
January 1, 2012	19,853,844	146,748,770	126,894,926	13.53%	95,280,557	133.18%
January 1, 2010	5,045,878	148,187,287	143,141,409	3.41%	89,710,458	159.56%
July 1, 2008	4,539,440	192,053,979	187,514,539	2.36%	78,155,219	239.93%
July 1, 2006	-	228,471,342	228,471,342	0.00%	76,239,946	299.67%

**ELECTRIC POWER BOARD OF CHATTANOOGA POST-EMPLOYMENT MEDICAL & DEATH BENEFIT PLAN**

July 1, 2015	\$ 20,784,362	\$ 25,756,143	\$ 4,971,781	80.70%	\$ 37,644,000	13.2%
July 1, 2014	19,213,362	24,688,061	5,474,699	77.82%	36,556,164	15.0%
July 1, 2013	16,754,185	27,104,206	10,350,021	61.81%	34,440,516	30.1%
July 1, 2012	15,044,942	25,462,868	10,417,926	59.10%	32,044,908	32.5%
July 1, 2011	14,603,955	24,666,875	10,062,920	59.20%	29,998,416	33.5%
July 1, 2010	13,080,897	23,128,254	10,047,357	56.60%	28,267,080	35.5%



**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

Year ended June 30	City of Chattanooga Other Post-employment Benefits		Electric Power Board of Chattanooga Post-employment Medical & Death Benefit	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2016	\$ 12,759,200	122.7%	\$ 1,742,038	98.5%
2015	12,759,200	122.1%	1,565,322	130.1%
2014	13,275,679	113.5%	2,039,255	84.7%
2013	12,857,800	100.0%	1,999,130	95.0%
2012	14,288,701	100.0%	1,888,329	93.4%
2011	1,763,891	125.1%		

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.

	City of Chattanooga Other Post-employment Benefits	Electric Power Board of Chattanooga Post-employment Medical & Death Benefit
Valuation date	1/1/2016	7/1/2014
Actuarial cost method	Entry Age Normal	Projected Unit Credit
Amortization method	Level Dollar Open	Level Dollar
Remaining amortization period	30 Years	20 Years
Asset valuation method	Market Value	3-year Smoothed Market
Actuarial assumptions:		
Investment rate of return*	7.50%	6.50%
Health care trend:		7.5% initial, 5.5% ultimate
Pre-Medicare	7.00 - 5.00%	
Medicare	5.75 - 5.00%	

\* Includes inflation rate of 3%



## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

These are the operating funds which are restricted as to use by the federal or state governments and special purpose funds established by the City Council.

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

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

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

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

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

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

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

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

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

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

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**

**CONSOLIDATING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**June 30, 2016**

	Downtown Development	Social Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax
<b>ASSETS</b>						
Cash and cash equivalents	\$ 11,780	\$ 371,927	\$ 2,625,813	\$ 3,258,395	\$ 2,654,710	\$ 3,761,348
Investments	-	-	-	-	-	-
Receivables, net of allowance for uncollectibles:						
Other taxes	-	-	-	-	-	1,173,031
Notes	-	-	-	-	12,746,843	-
Other	-	1,507	3,375	-	98,309	1,141
Due from other funds	-	-	-	-	-	-
Due from other governments:						
Federal	-	678,955	-	-	436,249	-
State of Tennessee	-	338,535	-	816,891	-	-
Prepaid items	-	-	-	-	14,519	-
<b>Total assets</b>	<b>\$ 11,780</b>	<b>\$ 1,390,924</b>	<b>\$ 2,629,188</b>	<b>\$ 4,075,286</b>	<b>\$ 15,950,630</b>	<b>\$ 4,935,520</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities:						
Accounts payable	\$ -	\$ 257,749	\$ 953,858	\$ 74,339	\$ 96,820	\$ 12,029
Accrued payroll	-	391,861	-	63,510	21,021	-
Due to other funds	-	-	-	-	-	204,418
Unearned grants revenue	-	-	-	-	643,044	-
<b>Total liabilities</b>	<b>-</b>	<b>649,610</b>	<b>953,858</b>	<b>137,849</b>	<b>760,885</b>	<b>216,447</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - other local taxes	-	-	-	-	-	558,333
Unavailable revenue - shared tax revenue	-	-	-	377,540	-	-
Unavailable revenue - CDBG loans	-	-	-	-	13,762,868	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>377,540</b>	<b>13,762,868</b>	<b>558,333</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	14,519	-
Restricted	11,780	741,314	1,675,330	3,559,897	1,412,358	4,160,740
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
<b>Total fund balances</b>	<b>11,780</b>	<b>741,314</b>	<b>1,675,330</b>	<b>3,559,897</b>	<b>1,426,877</b>	<b>4,160,740</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,780</b>	<b>\$ 1,390,924</b>	<b>\$ 2,629,188</b>	<b>\$ 4,075,286</b>	<b>\$ 15,950,630</b>	<b>\$ 4,935,520</b>

River Pier Garage	Regional Planning Agency	Air Pollution Control Bureau	Scenic Cities Beautiful Commission	Regional Communications	Total Special Revenue	Debt Service	Permanent Fund Library Endowment	Total Nonmajor Funds
\$ 1,284,312	\$ 3,839,237	\$ 913,410	\$ 96,918	\$ -	\$ 18,817,850	\$ 2,132,147	\$ 133,864	\$ 21,083,861
-	-	-	-	-	-	-	4,411,028	4,411,028
-	-	-	-	-	1,173,031	-	-	1,173,031
-	-	-	-	-	12,746,843	-	-	12,746,843
31,136	-	-	2,900	-	138,368	-	-	138,368
-	-	-	-	-	-	29,830	-	29,830
-	-	-	-	-	1,115,204	-	-	1,115,204
-	558,304	-	-	-	1,713,730	-	-	1,713,730
-	-	-	-	-	14,519	-	-	14,519
<u>\$ 1,315,448</u>	<u>\$ 4,397,541</u>	<u>\$ 913,410</u>	<u>\$ 99,818</u>	<u>\$ -</u>	<u>\$ 35,719,545</u>	<u>\$ 2,161,977</u>	<u>\$ 4,544,892</u>	<u>\$ 42,426,414</u>
\$ -	\$ 80,646	\$ 1,781	\$ 400	\$ -	\$ 1,477,622	\$ -	\$ -	\$ 1,477,622
-	122,040	47,801	2,670	-	648,903	-	-	648,903
-	-	-	-	-	204,418	-	-	204,418
-	-	-	-	-	643,044	-	-	643,044
-	202,686	49,582	3,070	-	2,973,987	-	-	2,973,987
-	-	-	-	-	558,333	-	-	558,333
-	-	-	-	-	377,540	-	-	377,540
-	-	-	-	-	13,762,868	-	-	13,762,868
-	-	-	-	-	14,698,741	-	-	14,698,741
-	-	-	-	-	14,519	-	4,411,028	4,425,547
-	558,304	345,531	-	-	12,465,254	-	133,864	12,599,118
-	3,636,551	518,297	96,748	-	4,251,596	2,161,977	-	6,413,573
1,315,448	-	-	-	-	1,315,448	-	-	1,315,448
<u>1,315,448</u>	<u>4,194,855</u>	<u>863,828</u>	<u>96,748</u>	<u>-</u>	<u>18,046,817</u>	<u>2,161,977</u>	<u>4,544,892</u>	<u>24,753,686</u>
<u>\$ 1,315,448</u>	<u>\$ 4,397,541</u>	<u>\$ 913,410</u>	<u>\$ 99,818</u>	<u>\$ -</u>	<u>\$ 35,719,545</u>	<u>\$ 2,161,977</u>	<u>\$ 4,544,892</u>	<u>\$ 42,426,414</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2016

	Downtown Development	Social Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax	River Pier Garage
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,668,896	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental:							
Federal	-	11,231,571	116,500	-	2,200,649	-	-
State	-	3,426,770	375	4,800,375	-	-	-
County	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Charges for services	-	28,468	-	-	-	-	395,566
Fines, forfeitures and penalties	-	-	54,632	-	-	-	-
Investment income	-	6,440	7,345	-	65,515	2,301	-
Contributions and donations	-	57,288	-	-	-	-	-
Sale of property	-	-	26,304	-	-	-	-
Miscellaneous	-	100	309,416	3,632	200,952	-	-
<b>Total revenues</b>	<b>-</b>	<b>14,750,637</b>	<b>514,572</b>	<b>4,804,007</b>	<b>2,467,116</b>	<b>6,671,197</b>	<b>395,566</b>
<b>EXPENDITURES</b>							
Current:							
General government:							
General government	-	-	-	-	-	165,572	187,924
Economic and community development	-	-	-	-	1,851,992	-	-
Public safety:							
Police	-	-	261,566	-	-	-	-
Public works and transportation:							
Public works	-	-	-	3,517,759	-	-	-
Youth and family development:							
Youth and family development	-	15,936,011	-	-	-	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>15,936,011</b>	<b>261,566</b>	<b>3,517,759</b>	<b>1,851,992</b>	<b>165,572</b>	<b>187,924</b>
Excess (deficiency) of revenues over (under) expenditures	-	(1,185,374)	253,006	1,286,248	615,124	6,505,625	207,642
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	1,452,518	-	-	7,297	-	-
Transfers out	-	(287,518)	-	-	(581,565)	(5,870,192)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>1,165,000</b>	<b>-</b>	<b>-</b>	<b>(574,268)</b>	<b>(5,870,192)</b>	<b>-</b>
Net change in fund balances	-	(20,374)	253,006	1,286,248	40,856	635,433	207,642
FUND BALANCES, beginning	11,780	761,688	1,422,324	2,273,649	1,386,021	3,525,307	1,107,806
FUND BALANCES, ending	<u>\$ 11,780</u>	<u>\$ 741,314</u>	<u>\$ 1,675,330</u>	<u>\$ 3,559,897</u>	<u>\$ 1,426,877</u>	<u>\$ 4,160,740</u>	<u>\$ 1,315,448</u>

Regional Planning Agency	Air Pollution Control Bureau	Scenic Cities Beautiful Commission	Regional Communications	Interfund Eliminations	Total Special Revenue	Debt Service	Permanent Fund Library Endowment	Total Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,668,896	\$ -	\$ -	\$ 6,668,896
104,495	404,067	-	-	-	508,562	-	-	508,562
-	479,719	-	-	-	14,028,439	-	-	14,028,439
698,950	-	36,600	-	-	8,963,070	-	-	8,963,070
737,718	188,548	-	-	-	926,266	455,012	-	1,381,278
253,010	-	-	-	-	253,010	-	-	253,010
-	-	-	-	-	424,034	-	-	424,034
-	-	-	-	-	54,632	-	-	54,632
-	-	-	-	-	81,601	-	(151,275)	(69,674)
10,000	-	-	-	-	67,288	-	-	67,288
-	-	-	-	-	26,304	-	-	26,304
3,407	-	-	-	-	517,507	-	-	517,507
<u>1,807,580</u>	<u>1,072,334</u>	<u>36,600</u>	<u>-</u>	<u>-</u>	<u>32,519,609</u>	<u>455,012</u>	<u>(151,275)</u>	<u>32,823,346</u>
3,858,242	1,351,396	73,011	-	-	5,636,145	-	40,729	5,676,874
-	-	-	-	-	1,851,992	-	-	1,851,992
-	-	-	-	-	261,566	-	-	261,566
-	-	-	-	-	3,517,759	-	-	3,517,759
-	-	-	-	-	15,936,011	-	-	15,936,011
-	-	-	-	-	-	17,164,347	-	17,164,347
-	-	-	-	-	-	7,426,116	-	7,426,116
<u>3,858,242</u>	<u>1,351,396</u>	<u>73,011</u>	<u>-</u>	<u>-</u>	<u>27,203,473</u>	<u>24,590,463</u>	<u>40,729</u>	<u>51,834,665</u>
(2,050,662)	(279,062)	(36,411)	-	-	5,316,136	(24,135,451)	(192,004)	(19,011,319)
2,613,769	735,074	-	-	(1,006,782)	3,801,876	22,851,417	-	26,653,293
(247,712)	(464,254)	-	(899,605)	1,006,782	(7,344,064)	-	-	(7,344,064)
<u>2,366,057</u>	<u>270,820</u>	<u>-</u>	<u>(899,605)</u>	<u>-</u>	<u>(3,542,188)</u>	<u>22,851,417</u>	<u>-</u>	<u>19,309,229</u>
315,395	(8,242)	(36,411)	(899,605)	-	1,773,948	(1,284,034)	(192,004)	297,910
<u>3,879,460</u>	<u>872,070</u>	<u>133,159</u>	<u>899,605</u>	<u>-</u>	<u>16,272,869</u>	<u>3,446,011</u>	<u>4,736,896</u>	<u>24,455,776</u>
<u>\$ 4,194,855</u>	<u>\$ 863,828</u>	<u>\$ 96,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,046,817</u>	<u>\$ 2,161,977</u>	<u>\$ 4,544,892</u>	<u>\$ 24,753,686</u>

## **DISCRETELY PRESENTED COMPONENT UNITS**

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

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

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



**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2016**

	Chattanooga Metropolitan Airport Authority	CARTA	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 18,426,061	\$ 9,732,150	\$ 28,158,211
Total operating revenues	<u>18,426,061</u>	<u>9,732,150</u>	<u>28,158,211</u>
<b>OPERATING EXPENSES</b>			
Airport operations	11,614,745	-	11,614,745
CARTA operations	-	21,035,166	21,035,166
Management fees	35,414	-	35,414
Maintenance	530,306	-	530,306
Depreciation and amortization	6,483,390	3,100,378	9,583,768
Total operating expenses	<u>18,663,855</u>	<u>24,135,544</u>	<u>42,799,399</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(237,794)</u>	<u>(14,403,394)</u>	<u>(14,641,188)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental revenue	-	7,773,956	7,773,956
Investment income	11,617	5,034	16,651
Interest expense	(365,595)	(25,468)	(391,063)
Other income (expense)	2,351,145	23,907	2,375,052
Total nonoperating revenues (expenses)	<u>1,997,167</u>	<u>7,777,429</u>	<u>9,774,596</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	1,759,373	(6,625,965)	(4,866,592)
Capital contributions	<u>7,407,034</u>	<u>4,685,637</u>	<u>12,092,671</u>
<b>CHANGE IN NET POSITION</b>	9,166,407	(1,940,328)	7,226,079
<b>NET POSITION, beginning</b>	<u>112,183,843</u>	<u>16,566,570</u>	<u>128,750,413</u>
<b>NET POSITION, ending</b>	<u>\$ 121,350,250</u>	<u>\$ 14,626,242</u>	<u>\$ 135,976,492</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**COMBINING STATEMENT OF CASH FLOWS  
COMPONENT UNITS**

**Year Ended June 30, 2016**

	Chattanooga Metropolitan Airport Authority	CARTA	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 18,665,434	\$ 9,370,020	\$ 28,035,454
Payments to suppliers	(9,358,904)	(5,061,312)	(14,420,216)
Payments to employees	(2,863,872)	(12,457,635)	(15,321,507)
Net cash from operating activities	<u>6,442,658</u>	<u>(8,148,927)</u>	<u>(1,706,269)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Intergovernmental payments received	-	7,797,863	7,797,863
Net cash from noncapital financing activities	<u>-</u>	<u>7,797,863</u>	<u>7,797,863</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on capital debt	(702,014)	(273,908)	(975,922)
Principal paid on capital lease	(50,051)	-	(50,051)
Interest paid on capital debt	(367,483)	(25,468)	(392,951)
Capital contributions	4,459,626	2,759,744	7,219,370
Net decrease in revolving line of credit	-	-	-
Additions to capital assets	(10,307,501)	(1,863,579)	(12,171,080)
Passenger/customer facility charges collected	2,332,614	-	2,332,614
Net cash flows from capital and related financing activities	<u>(4,634,809)</u>	<u>596,789</u>	<u>(4,038,020)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of equipment	2,478	-	2,478
Interest on investments	11,617	5,034	16,651
Net cash flows from investing activities	<u>14,095</u>	<u>5,034</u>	<u>19,129</u>
Net increase (decrease) in cash and cash equivalents	1,821,944	250,759	2,072,703
Cash and cash equivalents, beginning of year	10,446,560	1,899,996	12,346,556
Cash and cash equivalents, end of year	<u>\$ 12,268,504</u>	<u>\$ 2,150,755</u>	<u>\$ 14,419,259</u>
<b>CLASSIFIED AS:</b>			
Current assets	\$ 9,379,803	\$ 2,150,755	\$ 11,530,558
Restricted assets	2,888,701	-	2,888,701
	<u>\$ 12,268,504</u>	<u>\$ 2,150,755</u>	<u>\$ 14,419,259</u>

(Continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

**COMBINING STATEMENT OF CASH FLOWS  
COMPONENT UNITS**

**Year Ended June 30, 2016**

	Chattanooga Metropolitan Airport Authority	CARTA	Total
(Continued from previous page)			
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
OPERATING INCOME (LOSS)	\$ (237,794)	\$ (14,403,394)	\$ (14,641,188)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Depreciation and amortization	6,483,390	3,100,378	9,583,768
Net general pension expense (benefit)	(328,260)	-	(328,260)
Loss on disposal of property and equipment	(2,478)	-	(2,478)
Bad debt expense	10,061	-	10,061
Change in operating assets and liabilities:			
Trade receivables, net	220,871	(31,414)	189,457
Inventory	43,550	(32,329)	11,221
Prepaid items	47,061	83,983	131,044
Other assets	-	25,166	25,166
Accounts payable and accrued liabilities	187,755	4,246,311	4,434,066
Unearned revenue	18,502	-	18,502
Deferred pension items	-	(1,137,628)	(1,137,628)
TOTAL ADJUSTMENTS	6,680,452	6,254,467	12,934,919
NET CASH FROM OPERATING ACTIVITIES	\$ 6,442,658	\$ (8,148,927)	\$ (1,706,269)
SIGNIFICANT NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Additions to property and equipment included in contracts payable	\$ 545,093	\$ -	\$ 545,093



CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$115,985,000	\$115,985,000	\$117,147,486	\$ 1,162,486
Payments in lieu of tax:				
PILOT CHA	140,900	140,900	198,239	57,339
PILOT TVA	1,986,000	1,986,000	2,010,675	24,675
PILOT JCT	2,280	2,280	-	(2,280)
PILOT Good Neighbors	2,800	2,800	2,808	8
PILOT Dev Corp O Knob	480	480	480	-
PILOT Chattem	65,359	65,359	65,359	-
PILOT The Bread Factory	1,938	1,938	4,638	2,700
PILOT LJT of Tennessee	39,494	39,494	-	(39,494)
PILOT UnumProvident Corporation	31,062	31,062	31,062	-
PILOT South Market LLC	1,762	1,762	1,762	-
PILOT Frazier Partners	618	618	4,289	3,671
PILOT Invista	19,038	19,038	18,960	(78)
PILOT Wm Wrigley Jr Co	30,290	30,290	29,509	(781)
PILOT Astec Industries	26,727	26,727	23,602	(3,125)
PILOT Blue Cross Blue Shield	905,374	905,374	909,261	3,887
PILOT Heatec, Inc.	13,563	13,563	14,676	1,113
PILOT Roadtec	20,709	20,709	19,984	(725)
PILOT Steel Warehouse of TN	33,810	33,810	-	(33,810)
PILOT US Express Inc.	51,910	51,910	52,229	319
PILOT United Packers of Chatt	60,130	60,130	-	(60,130)
PILOT MK LLC	2,030	2,030	2,030	-
PILOT Jarnigan Road-EMJ Corp	40,540	40,540	46,933	6,393
PILOT Southern Champion Tray	6,340	6,340	-	(6,340)
PILOT Alstom Power Inc.	-	-	391,158	391,158
PILOT Gestamp Chattanooga, LLC	232,500	232,500	213,033	(19,467)
PILOT Scannell- FedEx, Inc.	-	-	67,411	67,411
PILOT Westinghouse Electric Co.	76,334	76,334	88,694	12,360
PILOT Chit Chatt Properties	672	672	672	-
PILOT EPB	6,569,000	6,569,000	6,908,868	339,868
PILOT American Plastic 2	-	-	11,359	11,359
PILOT Plastic Omnium Auto Exteriors LLC	5,000	5,000	165,300	160,300
PILOT UTC Two LLC	15,940	15,940	10,148	(5,792)
PILOT UTC Three LLC	-	-	5,790	5,790
PILOT Rock Tenn Retail Solutions	15,000	15,000	-	(15,000)
PILOT Choo Choo Partners	-	-	14,818	14,818
Interest and penalty on taxes				
Current year	134,000	134,000	289,556	155,556
Prior years	1,150,000	1,150,000	1,309,269	159,269
Collection fees on delinquent taxes	280,000	280,000	319,056	39,056
Total property taxes	127,946,600	127,946,600	130,379,114	2,432,514

(Continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Other local taxes:				
Franchise taxes	\$ 4,340,000	\$ 4,340,000	\$ 4,390,456	\$ 50,456
Liquor taxes	2,367,000	2,367,000	2,774,584	407,584
Beer taxes	5,350,000	5,350,000	5,756,278	406,278
Local litigation tax city court	3,000	3,000	2,883	(117)
Gross receipts tax	4,941,000	4,941,000	5,608,405	667,405
Corporate excise tax - intangible property	109,000	109,000	219,192	110,192
Total other taxes	<u>17,110,000</u>	<u>17,110,000</u>	<u>18,751,798</u>	<u>1,641,798</u>
Total taxes	<u>145,056,600</u>	<u>145,056,600</u>	<u>149,130,912</u>	<u>4,074,312</u>
Licenses, fees and permits:				
Licenses:				
Wrecker Business License	4,600	4,600	3,800	(800)
Liquor by Drink License	161,000	161,000	142,915	(18,085)
Liquor by Drink Int & Pen	2,000	2,000	925	(1,075)
Transient Vendor License	-	-	1,910	1,910
Motor Vehicle License	410,000	410,000	460,790	50,790
Original Business License Fee	21,000	21,000	21,380	380
Manufacturing of Intoxicants License	-	-	1,000	1,000
Permits:				
Building Permits	1,200,000	1,200,000	1,762,394	562,394
Electrical Permits	300,000	300,000	355,899	55,899
Plumbing Fixtures Connection Permits	175,000	175,000	196,200	21,200
Street Cut-in Permits	150,000	150,000	350,378	200,378
Mechanical Code Permits	170,000	170,000	209,060	39,060
Hotel Permits	4,700	4,700	5,100	400
Gas Permits	29,000	29,000	44,605	15,605
Sign Permits	125,000	125,000	147,690	22,690
Taxicab Driver Permits	10,000	10,000	4,875	(5,125)
Temporary Use Permits	3,300	3,300	5,940	2,640
Moving Permit Investigation Fee	-	-	495	495
Going Out of Business Permits	-	-	200	200
Traffic Eng Special Events Permits	10,200	10,200	9,330	(870)
Fortwood Parking Permits	4,500	4,500	3,000	(1,500)
Push Cart Permits	-	-	150	150
Mobile Food Unit	-	-	810	810
Tree Ordinance Permit	-	-	950	950
Amplified Music District Permit Fees	500	500	-	(500)

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Fees:				
Business License Issuance Fees	\$ 46,800	\$ 46,800	\$ 62,376	\$ 15,576
Plumbing Examiners Fees	85,000	85,000	26,320	(58,680)
Electrical Examiners Fees	53,200	53,200	83,500	30,300
Gas Examiners Fees	75,000	75,000	20,310	(54,690)
Beer Permit Application Fees	106,000	106,000	113,435	7,435
Mechanical Exam Fees	126,000	126,000	110,200	(15,800)
Permit Issuance Fees	45,000	45,000	52,761	7,761
Exhibitors Fees	-	-	1,215	1,215
Subdivision Review & Inspection Fees	17,000	17,000	27,970	10,970
Adult Entertain Application Fees	10,800	10,800	10,350	(450)
Zoning Letter Fees	12,000	12,000	15,825	3,825
Variance Request Fees	8,500	8,500	9,945	1,445
Certificate of Occupancy Fees	20,000	20,000	26,520	6,520
Sewer Verification Letter Fees	500	500	175	(325)
Code Compliance Letter Fees	1,500	1,500	1,700	200
Modular Home Site Investigation Fees	-	-	200	200
Plan Checking Fees	140,000	140,000	341,745	201,745
Phased Construction Plan Review Fees	75,000	75,000	55,906	(19,094)
Construction Board of Appeals Fees	3,000	3,000	1,350	(1,650)
Sign Board of Appeals Fees	1,600	1,600	1,900	300
Dead Animal Pickup at Vet Fees	4,500	4,500	-	(4,500)
Historic Zone Construction Fee	-	-	50	50
Hardship-Appropriateness Construction Fee	-	-	275	275
Northshore Design Appeal Fee	500	500	2,100	1,600
Northshore-Downtown Plan Review Fee	500	500	425	(75)
Fire Permits City Code 16-29	76,300	76,300	248,103	171,803
Parking Lot Fee	5,100	5,100	46,400	41,300
Wine in Grocery Store	-	-	2,900	2,900
Designated revenue:				
Parking meters and other fees	1,652,793	1,652,793	1,850,154	197,361
Total licenses, fees & permits	5,347,393	5,347,393	6,843,906	1,496,513
Intergovernmental:				
State funds:				
State Operations Funds Training Supplement F&P	555,000	555,000	496,800	(58,200)
State Shared Ops Maintenance of Streets	226,000	226,000	189,696	(36,304)
State Shared City Alloc State Sales Tax	12,670,000	12,670,000	13,491,085	821,085
State Shared City Alloc State Income Tax	3,750,000	3,750,000	3,532,771	(217,229)
State Shared City Alloc State Beer Tax	81,000	81,000	81,872	872
State Shared Mixed Drink Tax	2,500,000	2,500,000	2,909,666	409,666
State Shared Telecommunications Sales Tax	17,000	17,000	14,076	(2,924)
State Shared Alcoholic Beverage Tax	120,000	120,000	158,134	38,134
State Shared Gas Inspection Fees	340,000	340,000	341,126	1,126
State Shared Commission Gross Receipts	420,000	420,000	510,374	90,374

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
County funds:				
Ham Co Oper Ross's Landing	\$ 900,000	\$ 900,000	\$ 1,139,011	\$ 239,011
Ham Co Shared County-wide Sales Tax	42,050,000	42,050,000	45,479,387	3,429,387
Other intergovernmental	-	-	68,944	68,944
Designated revenue:				
Ham Co Shared County-wide Sales Tax (Add .5 Cent)	12,154,000	12,154,000	12,961,844	807,844
Other	2,392,629	2,392,629	2,021,351	(371,278)
<b>Total intergovernmental revenues</b>	<b>78,175,629</b>	<b>78,175,629</b>	<b>83,396,137</b>	<b>5,220,508</b>
Charges for services				
Court charges:				
Court Cost Current	295,000	295,000	246,165	(48,835)
Court Commissions	8,200	8,200	6,985	(1,215)
Court Clerk's Fee Current	960,000	960,000	800,985	(159,015)
Court Clerk's Fee Delinquent	-	-	783	783
Court Service of Process Current	-	-	378	378
Court Service of Process Delinquent	-	-	224	224
Court Processing of Release Forms	17,800	17,800	15,752	(2,048)
Court Administrative Cost	12,300	12,300	1,563	(10,737)
Court Current State Cost	1,000	1,000	1,403	403
Court Copy Record Income	-	-	16	16
Court Translation Service Fee	-	-	14,378	14,378
Facility charges:				
Facility Rents	39,600	39,600	39,442	(158)
Property Rental Revenue	76,800	76,800	173,159	96,359
Ballfield Income	52,500	52,500	60,685	8,185
Skateboard Park Fees	39,000	39,000	26,318	(12,682)
Carousel Ridership	92,000	92,000	126,134	34,134
Walker Pavilion Rent	14,500	14,500	19,873	5,373
Coolidge Park Table Rental	3,900	3,900	-	(3,900)
Heritage Park House Rent	25,000	25,000	34,455	9,455
Renaissance Park Rent	-	-	3,620	3,620
Greenway Facility Rent	16,500	16,500	11,058	(5,442)
Fitness Center Fees	44,200	44,200	38,676	(5,524)
Dock Rental	22,000	22,000	29,382	7,382
Ross' Landing Rent	50,000	50,000	66,803	16,803
Champion's Club Fees	30,000	30,000	39,768	9,768
Recreation Center Rental	44,000	44,000	44,286	286
Carousel Room Rental	11,000	11,000	13,550	2,550
Coolidge Park Rental	12,300	12,300	12,980	680
Walnut Street Bridge Rental	1,000	1,000	2,300	1,300
Civic Facility Offset	-	-	(125,322)	(125,322)

(Continued on next page)



CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Event charges:				
Preservation Fee	\$ -	\$ -	\$ 15,392	\$ 15,392
Box Office Fee	-	-	15,181	15,181
Ticket Stock Charge	-	-	1,539	1,539
Overtime Reimbursement	-	-	7,783	7,783
Handling fee	-	-	2,106	2,106
Convenience Fee	-	-	26,689	26,689
Box Office Staff	-	-	3,890	3,890
Program charges:				
Park Event Fees	10,000	10,000	8,573	(1,427)
Kidz Kamp Fees	45,000	45,000	9,580	(35,420)
Sports Program Fees	12,000	12,000	8,800	(3,200)
Non-Traditional Program Fees	2,400	2,400	2,477	77
OutVenture Fees	18,000	18,000	23,190	5,190
Therapeutic Fees	1,800	1,800	1,227	(573)
Swimming Pool Fees	125,000	125,000	123,792	(1,208)
Arts & Culture Fees	900	900	1,050	150
Counter sales:				
Police Report Fees	31,300	31,300	36,428	5,128
Credit Card Processing Fee	55,200	55,200	63,992	8,792
Concessions	-	-	70,188	70,188
Civic Facilities Show Merchandise	-	-	3,749	3,749
Other charges:				
Financial Service EPB	7,200	7,200	7,200	-
Fire & Ambulance Service Fees	-	-	11	11
General Pension Admin Cost	45,000	45,000	45,000	-
Returned Check Fee	3,900	3,900	3,323	(577)
Waste Container Purchases	35,000	35,000	18,164	(16,836)
Non Profit Request Fee	-	-	2,000	2,000
Recycle Container Purchases	-	-	150	150
Revenue adjustments:				
Over & Under	-	-	(230)	(230)
Designated revenue:	2,669,002	2,669,002	1,860,678	(808,324)
Total charges for services	4,930,302	4,930,302	4,067,721	(862,581)
Fines, forfeitures and penalties				
City court fines	725,000	725,000	673,902	(51,098)
Criminal court fines	115,000	115,000	133,281	18,281
Traffic court fines	56,000	56,000	50,704	(5,296)
Designated revenue	815	815	1,687,066	1,686,251
Total fines and forfeitures	896,815	896,815	2,544,953	1,648,138

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Miscellaneous:				
Investment income	\$ 400,000	\$ 400,000	\$ 1,811,495	\$ 1,411,495
Sale of property	105,000	105,000	745,075	640,075
Donations	-	-	1,000	1,000
Settlements	25,000	25,000	48,836	23,836
Departmental billings	4,538,000	4,538,000	4,538,235	235
Miscellaneous revenue	394,500	394,500	666,578	272,078
Designated revenue:				
Investment income	48,798	48,798	80,220	31,422
Donations	31,618	31,618	735,984	704,366
Settlements	7,000	7,000	-	(7,000)
Miscellaneous revenue	318	318	108,344	108,026
Total miscellaneous revenue	5,550,234	5,550,234	8,735,767	3,185,533
Total revenues	239,956,973	239,956,973	254,719,396	14,762,423

EXPENDITURES

General government:

City Council	743,639	743,639	659,866	(83,773)
City Judges	921,153	921,153	903,664	(17,489)
City Attorney	1,557,583	1,557,583	1,527,666	(29,917)
Records Retention Management	50,000	50,000	1,839	(48,161)
Internal Audit	625,445	625,445	580,411	(45,034)
Information Services:				
Information Services	6,201,950	6,201,950	5,612,088	(589,862)
Purchasing	824,120	824,120	732,575	(91,545)
311 Call Center	608,314	608,314	517,284	(91,030)
External Appropriations:				
Allied Arts Council Fund, Inc.	275,000	275,000	275,000	-
Carter Street Corporation	200,000	200,000	200,000	-
Chatt Neighborhood Enterprise	705,000	705,000	705,000	-
WTCL-TV Channel 45	75,000	75,000	75,000	-
Tennessee River Park	1,132,073	1,132,073	1,032,924	(99,149)
Children's Advocacy Center	60,000	60,000	60,000	-
Community Foundation Scholarships	101,300	101,300	101,300	-
Chatt Area Urban League	125,000	125,000	125,000	-
Bessie Smith Cultural Center	60,000	60,000	60,000	-
Railroad Authority	11,915	11,915	-	(11,915)
Enterprise Center	210,000	210,000	210,000	-
Enterprise South Nature Park	693,415	693,415	551,557	(141,858)
Friends of Moccasin Bend Natl Park	30,000	30,000	30,000	-
ESIP Security Services	62,077	62,077	53,740	(8,337)
Homeless Coalition	50,000	50,000	50,000	-
Partnership Rape Crisis	65,000	65,000	65,000	-
Children's Home - Chambliss Shelter	350,000	350,000	350,000	-

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
General government (continued):				
Fortwood Center	\$ 57,000	\$ 57,000	\$ 57,000	\$ -
Joe Johnson Mental Health	60,000	60,000	60,000	-
Speech & Hearing Center	67,700	67,700	67,700	-
Orange Grove	105,188	105,188	105,188	-
Signal Center	75,000	75,000	75,000	-
AIM Center, Inc.	60,000	60,000	60,000	-
Bethlehem Center	25,000	25,000	25,000	-
Hope for the Inner City	60,000	60,000	60,000	-
Girls, Inc.	30,000	30,000	30,000	-
Greater Chattanooga Sports & Events	130,000	130,000	130,000	-
Chattanooga Zoo	25,000	25,000	25,000	-
Chattanooga Room in the Inn	25,000	25,000	25,000	-
LaPaz Chattanooga	50,000	50,000	50,000	-
Green Spaces	15,000	15,000	15,000	-
Component Unit Appropriations:				
CARTA Subsidy	5,274,771	5,274,771	5,045,361	(229,410)
City Code Revision	-	-	14,823	14,823
Unemployment Insurance	80,000	80,000	56,657	(23,343)
Contingency Fund	158,362	158,362	28,555	(129,807)
Renewal & Replacement	461,727	461,727	316,982	(144,745)
Audits, Dues & Surveys	358,462	358,462	126,726	(231,736)
Intergovernmental Relations	328,100	328,100	298,382	(29,718)
City Water Quality Mgmt Fees	450,000	450,000	425,606	(24,394)
Liability Insurance Premiums	1,000,000	1,000,000	1,000,000	-
Education Per TCA 57-4-306	1,250,000	1,250,000	1,438,503	188,503
ESIP Administration	5,520	5,520	9,533	4,013
Tuition Assistance Program	20,000	20,000	22,353	2,353
Designated expenditures:				
General government programs:				
CARTA Parking Meters	1,652,832	1,652,832	1,652,832	-
Office of Sustainability Programs	154	154	-	(154)
Automated Traffic Enforcement	4,493	4,493	1,433,694	1,429,201
General government grants:				
EPA - Brownfield Revolving Loan Brightbridge	-	-	240,000	240,000
Public Library	6,294,141	6,294,141	6,112,673	(181,468)
Economic Development	10,669,708	10,669,708	8,999,321	(1,670,387)
Total general government	44,531,142	44,531,142	42,486,803	(2,044,339)

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Executive Office of the Mayor:				
Executive Office Admin	\$ 1,345,022	\$ 1,345,022	\$ 1,325,654	\$ (19,368)
Multicultural Affairs	348,187	348,187	356,864	8,677
Designated expenditures:				
Go Fest	7,205	7,205	4,476	(2,729)
Gang Task Force Be the Change	3,693	3,693	-	(3,693)
Gang Task Force Urban Art	7,500	7,500	-	(7,500)
Code for America	63,106	63,106	-	(63,106)
Mayors Council on Disability	400	400	-	(400)
Family Justice Center Grant	122,350	122,350	79,017	(43,333)
Violent Gang & Gun Crime Reduction Program	-	-	687	687
STOP 2018 Chattanooga Family Justice Center	66,721	66,721	26,900	(39,821)
Total executive office	1,964,184	1,964,184	1,793,598	(170,586)
Finance and administration:				
Finance Office	3,564,540	3,564,540	3,332,572	(231,968)
Office of the City Treasurer	1,173,946	1,173,946	660,933	(513,013)
City Court Clerk's Office	1,192,790	1,192,790	1,215,766	22,976
Designated expenditures:				
City Court Technology	413,233	413,233	35,675	(377,558)
Other Programs	12,433	12,433	-	(12,433)
Total finance and administration	6,356,942	6,356,942	5,244,946	(1,111,996)
General services:				
General Services Administration	887,815	887,815	827,715	(60,100)
Building Maintenance	2,064,145	2,064,145	1,790,280	(273,865)
Real Estate	21,177	21,177	101,771	80,594
Farmer's Market	8,500	8,500	15,098	6,598
Zoo	675,000	675,000	675,000	-
Civic Facilities	752,069	752,069	750,000	(2,069)
Designated expenditures:				
Heritage Hall & Museum	133,388	133,388	116,743	(16,645)
DRC Building Operations	142,605	142,605	141,184	(1,421)
Brainerd Golf Course	791,221	791,221	800,826	9,605
Brown Acres Golf Course	1,635,201	1,635,201	921,311	(713,890)
Total general services	7,111,121	7,111,121	6,139,928	(971,193)
Human resources:				
Human Resource Administration	1,344,738	1,344,738	1,248,978	(95,760)
Insurance Officer and Programs	514,181	514,181	514,541	360
Total human resources	1,858,919	1,858,919	1,763,519	(95,400)

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Economic and community development:				
Neighborhood Services Administration	\$ 1,119,713	\$ 1,119,713	\$ 950,663	\$ (169,050)
Codes & Community Services	484,348	484,348	379,620	(104,728)
Outdoor Chattanooga	521,683	521,683	336,477	(185,206)
Economic & Community Development Initiatives	100,000	100,000	100,000	-
Public Art Initiative	125,250	125,250	94,298	(30,952)
Land Development Office	4,272,550	4,272,550	4,089,150	(183,400)
Designated expenditures:				
Neighborhood Partners Projects & Initiatives	736,946	736,946	694,474	(42,472)
Special Projects	511,345	511,345	25,000	(486,345)
Public Art Initiative	120,899	120,899	111,680	(9,219)
Total economic and community development	7,992,734	7,992,734	6,781,362	(1,211,372)
Police:				
Police Administration	2,497,041	2,497,041	1,884,615	(612,426)
Uniform Services	25,315,594	25,315,594	26,281,691	966,097
Investigative Services	10,927,382	10,927,382	10,354,290	(573,092)
Support Services	22,098,756	22,098,756	20,037,022	(2,061,734)
Designated expenditures:				
Reduction of Part 1 Offenses	9,853	9,853	11,824	1,971
Police Special Programs	37,210	37,210	60,615	23,405
Law Enforcement Planning	124,865	124,865	100,202	(24,663)
Other Police Grants	175,000	175,000	118,942	(56,058)
Total police	61,185,701	61,185,701	58,849,201	(2,336,500)
Fire:				
Fire Administration	531,552	531,552	530,704	(848)
Station Operations	34,016,513	34,016,601	34,016,239	(362)
Safety, Training and Tactical Services	2,913,410	2,913,322	2,552,496	(360,826)
Designated expenditures:				
Fire Programs and Grants	296,915	296,915	50,342	(246,573)
Total fire	37,758,390	37,758,390	37,149,781	(608,609)
Public works:				
Public Works Administration	736,882	736,882	751,804	14,922
City Engineer's Office	1,532,854	1,532,854	1,496,363	(36,491)
Field Surveyors	225,477	225,477	240,340	14,863
Utilities	184,660	184,660	190,775	6,115
Solid Waste Disposal	6,210,400	6,210,400	6,210,400	-
City-wide Services Administration	1,226,715	1,226,715	1,313,188	86,473
Emergency	654,390	654,390	580,536	(73,854)
Street Cleaning	85,588	85,588	1,974,309	1,888,721
Central Business District	299,140	299,140	239,622	(59,518)
Street Cleaning Crews	930,842	930,842	267,231	(663,611)

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Public works (continued):				
Mowing Tractors/Leaf Collection	\$ 1,114,300	\$ 1,114,300	\$ 295,460	\$ (818,840)
Street Sweeping	564,414	564,414	273,152	(291,262)
Waste Pickup	7,594,001	7,594,001	7,577,413	(16,588)
Municipal Forestry	872,863	872,863	825,876	(46,987)
Storm Stations	-	-	119,607	119,607
Park Management	2,351,452	2,351,452	2,289,051	(62,401)
Hamilton County Shared Parks Maintenance	2,479,639	2,479,639	1,989,627	(490,012)
Designated expenditures:				
Public Works Programs	425,324	425,324	170,271	(255,053)
Municipal Forestry Grants and Tree Program	7,192	7,192	-	(7,192)
Other Public Works Grants	273,700	273,700	-	(273,700)
Total public works	<u>27,769,833</u>	<u>27,769,833</u>	<u>26,805,025</u>	<u>(964,808)</u>
Transportation:				
Transportation Administration	1,493,849	1,493,849	1,201,473	(292,376)
Traffic Engineering Administration	832,554	832,554	929,351	96,797
Street Lighting	2,826,284	2,826,284	2,882,256	55,972
Traffic Operations	2,170,593	2,170,593	2,155,097	(15,496)
Designated expenditures:				
Transportation Programs	351,086	351,086	343,643	(7,443)
Total transportation	<u>7,674,366</u>	<u>7,674,366</u>	<u>7,511,820</u>	<u>(162,546)</u>
Youth and family development:				
Youth & Family Development Administration	499,918	499,918	501,519	1,601
Recreation Administration	1,474,734	1,474,734	1,822,554	347,820
Youth Development	196,341	196,341	159,290	(37,051)
Kidz Kamp	144,531	144,531	190,860	46,329
Sports Programs	516,374	516,374	478,812	(37,562)
Aquatics Programs	154,885	154,885	233,976	79,091
Therapeutic Programs	160,668	160,668	124,540	(36,128)
Fitness Center	217,375	217,375	280,577	63,202
Youth Dev - CAPS	237,767	237,767	245,675	7,908
Youth Dev - Education	273,954	273,954	288,808	14,854
Youth Dev - Career Development	114,894	114,894	101,823	(13,071)
Skatepark	27,784	27,784	87,121	59,337
Champion's Club	342,278	342,278	329,177	(13,101)
Summit of Softball	459,900	459,900	464,732	4,832
Recreation Centers	3,773,893	3,773,893	3,279,804	(494,089)
North River Center Programs	100,557	100,557	118,885	18,328
Eastgate Center Programs	200,581	200,581	139,653	(60,928)
Heritage House Programs	71,240	71,240	81,998	10,758
Cultural Arts Programs	-	-	20	20
Designated expenditures:				
YFD Programs	1,141,329	1,141,329	907,085	(234,244)
Total youth and family development	<u>10,109,003</u>	<u>10,109,003</u>	<u>9,836,909</u>	<u>(272,094)</u>

(Continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Total expenditures	\$214,312,335	\$214,312,335	\$204,362,892	\$ (9,949,443)
Excess of revenues over expenditures	25,644,638	25,644,638	50,356,504	24,711,866
OTHER FINANCING SOURCES (USES)				
Transfers in	48,000	48,000	48,000	-
Transfers out	(37,088,905)	(37,088,905)	(36,997,175)	91,730
Total other financing sources (uses)	(37,040,905)	(37,040,905)	(36,949,175)	91,730
Net change in fund balances	(11,396,267)	(11,396,267)	13,407,329	24,803,596
FUND BALANCES, beginning	69,436,164	69,436,164	69,436,164	-
FUND BALANCES, ending	\$ 58,039,897	\$ 58,039,897	\$ 82,843,493	\$ 24,803,596

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts	Variance with 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  
SOCIAL SERVICES PROGRAM FUND**

**Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ 11,674,064	\$ 11,674,064	\$ 11,231,571	\$ (442,493)
United Way	-	-	608	608
Project Warm Neighbors	9,900	9,900	14,100	4,200
Day care fees	43,377	43,377	22,468	(20,909)
Donations	41,600	41,600	42,580	980
Investment income	-	-	6,440	6,440
Miscellaneous	282	282	6,100	5,818
<b>Total revenues</b>	<b>15,193,461</b>	<b>15,193,461</b>	<b>14,750,637</b>	<b>(442,824)</b>
<b>EXPENDITURES</b>				
Administration	911,627	911,627	920,596	8,969
Headstart program	11,731,932	11,731,932	10,913,689	(818,243)
Day care	310,593	310,593	223,859	(86,734)
Food program	87,469	87,469	68,494	(18,975)
Foster grandparent program	497,282	497,282	496,450	(832)
Low-income energy assistance	2,057,812	2,057,812	2,358,518	300,706
Community services block grant	626,062	626,062	632,397	6,335
Title II commodities	32,500	32,500	37,953	5,453
Emergency food and shelter	-	-	7,811	7,811
Other programs	56,635	56,635	50,126	(6,509)
Capital outlay	67,243	67,243	226,118	158,875
<b>Total expenditures</b>	<b>16,379,155</b>	<b>16,379,155</b>	<b>15,936,011</b>	<b>(443,144)</b>
Excess (deficiency) of revenues over (under) expenditures	(1,185,694)	(1,185,694)	(1,185,374)	320
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,165,000	1,165,000	1,165,000	-
<b>Total other financing sources (uses)</b>	<b>1,165,000</b>	<b>1,165,000</b>	<b>1,165,000</b>	<b>-</b>
Net change in fund balances	(20,694)	(20,694)	(20,374)	320
FUND BALANCES, beginning	761,688	761,688	761,688	-
FUND BALANCES, ending	\$ 740,994	\$ 740,994	\$ 741,314	\$ 320

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ -	\$ -	\$ 116,500	\$ 116,500
State of Tennessee funds	-	-	375	375
Confiscations	250,000	250,000	312,498	62,498
Investment income	-	-	7,345	7,345
Miscellaneous	180,563	180,563	77,854	(102,709)
<b>Total revenues</b>	<b>430,563</b>	<b>430,563</b>	<b>514,572</b>	<b>84,009</b>
<b>EXPENDITURES</b>				
Narcotics program	410,293	410,293	244,591	(165,702)
Capital outlay	-	-	16,975	16,975
<b>Total expenditures</b>	<b>410,293</b>	<b>410,293</b>	<b>261,566</b>	<b>(148,727)</b>
Net change in fund balances	20,270	20,270	253,006	232,736
FUND BALANCES, beginning	1,422,324	1,422,324	1,422,324	-
FUND BALANCES, ending	<u>\$ 1,442,594</u>	<u>\$ 1,442,594</u>	<u>\$ 1,675,330</u>	<u>\$ 232,736</u>

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
State of Tennessee funds	\$ 4,474,700	\$ 4,474,700	\$ 4,800,375	\$ 325,675
Miscellaneous	154	154	3,632	3,478
Total revenues	<u>4,474,854</u>	<u>4,474,854</u>	<u>4,804,007</u>	<u>329,153</u>
<b>EXPENDITURES</b>				
Salaries and wages	1,701,635	1,701,635	1,447,292	(254,343)
Fringe benefits	1,024,036	1,024,036	761,688	(262,348)
Purchased services	105,009	105,009	98,430	(6,579)
Vehicle operations	951,576	951,576	723,049	(228,527)
Materials and supplies	690,083	690,083	480,772	(209,311)
Other expense	55	55	2,975	2,920
Capital outlay	(343,806)	(343,806)	3,553	347,359
Total expenditures	<u>4,128,588</u>	<u>4,128,588</u>	<u>3,517,759</u>	<u>(610,829)</u>
Net change in fund balances	346,266	346,266	1,286,248	939,982
FUND BALANCES, beginning	<u>2,273,649</u>	<u>2,273,649</u>	<u>2,273,649</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 2,619,915</u>	<u>\$ 2,619,915</u>	<u>\$ 3,559,897</u>	<u>\$ 939,982</u>

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ 2,717,777	\$ 2,717,777	\$ 2,200,649	\$ (517,128)
State of Tennessee funds	(61,509)	(61,509)	-	61,509
Investment income	139,342	139,342	65,515	(73,827)
Miscellaneous	293,598	293,598	200,952	(92,646)
<b>Total revenues</b>	<b>3,089,208</b>	<b>3,089,208</b>	<b>2,467,116</b>	<b>(622,092)</b>
<b>EXPENDITURES</b>				
Administration	357,824	357,824	421,893	64,069
Community development programs	801,298	801,298	599,827	(201,471)
Home investment programs	825,430	825,430	720,791	(104,639)
Emergency shelter programs	150,938	150,938	100,584	(50,354)
Other programs	371,456	371,456	-	(371,456)
Capital outlay	-	-	8,897	8,897
<b>Total expenditures</b>	<b>2,506,946</b>	<b>2,506,946</b>	<b>1,851,992</b>	<b>(654,954)</b>
Excess (deficiency) of revenues over (under) expenditures	582,262	582,262	615,124	32,862
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	7,297	7,297
Transfers out	(630,000)	(630,000)	(581,565)	48,435
<b>Total other financing sources (uses)</b>	<b>(630,000)</b>	<b>(630,000)</b>	<b>(574,268)</b>	<b>55,732</b>
Net change in fund balances	(47,738)	(47,738)	40,856	88,594
FUND BALANCES, beginning	1,386,021	1,386,021	1,386,021	-
FUND BALANCES, ending	\$ 1,338,283	\$ 1,338,283	\$ 1,426,877	\$ 88,594

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Hotel/Motel tax	\$ 5,814,000	\$ 5,814,000	\$ 6,668,896	\$ 854,896
Investment income	-	2,301	2,301	-
Total revenues	<u>5,814,000</u>	<u>5,816,301</u>	<u>6,671,197</u>	<u>854,896</u>
<b>EXPENDITURES</b>				
Contracted services	<u>146,280</u>	<u>146,280</u>	<u>165,572</u>	<u>19,292</u>
Total expenditures	<u>146,280</u>	<u>146,280</u>	<u>165,572</u>	<u>19,292</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,667,720</u>	<u>5,670,021</u>	<u>6,505,625</u>	<u>835,604</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(5,870,192)</u>	<u>(5,870,192)</u>	<u>(5,870,192)</u>	<u>-</u>
Total other financing sources (uses)	<u>(5,870,192)</u>	<u>(5,870,192)</u>	<u>(5,870,192)</u>	<u>-</u>
Net change in fund balances	(202,472)	(200,171)	635,433	835,604
FUND BALANCES, beginning	<u>3,525,307</u>	<u>3,525,307</u>	<u>3,525,307</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 3,322,835</u>	<u>\$ 3,325,136</u>	<u>\$ 4,160,740</u>	<u>\$ 835,604</u>

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Parking garage income	\$ 250,000	\$ 250,000	\$ 395,566	\$ 145,566
Total revenues	250,000	250,000	395,566	145,566
<b>EXPENDITURES</b>				
Contracted services	250,000	250,000	187,924	(62,076)
Total expenditures	250,000	250,000	187,924	(62,076)
Net change in fund balances	-	-	207,642	207,642
FUND BALANCES, beginning	1,107,806	1,107,806	1,107,806	-
FUND BALANCES, ending	\$ 1,107,806	\$ 1,107,806	\$ 1,315,448	\$ 207,642

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
State of Tennessee funds	\$ 767,783	\$ 767,783	\$ 698,951	\$ (68,832)
Hamilton County funds	737,718	737,718	737,718	-
Other intergovernmental Contributions	238,988	238,988	253,010	14,022
Miscellaneous	235,000	235,000	10,000	(225,000)
	92,800	92,800	107,901	15,101
<b>Total revenues</b>	<b>2,072,289</b>	<b>2,072,289</b>	<b>1,807,580</b>	<b>(264,709)</b>
<b>EXPENDITURES</b>				
Administration	3,093,885	3,093,885	2,712,827	(381,058)
Transportation planning	1,156,219	1,156,219	1,082,809	(73,410)
Other program	47,207	47,207	40,913	(6,294)
Capital outlay	32,500	32,500	21,693	(10,807)
<b>Total expenditures</b>	<b>4,329,811</b>	<b>4,329,811</b>	<b>3,858,242</b>	<b>(471,569)</b>
Excess (deficiency) of revenues over (under) expenditures	(2,257,522)	(2,257,522)	(2,050,662)	206,860
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,662,324	2,662,324	2,613,769	(48,555)
Transfers out	(145,519)	(145,519)	(247,712)	(102,193)
<b>Total other financing sources (uses)</b>	<b>2,516,805</b>	<b>2,516,805</b>	<b>2,366,057</b>	<b>(150,748)</b>
Net change in fund balances	259,283	259,283	315,395	56,112
FUND BALANCES, beginning	3,879,460	3,879,460	3,879,460	-
FUND BALANCES, ending	\$ 4,138,743	\$ 4,138,743	\$ 4,194,855	\$ 56,112

**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ 480,910	\$ 480,910	\$ 479,719	\$ (1,191)
Hamilton County funds	188,548	188,548	188,548	-
Permits	499,400	499,400	404,067	(95,333)
<b>Total revenues</b>	<b>1,168,858</b>	<b>1,168,858</b>	<b>1,072,334</b>	<b>(96,524)</b>
<b>EXPENDITURES</b>				
Operations	1,377,597	1,377,597	1,304,445	(73,152)
Special programs	9,000	9,000	15,465	6,465
Capital outlay	-	62,796	31,486	(31,310)
<b>Total expenditures</b>	<b>1,386,597</b>	<b>1,449,393</b>	<b>1,351,396</b>	<b>(97,997)</b>
Excess (deficiency) of revenues over (under) expenditures	(217,739)	(280,535)	(279,062)	1,473
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	270,820	270,820	270,820	-
<b>Total other financing sources (uses)</b>	<b>270,820</b>	<b>270,820</b>	<b>270,820</b>	<b>-</b>
Net change in fund balances	53,081	(9,715)	(8,242)	1,473
FUND BALANCES, beginning	872,070	872,070	872,070	-
FUND BALANCES, ending	\$ 925,151	\$ 862,355	\$ 863,828	\$ 1,473



**CITY OF CHATTANOOGA, TENNESSEE**

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

**Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 32,600	\$ 32,600	\$ 36,600	\$ 4,000
Total revenues	32,600	32,600	36,600	4,000
EXPENDITURES				
Operations	69,021	69,021	73,011	3,990
Total expenditures	69,021	69,021	73,011	3,990
Net change in fund balances	(36,421)	(36,421)	(36,411)	10
FUND BALANCES, beginning	133,159	133,159	133,159	-
FUND BALANCES, ending	<u>\$ 96,738</u>	<u>\$ 96,738</u>	<u>\$ 96,748</u>	<u>\$ 10</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE**

**SPECIAL REVENUE FUND**

**TENNESSEE VALLEY REGIONAL COMMUNICATIONS FUND**

**Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers out	(899,605)	(899,605)	(899,605)	-
Total other financing sources (uses)	(899,605)	(899,605)	(899,605)	-
Net change in fund balances	(899,605)	(899,605)	(899,605)	-
FUND BALANCES, beginning	899,605	899,605	899,605	-
FUND BALANCES, ending	\$ -	\$ -	\$ -	\$ -

**CITY OF CHATTANOOGA, TENNESSEE**

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND**

**Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Hamilton County funds	\$ 455,013	\$ 455,013	\$ 455,012	\$ (1)
Total revenues	455,013	455,013	455,012	(1)
<b>EXPENDITURES</b>				
Principal retirement	17,160,627	17,160,627	17,164,347	3,720
Interest	7,590,027	7,590,027	7,338,464	(251,563)
Fiscal charges	110,000	110,000	87,652	(22,348)
Total expenditures	24,860,654	24,860,654	24,590,463	(270,191)
Excess (deficiency) of revenues over (under) expenditures	(24,405,641)	(24,405,641)	(24,135,451)	270,190
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	22,705,913	22,705,913	22,851,417	145,504
Total other financing sources (uses)	22,705,913	22,705,913	22,851,417	145,504
Net change in fund balances	(1,699,728)	(1,699,728)	(1,284,034)	415,694
FUND BALANCES, beginning	3,446,011	3,446,011	3,446,011	-
FUND BALANCES, ending	\$ 1,746,283	\$ 1,746,283	\$ 2,161,977	\$ 415,694



## **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, 2016**

	Interest Rate	Maturity Date	Amount
	%		
<b>GOVERNMENTAL FUNDS</b>			
General fund			
Federal Farm Credit Bank	1.12%	3/19/2018	\$ 1,049,475
Federal Farm Credit Bank	1.20%	12/14/2018	1,018,360
Federal Farm Credit Bank	1.35%	1/23/2019	1,998,357
Fed Natl Mortgage Assn. (Strip)	1.65%	2/1/2019	1,499,895
Federal Farm Credit Bank	1.37%	3/21/2019	7,500,000
Federal Home Loan Bank	1.39%	9/13/2019	3,997,500
Federal Home Loan Bank	1.39%	9/13/2019	7,495,312
Financing Corporation (Striped)	1.55%	9/26/2019	5,167,305
Federal Farm Credit Bank	1.24%	10/22/2019	5,997,660
Federal Farm Credit Bank	1.24%	10/22/2019	4,998,050
Federal Home Loan Mortgage	1.50%	10/29/2019	5,000,000
Federal Farm Credit Bank	1.40%	2/24/2020	11,335,000
Federal Farm Credit Bank	1.40%	2/24/2020	10,515,000
			<u>67,571,914</u>
Capital projects			
Fed Natl Mortgage Assn.	1.50%	11/27/2019	2,985,000
			<u>2,985,000</u>
Total governmental fund investments excluding permanent funds			<u>\$ 70,556,914</u>
<b>ENTERPRISE FUNDS</b>			
Interceptor Sewer Fund			
Fed Natl Mortgage Assn.	1.50%	12/27/2016	\$ 3,184,704
Federal Home Loan Bank	1.70%	1/27/2017	10,000,000
Fed Natl Mortgage Assn.	1.88%	2/19/2019	1,531,335
Federal Home Loan Bank	1.50%	10/30/2019	11,108,527
Federal Home Loan Bank	1.50%	10/30/2019	1,110,903
Federal Home Loan Bank	1.50%	10/30/2019	3,962,963
			<u>30,898,432</u>
Solid Waste Fund			
Federal Farm Credit Bank	1.00%	11/13/2018	300,000
Federal Farm Credit Bank	1.00%	11/13/2018	450,000
			<u>750,000</u>
Water Quality			
Fed Natl Mortgage Assn.	1.50%	11/27/2019	1,503,000
			<u>1,503,000</u>
Chattanooga Downtown Redevelopment Corporation			
Federal Home Loan Bank Discount Note	0.00%	8/12/2016	10,025,042
			<u>10,025,042</u>
Electric Power Board			
Federal National Mortgage Agency	N/A	N/A	5,000,000
			<u>5,000,000</u>
Total enterprise fund investments			<u>\$ 48,176,474</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE**

**Year Ended June 30, 2016**

TAX YEAR (1)	Property Taxes Receivable Balance 6/30/2015	Property Tax Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance 6/30/2016	Allowance for Uncollectibles	Net Receivable Balance 6/30/2016
2016	\$ -	\$ -	\$ 114,473,193	\$ -	\$ -	\$ 114,473,193	\$ -	\$ 114,473,193
2015	-	118,013,601	-	253,443	112,528,121	5,738,923	461,983	5,276,940
2014	5,770,671	-	-	(529,585)	2,920,106	2,320,980	450,038	1,870,942
2013	2,325,778	-	-	3,647	996,808	1,332,617	441,363	891,254
2012	1,616,102	-	-	5,275	990,359	631,018	484,875	146,143
2011	648,138	-	-	(21,859)	128,997	497,282	467,743	29,539
2010	491,090	-	-	(21,921)	33,187	435,982	435,982	-
2009	358,771	-	-	(16,426)	23,000	319,345	319,345	-
2008	337,006	-	-	(6,076)	8,804	322,126	322,126	-
2007	252,052	-	-	(1,360)	5,355	245,337	245,337	-
2006	194,355	-	-	(6)	3,299	191,050	191,050	-
	<u>\$ 11,993,963</u>	<u>\$ 118,013,601</u>	<u>\$ 114,473,193</u>	<u>\$ (334,868)</u>	<u>\$ 117,638,036</u>	<u>\$ 126,507,853</u>	<u>\$ 3,819,842</u>	<u>\$ 122,688,011</u>

Note:

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

**CITY OF CHATTANOOGA**

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

**June 30, 2016**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>GOVERNMENTAL ACTIVITIES</b>			
2017	\$ 17,513,116	\$ 7,615,656	\$ 25,128,772
2018	18,803,714	6,974,091	25,777,805
2019	19,047,473	6,310,940	25,358,413
2020	15,867,069	5,745,555	21,612,624
2021	15,646,087	5,258,192	20,904,279
2022	15,917,422	4,681,518	20,598,940
2023	16,181,310	4,143,750	20,325,060
2024	16,578,679	3,515,855	20,094,534
2025	15,000,762	2,921,522	17,922,284
2026	15,350,490	2,297,078	17,647,568
2027	12,799,070	1,634,742	14,433,812
2028	10,335,000	1,171,456	11,506,456
2029	10,395,000	848,475	11,243,475
2030	6,640,000	504,200	7,144,200
2031	6,200,000	219,800	6,419,800
	<u>212,275,192</u>	<u>53,842,830</u>	<u>266,118,022</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
2017	30,285,424	20,661,496	50,946,920
2018	31,456,186	19,600,629	51,056,815
2019	28,284,455	18,527,101	46,811,556
2020	27,366,196	17,468,861	44,835,057
2021	27,586,160	16,417,261	44,003,421
2022	29,375,437	15,317,870	44,693,307
2023	29,799,530	13,458,621	43,258,151
2024	28,276,996	12,329,968	40,606,964
2025	28,920,402	11,136,179	40,056,581
2026	27,688,072	9,936,753	37,624,825
2027	28,224,773	8,872,432	37,097,205
2028	28,165,434	7,923,084	36,088,518
2029	29,618,382	6,756,911	36,375,293
2030	29,457,046	5,384,467	34,841,513
2031	29,818,886	4,041,592	33,860,478
2032	19,216,123	2,925,626	22,141,749
2033	19,950,000	1,950,750	21,900,750
2034	20,955,000	1,025,875	21,980,875
2035	1,475,000	562,875	2,037,875
2036	1,545,000	487,375	2,032,375
2037	1,625,000	408,125	2,033,125
2038	1,705,000	324,875	2,029,875
2039	1,790,000	237,500	2,027,500
2040	1,880,000	145,750	2,025,750
2041	1,975,000	49,375	2,024,375
	<u>506,439,502</u>	<u>195,951,351</u>	<u>702,390,853</u>
Total primary government indebtedness	<u>\$ 718,714,694</u>	<u>\$ 249,794,181</u>	<u>\$ 968,508,875</u>



**CITY OF CHATTANOOGA**

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

**June 30, 2016**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
COMPONENT UNITS			
2017	\$ 734,126	\$ 342,092	\$ 1,076,218
2018	748,801	318,751	1,067,552
2019	3,384,100	281,354	3,665,454
2020	308,890	198,415	507,305
2021	319,722	187,583	507,305
2022	330,952	176,353	507,305
2023	342,592	164,713	507,305
2024	4,528,076	90,991	4,619,067
	<u>4,528,076</u>	<u>90,991</u>	<u>4,619,067</u>
Total component units indebtedness	<u>\$ 10,697,259</u>	<u>\$ 1,760,252</u>	<u>\$ 12,457,511</u>

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2016

	Outstanding June 30, 2015	Interest Paid FY2016	Issued FY2016	Retired FY2016	Refunded FY2016	Outstanding June 30, 2016	Maturing FY 2017	Interest Payable FY 2017
GOVERNMENTAL ACTIVITIES:								
Serial Bonds:								
Tax Supported								
1998 Public Improvement Refunding	\$ 1,084,900	\$ 47,998	\$ -	\$ 341,300	\$ -	\$ 743,600	\$ 361,600	\$ 29,547
2002 Municipal Public Refunding	890,000	20,025	-	890,000	-	-	-	-
2005A Municipal Public Improvement Refunding	5,291,902	233,033	-	1,673,199	-	3,618,703	1,759,427	143,106
2006A Municipal Public Improvement	2,073,277	67,382	-	1,036,639	-	1,036,638	1,036,638	20,733
2007A Municipal Public Refunding	14,520,000	690,783	-	-	-	14,520,000	-	690,805
2009 Series A General Obligation	31,780,000	827,131	-	2,270,000	18,160,000	11,350,000	2,270,000	368,875
2010 Series A GO Bond	5,025,000	154,938	-	335,000	1,340,000	3,350,000	335,000	119,763
2010 Series B Refunding GO bonds	3,683,263	137,630	-	351,703	-	3,331,560	244,543	127,958
2010 Series C Recovery Zone Bonds	5,120,000	176,975	-	345,000	-	4,775,000	345,000	166,625
2011 Series A General Obligation	21,185,000	635,475	-	1,765,000	-	19,420,000	1,770,000	586,900
2011 Series B Refunding GO bonds	1,949,250	73,407	-	-	-	1,949,250	-	73,406
2013 Series General Improvement Bond	18,395,000	730,926	-	1,315,000	-	17,080,000	1,315,000	665,119
2014 Municipal Public Improvement Refunding	13,792,100	499,360	-	-	-	13,792,100	-	499,360
2015 Series A GO Bond	-	418,008	28,245,000	-	-	28,245,000	1,885,000	1,308,575
2015 Series B Refunding GO bonds	-	335,991	18,955,000	-	-	18,955,000	-	707,350
Total Tax Supported Bonds	124,789,692	5,049,062	47,200,000	10,322,841	19,500,000	142,166,851	11,322,208	5,508,122
Self Supported								
2005A Hotel-Motel Tax Pledge Refunding	46,836	246,525	-	14,337	-	32,499	16,000	167,391
2010 Series B Refunding Hotel Motel Tax Pledge	23,126,737	864,158	-	2,208,297	-	20,918,440	1,535,457	803,430
2011 Series B Refunding Hotel Motel Tax Pledge	15,595,750	587,318	-	-	-	15,595,750	-	587,318
2013 Series Hotel-Motel Tax Pledge	7,055,000	280,231	-	505,000	-	6,550,000	505,000	255,057
2014 Hotel Motel Refunding	3,961,340	143,395	-	-	-	3,961,340	-	143,395
Total Self Supported Bonds	49,785,663	2,121,627	-	2,727,634	-	47,058,029	2,056,457	1,956,591
Total Serial Bonds	174,575,355	7,170,689	47,200,000	13,050,475	19,500,000	189,224,880	13,378,665	7,464,713
Notes Payable:								
Tax Supported								
2003 TML Bond Fund	1,305,601	3,158	-	421,275	-	884,326	434,896	2,483
2004 TML Bond Fund	13,045,072	32,935	-	1,305,500	-	11,739,572	1,340,557	32,969
2008 Hennen Land Note	90,516	-	-	60,687	-	29,829	29,829	-
2014 Hamilton County	9,802,897	-	-	1,960,579	-	7,842,318	1,960,580	-
Total Tax Supported Notes Payable	24,244,086	36,093	-	3,748,041	-	20,496,045	3,765,862	35,452
Self Supported								
2008 HUD Section 108 Loan Program	2,746,000	125,178	-	305,000	-	2,441,000	305,000	111,743
Total Self Supported Notes Payable	2,746,000	125,178	-	305,000	-	2,441,000	305,000	111,743
Total Notes Payable	26,990,086	161,271	-	4,053,041	-	22,937,045	4,070,862	147,195

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**CITY OF CHATTANOOGA, TENNESSEE**

**ANALYSIS OF GENERAL OBLIGATION DEBT**

**June 30, 2016**

(continued from previous page)

	Outstanding June 30, 2015	Interest Paid FY2016	Issued FY2016	Retired FY2016	Refunded FY2016	Outstanding June 30, 2016	Maturing FY 2017	Interest Payable FY 2017
GOVERNMENTAL ACTIVITIES: (continued)								
Capital leases payable:								
Self Supported								
2013 Golf Course Capital Lease	\$ 174,098	\$ 6,507	\$ -	\$ 60,831	\$ -	\$ 113,267	\$ 63,590	\$ 3,748
Total Self Supported Capital Leases Payable	174,098	6,507	-	60,831	-	113,267	63,590	3,748
Total governmental activities	201,739,539	7,338,467	47,200,000	17,164,347	19,500,000	212,275,192	17,513,117	7,615,656
BUSINESS TYPE ACTIVITIES:								
Interceptor Sewer System:								
Serial Bonds:								
1998 Sewer & Sewage Facilities Refunding	4,240,100	187,596	-	1,333,700	-	2,906,400	1,413,400	115,484
2005A Municipal Public Improvement Refunding	6,580,228	145,861	-	2,085,760	-	4,494,468	2,191,790	89,573
2014 Municipal Public Improvement Refunding	2,343,620	84,842	-	-	-	2,343,620	-	84,842
Total serial bonds	13,163,948	418,299	-	3,419,460	-	9,744,488	3,605,190	289,899
Notes payable:								
1998 State of Georgia Revolving Loan	1,727,743	62,401	-	451,017	-	1,276,726	469,331	44,087
2003-168 State Revolving Loan	22,289,688	637,331	-	1,980,541	-	20,309,147	2,040,373	577,500
2007-204 State Revolving Loan	11,080,423	302,184	-	546,684	-	10,533,739	562,128	286,740
2011-289 State Revolving Loan	12,958,983	292,599	3,215,153	-	-	16,174,136	1,083,000	400,000
2012-307 State Revolving Loan	7,067,709	141,216	16,485,245	-	-	23,552,954	1,480,536	372,864
2013-318 State Revolving Loan	6,169,218	157,477	14,114,491	-	-	20,283,709	2,837,172	1,093,908
Total notes payable	61,293,764	1,593,208	33,814,889	2,978,242	-	92,130,411	8,472,540	2,775,099
Total Interceptor Sewer System	74,457,712	2,011,507	33,814,889	6,397,702	-	101,874,899	12,077,730	3,064,998

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**CITY OF CHATTANOOGA, TENNESSEE**

**ANALYSIS OF GENERAL OBLIGATION DEBT**

**June 30, 2016**

(continued from previous page)

	Outstanding June 30, 2015	Interest Paid FY2016	Issued FY2016	Retired FY2016	Refunded FY2016	Outstanding June 30, 2016	Maturing FY 2017	Interest Payable FY 2017
BUSINESS TYPE ACTIVITIES: (continued)								
Solid Waste Fund:								
Serial Bonds:								
2005A Municipal Public Improvement Refunding	\$ 4,524,515	\$ 120,002	\$ -	\$ 1,433,438	\$ -	\$ 3,091,077	\$ 1,506,507	\$ 73,694
2006A Municipal Public Improvement	566,723	18,418	-	283,361	-	283,362	283,362	5,667
2007A Municipal Public Improvement Refunding	2,480,000	117,990	-	-	-	2,480,000	-	117,990
2014 Municipal Public Improvement Refunding	4,674,278	169,248	-	-	-	4,674,278	-	169,248
Total serial bonds	<u>12,245,516</u>	<u>425,658</u>	<u>-</u>	<u>1,716,799</u>	<u>-</u>	<u>10,528,717</u>	<u>1,789,869</u>	<u>366,599</u>
Notes payable:								
2003 TML Bond Fund	132,399	320	-	42,725	-	89,674	44,105	252
2004 TML Bond Fund	315,796	795	-	31,500	-	284,296	32,443	798
Total Notes Payable	<u>448,195</u>	<u>1,115</u>	<u>-</u>	<u>74,225</u>	<u>-</u>	<u>373,970</u>	<u>76,548</u>	<u>1,050</u>
Total Solid Waste & Sanitation Fund	<u>12,693,711</u>	<u>426,773</u>	<u>-</u>	<u>1,791,024</u>	<u>-</u>	<u>10,902,687</u>	<u>1,866,417</u>	<u>367,649</u>
Water Quality Fund								
Serial Bonds:								
2005A Municipal Public Improvement Refunding	2,976,519	71,829	-	943,266	-	2,033,253	991,277	44,110
2007A Municipal Public Improvement Refunding	750,000	35,683	-	-	-	750,000	-	35,682
2013 Water Quality Bonds	4,985,000	197,962	-	360,000	-	4,625,000	360,000	179,944
2014 Municipal Public Improvement Refunding	1,153,663	41,780	-	-	-	1,153,663	-	41,780
2015 Series A GO Bond	-	119,880	8,100,000	-	-	8,100,000	540,000	375,300
Total serial bonds	<u>9,865,182</u>	<u>467,134</u>	<u>8,100,000</u>	<u>1,303,266</u>	<u>-</u>	<u>16,661,916</u>	<u>1,891,277</u>	<u>676,816</u>
Total Water Quality Fund	<u>9,865,182</u>	<u>467,134</u>	<u>8,100,000</u>	<u>1,303,266</u>	<u>-</u>	<u>16,661,916</u>	<u>1,891,277</u>	<u>676,816</u>
Total Business-Type Activities	<u>97,016,605</u>	<u>2,905,414</u>	<u>41,914,889</u>	<u>9,491,992</u>	<u>-</u>	<u>129,439,502</u>	<u>15,835,424</u>	<u>4,109,463</u>
TOTAL GENERAL OBLIGATION DEBT	<u>298,756,144</u>	<u>10,243,881</u>	<u>89,114,889</u>	<u>26,656,339</u>	<u>19,500,000</u>	<u>341,714,694</u>	<u>33,348,541</u>	<u>11,725,119</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2016

(continued from previous page)

	Outstanding June 30, 2015	Interest Paid FY2016	Issued FY2016	Retired FY2016	Refunded FY2016	Outstanding June 30, 2016	Maturing FY 2017	Interest Payable FY 2017
Electric Power Board								
Revenue Bonds:								
2006A Electric System Revenue Bonds	32,935,000	85,491	-	1,345,000	30,190,000	1,400,000	1,400,000	28,875
2006B Electric System Refunding Revenue Bonds	18,160,000	106,425	-	1,730,000	14,715,000	1,715,000	1,715,000	35,372
2008A Electric System Revenue Bonds	212,830,000	640,500	-	5,000,000	194,980,000	12,850,000	6,275,000	405,688
2015A Electric System Refunding Revenue Bonds	-	5,244,658	218,855,000	-	-	218,855,000	-	9,782,781
2015B Electric System Revenue Bonds	-	196,668	15,355,000	-	-	15,355,000	170,000	366,248
2015C Electric System Revenue Bonds	-	684,346	25,880,000	-	-	25,880,000	-	1,276,500
Total Revenue Bonds	<u>263,925,000</u>	<u>6,958,088</u>	<u>260,090,000</u>	<u>8,075,000</u>	<u>239,885,000</u>	<u>276,055,000</u>	<u>9,560,000</u>	<u>11,895,464</u>
Total Electric Power Board	<u>263,925,000</u>	<u>6,958,088</u>	<u>260,090,000</u>	<u>8,075,000</u>	<u>239,885,000</u>	<u>276,055,000</u>	<u>9,560,000</u>	<u>11,895,464</u>
Chattanooga Downtown Redevelopment Corporation:								
Revenue Bonds:								
2007 Chattanooga Lease Rental Rev Ref Bonds	48,750,000	2,334,600	-	95,000	-	48,655,000	100,000	2,330,700
2010 Chattanooga Lease Rental Rev Ref Bonds	56,870,000	2,537,219	-	4,580,000	-	52,290,000	4,790,000	2,325,869
Total Chattanooga Downtown Redevelopment Corp.	<u>105,620,000</u>	<u>4,871,819</u>	<u>-</u>	<u>4,675,000</u>	<u>-</u>	<u>100,945,000</u>	<u>4,890,000</u>	<u>4,656,569</u>
Total Primary Government	<u>\$ 668,301,144</u>	<u>\$ 22,073,788</u>	<u>\$ 349,204,889</u>	<u>\$ 39,406,339</u>	<u>\$ 259,385,000</u>	<u>\$ 718,714,694</u>	<u>\$ 47,798,541</u>	<u>\$ 28,277,152</u>
COMPONENT UNITS								
Metropolitan Airport Authority:								
Revenue Bonds:								
2009 Refunding	\$ 4,426,423	\$ 126,834	\$ -	\$ 433,413	\$ -	\$ 3,993,010	\$ 446,898	\$ 113,349
2014 Tax Exempt	3,068,575	81,717	-	127,652	-	2,940,923	131,373	77,996
2014 Taxable	3,895,667	156,987	-	140,949	-	3,754,718	147,247	150,689
Total Revenue Bonds	<u>11,390,665</u>	<u>365,538</u>	<u>-</u>	<u>702,014</u>	<u>-</u>	<u>10,688,651</u>	<u>725,518</u>	<u>342,034</u>
Capital leases payable:								
2012 Fuel Facility Capital Lease	58,660	1,945	-	50,052	-	8,608	8,608	58
Total Metropolitan Airport Authority	<u>11,449,325</u>	<u>367,483</u>	<u>-</u>	<u>752,066</u>	<u>-</u>	<u>10,697,259</u>	<u>734,126</u>	<u>342,092</u>
CARTA								
Note Payable:								
Republic Parking System, Inc.	181,981	5,555	-	181,981	-	-	-	-
Total CARTA	<u>181,981</u>	<u>5,555</u>	<u>-</u>	<u>181,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Component Units	<u>\$ 11,631,306</u>	<u>\$ 373,038</u>	<u>\$ -</u>	<u>\$ 934,047</u>	<u>\$ -</u>	<u>\$ 10,697,259</u>	<u>\$ 734,126</u>	<u>\$ 342,092</u>

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2017	1998 Municipal Public Improvement Refunding	5.250%	\$ 361,600	\$ 29,547	\$ 391,147
2018		5.250%	382,000	10,027	392,027
			<u>743,600</u>	<u>39,574</u>	<u>783,174</u>
2017	2003 Note Payable - Tennessee Municipal Bond Fund	0.281%	434,896	2,483	437,379
2018		0.281%	449,430	1,262	450,692
			<u>884,326</u>	<u>3,745</u>	<u>888,071</u>
2017	2004 Note Payable - Tennessee Municipal Bond Fund	0.281%	1,340,557	32,969	1,373,526
2018		0.281%	1,375,707	29,204	1,404,911
2019		0.281%	1,412,809	25,340	1,438,149
2020		0.281%	1,450,887	21,373	1,472,260
2021		0.281%	1,488,966	17,298	1,506,264
2022		0.281%	1,528,997	13,117	1,542,114
2023		0.281%	1,570,004	8,823	1,578,827
2024		0.281%	1,571,645	4,414	1,576,059
			<u>11,739,572</u>	<u>152,538</u>	<u>11,892,110</u>
2017	2005A Hotel-Motel Tax Refunding	5.00%	16,000	167,391	183,391
2018		5.00%	16,499	67,818	84,317
			<u>32,499</u>	<u>235,209</u>	<u>267,708</u>
2017	2005 Series A Refunding	5.00%	1,759,427	143,106	1,902,533
2018		5.00%	1,859,276	48,510	1,907,786
			<u>3,618,703</u>	<u>191,616</u>	<u>3,810,319</u>
2017	2006 A Municipal Public Improvement	4.00%	1,036,638	20,733	1,057,371
				<u>1,036,638</u>	<u>20,733</u>
2017	2007 A Municipal Public Improvement Refunding	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>5,283,493</u>	<u>19,803,493</u>
2017	2008 Hennen Notes Payable	0.00%	29,829	-	29,829
				<u>29,829</u>	<u>-</u>

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2017	2008 Section 108 HUD Loan	4.00%	\$ 305,000	\$ 111,743	\$ 416,743
2018		4.00%	305,000	97,957	402,957
2019		4.00%	305,000	83,957	388,957
2020		4.00%	305,000	69,485	374,485
2021		4.00%	305,000	54,494	359,494
2022		4.00%	305,000	39,229	344,229
2023		4.00%	305,000	23,705	328,705
2024		4.00%	306,000	7,941	313,941
			<u>2,441,000</u>	<u>488,511</u>	<u>2,929,511</u>
2017	2009 Series A General Obligation	3.00%	2,270,000	368,875	2,638,875
2018		3.25%	2,270,000	297,938	2,567,938
2019		3.50%	2,270,000	221,325	2,491,325
2020		4.00%	2,270,000	136,200	2,406,200
2021		4.00%	2,270,000	45,400	2,315,400
			<u>11,350,000</u>	<u>1,069,738</u>	<u>12,419,738</u>
2017	2010 A Series General Obligation	2.75%	335,000	119,763	454,763
2018		3.00%	335,000	110,550	445,550
2019		3.25%	335,000	100,500	435,500
2020		3.25%	335,000	89,612	424,612
2021		3.50%	335,000	78,725	413,725
2022		4.00%	-	67,000	67,000
2023		4.00%	-	67,000	67,000
2024		4.00%	-	67,000	67,000
2025		4.00%	-	67,000	67,000
2026		4.00%	335,000	67,000	402,000
2027		4.00%	335,000	53,600	388,600
2028		4.00%	335,000	40,200	375,200
2029		4.00%	335,000	26,800	361,800
2030	4.00%	335,000	13,400	348,400	
			<u>3,350,000</u>	<u>968,150</u>	<u>4,318,150</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2017	2010 Series B Refunding Hotel Motel	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>20,918,440</u>	<u>7,863,964</u>	<u>28,782,404</u>
2017	2010 Series B Refunding General Obligation	2.50%	244,543	127,958	372,501
2018		2.75%	258,969	120,621	379,590
2019		3.00%	21,295	112,852	134,147
2020		3.00%	21,981	112,160	134,141
2021		3.25%	319,418	111,391	430,809
2022		3.50%	340,712	98,615	439,327
2023		4.00%	362,694	84,986	447,680
2024		4.00%	14,425	70,478	84,903
2025		4.00%	14,425	69,901	84,326
2026		4.00%	15,112	69,324	84,436
2027		4.00%	15,799	68,719	84,518
2028		4.00%	16,486	68,087	84,573
2029		4.00%	530,989	67,428	598,417
2030	4.00%	561,213	46,188	607,401	
2031	4.00%	593,499	23,740	617,239	
			<u>3,331,560</u>	<u>1,252,448</u>	<u>4,584,008</u>
2017	2010 Series C Recovery Zone	3.00%	345,000	166,625	511,625
2018		3.00%	345,000	156,275	501,275
2019		3.00%	345,000	145,925	490,925
2020		3.00%	340,000	135,575	475,575
2021		2.00%	340,000	125,375	465,375
2022		3.13%	340,000	115,175	455,175
2023		3.25%	340,000	104,550	444,550
2024		3.50%	340,000	93,500	433,500
2025		4.00%	340,000	81,600	421,600
2026		4.00%	340,000	68,000	408,000
2027		4.00%	340,000	54,400	394,400
2028		4.00%	340,000	40,800	380,800
2029		4.00%	340,000	27,200	367,200
2030	4.00%	340,000	13,600	353,600	
			<u>4,775,000</u>	<u>1,328,600</u>	<u>6,103,600</u>

(continued on next page)



**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2017	2011 Series A General Obligation	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>19,420,000</u>	<u>3,635,937</u>	<u>23,055,937</u>
2017	2011 Series B Refunding Hotel Motel	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>5,343,867</u>	<u>20,939,617</u>
2017	2011 Series B Refunding General Obligation	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>667,908</u>	<u>2,617,158</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2017	2013 Golf Course Capital Lease	4.60%	\$ 63,590	\$ 3,748	\$ 67,338
2018		4.60%	49,677	926	50,603
			<u>113,267</u>	<u>4,674</u>	<u>117,941</u>
2017	2013 General Improvement Bond	5.00%	1,315,000	665,119	1,980,119
2018		5.00%	1,315,000	599,369	1,914,369
2019		2.00%	1,315,000	553,344	1,868,344
2020		5.00%	1,315,000	507,319	1,822,319
2021		5.00%	1,315,000	441,569	1,756,569
2022		5.00%	1,315,000	375,819	1,690,819
2023		5.00%	1,315,000	310,068	1,625,068
2024		3.00%	1,315,000	257,468	1,572,468
2025		3.00%	1,315,000	218,018	1,533,018
2026		3.13%	1,315,000	177,747	1,492,747
2027		4.00%	1,310,000	131,000	1,441,000
2028		4.00%	1,310,000	78,600	1,388,600
2029	4.00%	1,310,000	26,200	1,336,200	
			<u>17,080,000</u>	<u>4,341,640</u>	<u>21,421,640</u>
2017	2013 Hotel-Motel Tax	5.00%	505,000	255,057	760,057
2018		5.00%	505,000	229,807	734,807
2019		2.00%	505,000	212,131	717,131
2020		5.00%	505,000	194,456	699,456
2021		5.00%	505,000	169,206	674,206
2022		5.00%	505,000	143,956	648,956
2023		5.00%	505,000	118,706	623,706
2024		3.00%	505,000	98,506	603,506
2025		3.00%	505,000	83,355	588,355
2026		3.13%	505,000	67,890	572,890
2027		4.00%	500,000	50,000	550,000
2028		4.00%	500,000	30,000	530,000
2029	4.00%	500,000	10,000	510,000	
			<u>6,550,000</u>	<u>1,663,070</u>	<u>8,213,070</u>
2017	2014 Hamilton County Dept. of Education	0.00%	1,960,580	-	1,960,580
2018		0.00%	1,960,580	-	1,960,580
2019		0.00%	1,960,579	-	1,960,579
2020		0.00%	1,960,579	-	1,960,579
			<u>7,842,318</u>	<u>-</u>	<u>7,842,318</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2017	2014 Refunding Hotel Motel Tax Pledge	0.00%	\$ -	\$ 143,395	\$ 143,395
2018		1.75%	215,407	141,510	356,917
2019		4.00%	1,510,144	109,422	1,619,566
2020		5.00%	792,119	59,417	851,536
2021		3.00%	214,644	36,394	251,038
2022		2.00%	211,588	31,058	242,646
2023		2.25%	207,769	26,605	234,374
2024		3.00%	205,477	21,186	226,663
2025		3.00%	203,186	15,056	218,242
2026		3.00%	200,894	8,994	209,888
2027		3.00%	200,112	2,990	203,102
			<u>3,961,340</u>	<u>596,027</u>	<u>4,557,367</u>
2017	2014 General Obligation Refunding	0.00%	-	499,360	499,360
2018		1.75%	750,137	492,796	1,242,933
2019		4.00%	5,258,941	381,054	5,639,995
2020		5.00%	2,758,484	206,913	2,965,397
2021		3.00%	747,477	126,739	874,216
2022		2.00%	736,837	108,158	844,995
2023		2.25%	723,537	92,650	816,187
2024		3.00%	715,557	73,777	789,334
2025		3.00%	707,576	52,430	760,006
2026		3.00%	699,596	31,322	730,918
2027		3.00%	693,958	10,414	704,372
			<u>13,792,100</u>	<u>2,075,613</u>	<u>15,867,713</u>
2017	2015 A Series GO Bond	5.00%	1,885,000	1,308,575	3,193,575
2018		5.00%	1,885,000	1,214,325	3,099,325
2019		5.00%	1,885,000	1,120,075	3,005,075
2020		5.00%	1,885,000	1,025,825	2,910,825
2021		5.00%	1,885,000	931,575	2,816,575
2022		5.00%	1,885,000	865,600	2,750,600
2023		5.00%	1,885,000	799,625	2,684,625
2024		5.00%	1,885,000	705,375	2,590,375
2025		5.00%	1,885,000	611,125	2,496,125
2026		5.00%	1,880,000	517,000	2,397,000
2027		5.00%	1,880,000	423,000	2,303,000
2028		5.00%	1,880,000	329,000	2,209,000
2029		5.00%	1,880,000	235,000	2,115,000
2030		5.00%	1,880,000	141,000	2,021,000
2031	5.00%	1,880,000	47,000	1,927,000	
			<u>28,245,000</u>	<u>10,274,100</u>	<u>38,519,100</u>

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

(continued from previous page)

**DIRECT INDEBTEDNESS**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2017	2015 B Series GO Bond Refunding	3.00%	\$ -	\$ 707,350	\$ 707,350
2018		3.00%	-	707,350	707,350
2019		3.00%	-	707,350	707,350
2020		3.00%	-	707,350	707,350
2021		3.00%	-	707,350	707,350
2022		3.00%	2,580,000	668,650	3,248,650
2023		3.00%	2,550,000	591,700	3,141,700
2024		3.00%	2,520,000	515,650	3,035,650
2025		5.00%	2,515,000	414,975	2,929,975
2026		5.00%	2,205,000	296,975	2,501,975
2027		5.00%	2,215,000	186,475	2,401,475
2028		3.00%	2,205,000	98,025	2,303,025
2029		3.00%	2,165,000	32,475	2,197,475
			<u>18,955,000</u>	<u>6,341,675</u>	<u>25,296,675</u>
	Total direct indebtedness		<u>212,275,192</u>	<u>53,842,830</u>	<u>266,118,022</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

(continued from previous page)

**INTERCEPTOR SEWER SYSTEM**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2017	1998 Municipal Public Improvement Refunding	5.25%	\$ 1,413,400	\$ 115,484	\$ 1,528,884
2018		5.25%	1,493,000	39,191	1,532,191
			<u>2,906,400</u>	<u>154,675</u>	<u>3,061,075</u>
2017	1998 Georgia Environmental Facilities Authority	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>1,276,726</u>	<u>74,921</u>	<u>1,351,647</u>
2017	2003 State Revolving Loan	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%	2,151,609	26,541	2,178,150
			<u>20,309,147</u>	<u>2,811,981</u>	<u>23,121,128</u>
2017	2005 Series A Refunding	5.00%	2,191,790	89,573	2,281,363
2018		5.00%	2,302,678	30,364	2,333,042
			<u>4,494,468</u>	<u>119,937</u>	<u>4,614,405</u>
2017	2007 State Revolving Loan	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>10,533,739</u>	<u>2,411,405</u>	<u>12,945,144</u>

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**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

(continued from previous page)

**INTERCEPTOR SEWER SYSTEM**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2017	2011 State Revolving Loan	2.00%	\$ 1,083,000	\$ 400,000	\$ 1,483,000
2018		2.00%	1,104,660	378,340	1,483,000
2019		2.00%	1,126,753	356,247	1,483,000
2020		2.00%	1,149,288	333,712	1,483,000
2021		2.00%	1,172,274	310,726	1,483,000
2022		2.00%	1,195,719	287,281	1,483,000
2023		2.00%	1,219,634	263,366	1,483,000
2024		2.00%	1,244,027	238,973	1,483,000
2025		2.00%	1,268,907	214,093	1,483,000
2026		2.00%	1,294,285	188,715	1,483,000
2027		2.00%	1,320,171	162,829	1,483,000
2028	2.00%	1,346,574	136,426	1,483,000	
2029	2.00%	1,373,506	109,494	1,483,000	
2030	2.00%	275,338	5,507	280,845	
			<u>16,174,136</u>	<u>3,385,709</u>	<u>19,559,845</u>
2017	2012-307 State Revolving Loan	1.15%	1,480,536	372,864	1,853,400
2018		1.15%	1,497,648	355,752	1,853,400
2019		1.15%	1,514,964	338,436	1,853,400
2020		1.15%	1,532,484	320,916	1,853,400
2021		1.15%	1,550,196	303,204	1,853,400
2022		1.15%	1,568,124	285,276	1,853,400
2023		1.15%	1,586,244	267,156	1,853,400
2024		1.15%	1,604,580	248,820	1,853,400
2025		1.15%	1,623,132	230,268	1,853,400
2026		1.15%	1,641,900	211,500	1,853,400
2027		1.15%	1,660,884	192,516	1,853,400
2028	1.15%	1,680,084	173,316	1,853,400	
2029	1.15%	1,699,512	153,888	1,853,400	
2030	1.15%	1,719,156	134,244	1,853,400	
2031	1.15%	1,193,510	13,725	1,207,235	
			<u>23,552,954</u>	<u>3,601,881</u>	<u>27,154,835</u>
2017	2013-318 State Revolving Loan	1.67%	2,837,172	1,093,908	3,931,080
2018		1.67%	2,884,920	1,046,160	3,931,080
2019		1.67%	2,933,460	997,620	3,931,080
2020		1.67%	2,982,828	948,252	3,931,080
2021		1.67%	3,033,024	898,056	3,931,080
2022		1.67%	3,084,072	847,008	3,931,080
2023		1.67%	2,528,233	42,221	2,570,454
			<u>20,283,709</u>	<u>5,873,225</u>	<u>26,156,934</u>

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

(continued from previous page)

**INTERCEPTOR SEWER SYSTEM**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2017	2014 General Obligation Refunding	1.75%	\$ -	\$ 84,842	\$ 84,842
2018		4.00%	127,450	83,727	211,177
2019		5.00%	893,504	64,742	958,246
2020		3.00%	468,672	35,155	503,827
2021		2.00%	126,998	21,533	148,531
2022		2.25%	125,190	18,376	143,566
2023		3.00%	122,930	15,742	138,672
2024		3.00%	121,574	12,535	134,109
2025		3.00%	120,219	8,908	129,127
2026		3.00%	118,863	5,322	124,185
2027		3.00%	118,220	1,769	119,989
			<u>2,343,620</u>	<u>352,651</u>	<u>2,696,271</u>
	Total Interceptor Sewer System indebtedness		<u>101,874,899</u>	<u>18,786,385</u>	<u>120,661,284</u>

**SOLID WASTE FUND**

2017	2003 Note Payable - Tennessee Municipal Bond Fund	0.281%	44,105	252	44,357
2018		0.281%	45,569	124	45,693
			<u>89,674</u>	<u>376</u>	<u>90,050</u>
2017	2004 Note Payable - Tennessee Municipal Bond Fund	0.281%	32,443	798	33,241
2018		0.281%	33,293	707	34,000
2019		0.281%	34,191	614	34,805
2020		0.281%	35,113	518	35,631
2021		0.281%	36,034	419	36,453
2022		0.281%	37,003	318	37,321
2023		0.281%	37,996	214	38,210
2024		0.281%	38,223	107	38,330
			<u>284,296</u>	<u>3,695</u>	<u>287,991</u>
2017	2005 Series A Refunding	5.00%	1,506,507	73,694	1,580,201
2018		5.00%	1,584,570	24,981	1,609,551
			<u>3,091,077</u>	<u>98,675</u>	<u>3,189,752</u>
2017	2006 Series A Municipal Public Improvement	5.00%	<u>283,362</u>	<u>5,667</u>	<u>289,029</u>
			<u>283,362</u>	<u>5,667</u>	<u>289,029</u>

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

(continued from previous page)

**SOLID WASTE FUND**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2017	2007 Series A Municipal Public Improvement Refunding	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>903,028</u>	<u>3,383,028</u>
2017	2014 General Obligation Refunding	0.00%	-	169,248	169,248
2018		1.75%	254,243	167,023	421,266
2019		4.00%	1,782,408	129,150	1,911,558
2020		5.00%	934,930	70,129	1,005,059
2021		3.00%	253,342	42,955	296,297
2022		2.00%	249,736	36,658	286,394
2023		2.25%	245,228	31,402	276,630
2024		3.00%	242,523	25,005	267,528
2025		3.00%	239,818	17,770	257,588
2026		3.00%	237,114	10,616	247,730
2027		3.00%	234,936	3,529	238,465
			<u>4,674,278</u>	<u>703,485</u>	<u>5,377,763</u>
	Total Solid Waste Fund indebtedness		<u>10,902,687</u>	<u>1,714,926</u>	<u>12,617,613</u>

**WATER QUALITY FUND**

2017	2005 Series A Refunding	5.000%	991,277	44,110	1,035,387
2018		5.000%	1,041,976	14,952	1,056,928
			<u>2,033,253</u>	<u>59,062</u>	<u>2,092,315</u>
2017	2007 Series A Municipal Public Improvement Refunding	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>272,782</u>	<u>1,022,782</u>

(continued on next page)



**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

(continued from previous page)

**WATER QUALITY FUND**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2017	2013 General Obligation	5.000%	\$ 360,000	\$ 179,944	\$ 539,944
2018		5.000%	355,000	162,069	517,069
2019		2.000%	360,000	149,594	509,594
2020		5.000%	355,000	137,119	492,119
2021		5.000%	355,000	119,369	474,369
2022		5.000%	355,000	101,619	456,619
2023		5.000%	355,000	83,869	438,869
2024		3.000%	355,000	69,668	424,668
2025		3.000%	355,000	59,017	414,017
2026		3.125%	355,000	48,147	403,147
2027		4.000%	355,000	35,500	390,500
2028		4.000%	355,000	21,300	376,300
2029	4.000%	355,000	7,100	362,100	
			<u>4,625,000</u>	<u>1,174,315</u>	<u>5,799,315</u>
2017	2014 General Obligation Refunding	1.75%	-	41,780	41,780
2018		4.00%	62,762	41,231	103,993
2019		5.00%	440,002	31,882	471,884
2020		3.00%	230,795	17,312	248,107
2021		2.00%	62,540	10,604	73,144
2022		2.25%	61,649	9,049	70,698
2023		3.00%	60,537	7,752	68,289
2024		3.00%	59,869	6,173	66,042
2025		3.00%	59,201	4,387	63,588
2026		3.00%	58,534	2,621	61,155
2027		3.00%	57,774	871	58,645
			<u>1,153,663</u>	<u>173,662</u>	<u>1,327,325</u>
2017	2015 General Obligation	5.00%	540,000	375,300	915,300
2018		5.00%	540,000	348,300	888,300
2019		5.00%	540,000	321,300	861,300
2020		5.00%	540,000	294,300	834,300
2021		5.00%	540,000	267,300	807,300
2022		5.00%	540,000	248,400	788,400
2023		5.00%	540,000	229,500	769,500
2024		5.00%	540,000	202,500	742,500
2025		5.00%	540,000	175,500	715,500
2026		5.00%	540,000	148,500	688,500
2027		5.00%	540,000	121,500	661,500
2028		5.00%	540,000	94,500	634,500
2029		5.00%	540,000	67,500	607,500
2030		5.00%	540,000	40,500	580,500
2031	5.00%	540,000	13,500	553,500	
			<u>8,100,000</u>	<u>2,948,400</u>	<u>11,048,400</u>
	Total Water Quality Fund indebtedness		<u>16,661,916</u>	<u>4,628,221</u>	<u>21,290,137</u>

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

(continued from previous page)

**ELECTRIC POWER BOARD**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2017	2006 A Electric System Revenue Bonds	4.125%	\$ 1,400,000	\$ 28,875	\$ 1,428,875
			<u>1,400,000</u>	<u>28,875</u>	<u>1,428,875</u>
2017	2006 B Electric System Refunding Revenue Bonds	4.125%	1,715,000	35,372	1,750,372
			<u>1,715,000</u>	<u>35,372</u>	<u>1,750,372</u>
2017	2008 A Electric System Revenue Bonds	3.50%	6,275,000	405,688	6,680,688
2018		4.50%	6,575,000	147,938	6,722,938
			<u>12,850,000</u>	<u>553,626</u>	<u>13,403,626</u>
2017	2015 A Electric System Refunding Revenue Bonds	4.000%	-	9,782,781	9,782,781
2018		4.000%	1,370,000	9,755,381	11,125,381
2019		5.000%	8,380,000	9,518,481	17,898,481
2020		5.000%	8,880,000	9,086,981	17,966,981
2021		5.000%	9,410,000	8,629,731	18,039,731
2022		5.000%	9,970,000	8,145,231	18,115,231
2023		5.000%	10,545,000	7,632,356	18,177,356
2024		5.000%	11,160,000	7,089,731	18,249,731
2025		5.000%	11,810,000	6,515,481	18,325,481
2026		5.000%	12,485,000	5,908,106	18,393,106
2027		2.880%	14,735,000	5,384,166	20,119,166
2028		3.000%	15,160,000	4,944,950	20,104,950
2029		5.000%	15,610,000	4,327,300	19,937,300
2030		4.000%	16,395,000	3,609,150	20,004,150
2031		4.000%	17,050,000	2,940,250	19,990,250
2032		5.000%	17,730,000	2,156,000	19,886,000
2033		5.000%	18,615,000	1,247,375	19,862,375
2034		4.000%	19,550,000	391,000	19,941,000
			<u>218,855,000</u>	<u>107,064,451</u>	<u>325,919,451</u>
2017	2015 B Electric System Revenue Bonds	0.700%	170,000	366,248	536,248
2018		1.100%	1,890,000	355,258	2,245,258
2019		1.550%	1,825,000	330,719	2,155,719
2020		2.050%	1,765,000	298,484	2,063,484
2021		2.300%	1,720,000	260,613	1,980,613
2022		2.600%	1,675,000	219,058	1,894,058
2023		2.900%	1,635,000	173,575	1,808,575
2024		3.050%	1,595,000	125,544	1,720,544
2025		3.200%	1,560,000	76,260	1,636,260
2026		3.380%	1,520,000	25,650	1,545,650
			<u>15,355,000</u>	<u>2,231,409</u>	<u>17,586,409</u>

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

(continued from previous page)

**ELECTRIC POWER BOARD**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2017	2015 C Electric System Revenue Bonds	5.000%	\$ -	\$ 1,276,500	\$ 1,276,500
2018		5.000%	-	1,276,500	1,276,500
2019		5.000%	-	1,276,500	1,276,500
2020		5.000%	-	1,276,500	1,276,500
2021		5.000%	-	1,276,500	1,276,500
2022		5.000%	795,000	1,256,625	2,051,625
2023		4.000%	835,000	1,220,050	2,055,050
2024		5.000%	870,000	1,181,600	2,051,600
2025		4.000%	915,000	1,141,550	2,056,550
2026		5.000%	950,000	1,099,500	2,049,500
2027		5.000%	995,000	1,050,875	2,045,875
2028		5.000%	1,045,000	999,875	2,044,875
2029		5.000%	1,100,000	946,250	2,046,250
2030		5.000%	1,155,000	889,875	2,044,875
2031		5.000%	1,210,000	830,750	2,040,750
2032		5.000%	1,275,000	768,625	2,043,625
2033		5.000%	1,335,000	703,375	2,038,375
2034		5.000%	1,405,000	634,875	2,039,875
2035		5.000%	1,475,000	562,875	2,037,875
2036		5.000%	1,545,000	487,375	2,032,375
2037	5.000%	1,625,000	408,125	2,033,125	
2038	5.000%	1,705,000	324,875	2,029,875	
2039	5.000%	1,790,000	237,500	2,027,500	
2040	5.000%	1,880,000	145,750	2,025,750	
2041	5.000%	1,975,000	49,375	2,024,375	
			<u>25,880,000</u>	<u>21,322,200</u>	<u>47,202,200</u>
Total Electric Power Board indebtedness			<u>276,055,000</u>	<u>131,235,933</u>	<u>407,290,933</u>

**CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION**

2017	2007 Lease Rental Revenue Refunding	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	2,292,027	2,427,027
2026		4.375%	7,155,000	2,132,609	9,287,609
2027		4.375%	7,465,000	1,812,797	9,277,797
2028		5.000%	7,275,000	1,467,625	8,742,625
2029		5.000%	8,155,000	1,081,875	9,236,875
2030		5.000%	8,565,000	663,875	9,228,875
2031		5.000%	8,995,000	224,875	9,219,875
			<u>48,655,000</u>	<u>28,196,046</u>	<u>76,851,046</u>

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

(continued from previous page)

**CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2017	2010 IDB Revenue Refunding	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	1,269,243	7,084,243
2022		5.000%	6,090,000	971,619	7,061,619
2023		3.250%	6,340,000	716,343	7,056,343
2024		5.000%	6,565,000	478,159	7,043,159
2025		5.000%	6,860,000	171,500	7,031,500
				<u>52,290,000</u>	<u>11,389,840</u>
	Total Chattanooga Downtown Redevelopment Corporation indebtedness		<u>100,945,000</u>	<u>39,585,886</u>	<u>140,530,886</u>
	Total Primary Government		<u>\$ 718,714,694</u>	<u>\$ 249,794,181</u>	<u>\$ 968,508,875</u>

**METROPOLITAN AIRPORT AUTHORITY**

2017	2009 Refunding Revenue Bonds	2.950%	\$ 446,898	\$ 113,349	\$ 560,247
2018		2.950%	460,449	99,798	560,247
2019		2.950%	3,085,663	72,476	3,158,139
				<u>3,993,010</u>	<u>285,623</u>
2017	2012 Fuel Facility Capital Lease		8,608	58	8,666
			<u>8,608</u>	<u>58</u>	<u>8,666</u>
2017	2014 Tax Exempt Revenue Bonds	2.670%	131,373	77,996	209,369
2018		2.670%	134,974	74,395	209,369
2019		2.670%	138,674	70,695	209,369
2020		2.670%	142,475	66,894	209,369
2021		2.670%	146,379	62,990	209,369
2022		2.670%	150,392	58,977	209,369
2023		2.670%	154,514	54,855	209,369
2024		2.670%	1,942,142	30,193	1,972,335
				<u>2,940,923</u>	<u>496,995</u>
2017	2014 Taxable Revenue Bonds	4.030%	147,247	150,689	297,936
2018		4.030%	153,378	144,558	297,936
2019		4.030%	159,763	138,173	297,936
2020		4.030%	166,415	131,521	297,936
2021		4.030%	173,343	124,593	297,936
2022		4.030%	180,560	117,376	297,936
2023		4.030%	188,078	109,858	297,936
2024		4.030%	2,585,934	60,773	2,646,707
				<u>3,754,718</u>	<u>977,541</u>
	Total Airport Authority indebtedness		<u>10,697,259</u>	<u>1,760,217</u>	<u>12,457,476</u>
	Total component unit indebtedness		<u>\$ 10,697,259</u>	<u>\$ 1,760,217</u>	<u>\$ 12,457,476</u>



# CITY OF CHATTANOOGA, TENNESSEE

## STATISTICAL SECTION (Unaudited)

### Contents

### Page

Financial Trends – These schedules contain trend information to help the reader understand government’s financial performance and overall fiscal health.

Changes in Net Position	F - 1
Net Position by Component	F - 3
Governmental Activities Tax Revenue by Source	F - 5
Fund Balances of Governmental Funds	F - 6
Changes in Fund Balances of Governmental Funds	F - 7

Revenue Trends – These schedules contain information to help the reader assess the government’s property tax and intergovernmental revenue as well as the growth of the real property tax base.

Assessed and Estimated Actual Value of Taxable Property	F - 9
Property Tax Rates – Direct and Overlapping Governments	F - 10
Principal Property Taxpayers	F - 11
Property Tax Levies and Collections	F - 12
Property Value and Construction Permits	F - 13
General Fund Intergovernmental Revenue	F - 14
EPB Utility Rate Structure and Number of Customers	F - 15

Debt Capacity – These schedules show the reader the ability of the government to pay current debt and its capacity to issue additional debt in the future.

Ratios of Outstanding Debt by Type	F - 16
Ratios of General Bonded Debt Outstanding	F - 17
Direct and Overlapping Governmental Activities Debt	F - 19
Legal Debt Margin Information	F - 20
Historical Debt Ratios	F - 22
Revenue Bond Coverage	F - 24

Demographic Information – These schedules show demographic and economic indicators for the City.

Demographic and Economic Statistics	F - 25
Principal Employers	F - 26

Operating Information – These schedules contain service indicators for the City.

Full-time Equivalent City Government Positions by Function	F - 27
Operating Indicators by Function	F - 28
Capital Asset Statistics by Function	F - 29

Other Information – These schedules provide additional information.

Employment and Unemployment Statistics	F - 30
Other Taxes	F - 31
Capital Improvement Program	F - 32

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>										
Governmental activities:										
General government	\$ 68,405,139	\$ 68,922,709	\$ 70,744,329	\$ 68,097,422	\$ 64,751,775	\$ 63,957,991	\$ 73,098,750	\$ 88,028,404	\$ 75,282,935	\$ 61,386,402
Economic & community development	18,390,875	25,728,093	6,785,001	-	-	-	-	-	-	-
Public safety	104,952,395	82,128,786	38,174,721	90,260,439	91,995,943	84,765,514	76,368,786	70,745,129	72,595,048	68,559,200
Public works	-	-	-	61,278,623	69,321,709	66,493,039	61,734,669	61,147,976	55,935,906	55,075,495
Public works & transportation	63,429,352	66,224,659	64,730,037	-	-	-	-	-	-	-
Youth & family development	26,048,987	23,455,413	21,716,619	-	-	-	-	-	-	-
Parks and recreation	-	-	-	22,884,259	22,807,242	24,010,501	20,271,088	17,223,313	17,370,233	15,263,490
Social services	-	-	-	17,513,922	19,329,779	20,924,562	23,531,828	20,440,264	19,072,003	22,080,281
Interest on long-term debt	6,854,540	6,904,505	6,819,652	6,763,002	7,087,446	7,126,810	7,237,128	6,693,847	6,902,290	6,910,320
Total governmental activities expenses	<u>288,081,288</u>	<u>273,364,165</u>	<u>208,970,359</u>	<u>266,797,667</u>	<u>275,293,894</u>	<u>267,278,417</u>	<u>262,242,249</u>	<u>264,278,933</u>	<u>247,158,415</u>	<u>229,275,188</u>
Business-type activities:										
Electric utility	653,115,000	655,053,000	639,502,000	630,133,000	640,200,589	633,506,721	539,720,000	542,811,000	472,115,000	441,556,000
Sewer	46,229,974	48,140,754	48,359,508	51,882,717	50,173,707	47,790,192	44,686,829	40,311,413	37,859,312	35,307,852
Solid waste	4,145,986	4,126,419	4,392,822	6,457,957	5,108,430	5,037,895	4,753,430	4,373,161	4,973,585	4,956,281
Water quality management	13,688,806	13,151,961	13,175,781	12,868,856	12,386,648	10,003,657	8,385,351	5,638,936	5,058,524	4,937,896
Housing management	-	-	-	602,886	1,028,404	1,105,718	1,042,569	941,834	1,003,096	1,410,217
Downtown redevelopment	16,759,306	16,760,841	16,049,380	16,196,291	-	-	-	-	-	-
Regional communication	931,065	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	<u>734,870,137</u>	<u>737,232,975</u>	<u>721,479,491</u>	<u>718,141,707</u>	<u>708,897,778</u>	<u>697,444,183</u>	<u>598,588,179</u>	<u>594,076,344</u>	<u>521,009,517</u>	<u>488,168,246</u>
Total primary government expenses	<u>1,022,951,425</u>	<u>1,010,597,140</u>	<u>930,449,850</u>	<u>984,939,374</u>	<u>984,191,672</u>	<u>964,722,600</u>	<u>860,830,428</u>	<u>858,355,277</u>	<u>768,167,932</u>	<u>717,443,434</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	14,530,075	16,177,423	15,401,345	11,696,397	11,045,632	10,434,649	11,523,433	12,239,326	11,592,555	11,913,650
Economic & community development	4,130,813	3,645,519	3,537,586	-	-	-	-	-	-	-
Public safety	878,733	934,476	820,316	1,854,727	654,680	880,936	977,577	630,281	807,649	298,434
Public works	-	-	-	3,195,233	3,314,133	2,652,857	2,443,705	1,893,443	2,523,650	1,901,136
Public works & transportation	524,452	581,137	501,462	-	-	-	-	-	-	-
Youth & family development	553,403	559,531	599,463	-	-	-	-	-	-	-
Parks and recreation	-	-	-	3,649,255	3,728,321	3,815,671	4,212,077	4,069,218	4,132,026	3,366,016
Social services	-	-	-	344,385	746,120	646,768	834,020	700,179	1,203,478	117,114
Operating grants and contributions	30,519,758	36,065,180	28,078,849	38,425,404	38,545,589	45,528,069	43,695,157	39,564,910	26,253,573	31,846,034
Capital grants and contributions	28,317,766	1,556,749	215,908	1,472,538	2,253,589	7,860,181	10,605,215	11,012,496	29,021,776	15,453,667
Total governmental activities program revenues	<u>79,455,000</u>	<u>59,520,015</u>	<u>49,154,929</u>	<u>60,637,939</u>	<u>60,288,064</u>	<u>71,819,131</u>	<u>74,291,184</u>	<u>70,109,853</u>	<u>75,534,707</u>	<u>64,896,051</u>
Business-type activities:										
Charges for services:										
Electric utility	684,060,000	671,251,000	654,818,000	625,486,000	618,552,000	589,475,000	504,599,000	544,635,000	484,458,000	441,881,000
Sewer	70,770,332	64,055,861	63,155,547	52,708,135	52,051,115	48,702,486	45,761,756	43,749,143	42,473,352	39,217,346
Solid waste	6,981,881	7,314,318	7,085,846	6,343,124	6,317,708	6,597,533	6,389,727	6,871,844	5,171,586	5,563,236
Water quality management	19,526,288	19,945,571	19,100,534	17,245,533	16,123,965	14,292,397	13,480,137	5,796,188	5,627,095	5,549,732
Housing management	-	-	-	2,667,646	882,897	839,126	816,476	807,058	751,350	1,168,471
Downtown redevelopment	18,882,874	18,659,042	17,038,504	17,706,905	-	-	-	-	-	-
Regional communication	1,306,785	-	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	100,819	19,983,313	2,398,436	191,575	189,973	175,675
Capital grants and contributions	985,000	739,109	1,833,500	19,983,000	39,217,000	41,117,000	29,595,440	2,462,551	1,668,000	1,853,750
Total business-type activities program revenues	<u>802,513,160</u>	<u>781,964,901</u>	<u>763,031,931</u>	<u>742,140,343</u>	<u>733,245,504</u>	<u>721,006,855</u>	<u>603,040,972</u>	<u>604,513,359</u>	<u>540,339,356</u>	<u>495,409,210</u>
Total primary government program revenues	<u>881,968,160</u>	<u>841,484,916</u>	<u>812,186,860</u>	<u>802,778,282</u>	<u>793,533,568</u>	<u>792,825,986</u>	<u>677,332,156</u>	<u>674,623,212</u>	<u>615,874,063</u>	<u>560,305,261</u>

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CITY OF CHATTANOOGA, TENNESSEE

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

(continued from previous page)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Net (expense)/revenue:</b>										
Governmental activities	\$ (208,626,288)	\$ (213,844,150)	\$ (159,815,430)	\$ (206,159,728)	\$ (215,005,830)	\$ (195,459,286)	\$ (187,951,065)	\$ (194,169,080)	\$ (171,623,708)	\$ (164,379,137)
Business-type activities	67,643,023	44,731,926	41,552,440	23,998,636	24,347,726	23,562,672	4,452,793	10,437,015	19,329,839	7,240,964
Total primary government net expense	(140,983,265)	(169,112,224)	(118,262,990)	(182,161,092)	(190,658,104)	(171,896,614)	(183,498,272)	(183,732,065)	(152,293,869)	(157,138,173)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	130,902,972	127,519,982	125,641,150	129,150,158	133,455,222	112,953,898	96,982,279	94,274,504	91,847,883	89,934,837
Liquor and beer taxes	8,997,261	7,606,018	8,186,392	7,606,723	7,614,837	7,352,383	7,062,700	7,394,591	6,951,057	6,589,468
Gross receipts tax	5,882,100	4,899,150	4,797,634	4,231,661	4,276,496	4,437,883	3,790,913	3,905,913	3,931,405	3,773,166
Franchise tax	4,382,373	4,725,955	4,221,364	4,115,338	2,915,030	2,119,546	2,248,279	2,210,697	2,507,204	1,764,684
Hotel-motel tax	6,589,452	5,995,649	5,364,901	5,004,320	5,001,504	4,746,845	4,058,621	3,893,990	4,067,597	3,747,137
Other taxes	222,074	134,509	162,765	69,598	83,017	43,520	227,546	2,578,385	2,605,700	2,542,465
Unrestricted investment earnings	1,753,046	954,972	1,331,773	1,069,002	873,653	1,344,715	1,118,163	1,420,375	4,104,441	5,192,979
Grants not allocated to specific programs	79,585,292	75,505,288	70,667,626	70,563,200	66,731,113	53,070,739	52,777,032	49,988,522	53,466,222	52,074,331
Gain on sale of capital assets	836,089	1,501,675	197,445	890,681	370,285	179,644	-	-	-	-
Gain on equity interest in joint venture	-	23,684	65,251	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	22,679	-	3,312,122	-
Change in equity interest	-	-	-	-	-	-	(196,534)	(457,589)	(439,341)	6,362
Endowment contributions	-	-	105	-	4,554	-	-	-	19,306	11,044
Transfers	50,952	-	-	1,363,048	6,344,311	5,917,771	4,089,754	3,061,998	4,321,107	44,999
Special Item- Transfer of Land to VW	-	-	-	-	-	-	-	(8,916,345)	-	-
Total governmental activities	239,201,611	228,866,882	220,636,406	224,063,729	227,670,022	192,166,944	172,181,432	159,355,041	176,694,703	165,681,472
Business-type activities:										
Unrestricted investment earnings	1,815,617	1,186,019	990,099	1,055,895	804,118	1,463,002	3,632,413	8,991,904	5,249,845	5,001,647
Miscellaneous	-	-	-	388,268	147,914	-	16,427	808,000	816,803	108,928
Transfers	(50,952)	-	-	(1,363,048)	(6,344,311)	(5,917,771)	(4,089,754)	(3,061,998)	(4,321,107)	(44,999)
Loss on disposal of capital assets	-	-	-	(4,150,506)	-	-	-	-	-	-
Extra ordinary - tornado damage	-	-	-	-	-	(28,000,000)	-	-	-	-
Total business-type activities	1,764,665	1,186,019	990,099	(4,069,391)	(5,392,279)	(32,454,769)	(440,914)	6,737,906	1,745,541	5,065,576
Total primary government	240,966,276	230,052,901	221,626,505	219,994,338	222,277,743	159,712,175	171,740,518	166,092,947	178,440,244	170,747,048
<b>Change in Net Position</b>										
Governmental activities	30,575,323	15,022,732	60,820,976	17,904,001 <sup>(3)</sup>	12,664,192	(3,292,342)	(15,769,633) <sup>(2)</sup>	(34,814,039) <sup>(1)</sup>	5,070,995	1,302,335
Business-type activities	69,407,688	45,917,945	42,542,539	19,929,245	18,955,447	(8,892,097)	4,011,879	17,174,921	21,075,380	12,306,540
Total primary government	\$ 99,983,011	\$ 60,940,677	\$ 103,363,515 <sup>(4)</sup>	\$ 37,833,246	\$ 31,619,639	\$ (12,184,439)	\$ (11,757,754)	\$ (17,639,118)	\$ 26,146,375	\$ 13,608,875

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

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

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

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



**CITY OF CHATTANOOGA, TENNESSEE**

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

	Fiscal Year			
	2016	2015	2014	2013
Governmental activities				
Invested in capital assets, net of related debt	\$ 1,272,353,698	\$ 1,275,429,168	\$ 1,204,844,784	\$ 1,212,457,120
Restricted	66,118,034	47,791,629	47,931,872	28,150,164
Unrestricted	(134,094,903)	(149,419,291)	(93,997,882) <sup>(4)</sup>	92,237,845
Total governmental activities net position	<u>1,204,376,829</u>	<u>1,173,801,506</u>	<u>1,158,778,774</u>	<u>1,332,845,129</u>
Business-type activities				
Invested in capital assets, net of related debt	590,844,184	603,011,447	573,918,419	537,001,543
Restricted	49,238,536	69,421,422	46,644,598	45,014,643
Unrestricted <sup>(1)</sup>	78,680,556	(23,077,281)	(13,959,374) <sup>(4)</sup>	(10,293,881)
Total business-type activities net position	<u>718,763,276</u>	<u>649,355,588</u>	<u>606,603,643</u>	<u>571,722,305</u>
Primary government				
Invested in capital assets, net of related debt	1,863,197,882	1,878,440,615	1,778,763,203	1,749,458,663
Restricted	115,356,570	117,213,051	94,576,470	73,164,807
Unrestricted	(55,414,347)	(172,496,572)	(107,957,256) <sup>(4)</sup>	81,943,964
Total primary government net position	<u>\$ 1,923,140,105</u>	<u>\$ 1,823,157,094</u>	<u>\$ 1,765,382,417</u>	<u>\$ 1,904,567,434</u>

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

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

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

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

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 1,203,907,660	\$ 1,231,353,280	\$ 1,259,985,302	\$ 1,259,405,543	\$ 1,276,307,361	\$ 1,267,302,733
41,687,490	27,167,455	13,118,922	24,162,165	12,295,632	16,780,377
89,243,312	63,653,535	52,362,388	57,668,537	87,447,291	86,896,179
<u>1,334,838,462</u>	<u>1,322,174,270</u>	<u>1,325,466,612</u>	<u>1,341,236,245</u>	<u>1,376,050,284</u>	<u>1,370,979,289</u>
527,583,854	568,185,846	533,433,835	559,872,034	563,418,374	478,366,634
30,684,020	18,097,653	22,728,886	24,501,372	27,476,571	18,789,364
3,519,144	(43,451,928)	(4,439,053)	(36,661,617)	(60,528,077)	12,305,490
<u>561,787,018</u> <sup>(3)</sup>	<u>542,831,571</u>	<u>551,723,668</u>	<u>547,711,789</u>	<u>530,366,868</u> <sup>(2)</sup>	<u>509,461,488</u>
1,731,491,514	1,799,539,126	1,793,419,137	1,819,277,577	1,839,725,735	1,745,669,367
72,371,510	45,265,108	35,847,808	48,663,537	39,772,203	35,569,741
92,762,456	20,201,607	47,923,335	21,006,920	26,919,214	99,201,669
<u>\$ 1,896,625,480</u>	<u>\$ 1,865,005,841</u>	<u>\$ 1,877,190,280</u>	<u>\$ 1,888,948,034</u>	<u>\$ 1,906,417,152</u>	<u>\$ 1,880,440,777</u>

**CITY OF CHATTANOOGA, TENNESSEE**

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

Fiscal Year	Property Tax	Liquor & Beer Tax		Other City-Levied Taxes				Total
		Liquor	Beer	Gross Receipts	Franchise Tax	Hotel-Motel Tax	Other Taxes	
2007	\$ 89,934,837	\$ 1,748,944	\$ 4,840,524	\$ 3,773,166	\$ 1,764,684	\$ 3,747,137	\$ 2,542,465	\$ 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	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	114,258,080
2010	96,982,279 <sup>(2)</sup>	1,973,682	5,089,018	3,790,913	2,248,279	4,058,621	227,546 <sup>(2)</sup>	114,370,338
2011	112,953,898 <sup>(3)</sup>	1,964,432	5,387,951	4,437,883	2,119,546	4,746,845	43,520	131,654,075
2012	133,455,222	2,062,772	5,552,065	4,276,496	2,915,030	5,001,504	83,017	153,346,106
2013	129,150,158	2,164,510	5,442,213	4,231,661	4,115,338	5,004,320	69,598	150,177,798
2014	125,641,150	2,243,288	5,943,103	4,797,634	4,221,364	5,364,901	162,765	148,374,205
2015	127,519,982	2,468,684	5,137,334	4,899,150	4,725,955	5,995,649	134,509	150,881,263
2016	130,902,972	2,796,779	6,200,482	5,882,100	4,382,373	6,589,452	222,074	156,976,232

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

<sup>(2)</sup> Beginning FY2010 change in unearned revenue is included in property tax instead of other taxes.

<sup>(3)</sup> Effective FY2011 property tax rate increased.

CITY OF CHATTANOOGA, TENNESSEE

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010 <sup>(1)</sup>	2009	2008	2007
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,617,430	\$ 3,535,673	\$ 3,593,931
Unreserved:										
Designated	-	-	-	-	-	-	-	3,608,909	7,812,678	6,509,160
Undesignated	-	-	-	-	-	-	-	31,520,660	40,746,518	45,027,258
Nonspendable	1,521,502	1,783,514	2,482,752	2,852,473	4,377,659	4,286,374	1,780,661	-	-	-
Restricted	5,924,050	5,449,595	6,213,426	7,567,786	7,502,063	6,658,785	7,455,576	-	-	-
Committed	645,036	795,692	689,137	733,927	967,538	898,772	1,184,148	-	-	-
Assigned	8,830,766	6,293,667	5,100,983	3,111,037	4,686,118	4,572,721	993,642	-	-	-
Unassigned	65,922,139	55,113,696	64,225,680	55,580,376	45,470,014	33,863,477	28,415,466	-	-	-
Total general fund <sup>(2)</sup>	<u>82,843,493</u>	<u>69,436,164</u>	<u>78,711,978</u>	<u>69,845,599</u>	<u>63,003,392</u>	<u>50,280,129</u>	<u>39,829,493</u>	<u>43,746,999</u>	<u>52,094,869</u>	<u>55,130,349</u>
All other governmental funds										
Reserved	-	-	-	-	-	-	-	36,659,112	22,488,664	25,499,173
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	8,454,135	10,913,021	10,029,363
Debt service fund	-	-	-	-	-	-	-	8,375,003	7,032,956	7,548,761
Permanent funds	-	-	-	-	-	-	-	36,705	52,324	47,070
Nonspendable	4,814,493	5,623,182	5,857,179	5,587,435	5,418,717	5,669,095	5,695,501	-	-	-
Restricted	73,783,314	52,110,734	51,548,075	32,077,331	43,422,413	30,890,348	43,983,628	-	-	-
Committed	6,413,573	8,656,519	9,227,214	5,466,410	3,456,211	7,063,311	6,559,175	-	-	-
Assigned	1,315,448	1,107,806	827,293	953,975	604,092	338,988	205,049	-	-	-
Unassigned	-	-	-	-	-	-	(777,863)	-	-	-
Total all other governmental funds	<u>86,326,828</u>	<u>67,498,241</u>	<u>67,459,761</u>	<u>44,085,151</u>	<u>52,901,433</u>	<u>43,961,742</u>	<u>55,665,490</u>	<u>53,524,955</u>	<u>40,486,965</u>	<u>43,124,367</u>
Total governmental funds	<u>\$ 169,170,321</u>	<u>\$ 136,934,405</u>	<u>\$ 146,171,739</u>	<u>\$ 113,930,750</u>	<u>\$ 115,904,825</u>	<u>\$ 94,241,871</u>	<u>\$ 95,494,983</u>	<u>\$ 97,271,954</u>	<u>\$ 92,581,834</u>	<u>\$ 98,254,716</u>

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

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

**CITY OF CHATTANOOGA, TENNESSEE**

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

	Fiscal Year			
	2016	2015	2014	2013
<b>Revenues</b>				
Taxes	\$ 155,799,808	\$ 151,630,655	\$ 147,420,648	\$ 144,654,630
Licenses and permits	7,352,468	6,519,237	6,384,410	5,830,254
Intergovernmental	109,583,823	104,921,960	96,926,638	107,416,967
Charges for services	4,491,755	5,596,920	6,017,985	6,333,801
Fines, forfeitures and penalties	2,599,585	2,721,488	2,051,888	1,422,556
Investment income	1,972,171	1,111,693	1,581,549	1,185,179
Contributions and donations	1,609,166	982,639	782,545	218,028
Miscellaneous	6,651,589	8,144,924	6,236,014	6,340,451
Total revenues	<u>290,060,365</u>	<u>281,629,516</u>	<u>267,401,677</u>	<u>273,401,866</u>
<b>Expenditures</b>				
General government	63,105,668	64,148,350	61,432,644	64,000,423
Economic & community development	8,633,354	8,617,777	6,896,838	-
Public safety	96,260,548	93,447,712	93,249,612	92,123,889
Public works	-	-	-	40,854,938
Public works & transportation	37,834,604	37,822,758	38,201,294	-
Youth & family development	25,772,920	23,744,490	21,738,673	-
Parks and recreation, education, arts & culture	-	-	-	19,872,077
Social Services	-	-	-	16,515,906
Capital outlay	35,147,388	35,186,418	22,598,368	18,236,057
Debt service:				
Principal	17,164,347	19,324,913	12,970,806	13,037,072
Interest	7,426,116	7,421,843	7,030,200	7,178,691
Total expenditures	<u>291,344,945</u>	<u>289,714,261</u>	<u>264,118,435</u>	<u>271,819,053</u>
Excess of revenues over (under) expenditures	(1,284,580)	(8,084,745)	3,283,242	1,582,813
<b>Other financing sources (uses)</b>				
Transfers in	44,454,692	59,632,771	38,834,687	31,557,514
Transfers out	(44,403,738)	(61,032,771)	(39,321,328)	(35,544,306)
Refunding bonds issued		17,753,440	-	-
Bonds issued	47,200,000	-	26,775,000	-
Premium on bonds issued	7,684,371	1,735,417	2,369,489	-
Payments to refunded bond escrow agent	(21,414,829)	(19,324,578)	-	-
Notes issued	-	83,132	-	128,416
Capital leases	-	-	-	301,493
Total other financing sources (uses)	<u>33,520,496</u>	<u>(1,152,589)</u>	<u>28,657,848</u>	<u>(3,556,883)</u>
Net change in fund balances	<u>\$ 32,235,916</u>	<u>\$ (9,237,334)</u>	<u>\$ 31,941,090</u>	<u>\$ (1,974,070)</u>
Debt service as a percentage of non-capital expenditures	9.12%	9.69%	8.24%	8.08%

Fiscal Year						
2012	2011	2010	2009	2008	2007	
\$ 135,223,433	\$ 133,486,033	\$ 114,584,911	\$ 111,959,239	\$ 109,552,362	\$ 106,062,416	
5,738,751	5,176,412	5,368,232	4,435,320	4,633,755	4,754,390	
103,679,076	100,441,019	97,317,492	95,014,416	83,610,126	87,768,854	
6,045,639	5,602,433	6,182,979	5,302,861	5,227,764	4,760,080	
2,148,952	2,705,952	3,256,983	2,835,260	2,493,879	1,424,431	
1,170,671	1,476,502	1,350,106	1,777,344	4,536,219	5,899,679	
839,599	1,208,813	754,226	589,914	2,568,829	644,561	
5,730,827	4,813,272	5,953,361	5,970,884	8,531,832	7,663,218	
<u>260,576,948</u>	<u>254,910,436</u>	<u>234,768,290</u>	<u>227,885,238</u>	<u>221,154,766</u>	<u>218,977,629</u>	
57,347,682	54,344,907	68,917,674	69,935,803	65,152,105	65,854,933	
-	-	-	-	-	-	
90,486,931	83,338,295	71,310,426	72,616,829	72,660,880	69,319,262	
39,283,330	39,260,630	31,601,596	37,185,999	35,209,087	33,619,639	
-	-	-	-	-	-	
-	-	-	-	-	-	
19,459,895	18,003,988	16,979,064	16,809,777	16,617,304	14,735,418	
19,123,591	20,977,875	22,890,301	17,712,991	3,288,257	5,405,373	
24,674,873	24,601,428	23,446,614	42,528,781	24,352,978	31,430,746	
-	-	-	-	-	-	
11,846,305	13,007,185	12,532,082	9,591,682	10,839,021	8,453,319	
7,683,913	7,211,011	7,979,170	6,333,051	7,007,893	7,215,084	
<u>269,906,520</u>	<u>260,745,319</u>	<u>255,656,927</u>	<u>272,714,913</u>	<u>235,127,525</u>	<u>236,033,774</u>	
(9,329,572)	(5,834,883)	(20,888,637)	(44,829,675)	(13,972,759)	(17,056,145)	
33,930,297	33,896,437	31,587,851	31,750,605	40,995,521	37,882,821	
(31,650,986)	(29,444,666)	(27,567,851)	(28,969,931)	(41,141,279)	(40,911,869)	
-	-	14,219,204	-	-	14,520,000	
44,115,201	-	34,265,000	46,056,885	-	20,732,796	
3,172,754	-	730,718	682,236	-	969,489	
(18,574,740)	-	(34,123,256)	-	-	(14,906,348)	
-	130,000	-	-	8,445,635	8,902,195	
-	-	-	-	-	-	
<u>30,992,526</u>	<u>4,581,771</u>	<u>19,111,666</u>	<u>49,519,795</u>	<u>8,299,877</u>	<u>27,189,084</u>	
<u>\$ 21,662,954</u>	<u>\$ (1,253,112)</u>	<u>\$ (1,776,971)</u>	<u>\$ 4,690,120</u>	<u>\$ (5,672,882)</u>	<u>\$ 10,132,939</u>	
7.82%	8.56%	9.00%	6.59%	8.37%	7.61%	

**CITY OF CHATTANOOGA, TENNESSEE**

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

Fiscal Year Ended June 30	Assessed Value					Original Total Taxable Value <sup>(1)(2)</sup>	Direct Tax Rate	Estimated Actual Taxable Value <sup>(1)</sup>	Assessed Value as a Percentage of Actual Value
	Real Property <sup>(3)</sup>			Personalty	Public Utilities				
	Residential Property	Commercial Property	Multi-Use Property						
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	4,203,668,617	2.202	13,293,431,306	31.62%
2010	1,732,687,931	2,296,650,350	56,261,925	522,397,863	237,696,428	4,845,694,497	1.939	15,307,270,881	31.66%
2011	1,767,475,281	2,277,144,490	52,744,350	499,813,408	211,611,981	4,808,789,510	2.309	15,187,143,683	31.66%
2012	1,782,714,560	2,256,432,695	53,283,085	509,661,044	218,734,193	4,820,825,577	2.309	15,239,117,325	31.63%
2013	1,795,943,110	2,261,110,225	58,632,465	538,856,958	219,981,451	4,874,524,209	2.309	15,498,290,496	31.45%
2014	1,784,295,979	2,348,871,997	74,573,687	531,222,301	216,285,095	4,955,249,059	2.309	15,679,940,525	31.60%
2015	1,840,532,560	2,374,091,013	70,770,559	532,072,812	227,140,466	5,044,607,410	2.309	16,071,141,262	31.39%
2016	1,865,936,950	2,418,840,319	68,275,406	531,204,313	226,768,904	5,111,025,892	2.309	16,253,882,118	31.44%

Source: City Treasurer

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

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

<sup>(3)</sup> Real property includes commercial and industrial property assessed at 40% and residential and farms assessed at 25% of the estimated actual value.  
 Personal property is assessed at 30% of the estimated actual value. Utilities are assessed at 55% of estimated actual value.  
 Multi-Use is a combination of assessment rates based on the use of the property.

**CITY OF CHATTANOOGA, TENNESSEE**

**PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	City of Chattanooga Tax Rate	Hamilton County				Total Direct & Overlapping Rates <sup>(1)</sup>
		General Fund Tax Rate	School Fund Tax Rate	Road Fund Tax Rate	Total Tax Rate	
2007	2.2020	1.3159	1.5655	0.0126	2.8940	5.0960
2008	2.2020	1.5759	1.5655	0.0126	3.1540	5.3560
2009	2.2020	1.3816	1.3726	0.0110	2.7652	4.9672
2010	1.9390	1.3816	1.3726	0.0110	2.7652	4.7042
2011	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2012	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2013	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2014	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2015	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2016	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742

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

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



**CITY OF CHATTANOOGA, TENNESSEE**

**PRINCIPAL PROPERTY TAXPAYERS**

**CURRENT YEAR AND NINE YEARS AGO**

Taxpayer <sup>(1)</sup>	2016			2007		
	Taxable <sup>(2)</sup> Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
	Value		Value	Value		
Electric Power Board (2)	\$ 296,120,225	1	4.83%	\$ 150,414,247	1	3.79%
BlueCross BlueShield	94,412,764	2	1.54%	33,725,882	7	0.85%
Tennessee Valley Authority (Computer Center)	87,079,905	3	1.42%	99,775,985	2	2.51%
CBL & Associates	72,229,205	4	1.18%	59,085,132	3	1.49%
AT&T (BellSouth)	54,886,822	5	0.90%	51,316,534	4	1.29%
Tennessee-American Water Co.	42,030,950	6	0.69%	43,364,206	5	1.09%
Unum/Provident	36,678,706	7	0.60%	37,919,787	6	0.96%
WALMART	30,540,770	8	0.50%	-	-	0.00%
Chattem	29,631,592	9	0.48%	-	-	0.00%
JDK Real Estate (Kenco Group)	28,841,006	10	0.47%	-	-	0.00%
Kenco Group Inc.	-	-	0.00%	27,259,253	9	0.69%
E.I. DuPont de Nemours & Co.	-	-	0.00%	26,778,183	10	0.67%
AGL resources - Chatt. Gas Co.	-	-	0.00%	30,187,224	8	0.76%
Totals	<u>\$ 772,451,945</u>		<u>12.61%</u>	<u>\$ 559,826,433</u>		<u>14.10%</u>

Source: The City Treasurer

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

<sup>(2)</sup> Starting 2011 payment in lieu of taxes was included in the computation.

**CITY OF CHATTANOOGA, TENNESSEE**

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

Fiscal Year Ended June 30	Original Tax Levy <sup>(1)</sup>	Cumulative Adjustments to Tax Levy <sup>(2)</sup>	Adjusted Tax Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 87,378,841	\$ 107,626	\$ 87,486,467	\$ 83,848,154	95.8%	\$ 3,492,685	\$ 87,340,839	99.8%
2008	89,153,730	63,822	89,217,552	85,019,277	95.3%	3,987,235	89,006,512	99.8%
2009	91,760,952	(259,193)	91,501,759	87,144,122	95.2%	4,087,335	91,231,457	99.7%
2010	93,958,030	(1,208,571)	92,749,459	88,615,281	95.5%	3,598,982	92,214,263	99.4%
2011	111,034,964	(270,003)	110,764,961	104,399,752	94.3%	5,732,603	110,132,355	99.4%
2012	111,312,877	(517,344)	110,795,533	104,608,676	94.4%	5,477,860	110,086,536	99.4%
2013	112,552,779	(598,059)	111,954,720	105,385,912	94.1%	5,762,018	111,147,930	99.3%
2014	114,416,715	(636,012)	113,780,703	107,610,482	94.6%	4,356,738	111,967,220	98.4%
2015	116,480,000	(136,524)	116,343,476	110,399,359	94.9%	2,761,106	113,160,465	97.3%
2016	118,013,601	(61,178)	117,952,423	112,528,120	95.4%	-	112,528,120	95.4%

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

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

**CITY OF CHATTANOOGA, TENNESSEE**

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

Calendar Year <sup>(1)</sup>	Commercial Construction/Others		Residential Construction		Property Value		
	Number of Permits	Value	Number of Permits	Value	Commercial	Residential	Public Utilities
2006	907	\$ 234,192,365	1,760	\$ 181,022,954	\$ 4,839,133,200	\$ 5,450,878,720	\$ 420,570,231
2007	735	489,134,625 <sup>(2)</sup>	1,652	184,475,058	5,004,087,050	5,685,416,370	580,059,970
2008	471	244,137,277	715	108,132,239	5,163,673,852	5,811,908,568	620,270,613
2009	1,057	381,383,099 <sup>(3)</sup>	791	84,885,364	6,008,895,400	6,930,739,450	626,311,137
2010	1151	185,443,140	745	81,002,976	5,951,110,800	7,069,893,350	500,090,912
2011	1444	322,226,474	661	69,817,203	5,908,284,300	7,130,854,966	501,109,262
2012	1228	526,589,240	1,155	92,540,434	5,946,058,500	7,183,769,166	572,274,272
2013	619	309,615,547	1,319	118,773,260	6,296,210,200	7,123,787,316	563,981,000
2014	743	354,627,089	1,313	167,484,483	6,462,411,280	7,248,274,500	587,014,861
2015	720	522,770,623	1,476	127,443,336	6,375,533,044	7,463,747,800	589,291,000

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.

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

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

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

**CITY OF CHATTANOOGA, TENNESSEE**

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

<u>Fiscal Year</u>	<u>County-Wide Sales Tax</u>	<u>City Allocation State Sales Tax</u>	<u>County-Wide Designated Sales Tax</u>	<u>City Allocation State Income Tax</u>	<u>Mixed Drink Tax</u>	<u>Other Revenue</u>	<u>Total</u>
2007	\$ 26,154,704	\$ 11,180,175	\$ 10,566,227	\$ 4,125,590	\$ 1,748,548	\$ 5,744,627	\$ 59,519,871
2008	26,604,258	11,185,750	10,767,083	4,909,130	1,818,211	5,856,223	61,140,655
2009	25,710,248	10,254,407	10,394,686	3,629,181	1,763,451	17,780,474 <sup>(1)</sup>	69,532,447
2010	25,116,025	9,904,220	10,182,243	2,578,926	1,888,061	13,749,395 <sup>(2)</sup>	63,418,870
2011	26,462,886	10,357,166	10,652,849	2,714,695	1,942,779	10,987,506 <sup>(3)</sup>	63,117,881
2012	38,054,892 <sup>(4)</sup>	11,313,906	11,365,043	2,651,353	2,095,770	10,421,921	75,902,885
2013	40,007,670	11,544,670	11,405,092	4,199,313	2,229,008	10,323,819	79,709,572
2014	39,781,604	11,948,621	11,340,990	3,744,628	2,402,905 <sup>(5)</sup>	6,293,761	75,512,509
2015	42,428,955	12,624,796	12,093,914	4,137,843	2,601,751	4,923,476	78,810,735
2016	45,479,387	13,491,087	12,961,844	3,532,771	2,909,666	5,021,382	83,396,137

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

<sup>(2)</sup> In fiscal year 2010 the City of Chattanooga began reporting Regional Planning Agency, Air Pollution Control Bureau, and Scenic Cities Beautiful as Special Revenue Funds.

<sup>(3)</sup> In fiscal year 2011 the City of Chattanooga recognized the remaining of the Public Safety Interoperable Communications (PSIC) Grant revenue which decreased by \$5,740,453 from fiscal year 2010.

<sup>(4)</sup> In fiscal year 2012 the 1966 Sales Tax agreement with Hamilton County expired returning the City's portion of the sales tax dollars to the City.

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

**CITY OF CHATTANOOGA, TENNESSEE**

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

Fiscal Year Ended June 30	Residential Customers	Cents per KWH	Small Commercial Customers	Cents per KWH	Large Commercial Customers	Cents per KWH	Outdoor Lighting Customers	Cents per KWH	Total Customers	Cents per KWH
2007	144,288	7.56	19,630	8.46	3,363	6.39	143	9.37	167,424	7.00
2008	145,941	8.14	19,450	9.06	3,438	6.99	141	9.97	168,970	7.59
2009	147,301	9.55	19,326	10.53	3,414	8.39	139	11.35	170,180	9.01
2010	147,532	8.67	19,226	9.77	3,379	7.54	141	10.45	170,278	8.17
2011	148,033	9.56	19,157	10.69	3,524	8.32	138	11.37	170,852	9.00
2012	148,788	10.15	19,365	11.31	3,443	8.53	138	11.85	171,734	9.34
2013	149,875	10.19	20,079	11.36	3,387	8.67	143	12.06	173,484	9.47
2014	150,901	10.16	20,482	11.33	3,137	8.55	142	12.14	174,662	9.42
2015	152,503	10.22	20,910	11.39	3,127	8.58	142	12.01	176,682	9.46
2016	154,273	10.59	21,082	11.94	3,178	8.52	144	11.70	178,677	9.58

Source: EPB Financial Reports

Note: Number of customers and rate are the average for the year.

CITY OF CHATTANOOGA, TENNESSEE

**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Total		Total Excluding	
	General Obligation	Notes	Capital	Revenue	General Obligation	Notes	Capital		Percentage of Personal	Per	Percentage	Per
	Bonds	Payable	Leases	Bonds	Bonds	Payable	Leases		Income <sup>(1)</sup>	Capita <sup>(1)</sup>	of Personal	Capita <sup>(1)</sup>
2007	\$ 136,098,716	\$ 27,592,266	\$ 115,513,895	\$ 71,430,000	\$ 106,881,285	\$ 47,392,117	\$ 193,543	\$ 505,101,822	9.24%	3,001	7.93%	2,577
2008	130,843,479	32,593,423	112,603,776	289,660,000	96,051,522	44,406,947	171,298	706,330,445	12.58%	4,158	7.42%	2,453
2009	169,652,698	30,654,836	109,822,026	288,060,000	83,302,301	52,607,497	147,723	734,247,081	12.90%	4,297	7.84%	2,611
2010	176,064,209	31,266,117	106,531,819	285,390,000	72,480,791	50,197,546	122,705	722,053,187	12.11%	4,214	7.33%	2,548
2011	165,968,711	28,547,881	103,678,615	282,680,000	62,441,288	66,590,772	96,119	710,003,386	12.13%	4,234	7.30%	2,549
2012	182,677,809	25,814,209	100,625,098	279,930,000	54,342,190	66,140,734	67,834	709,597,874	12.04%	4,171	7.29%	2,525
2013	177,238,092	23,950,371	287,958 <sup>(2)</sup>	406,889,598 <sup>(2)</sup>	47,709,242	57,542,512	37,701	713,655,474	11.55%	4,167	4.97%	1,791
2014	194,931,457	33,678,384	232,290	395,635,613	45,186,500	52,400,294	5,562	722,070,100	11.19%	4,165	5.06%	1,883
2015	182,335,696	26,990,086	174,098	383,215,627	36,956,413	61,741,959	-	691,413,879	10.56%	3,988	4.71%	1,778
2016	203,311,219	22,937,045	113,267	411,924,627	39,750,749	92,504,381	-	770,541,288	11.11%	4,363	5.17%	2,031

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

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

CITY OF CHATTANOOGA, TENNESSEE

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

Fiscal Year	Primary Government <sup>(1)</sup>			Less: Debt Supported by Designated Revenue Streams Other Than Property Taxes					
	GO	Notes and Capital	Total	Hotel-Motel	CDRC	Fannie Mae	Golf Course	HUD Sec.	Republic
	Bonds	Leases		Debt	Capital Lease	Loan	Capital Lease	108 Notes	Parking Loan
2007	\$ 242,980,000	\$ 190,691,819	\$ 433,671,819	\$ 54,434,830	\$ 113,738,737	\$ 2,752,555	\$ -	\$ -	\$ -
2008	226,895,000	189,775,445	416,670,445	53,638,980	111,411,938	-	-	4,576,000	-
2009	252,955,000	193,232,084	446,187,084	52,768,980	108,937,617	-	284,251	4,576,000	-
2010	248,545,000	188,118,187	436,663,187	53,455,510	106,308,081	-	223,738	4,271,000	-
2011	228,409,999	198,913,388	427,323,387	52,163,815	103,518,327	-	160,288	3,966,000	-
2012	237,019,999	192,647,875	429,667,874	49,324,122	100,531,340	-	93,758	3,661,000	-
2013	224,947,334	81,818,542 <sup>(3)</sup>	306,765,876	47,091,427	- <sup>(4)</sup>	-	287,958	3,356,000	-
2014	240,117,957	86,316,530	326,434,487	52,423,496	-	-	232,290	3,051,000	-
2015	219,292,110	88,906,143	308,198,253	49,785,663	-	-	174,098	2,746,000	-
2016	243,061,968	115,554,693	358,616,661	47,058,029	-	-	113,267	2,441,000	-

<sup>(1)</sup> Primary Government includes premiums and discounts

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

<sup>(3)</sup> See the schedule of Demographic and Economic Statistics for population data.

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

800 MHz	Sewer	Solid Waste	Water Quality	EPB	Less: Debt Service	Total	Debt Supported by Property Tax	% Estimated Actual Taxable Value of Property <sup>(2)</sup>	Per Capita <sup>(3)</sup>
Capital Lease	Debt	Debt	Debt	Debt	Fund Balance	Reduction	Total		
\$ 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	274,813,677	154,854,197	1.02%	910
-	70,632,816	16,811,099	6,984,540	10,861,000	2,476,637	158,501,477	148,264,399	0.96%	866
-	66,235,357	14,913,893	11,666,106	4,777,000	5,020,752	158,319,894	168,114,593	1.07%	970
-	74,920,453	13,300,710	10,477,209	-	3,446,011	154,850,144	153,348,109	0.95%	885
-	102,232,212	11,426,361	18,596,557	-	2,161,977	184,029,403	174,587,258	1.07%	989



**CITY OF CHATTANOOGA, TENNESSEE**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

**As of June 30, 2016**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>(2)</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Hamilton County General Obligation Debt	\$ 243,180,608	60.0796%	\$ 146,101,849
Other debt:			
Hamilton County Notes Payable	40,126,218	60.0796%	<u>24,107,657</u>
Subtotal, overlapping debt <sup>(1)</sup>			170,209,506
City of Chattanooga gross direct debt <sup>(3)</sup>			<u>718,714,694</u>
Total direct and overlapping debt			<u><u>\$ 888,924,200</u></u>

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

Notes:

- <sup>(1)</sup> Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Chattanooga. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.
- <sup>(2)</sup> The percentage of overlapping debt is calculated by dividing the City's assessed property values by the total Hamilton County assessments.
- <sup>(3)</sup> Direct and overlapping includes \$51,774,273 of self-supporting governmental debt and \$506,439,502 of self-supporting enterprise debt. Please see Ratios of General Bonded Debt Outstanding for the debt supported by property taxes. Net overlapping is \$320,179,491.

**CITY OF CHATTANOOGA, TENNESSEE**

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

	Fiscal Year			
	2016	2015	2014	2013
Debt limit <sup>(1)</sup>	\$ 511,102,589	\$ 504,460,741	\$ 495,524,906	\$ 487,452,421
Total net debt applicable to limit <sup>(2)</sup>	174,587,258	153,348,109	168,114,593	148,264,399
Legal debt margin	<u>\$ 336,515,331</u>	<u>\$ 351,112,632</u>	<u>\$ 327,410,313</u>	<u>\$ 339,188,022</u>
Total net debt applicable to the limit as a percentage of debt limit	34.16%	30.40%	33.93%	30.42%

Legal Debt Margin Calculation by Fiscal Year				
Assessed value	\$ 5,111,025,892	\$ 5,044,607,410	\$ 4,955,249,059	\$ 4,874,524,209
Debt limit (10% of total assessed value)	511,102,589	504,460,741	495,524,906	487,452,421
Debt applicable to limit:				
General obligation bonds	176,749,235	156,794,120	173,135,345	150,741,036
Less: amount set aside for repayment of general obligation debt	<u>(2,161,977)</u>	<u>(3,446,011)</u>	<u>(5,020,752)</u>	<u>(2,476,637)</u>
Total net debt applicable to limit	<u>174,587,258</u>	<u>153,348,109</u>	<u>168,114,593</u>	<u>148,264,399</u>
Legal debt margin	<u>\$ 336,515,331</u>	<u>\$ 351,112,632</u>	<u>\$ 327,410,313</u>	<u>\$ 339,188,022</u>

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

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

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 482,082,558	\$ 480,878,951	\$ 484,569,450	\$ 416,716,328	\$ 404,876,088	\$ 396,815,737
154,854,197	133,432,404	144,733,451	134,037,552	96,296,919	97,632,028
<u>\$ 327,228,361</u>	<u>\$ 347,446,547</u>	<u>\$ 339,835,999</u>	<u>\$ 282,678,776</u>	<u>\$ 308,579,169</u>	<u>\$ 299,183,709</u>
32.12%	27.75%	29.87%	32.17%	23.78%	24.60%

Legal Debt Margin Calculation by Fiscal Year					
\$ 4,820,825,577	\$ 4,808,789,510	\$ 4,845,694,497	\$ 4,167,163,278	\$ 4,048,760,875	\$ 3,968,157,371
482,082,558	480,878,951	484,569,450	416,716,328	404,876,088	396,815,737
155,506,895	138,386,776	149,603,816	142,962,554	105,221,922	106,503,597
(652,700)	(4,954,374)	(4,870,365)	(8,925,003)	(8,925,003)	(8,871,564)
<u>154,854,195</u>	<u>133,432,402</u>	<u>144,733,451</u>	<u>134,037,551</u>	<u>96,296,919</u>	<u>97,632,033</u>
<u>\$ 327,228,363</u>	<u>\$ 347,446,549</u>	<u>\$ 339,835,999</u>	<u>\$ 282,678,777</u>	<u>\$ 308,579,169</u>	<u>\$ 299,183,704</u>

**CITY OF CHATTANOOGA, TENNESSEE**

**HISTORICAL DEBT RATIOS**

**June 30, 2016**

	Fiscal Year			
	2016	2015	2014	2013
Estimated population	176,588	173,366	173,366	171,279
Appraised property valuation	\$ 16,253,882,118	\$ 15,484,126,401	\$ 15,754,641,402	\$ 15,498,290,496
Assessed property valuation	5,111,025,892	5,044,607,410	4,955,249,059	4,874,524,209
Gross indebtedness <sup>(1)</sup>	442,659,694	404,376,144	312,769,531	288,657,541
Less: Self-supporting indebtedness <sup>(2)</sup>	279,996,798	255,342,366	146,933,903	143,414,312
Debt Service Fund	2,161,977	3,446,011	5,020,752	2,476,637
Net direct indebtedness	160,500,919	145,587,767	160,814,876	142,766,592
Plus: Estimated net overlapping indebtedness	170,209,506	164,152,697	146,010,497	158,657,256
Net direct and overlapping indebtedness	<u>\$ 330,710,425</u>	<u>\$ 309,740,464</u>	<u>\$ 306,825,373</u>	<u>\$ 301,423,848</u>
Gross debt per capita	\$ 2,506.74	\$ 2,332.50	\$ 1,804.10	\$ 1,685.31
Net direct debt per capita	908.90	839.77	927.60	833.53
Net direct and overlapping debt per capita	1,872.78	1,786.63	1,769.81	1,759.84
Gross debt to appraised valuation	2.72%	2.61%	1.99%	1.86%
Net direct debt to appraised valuation	0.99%	0.94%	1.02%	0.92%
Net direct debt and overlapping debt to appraised valuation	2.03%	2.00%	1.95%	1.94%
Gross debt to assessed valuation	8.66%	8.02%	6.31%	5.92%
Net direct debt to assessed valuation	3.14%	2.89%	3.25%	2.93%
Net direct and overlapping debt to assessed valuation	6.47%	6.14%	6.19%	6.18%

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

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

Fiscal Year

2012	2011	2010	2009	2008	2007
170,136	167,674	171,349	170,880	169,884	168,293
\$ 15,239,117,325	\$ 15,187,143,683	\$ 15,307,270,881	\$ 13,294,163,310	\$ 12,906,102,564	\$ 12,310,849,619
4,820,825,577	4,808,789,510	4,845,694,497	4,167,163,278	4,048,760,875	3,968,157,371
407,942,874	408,416,390	436,663,186	445,601,083	415,375,442	431,701,818
252,435,979	270,029,615	287,059,370	302,638,530	310,153,520	325,198,221
652,700	4,954,374	4,870,365	8,925,003	8,925,003	8,871,564
154,854,195	133,432,401	144,733,451	134,037,550	96,296,919	97,632,033
152,555,047	148,698,012	154,968,909	149,048,842	136,287,686	89,393,466
<u>\$ 307,409,242</u>	<u>\$ 282,130,413</u>	<u>\$ 299,702,360</u>	<u>\$ 283,086,392</u>	<u>\$ 232,584,605</u>	<u>\$ 187,025,499</u>
\$ 2,397.75	\$ 2,435.78	\$ 2,548.38	\$ 2,607.68	\$ 2,445.05	\$ 2,565.18
910.18	795.78	844.67	784.40	566.84	580.13
1,806.84	1,682.61	1,749.08	1,656.64	1,369.08	1,111.31
2.68%	2.69%	2.85%	3.35%	3.22%	3.51%
1.02%	0.88%	0.95%	1.01%	0.75%	0.79%
2.02%	1.86%	1.96%	2.13%	1.80%	1.52%
8.46%	8.49%	9.01%	10.69%	10.26%	10.88%
3.21%	2.77%	2.99%	3.22%	2.38%	2.46%
6.38%	5.87%	6.18%	6.79%	5.74%	4.71%

**CITY OF CHATTANOOGA, TENNESSEE**

**REVENUE BOND COVERAGE  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	EPB Revenue Bonds					
	Total Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
				Principal	Interest	
2007	\$ 432,025,000	\$ 401,801,000	\$ 30,224,000	\$ 1,600,000	\$ 2,348,000	7.7
2008	472,983,000	429,161,000	43,822,000	1,600,000	3,019,000	9.5
2009	537,696,000	489,623,000	48,073,000	1,600,000	2,946,000	10.6
2010	491,501,000	445,493,000	46,008,000	2,670,000	2,853,000	8.3
2011	552,527,000	518,728,000	33,799,000	2,710,000	8,118,000	3.1
2012	562,569,000	498,384,000	64,185,000	2,750,000	13,377,000	4.0
2013	555,051,000	486,769,000	68,282,000	2,965,000	13,256,000	4.2
2014	566,989,000	501,006,000	65,983,000	6,000,000	13,084,756	3.5
2015	567,528,000	500,078,000	67,450,000	7,040,000	12,832,000	3.4
2016	564,280,000	487,101,000	77,179,000	12,371,000	8,075,000	3.8

Source: Electric Power Board, Electric Division

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

Fiscal Year Ended June 30	CDRC Lease Rental Revenue Bonds					
	Total Revenues <sup>(1)</sup>	Less: Operating Expenses <sup>(2)</sup>	Net Available Revenue	Debt Service <sup>(3)</sup>		Times Coverage
				Principal	Interest	
2007	\$ 12,891,364	\$ 18,975	\$ 12,872,389	\$ -	\$ 7,198,975	1.8
2008	13,245,809	6,095	13,239,714	2,700,000	6,440,809	1.4
2009	11,511,201	8,975	11,502,226	2,910,000	6,460,806	1.2
2010	14,014,621	10,830	14,003,791	3,050,000	6,312,556	1.5
2011	12,413,941	2,915	12,411,026	3,205,000	5,937,867	1.4
2012	13,469,678	6,890	13,462,788	4,060,000	5,527,719	1.4
2013	13,182,618	6,890	13,175,728	4,240,000	5,336,719	1.4
2014	13,153,265	9,065	13,144,200	4,395,000	5,168,194	1.4
2015	13,467,751	6,890	13,460,861	4,520,000	5,033,569	1.4
2016	15,070,640	8,115	15,062,525	4,675,000	4,871,819	1.6

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

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

**CITY OF CHATTANOOGA, TENNESSEE**

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

Fiscal Year	Personal Income <sup>(4)</sup>	Population <sup>(1)</sup>	Per Capita Income <sup>(4)</sup>	Median Age <sup>(2)</sup>	Education Level In Years of Formal Schooling <sup>(2)</sup>	School Enrollment <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
2007	\$ 5,469,354,207	168,293	\$ 32,499	38.8	17.4% 4yr. Degree	39,020	4.7%
2008	5,614,836,084	169,884	33,051	38.9	15.3% 4yr. Degree	39,106	6.1%
2009	5,690,816,640	170,880	33,303	39.2	17.0% 4yr. Degree	39,247	9.1%
2010	5,960,203,616	171,349	34,784	39.7	16.5% 4yr. Degree	41,072	9.3%
2011	5,852,325,622	167,674	34,903	39.3	16.5% 4yr. Degree	41,913	9.1%
2012	5,892,149,952	170,136	34,632	39.0	23.3% 4yr. Degree	42,236	8.2%
2013	6,177,348,414	171,279	36,066	40.0	23.0% 4yr. Degree	41,214	8.5%
2014	6,454,069,448	173,366	37,228	39.8	22.9% 4yr. Degree	43,691	7.1%
2015	6,546,300,160	173,366	37,760	39.8	23.0% 4yr. Degree	45,531	6.2%
2016	6,932,844,880	176,588	39,260	39.5	23.0% 4yr. Degree	43,797	5.1%

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

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

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

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

**CITY OF CHATTANOOGA, TENNESSEE**

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

Employer	2016 (1)			2007 (2)		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
BlueCross BlueShield of Tennessee	4,899	1	2.77%	3,808	2	2.54%
Hamilton County Department of Education	4,508	2	2.55%	5,070	1	3.38%
Erlanger Health System	4,384	3	2.48%	3,217	4	2.15%
Tennessee Valley Authority	3,786	4	2.14%	-	-	0.00%
Amazon.com.dedc LLC	3,312	5	1.88%	-	-	0.00%
Unum	2,800	6	1.59%	2,930	5	1.96%
McKee Foods Corporation	2,700	7	1.53%	3,200	3	2.14%
CHI Memorial	2,602	8	1.47%	2,615	6	1.75%
City of Chattanooga	2,250	9	1.27%	2,615	7	1.75%
Volkswagen Chattanooga	2,177	10	1.23%	-	-	0.00%
CIGNA HealthCare	-	-	0.00%	2,154	8	1.44%
Synthetic Industries	-	-	0.00%	1,931	9	1.29%
Pilgrim's Pride Corp	-	-	0.00%	1,610	10	1.07%
<b>Total</b>	<b>33,418</b>		<b>19.28%</b>	<b>29,150</b>		<b>19.45%</b>

Sources: (1) Chattanooga Area Chamber of Commerce Business Information Center;  
(2) City of Chattanooga Comprehensive Annual Financial Report for the year ended June 30, 2007



**CITY OF CHATTANOOGA, TENNESSEE**

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

FUNCTION	Full-Time Equivalent Positions as of June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government	368	373	359 <sup>(2)</sup>	301	300	301	291	279	277	276
Public Safety										
Police										
Sworn	486	486	486	475	475	481	475	472	472	471
Civilian	115	115	103	129	129	123	130	139 <sup>(1)</sup>	213	212
Fire										
Sworn	429	429	429	429	414	412	400	400	400	400
Civilian	16	17	17	17	17	17	17	17	17	17
Public Works	284	286	307	337	337	338	409	326	331	333
Economic & Community Development	85	86	80	35	35	35	29	36	36	36
Youth & Family Development	423	426	412 <sup>(3)</sup>	-	-	-	-	-	-	-
Parks & Recreation	-	-	- <sup>(3)</sup>	230	230	237	236	230	229	226
Education, Arts and Culture	-	-	- <sup>(3)</sup>	28	27	27	26	27	26	26
Social Services	-	-	- <sup>(3)</sup>	307	305	286	293	249	289	294
Transportation	60	58	47 <sup>(4)</sup>	-	-	-	-	-	-	-
Interceptor Sewer System	161	147	147	143	139	137	136	135	132	124
Solid Waste/Sanitation	20	20	20	19	19	16	16	17	14	13
Water Quality	152	151	141	138	138	137	59	55	47	50
EPB	552	545	547	521	499	453	435	398	389	394
Totals	<u>3,151</u>	<u>3,139</u>	<u>3,095</u>	<u>3,109</u>	<u>3,064</u>	<u>3,000</u>	<u>2,952</u>	<u>2,780</u>	<u>2,872</u>	<u>2,872</u>

Source: City Budget office Position Summary.

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

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

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

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

**CITY OF CHATTANOOGA, TENNESSEE**

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

Function	2016	2015	2014	2013	2012	Fiscal Year 2011	2010	2009	2008	2007
General Government										
311 Service Requests Created	137,005	154,546	156,724	135,664	110,247	135,692	114,711	66,443	72,663	76,401
% of Current Tax Levy Collected	95	95	94	94	94	94	94	95	95.4	95.9
Police										
Crimes Committed <sup>(1)</sup>	21,619	12,622	12,902	12,869	12,037	12,158	14,385	14,577	14,219	13,999
Moving/Parking Violations <sup>(2)</sup>	39,326	47,425	40,727	51,674	102,067	105,470	166,438	105,069	64,928	98,984
Citizen Complaints	n/a	20	64	66	44	47	56	47	35	33
Fire										
Emergency Calls	17,311	16,356	15,926	15,858	16,161	16,363	12,473	12,889	11,849	11,385
Inspections	8,103	5,078	3,263	3,551	4,298	4,750	5,466	7,769	5,978	3,774
Public Works										
Sidewalks Repaired (sq.ft.)	65,050	18,473	66,056	5,938	13,344	12,359	8,186	848	80	335
Streets Paved (sq.ft.)	2,024,985	1,384,359	389,500	1,966,402	1,706,200	1,132,286	615,038	790,988	520,896	516,146
Parks, Recreation, Arts & Culture										
Chattanooga Zoo-Attendance	232,123	183,173	152,561	151,699	177,723	210,966	253,115	231,225	174,093	149,582
Recreation Centers-Attendance	791,138	510,599	600,805	833,674	630,178	630,178	550,496	588,927	567,444	458,331
Social Services										
Children Immunized	954	918	1,078	946	1,223	888	1,014	869	897	865
Households Assisted	6,247	8,192	9,636	7,184	10,905	6,334	8,473	6,280	4,950	4,284
Interceptor Sewer System										
% of Consent Decree Requirements Met	100%	100%	100%	n/a						
# of Full NPDES Compliance Days at the MBWWTP	352	363	356	337	337	355	346	355	359	360
Solid Waste/Sanitation										
NPDES Landfill Violations	-	-	-	-	4	2	4	4	4	-
Violation Notices to Industry	-	37	-	50	26	48	40	44	59	96
Water Quality										
311 Service Requests Created	1,576	1,440	1,650	2,229	1,632	1,727	3,206	1,764	1,798	1,586
311 Service Requests Unresolved	126	116	95	55	58	89	388	69	52	34

Source: City budget office.

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

<sup>(2)</sup> Parking was transferred to CARTA (Chattanooga Parking Authority) in October 2012.

**CITY OF CHATTANOOGA, TENNESSEE**

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

Function	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government										
City Fleet	1737	1739	1,734	1,734	1,854	1,769	1,774	1,773	1,769	1,709
Properties Returned to Tax Rolls	100	111	57	138	65	47	24	21	26	33
Police										
Stations	4	4	4	4	3	3	3	3	3	3
Patrol Units	586	588	580	551	555	450	450	450	450	450
Fire										
Stations	19	19	19	18	18	18	18	17	17	17
Ladder Trucks/Fire Engines/Combos <sup>(1)</sup>	27	27	27	27	25	25	25	24	24	24
Public Works										
Miles of Paved Streets	1160	1160	1,160	1,151	1,151	1,151	1,151	1,159	1,159	1,154
Signalized Intersections	336	330	327	332	320	320	321	318	315	314
Garbage Trucks	25	25	25	25	21	21	18	23	21	21
Knuckleboom Trucks	22	22	22	22	19	23	20	20	21	21
Interceptor Sewer System										
Miles of Sewer	1263	1263	1,263	1,254	1,254	1,254	1,254	1,255	1,239	1,200
Pump Stations	82	71	71	70	70	70	70	70	67	67
Parks, Recreation, Arts & Culture										
Parks	80	79	74	70	51	51	51	51	50	50
Recreation Centers	15	15	15	17	16	16	16	16	16	16

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

**CITY OF CHATTANOOGA, TENNESSEE**

**EMPLOYMENT AND UNEMPLOYMENT STATS  
LAST TEN CALENDAR YEARS**

Calendar Year	MSA Civilian Labor-Force (in 000's)			Civilian Labor Force % Unemployed		
	Total	Employed	Unemployed	MSA	TN	U.S.
2006	261.1	251.3	9.8	4.3	4.4	4.6
2007	265.1	253.9	11.2	4.2	4.8	4.8
2008	265.1	246.6	18.5	5.7	6.4	7.1
2009	252.3	228.5	23.8	9.4	9.8	9.7
2010	260.3	238.6	21.7	8.3	8.3	9.1
2011	262.9	243.8	19.1	7.3	8.1	8.3
2012	264.4	245.5	18.9	7.1	7.8	7.9
2013	262.5	240.7	21.8	8.3	8.5	7.6
2014	246.5	232.0	14.5	5.9	6.1	5.6
2015	254.2	241.1	13.1	5.1	5.3	5.3

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

**CITY OF CHATTANOOGA, TENNESSEE**

**OTHER TAXES**

**LAST TEN FISCAL YEARS**

Fiscal Year	Local Option Sales Taxes <sup>(1)</sup>			Other Tax Receipts					
	County-Wide Sales Tax	County-Wide Designated Sales Tax	Total Local Option Tax	Tourist Development Zone Sales Tax <sup>(2)</sup>		Hotel-Motel Occupancy Tax <sup>(3)</sup>	State		
				State	Local		Sales Tax	Income Tax	
2007	\$ 26,154,704	\$ 10,566,227	\$ 36,720,931	\$ 47,635	\$ -	\$ 3,747,124	\$ 11,180,175	\$ 4,125,590	
2008	26,604,258	10,767,083	37,371,341	-	-	4,067,154	11,185,750	4,909,130	
2009	25,710,248	10,394,686	36,104,934	-	-	3,893,990	10,254,407	3,629,181	
2010	25,116,025	10,182,243	35,298,268	1,809,794	549,755	4,058,621	9,904,220	2,578,926	
2011	26,462,886	10,652,849	37,115,735	-	-	4,746,845	10,357,166	2,714,695	
2012	38,054,892	11,365,043	49,419,935	308,833	-	5,001,504	11,313,906	2,651,353	
2013	40,007,670	11,405,092	51,412,762	-	-	4,970,247	11,544,670	4,199,313	
2014	39,781,604	11,340,990	51,122,594	-	-	5,352,640	11,948,621	3,744,628	
2015	42,428,955	12,093,914	54,522,869	-	-	5,916,859	12,624,797	4,137,843	
2016	45,479,387	12,961,844	58,441,231	-	-	6,668,896	13,491,087	3,532,771	

<sup>(1)</sup> Local Option Sales Taxes - In accordance with the 1963 Local Option Revenue Act Title 67, Chapter 6, Part 7 of the Tennessee Code Annotated, as amended, the City and the County have adopted a Local Option Sales Tax. The effective rate is 2.25%; the City earmarks .25 percent of its share for economic development.

<sup>(2)</sup> Tourist Development Zone (TDZ) Sales Tax - This tax is based on the incremental state and local sales taxes generated within TDZ. In some years sales in the TDZ do not exceed the base year revenues as adjusted for growth in the county as a whole.

<sup>(3)</sup> Hotel-Motel Occupancy Tax - The City of Chattanooga and Hamilton County are authorized to levy taxes on the occupancy of hotel and motel rooms by transients. Pursuant to the Private Act of 1980, in February 1981, Hamilton County levied a 3 percent tax and increased it to 4 percent in July 1988. In August 2002 the City also levied such a tax which was phased in over a 30-month period beginning October 1, 2002. The tax, now at 4 percent, is pledged to pay debt service on the 2002 general obligation bonds used to finance a portion of the 21st Century Waterfront Plan to develop 129 acres in the downtown riverfront area, a \$120 million project jointly funded by the public and private sectors.

**CITY OF CHATTANOOGA, TENNESSEE**

**CAPITAL IMPROVEMENT PROGRAM  
FIVE YEARS**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
<b>Bonds</b>						
General Fund	\$ 14,255,467	\$ 14,816,009	\$ 5,461,233	\$ 9,293,070	\$ 8,445,525	\$ 52,271,304
ISS (SRF Enterprise)	18,100,000	34,100,000	22,000,000	26,000,000	16,500,000	116,700,000
Total Bonds	<u>32,355,467</u>	<u>48,916,009</u>	<u>27,461,233</u>	<u>35,293,070</u>	<u>24,945,525</u>	<u>168,971,304</u>
<b>Cash/Reserves</b>						
General Fund	4,790,202	5,536,101	4,043,187	3,528,187	3,940,000	21,837,677
Econ. Dev. Fund	3,268,622	1,715,000	900,000	500,000	250,000	6,633,622
Hotel-Motel Fund	1,350,000	2,000,000	-	-	-	3,350,000
Fleet Fund	4,300,000	4,000,000	4,000,000	4,000,000	4,000,000	20,300,000
State Street Aid	224,340	-	-	-	-	224,340
Narcotics/Federal Forfeit Funds	700,187	-	-	-	-	700,187
Closed Project Balances	2,997,422	-	-	-	-	2,997,422
Solid Waste	2,425,000	8,350,000	500,000	300,000	300,000	11,875,000
Water Quality	3,200,000	8,450,000	500,000	100,000	500,000	12,750,000
Interceptor Sewer	21,350,000	13,350,000	5,550,000	6,200,000	4,700,000	51,150,000
Total Cash/Reserves	<u>44,605,773</u>	<u>43,401,101</u>	<u>15,493,187</u>	<u>14,628,187</u>	<u>13,690,000</u>	<u>131,818,248</u>
<b>External Sources</b>						
Private Grants/Donations	100,000	100,000	-	-	-	200,000
Library Board	-	200,000	-	-	-	200,000
Hamilton County	-	145,000	-	-	-	145,000
State of Tennessee	-	750,774	-	-	-	750,774
Community Development Block Grant	200,000	200,000	200,000	200,000	200,000	1,000,000
Federal	2,529,760	27,601,661	31,731,373	22,815,200	13,535,200	98,213,194
Total External Sources	<u>2,829,760</u>	<u>28,997,435</u>	<u>31,931,373</u>	<u>23,015,200</u>	<u>13,735,200</u>	<u>100,508,968</u>
<b>Other</b>	-	-	-	-	-	-
Total All Sources	<u>\$ 79,791,000</u>	<u>\$ 121,314,545</u>	<u>\$ 74,885,793</u>	<u>\$ 72,936,457</u>	<u>\$ 52,370,725</u>	<u>\$ 401,298,520</u>

Source: City of Chattanooga Capital Planner



**CITY OF CHATTANOOGA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2016**

<b>Federal Grantor/Pass-Through/Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Contract Number</b>	<b>Beginning (Accrued) Unearned Grant Revenue</b>	<b>Cash Receipts</b>	<b>Expenditures</b>	<b>Ending (Accrued) Unearned Grant Revenue</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed Through Tennessee Department of Agriculture:						
Emergency Food Assistance Program (Administrative Costs)	10.568	45898	\$ (31,278)	\$ 32,001	\$ 723	\$ -
Emergency Food Assistance Program (Administrative Costs)	10.568	54382	-	18,614	21,587	(2,973)
Emergency Food Assistance Program (Commodities - Non-cash)	10.569	N/A	-	125,426	125,426	-
Total Emergency Food Assistance Program			<u>(31,278)</u>	<u>176,041</u>	<u>147,736</u>	<u>(2,973)</u>
Passed Through Tennessee Department of Human Services:						
2015 CHS Child Care Program	10.558	N/A	(2,838)	2,838	-	-
2016 CHS Child Care Program	10.558	N/A	-	221,943	224,004	(2,061)
2015 Child and Adult Food Program	10.558	3-47-56136-00-6	(2,133)	2,133	-	-
2016 Child and Adult Food Program	10.558	3-47-56136-00-6	-	48,112	68,494	(20,382)
2015 Child and Adult Food Program	93.600	3-47-55915-00-8	(7,421)	7,421	-	-
2016 Child and Adult Food Program	93.600	3-47-55915-00-8	-	292,628	300,185	(7,557)
Total Child and Adult Food Program			<u>(12,392)</u>	<u>575,075</u>	<u>592,683</u>	<u>(30,000)</u>
Total U. S. Department of Agriculture			<u>(43,670)</u>	<u>751,116</u>	<u>740,419</u>	<u>(32,973)</u>
<b>U.S. DEPARTMENT OF COMMERCE</b>						
Economic Development Administration Sewer System Upgrade	11.300	04-79-06577	(274,346)	550,873	276,527	-
Total Economic Development Administration Sewer System Upgrade			<u>(274,346)</u>	<u>550,873</u>	<u>276,527</u>	<u>-</u>
Total U. S. Department of Commerce			<u>(274,346)</u>	<u>550,873</u>	<u>276,527</u>	<u>-</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-47-0001	(381,004)	396,330	15,326	-
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-47-0001	(23,756)	600,144	628,541	(52,153)
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-47-0001	-	633,312	779,428	(146,116)
Community Development Block Grants/Entitlement Grants - Program Income	14.218	N/A	-	210,679	210,679	-
Total Community Development Block Grants/Entitlement Grants			<u>(404,760)</u>	<u>1,840,465</u>	<u>1,633,974</u>	<u>(198,269)</u>

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**CITY OF CHATTANOOGA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2016**

<b>Federal Grantor/Pass-Through/Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Contract Number</b>	<b>Beginning (Accrued) Unearned Grant Revenue</b>	<b>Cash Receipts</b>	<b>Expenditures</b>	<b>Ending (Accrued) Unearned Grant Revenue</b>
(continued from previous page)						
Shelter Plus Care	14.238	TN0010L4J001306	(90,501)	90,501	-	-
Shelter Plus Care	14.238	TN0010L4J001407	-	166,693	233,881	(67,188)
Total Shelter Plus Care			<u>(90,501)</u>	<u>257,194</u>	<u>233,881</u>	<u>(67,188)</u>
THDA ESG Stage	14.231	E-14-MC-47-0003	(39,619)	49,305	24,578	(14,892)
THDA ESG Stage	14.231	E-15-MC-47-0003	-	28,592	76,006	(47,414)
Total Shelter Plus Care			<u>(39,619)</u>	<u>77,897</u>	<u>100,584</u>	<u>(62,306)</u>
HOME Investment Partnerships Program	14.239	M-10-MC-47-0200	-	61,899	61,899	-
HOME Investment Partnerships Program	14.239	M-11-MC-47-0200	-	27,015	27,015	-
HOME Investment Partnerships Program	14.239	M-12-MC-47-0200	(9,616)	9,616	-	-
HOME Investment Partnerships Program	14.239	M-13-MC-47-0200	(97,762)	141,094	43,332	-
HOME Investment Partnerships Program	14.239	M-14-MC-47-0200	(32,957)	235,113	310,643	(108,487)
HOME Investment Partnerships Program - Program Income	14	N/A	-	417,376	277,900	139,476
Total HOME Investment Partnerships Program			<u>(140,335)</u>	<u>892,113</u>	<u>720,789</u>	<u>30,989</u>
Total U. S. Department of Housing and Urban Development			<u>(675,215)</u>	<u>3,067,669</u>	<u>2,689,228</u>	<u>(296,774)</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>						
National Park Service, Historic Preservation Grants	15.928	P14AP00191	-	390,000	390,000	-
National Park Service, Historic Preservation Grants	15.928	P15AP00146	-	254,922	254,922	-
Total National Park Service, Historic Preservation Grants			<u>-</u>	<u>644,922</u>	<u>644,922</u>	<u>-</u>
Total U.S. Department of the Interior			<u>-</u>	<u>644,922</u>	<u>644,922</u>	<u>-</u>

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**CITY OF CHATTANOOGA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2016**

<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>Ending (Accrued) Unearned Grant Revenue</u>
(continued from previous page)						
<b>U.S. DEPARTMENT OF JUSTICE</b>						
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0641	-	15,159	15,159	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0975	-	-	800	(800)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-1123	(10,146)	45,371	45,516	(10,291)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-1042	-	-	38,727	(38,727)
ELERV Grant Program	16.582	2014-VF-GX-K011	-	-	31,796	(31,796)
Hamilton County Family Justice Center	16.738	22560	(33,692)	101,188	79,017	(11,521)
Hamilton County Family Justice Center	16.588	26780	-	13,796	20,178	(6,382)
Hamilton County Family Justice Center	16.609	2013-GP-BX-0012	-	-	687	(687)
Total U. S. Department of Justice			<u>(43,838)</u>	<u>175,514</u>	<u>231,880</u>	<u>(100,204)</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>						
Passed Through Georgia Department of Transportation:						
Highway Planning and Construction	20.205	AEOPLPLN140836	(49,346)	110,839	61,493	-
Highway Planning and Construction	20.205	AEOPLPLN160004	-	71,793	157,466	(85,673)
Total GA Highway Planning and Construction			<u>(49,346)</u>	<u>182,632</u>	<u>218,959</u>	<u>(85,673)</u>
Passed through Tennessee Department of Transportation:						
Highway Planning and Construction	20.205	Z14MPO002	(45,262)	291,894	507,455	(260,823)
Governor's Highway Safety Grant	20.607	Z15GHSO59	(51,414)	87,032	35,618	-
Governor's Highway Safety Grant	20.607	Z16GHSO60	-	10,175	51,528	(41,353)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F0-066	(90,285)	90,285	-	-
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F3-076	(20,891)	20,891	-	-
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F0-095	(90,102)	50,513	120,916	(160,505)
TDOT - HWY 58 Imp Pedestrian and Bike Facilities	20.205	33LPLM-F3-037	(584,658)	655,853	381,147	(309,952)
TDOT - SR27 Pedestrian and Bicycle Facilities	20.205	33LPLM-F3-038	(70,399)	336,266	429,761	(163,894)
TDOT - Safe Routes to School	20.205	33LPLM-F3-147	-	-	28,269	(28,269)
Total TN Highway Planning and Construction			<u>(953,011)</u>	<u>1,542,909</u>	<u>1,554,694</u>	<u>(964,796)</u>

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**CITY OF CHATTANOOGA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2016**

<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>Ending (Accrued) Unearned Grant Revenue</u>
(continued from previous page)						
Federal Transit Metropolitan Planning Grant	20.505	GG-15-43720-00	(39,248)	58,524	70,580	(51,304)
City of Chattanooga Rail Transit Implementation Plan	20.933	TN-79-1000	-	103,060	306,701	(203,641)
Total Federal Transit Administration			<u>(39,248)</u>	<u>161,584</u>	<u>377,281</u>	<u>(254,945)</u>
Total U. S. Department of Transportation			<u>(1,041,605)</u>	<u>1,887,125</u>	<u>2,150,934</u>	<u>(1,305,414)</u>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>						
Passed Through Tennessee Libraries and Archives						
General Library Services	45.310	30504-00216-01	-	48,700	48,700	-
2016 LSTA Technology Grant	45.310	30504-00116-21	-	14,195	14,195	-
Total Institute of Museum and Library Services			<u>-</u>	<u>62,895</u>	<u>62,895</u>	<u>-</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>						
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95441209	(53,694)	245,694	192,000	-
Air Pollution Control Program	66.001	00408415	-	350,910	350,910	-
Surveys, Studies, Investigations and Special Purpose Grants	66.034	96497415	-	128,809	128,809	-
Total U.S. Environmental Protection Agency			<u>(53,694)</u>	<u>725,413</u>	<u>671,719</u>	<u>-</u>
Passed Through Tennessee Department of Environment And Conservation:						
Clean Water State Revolving Loan Program (SRF 2011-289)	66.458	SRF 2011-289	-	2,355,139	2,355,139	-
Clean Water State Revolving Loan Program (SRF 2012-307)	66.458	SRF 2012-307	-	8,776,243	8,776,243	-
Clean Water State Revolving Loan Program (SRF 2013-318)	66.458	SRF 2013-318	-	6,188,844	6,188,844	-
Total Revolving Loan Program			<u>-</u>	<u>17,320,226</u>	<u>17,320,226</u>	<u>-</u>
Total U. S. Environmental Protection Agency			<u>(53,694)</u>	<u>18,045,639</u>	<u>17,991,945</u>	<u>-</u>

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**CITY OF CHATTANOOGA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2016**

<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>Ending (Accrued) Unearned Grant Revenue</u>
(continued from previous page)						
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>						
Emergency Food and Shelter National Board Program	97.024	768200-001	(4,831)	12,642	7,811	-
Total Federal Emergency Management Agency			(4,831)	12,642	7,811	-
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Head Start	93.600	04CH0047/38	(512,020)	628,975	116,955	-
Head Start	93.600	04CH010085-01-00	-	7,820,683	8,242,061	(421,378)
Early Head Start-Child Care Partnership Grant	93.600	04HP0041/01	(160,782)	2,396,748	2,457,016	(221,050)
Total Head Start			(672,802)	10,846,406	10,816,032	(642,428)
Passed Through Tennessee Department of Human Services:						
Low-Income Home Energy Assistance	93.568	LIHEAP-15-03	(237,437)	551,498	314,061	-
Low-Income Home Energy Assistance	93.568	LIHEAP-16-04	-	1,849,233	2,047,238	(198,005)
Total Low-Income Home Energy Assistance			(237,437)	2,400,731	2,361,299	(198,005)
Community Services Block Grant	93.569	Z 15-49104	(65,768)	65,768	-	-
Community Services Block Grant	93.569	Z 16-49104	-	527,769	635,327	(107,558)
Total Community Services Block Grant			(65,768)	593,537	635,327	(107,558)
YFD Summer Food Service Program	10.559	30-202	(61,720)	188,151	126,431	-
YFD After School Care Food Program	10.558	03-47-30140-00-8	-	229,732	265,850	(36,118)
YFD Summer Food Service Program	10.559	35-0014	-	-	117,179	(117,179)
Total YFD Summer Food Service Program			(61,720)	417,883	509,460	(153,297)
Total U. S. Department of Health and Human Services			(1,037,727)	14,258,557	14,322,118	(1,101,288)

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**CITY OF CHATTANOOGA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2016**

<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>Ending (Accrued) Unearned Grant Revenue</u>
(continued from previous page)						
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</b>						
Foster Grandparents Program	94.011	13SFSTN003	(30,960)	30,960	-	-
Foster Grandparents Program	94.011	13SFSTN003	-	371,333	407,860	(36,527)
Total Corporation for National and Community Services			<u>(30,960)</u>	<u>402,293</u>	<u>407,860</u>	<u>(36,527)</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT</b>			<u>(3,205,886)</u>	<u>39,859,245</u>	<u>39,526,539</u>	<u>(2,873,180)</u>
<b>STATE AWARDS</b>						
Tennessee Commission on Aging & Disability Southeast Tennessee Development District	N/A	42185	-	48,950	45,517	3,433
Tennessee Department of Environment & Conservation						
Household Hazardous Waste	N/A	GG-1338886	(24,648)	57,349	32,701	-
Clean Water State Revolving Loan Program (SRF 2011-289)	66.458	SRF 2011-289	-	860,014	860,014	-
Clean Water State Revolving Loan Program (SRF 2012-307)	66.458	SRF 2012-307	-	7,709,002	7,709,002	-
Clean Water State Revolving Loan Program (SRF 2013-318)	66.458	SRF 2013-318	-	7,925,647	7,925,647	-
Total Tennessee Department of Environment & Conservation			<u>(24,648)</u>	<u>16,552,012</u>	<u>16,527,364</u>	<u>-</u>
Tennessee Department of Finance & Administration						
THDA Entitlement - CNE Project		Program Income	447,929	56,433	794	503,568
Tennessee Emergency Management Agency - Disaster relief)						
FEMA 1965 DR TN - February 2011	97.036	FEMA 1965 DR TN	-	-	-	-
FEMA 1974 DR TN - April 2011	97.036	FEMA 1974 DR TN	(9,529)	9,529	-	-
<b>TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT</b>			<u>413,752</u>	<u>16,666,924</u>	<u>16,573,675</u>	<u>507,001</u>
<b>TOTAL EXPENDITURE OF FEDERAL AND STATE AWARDS - PRIMARY GOVERNMENT</b>			<u>\$ (2,792,134)</u>	<u>\$ 56,526,169</u>	<u>\$ 56,100,214</u>	<u>\$ (2,366,179)</u>

**CITY OF CHATTANOOGA, TENNESSEE**

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

**June 30, 2016**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Program Income

Cash receipts for the Community Development Block Grant (CFDA 14.218) and HOME Investment Partnerships Program (CFDA 14.239) include program income of \$210,679 and \$417,376, respectively.

Note 3. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$475,482
Shelter Plus Care	14.231	226,583
THDA ESG Stage	14.231	100,584
Home Investment Partnerships Program	14.239	719,303



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**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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2016. Our report includes a reference to other auditors who audited the financial statements of EPB, Chattanooga Metropolitan Airport Authority, and Chattanooga Area Regional Transit Authority, as described in our report on the City of Chattanooga's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Chattanooga, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee  
December 19, 2016

Henderson Hutcherson  
& McCullough, PLLC





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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Chattanooga, Tennessee's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City of Chattanooga, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. The City's basic financial statements include the operations of EPB, Chattanooga Metropolitan Airport Authority, and Chattanooga Area Regional Transit Authority which expended federal awards which are not included in the accompanying schedule of expenditures of federal awards during the year ended June 30, 2016. Our compliance audit, described below, did not include the operations of these entities because the entities engage other auditors to perform audits in accordance with the Uniform Guidance.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on each of the City of Chattanooga's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Compliance for Each Major Federal Program***

In our opinion, the City of Chattanooga, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control over Compliance**

Management of the City of Chattanooga, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Chattanooga, Tennessee  
December 19, 2016

*Henderson Hutcherson  
& McCullough, PLLC*

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2016**

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed under the Uniform Guidance? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.239	U.S. Department of Housing and Urban Development HOME Investment Partnerships Program
20.205	U.S. Department of Transportation Highway Planning and Construction
93.600	U.S. Department of Health and Human Services Head Start Program

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2016**

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

\$1,185,796

Auditee qualified as low-risk auditee?

  x   yes           no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported

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

None reported

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended June 30, 2015**

None reported



**City of Chattanooga**

Department of Finance and Administration

City Hall

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Chattanooga, Tennessee 37402

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