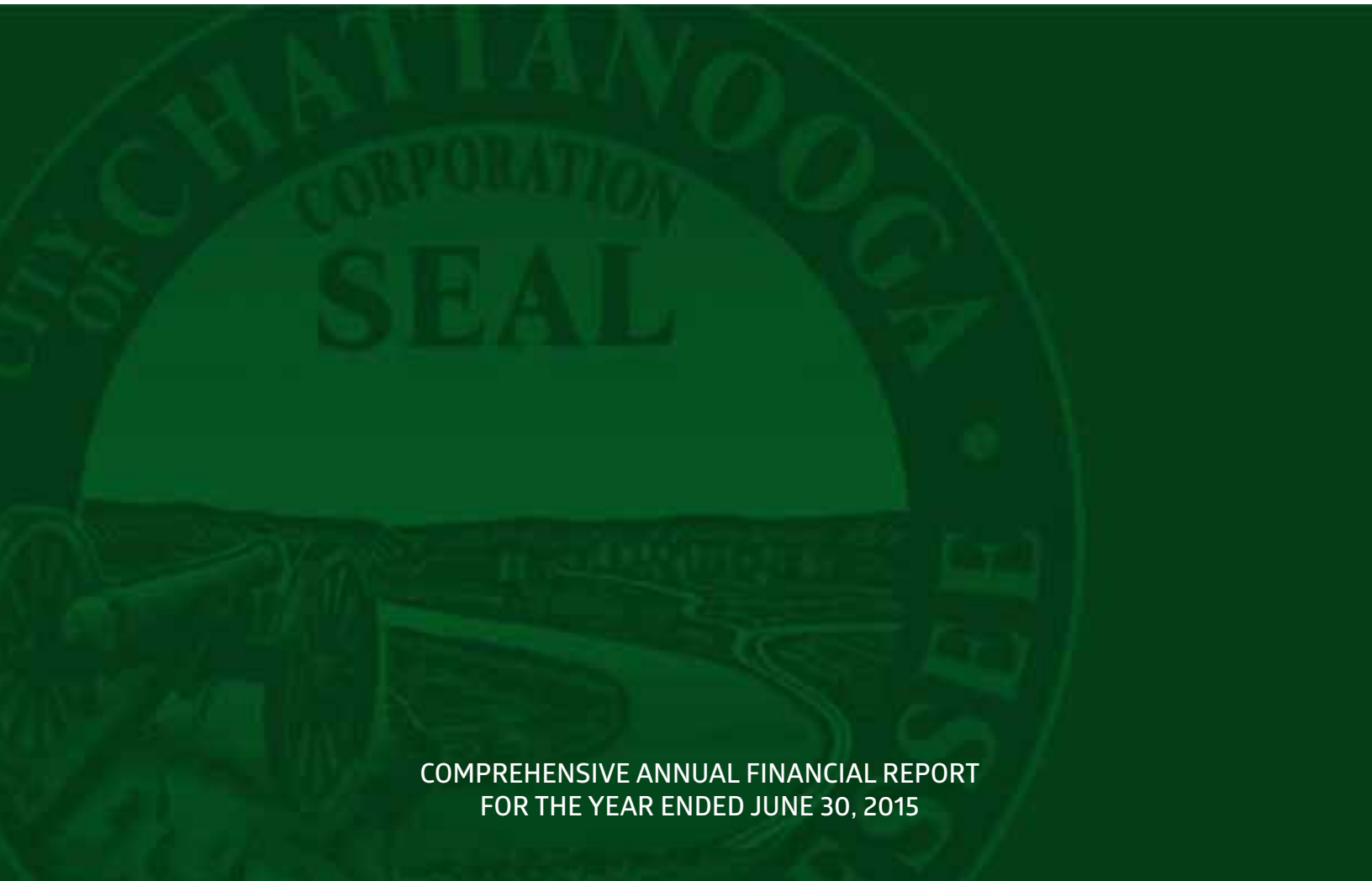
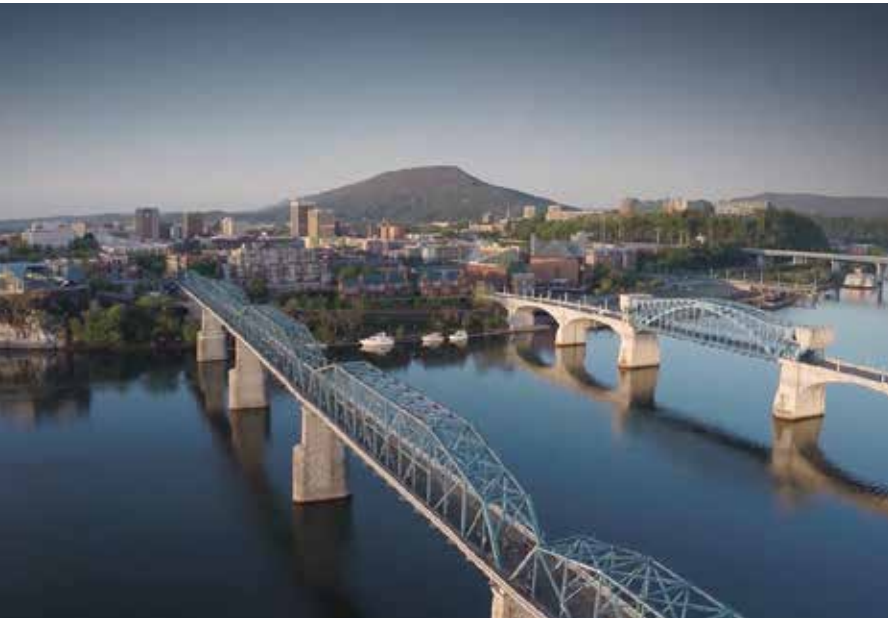


City of Chattanooga, Tennessee

CAFR 2015



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015

DEPARTMENT OF FINANCE AND ADMINISTRATION
DAISY W. MADISON, ADMINISTRATOR

CITY OF CHATTANOOGA, TENNESSEE

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CITY OF CHATTANOOGA, TENNESSEE

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CITY OF CHATTANOOGA, TENNESSEE

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Mayor's Letter



City of Chattanooga
Office of the Mayor

City Hall 101 East 11th Street Chattanooga, Tennessee 37402

December 11, 2015



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, 2015. Every day, my Administration ensures city government's actions match our community priorities of safer streets, smarter students and stronger families, a growing economy, stronger neighborhoods, and high performing government. We are committed to addressing these important priorities – and we are seeing clear results.

Over the past year, we have made our streets safer for more Chattanoogaans. Robberies are at a five-year low, property crime is down 22%, and violent crime is down 4.75%. While the rate of violence is rising in cities across the country, Chattanooga has seen a slight but steady decrease in shootings and homicides. In addition, our police department is making strides with our Community Police Response to Victims of Violence (CPRVV) initiative. Recognized as a national best practice, CPRVV is building relationships between law enforcement and victims to ensure cooperation and trust during the investigative process.

We know local government is most effective when we partner with businesses, nonprofits, and local organizations to move the needle in a variety of ways, including growing our economy. To that end, Chattanooga's unemployment rate has declined from 7.8% on April 2013 to 5.4% today. Last year, 3,341 new jobs were created and we experienced the third fastest wage growth of any mid-sized city in the country. This focus on our local economy and high quality of life puts Chattanooga on the "Best Of" lists throughout the year, from one of the *Best Cities to Start a Business and a Best Place to Retire to Outside Magazine's designation of Best Town Ever*.

Chattanooga's focus on innovation and technology can be seen throughout our community. Whether visiting a new startup located in our downtown Innovation District to dropping in on an award-winning Tech Goes Home class at a neighborhood church, we are working to ensure everyone has an opportunity to participate in the 21st Century. And while access to technology like the Internet is critical, we also know that the foundation for future success must be established early on. That's why the City has invested in our families like never before, from teaching students how to read at one of our 18 Youth & Family Development Centers to teaching parents how to be their child's first educator at Baby University, which provides important resources to some of our most underserved families.

All of this work is to ensure every Chattanoogaan can live the life of their choosing. That means streets safe from the threat of violence and more job opportunities, especially those that build our middle class. It means thriving neighborhoods where families are strong and kids have access to opportunity. And it means a local government committed to using taxpayer dollars efficiently and effectively to provide the best services possible and enhance the quality of life for all Chattanoogaans.

Sincerely,

Mayor Andy Berke

City of Chattanooga



City Council



Chip Henderson
District 1



Jerry Mitchell
District 2



Ken Smith
District 3



Larry Grohn
District 4



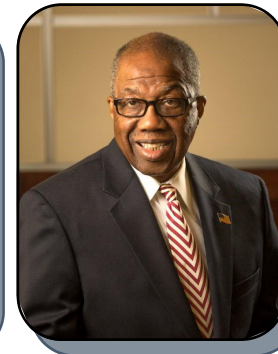
Russell Gilbert
District 5



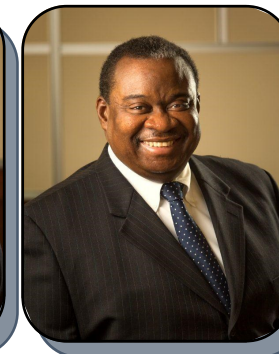
Carol Berz
Chair
District 6



Chris Anderson
District 7



Moses Freeman
Vice 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 11, 2015

To the Honorable Mayor Andy Berke, Members of the City Council and the Citizens of Chattanooga, Tennessee:

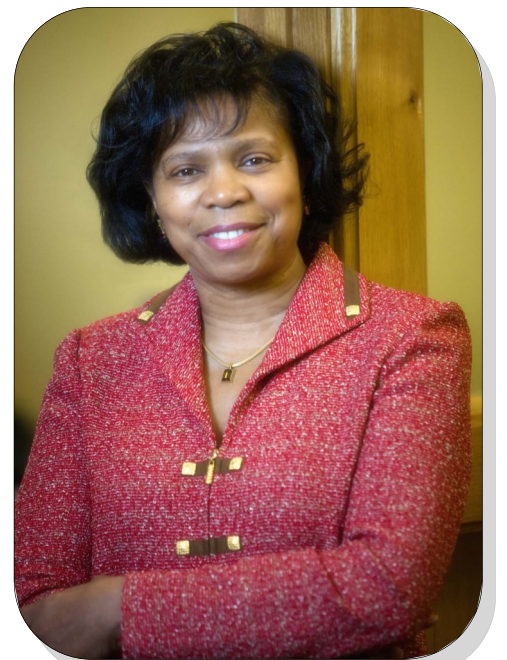
State and local statutes require that the City publish annual audited financial statements for each fiscal year. This Comprehensive Annual Financial Report (CAFR) of the City of Chattanooga for the fiscal year ended June 30, 2015 is submitted in compliance with this requirement.

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

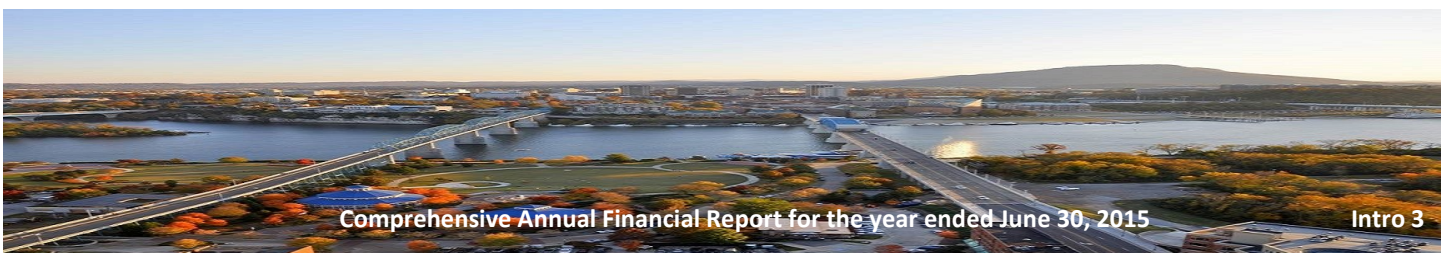
Henderson, Hutcherson & McCullough, PLLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Chattanooga's financial statements for the year ended June 30, 2015. The independent auditor's report is presented as the first item in the financial section of this report.

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

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



Daisy W. Madison, City Finance Officer





GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND MAJOR INITIATIVES

PROFILE OF THE GOVERNMENT

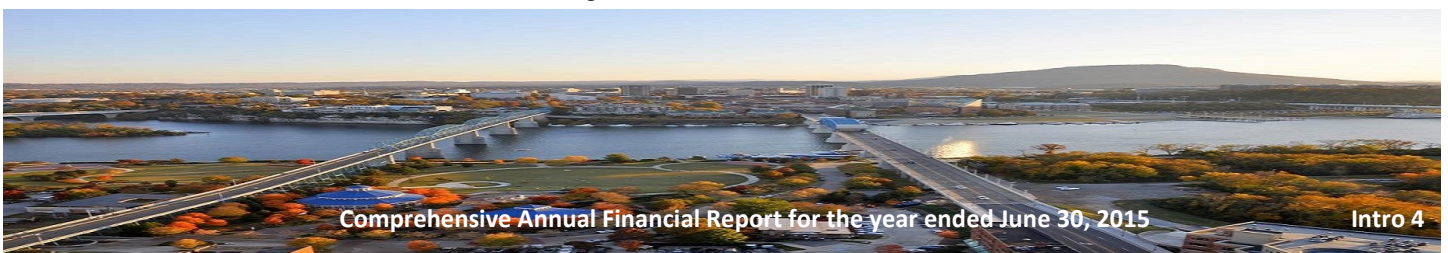
Nestled in a bend of the Tennessee River and surrounded by mountains and lakes, Chattanooga is so beautiful it inspired a community quest to make it the best mid-sized city in America. Living in Chattanooga means that outdoor views and adventures are around every corner, but our city is much more than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

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

bama; and Atlanta, Georgia. Over 11 million people live within a 2 to 2½ hour drive of Chattanooga. It encompasses an area of 148 square miles. Official results of the 2010 U.S. Census show a population of 167,674, a 7.8% growth since the 2000 Census. The Census Bureau now estimates the population at 173,366. 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; sanitation services and recycling; construction and maintenance of highways, streets and infrastructure; recreation and cultural activities; youth and family development; public library; community development; planning and zoning; neighborhood services; social services; and general administrative services. It also operates a water quality program, a solid waste program and a wastewater system for its residents and for other communities in southeast Tennessee and northwest Georgia. The City's Electric Power Board (EPB) provides electric and fiber-to-home services. Other services are provided through 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 (CARTA), both of which are reported separately within the City's financial statements. Additional information on all these legally separate entities can be found in the notes to the financial statements.

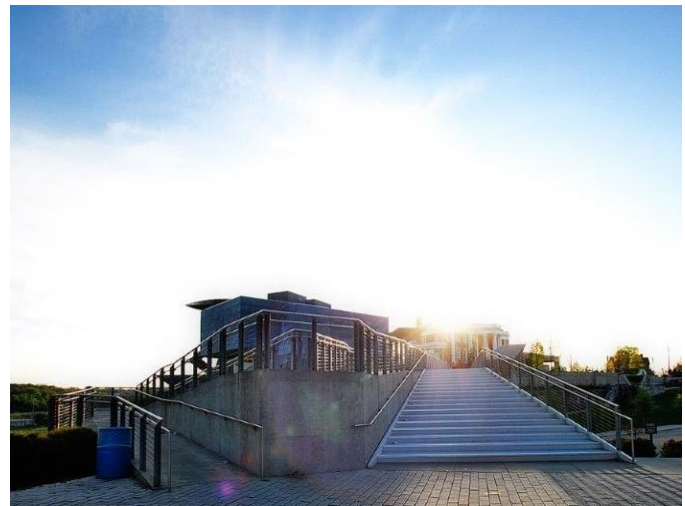
The annual budget serves as the foundation for the City's financial plan. In lieu of the traditional approach, the City develops its annual budget utilizing the Budgeting for Outcomes (BFO) approach. BFO is a process designed to operate a government that works better and cost less. It is based on the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

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements

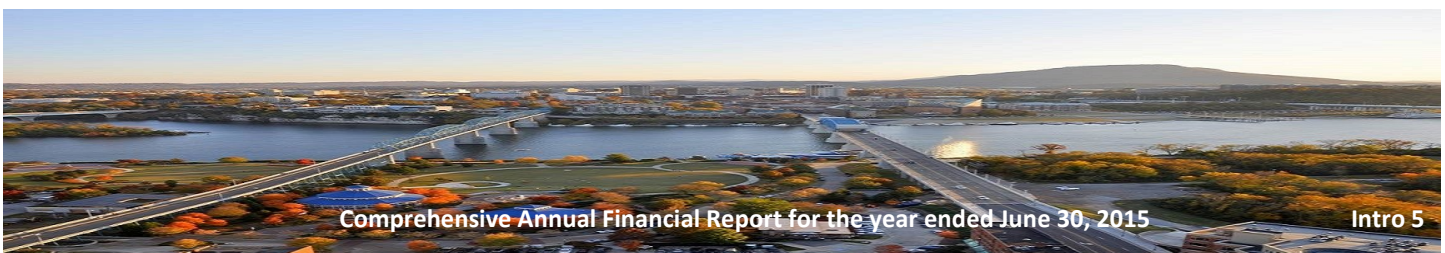
may be best understood when it is considered from the broader perspective of the specific economic environment within which the City of Chattanooga operates.

The Local Economy: 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 (21%), government (13%), manufacturing (13%), professional and business services (19%), education and health (14%), and leisure and hospitality (12%) comprise 92% of the workforce. The local unemployment rate of 5.6% for the Metropolitan Statistical Area is comparable to the state and national averages of 5.7% and 4.9% as of September, 2015, according to information from the Tennessee Department of Labor and Workforce Development. Tennessee added jobs at twice the rate of the rest of the country over the past year. Specifically in the Chattanooga MSA, wages grew twenty-five percent faster than the U.S. Average in 2014, the most recent figure available from the U.S. Bureau of Labor Statistics, ranking 3rd among medium size cities.



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. Direct flights are available to eight major cities. The Airport is adding 300 parking spaces as boardings continue to rise, perhaps on track to exceed 400,000 in 2015. 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 29th year of opera-



tion, anchors the area's I-75 retail corridor. Retail expansion continues just north of the mall at Waterside, a mixed used development encompassing over 40 acres. The Hixson area at the north end of Highway 153 is also enjoying a resurgence of activity. Additionally, car dealerships in highly visible locations along I-24, I-75, and Highway 153 make the bulk of area car sales where dealers are enjoying increased sales activity as a result of lower fuel prices and a continually improving local economy.



Downtown is continuing to add hotels, housing, and office space. The first phase of a proposed \$100 million housing and commercial project on the west side of downtown along the river is nearing completion. Once finished, it will include 39 homes and luxury townhomes along Riverfront Parkway expected to range upward from \$319,000 each. A \$19 million hotel, with 140 rooms, is currently nearing completion.

Other new hotels are in the early development or planning stages. These include a 90-room upscale boutique hotel slated to open in 2016 near the Tennessee Aquarium and the possibility of another 500 rooms to be located in the former Blue Cross Blue Shield building on Pine Street. New development in the core of the city is also being planned. The vacant 700 block of Market Street has been purchased by a developer who hopes to construct a 10-story building on the site which will hold retail, office, and up to 125 apartments. Additionally, the McClelland Building on Broad Street and the First Tennessee Bank Building on Market Street are being considered for redevelopment to include apartment space. The old Fleetwood Coffee Building, just east of City Hall is well on its way to a complete renovation which will house apartments and office space. On the Southside, portions of the Chattanooga Choo Choo complex are being reconstructed into affordable housing and additional space for entertainment. These projects, along with numerous other housing and retail developments under construction or consideration throughout the city, are in response to increasing demand for downtown housing and retail which ensures sustained economic growth in the coming years.

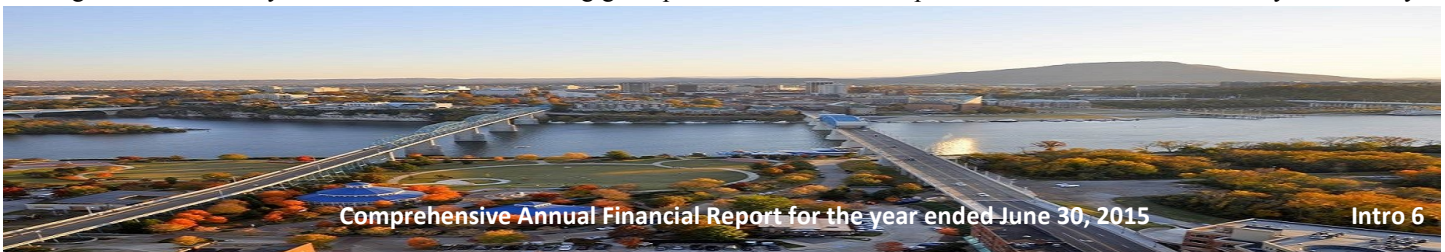
Chattanooga remains a world leader in technology, having been the first city in the world to offer a one-gigabit per

second internet service since 2010 through the Electric Power Board (EPB), Chattanooga's municipal power provider. We have now become the first city to offer a ten-gigabit connection to all customers in the service area. The Fiber-to-the-Home (FITH) network has offered a one-gigabit per second internet service since 2010, putting Chattanooga at 10 times faster and 10 years ahead of the FCC National Broadband Plan, according to EPB officials. The ten-gigabit network is available to all 170,000 homes, schools, and businesses in the service area, a total of 600 square miles that covers urban, suburban, and rural places and a diverse population of 300,000 people. The system is integrated with Smart Grid, a technology which allows remote monitoring of meters for every customer. A \$111 million federal stimulus grant from the Department of Energy in 2010 dramatically accelerated the installation in 2012 of the Smart Grid, shortening the planned five year implementation schedule to two years. A wireless mesh network is piggybacked onto the entire system, enhancing public safety as well.

To take advantage of the 10-gig speed, the city has established NoogaNet in city-owned spaces and buildings to provide free Wi-Fi. As of 2015, EPB has over forty percent of the market. Approval has been received from the Federal Communications Commission to offer service outside the existing service area, and EPB anticipates final regulatory changes by the State of Tennessee that would enable them to carry out those expansion plans. To date, over \$300 million has been invested in the fiber optics and smart grid. Few other cities in the world offer such service.

The economic impact to the area as a result of the EPB fiber optic network has approached \$1 billion since its inception according to a study the University of Tennessee at Chattanooga, with an estimated creation of 2800 jobs. The high-speed internet continues to attract competition and international visitors. In 2015, Chattanooga hosted its fourth GigTank competition, with specialists from around the world to develop business ideas. The availability of technology helped foster "Startup Week Chattanooga" which held its second 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. The \$900 million expansion, including \$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, brings local economic development efforts to fruition. 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 500 jobs. Plastic Omnium Auto Exterior has located a \$65 million factory to furnish exterior automotive parts, adding up to 300 jobs.

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 new City initiative which will award a total of \$100,000 in City grants to small companies. The City awards are based on a formula which evaluates pay per job created. There is also a new initiative called the “Innovation District” designed to connect entrepreneurs who have creative ideas with existing businesses to jump start new successful companies.



Retention of existing jobs can be as important as the addition of new. Not only is the city attracting new industry, it is retaining and expanding historic industry as well. The Chattanooga Coca-Cola Bottling Company, with a presence in our city for 115 years, broke ground in 2014 on a new \$62 million distribution center and regional headquarters, expected to be completed in January, 2016. The new facility near I-75 will absorb the Dalton, Georgia and Scottsboro, Alabama distribution regions and will bring over 40 jobs in addition to the 270-employee base. The bridge at the exit to the facility from Highway 153 is being widened at a cost of \$5.3 million, including intersection improvements, to allow easy access for employees and deliveries as well as provide improved access to the airport. These successes and many more are the result of

strong leadership among all the various civic leaders and elected officials.

The third phase of the Chattanooga Chamber of Commerce “Chattanooga Can Do” campaign, conducted from July 2011 – June 2015, set goals for job growth. These goals were far exceeded as indicated below.

| <u>Goal to increase</u> | <u>Target</u> | <u>Actual</u> |
|-------------------------|---------------|---------------|
| Regional Employment | 15,121 | 17,536 |
| Private Investment | \$550 M | \$1.08 B |
| Payroll | \$427 M | \$810.5 M |

Quality education is the centerpiece of a successful community. A study released 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 apprenticeships to the students.

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

The fiscal health of Chattanooga City Government remains strong. As outlined in the Management’s Discussion and Analysis on page iv, the City has maintained a healthy financial position through sound fiscal management. We have a history of strong fiscal discipline, healthy reserves, and constant review of operations, being ever vigilant to find new efficiencies and cost reduction measures. Standard and Poor’s Ratings Services raised the City’s bond rating to AAA in November, 2013, which was reaffirmed as AAA Stable in October, 2015. Fitch Ratings affirmed their bond rating for the City at AA+ Stable in October, 2015. The EPB maintains AA+ ratings from S&P and Fitch.

Long-term financial planning: The City takes a long range approach to capital spending by the adoption of a five year capital plan. As part of the strategic plan, the new





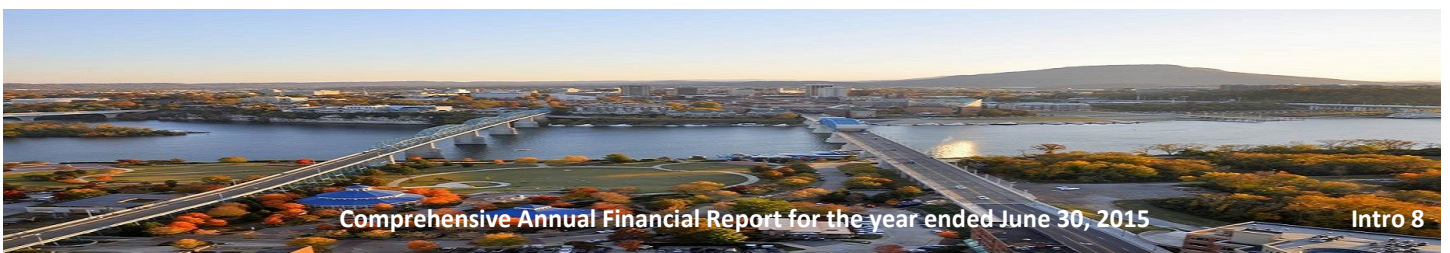
administration has restructured operations to include a department of economic and community development and hired a capital planner to focus intensely on long term sustainability and economic growth. The City continues to explore growth opportunities through economic development, regional growth plans, and other strategic initiatives that involve all citizens.

The City began a new approach to budget preparation and management with the Fiscal Year 2014 budget, known as Budgeting for Outcomes. 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. Budgeting for Outcomes provides accountability by providing for regular review and monitoring of departmental performance by the Mayor, the City Finance Officer and other senior City officials. The City's annual performance report to the citizens of Chattanooga gives residents an update on how city services are responding to their needs. It also provides department heads and managers with quantifiable information to assess performance in meeting the City's goal of efficient and effective management of resources in providing quality services to the citizens of Chattanooga. A new Open

Data portal is being developed which will improve transparency and promote citizen engagement and will include regular updates to the budget and spending for the public to view on the City's website.

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

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



Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chattanooga, Tennessee for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the twenty-third 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.

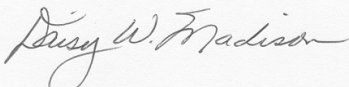
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal 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 fourth 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, 2015



EXECUTIVE BRANCH:

Andy Berke, Mayor

Travis McDonough, Chief of Staff

Brent Goldberg, Chief Operating Officer

CITY COUNCIL:

Carol Berz, Chair.....District 6

Moses Freeman, Vice Chair.....District 8

Larry Grohn.....District 4

Chip Henderson.....District 1

Russell Gilbert.....District 5

Jerry Mitchell.....District 2

Chris Anderson.....District 7

Ken Smith.....District 3

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..... Sandra Freeman.....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

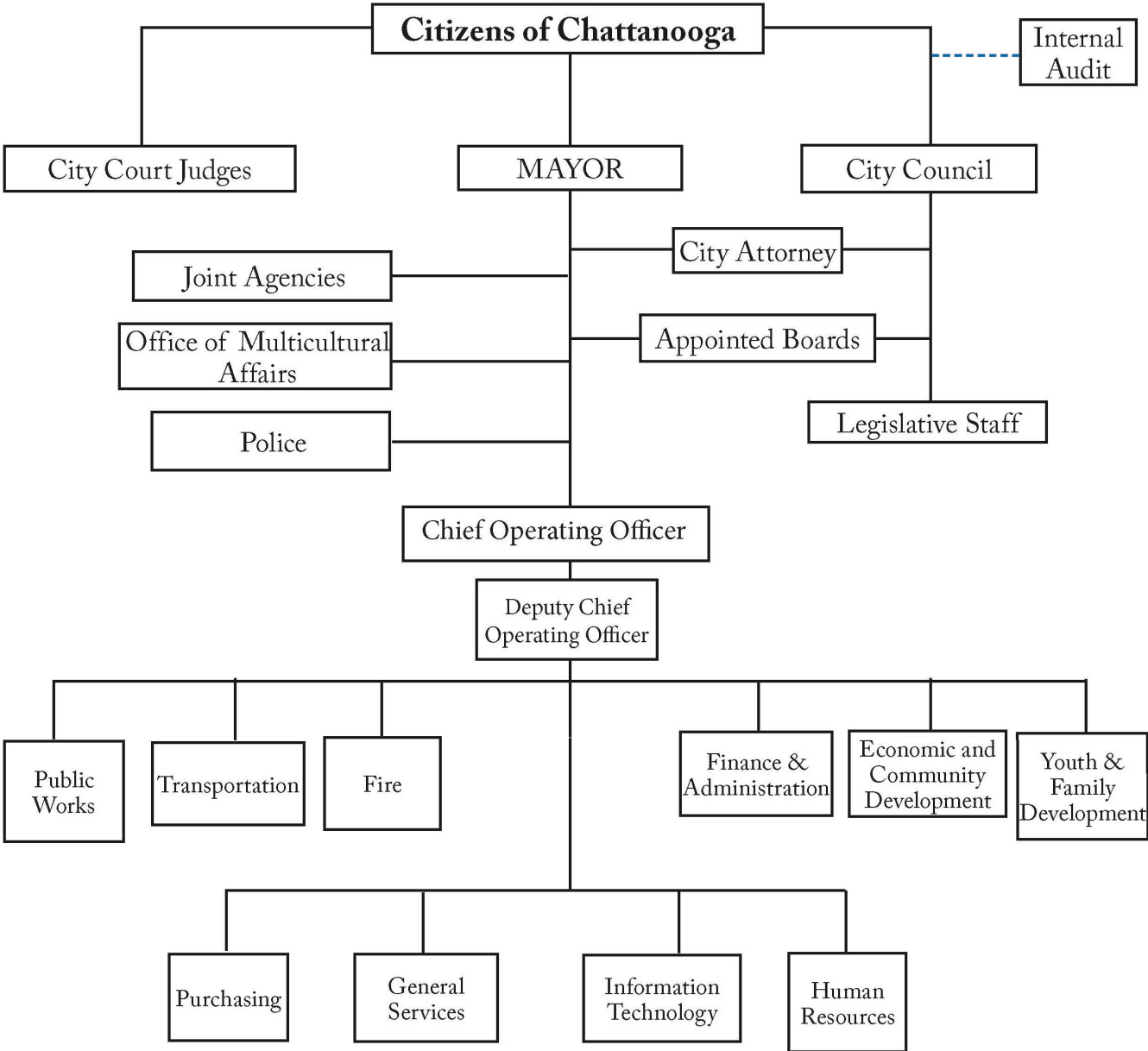
Public Works..... Lee Norris.....Administrator

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

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



Organization Chart





HENDERSON HUTCHERSON
& MCCULLOUGH, PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee (the City), as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee as of June 30, 2015, 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-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chattanooga's basic financial statements. The introductory section, combining and individual nonmajor fund and component unit financial statements, the budgetary comparison schedules included as other supplementary information, financial schedules, statistical tables and schedule and schedule of expenditures of federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, 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 10, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with our Letter of Transmittal beginning on page Intro 3 and the financial statements beginning on page A-1.

Financial Highlights

- Assets and deferred outflow of resources for the primary government exceeded liabilities and deferred inflow of resources by \$1.8 billion (net position), an increase of \$57.8 million, or 3.3 percent, at the close of the fiscal year. Of this amount there is a \$172.5 million deficit unrestricted net position. The deficit increased by \$64.5 million largely due to a \$44.0 million increase in pension expense and \$20.0 million increase in economic development costs for Volkswagen expansion incentive. Pension expense during the previous year was offset by a \$65.3 million savings due to Fire and Police pension reform.
- Net position of governmental activities at June 30, 2015 was \$1.2 billion, an increase of \$15.0 million, or 1.3 percent. Business-type activities reported ending net position of \$649.4 million, an increase of \$42.8 million, or 7.0 percent due to favorable operations trend in all business-type activities.
- Long-term liabilities for the City's primary government decreased \$39.3 million or 4.0 percent, during the current fiscal year. Governmental activities long-term liabilities decreased \$24.8 million. \$17.8 million in bonds were issued to refinance \$18.3 million and 19.3 million in debt was retired. Liabilities for OPEB and employee accrued leave decreased by \$2.9 million and \$2.3 million respectively. Business-type activities long-term liabilities decreased \$14.5 million. \$8.2 million in bonds were issued to refinance \$8.4 million in existing debt. An additional \$19.9 million in bonds were retired. \$17.1 million in notes were issued for the Interceptor Sewer System; a comparable amount of notes were retired resulting in minimal change in amount owed.
- Pension cost increased \$6.7 million as EPB implemented GASB 68. This standard was implemented for the General Pension and Fire and Police Pension funds during the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$55.1 million, a decrease of \$8.9 million or 13.9 percent from prior year. This represents 21.6 percent of total General Fund expenditures and transfers out. The City budgeted \$20.0 million use of fund balance as a capital incentive for Volkswagen expansion. Due to favorable operations, reserves decreased by only \$9.3 million.



Overview of the Financial Statements

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

Government-wide Financial Statements

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

There are two government-wide financial statements:

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

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

The government-wide financial statement reflect three distinct activities:

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

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

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 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-14 of this report.

Notes to the Financial Statements

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

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

Supplemental Information

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

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



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

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

Government-wide Overall Financial Analysis

Net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$1.8 billion at the close of the most recent fiscal year, an increase of \$60.9 million, or 3.5 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.

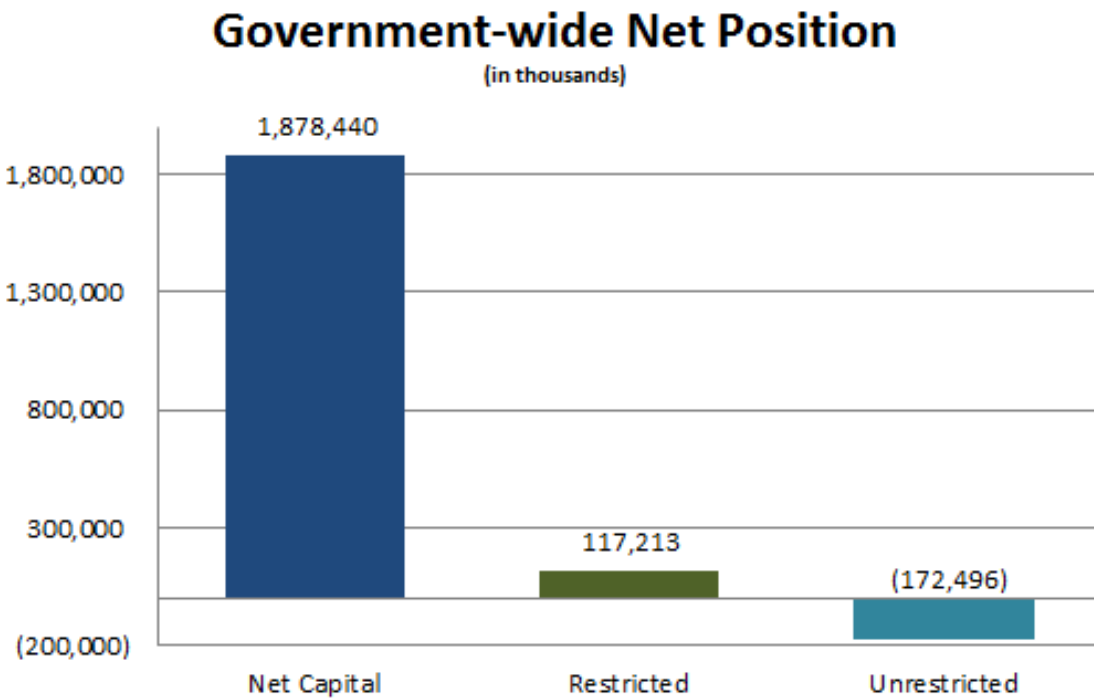
City of Chattanooga's Net Position

(in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|----------------------------|--------------|-----------------------------|------------|--------------|--------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Current and other assets | \$ 260,825 | \$ 262,261 | \$ 412,194 | \$ 411,907 | \$ 673,019 | \$ 674,168 |
| Capital assets | 1,472,295 | 1,489,132 | 964,104 | 935,840 | 2,436,399 | 2,424,972 |
| Total assets | 1,733,120 | 1,751,393 | 1,376,298 | 1,347,747 | 3,109,418 | 3,099,140 |
| Total deferred outflows of resources | 28,443 | 21,040 | 11,512 | 4,737 | 39,955 | 25,777 |
| Long-term liabilities outstanding | 405,393 | 430,173 | 546,840 | 564,492 | 952,233 | 994,665 |
| Other liabilities | 26,387 | 27,401 | 186,587 | 181,522 | 212,974 | 208,923 |
| Total liabilities | 431,780 | 457,574 | 733,427 | 746,014 | 1,165,207 | 1,203,588 |
| Total deferred inflows of resources | 155,982 | 156,080 | 5,027 | 3,032 | 161,009 | 159,112 |
| Net position: | | | | | | |
| Net investment in capital assets | 1,275,429 | 1,204,845 | 603,011 | 573,918 | 1,878,440 | 1,778,763 |
| Restricted | 47,791 | 47,932 | 69,422 | 46,645 | 117,213 | 94,577 |
| Unrestricted | (149,419) | (93,998) | (23,077) | (17,125) | (172,496) | (111,123) |
| Total net position | \$ 1,173,801 | \$ 1,158,779 | \$ 649,356 | \$ 603,438 | \$ 1,823,157 | \$ 1,762,217 |

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, \$117.2 million, represents resources that are subject to external restrictions on how they may be used. There is a \$172.5 million deficit in unrestricted net position due to recording of unfunded pension liabilities under GASB 68. Please refer to Note 8.



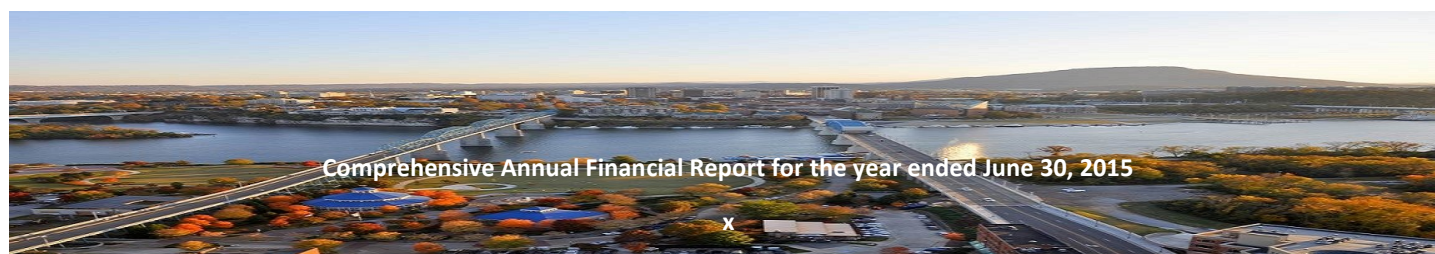
The chart on the next page provides revenue and expense details for Governmental Activities, Business-type Activities and the Primary Government as a whole.



City of Chattanooga's Changes in Net Position

(in thousands)

| | Governmental | | Business-type | | Total | |
|---------------------------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
| | Activities | | Activities | | | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 21,898 | \$ 20,860 | \$ 781,226 | \$ 761,199 | \$ 803,124 | \$ 782,059 |
| Operating grants | 36,065 | 28,079 | - | - | 36,065 | 28,079 |
| Capital grants | 1,557 | 216 | 739 | 1,833 | 2,296 | 2,049 |
| General revenues: | | | | | | |
| Property taxes | 127,520 | 125,641 | - | - | 127,520 | 125,641 |
| Other taxes | 23,361 | 22,733 | - | - | 23,361 | 22,733 |
| Investment income | 955 | 1,332 | 1,186 | 990 | 2,141 | 2,322 |
| Miscellaneous | 1,525 | 263 | - | - | 1,525 | 263 |
| Unrestricted grants and contributions | 75,505 | 70,668 | - | - | 75,505 | 70,668 |
| Total revenues | <u>288,386</u> | <u>269,792</u> | <u>783,151</u> | <u>764,022</u> | <u>1,071,537</u> | <u>1,033,814</u> |
| Expenses | | | | | | |
| Governmental activities: | | | | | | |
| General government | 68,923 | 70,744 | - | - | 68,923 | 70,744 |
| Economic and community development | 25,728 | 6,785 | - | - | 25,728 | 6,785 |
| Public safety | 82,129 | 38,176 | - | - | 82,129 | 38,176 |
| Public works and transportation | 66,225 | 64,730 | - | - | 66,225 | 64,730 |
| Youth and family development | 23,455 | 21,716 | - | - | 23,455 | 21,716 |
| Interest on long-term debt | 6,904 | 6,820 | - | - | 6,904 | 6,820 |
| Business-type activities: | | | | | | |
| Electric utility | - | - | 655,053 | 639,501 | 655,053 | 639,501 |
| Sewer | - | - | 48,141 | 48,360 | 48,141 | 48,360 |
| Solid waste | - | - | 4,126 | 4,393 | 4,126 | 4,393 |
| Water quality | - | - | 13,152 | 13,176 | 13,152 | 13,176 |
| Downtown Redevelopment | - | - | 16,761 | 16,049 | 16,761 | 16,049 |
| Total expenses | <u>273,364</u> | <u>208,971</u> | <u>737,233</u> | <u>721,479</u> | <u>1,010,597</u> | <u>930,450</u> |
| Increase (decrease) in net position | 15,022 | 60,821 | 45,918 | 42,543 | 60,940 | 103,364 |
| Net position, beginning | 1,158,779 | 1,097,958 | 603,438 | 564,061 | 1,762,217 | 1,662,019 |
| Prior period adjustment | - | - | - | (3,166) | - | (3,166) |
| Net position, ending | <u>\$ 1,173,801</u> | <u>\$ 1,158,779</u> | <u>\$ 649,356</u> | <u>\$ 603,438</u> | <u>\$ 1,823,157</u> | <u>\$ 1,762,217</u> |

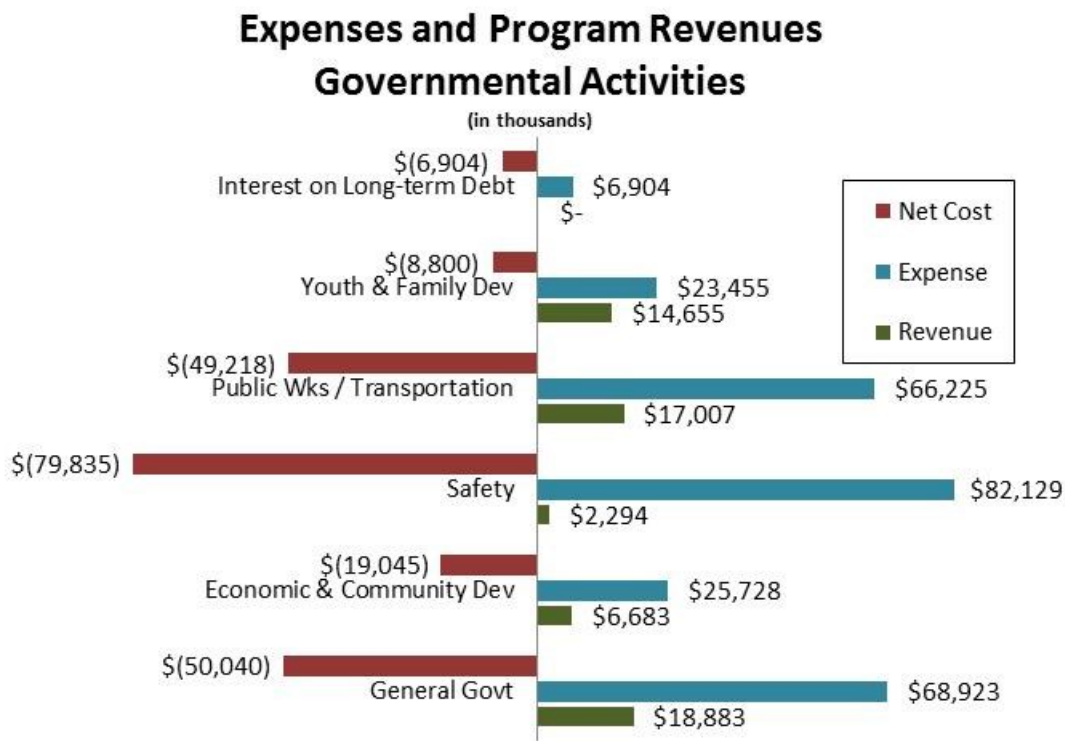


Governmental Activities

During the current fiscal year, net position of the City’s governmental activities increased \$15.0 million from the prior year for an ending balance of \$1.2 billion. Overall revenue increased \$18.6 million or 6.9 percent. \$8.0 million of the increase is from operating grants primarily from donations of streets. County-wide sales tax, after the accrual of earned revenue, increased by \$3.5 million or 6.9 percent over prior year and property tax increased by \$1.9 million or 1.5 percent. There was a one-time infusion of \$1.4 million from the state for old Metropolitan Planning Organization projects.

Expenses for the current year increased \$64.4 million or 30.8 percent. In the prior year there was a \$65.3 million reduction in expenses relating to the Fire and Police Pension reform, a one-time savings. The City paid \$20.0 million of a \$26.2 million incentive for expansion of an automotive plant and building a research facility which will bring 2,000 additional jobs to the Chattanooga area.

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.



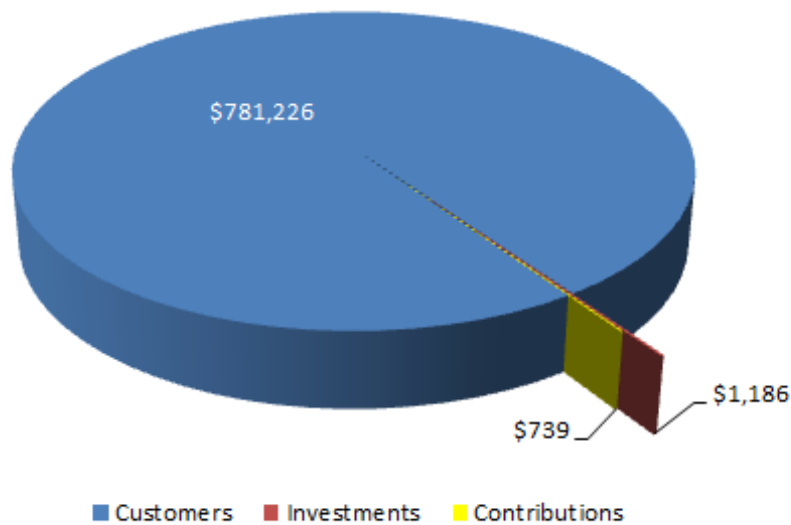
Business-type Activities

During the current year, net position of the business-type activities increased \$45.9 million or 7.6 percent, to \$649.4 million. This net position is dedicated solely to finance the continuing operations of the electric, sewer, water quality systems, solid waste disposal and downtown redevelopment operations.

Revenues for the City’s business-type activities were \$783.2 million for the year just completed; this is a \$19.1 million or 2.5 percent increase. Expenses increased \$15.8 million or 2.2 percent resulting in total expense of \$737.2 million for the year. Please see Enterprise Fund detail for additional information.

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

Revenues by Source Business-type Activities
(in thousands)



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

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

| | Electric | Sewer | Solid Waste | Water Quality | Downtown Revelopment | Total |
|------------------------|------------|-----------|-------------|---------------|-------------------------|-----------|
| Expenses | \$ 655,053 | \$ 48,141 | \$ 4,126 | \$ 13,152 | \$ 16,761 | \$737,233 |
| Revenues | 672,186 | 64,420 | 7,380 | 19,959 | 19,206 | 783,151 |
| Change in net position | \$ 17,133 | \$ 16,279 | \$ 3,254 | \$ 6,807 | \$ 2,445 | \$ 45,918 |



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.

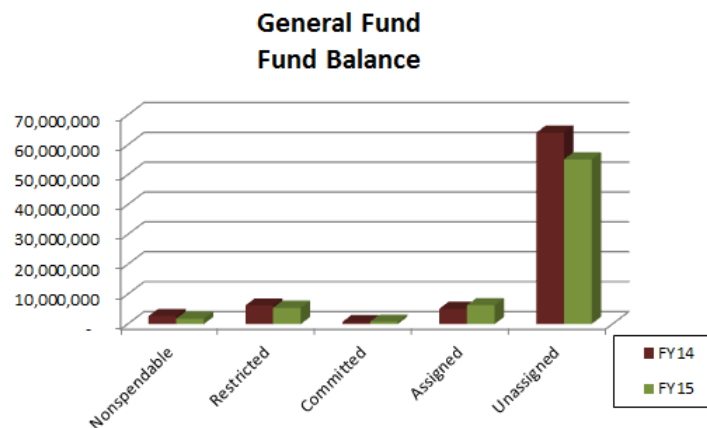
Governmental Funds

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 \$136.9 million at the end of the fiscal year. Of this amount 40.2 percent or \$55.1 million, is available for spending at the City's discretion (unassigned fund balance). Total fund balance is made up of the following:

- \$7.4 million is in non-spendable form such as inventories and notes receivable.
- \$57.6 million is restricted for particular purposes due to restrictions placed by grants, bond covenants, other governments or by City ordinance.
- \$9.5 million is committed for specific purposes based on City resolutions.
- \$7.4 million is assigned for particular purposes such as under control of boards or designated purpose by management.
- \$55.1 million is unassigned for General Fund discretionary use.

General Fund: This is the chief operating fund of the City. Total fund balance of the General Fund decreased by 11.8 percent or \$9.3 million to \$69.4 million during the fiscal year. Unassigned fund balance decreased \$8.9 million or 13.9 percent to \$55.1 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 21.6 percent of total General Fund expenditures and transfers out, while total fund balance represents 27.2 percent of that same amount.

Revenues: Total revenues increased \$8.3 million or 3.5 percent, from the prior year. All major revenue sources are discussed as follows.

- Tax revenue is \$3.6 million or 2.6 percent higher than in the prior year. During the current fiscal year, property tax, along with payments in lieu of tax (PILOT), increased \$2.8 million or 2.2 percent over last year with all of the growth in property taxes. A large PILOT agreement expired causing a 0.5 percent decrease in PILOT revenue which returned to the tax rolls. Liquor and beer taxes are up \$96,000 or 1.2 percent while gross receipts increased \$105,000 or 2.2 percent. Franchise fees are \$700,000 or 17.5 percent higher than prior year primarily from the gas company whose agreement included a one-percent increase beginning in 2015.
- Licenses and permits are up \$191,000 or 3.3 percent. Building related permits increased \$166,600 or 6.5 percent highlighting the health of the local economy. A new revenue source is an economic development fee imposed as part of all new PILOT agreements which added \$125,000 during the year. These increases are partially offset by a \$93,300 or 5.1 percent decrease in parking meters revenue due to reduced downtown activities resulting from inclement weather.
- Intergovernmental revenues increased \$3.3 million or 4.4 percent over the prior year. This is primarily resulting from a \$3.4 million or 6.7 percent increase in local option sales tax, another indicator of the health of the local economy. State shared sales tax is up \$676,000 or 5.7 percent. These increases are offset by a \$969,000 or 71.3 percent decrease in the congestion mitigation grant from the State of Tennessee as the final phase of the project was completed.
- Charges for services decreased 9.5 percent or \$0.5 million. The primary decrease is a \$342,000 write-off of uncollectible loans under the Chattanooga Opportunity Fund that promotes growth of small businesses. Another major variance during the year is a \$258,300 decrease in ambulance and fire service fees since the Metropolitan Medical Response System funding has ended.
- Fines, forfeitures and penalties increased \$645,000 or 32.0 percent primarily due to increased fine collection from automated traffic enforcement.
- Investment income increased \$279,000 or 45.2 percent resulting from an effort to search out alternative investment vehicles available per the City's investment policy to maximize return while safeguarding assets.
- Major changes in miscellaneous income include a \$316,500 increase of indirect cost recovery from



other funds and a \$307,500 increase in both the sale of back tax lots and equipment. These were offset by a \$140,000 decrease in transitional revenue provided by the Parking Authority as they become the City's administrator of downtown parking.

Expenditures: Total expenditures increased \$7.0 million or 3.6 percent, from the previous year. Major changes during fiscal year 2015 are discussed below:

- Salaries for full-time employees increased \$1.7 million or 2.8 percent; civilian employees received a 1.5 percent increase while sworn employees now have a career ladder program fully in place. Healthcare costs for active employees increased \$655,500 or 5.2 percent while other post-employment benefits for healthcare increased \$479,000 or 4.5 percent. These increases are offset by a \$3.2 million decrease in fire and police pension costs resulting from plan changes which reduced the City's contribution rate from 35.86 percent to 26.19 percent for the year. There was also a \$1.1 million reduction resulting from the final payment in the prior year for construction of the wellness center.
- In the operations area, technology related costs increased \$480,000 or 19.9 percent, and liability insurance premiums increased \$700,000 or 87.5 percent due to increased claims payout. Two unusual items relating to the vehicle lease program and debt payments also occurred in 2015. Restoration of the capital component of the vehicle lease which had been suspended in the prior year increased vehicle lease costs by \$3.6 million or 112.5 percent. Fiscal year 2015 was the first of six \$1.96 million annual payments to the Hamilton County Department of Education for past mixed-drink taxes as part of a settlement.
- Transfers out included an additional \$26.5 million for economic development 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 \$43.0 million in fund balance; of that amount \$0.9 million is nonspendable for long-term note receivables leaving \$42.1 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 2015 there was a \$160,000 decrease in fund balance. Analysis of project income and expenditures follows.

Project inflows for the year of \$55.8 million include \$19.6 million in proceeds including bond premiums to refinance existing debt. Transfers of \$33.0 million include \$30.6 million from General Fund, \$1.6 million from Hotel Motel Tax, \$0.5 million from Narcotics and \$0.3 million from Community Development. The transfers from General Fund include \$26.5 million planned use of operational dollars and fund balance for pay-as-you-go capital; the remaining came from dollars earmarked for economic development and special programs.

Current year project outflows of \$55.9 million include \$16.9 million of economic development projects, \$5.7 million for waterfront improvements, \$4.7 million for street, sidewalk, bridge and tunnel projects, \$2.4 million for ballfields, parks and family centers, \$1.5 million for safety building improvements and equipment. Transfers out of \$1.4 million are funding of internal service technology replacement 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 \$691.3 million. Net investment in capital assets is \$617.4 million, with an additional \$69.4 million restricted for future use, leaving \$4.4 million available to meet on-going obligations.

Enterprise Funds - Total net position of the enterprise funds is \$649.4 million; an increase of \$45.9 million or 7.6 percent. Details for each fund are presented as follows:

- **Electric Power Board** – The largest enterprise fund is EPB, which has both an electric and a fiber optic division. Total net position increased \$17.1 million or 6.0 percent to \$302.2 million, mainly due to a reduction in electric bond liabilities of \$7.4 million as well as a reduction of fiber optics debt of \$14.2 million. Operating revenues are up \$16.4 million or 2.5 percent. A closer examination reveals that electric sales decreased \$2.0 million or 0.4 percent while fiber optic sales increased by \$16.8 million or 18.7 percent due to the continued success of the residential service offerings. Combined operating expenses, which includes tax equivalents and depreciation, increased \$15.9 million or 2.6 percent which is consistent with higher operating revenues.
- **Interceptor Sewer System** – Net position of the Interceptor Sewer System increased \$16.3 million or 6.0 percent, to \$286.0 million. Operating revenues rose \$0.9 million or 1.4 percent while operating expenses were flat. Unrestricted net position (available to finance on-going operations) decreased \$5.9 million or 24.8 percent to \$17.9 million. An additional \$48.3 million is restricted for future capital spending, an increase of \$24.6 million; this increase is the result of contracts issued in compliance with an Environmental Protection Agency (EPA) order; please refer to Note 14 for additional information.
- **Solid Waste** – The City of Chattanooga operates a municipal solid waste landfill. For the first time since EPA mandated establishing closure and post closure requirements, the fund shows a positive net position of \$2.7 million. To date the City has accrued liabilities of \$5.7 million for closure and post closure care costs with \$9.0 million in investments to cover the costs.
- **Water Quality Management** – The Water Quality Fund, established to comply with EPA guidelines, now has \$61.7 million in net position, an increase of \$6.8 million or 12.4 percent from last year. Net investment in capital is \$33.6 million leaving the amount available to fund day-to-day operations (unrestricted net position) at \$27.2 million. Unrestricted net position increased 21.9 percent, \$4.9 million.
- **Chattanooga Downtown Redevelopment Corporation** – The Chattanooga Downtown Redevelopment Corporation (CDRC) remains in a negative net asset position of \$3.2 million. However, during the fiscal year net position increased \$2.4 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 increased \$5.0 million or 13.5 percent. This increase is primarily comprised of \$2.1 million in health premiums over claims, \$1.8 million in fleet program reserves for future vehicle purchases and \$1.0 million set aside for technology purchases.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget

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

There is an increase in transfers between the original budget and the final amended budget of \$20.5 million which is primarily related to the \$20.0 incentive to Volkswagen which was included in the capital budget after the operations budget was passed.

Final Budget Compared to Actual Results

Revenues exceeded budget for the year by \$9.1 million. All revenue categories with the exception of charges for service and miscellaneous exceeded expectations. All major revenue categories are addressed below.

- Total tax revenue for the year was higher than budget expectations by \$2.9 million or 2.0 percent. Property taxes, inclusive of payments in lieu of tax, exceeded budget, \$2.4 million or 1.9 percent. The remaining amount is franchise taxes of \$308,000 and liquor taxes of \$230,000, both exceeding budget estimates.
- Licenses and permits are \$601,000 or 11.2 percent above budget primarily from building related permits and fees as well as new economic development fees related to PILOT agreements.
- Intergovernmental revenue is \$5.0 million or 6.8 percent more than budget, primarily due to sales tax and state income tax. State shared income tax is \$938,000 higher than budget. State shared sales tax is \$315,000 over estimate while local option sales tax is \$3.4 million over estimate.
- Charges for services are \$446,000 under budget or 8.1 percent. Rental of city facilities is up \$260,000 and convenience fees for credit card charges is up \$154,000. This is offset by golf revenues being \$288,000 under budget and write-offs of \$342,000 uncollectible economic development loans.



- Fines and forfeitures are \$1.8 million above estimates. This is primarily due to higher than expected collections under the traffic enforcement based on prior year results.
- Miscellaneous revenue is \$1.0 million below budget primarily due to reclassification of revenue sources.

Expenditures were less than budgetary estimates by \$5.0 million or 2.4 percent. All departments were under budget. Personnel costs, which are budgeted at 100 percent of authorized positions, are \$3.1 million below budget due to vacancies. Operations are down by \$1.7 million or 2.1 percent. As previously mentioned, General Fund transferred \$26.5 million to capital for economic development which includes \$22.9 million use of fund balance. Because revenues were better than anticipated and expenditures were lower, only \$9.3 million of reserves were used.

Capital Assets and Debt Administration

Capital Assets

At the end of this year, the City had \$2.4 billion net investment in capital assets, an increase of \$11.4 million or 0.5 percent. This investment includes land, buildings, utility system improvements, machinery and equipment, park facilities and infrastructure. Net investment in capital assets for governmental funds decreased by \$16.8 million or 1.1 percent while business type net investment in capital assets increased by \$28.3 million or 3.0 percent. The following table shows the net investment in capital assets by both governmental activities and business-type activities.

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|----------------------------|--------------------|-----------------------------|-------------------|---------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Non-depreciable: | | | | | | |
| Land & Easements | \$ 1,045,748 | \$1,040,673 | \$ 20,517 | \$ 20,021 | \$ 1,066,265 | \$ 1,060,694 |
| Construction in progress | 77,087 | 69,219 | 66,019 | 46,768 | \$ 143,106 | 115,987 |
| Depreciable: | | | | | \$ - | |
| Buildings & Improvements | 107,490 | 113,894 | 82,628 | 83,248 | \$ 190,118 | 197,142 |
| Vehicles & Machinery | 25,167 | 29,024 | 90,393 | 90,193 | \$ 115,560 | 119,217 |
| Infrastructure | 216,804 | 236,322 | 704,549 | 695,609 | \$ 921,353 | 931,931 |
| Total | \$ 1,472,296 | \$1,489,132 | \$ 964,104 | \$ 935,839 | \$ 2,436,402 | \$ 2,424,971 |

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

- Construction-in-progress additions for governmental activities include \$5.7 million of waterfront improvements, \$2.7 million for paving/sidewalks/road improvements, \$1.2 million for the Hixson Community Center, \$0.3 million for the Shepherd Community Center, \$0.3 million in park improvements, and \$0.5 million for municipal billing and collection software. \$3.6 million of road improvements at Goodwin Road were capitalized. 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, \$24.6 million. Business-type activities infrastructure assets increased primarily from a \$25.1 million addition to the electric distribution system and \$13.3 million addition to the fiber optic network. These increases were 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 \$36.9 million while business-type activities recognized depreciation expense of \$68.9 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 \$668.3 million in long-term debt outstanding. This is a \$30.4 million decrease or 4.3 percent, from last year. Detail is provided in the table and narrative that follows.

The City of Chattanooga maintains an “AAA” rating from Standard & Poor’s and “AA+” from Fitch Inc. for general obligation debt. The City Charter limits the amount of net general obligation debt to 10 percent of the assessed value of all taxable property within City corporate limits. The City’s general obligation debt, net of self-supporting debt, is \$153.3 million; this is 30.4 percent of its current limit of \$504.5 million. As of year-end, EPB had \$263.9 million in revenue bond debt outstanding compared to \$270.1 million last year. These bonds are rated “AA+” by Standard & Poor’s and by Fitch.

| City of Chattanooga's Long-term Debt | | | | | | |
|--|-------------------------|-------------------|--------------------------|-------------------|------------------|------------------|
| (in thousands) | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| General obligation bonds (backed by the City) | \$ 174,575 | \$ 187,632 | \$ 35,275 | \$ 43,598 | \$209,850 | \$231,230 |
| Revenue bonds (backed by specific revenues) | - | - | 369,545 | 381,105 | 369,545 | 381,105 |
| Notes payable and other | 26,990 | 33,678 | 61,742 | 52,400 | 88,732 | 86,078 |
| Capital leases | 174 | 232 | - | 6 | 174 | 238 |
| Total | \$ 201,739 | \$ 221,542 | \$ 466,562 | \$ 477,109 | \$668,301 | \$698,651 |

During the year the City issued the following new debt:

- The City issued \$25.9 million in bonds to refund \$26.7 million. \$17.8 million of the refunding bonds were related to governmental activities while \$8.2 million were related to business-type activities.
- The Interceptor Sewer System drew down \$17.1 million from a state revolving fund loan for consent



decrease projects.

- A total of \$46.6 million in debt was retired during the fiscal year; \$32.1 million in bond principal payments were made with an additional \$14.5 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

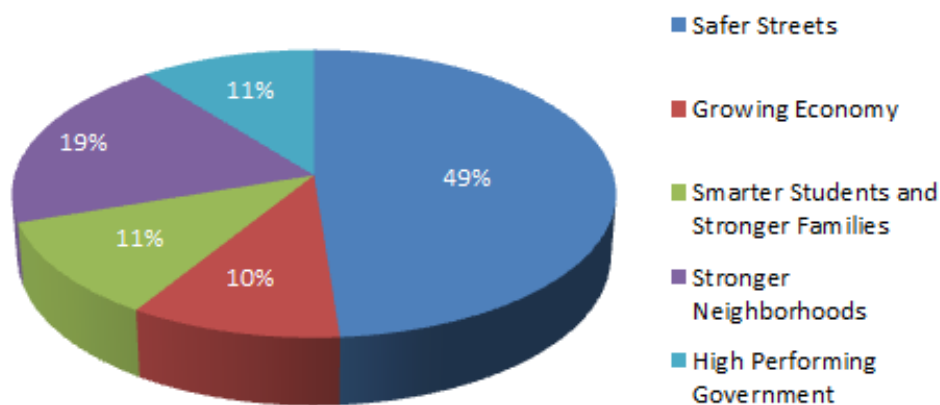
The following factors were taken into account when adopting the budget for 2016:

- Anticipated revenues in the General Fund are \$240.0 million, up \$3.3 million or 1.4 percent from the 2015 budget. The City conservatively forecasts property tax at 95 percent of the tax levy. The fiscal year 2016 budget includes no increase in the property tax rate yet provides sufficient revenue to fund the priorities of residents and meet the City's financial obligations.
- Major revenue increases include property tax revenue of \$1.1 million or 1.0 percent, state income taxes of \$0.6 million or 17 percent, local sales taxes \$0.4 million or 1.0 percent, and additional local sales tax designated for economic development \$0.9 million or 7.5 percent. There is an \$0.8 million reduction in charges for services as management of civic facilities was contracted out to achieve better efficiencies.
- Expenditures of \$245.1 million reflect an elevated awareness of constituent priorities in the following areas: safer streets; growing the local economy; smarter students and stronger families; stronger neighborhoods; and a high performing government. Expenditures are expected to be \$15.1 million less in 2016, primarily because 2015 included is a \$20 million incentive for Volkswagen plant expansion, with the balance of \$6.3 million due this year. This incentive is expected to create 2,000 new jobs.
- The City of Chattanooga uses Budgeting for Outcomes (BFO) approach to establish the annual financial plan for undesignated general funds (\$221,000,000). 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 2016 budget funds 29 offers totaling \$107,835,671 (48.8 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.



- 24 offers were funded a total of \$22,265,564 (10.1 percent) for growing the local economy. These offers which invest in the new Innovation District and continue the small business incentives of the prior year, will ensure Chattanoogaans have the skills to compete, while strengthening infrastructure to support business expansion.
- \$24,133,965 (10.9 percent) of the budget provides funding for 21 offers for smarter students and stronger families. These dollars will support children from cradle to career, providing character education, and creating effective programming for parents and seniors.
- Stronger neighborhoods received \$43,188,848 (19.5 percent) to fund 16 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 23 offers totaling \$23,575,952 (10.7 percent) for high performing government. These offers focus on long term financial health of the City and providing customer service.

Funding of Results Areas



- The budget provides a 1.5 percent pay raise for civilian employees and a career ladder program for sworn personnel. The City is committed to fund a compensation program that ensures recruitment and retention of well qualified professionals to deliver services to the citizens of this community. This includes 100 percent funding of the actuarially determining contribution amounts for the pension and OPEB.



Requests for Information

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

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

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

Chattanooga Metropolitan Airport Authority
1001 Airport Road, Suite 14
Chattanooga, TN 37421
(423) 855-2202
www.chattairport.com

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



CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2015

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|-------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 94,514,624 | \$ 140,479,510 | \$ 234,994,134 | \$ 9,562,093 |
| Investments | 49,859,727 | 42,502,335 | 92,362,062 | - |
| Receivables, net of allowance for uncollectible | 174,523,090 | 91,327,415 | 265,850,505 | 4,228,356 |
| Internal balances | (90,436,286) | 90,436,286 | - | - |
| Due from component units | 738,461 | - | 738,461 | - |
| Inventories | 2,764,802 | 14,242,859 | 17,007,661 | 768,392 |
| Prepaid items | 20,268 | 8,718,317 | 8,738,585 | 1,684,840 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 15,898,758 | 4,144,456 | 20,043,214 | 2,784,463 |
| Investments | 689,452 | 20,318,284 | 21,007,736 | - |
| Endowment investments | 4,652,501 | - | 4,652,501 | - |
| Receivables | 91,261 | - | 91,261 | 262,537 |
| Other | - | 24,124 | 24,124 | - |
| Other post employment benefit assets | - | - | - | 86,101 |
| Equity interest in joint venture | 7,507,586 | - | 7,507,586 | - |
| Land and other nondepreciable assets | 1,122,834,405 | 86,535,069 | 1,209,369,474 | 12,564,263 |
| Other capital assets, net of accumulated depreciation | 349,461,313 | 877,569,032 | 1,227,030,345 | 124,846,449 |
| Total assets | <u>1,733,119,962</u> | <u>1,376,297,687</u> | <u>3,109,417,649</u> | <u>156,787,494</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred charge on refunding | 2,656,334 | 2,999,221 | 5,655,555 | - |
| Deferred pension outflows | 25,786,581 | 8,512,363 | 34,298,944 | 1,460,067 |
| Total deferred outflows of resources | <u>28,442,915</u> | <u>11,511,584</u> | <u>39,954,499</u> | <u>1,460,067</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 25,274,225 | 154,937,663 | 180,211,888 | 3,903,203 |
| Due to primary government | - | - | - | 738,461 |
| Customer deposits | - | 22,176,000 | 22,176,000 | - |
| Contracts payable | 664,352 | 791,632 | 1,455,984 | 177,019 |
| Unearned grants revenue | 447,929 | - | 447,929 | - |
| Other liabilities | - | 8,681,000 | 8,681,000 | - |
| Long-term liabilities: | | | | |
| Due within one year | 18,727,009 | 28,176,443 | 46,903,452 | 935,041 |
| Due in more than one year | 386,666,220 | 518,663,943 | 905,330,163 | 23,091,872 |
| Total liabilities | <u>431,779,735</u> | <u>733,426,681</u> | <u>1,165,206,416</u> | <u>28,845,596</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred revenue | 130,481,884 | - | 130,481,884 | 59,381 |
| Deferred pension inflows | 25,499,752 | 5,027,002 | 30,526,754 | 786,540 |
| Total deferred inflows of resources | <u>155,981,636</u> | <u>5,027,002</u> | <u>161,008,638</u> | <u>845,921</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 1,275,429,168 | 603,011,447 | 1,878,440,615 | 125,440,945 |
| Restricted for: | | | | |
| Capital projects | 43,042,465 | - | 43,042,465 | - |
| Debt service | - | 9,668,284 | 9,668,284 | 3,047,000 |
| Renewal and replacement | - | 59,753,138 | 59,753,138 | - |
| Permanent endowments: | | | | |
| Expendable | 4,664,769 | - | 4,664,769 | - |
| Nonexpendable | 84,395 | - | 84,395 | - |
| Unrestricted | (149,419,291) | (23,077,281) | (172,496,572) | 68,099 |
| Total net position | <u>\$ 1,173,801,506</u> | <u>\$ 649,355,588</u> | <u>\$ 1,823,157,094</u> | <u>\$ 128,556,044</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, 2015

| Functions/Programs | Expenses | Program Revenues | | |
|--|--------------------------------|------------------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT | | | | |
| Governmental activities: | | | | |
| General government | \$ 68,922,709 | \$ 16,177,424 | \$ 2,595,031 | \$ 109,891 |
| Economic and community development | 25,728,093 | 3,645,518 | 3,037,283 | - |
| Public safety | 82,128,786 | 934,476 | 1,321,018 | 37,861 |
| Public works and transportation | 66,224,659 | 581,137 | 15,016,450 | 1,408,997 |
| Youth and family development | 23,455,413 | 559,531 | 14,095,398 | - |
| Interest on long-term debt | 6,904,505 | - | - | - |
| Total governmental activities | <u>273,364,165</u> | <u>21,898,086</u> | <u>36,065,180</u> | <u>1,556,749</u> |
| Business-type activities: | | | | |
| Electric utility, including fiber optics | 655,053,000 | 671,251,000 | - | 738,000 |
| Sewer | 48,140,755 | 64,055,861 | - | - |
| Solid waste | 4,126,419 | 7,314,317 | - | - |
| Water quality management | 13,151,961 | 19,945,571 | - | 1,109 |
| Downtown redevelopment | 16,760,841 | 18,659,044 | - | - |
| Total business-type activities | <u>737,232,976</u> | <u>781,225,793</u> | <u>-</u> | <u>739,109</u> |
| TOTAL PRIMARY GOVERNMENT | <u>\$ 1,010,597,141</u> | <u>\$ 803,123,879</u> | <u>\$ 36,065,180</u> | <u>\$ 2,295,858</u> |
| COMPONENT UNITS | | | | |
| Airport authority | \$ 20,569,416 | \$ 18,537,138 | \$ - | \$ 5,270,361 |
| Transportation authority | <u>23,340,699</u> | <u>8,073,698</u> | <u>7,628,263</u> | <u>4,859,004</u> |
| TOTAL COMPONENT UNITS | <u>\$ 43,910,115</u> | <u>\$ 26,610,836</u> | <u>\$ 7,628,263</u> | <u>\$ 10,129,365</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

Gain on equity interest in joint venture

Total general revenues and transfers

Change in net position

Net position, beginning, as previously reported

Change in accounting principle

Net position, beginning, as restated

Net position, ending

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

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|-----------------------------|------------------|--------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| \$ (50,040,363) | \$ - | \$ (50,040,363) | \$ - |
| (19,045,292) | - | (19,045,292) | - |
| (79,835,431) | - | (79,835,431) | - |
| (49,218,075) | - | (49,218,075) | - |
| (8,800,484) | - | (8,800,484) | - |
| (6,904,505) | - | (6,904,505) | - |
| (213,844,150) | - | (213,844,150) | - |
| - | 16,936,000 | 16,936,000 | - |
| - | 15,915,106 | 15,915,106 | - |
| - | 3,187,898 | 3,187,898 | - |
| - | 6,794,719 | 6,794,719 | - |
| - | 1,898,203 | 1,898,203 | - |
| - | 44,731,926 | 44,731,926 | - |
| (213,844,150) | 44,731,926 | (169,112,224) | - |
| - | - | - | 3,238,083 |
| - | - | - | (2,779,734) |
| - | - | - | 458,349 |
| 127,519,982 | - | 127,519,982 | - |
| 7,606,018 | - | 7,606,018 | - |
| 5,995,649 | - | 5,995,649 | - |
| 4,899,150 | - | 4,899,150 | - |
| 4,725,955 | - | 4,725,955 | - |
| 134,509 | - | 134,509 | - |
| 54,802,189 | - | 54,802,189 | - |
| 12,699,074 | - | 12,699,074 | - |
| 4,412,843 | - | 4,412,843 | - |
| 3,591,182 | - | 3,591,182 | - |
| 954,972 | 1,186,019 | 2,140,991 | 14,570 |
| - | - | - | 2,238,527 |
| 1,501,675 | - | 1,501,675 | - |
| 23,684 | - | 23,684 | - |
| 228,866,882 | 1,186,019 | 230,052,901 | 2,253,097 |
| 15,022,732 | 45,917,945 | 60,940,677 | 2,711,446 |
| 1,158,778,774 | 606,603,643 | 1,765,382,417 | 136,114,063 |
| - | (3,166,000) | (3,166,000) | (10,269,465) |
| 1,158,778,774 | 603,437,643 | 1,762,216,417 | 125,844,598 |
| \$ 1,173,801,506 | \$ 649,355,588 | \$ 1,823,157,094 | \$ 128,556,044 |

CITY OF CHATTANOOGA, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2015

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|-----------------------|----------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 12,914,271 | \$ 43,692,663 | \$ 20,444,576 | \$ 77,051,510 |
| Investments | 49,859,727 | 689,452 | 4,652,501 | 55,201,680 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Property taxes | 121,366,185 | - | - | 121,366,185 |
| Other taxes | 11,460,772 | - | 1,221,969 | 12,682,741 |
| Notes | 1,040,491 | 958,413 | 13,762,221 | 15,761,125 |
| Other | 1,292,836 | 10,438 | 243,641 | 1,546,915 |
| Due from other funds | - | 204,418 | 90,515 | 294,933 |
| Due from other governments | 19,326,138 | 910,101 | 2,802,659 | 23,038,898 |
| Inventories | 887,113 | - | - | 887,113 |
| Prepaid items | 8,000 | - | 12,268 | 20,268 |
| | <u>\$ 218,155,533</u> | <u>\$ 46,465,485</u> | <u>\$ 43,230,350</u> | <u>\$ 307,851,368</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities: | | | | |
| Accounts payable | \$ 4,311,553 | \$ 1,278,974 | \$ 1,623,559 | \$ 7,214,086 |
| Accrued payroll | 5,447,835 | - | 558,429 | 6,006,264 |
| Accrued OPEB contributions | 11,845 | - | - | 11,845 |
| Due to other funds | - | 1,490,515 | 204,418 | 1,694,933 |
| Due to other governments | 281,288 | - | - | 281,288 |
| Contracts payable | - | 653,531 | 10,821 | 664,352 |
| Unearned grants revenue | - | - | 447,929 | 447,929 |
| | <u>10,052,521</u> | <u>3,423,020</u> | <u>2,845,156</u> | <u>16,320,697</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 128,901,400 | - | - | 128,901,400 |
| Unavailable revenue - other local taxes | 1,485,190 | - | 637,777 | 2,122,967 |
| Unavailable revenue - shared tax revenue | 8,058,717 | - | 417,905 | 8,476,622 |
| Unavailable revenue - CDBG loans | - | - | 14,873,736 | 14,873,736 |
| Unavailable revenue - other | 221,541 | - | - | 221,541 |
| | <u>138,666,848</u> | <u>-</u> | <u>15,929,418</u> | <u>154,596,266</u> |
| FUND BALANCES | | | | |
| Nonspendable | 1,783,514 | 958,413 | 4,664,769 | 7,406,696 |
| Restricted | 5,449,595 | 42,084,052 | 10,026,682 | 57,560,329 |
| Committed | 795,692 | - | 8,656,519 | 9,452,211 |
| Assigned | 6,293,667 | - | 1,107,806 | 7,401,473 |
| Unassigned | 55,113,696 | - | - | 55,113,696 |
| | <u>69,436,164</u> | <u>43,042,465</u> | <u>24,455,776</u> | <u>136,934,405</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 218,155,533</u> | <u>\$ 46,465,485</u> | <u>\$ 43,230,350</u> | <u>\$ 307,851,368</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, 2015

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

| | |
|--|----------------|
| Fund balances - total governmental funds | \$ 136,934,405 |
|--|----------------|

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. | 1,457,880,644 |
|---|---------------|

| | |
|---|------------|
| Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and are deferred in the funds. | 24,114,382 |
|---|------------|

| | |
|---|-----------|
| 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. | 7,507,586 |
|---|-----------|

| | |
|--|------------|
| 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 | 41,935,901 |
|--|------------|

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 | \$ 17,377,018 | |
| Deferred experience loss pension plans | <u>8,409,563</u> | 25,786,581 |

| | |
|--|--------------|
| 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. | (26,541,722) |
|--|--------------|

| | |
|--|-------------|
| The City's pollution remediation obligation is considered a long-term obligation | (1,233,350) |
|--|-------------|

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

| | | |
|-------------------------|----------------------|---------------|
| General pension | (22,479,318) | |
| Fire and police pension | <u>(126,527,803)</u> | (149,007,121) |

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 | (174,575,355) | |
| Add net deferred refunding, issue premiums and discounts | (5,104,007) | |
| Notes payable | (26,990,086) | |
| Capital leases | (174,098) | |
| Capital lease payable to CDRC - reported as internal balance | (90,436,286) | |
| Compensated absences | (18,684,082) | |
| Accrued interest payable | <u>(2,112,134)</u> | (318,076,048) |

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 | (21,673,011) | |
| Assumption change - pension plans | <u>(3,826,741)</u> | (25,499,752) |

| | |
|---|--------------------------------|
| Net position of governmental activities | <u><u>\$ 1,173,801,506</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, 2015

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes | \$ 145,713,796 | \$ - | \$ 5,916,859 | \$ 151,630,655 |
| Licenses and permits | 5,990,129 | - | 529,108 | 6,519,237 |
| Intergovernmental | 78,810,735 | 2,372,630 | 23,738,595 | 104,921,960 |
| Charges for services | 5,080,230 | - | 516,690 | 5,596,920 |
| Fines, forfeitures and penalties | 2,661,973 | - | 59,515 | 2,721,488 |
| Investment income | 895,509 | 43,511 | 172,673 | 1,111,693 |
| Contributions and donations | 633,037 | 178,285 | 171,317 | 982,639 |
| Sale of property | 777,257 | 647,325 | 2,308 | 1,426,890 |
| Miscellaneous | 5,380,610 | 17,590 | 1,319,834 | 6,718,034 |
| Total revenues | 245,943,276 | 3,259,341 | 32,426,899 | 281,629,516 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 53,011,063 | - | 6,008,375 | 59,019,438 |
| Finance and administration | 5,128,912 | - | - | 5,128,912 |
| Economic and community development | 6,832,886 | - | 1,784,891 | 8,617,777 |
| Public safety | 93,205,693 | - | 242,019 | 93,447,712 |
| Public works and transportation | 34,032,876 | - | 3,789,882 | 37,822,758 |
| Youth and family development | 8,986,605 | - | 14,757,885 | 23,744,490 |
| Capital outlay | - | 35,186,418 | - | 35,186,418 |
| Debt service: | | | | |
| Principal retirement | 1,960,580 | - | 17,364,333 | 19,324,913 |
| Interest and fiscal charges | - | - | 7,421,843 | 7,421,843 |
| Total expenditures | 203,158,615 | 35,186,418 | 51,369,228 | 289,714,261 |
| Excess (deficiency) of revenues over (under) expenditures | 42,784,661 | (31,927,077) | (18,942,329) | (8,084,745) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 33,055 | 32,952,527 | 26,647,189 | 59,632,771 |
| Transfers out | (52,093,530) | (1,433,055) | (7,506,186) | (61,032,771) |
| Refunding bonds issued | - | 17,753,440 | - | 17,753,440 |
| Premium on bonds issued | - | 1,735,417 | - | 1,735,417 |
| Notes issued | - | 83,132 | - | 83,132 |
| Payments to refunded bonds escrow agent | - | (19,324,578) | - | (19,324,578) |
| Total other financing sources (uses) | (52,060,475) | 31,766,883 | 19,141,003 | (1,152,589) |
| Net change in fund balances | (9,275,814) | (160,194) | 198,674 | (9,237,334) |
| FUND BALANCES, beginning | 78,711,978 | 43,202,659 | 24,257,102 | 146,171,739 |
| FUND BALANCES, ending | \$ 69,436,164 | \$ 43,042,465 | \$ 24,455,776 | \$ 136,934,405 |

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, 2015

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

Net change in fund balances - total governmental funds \$ (9,237,334)

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. | 13,663,490 |
| Depreciation expense for governmental capital assets are included in the governmental activities. | (36,924,426) |
| 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. | 8,181,150 |
| The net effect of various transactions involving capital assets is to decrease net positions. | (2,754) |
| The gain of equity interest in joint venture is reported in the statement of activities. This gain does not use current financial resources and is not reflected in the governmental funds. | 23,684 |

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

| | | |
|------------------------------------|----------------|------------|
| Principal paid | \$ 19,324,913 | |
| Payment of capital lease | 3,570,878 | |
| Bonds issued | (17,753,440) | |
| Premiums on bonds issued | (1,735,417) | |
| Note issued | (83,132) | |
| Escrow payment | 19,324,578 | |
| Amortization | 430,536 | |
| Change in accrued interest payable | <u>(3,000)</u> | 23,075,916 |

Net gain of the internal service fund are reported with governmental activities. 4,996,686

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of:

| | | |
|---|------------------|------------|
| Change in personal leave liability | 2,263,901 | |
| Change in pension expense | 7,542,147 | |
| Change in pollution remediation liability | (38,855) | |
| Change in OPEB liability | <u>2,926,173</u> | 12,693,366 |

Governmental revenues that provide current financial resources are reported in the governmental funds, while revenues that will not be collected for several months after the fiscal year are deferred. The statement of activities includes certain revenues that do not provide current financial resources. This item consists of:

| | | |
|--|--------------------|--------------------|
| Change in deferred revenue to earned revenue | <u>(1,447,046)</u> | <u>(1,447,046)</u> |
|--|--------------------|--------------------|

Change in net position of governmental activities \$ 15,022,732

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, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|---|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 142,858,560 | \$ 142,858,560 | \$ 145,713,796 | \$ 2,855,236 |
| Licenses and permits | 5,388,975 | 5,388,975 | 5,990,129 | 601,154 |
| Intergovernmental | 73,862,576 | 73,798,773 | 78,810,735 | 5,011,962 |
| Charges for services | 5,526,408 | 5,526,408 | 5,080,230 | (446,178) |
| Fines, forfeitures and penalties | 874,700 | 874,700 | 2,661,973 | 1,787,273 |
| Investment income | 572,000 | 572,000 | 895,509 | 323,509 |
| Miscellaneous | 7,787,491 | 7,787,491 | 6,790,904 | (996,587) |
| Total revenues | 236,870,710 | 236,806,907 | 245,943,276 | 9,136,369 |
| EXPENDITURES | | | | |
| General government | 42,153,836 | 44,492,039 | 42,662,903 | (1,829,136) |
| Executive | 2,044,083 | 1,744,083 | 1,682,108 | (61,975) |
| Finance and administration | 5,206,170 | 5,206,170 | 5,128,912 | (77,258) |
| General services | 7,268,108 | 7,268,108 | 6,966,688 | (301,420) |
| Human resources | 1,901,766 | 1,901,766 | 1,699,364 | (202,402) |
| Economic and community development | 7,169,719 | 7,169,719 | 6,832,886 | (336,833) |
| Police | 57,777,365 | 58,013,561 | 57,190,695 | (822,866) |
| Fire | 36,344,472 | 36,344,472 | 36,014,998 | (329,474) |
| Public works | 27,253,595 | 27,253,595 | 26,681,975 | (571,620) |
| Transportation | 7,409,275 | 7,409,275 | 7,350,901 | (58,374) |
| Youth and family development | 9,366,755 | 9,366,755 | 8,986,605 | (380,150) |
| Debt service - principal retirement | 1,960,580 | 1,960,580 | 1,960,580 | - |
| Total expenditures | 205,855,724 | 208,130,123 | 203,158,615 | (4,971,508) |
| Excess of revenues over expenditures | 31,014,986 | 28,676,784 | 42,784,661 | 14,107,877 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 558,744 | 558,744 | 33,055 | (525,689) |
| Transfers out | (31,540,586) | (52,093,530) | (52,093,530) | - |
| Total other financing sources (uses) | (30,981,842) | (51,534,786) | (52,060,475) | (525,689) |
| Net change in fund balances | 33,144 | (22,858,002) | (9,275,814) | 13,582,188 |
| FUND BALANCES, beginning | 78,711,978 | 78,711,978 | 78,711,978 | - |
| FUND BALANCES, ending | \$ 78,745,122 | \$ 55,853,976 | \$ 69,436,164 | \$ 13,582,188 |

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, 2015

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities - Internal Service Fund | |
|---------------------------------------|---|-----------------------------|--------------|-----------------------------|---------------------------|--|---------------|
| | Major Funds | | | | | | |
| | EPB | Interceptor Sewer System | Solid Waste | Water Quality Management | Downtown Redevelopment | | Total |
| ASSETS | | | | | | | |
| Current Assets: | | | | | | | |
| Cash and cash equivalents | \$ 78,918,000 | \$ 26,082,350 | \$ 2,979,939 | \$ 26,589,485 | \$ 5,909,736 | \$ 140,479,510 | \$ 33,361,872 |
| Investments | - | 42,502,335 | - | - | - | 42,502,335 | - |
| Receivables: | | | | | | | |
| Customer service | 65,946,000 | 10,998,007 | 89,008 | 2,878,677 | - | 79,911,692 | 905,131 |
| Other | - | 65,374 | 205 | 300 | 1,245,034 | 1,310,913 | - |
| Less allowance for doubtful accounts | (1,300,000) | (2,034,607) | (100) | (1,710,077) | (41,887) | (5,086,671) | - |
| Inventories | 13,066,000 | 1,076,715 | - | - | 100,144 | 14,242,859 | 1,877,689 |
| Due from other funds | - | - | - | - | - | - | 1,400,000 |
| Due from other governments | 4,819,000 | 9,043,312 | 24,648 | 1,304,521 | - | 15,191,481 | 51,817 |
| Prepaid items | 8,441,000 | - | - | - | 277,317 | 8,718,317 | - |
| Total current assets | 169,890,000 | 87,733,486 | 3,093,700 | 29,062,906 | 7,490,344 | 297,270,436 | 37,596,509 |
| Noncurrent Assets: | | | | | | | |
| Restricted Assets: | | | | | | | |
| Cash and cash equivalents | - | - | 650,800 | 3,493,656 | - | 4,144,456 | - |
| Investments | - | 1,650,000 | 9,000,000 | - | 9,668,284 | 20,318,284 | - |
| Investment in capital lease | - | - | - | - | 90,436,286 | 90,436,286 | - |
| Other | - | 593 | 19,493 | 4,038 | - | 24,124 | - |
| Total restricted assets | - | 1,650,593 | 9,670,293 | 3,497,694 | 100,104,570 | 114,923,150 | - |
| Capital Assets: | | | | | | | |
| Land | 6,476,000 | 10,577,590 | 1,517,514 | 1,945,448 | - | 20,516,552 | - |
| Construction in progress | 11,302,000 | 50,523,706 | - | 4,192,811 | - | 66,018,517 | 7,500 |
| Buildings | 72,446,000 | 57,912,566 | 1,965,137 | 10,601,459 | 766,146 | 143,691,308 | 5,322,108 |
| Equipment | 108,653,000 | 33,962,156 | 4,028,737 | 1,601,714 | 4,725,539 | 152,971,146 | 3,188,168 |
| Vehicles | - | 3,001,727 | 1,741,167 | 2,361,167 | 23,465 | 7,127,526 | 25,935,188 |
| Infrastructure | 747,477,000 | 420,590,367 | 9,520,509 | 41,032,542 | - | 1,218,620,418 | - |
| | 946,354,000 | 576,568,112 | 18,773,064 | 61,735,141 | 5,515,150 | 1,608,945,467 | 34,452,964 |
| Less accumulated depreciation | (333,261,000) | (282,133,168) | (9,122,238) | (17,788,180) | (2,536,780) | (644,841,366) | (20,037,890) |
| Net capital assets | 613,093,000 | 294,434,944 | 9,650,826 | 43,946,961 | 2,978,370 | 964,104,101 | 14,415,074 |
| Total assets | 782,983,000 | 383,819,023 | 22,414,819 | 76,507,561 | 110,573,284 | 1,376,297,687 | 52,011,583 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Deferred refunding | - | 270,203 | 282,642 | 95,756 | 2,350,620 | 2,999,221 | - |
| Deferred pension outflows | 7,097,000 | 714,225 | 90,452 | 610,686 | - | 8,512,363 | - |
| Total deferred outflows of resources | 7,097,000 | 984,428 | 373,094 | 706,442 | 2,350,620 | 11,511,584 | - |

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2015

| | Business-type Activities - Enterprise Funds | | | | | Total | Governmental Activities - Internal Service Fund |
|--|---|-----------------------------|--------------|-----------------------------|---------------------------|----------------|--|
| | Major Funds | | | | | | |
| | EPB | Interceptor Sewer System | Solid Waste | Water Quality Management | Downtown Redevelopment | | |
| (Continued from previous page) | | | | | | | |
| LIABILITIES | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable and accrued liabilities: | | | | | | | |
| Accounts payable | \$131,889,000 | \$ 17,790,642 | \$ 230,673 | \$ 573,812 | \$ 1,421,811 | \$ 151,905,938 | \$ 9,539,376 |
| Accrued payroll | - | 333,942 | 36,892 | 269,791 | 523,943 | 1,164,568 | 109,232 |
| Other accrued liabilities | - | 215,944 | 147,538 | 106,004 | 1,241,330 | 1,710,816 | - |
| Due to other governments | - | - | - | - | 156,341 | 156,341 | - |
| Current maturities of long-term liabilities: | | | | | | | |
| Bonds payable | 8,075,000 | 3,419,459 | 1,716,798 | 1,303,267 | 4,675,000 | 19,189,524 | - |
| Notes payable | - | 8,378,949 | 74,316 | - | - | 8,453,265 | - |
| Compensated absences | 205,000 | 61,872 | 8,501 | 52,478 | - | 327,851 | 30,725 |
| Landfill postclosure costs | - | - | 205,803 | - | - | 205,803 | - |
| Due to other funds | - | - | - | - | - | - | - |
| Contracts payable | - | 740,534 | - | 51,098 | - | 791,632 | - |
| Total current liabilities | 140,169,000 | 30,941,342 | 2,420,521 | 2,356,450 | 8,018,425 | 183,905,738 | 9,679,333 |
| Long-term liabilities: | | | | | | | |
| Bonds payable | 262,318,000 | 10,207,230 | 11,135,717 | 9,173,942 | 108,147,627 | 400,982,516 | - |
| Notes payable | - | 52,914,815 | 373,879 | - | - | 53,288,694 | - |
| Compensated absences | 401,000 | 815,943 | 112,945 | 691,227 | - | 2,021,115 | 396,349 |
| OPEB liability | 8,894,000 | - | - | - | - | 8,894,000 | - |
| Pension liability | 6,134,000 | 2,564,009 | 324,716 | 2,192,312 | - | 11,215,037 | - |
| Landfill postclosure costs | - | - | 5,537,581 | - | - | 5,537,581 | - |
| Customer deposits | 22,176,000 | - | - | - | - | 22,176,000 | - |
| Other noncurrent liabilities | 45,406,000 | - | - | - | - | 45,406,000 | - |
| Total long-term liabilities | 345,329,000 | 66,501,997 | 17,484,838 | 12,057,481 | 108,147,627 | 549,520,943 | 396,349 |
| Total liabilities | 485,498,000 | 97,443,339 | 19,905,359 | 14,413,931 | 116,166,052 | 733,426,681 | 10,075,682 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Investment gains pension | 2,426,000 | 876,045 | 110,946 | 749,047 | - | 4,162,038 | - |
| Assumption change pension | - | 436,481 | 55,278 | 373,205 | - | 864,964 | - |
| Total deferred inflows of resources | 2,426,000 | 1,312,526 | 166,224 | 1,122,252 | - | 5,027,002 | - |
| NET POSITION | | | | | | | |
| Net investment in capital assets | 342,700,000 | 219,784,694 | 3,982,874 | 33,565,508 | 2,978,371 | 603,011,447 | 14,415,074 |
| Restricted for renewal and replacement | - | 48,319,314 | 10,559,864 | 873,960 | - | 59,753,138 | - |
| Restricted for debt service | - | - | - | - | 9,668,284 | 9,668,284 | - |
| Unrestricted | (40,544,000) | 17,943,578 | (11,826,408) | 27,238,352 | (15,888,803) | (23,077,281) | 27,520,827 |
| Total net position | \$302,156,000 | \$286,047,586 | \$ 2,716,330 | \$ 61,677,820 | \$ (3,242,148) | \$ 649,355,588 | \$ 41,935,901 |

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, 2015

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities - Internal Service Fund | |
|---|---|-----------------------------|---------------------|-----------------------------|---------------------------|--|----------------------|
| | Major Funds | | | | | | |
| | EPB | Interceptor Sewer System | Solid Waste | Water Quality Management | Downtown Redevelopment | | Total |
| OPERATING REVENUES | | | | | | | |
| Charges for services: | | | | | | | |
| Electric | \$543,843,000 | \$ - | \$ - | \$ - | \$ - | \$543,843,000 | \$ - |
| Fiber optic | 106,849,000 | - | - | - | - | 106,849,000 | - |
| Sewer | - | 60,393,355 | - | - | - | 60,393,355 | - |
| Waste disposal | - | - | 6,950,958 | - | - | 6,950,958 | - |
| Water quality | - | - | - | 19,944,072 | - | 19,944,072 | - |
| Lease rental revenue | - | - | - | - | 4,559,693 | 4,559,693 | - |
| Conference center | - | - | - | - | 13,329,156 | 13,329,156 | - |
| Parking garage | - | - | - | - | 770,195 | 770,195 | - |
| Other services | 20,349,000 | 3,239,317 | 218,602 | - | - | 23,806,919 | 54,645,008 |
| Other | - | 409,502 | 25,481 | 1,499 | - | 436,482 | 3,327,000 |
| Total operating revenues | 671,041,000 | 64,042,174 | 7,195,041 | 19,945,571 | 18,659,044 | 780,882,830 | 57,972,008 |
| OPERATING EXPENSES | | | | | | | |
| Power purchases | 443,970,000 | - | - | - | - | 443,970,000 | - |
| Other electric operations | 55,848,000 | - | - | - | - | 55,848,000 | - |
| Fiber optic operations | 69,177,000 | - | - | - | - | 69,177,000 | - |
| Sewer plant operations | - | 31,664,899 | - | - | - | 31,664,899 | - |
| Waste disposal operations | - | - | 3,036,713 | - | - | 3,036,713 | - |
| Closure/postclosure costs | - | - | 203,341 | - | - | 203,341 | - |
| Water quality operations | - | - | - | 11,579,436 | - | 11,579,436 | - |
| Conference center operations | - | - | - | - | 11,193,364 | 11,193,364 | - |
| Parking garage operations | - | - | - | - | 335,472 | 335,472 | - |
| Fleet operations | - | - | - | - | - | - | 14,552,953 |
| Liability insurance | - | - | - | - | - | - | 1,216,689 |
| Health services | - | - | - | - | - | - | 35,321,782 |
| Technology replacement | - | - | - | - | - | - | 377,492 |
| Depreciation | 51,910,000 | 14,686,610 | 509,996 | 1,311,205 | 502,431 | 68,920,242 | 3,582,212 |
| Other | 12,540,000 | - | - | - | 6,890 | 12,546,890 | - |
| Total operating expenses | 633,445,000 | 46,351,509 | 3,750,050 | 12,890,641 | 12,038,157 | 708,475,357 | 55,051,128 |
| OPERATING INCOME (LOSS) | 37,596,000 | 17,690,665 | 3,444,991 | 7,054,930 | 6,620,887 | 72,407,473 | 2,920,880 |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | |
| Investment income | 197,000 | 364,175 | 65,710 | 12,663 | 546,471 | 1,186,019 | - |
| Interest expense | (13,961,000) | (1,767,807) | (333,610) | (250,767) | (4,722,684) | (21,035,868) | - |
| Tax equivalent | (6,909,000) | - | - | - | - | (6,909,000) | - |
| Other income | 210,000 | 13,687 | 119,276 | - | - | 342,963 | 675,806 |
| Other expense | (738,000) | (21,439) | (42,759) | (10,553) | - | (812,751) | - |
| Total nonoperating revenues (expenses) | (21,201,000) | (1,411,384) | (191,383) | (248,657) | (4,176,213) | (27,228,637) | 675,806 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 16,395,000 | 16,279,281 | 3,253,608 | 6,806,273 | 2,444,674 | 45,178,836 | 3,596,686 |
| Capital contributions | 738,000 | - | - | 1,109 | - | 739,109 | - |
| Transfers in | - | - | - | - | - | - | 1,400,000 |
| CHANGE IN NET POSITION | 17,133,000 | 16,279,281 | 3,253,608 | 6,807,382 | 2,444,674 | 45,917,945 | 4,996,686 |
| NET POSITION, beginning, as previously reported | 288,189,000 | 269,768,305 | (537,278) | 54,870,438 | (5,686,822) | 606,603,643 | 36,939,215 |
| CHANGE IN ACCOUNTING PRINCIPLE | (3,166,000) | - | - | - | - | (3,166,000) | - |
| NET POSITION, beginning, as restated | 285,023,000 | 269,768,305 | (537,278) | 54,870,438 | (5,686,822) | 603,437,643 | 36,939,215 |
| NET POSITION, ending | \$302,156,000 | \$286,047,586 | \$ 2,716,330 | \$ 61,677,820 | \$ (3,242,148) | \$649,355,588 | \$ 41,935,901 |

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, 2015

| | Business-type Activities - Enterprise Funds | | | | | | Governmental Activities - Internal Service Fund |
|---|---|-----------------------------|---------------------|-----------------------------|-------------------------|-----------------------|--|
| | Major Funds | | | | | | |
| | EPB | Interceptor Sewer System | Solid Waste | Water Quality Management | Downtown Development | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Receipts from customers and users | \$ 686,859,000 | \$ 67,268,926 | \$ 6,924,839 | \$ 20,171,353 | \$ 18,819,927 | \$ 800,044,045 | \$ 56,194,853 |
| Receipts from operating grants | - | - | 238,079 | - | - | 238,079 | - |
| Payments to suppliers | (544,365,000) | (21,814,032) | (1,089,888) | (3,773,816) | (11,687,124) | (582,729,860) | (47,499,909) |
| Payments to employees | (38,472,000) | (8,177,270) | (1,970,083) | (7,338,521) | - | (55,957,874) | (3,298,160) |
| Payments in lieu of taxes | (18,402,000) | - | - | - | - | (18,402,000) | - |
| Net cash from operating activities | <u>85,620,000</u> | <u>37,277,624</u> | <u>4,102,947</u> | <u>9,059,016</u> | <u>7,132,803</u> | <u>143,192,390</u> | <u>5,396,784</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | |
| Transfers in | - | - | - | - | - | - | 3,623,340 |
| Transfers out | - | - | - | - | - | - | (2,223,340) |
| Net cash flows used in noncapital financing | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,400,000</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Principal paid on capital debt | (11,817,000) | (8,145,392) | (1,723,522) | (1,255,760) | (4,520,000) | (27,461,674) | - |
| Payments made to escrow agent | - | (2,417,479) | (5,087,940) | - | - | (7,505,419) | - |
| Interest paid on capital debt | (13,914,000) | (1,953,622) | (423,821) | (370,463) | (5,033,569) | (21,695,475) | - |
| Line of credit | (9,382,000) | - | - | - | - | (9,382,000) | - |
| Proceeds from capital debt | - | 19,421,938 | 4,674,278 | (7,349) | 3,570,878 | 27,659,745 | - |
| Capital grants and contributions | 738,000 | - | - | 1,109 | - | 739,109 | (1,716,000) |
| Additions to capital assets | (71,981,000) | (21,174,069) | (495,641) | (2,708,371) | (1,215,579) | (97,574,660) | (221,490) |
| Premium on debt | - | 229,091 | 456,915 | 112,772 | - | 798,778 | - |
| Net cash flows used in capital and related financing activities | <u>(106,356,000)</u> | <u>(14,039,533)</u> | <u>(2,599,731)</u> | <u>(4,228,062)</u> | <u>(7,198,270)</u> | <u>(134,421,596)</u> | <u>(1,937,490)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Purchase of investments | - | (73,514,368) | (27,650,800) | - | (48,502,206) | (149,667,374) | - |
| Proceeds from sales and maturities of investments | - | 55,694,800 | 18,650,800 | - | - | 18,650,800 | - |
| Interest | 197,000 | 363,880 | 48,910 | 12,663 | 546,471 | 1,168,924 | - |
| Net cash flows from investing activities | <u>197,000</u> | <u>(17,455,688)</u> | <u>(8,951,090)</u> | <u>12,663</u> | <u>667,359</u> | <u>(25,529,756)</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | (20,539,000) | 5,782,403 | (7,447,874) | 4,843,617 | 601,892 | (16,758,962) | 4,859,294 |
| Cash and cash equivalents, beginning of year | 99,457,000 | 20,299,947 | 11,078,613 | 25,239,524 | 5,307,844 | 161,382,928 | 28,502,578 |
| Cash and cash equivalents, end of year | <u>\$ 78,918,000</u> | <u>\$ 26,082,350</u> | <u>\$ 3,630,739</u> | <u>\$ 30,083,141</u> | <u>\$ 5,909,736</u> | <u>\$ 144,623,966</u> | <u>\$ 33,361,872</u> |
| CLASSIFIED AS: | | | | | | | |
| Current assets | \$ 78,918,000 | \$ 26,082,350 | \$ 2,979,939 | \$ 26,589,485 | \$ 5,909,736 | \$ 140,479,510 | \$ 33,361,872 |
| Restricted assets | - | - | 650,800 | 3,493,656 | - | 4,144,456 | - |
| | <u>\$ 78,918,000</u> | <u>\$ 26,082,350</u> | <u>\$ 3,630,739</u> | <u>\$ 30,083,141</u> | <u>\$ 5,909,736</u> | <u>\$ 144,623,966</u> | <u>\$ 33,361,872</u> |

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

Year Ended June 30, 2015

| | Business-type Activities - Enterprise Funds | | | | | | Governmental Activities - Internal Service Fund |
|--|---|-----------------------------|--------------|-----------------------------|-------------------------|----------------|--|
| | Major Funds | | | | | | |
| | EPB | Interceptor Sewer System | Solid Waste | Water Quality Management | Downtown Development | Total | |
| (Continued from previous page) | | | | | | | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | | | | |
| OPERATING INCOME (LOSS) | \$ 37,596,000 | \$ 17,690,665 | \$ 3,444,991 | \$ 7,054,930 | \$ 6,620,887 | \$ 72,407,473 | \$ 2,920,880 |
| ADJUSTMENTS NOT AFFECTING CASH | | | | | | | |
| Depreciation and amortization | 51,910,000 | 14,686,610 | 509,996 | 1,311,205 | 502,431 | 68,920,242 | 3,582,212 |
| Loss on donation of assets | - | - | 12,572 | - | - | 12,572 | - |
| Loss/disposal of capital assets | - | - | - | - | 13,806 | 13,806 | 109,395 |
| Miscellaneous nonoperating expenses | 210,000 | - | - | - | - | 210,000 | 675,806 |
| Tax equivalents transferred to City | (6,909,000) | - | - | - | - | (6,909,000) | - |
| Provision for uncollectible accounts | - | 896,589 | - | (234,051) | 2,353 | 664,891 | - |
| (Increase) decrease in: | | | | | | | |
| Accounts receivable | (56,000) | 2,316,477 | (51,600) | 118,681 | 158,532 | 2,486,090 | (1,761,712) |
| Due from other funds | - | - | - | - | - | - | (23) |
| Due from other governments | 1,875,000 | - | 19,477 | 331,278 | - | 2,225,755 | - |
| Inventory | (257,000) | (192,228) | - | - | 6,844 | (442,384) | 178,400 |
| Prepaid Items | 396,000 | - | - | - | - | 396,000 | - |
| Increase (decrease) in: | | | | | | | |
| Accounts payable | (339,000) | 2,024,362 | 64,058 | 491,678 | 319,813 | 2,560,911 | 87,751 |
| Accrued claims | - | - | - | - | (367,160) | (367,160) | - |
| Accrued liabilities | - | 9,363 | 2,933 | (47,152) | - | (34,856) | - |
| Claims liabilities | - | - | - | - | - | - | (348,427) |
| Other assets/liabilities | 2,378,000 | (71,059) | 101,244 | 22,573 | (124,703) | 2,306,055 | - |
| Net pension liability | (713,000) | - | - | - | - | (713,000) | - |
| OPEB | (471,000) | - | - | - | - | (471,000) | - |
| Compensated absences | - | (83,155) | (724) | 9,874 | - | (74,005) | (47,498) |
| Total adjustments | 48,024,000 | 19,586,959 | 657,956 | 2,004,086 | 511,916 | 70,784,917 | 2,475,904 |
| Net cash from operating activities | \$ 85,620,000 | \$ 37,277,624 | \$ 4,102,947 | \$ 9,059,016 | \$ 7,132,803 | \$ 143,192,390 | \$ 5,396,784 |

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, 2015

| | Other Postemployment Benefits Trust Fund | Pension Trust Fund |
|--|---|-----------------------------|
| | <u> </u> | <u> </u> |
| ASSETS | | |
| Investments: | | |
| Corporate bonds and notes | \$ 7,349,375 | \$ 19,932,820 |
| Preferred securities | - | 3,288,057 |
| Corporate stocks | - | 120,562,168 |
| Foreign equity | - | 6,605,821 |
| Mutual funds - preferred securities | - | 3,345,455 |
| Mutual funds - equity | 15,268,503 | 76,098,212 |
| Mutual funds - fixed income | 9,828,856 | 65,325,744 |
| Real estate | - | 16,092,880 |
| Hedge funds | 2,578,128 | 119,847,307 |
| Other investments | - | 65,346,791 |
| Temporary investments | 4,468,736 | 5,968,673 |
| Receivables: | | |
| Accrued income | 8,286 | 273,446 |
| Due from plan custodian | 822,822 | - |
| | <u>40,324,706</u> | <u>502,687,374</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities: | | |
| Accrued payable | - | 289,128 |
| Due to plan custodian | 255,063 | - |
| | <u>255,063</u> | <u>289,128</u> |
| NET POSITION | | |
| Restricted | | |
| Held in trust for other postemployment benefits and net position restricted for pensions | <u>\$ 40,069,643</u> | <u>\$ 502,398,246</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, 2015

| | Other Postemployment Benefits Trust Fund | Pension Trust Fund |
|--|---|---------------------------------------|
| | <u> </u> | <u> </u> |
| ADDITIONS | | |
| Contributions: | | |
| Employer | \$ 12,910,915 | \$ 19,040,417 |
| Plan member | 2,663,542 | 4,668,944 |
| Other | <u> -</u> | <u> 185,330</u> |
| Total contributions | <u> 15,574,457</u> | <u> 23,894,691</u> |
| Investment income: | | |
| Net appreciation (depreciation) in fair market value of investments | 20,100 | 11,655,581 |
| Interest | - | 372,128 |
| Dividends | <u>417,763</u> | <u>5,548,910</u> |
| | 437,863 | 17,576,619 |
| Less investment loss | <u>(61,556)</u> | <u>(1,335,239)</u> |
| Net investment income (loss) | <u> 376,307</u> | <u> 16,241,380</u> |
| Total additions | <u> 15,950,764</u> | <u> 40,136,071</u> |
| DEDUCTIONS | | |
| Benefits paid to participants | 11,422,171 | 45,613,063 |
| Administrative expenses | <u> 24,385</u> | <u> 1,002,614</u> |
| Total deductions | <u> 11,446,556</u> | <u> 46,615,677</u> |
| CHANGE IN NET POSITION | 4,504,208 | (6,479,606) |
| NET POSITION - beginning | <u> 35,565,435</u> | <u> 508,877,852</u> |
| NET POSITION - ending | <u><u> \$ 40,069,643</u></u> | <u><u> \$ 502,398,246</u></u> |

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

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS**

June 30, 2015

| | Chattanooga Metropolitan Airport Authority | CARTA | Total |
|---|---|----------------------|-----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 7,662,097 | \$ 1,899,996 | \$ 9,562,093 |
| Accounts receivable | 2,809,795 | 1,418,561 | 4,228,356 |
| Inventories | 159,128 | 609,264 | 768,392 |
| Prepaid items | 959,598 | 725,242 | 1,684,840 |
| Other post employment benefit assets | - | 86,101 | 86,101 |
| Restricted assets: | | | |
| Cash and cash equivalents | 2,784,463 | - | 2,784,463 |
| Receivables | 262,537 | - | 262,537 |
| Land and other nondepreciable assets | 9,270,744 | 3,293,519 | 12,564,263 |
| Other capital assets, net of accumulated depreciation | 102,845,358 | 22,001,091 | 124,846,449 |
| Total assets | <u>126,753,720</u> | <u>30,033,774</u> | <u>156,787,494</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred pension outflows | 5,423 | 1,454,644 | 1,460,067 |
| Total deferred outflows of resources | <u>5,423</u> | <u>1,454,644</u> | <u>1,460,067</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 1,396,492 | 2,506,711 | 3,903,203 |
| Contracts payable | 177,019 | - | 177,019 |
| Due to primary government | - | 738,461 | 738,461 |
| Net pension obligation | 890,448 | 11,358,348 | 12,248,796 |
| Net OPEB obligation | 146,811 | - | 146,811 |
| Capital lease obligations | 58,660 | - | 58,660 |
| Notes payable | - | 181,981 | 181,981 |
| Revenue bonds payable | 11,390,665 | - | 11,390,665 |
| Total liabilities | <u>14,060,095</u> | <u>14,785,501</u> | <u>28,845,596</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue | 59,381 | - | 59,381 |
| Deferred pension inflows | 455,824 | 330,716 | 786,540 |
| Total deferred inflows of resources | <u>515,205</u> | <u>330,716</u> | <u>845,921</u> |
| NET POSITION | | | |
| Net investment in capital assets | 100,666,778 | 24,774,167 | 125,440,945 |
| Restricted for debt service and construction | 3,047,000 | - | 3,047,000 |
| Unrestricted | 8,470,065 | (8,401,966) | 68,099 |
| Total net position | <u>\$ 112,183,843</u> | <u>\$ 16,372,201</u> | <u>\$ 128,556,044</u> |

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

CITY OF CHATTANOOGA, TENNESSEE

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS

Year Ended June 30, 2015

| | Program Revenues | | | | Net Revenue (Expense) and Changes in Net Position | | |
|---|----------------------|-------------------------|--|--|--|----------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Chattanooga Metropolitan Airport Authority | CARTA | Total |
| CHATTANOOGA METROPOLITAN AIRPORT AUTHORITY | | | | | | | |
| Airport operations | \$ 20,569,416 | \$ 18,537,138 | \$ - | \$ 5,270,361 | \$ 3,238,083 | \$ - | \$ 3,238,083 |
| CARTA | | | | | | | |
| CARTA operations | 23,340,699 | 8,073,698 | 7,628,263 | 4,859,004 | - | (2,779,734) | (2,779,734) |
| Total component units | <u>\$ 43,910,115</u> | <u>\$ 26,610,836</u> | <u>\$ 7,628,263</u> | <u>\$ 10,129,365</u> | 3,238,083 | (2,779,734) | 458,349 |
| General revenues: | | | | | | | |
| Investment income | | | | | 13,417 | 1,153 | 14,570 |
| Miscellaneous | | | | | 2,212,468 | 26,059 | 2,238,527 |
| Total general revenues | | | | | 2,225,885 | 27,212 | 2,253,097 |
| CHANGE IN NET POSITION | | | | | 5,463,968 | (2,752,522) | 2,711,446 |
| Net position, beginning, as previously reported | | | | | 107,913,715 | 28,200,348 | 136,114,063 |
| Change in accounting principle | | | | | (1,193,840) | (9,075,625) | (10,269,465) |
| Net position, beginning, as restated | | | | | 106,719,875 | 19,124,723 | 125,844,598 |
| Net position, ending | | | | | <u>\$ 112,183,843</u> | <u>\$ 16,372,201</u> | <u>\$ 128,556,044</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, 2015

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CITY OF CHATTANOOGA, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

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

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

The City reports the following blended component unit:

Chattanooga Downtown Redevelopment Corporation (CDRC) – The CDRC facilitates redevelopment projects in downtown Chattanooga. The Mayor, City Council Chairperson, and Chief Finance Officer are permanent members of the board; the City appoints the remaining board members. CDRC has the authority to issue its own debt, but the City has agreed to finance any operating deficits of the CDRC. The CDRC is reported as an enterprise fund and does not issue separate financial statements.

The City reports the following discretely-presented component units:

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

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

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

CARTA
1617 Wilcox Boulevard
Chattanooga, TN 37406

Basis of Presentation

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

Budgetary Information

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

The appropriated budget is approved by fund and department. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the fund level. The City Finance Officer has been delegated the authority to make intrafund transfers within the general fund; no individual transfer shall exceed 5% of the fund's total appropriations. Amounts transferred are reported to City Council as required by T.C.A. 6-56-209.

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

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

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

Cash and Cash Equivalents

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

Investments

Investments, 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).

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

Pensions

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

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

Revenues, Expenditures/Expenses

Program Revenues

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

Property Taxes

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

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

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

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Net Position

The Downtown Redevelopment Fund, a major enterprise fund, has a deficit in net position of \$3,242,148 at June 30, 2015. This deficit resulted from the settlement of a swap option in fiscal year 2011. The deficit decreased by \$2,444,674 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, 2015, investments of the primary government (except for Permanent, Pension Trust and Other Postemployment Benefits Trust Funds) and blended component units consist of the following:

| | <u>Weighted Average Maturity (Years)</u> | <u>Fair Value or Carrying Amount</u> |
|--|--|--|
| Primary Government – Governmental Activities: | | |
| U.S. Government agency securities | <u>1.47</u> | <u>\$ 50,549,179</u> |
| Primary Government – Business-Type Activities: | | |
| Certificates of deposits classified as investments | <u>2.72</u> | <u>\$ 62,820,619</u> |

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

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

Credit risk - The City's policies are designed to maximize investment earnings, while protecting the security of principal and providing adequate liquidity, in accordance with all applicable state laws. The City's investment policy includes specific policies involving credit risk. At June 30, 2015, the primary government's investments in U.S. Government agency securities consisted of Federal Home Loan Bank bonds, which were rated AAA by Standard & Poor's Rating Service (S & P) and Moody's Investor Service (Moody's).

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

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

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

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

| | <u>S & P or Moody's Rating</u> | <u>Fair Value</u> |
|---|--|-----------------------|
| <u>Permanent Fund</u> | | |
| Mutual funds – equity | Not rated | \$ 2,890,947 |
| Mutual funds – fixed income | Not rated | 1,494,087 |
| Temporary investments | Not rated | <u>267,467</u> |
| | | <u>\$ 4,652,501</u> |
| <u>City of Chattanooga General Pension Plan</u> | | |
| Domestic corporate bonds | BBB | \$ 189,455 |
| Domestic corporate bonds | BBB- | 599,637 |
| Domestic corporate bonds | BB+ | 751,483 |
| Domestic corporate bonds | BB- | 1,850,021 |
| Domestic corporate bonds | BB | 1,493,187 |
| Domestic corporate bonds | B+ | 204,125 |
| Domestic corporate bonds | Not rated | 622,436 |
| Corporate stocks | Not rated | 90,280,573 |
| Mutual funds – equity | Not rated | 26,770,752 |
| Mutual funds – fixed income | Not rated | 41,016,429 |
| Hedge funds | Not rated | 48,487,922 |
| Private equity funds | Not rated | 54,714,749 |
| Other investments | Not rated | 3,000,000 |
| Temporary investments | Not rated | <u>3,800,266</u> |
| | | <u>\$ 273,781,035</u> |
| <u>Fire and Police Pension Fund</u> | | |
| Corporate bonds and notes | Not rated | \$ 14,222,478 |
| Preferred securities | Not rated | 3,288,057 |
| Corporate stocks | Not rated | 30,281,595 |
| Mutual funds – equity | Not rated | 49,327,460 |
| Mutual funds – fixed income | Not rated | 24,309,315 |
| Mutual funds – preferred securities | Not rated | 3,345,454 |
| Private equity funds | Not rated | 10,632,041 |
| Foreign equity | Not rated | 6,605,821 |
| Real estate | Not rated | 13,092,880 |
| Hedge funds | Not rated | 71,359,385 |
| Temporary investments | Not rated | <u>2,168,407</u> |
| | | <u>\$ 228,632,893</u> |
| <u>Other Postemployment Benefit Trust Fund</u> | | |
| Corporate bonds and notes | Not rated | \$ 7,349,375 |
| Mutual funds – equity | Not rated | 15,268,503 |
| Mutual funds – fixed income | Not rated | 9,828,856 |
| Hedge funds | Not rated | 2,578,128 |
| Temporary investments | Not rated | <u>4,468,736</u> |
| | | <u>\$ 39,493,598</u> |

At June 30, 2015, the fair values of the City's investments in Hedge Funds totaling \$122,425,435 are based on valuations for which a readily determinable fair value does not exist. These investments are not listed on national exchanges or over-the-counter markets, and quoted market prices are not available. These investments include limited partnerships, private equity funds, and other types of non-traditional investments. Management estimates the fair values of these investments based on a review of all available information provided by fund managers and general partners. These fair value estimates are evaluated on a regular basis by management and are susceptible to revisions as more information becomes available. Because of these factors, it is reasonably possible that the estimated fair values of these investments may change materially in the near term.

NOTE 4. RECEIVABLES

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

| | Governmental Activities Funds | | | | | Total |
|------------------------------|-------------------------------|---------------------|-----------------------|---------------------|-----------------------------|-----------------------|
| | General | Capital Projects | Other Governmental | Internal Service | Business-Type Activities | |
| Primary Government | | | | | | |
| Receivables: | | | | | | |
| Taxes | \$ 125,296,160 | \$ - | \$ - | \$ - | \$ - | \$ 125,296,160 |
| Accounts | 11,460,772 | - | 1,221,969 | - | - | 12,682,741 |
| Notes | 1,040,491 | 958,413 | 14,672,371 | - | - | 16,671,275 |
| Customer service | - | - | - | 905,131 | 79,911,692 | 80,816,823 |
| Other | 1,212,013 | - | 243,641 | - | 1,310,913 | 2,766,567 |
| Restricted | 80,823 | 10,438 | - | - | - | 91,261 |
| Intergovernmental | <u>19,326,138</u> | <u>910,101</u> | <u>2,802,659</u> | <u>51,817</u> | <u>15,191,481</u> | <u>38,282,196</u> |
| Gross receivables | 158,416,397 | 1,878,952 | 18,940,640 | 956,948 | 96,414,086 | 276,607,023 |
| Less: | | | | | | |
| Allowance for uncollectibles | <u>(3,929,975)</u> | <u>-</u> | <u>(910,150)</u> | <u>-</u> | <u>(5,086,671)</u> | <u>(9,926,796)</u> |
| Net receivables | <u>\$ 154,486,422</u> | <u>\$ 1,878,952</u> | <u>\$ 18,030,490</u> | <u>\$ 956,948</u> | <u>\$ 91,327,415</u> | <u>\$ 266,680,227</u> |

Taxes Receivable

Taxes receivable include the uncollected property taxes from tax levies made during the current and past nine years, as well as the anticipated levy for the current calendar year. The allowance for uncollectible taxes of \$3,929,975 is the weighted average percentage of prior year collections on delinquent taxes to the total delinquent taxes receivable at June 30, 2015.

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 2015 was \$191,656. As of June 30, 2015, FOZ was in arrears by \$375,000 on the agreed scheduled payments. The current balance is \$684,351.

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 \$148,036 and \$190,425, 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 \$14,672,371 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, \$84,952 represents forgivable loans and \$4,206,625 represents title transfer loans, which are payable only upon the transfer of title by the current loan recipient. The allowance for uncollectable loans is \$910,150.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> |
|---|------------------------------|-----------------------|---------------------|---------------------------|
| PRIMARY GOVERNMENT | | | | |
| Governmental Activities: | | | | |
| Non-depreciable assets: | | | | |
| Land and land improvements | \$1,040,673,431 | \$ 5,074,546 | \$ 400 | \$1,045,747,577 |
| Construction in progress | <u>69,219,435</u> | <u>12,458,898</u> | <u>4,591,505</u> | <u>77,086,828</u> |
| Total non-depreciable assets | <u>1,109,892,866</u> | <u>17,533,444</u> | <u>4,591,905</u> | <u>1,122,834,405</u> |
| Depreciable assets: | | | | |
| Buildings and improvements | 225,834,637 | 604,513 | - | 226,439,150 |
| Vehicles and machinery | 143,873,430 | 3,162,184 | 1,912,804 | 145,122,810 |
| Infrastructure | <u>693,826,579</u> | <u>7,076,498</u> | <u>-</u> | <u>700,903,077</u> |
| Total depreciable assets | <u>1,063,534,646</u> | <u>10,843,195</u> | <u>1,912,804</u> | <u>1,072,465,037</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 111,940,445 | 7,008,902 | - | 118,949,347 |
| Vehicles and machinery | 114,849,592 | 6,903,791 | 1,798,054 | 119,955,329 |
| Infrastructure | <u>457,505,102</u> | <u>26,593,946</u> | <u>-</u> | <u>484,099,048</u> |
| Total accumulated depreciation | <u>684,295,139</u> | <u>40,506,639</u> | <u>1,798,054</u> | <u>723,003,724</u> |
| Depreciable assets, net | <u>379,239,507</u> | <u>(29,663,444)</u> | <u>114,750</u> | <u>349,461,313</u> |
| Governmental activities capital assets, net | <u>\$1,489,132,373</u> | <u>\$(12,130,000)</u> | <u>\$ 4,706,655</u> | <u>\$1,472,295,718</u> |
| Business-Type Activities: | | | | |
| Non-depreciable assets: | | | | |
| Land | \$ 20,021,089 | \$ 495,463 | \$ - | \$ 20,516,552 |
| Construction in progress | <u>46,767,563</u> | <u>19,264,954</u> | <u>14,000</u> | <u>66,018,517</u> |
| Total non-depreciable assets | <u>66,788,652</u> | <u>19,760,417</u> | <u>14,000</u> | <u>86,535,069</u> |
| Depreciable assets: | | | | |
| Buildings and improvements | 140,362,800 | 3,422,796 | 94,288 | 143,691,308 |
| Vehicles and machinery | 152,884,734 | 16,266,451 | 9,052,513 | 160,098,672 |
| Sewer system | 420,490,289 | 100,078 | - | 420,590,367 |
| Solid waste system | 9,520,509 | - | - | 9,520,509 |
| Water quality management system | 39,510,748 | 1,521,794 | - | 41,032,542 |
| Electric system | 640,263,000 | 39,101,000 | 12,681,000 | 666,683,000 |
| Communication system | <u>67,448,000</u> | <u>16,094,000</u> | <u>2,748,000</u> | <u>80,794,000</u> |
| Total depreciable assets | <u>1,470,480,080</u> | <u>76,506,119</u> | <u>24,575,801</u> | <u>1,522,410,398</u> |

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> |
|--|------------------------------|----------------------|----------------------|---------------------------|
| PRIMARY GOVERNMENT | | | | |
| Business-Type Activities: | | | | |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | \$ 57,115,210 | \$ 4,168,829 | \$ 220,481 | \$ 61,063,558 |
| Vehicles and machinery | 62,692,055 | 12,261,866 | 5,247,940 | 69,705,981 |
| Sewer system | 210,931,785 | 10,525,741 | - | 221,457,526 |
| Solid waste system | 2,044,808 | 317,350 | - | 2,362,158 |
| Water quality management system | 10,034,687 | 825,456 | - | 10,860,143 |
| Electric system | 223,279,000 | 25,300,000 | 13,347,000 | 235,232,000 |
| Communication system | <u>35,332,000</u> | <u>15,521,000</u> | <u>6,693,000</u> | <u>44,160,000</u> |
| Total accumulated depreciation | <u>601,429,545</u> | <u>68,920,242</u> | <u>25,508,421</u> | <u>644,841,366</u> |
| Depreciable assets, net | <u>869,050,535</u> | <u>7,585,877</u> | <u>(932,620)</u> | <u>877,569,032</u> |
| Business-type activities capital assets, net | <u>\$ 935,839,187</u> | <u>\$ 27,346,291</u> | <u>\$ (918,621)</u> | <u>\$ 964,104,101</u> |
| DISCRETELY-PRESENTED COMPONENT UNITS | | | | |
| Non-depreciable assets: | | | | |
| Land | \$ 7,101,608 | \$ - | \$ - | \$ 7,101,608 |
| Construction in progress | <u>43,747,642</u> | <u>5,648,069</u> | <u>43,933,056</u> | <u>5,462,655</u> |
| Total non-depreciable assets | <u>50,849,250</u> | <u>5,648,069</u> | <u>43,933,056</u> | <u>12,564,263</u> |
| Depreciable assets: | | | | |
| Buildings and improvements | 139,003,753 | 45,405,568 | 443,838 | 184,265,483 |
| Vehicles and equipment | <u>64,174,305</u> | <u>1,017,340</u> | <u>80,982</u> | <u>65,110,663</u> |
| Total depreciable assets | <u>203,178,058</u> | <u>46,722,908</u> | <u>524,820</u> | <u>249,376,146</u> |
| Less accumulated depreciation | <u>115,452,789</u> | <u>9,509,107</u> | <u>432,199</u> | <u>124,529,697</u> |
| Depreciable assets, net | <u>87,725,269</u> | <u>37,213,801</u> | <u>92,621</u> | <u>124,846,449</u> |
| Component units capital assets, net | <u>\$ 138,574,519</u> | <u>\$ 42,861,870</u> | <u>\$ 44,025,677</u> | <u>\$ 137,410,712</u> |
| Depreciation expense is charged to functions as follows: | | | | |
| Primary Government – Governmental Activities: | | | | |
| General Government | | | | \$ 12,041,081 |
| Public Safety | | | | 1,223,383 |
| Economic Development | | | | 9,402 |
| Public Works | | | | 26,716,221 |
| Youth & Family Development | | | | 176,484 |
| Transportation | | | | <u>340,068</u> |
| Total | | | | <u>\$ 40,506,639</u> |
| Primary Government – Business-Type Activities: | | | | |
| Electric Utility | | | | \$ 51,910,000 |
| Sewer | | | | 14,686,610 |
| Solid Waste | | | | 509,996 |
| Water Quality Management | | | | 1,311,205 |
| Downtown Redevelopment | | | | <u>502,431</u> |
| Total | | | | <u>\$ 68,920,242</u> |
| Discretely-Presented Component Units: | | | | |
| CARTA | | | | \$ 3,593,500 |
| Airport Authority | | | | <u>5,915,607</u> |
| Total | | | | <u>\$ 9,509,107</u> |

NOTE 6. LONG-TERM LIABILITIES

Governmental Activities

Debt related to governmental activities at June 30, 2015, consisted of the following:

General Obligation Bonds

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

General obligation bonds are summarized by issue as follows:

| <u>Series</u> | <u>Original Principal</u> | <u>Interest Rates</u> | <u>Final Maturity</u> | <u>Principal June 30, 2015</u> |
|--|-------------------------------|---------------------------|---------------------------|------------------------------------|
| General Obligations Refunding Bonds, Series 1998 | \$ 7,292,600 | 5.25% - 5.50% | 09/01/17 | \$ 1,084,900 |
| General Obligations Refunding Bonds, Series 2002 | 15,390,900 | 4.38% - 5.38% | 09/01/15 | 890,000 |
| General Obligations Refunding Bonds, Series 2005 A | 17,436,520 | 3.50% - 5.00% | 09/01/19 | 5,291,902 |
| Hotel-Motel Tax Refunding Bonds, Series 2005 A | 6,469,987 | 3.50% - 5.00% | 09/01/19 | 46,836 |
| General Obligations Bonds, Series 2006 A | 20,732,796 | 4.00% - 5.00% | 11/01/26 | 2,073,277 |
| 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 | 31,780,000 |
| General Obligations Bonds, Series 2010 A | 6,725,000 | 2.00% - 4.00% | 02/01/30 | 5,025,000 |
| General Obligation Refunding Bonds, Series 2010 B | 4,707,460 | 2.00% - 4.00% | 02/01/30 | 3,683,263 |
| Hotel-Motel Tax Refunding Bonds, Series 2010 B | 29,557,540 | 2.00% - 4.00% | 02/01/30 | 23,126,737 |
| General Obligation Bonds, Series 2010 C | 6,840,000 | 2.00% - 4.00% | 02/01/30 | 5,120,000 |
| General Obligation Bonds, Series 2011 A | 26,495,000 | 2.00% - 4.00% | 10/01/26 | 21,185,000 |
| 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 | 18,395,000 |
| Hotel-Motel Tax Pledge, Series 2013 | 7,420,000 | 2.00% - 5.00% | 10/01/28 | 7,055,000 |
| 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 | <u>3,961,340</u> | 1.75% - 5.00% | 11/01/26 | <u>3,961,340</u> |
| Total payable from Debt Service Fund | <u>\$ 263,656,243</u> | | | <u>\$ 174,575,355</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, 2015, is \$1,438,000 of which \$1,305,601 is due from Governmental Activities and \$132,399 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, 2015, is \$13,360,868, of which \$13,045,072 is due from Governmental Activities and \$315,796 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, 2015 is \$90,516.

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, 2015 is \$2,746,000.

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 T.C.A. § 57-4-306(2) relative to past liquor-by-the drink tax revenues. Under provisions of the Compromise, the City of Chattanooga will pay \$11,763,477 to the HCDE in six equal annual payments of \$1,960,580 over a five-year period commencing on August 1, 2014 and ending in August 2019. The balance at June 30, 2015 is \$9,802,897.

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, 2015, was \$9,667,424, of which \$3,570,878 was a reduction of principal. The debt service reserve fund held by the fiscal agent at June 30, 2015 is \$9,668,284. 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, 2015 is \$174,098.

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, 2015, 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, 2015</u> |
|---|-------------------------------|---------------------------|---------------------------|------------------------------------|
| Electric Power Board | | | | |
| 2006A Electric System Revenue Bonds | \$ 40,000,000 | 4.00% - 5.00% | 09/01/31 | \$ 32,935,000 |
| 2006B Electric System Refunding Revenue Bonds | 23,430,000 | 4.00% - 4.25% | 09/01/25 | 18,160,000 |
| 2008A Electric System Revenue Bonds | 219,830,000 | 3.00% - 5.00% | 09/01/33 | 212,830,000 |
| Interceptor Sewer System | | | | |
| General Obligations Refunding Bonds, Series 1998 | 13,612,700 | 5.25% - 5.50% | 09/01/17 | 4,240,100 |
| General Obligations Refunding Bonds, Series 2005A | 12,545,129 | 3.50% - 5.00% | 09/01/19 | 6,580,228 |
| General Obligations Refunding Bonds, Series 2014A | 2,343,620 | 1.75% - 5.00% | 11/01/26 | 2,343,620 |
| Solid Waste Fund | | | | |
| General Obligation Refunding Bonds, Series 2005A | 9,877,293 | 3.50% - 5.00% | 09/01/19 | 4,524,515 |
| General Obligation Bonds, Series 2006A | 5,667,204 | 4.00% - 5.00% | 11/01/26 | 566,723 |
| 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 |
| Water Quality Fund | | | | |
| General Obligation Refunding Bonds, Series 2005A | 6,046,071 | 3.50% - 5.00% | 09/01/19 | 2,976,519 |
| 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 | 4,985,000 |
| General Obligations Refunding Bonds, Series 2014A | 1,153,663 | 1.75% - 5.00% | 11/01/26 | 1,153,663 |
| Chattanooga Downtown Redevelopment Corporation | | | | |
| 2007 Chatt Lease Rental Rev Ref Bonds | 56,110,000 | 4.00% - 5.00% | 10/01/30 | 48,750,000 |
| 2010 Chatt Lease Rental Rev Ref Bonds | <u>66,955,000</u> | 3.00% - 5.00% | 10/01/24 | <u>56,870,000</u> |
| Total payable from Business-type Activities | <u>\$ 470,719,958</u> | | | <u>\$ 404,819,646</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, 2015 to be paid from Interceptor Sewer Fund is \$1,727,743.

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, 2015 to be paid from Interceptor Sewer Fund is \$22,289,688.

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, 2015, is \$1,438,000 of which \$1,305,601 is due from Governmental Activities and \$132,399 is due from Solid Waste Fund.

Tennessee Municipal Bond Fund Loan (2004) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$25,000,000 for the purpose of paying for certain general government capital projects. The loan is being repaid over a 20-year period at variable rates through 2024. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2015, is \$13,360,868, of which \$13,045,072 is due from Governmental Activities and \$315,796 is due from Solid Waste Fund.

State Revolving Loan 2007 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a loan for the purpose of financing sewer projects. The loan is being repaid in monthly installments through September 2031 at 2.79% interest. The balance at June 30, 2015 to be paid from Interceptor Sewer Fund is \$11,080,423.

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 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, 2015 to be paid from Interceptor Sewer Fund is \$12,958,983.

2013 Secured (Internet) Term Note - In March 2013, EPB obtained a bank loan for \$11,500,000 million with monthly principal payments of \$319,415 with a maturity of March 2016 for the benefit of the Telecom System, which is guaranteed by the revenue and assets of the Telecom System. The note was fully repaid during fiscal year 2015.

EPB Video and Internet LOC - In August 2012, a revolving line of credit was obtained for \$60 million for the benefit of EPB's Video and Internet system. The line of credit was used for repayment of all funds borrowed from the Electric System and retirement of the outstanding principal of a \$7.5 million bank loan obtained in October 2011. This loan is secured by the revenue, assets, and other income of the Video and Internet System. The loan 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, 2015, the outstanding balance under the revolving line of credit was \$36,725,000.

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 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, 2015 to be paid from Interceptor Sewer Fund is \$7,067,709.

State Revolving Loan 2013 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a loan for the purpose of financing sewer projects. The loan will be repaid in monthly installments after 90 percent of the loan has been drawn down at 1.67% interest. The balance at June 30, 2015 to be paid from Interceptor Sewer Fund is \$6,169,218.

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 | \$ 1,830,697 | \$ 62,890 | \$ 1,767,807 |
| Water Quality Fund | 278,746 | 27,979 | 250,767 |

Component Units

Component Units debt at June 30, 2015, 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, 2015</u> |
|--|-------------------------------|---------------------------|---------------------------|------------------------------------|
| Metropolitan Airport Authority | | | | |
| Taxable Refunding Revenue Bonds, Series 2009 | \$ 6,600,000 | 2.95% | 04/01/19 | \$ 4,426,423 |
| Tax Exempt Revenue Bonds, Series 2014 | 5,086,077 | 2.67% | 01/10/24 | 3,068,575 |
| Taxable Revenue Bonds, Series 2014 | <u>4,913,923</u> | 4.03% | 01/10/24 | <u>3,895,667</u> |
| Total payable from Component Units | <u>\$ 16,600,000</u> | | | <u>\$ 11,390,665</u> |

Notes Payable

Republic Parking System Note - In February 2013, the Authority entered into \$770,564 agreement with Republic Parking System, Inc. to secure a loan for the purpose of financing transportation operations. The loan will be repaid in monthly installments through February 2016 at 6.00% interest. The remaining balance at June 30, 2015 of \$181,981 will be paid from CARTA operations.

Capital Lease

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, 2015 to be paid from the Chattanooga Metropolitan Airport Authority is \$58,660.

Refunding

During the 2015 fiscal year the City issued \$25,925,001 to refinance \$26,745,000 resulting in savings of \$819,999.

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, 2015, the remaining liabilities for the bonds refunded were as follows:

| <u>Year</u> | <u>Primary</u> <u>Government</u> |
|-------------|-------------------------------------|
| 1998 | \$ 5,390,000 |
| 2002 | 1,000,000 |
| 2005 | 33,395,000 |
| 2007 | 66,280,000 |
| 2010 | 26,030,000 |
| 2011 | 56,870,000 |
| 2012 | 18,360,000 |
| 2014 | 26,745,001 |

Changes in Long-term Liabilities

Changes in long-term liabilities for the fiscal year ended June 30, 2015, were as follows:

| | <u>Balance</u> <u>July 1, 2014</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2015</u> | <u>Due Within</u> <u>One Year</u> |
|--|---------------------------------------|----------------------|----------------------|--|--------------------------------------|
| Primary Government | | | | | |
| GOVERNMENTAL ACTIVITIES | | | | | |
| General obligation serial bonds | \$ 187,631,740 | \$ 17,753,440 | \$ 30,809,825 | \$ 174,575,355 | \$ 13,050,475 |
| Notes payable | 33,678,384 | 83,132 | 6,771,430 | 26,990,086 | 4,049,232 |
| Capital leases payable | 232,290 | - | 58,192 | 174,098 | 60,831 |
| Accrued pollution remediation costs | 1,194,495 | 40,000 | 1,145 | 1,233,350 | 60,000 |
| Accrued postemployment benefits | 29,467,895 | - | 2,926,173 | 26,541,722 | - |
| Accrued general pension costs | 20,096,370 | 2,382,948 | - | 22,479,318 | - |
| Accrued fire and police pension costs | 129,139,277 | - | 2,611,474 | 126,527,803 | - |
| Compensated absences | <u>21,432,803</u> | <u>9,293,097</u> | <u>11,614,744</u> | <u>19,111,156</u> | <u>1,506,471</u> |
| Total governmental activities | <u>\$ 422,873,254</u> | <u>\$ 29,552,617</u> | <u>\$ 54,792,983</u> | 397,632,888 | <u>\$ 18,727,009</u> |
| Original issue premiums and discounts | | | | <u>7,760,341</u> | |
| | | | | <u>\$ 405,393,229</u> | |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| EPB: | | | | | |
| Revenue bonds | \$ 270,965,000 | \$ - | \$ 7,040,000 | \$ 263,925,000 | \$ 8,075,000 |
| Notes payable | 4,777,000 | - | 4,777,000 | - | - |
| Line of credit | 45,875,000 | - | 9,150,000 | 36,725,000 | - |
| Accrued postemployment benefits | 9,365,000 | - | 471,000 | 8,894,000 | - |
| Accrued pension costs | - | 6,134,000 | - | 6,134,000 | - |
| Compensated absences | <u>776,000</u> | <u>-</u> | <u>170,000</u> | <u>606,000</u> | <u>205,000</u> |
| | <u>331,758,000</u> | <u>6,134,000</u> | <u>21,608,000</u> | <u>316,284,000</u> | <u>8,280,000</u> |

| | Balance July 1, 2014 | Additions | Reductions | Balance June 30, 2015 | Due Within One Year |
|--|-------------------------|----------------------|----------------------|--------------------------|------------------------|
| Primary Government | | | | | |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Interceptor Sewer System: | | | | | |
| General obligation serial bonds | 18,490,095 | 2,343,620 | 7,669,767 | 13,163,948 | 3,419,459 |
| Notes payable | 47,102,988 | 17,078,318 | 2,887,542 | 61,293,764 | 8,378,949 |
| Capital lease payable | 5,562 | - | 5,562 | - | - |
| Accrued general pension costs | 2,292,208 | 271,801 | - | 2,564,009 | - |
| Compensated absences | 960,970 | 626,276 | 709,431 | 877,815 | 61,872 |
| | <u>68,851,823</u> | <u>20,320,015</u> | <u>11,272,302</u> | <u>77,899,536</u> | <u>11,860,280</u> |
| Solid Waste Fund: | | | | | |
| General obligation serial bonds | 14,045,159 | 4,674,278 | 6,473,921 | 12,245,516 | 1,716,798 |
| Notes payable | 520,306 | - | 72,111 | 448,195 | 74,316 |
| Accrued landfill closure costs | 5,723,565 | 203,341 | 183,522 | 5,743,384 | 205,803 |
| Accrued general pension costs | 290,293 | 34,423 | - | 324,716 | - |
| Compensated absences | 122,170 | 76,806 | 77,530 | 121,446 | 8,501 |
| | <u>20,701,493</u> | <u>4,988,847</u> | <u>6,807,084</u> | <u>18,883,257</u> | <u>2,005,418</u> |
| Water Quality Management Fund: | | | | | |
| General obligation serial bonds | 11,063,007 | 1,153,663 | 2,351,488 | 9,865,182 | 1,303,267 |
| Accrued general pension costs | 1,959,914 | 232,398 | - | 2,192,312 | - |
| Compensated absences | 733,831 | 663,018 | 653,144 | 743,705 | 52,478 |
| | <u>13,756,752</u> | <u>2,049,079</u> | <u>3,004,632</u> | <u>12,801,199</u> | <u>1,355,745</u> |
| Chattanooga Downtown Redevelopment Corporation: | | | | | |
| Revenue bonds | 110,140,000 | - | 4,520,000 | 105,620,000 | 4,675,000 |
| Total business-type activities | <u>\$ 545,208,068</u> | <u>\$ 33,491,941</u> | <u>\$ 47,212,018</u> | 531,487,992 | <u>\$ 28,176,443</u> |
| Original issue premiums and discounts | | | | 15,352,394 | |
| | | | | <u>\$ 546,840,386</u> | |
| Discretely-Presented Component Units | | | | | |
| Airport Authority: | | | | | |
| Revenue bonds | \$ 14,716,702 | \$ - | \$ 3,326,037 | \$ 11,390,665 | \$ 703,009 |
| Capital lease payable | 106,081 | - | 47,421 | 58,660 | 50,051 |
| Accrued postemployment benefits | 146,811 | - | - | 146,811 | - |
| Accrued general pension costs | - | 890,448 | - | 890,448 | - |
| | <u>14,969,594</u> | <u>890,448</u> | <u>3,373,458</u> | <u>12,486,584</u> | <u>753,060</u> |
| CARTA: | | | | | |
| Notes payable | 443,782 | - | 261,801 | 181,981 | 181,981 |
| Accrued general pension costs | - | 11,358,348 | - | 11,358,348 | - |
| | <u>443,782</u> | <u>11,358,348</u> | <u>261,801</u> | <u>11,540,329</u> | <u>181,981</u> |
| Total component units | <u>\$ 15,413,376</u> | <u>\$12,248,796</u> | <u>\$ 3,635,259</u> | <u>\$ 24,026,913</u> | <u>\$ 935,041</u> |

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

| Year | Primary Government | | | |
|-----------|-------------------------|----------------------|--------------------------|-----------------------|
| | Governmental Activities | | Business-Type Activities | |
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 17,042,739 | \$ 7,008,080 | \$ 27,642,789 | \$ 20,049,371 |
| 2017 | 15,625,212 | 6,425,131 | 29,661,945 | 19,058,624 |
| 2018 | 16,869,036 | 5,881,320 | 28,422,802 | 17,996,927 |
| 2019 | 17,162,473 | 5,314,044 | 24,811,050 | 16,942,389 |
| 2020 | 13,982,069 | 4,843,439 | 23,370,947 | 15,932,980 |
| 2021-2025 | 70,154,352 | 17,059,053 | 121,612,840 | 64,469,492 |
| 2026-2030 | 46,409,560 | 5,022,714 | 124,007,733 | 36,786,322 |
| 2031-2035 | 4,320,000 | 172,800 | 87,031,499 | 8,149,492 |
| | <u>\$ 201,565,441</u> | <u>\$ 51,726,581</u> | <u>\$ 466,561,605</u> | <u>\$ 199,385,597</u> |

| <u>Year</u> | <u>Component Units</u> | |
|-------------|------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2016 | \$ 884,990 | \$ 370,098 |
| 2017 | 725,553 | 342,000 |
| 2018 | 748,838 | 318,717 |
| 2019 | 3,383,763 | 281,319 |
| 2020 | 308,916 | 198,389 |
| 2021-2025 | <u>5,520,586</u> | <u>619,535</u> |
| | <u>\$ 11,572,646</u> | <u>\$ 2,130,058</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> | | |
| 2016 | \$ 60,831 | \$ 6,507 | \$ 50,051 | \$ 1,945 |
| 2017 | 63,590 | 3,748 | 8,609 | 58 |
| 2018 | <u>49,677</u> | <u>926</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 174,098</u> | <u>\$ 11,181</u> | <u>\$ 58,660</u> | <u>\$ 2,003</u> |

NOTE 7. PENSION TRUST FUND

The City acts as Trustee for the General Pension Plan and the Fire and Police Pension Plan, which are included in the accompanying financial statements as a pension trust fund.

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, 2015, the valuation date, consisted of the following:

| | |
|---|--------------|
| Inactive plan members or beneficiaries currently receiving benefits | 1,030 |
| Inactive plan members entitled to but not yet receiving benefits | 102 |
| Active plan members | <u>1,400</u> |
| Total | <u>2,532</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 up to 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.

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 13.92 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, 2015:

| <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, 2015, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 2.93 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, 2015 were as follows:

| | |
|--|----------------------|
| Total pension liability | \$ 312,068,083 |
| Plan fiduciary net position | <u>(273,768,908)</u> |
| Net pension liability | <u>\$ 38,299,175</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 87.73% |

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 and rolled forward to the measurement date of June 30, 2015:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 4.0 - 5.0 percent |
| Investment rate of return | 7.5 percent, net of investment expenses |

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, 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 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 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan members contribute 2% 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 7.5 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 (6.5 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> |
|---------------------------|---------------------------|-------------------------------------|---------------------------|
| GPP net pension liability | <u>\$ 73,179,998</u> | <u>\$ 38,299,175</u> | <u>\$ 8,642,591</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.

Plan membership – Pension plan membership as of December 31, 2014, the valuation date, consisted of the following:

| | |
|---|--------------|
| 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> |

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, 2015 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 1st 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, 2015:

| <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> |

Rate of return - For the year ended June 30, 2015, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 2.89 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, 2015 were as follows:

| | |
|-----------------------------|-----------------------|
| Total pension liability | \$ 392,251,285 |
| Plan fiduciary net position | <u>228,629,338</u> |
| Net pension liability | <u>\$ 163,621,947</u> |

| | |
|--|--------|
| Plan fiduciary net position as a percentage of the total pension liability | 58.29% |
|--|--------|

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 and rolled forward to the measurement date of June 30, 2015:

| | |
|---------------------------|--|
| 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.

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 included in the pension plan's target asset allocation as of December 31, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return*</u> |
|----------------------|--|
| Domestic equity | 6.70% |
| International equity | 7.40 |
| Fixed income | 1.60 |
| Real estate | 4.50 |
| Hedge funds | 3.60 |
| Private equity | 11.80 |
| *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:

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

Combining Statement of Pension Trust Net Position:

| | <u>General Pension Plan</u> | <u>Fire and Police Pension Fund</u> | <u>Total</u> |
|---|------------------------------|-------------------------------------|------------------------------|
| ASSETS | | | |
| Receivables: | | | |
| Accrued income | <u>\$ 216,071</u> | <u>\$ 57,375</u> | <u>\$ 273,446</u> |
| Total receivables | <u>216,071</u> | <u>57,375</u> | <u>273,446</u> |
| Investments: | | | |
| Corporate bonds and notes | 5,710,344 | 14,222,476 | 19,932,820 |
| Preferred securities | - | 3,288,057 | 3,288,057 |
| Corporate stocks | 90,280,573 | 30,281,595 | 120,562,168 |
| Foreign equity | - | 6,605,821 | 6,605,821 |
| Mutual funds – preferred securities | - | 3,345,455 | 3,345,455 |
| Mutual funds – equity | 26,770,752 | 49,327,460 | 76,098,212 |
| Mutual funds – fixed income | 41,016,429 | 24,309,315 | 65,325,744 |
| Real estate | 3,000,000 | 13,092,880 | 16,092,880 |
| Hedge funds | 48,487,922 | 71,359,385 | 119,847,307 |
| Other investments | 54,714,749 | 10,632,042 | 65,346,791 |
| Temporary investments | <u>3,800,266</u> | <u>2,168,407</u> | <u>5,968,673</u> |
| Total investments | <u>273,781,035</u> | <u>228,632,893</u> | <u>502,413,928</u> |
| Total assets | <u>273,997,106</u> | <u>228,690,268</u> | <u>502,687,374</u> |
| LIABILITIES | | | |
| Accrued expenses | <u>228,198</u> | <u>60,930</u> | <u>289,128</u> |
| Total liabilities | <u>228,198</u> | <u>60,930</u> | <u>289,128</u> |
| NET POSITION RESTRICTED FOR PENSIONS | <u>\$ 273,768,908</u> | <u>\$ 228,629,338</u> | <u>\$ 502,398,246</u> |

Combining Statement of Changes in Plan Net Position:

| | General Pension Plan | Fire and Police Pension Fund | Total |
|--|-------------------------|------------------------------------|-----------------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Employer | \$ 7,925,195 | \$ 11,115,222 | \$ 19,040,417 |
| Employee | 1,140,121 | 3,528,823 | 4,668,944 |
| Other | <u>-</u> | <u>185,330</u> | <u>185,330</u> |
| Total contributions | <u>9,065,316</u> | <u>14,829,375</u> | <u>23,894,691</u> |
| Investments income: | | | |
| Net appreciation in fair value of investments | 7,553,571 | 4,102,010 | 11,655,581 |
| Interest | 370,219 | 1,909 | 372,128 |
| Dividends | <u>2,376,613</u> | <u>3,172,297</u> | <u>5,548,910</u> |
| | 10,300,403 | 7,276,216 | 17,576,619 |
| Less investment expense | <u>(840,735)</u> | <u>(494,504)</u> | <u>(1,335,239)</u> |
| Net investment income (loss) | <u>9,459,668</u> | <u>6,781,712</u> | <u>16,241,380</u> |
| Total additions | <u>18,524,984</u> | <u>21,611,087</u> | <u>40,136,071</u> |
| DEDUCTIONS | | | |
| Benefits paid to participants | 17,349,644 | 28,263,419 | 45,613,063 |
| Administrative expenses | <u>231,900</u> | <u>770,714</u> | <u>1,002,614</u> |
| Total deductions | <u>17,581,544</u> | <u>29,034,133</u> | <u>46,615,677</u> |
| NET CHANGE | 943,440 | (7,423,046) | (6,479,606) |
| NET POSITION RESTRICTED FOR PENSIONS | | | |
| Beginning of year | <u>272,825,468</u> | <u>236,052,384</u> | <u>508,877,852</u> |
| End of year | <u>\$ 273,768,908</u> | <u>\$ 228,629,338</u> | <u>\$ 502,398,246</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 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 6/30/2013 | \$ 738,754,103 | \$ 493,130,292 | \$ 245,623,811 |
| Changes for the year: | | | |
| Service cost | 14,132,238 | - | 14,132,238 |
| Interest expense | 55,916,720 | - | 55,916,720 |
| Changes of benefit terms | (65,257,551) | - | (65,257,551) |
| Experience losses (gains) | 13,419,249 | - | 13,419,249 |
| Changes of assumptions | (5,709,428) | - | (5,709,428) |
| Contributions – city | - | 24,634,772 | (24,634,772) |
| Contributions – members | - | 4,294,069 | (4,294,069) |
| Net investment income | - | 69,688,361 | (69,688,361) |
| Benefits paid | (48,475,805) | (48,475,805) | - |
| Plan administrative expenses | - | (881,635) | 881,635 |
| Other | - | 167,315 | (167,315) |
| Net changes | <u>(35,974,577)</u> | <u>49,427,077</u> | <u>(85,401,654)</u> |
| Balances at 6/30/2014 | <u>\$ 702,779,526</u> | <u>\$ 542,557,369</u> | <u>\$ 160,222,157</u> |
| | Component Units | | |
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Net Position (b) | Net Pension Liability (a) – (b) |
| Balances at 6/30/2013 | \$ 32,754,021 | \$ 20,834,902 | \$ 11,919,119 |
| Changes for the year: | | | |
| Service cost | 830,362 | - | 830,362 |
| Interest expense | 2,478,344 | - | 2,478,344 |
| Changes of benefit terms | - | - | - |
| Experience losses (gains) | 253,428 | - | 253,428 |
| Changes of assumptions | (184,466) | - | (184,466) |
| Contributions – city | - | 1,191,309 | (1,191,309) |
| Contributions – members | - | 320,503 | (320,503) |
| Net investment income | - | 1,649,645 | (1,649,645) |
| Benefits paid | (2,481,606) | (2,481,606) | - |
| Plan administrative expenses | - | (113,466) | 113,466 |
| Other | - | - | - |
| Net changes | <u>896,062</u> | <u>566,385</u> | <u>329,677</u> |
| Balances at 6/30/2014 | <u>\$ 33,650,083</u> | <u>\$ 21,401,287</u> | <u>\$ 12,248,796</u> |

| | <u>General Pension Plan</u> | <u>Fire & Police Pension Plan</u> | <u>EPB Pension Plan</u> | <u>CARTA Pension Plans</u> | <u>Totals</u> |
|---|---------------------------------|---|-----------------------------|--------------------------------|-------------------|
| Net pension liability | \$ 28,450,803 | \$126,527,803 | \$ 6,134,000 | \$ 11,358,348 | \$ 172,470,954 |
| Pension assets | - | - | - | - | - |
| Deferred pension outflows | | | | | |
| Contributions | 7,682,577 | 11,115,227 | 3,700,000 | 600,023 | 23,097,827 |
| Difference between expected and actual experience | - | 8,409,563 | 3,397,000 | 599,063 | 12,405,626 |
| Net difference between projected and actual earnings on pension plan investments | - | - | - | 255,558 | 255,558 |
| | <u>7,682,577</u> | <u>19,524,790</u> | <u>7,097,000</u> | <u>1,454,644</u> | <u>35,759,011</u> |
| Deferred pension inflows | | | | | |
| Change in assumptions | 4,843,290 | - | - | - | 4,843,290 |
| Net difference between projected and actual earnings on pension plan investments | 9,720,783 | 13,992,505 | 2,426,000 | 330,716 | 26,470,004 |
| | <u>14,564,073</u> | <u>13,992,505</u> | <u>2,426,000</u> | <u>330,416</u> | <u>31,313,294</u> |
| Pension expense (income) | 4,870,372 | (49,785,262) | 3,020,366 | 1,391,522 | (40,503,002) |

The following is a summary of each of these plans:

City of Chattanooga General Pension Plan

General Information

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

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

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

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, 2014, the valuation date:

| | |
|--|--------------|
| Inactive employees or beneficiaries currently receiving benefits | 999 |
| Inactive employees entitled to but not yet receiving benefits | 101 |
| Active employees | <u>1,381</u> |
| | <u>2,481</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, 2014, the active member contribution rate was 2.0 percent of annual pay, and the City's contribution rate was 13.72 percent of pay.

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 January 1, 2014, rolled-forward to June 30, 2014.

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

| | |
|---------------------------|--|
| Inflation | 3.0 percent |
| Salary increases | 4.0 - 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 2014 valuation were based on the results of an actuarial experience study, dated January 7, 2014.

The long-term expected rate of return on pension plan investments was determined using a 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. 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

| | Increase (Decrease) | | |
|------------------------------|-----------------------------------|-----------------------------|---------------------------------------|
| | Total Pension Liability (a) | Plan Net Position (b) | Net Pension Liability (a) – (b) |
| Balances at 6/30/2013 | \$ 295,274,117 | \$ 249,377,705 | \$ 45,896,412 |
| Changes for the year: | | | |
| Service cost | 6,069,090 | - | 6,069,090 |
| Interest expense | 22,247,450 | - | 22,247,450 |
| Changes of assumptions | (5,893,894) | - | (5,893,894) |
| Contributions – city | - | 7,751,909 | (7,751,909) |
| Contributions – members | - | 1,130,354 | (1,130,354) |
| Net investment income | - | 31,178,197 | (31,178,197) |
| Benefits paid | (16,420,492) | (16,420,492) | - |
| Plan administrative expenses | - | (192,205) | 192,205 |
| Net changes | <u>6,002,154</u> | <u>23,447,763</u> | <u>(17,445,609)</u> |
| Balances at 6/30/2014 | <u>\$ 301,276,271</u> | <u>\$ 272,825,468</u> | <u>\$ 28,450,803</u> |

Changes in actuarial assumptions - The following changes in actuarial assumptions and methods were used in the measurement of the total pension liability since the prior measurement date:

Investment rate of return – The assumed investment rate of return was lowered from 7.75% to 7.50%.

Retirement, withdrawal and disability rates – The rates for retirement, withdrawal and disability were changed to more closely reflect recent experience.

Mortality tables – The pre-retirement and post-retirement healthy mortality tables were changed to RP 2000 combined mortality table set forward four years for males and set forward two years for females and using a scale AA projection to 2025. The post-retirement mortality table was changed to the RP 2000 disable mortality table set forward eight years for males and set forward nine years for females for disability retirements.

Salary scale – The salary scale was lowered by 0.50% at all years of service.

Administrative expense – An administrative expense assumption 0.35% was added to the normal rate.

Amortization method – The amortization method was changed from an open to a closed amortization basis.

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

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|------------------------------|--------------------------|------------------------------------|--------------------------|
| City's net pension liability | <u>\$ 62,841,363</u> | <u>\$ 28,450,803</u> | <u>\$ (720,706)</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, 2014, the City recognized pension expense of \$4,717,940 with an additional \$152,432 for the Airport Authority, a component unit of the City.

Deferred outflows of resources totaling \$7,682,577 represent contributions made after the plan's valuation date. The City and Airport Authority recognized \$7,677,154 and \$5,423, respectively.

Deferred inflows of resources related to pensions are as follows:

| | <u>Primary Government</u> | <u>Airport Authority</u> | <u>Total</u> |
|--|-------------------------------|------------------------------|----------------------|
| Changes of assumptions | \$ 4,691,706 | \$ 151,584 | \$ 4,843,290 |
| Net difference between projected and actual earnings on pension plan investments | <u>9,416,543</u> | <u>304,240</u> | <u>9,720,783</u> |
| Total deferred inflow of resources | <u>\$ 14,108,249</u> | <u>\$ 455,824</u> | <u>\$ 14,564,073</u> |

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

| Year ended June 30, | |
|---------------------|----------------------|
| 2015 | \$ 3,480,801 |
| 2016 | 3,480,801 |
| 2017 | 3,480,801 |
| 2018 | 3,480,801 |
| 2019 | <u>640,869</u> |
| | <u>\$ 14,564,073</u> |

Payable to the Pension Plan

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

Fire and Police Pension Fund

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.

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, 2014, the active member contribution rate was either 9 or 10 percent of payroll, and will continue to increase each July 1st until they reach 11 or 12 percent effective July 1, 2016. The City's contribution rate was 26.19% of pay.

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, 2014.

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 |
| 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 (a)</u> | <u>Plan Net Position (b)</u> | <u>Net Pension Liability (a) – (b)</u> |
| Balances at 6/30/2013 | \$ 411,554,212 | \$ 216,162,772 | \$ 195,391,440 |
| Changes for the year: | | | |
| Service cost | 5,858,028 | - | 5,858,028 |
| Interest expense | 30,728,527 | - | 30,728,527 |
| Change of benefit terms | (65,257,551) | - | (65,257,551) |
| Difference between expected and actual experience | 9,811,157 | - | 9,811,157 |
| Contributions – city | - | 13,495,433 | (13,495,433) |
| Contributions – members | - | 3,199,093 | (3,199,093) |
| Net investment income | - | 33,750,882 | (33,750,882) |
| Benefits paid | (30,114,186) | (30,114,186) | - |
| Plan administrative expenses | - | (608,924) | 608,924 |
| Other | - | 167,314 | (167,314) |
| Net changes | <u>(48,974,025)</u> | <u>19,889,612</u> | <u>(68,863,637)</u> |
| Balances at 6/30/2014 | <u>\$ 362,580,187</u> | <u>\$ 236,052,384</u> | <u>\$ 126,527,803</u> |

Changes in actuarial assumptions – A detailed study of experience for the five-year period ending December 31, 2014 was performed and the recommendations of the study were adopted by the Board on April 16, 2015. The following changes in assumptions have been made:

Mortality tables – The pre-retirement mortality assumption was changed from the RP-2000 Blue Collar Healthy Mortality Table, set forward two years to the RP-2014 Blue Collar Employee Mortality Table, set forward two years for both males and females. The post-retirement mortality assumption for healthy annuitants was changed from the RP-2000 Blue Collar Healthy Mortality Table, set forward two years to the RP-2014 Blue Collar Healthy Annuitant Mortality Table, set forward three years for both males and females.

The disabled retiree mortality assumption was changed from the RP-2000 Blue Collar Healthy Mortality Table, set forward eight years to the RP-2014 Disabled Retiree Mortality Table, set forward three years for both males and females. All assumptions were projected generationally with a modified version of Scale MP-2014.

Turnover – The turnover assumption was modified from a five-year select-and-ultimate assumption based on age to an assumption based on years of service. Group-specific rates were maintained but restructured to reflect lower rates for all participants. The ultimate rate was set to zero for employees with twenty or more years of service.

Salary scale – The salary scale assumption was changed to remove the group specific rates. The individual rates, based on years of service, were modified to reflect lower increases for participants with lesser service. After twenty years, the ultimate rate was set to a flat rate of 2.75% to match the payroll growth assumption.

Payroll growth rate – The payroll growth rate assumption, used for determining the amortization of the unfunded actuarial accrued liability, was lowered from 3.25% to 2.75%.

Administrative expense – The administrative expense assumption of \$500,000 was increased to \$600,000.

Lump sum death benefits – Apart from the experience study changes, a change was made in the treatment of lump sum death benefits. Since a third party is responsible for paying these claims, the liabilities were removed from the fund’s liabilities and the premiums paid each year will be considered an administrative expense. These premiums were previously classified as a benefit payment.

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 | \$ 164,168,922 | \$ 126,527,803 | \$ 94,572,358 |

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, 2014, the City recognized \$(49,785,262) in pension expense. Deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 8,409,563 | \$ - |
| Deferred contributions | 11,115,227 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 13,992,505 |
| Total | \$ 19,524,790 | \$ 13,992,505 |

Deferred outflows of resources totaling \$11,115,227 represent contributions made after the plan’s valuation date. Amounts reported as deferred outflows of resources and deferred inflows of resources, excluding deferred contributions, related to pensions will be recognized in pension expense as follows:

| Year ended June 30, | |
|---------------------|---------------------|
| 2015 | \$ 2,096,532 |
| 2016 | 2,096,532 |
| 2017 | 2,096,532 |
| 2018 | 2,096,532 |
| 2019 | <u>(2,803,186)</u> |
| | <u>\$ 5,582,942</u> |

Payable to the Pension Plan

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

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.

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

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.

Employees covered by benefit terms - The following employees were covered by the benefit terms as of June 30, 2015:

| | |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefits | 15 |
| Inactive plan members entitled to but not yet receiving benefits | 125 |
| Active plan members | <u>524</u> |
| | <u>664</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 10.33% of annual covered payroll.

Net Pension Liability

EPB's net pension liability was measured as of August 1, 2014, 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, 2014, 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, 2014 valuation were based on the results of an experience study for the period August 1, 2011 through July 31, 2013.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic equity | 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> <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 | \$ 41,167,212 | \$ 35,394,795 | \$ 5,772,417 |
| Changes for the year: | | | |
| Service cost | 2,395,069 | - | 2,395,069 |
| Interest expense | 3,637,040 | - | 3,637,040 |
| Difference between expected and actual experience | 3,608,092 | - | 3,608,092 |
| Contributions - EPB | - | 3,630,048 | (3,630,048) |
| Net investment income | - | 5,735,092 | (5,735,092) |
| Benefits paid | (2,455,053) | (2,455,053) | - |
| Plan administrative expenses | - | (86,522) | 86,522 |
| Net changes | <u>7,185,148</u> | <u>6,823,565</u> | <u>361,583</u> |
| Balances at 6/30/2015 | <u>\$ 48,352,360</u> | <u>\$ 42,218,360</u> | <u>\$ 6,134,000</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 (6.5%)</u> | <u>Current Discount Rate (7.5%)</u> | <u>1% Increase (8.5%)</u> |
|------------------------------|---------------------------|-------------------------------------|---------------------------|
| City's net pension liability | <u>\$ 14,910,625</u> | <u>\$ 6,134,000</u> | <u>\$ (4,643,904)</u> |

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

For the year ended June 30, 2015, EPB recognized \$3,020,366 in pension expense. Deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 3,397,000 | \$ - |
| Deferred contributions | 3,700,000 | - |
| Net difference between projected and actual earnings on pension plan investments | <u>-</u> | <u>2,426,000</u> |
| Total | <u>\$ 7,097,000</u> | <u>\$ 2,426,000</u> |

Deferred outflows of resources totaling \$3,700,000 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, | |
|---------------------|---------------------|
| 2016 | \$ 395,303 |
| 2017 | 395,303 |
| 2018 | 395,303 |
| 2019 | 395,303 |
| 2020 | (211,123) |
| Thereafter | <u>(2,341,089)</u> |
| | <u>\$ (971,000)</u> |

Payable to the Pension Plan

At June 30, 2015, 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 is currently contributing 13.38 percent of the total covered payroll of participants. All obligations are liquidated from the OPEB trust.

Annual OPEB Cost and Net OPEB Obligation

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

| | |
|--|----------------------|
| Annual required contribution | \$ 12,759,200 |
| Interest on net OPEB obligation | 2,210,092 |
| Adjustment to annual required contribution | <u>(2,321,008)</u> |
| Annual OPEB cost | 12,648,284 |
| Contributions made | <u>(15,574,457)</u> |
| Increase in net OPEB obligation | (2,926,173) |
| Net OPEB obligation: | |
| Beginning of year | <u>29,467,895</u> |
| End of year | <u>\$ 26,541,722</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 Benefits | 6/30/15 | \$ 12,648,284 | 123.1% | \$ 26,541,722 |
| | 6/30/14 | 13,157,560 | 114.5% | 29,467,895 |
| | 6/30/13 | 12,739,235 | 100.9% | 31,381,724 |

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

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

Complete schedule funding progress may be found on page B-13.

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 | 7.75-5.00% |
| Medicare | 5.75-5.00% |

*Includes inflation at 3.00%.

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

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 2015, EPB contributed approximately \$2.0 million (approximately 87 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 2015, 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 | \$ 1,754,666 |
| Interest on net OPEB obligation | 608,753 |
| Adjustment to annual required contribution | <u>(798,097)</u> |
| Annual OPEB cost | 1,565,322 |
| Contributions made | <u>(2,035,989)</u> |
| Change in net OPEB obligation | (470,667) |
| Net OPEB obligation: | |
| Beginning of year | <u>9,365,436</u> |
| End of year | <u>\$ 8,894,769</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> | <u>Annual OPEB Cost</u> | <u>Percentage of OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|----------------------|-------------------|---------------------------------|--|------------------------------------|
| Other Postemployment | 6/30/15 | \$ 1,565,222 | 130.00% | \$ 8,894,769 |
| Benefits | 6/30/14 | 2,039,255 | 85.00% | 9,365,436 |
| | 6/30/13 | 1,999,130 | 95.00% | 9,055,062 |

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, 2014 |
| Actuarial accrued liability (AAL) | \$ 24,688,061 |
| Actuarial value of plan assets | <u>19,213,362</u> |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 5,474,699</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 77.82% |
| Covered payroll (annual payroll of active employees covered by the plan) | \$ 36,556,164 |
| UAAL as a percentage of covered payroll | 14.98% |

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, 2014 | \$ 25,755,976 |
| Deferrals of compensation | 1,968,217 |
| Earnings (losses) | 1,071,690 |
| Withdrawals | (1,395,089) |
| Administrative expenses | <u>(17,278)</u> |
| Asset balance at June 30, 2015 | <u>\$ 27,383,516</u> |

EPB 401(k) Plan

Effective August 1, 1984, EPB implemented a 401(k) defined contribution plan, the EPB Retirement Savings Plan, which allows employees to invest up to 100% of their salary in a tax-deferred savings plan. EPB contributes 100% matching contribution up to 4.0% of an employee's salary after one year of employment. All employees who have completed three months of employment and have attained age 18 are eligible to participate in the 401(k) defined contribution plan. Participating employees are immediately fully vested in EPB contributions, which amounted to approximately \$1.2 million in fiscal year 2015. 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, 2015, 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 December 31, 2014, the valuation date, inclusive of both plans:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 87 |
| Inactive employees entitled to but not yet receiving benefits | 10 |
| Active employees | <u>166</u> |
| | <u>263</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 December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Changes in Net Pension Liability

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

| | Increase (Decrease) | | |
|--|-----------------------------------|-----------------------------|---------------------------------------|
| | Total Pension Liability (a) | Plan Net Position (b) | Net Pension Liability (a) – (b) |
| Balances at 1/1/14 | \$ 23,512,583 | \$ 13,029,922 | \$ 10,482,661 |
| Changes for the year: | | | |
| Service cost | 640,413 | - | 640,413 |
| Interest expense | 1,782,047 | - | 1,782,047 |
| Difference between expected and actual experience | 253,428 | - | 253,428 |
| Contributions – CARTA | - | 948,691 | (948,691) |
| Contributions – members | - | 285,125 | (285,125) |
| Net investment income | - | 673,835 | (673,835) |
| Benefits paid | (1,967,680) | (1,967,680) | - |
| Plan administrative expenses | - | (107,450) | 107,450 |
| Net changes | <u>708,208</u> | <u>(167,479)</u> | <u>875,687</u> |
| Balances at 1/1/15 | <u>\$ 24,220,791</u> | <u>\$ 12,862,443</u> | <u>\$ 11,358,348</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 | \$ 13,720,779 | \$ 11,083,989 | \$ 8,868,001 |
| Defined Benefit Plan | 380,512 | 274,359 | 183,811 |

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

For the year ended June 30, 2015, the Authority recognized pension expense of \$1,391,522. 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 | \$ 559,125 | \$ - |
| Deferred contributions | 696,537 | - |
| Net difference between projected and actual earnings on pension plan investments | <u>198,982</u> | <u>-</u> |
| Total | <u>\$ 1,454,644</u> | <u>\$ -</u> |

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

| Year ended June 30, | |
|---------------------|-------------------|
| 2015 | \$ 89,683 |
| 2016 | 89,683 |
| 2017 | 89,683 |
| 2018 | 89,683 |
| 2019 | 89,683 |
| Thereafter | <u>309,692</u> |
| | <u>\$ 758,107</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, 2015, the annual OPEB cost is equal to the annual required contribution of \$38,529, as determined by actuarial valuations performed as of July 1, 2014, 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 Benefits | 6/30/15 | \$ 38,529 | 114.4% | \$ (97,643) |
| | 6/30/14 | 47,385 | 308.4% | (94,017) |
| | 6/30/13 | 45,526 | 89.4% | 4,843 |

Actuarial Methods and Assumptions

The annual required contribution for the plan is as follows:

| | |
|-------------------------------|-----------------------|
| Actuarial cost method | Projected Unit Credit |
| Remaining amortization period | 15 Years |
| Inflation rate | 2.00% |
| Projected salary increases | 3.50% |
| 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, 2015, the minimum fund balance per policy is \$36.9 million. The current unrestricted fund balance is \$62.2 million.

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|---|-------------------------|--------------------------------------|---|-----------------------|
| Fund Balances: | | | | |
| Nonspendable | | | | |
| Endowments | \$ - | \$ - | \$ 4,652,501 | \$ 4,652,501 |
| Inventory | 887,113 | - | - | 887,113 |
| Long-term notes receivable | 888,401 | 958,413 | - | 1,846,814 |
| Prepaid expenses | 8,000 | - | 12,268 | 20,268 |
| Restricted | | | | |
| Law enforcement | 67,393 | - | 1,422,324 | 1,489,717 |
| Economic development | 5,018,226 | - | 11,780 | 5,030,006 |
| African-American Museum | 64,717 | - | - | 64,717 |
| Special programs | 299,259 | - | - | 299,259 |
| Capital projects | - | 42,084,052 | - | 42,084,052 |
| Library Endowment | - | - | 84,395 | 84,395 |
| Human services program | - | - | 761,688 | 761,688 |
| State street aid | - | - | 2,273,649 | 2,273,649 |
| Community development | - | - | 1,374,753 | 1,374,753 |
| Hotel-Motel tax revenue pledge | - | - | 3,525,307 | 3,525,307 |
| Regional Planning Agency | - | - | 223,958 | 223,958 |
| Air Pollution Control Bureau | - | - | 348,828 | 348,828 |
| Committed | | | | |
| Law enforcement | 263,093 | - | - | 263,093 |
| Economic development | 350,873 | - | - | 350,873 |
| Free Public Library | 117,008 | - | - | 117,008 |
| African-American Museum | 64,718 | - | - | 64,718 |
| Regional Planning Agency | - | - | 3,655,502 | 3,655,502 |
| Air Pollution Control Bureau | - | - | 523,242 | 523,242 |
| Scenic Cities Beautiful Commission | - | - | 133,159 | 133,159 |
| Tennessee Valley Regional Communications | - | - | 898,605 | 898,605 |
| Debt service | - | - | 3,446,011 | 3,446,011 |
| Assigned | | | | |
| Public Library | 1,410,691 | - | - | 1,410,691 |
| Special programs | 3,704,185 | - | - | 3,704,185 |
| River Pier garage | - | - | 1,107,806 | 1,107,806 |
| Other purposes | 1,178,791 | - | - | 1,178,791 |
| Unassigned | <u>55,113,696</u> | <u>-</u> | <u>-</u> | <u>55,113,696</u> |
| Total fund balances | <u>\$ 69,436,164</u> | <u>\$43,042,465</u> | <u>\$24,455,776</u> | <u>\$ 136,934,405</u> |
| Summary for Governmental Funds | | | | |
| Balance Sheet: | | | | |
| Nonspendable | \$ 1,783,514 | \$ 958,413 | \$ 4,664,769 | \$ 7,406,696 |
| Restricted | 5,449,595 | 42,084,052 | 10,026,682 | 57,560,329 |
| Committed | 795,692 | - | 8,656,519 | 9,452,211 |
| Assigned | 6,293,667 | - | 1,107,806 | 7,401,473 |
| Unassigned | <u>55,113,696</u> | <u>-</u> | <u>-</u> | <u>55,113,696</u> |
| Total fund balances | <u>\$ 69,436,164</u> | <u>\$43,042,465</u> | <u>\$24,455,776</u> | <u>\$ 136,934,405</u> |

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 | \$ 90,515 |
| Capital Projects Fund | Nonmajor Governmental Funds (Hotel/Motel) | 204,418 |
| Internal Service Fund | Capital Project Fund | <u>1,400,000</u> |
| | | <u>\$ 1,694,933</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>General Fund</u> | <u>Capital Projects</u> | <u>Transfers In:</u> | | <u>Total</u> |
|------------------------------|-------------------------|-----------------------------|----------------------------------|----------------------------------|----------------------|
| | | | <u>Nonmajor Governmental</u> | <u>Internal Service Fund</u> | |
| Transfers out: | | | | | |
| General Fund | \$ - | \$ 30,623,807 | \$ 21,469,723 | \$ - | \$ 52,093,530 |
| Capital Projects Fund | 30,055 | - | - | 1,400,000 | 1,433,055 |
| Nonmajor Governmental Funds: | | | | | |
| Narcotics Program | - | 452,000 | - | - | 452,000 |
| Community Development | - | 326,720 | 443,095 | - | 769,815 |
| Hotel/Motel Tax | - | <u>1,550,000</u> | <u>4,734,371</u> | - | <u>6,284,371</u> |
| Total | <u>\$ 30,055</u> | <u>\$ 32,952,527</u> | <u>\$ 26,647,189</u> | <u>\$ 1,400,000</u> | <u>\$ 61,032,771</u> |

Transfers are used to (1) move revenues from the General Fund, the Capital Projects Fund, the Community Development Fund, and the Hotel/Motel Tax Fund to the Debt Service Fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the Capital Projects Fund and the Debt Service Fund as required, (3) move unrestricted revenues from the General Fund to other funds for various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 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 \$25,000 to \$50,000 depending on the type of damage. As of June 30, 2015, there were no significant reductions in insurance coverage in the prior year, nor did the amount of settlements exceed insurance coverage for each of the past three fiscal years.

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

Interfund premiums in the Internal Service Fund are based on the insured funds' claims experience. Premiums are adjusted to cover all reported claims. It is anticipated that the settlement of an individual claim will be funded by premiums subsequent to the filing of the claim and prior to its settlement. At June 30, 2015, the Internal Service Fund liability consists of \$4,339,500 related to torts and \$3,689,705 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, 2013 | \$ 249,426 | \$ 7,338,379 |
| Incurred claims, including IBNRs/reduction in estimated liabilities | 1,632,318 | 29,501,425 |
| Claim payments | <u>(1,616,087)</u> | <u>(28,413,865)</u> |
| Unpaid claims, June 30, 2014 | 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 | <u>\$ 298,607</u> | <u>\$ 8,029,205</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) Commercial and Industrial Development; 2) Tax Increment Financing; and (3) Downtown Housing Development. Pursuant to Tennessee Code Annotated (TCA) 7-53-305, the Industrial Development Board (IDB) of the City of Chattanooga and the Health and Education Board (HEB) are allowed to own property within the city. The city may delegate the authority to the IDB and the HEB to negotiate and accept payments in lieu of ad valorem taxes 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 \$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.

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, 2015 the City has entered into only one Tax Incremental Financing (TIF) agreement.

Information relevant to disclosure of these programs includes the following:

| | Number of New Abatements During the Fiscal Year | Number of Abatements as of End of the Fiscal Year | Number of Future Abatements Approved by Council | Amounts of Abatements During the Fiscal Year |
|---------------------------------------|--|---|---|---|
| Economic Development | | | | |
| Commercial and Industrial Development | 3 | 40 | 5 | \$ 9,760,866 |
| Infrastructure (TIF) | - | 1 | - | 57,366 |
| Downtown Housing Development | - | 8 | 4 | 152,141 |
| Total | <u>3</u> | <u>49</u> | <u>9</u> | <u>\$ 9,970,373</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. At year end the City's commitment with contractors was approximately \$66,569,426.

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, 2015 is \$4,426,424. 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 Postclosure Care Costs

The Solid Waste Fund accounts for all aspects of solid waste disposal, including the city's municipal landfill; operations include a current landfill as well as closure and postclosure care costs of landfills closed in prior years. State and federal regulations require the City to place a final cover on all landfills after closure and perform certain maintenance and monitoring functions for 30 years thereafter. The City recognizes landfill closure and postclosure care costs based on the amount of the landfill used during the year. The estimated liability is based on 13.6 percent of the City Landfill Area III capacity and 100 percent usage of the Summit Landfill and the City Landfill Area II. At the current yield of utilization rate, we expect the landfill to have a remaining life of 46 years.

Changes in the estimated liability for landfill closure and postclosure care costs for the year ended June 30, 2015, are as follows:

| | |
|------------------------------------|---------------------|
| Estimated liability, June 30, 2014 | \$ 5,723,565 |
| Expenses recognized | 203,341 |
| Costs incurred | <u>(183,522)</u> |
| Estimated liability, June 30, 2015 | <u>\$ 5,743,384</u> |
| Due within one year | <u>\$ 205,803</u> |

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

Consent Decree

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

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

Pollution Remediation

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

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

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

During the fiscal year, the City spent \$1,145 in pollution remediation obligation related activities. At June 30, 2015, the City had an outstanding pollution remediation liability of \$3,235,424 with an estimated \$2,002,073 in grant revenue and donated services to offset these costs leaving a net pollution remediation obligation of \$1,233,350.

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 \$1,193,351 at the end of fiscal year 2015.

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 estimated at \$40,000. The remediation will begin after September 30, 2015 and complete before June 30, 2015.

Contingencies

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

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

Conduit Debt Obligations

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

The Industrial Development Board currently has eighteen (18) outstanding bond issues, the original amounts of which were \$293,250,000. The Health, Educational and Housing Facility Board currently has thirty-seven (37) bond issues, the original amount of which were \$704,955,727. 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 | \$ 161,137,000 | \$ 9,089,000 | \$ (336,000) | \$ 169,890,000 |
| Capital assets | 535,837,000 | 77,256,000 | - | 613,093,000 |
| Deferred outflows of resources | <u>6,206,000</u> | <u>891,000</u> | <u>-</u> | <u>7,097,000</u> |
| Total assets and deferred outflows of resources | <u>703,180,000</u> | <u>87,236,000</u> | <u>(336,000)</u> | <u>790,080,000</u> |
| Liabilities and deferred inflows of resources: | | | | |
| Current liabilities | 128,733,000 | 11,772,000 | (336,000) | 140,169,000 |
| Noncurrent liabilities | 301,534,000 | 43,795,000 | - | 345,329,000 |
| Deferred inflows of resources | <u>2,123,000</u> | <u>303,000</u> | <u>-</u> | <u>2,426,000</u> |
| Total liabilities and deferred Inflows of resources | <u>432,390,000</u> | <u>55,870,000</u> | <u>(336,000)</u> | <u>487,924,000</u> |
| Net position: | | | | |
| Net investment in capital assets | 265,444,000 | 77,256,000 | - | 342,700,000 |
| Unrestricted | <u>5,346,000</u> | <u>(45,890,000)</u> | <u>-</u> | <u>(40,544,000)</u> |
| Total net position | <u>\$ 270,790,000</u> | <u>\$31,366,000</u> | <u>\$ -</u> | <u>\$ 302,156,000</u> |

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

| | <u>Electric Division</u> | <u>Fiber Optics Division</u> | <u>Eliminations</u> | <u>Total</u> |
|---|--------------------------|----------------------------------|---------------------|-----------------------|
| Customer charges | \$ 567,121,000 | \$118,225,000 | \$(14,305,000) | \$ 671,041,000 |
| Depreciation expense | (36,389,000) | (15,521,000) | - | (51,910,000) |
| Other operating expense | <u>(511,670,000)</u> | <u>(84,170,000)</u> | <u>14,305,000</u> | <u>(581,535,000)</u> |
| Operating income | 19,062,000 | 18,534,000 | - | 37,596,000 |
| Nonoperating revenues (expenses): | | | | |
| Investment earnings | 197,000 | - | - | 197,000 |
| Interest expense | (12,980,000) | (981,000) | - | (13,961,000) |
| Other nonoperating | 210,000 | - | - | 210,000 |
| Tax equivalent | <u>(6,326,000)</u> | <u>(583,000)</u> | <u>-</u> | <u>(6,909,000)</u> |
| Change in net position | <u>163,000</u> | <u>16,970,000</u> | <u>-</u> | <u>17,133,000</u> |
| Net position, beginning, as previously reported | 273,525,000 | 14,664,000 | - | 288,189,000 |
| Change in accounting principle (GASB 68) | (2,898,000) | (268,000) | - | (3,166,000) |
| Net position, beginning, as restated | <u>270,627,000</u> | <u>14,396,000</u> | <u>-</u> | <u>285,023,000</u> |
| Net position, end of year | <u>\$ 270,790,000</u> | <u>\$31,366,000</u> | <u>\$ -</u> | <u>\$ 302,156,000</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 | \$ 51,539,000 | \$34,081,000 | \$ - | \$ 85,620,000 |
| Capital and related financing activities | (73,385,000) | (32,971,000) | - | (106,356,000) |
| Investing activities | <u>197,000</u> | <u>-</u> | <u>-</u> | <u>197,000</u> |
| Net increase (decrease) | (21,649,000) | 1,110,000 | - | (20,539,000) |
| Beginning cash and cash equivalents | <u>99,120,000</u> | <u>337,000</u> | <u>-</u> | <u>99,457,000</u> |
| Ending cash and cash equivalents | <u>\$ 77,471,000</u> | <u>\$ 1,447,000</u> | <u>\$ -</u> | <u>\$ 78,918,000</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 | \$ 11,261,379 |
| Multiplied by two-thirds | <u>x 2/3</u> |
| City's equity interest | <u>\$ 7,507,586</u> |

Condensed financial information for Carter Street Corporation as of June 30, 2015, is as follows:

STATEMENT OF NET POSITION

| | |
|------------------------------------|----------------------|
| Assets: | |
| Cash | \$ 1,925,968 |
| Accounts receivable, net | 402,021 |
| Prepaid expenses | 30,428 |
| Inventories | 54,300 |
| Capital assets, net | <u>9,126,647</u> |
| Total assets | <u>\$ 11,539,364</u> |
| Liabilities: | |
| Accounts payable | \$ 53,263 |
| Accrued expenses | 151,881 |
| Deferred revenue | - |
| Advanced deposits | <u>72,841</u> |
| Total liabilities | <u>277,985</u> |
| Net Position: | |
| Net investment in capital assets | 9,126,647 |
| Restricted | - |
| Unrestricted | <u>2,134,732</u> |
| Total net position | <u>11,261,379</u> |
| Total liabilities and net position | <u>\$ 11,539,364</u> |

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

| | |
|------------------------------------|----------------------|
| Total operating revenues | \$ 3,788,620 |
| Total operating expenses | <u>4,168,548</u> |
| Loss from operations | (379,928) |
| Nonoperating revenues | 250,000 |
| Loss on disposal of capital assets | (9,546) |
| Capital contributions | <u>175,000</u> |
| Net increase | 35,526 |
| Net position, beginning of year | <u>11,225,853</u> |
| Net position, end of year | <u>\$ 11,261,379</u> |

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

NOTE 17. CHANGE IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2015, the City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* for the EPB Pension Plan and the portion of the General Pension Plan attributable to the Airport Authority and CARTA. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. This resulted in a direct decrease to net position of \$3,166,000 for business-type activities and \$10,269,465 for component units. The City early implemented in fiscal year 2014 for the General Pension (primary government) and the Fire and Police Pension.

| | EPB Business-type Activity | CARTA | Airport Authority |
|--|----------------------------------|-----------------------|-----------------------|
| Remove prepayment | \$ (1,023,000) | \$ - | \$ - |
| Record beginning net pension liability | (5,773,000) | (10,482,661) | (1,436,458) |
| Record beginning deferred outflow | <u>3,630,000</u> | <u>1,407,036</u> | <u>242,618</u> |
| Change in net position | <u>\$ (3,166,000)</u> | <u>\$ (9,075,625)</u> | <u>\$ (1,193,840)</u> |

The aggregate impact of these adjustments is shown on the face of the financial statements.

NOTE 18. SUBSEQUENT EVENTS

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

In August 2015, EPB issued Series 2015 A bonds for \$218.9 million, Series 2015 B bonds for \$15.4 million and Series 2015 C bonds for \$25.9 million. The Series C bonds will pay for substations, transformers, and other system improvements. The Series A and B issues will be used to pay off most of the outstanding debt from similar 2006 and 2008 bond issues, saving EPB an estimated \$19.8 million in present day interest expenses.

In November 2015, the City issued \$36.3 million Series 2015 A general obligation bonds to finance capital projects and \$18.9 million Series 2015 B general obligation refunding bonds. The Series B will refund portions of 2009 A and 2010 B bonds for an estimated \$1.6 million in present value interest savings.

Required Supplementary Information

Pension Trust Fund

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**

| | 2015 | 2014 |
|---|-----------------------|-----------------------|
| Total pension liability | | |
| Service cost | \$ 6,381,168 | \$ 6,069,090 |
| Interest | 21,950,480 | 22,247,450 |
| Differences between expected and actual experience | (333,439) | - |
| Changes of assumptions | - | (5,893,894) |
| Benefit payments, including refund of member contributions | (17,206,397) | (16,420,492) |
| Net change in total pension liability | 10,791,812 | 6,002,154 |
| Total pension liability - beginning | 301,276,271 | 295,274,117 |
| Total pension liability - ending (a) | \$ 312,068,083 | \$ 301,276,271 |
| Plan fiduciary net position | | |
| 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) |
| Net change in plan fiduciary net position | 943,440 | 23,447,763 |
| Plan fiduciary net position - beginning | 272,825,468 | 249,377,705 |
| Plan fiduciary net position - ending (b) | \$ 273,768,908 | \$ 272,825,468 |
| Net pension liability - ending (a) - (b) | \$ 38,299,175 | \$ 28,450,803 |
| Plan fiduciary net position as a percentage of the total pension liability | 87.73% | 90.56% |
| Covered employee payroll | \$ 57,555,196 | \$ 55,815,216 |
| Net pension liability as a percentage of covered employee payroll | 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:

2014:

- * The assumed investment rate of return was lowered from 7.75% to 7.50%.
- * Retirement, withdrawal, and disability rates were changed to more closely reflect recent experience.
- * The pre-retirement and post-retirement healthy mortality tables were changed 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.
- * The post-retirement mortality table was changed to the RP-2000 Disabled Mortality Table set forward eight years for males and set forward nine years for females for disability retirements.
- * The salary scale was lowered by 0.50% at all years of service.
- * An administrative expense assumption of 0.35% was added to the normal rate.
- * The amortization method was changed from an open to a closed amortization basis.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

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

| | <u>2015</u> | <u>2014</u> |
|---|-----------------------|-----------------------|
| Total pension liability | | |
| 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) |
| Net change in total pension liability | <u>29,671,098</u> | <u>(48,974,025)</u> |
| Total pension liability - beginning | <u>362,580,187</u> | <u>411,554,212</u> |
| Total pension liability - ending (a) | <u>\$ 392,251,285</u> | <u>\$ 362,580,187</u> |
| Plan fiduciary net position | | |
| 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 |
| Net change in plan fiduciary net position | <u>(7,423,046)</u> | <u>19,889,612</u> |
| Plan fiduciary net position - beginning | <u>236,052,384</u> | <u>216,162,772</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 228,629,338</u> | <u>\$ 236,052,384</u> |
| Net pension liability - ending (a) - (b) | <u>\$ 163,621,947</u> | <u>\$ 126,527,803</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 58.29% | 65.10% |
| Covered employee payroll | \$ 39,282,422 | \$ 36,187,624 |
| Net pension liability as a percentage of covered employee payroll | 416.53% | 349.64% |

Notes to Schedule:

Benefit changes. None.

Changes in assumptions. A detailed study of experience for the five-year period ending December 21, 2014 was performed and the recommendations of the experience study were adopted by the CFPF Board of Directors at their April 16, 2015 board meeting. The following assumption changes are included in this disclosure:

- * The pre-retirement mortality assumption was changed from the RP-2000 Blue Collar Healthy Mortality Table, set forward two years to the RP-2014 Blue Collar Employee Mortality Table, set forward two years for both males and females, projected generationally with a modified version of Scale MP-2014.
- * The post-retirement mortality assumption for healthy annuitants was changed from the RP-2000 Blue Collar Healthy Mortality Table, set forward two years to the RP-2014 Blue Collar Healthy Annuitant Mortality Table, set forward three years for both males and females, project generationally with a modified version of Scale MP-2014.
- * Coordinating with the mortality assumption for healthy lives, the mortality assumption for disables retirees was changed from the RP-2000 Blue Collar Healthy Mortality Table, set forward eight years to the RP-2014 Disabled Retiree Mortality Table, set forward three years for both males and females, projected generationally with a modified version of Scale MP-2014.
- * The turnover assumption was modified from a five-year select-and-ultimate assumption based on age to an assumption based on years of service. Group-specific rates were maintained but restructured to reflect lower rates for all participants. Rates of turnover are higher during earlier periods of employment and decrease over time. The ultimate rate was set to zero for employees with twenty or more years of service.
- * The salary scale assumption was changed to remove the group specific rates. The individual rates, based on years of service, were modified to reflect lower increases for participants with lesser service. After twenty years, the ultimate rate was set to a flat rate of 2.75% to match the payroll growth assumption.
- * The payroll growth rate assumption (used for determining the amortization of the unfunded actuarial accrued liability) was lowered from 3.25% to 2.75%.
- * The administrative expense assumption of \$500,000 was
- * Apart from the experience study changes, a change was made in the treatment of lump sum death benefits. Since a third party is responsible for paying these claims, the liabilities were removed from the Fund's liabilities and the premiums paid each year will be considered administrative expense. These premiums were previously classified as a benefit payment.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

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

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 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) | \$ (153,275) | \$ (34,509) | \$ 206,061 | \$ 520,278 | \$ 1,926,398 | \$ - | \$ - | \$ - | \$ - | \$ 47,239 |
| 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, closed |
| 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 |
| 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**

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|-----------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|-------------------|--------------------|
| 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, with level dollar phase-in through 2020; 100% level dollar beginning in 2021. |
| Remaining amortization period | 24 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 | Pre-retirement: RP-2014 Blue Collar Employee Mortality Table, set forward two years, projected generationally with a modified versions of Scale MP-2014. Healthy annuitant. RP-2014 Blue Collar Healthy Annuitant Mortality Table, set forward three years, projected generationally with a modified version of Scale MP-2014. Disabled annuitant. RP-2014 Disabled Retiree Mortality Table, set forward three years, projected generationally with a modified version of Scale MP-2014. |

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF INVESTMENT RETURNS

Last 10 Fiscal Years

PENSION TRUST FUND

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

Notes to Schedule:

This schedule will be 10 years as information is available.

Required Supplementary Information

City Pension and OPEB Plans

CITY OF CHATTANOOGA, TENNESSEE

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

| | <u>2014</u> |
|---|------------------------------|
| Total pension liability | |
| Service cost | \$ 6,069,090 |
| Interest | 22,247,450 |
| Changes of assumptions | (5,893,894) |
| Benefit payments, including refund of member contributions | (16,420,492) |
| Net change in total pension liability | <u>6,002,154</u> |
| Total pension liability - beginning | <u>295,274,117</u> |
| Total pension liability - ending (a) | <u><u>\$ 301,276,271</u></u> |
| | |
| Plan fiduciary net position | |
| Contributions - employer | 7,751,909 |
| Contributions - member | 1,130,354 |
| Net investment income | 31,178,197 |
| Benefit payments, including refund of member contributions | (16,420,492) |
| Administrative expense | (192,205) |
| Net change in plan fiduciary net position | <u>23,447,763</u> |
| Plan fiduciary net position - beginning | <u>249,377,705</u> |
| Plan fiduciary net position - ending (b) | <u><u>\$ 272,825,468</u></u> |
| | |
| Net pension liability - ending (a) - (b) | <u><u>\$ 28,450,803</u></u> |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | 90.56% |
| Covered employee payroll | \$ 55,815,216 |
| Net pension liability as a percentage of covered employee payroll | 50.97% |

Notes to Schedule:

Benefit changes. None

Changes in assumptions.

2014:

* The assumed investment rate of return was lowered from 7.75% to 7.50%.

* Retirement, withdrawal, and disability rates were changed to more closely reflect recent experience.

* The pre-retirement and post-retirement healthy mortality tables were changed 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.

* The post-retirement mortality table was changed to the RP-2000 Disabled Mortality Table set forward eight years for males and set forward nine years for females for disability retirements.

* The salary scale was lowered by 0.50% at all years of service.

* An administrative expense assumption of 0.35% was added to the normal rate.

* The amortization method was changed from an open to a closed amortization basis.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

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

| | 2014 |
|---|-----------------------|
| Total pension liability | |
| Service cost | \$ 5,858,028 |
| Interest | 30,728,527 |
| Changes of benefit terms | (65,257,551) |
| Differences between expected and actual experience | 9,811,157 |
| Benefit payments, including refund of member contributions | (30,114,186) |
| Net change in total pension liability | (48,974,025) |
| Total pension liability - beginning | 411,554,212 |
| Total pension liability - ending (a) | \$ 362,580,187 |
| | |
| Plan fiduciary net position | |
| Contributions - employer | \$ 13,495,433 |
| Contributions - member | 3,199,093 |
| Net investment income | 33,750,882 |
| Benefit payments, including refund of member contributions | (30,114,186) |
| Administrative expense | (608,924) |
| Other | 167,314 |
| Net change in plan fiduciary net position | 19,889,612 |
| Plan fiduciary net position - beginning | 216,162,772 |
| Plan fiduciary net position - ending (b) | \$ 236,052,384 |
| | |
| Net pension liability - ending (a) - (b) | \$ 126,527,803 |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | 65.10% |
| Covered employee payroll | \$ 36,187,624 |
| Net pension liability as a percentage of covered employee payroll | 349.64% |

(Continued on next page)

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**

(Continued from previous page)

Notes to Schedule:

Benefit changes. None.

Changes in assumptions.

- * Retirement age was previously any age with 25 years of service. For active participants not vested, retirement eligibility is now age 50 with 25 years of service or any age with 28 years of service. For participants hired after July 1, 2014, retirement eligibility is age 55 with 25 years of service or any age with 30 years of service.
- * Employee contributions for those with at least 24 years of service as of July 1, 2014 and who were previously contributing 9% will change to 10% effective July 1, 2014, 11% effective July 1, 2015, and 12% effective July 1, 2016. All other active participants will begin contributing 9% effective July 1, 2014, 10% effective July 1, 2015, and 11% effective July 1, 2016.
- * The benefit multiplier will change from 2.75% for the first 25 years of service plus 1.25% for the next 5 years of service, for a maximum of 75% of final average salary, to 2.50% for each of the first 30 years of service, with a maximum of 75% of final average salary, for participants hired after July 1, 2014.
- * DROP eligibility has been extended from 30 to 33 years. For participants previously contributing 9% and who have at least 24 years of service as of July 1, 2014, final average salary will be based on the 30-year final salary if they retire with more than 30 years of service and drop back to 30 years. For all other participants, the DROP will remain the same, with the exception of the removal of the COLA from the DROP annuity and the removal of interest from the DROP lump sum.
- * The COLA will change from 3.0% payable January 1 after the first anniversary of retirement to the following:
 - For participants in pay status as of July 1, 2014, divided COLA'S will be paid on January 1, 2015 and January 1, 2016. These amounts will not be compounded or included in base pension COLA amounts in subsequent years' calculations.
 - For participants retiring on or after July 1, 2014, COLA eligibility will begin on the first January 1 after the third anniversary of retirement. This restriction will remain in place until the fund is 70% funded on a market value basis. Once this threshold is achieved, COLA eligibility will revert to the first January 1 after the first anniversary of retirement. If the fund reaches 70% funded on a market basis and subsequently falls below 70%, the three year requirement will be reinstated until such time as 70% funding on a market value basis is once again achieved.
 - Effective January 1, 2015, the total amount paid in COLA's to eligible participants will increase by no more than 1.5% per year, as long as the fund is less than 80% funded on a market value of assets basis. The COLA amount paid to each individual participant will be determined by the Board of Trustees and Plan Administrator. In no event will any participant's COLA increase be greater than 2.0% or less than 1.0%.
 - Once the fund becomes 80% funded on a market value of assets basis, the COLA's payable the following January 1 and each year thereafter will correspond to the Consumer Price Index with a maximum COLA increase of 3.0%.
- * The on-the-job death benefit is increasing from 60% to 100% of final average salary.
- * The permanent and total disability benefit of 68.75% of final average salary has been reinstated.
- * The minimum survivor's benefit has increase from \$500/month. The benefit will be \$756/month effective July 1, 2014. Any beneficiary whose benefit is less than \$756/month will receive an increase effective July 1, 2014. Ongoing, the minimum survivor benefit will increase by 1.5% each year until such time as the COLA switches to a CPI-based COLA and from that point on the minimum benefit will increase by CPI, not to exceed 3.0% per year.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

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

| | <u>2014</u> |
|---|-----------------------------|
| Total pension liability | |
| Service cost | \$ 2,395,069 |
| Interest | 3,637,040 |
| Differences between expected and actual experience | 3,608,092 |
| Benefit payments, including refund of member contributions | <u>(2,455,053)</u> |
| Net change in total pension liability | <u>7,185,148</u> |
| Total pension liability - beginning | <u>41,167,212</u> |
| Total pension liability - ending (a) | <u><u>\$ 48,352,360</u></u> |
| | |
| Plan fiduciary net position | |
| Contributions - employer | \$ 3,630,048 |
| Net investment income | 5,735,092 |
| Benefit payments, including refund of member contributions | (2,455,053) |
| Administrative expense | <u>(86,522)</u> |
| Net change in plan fiduciary net position | <u>6,823,565</u> |
| Plan fiduciary net position - beginning | <u>35,394,795</u> |
| Plan fiduciary net position - ending (b) | <u><u>\$ 42,218,360</u></u> |
| | |
| Net pension liability - ending (a) - (b) | <u><u>\$ 6,134,000</u></u> |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | 87.31% |
| Covered employee payroll | \$ 32,127,132 |
| Net pension liability as a percentage of covered employee payroll | 19.09% |

Notes to Schedule:

Benefit changes. None.

Changes in assumptions. None.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

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

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

Notes to Schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age |
| Amortization method | Level dollar, closed |
| Remaining amortization period | 30 years |
| Asset valuation method | 10-year smoothed market with a 20% corridor |
| Inflation | 3.0% |
| Salary increases | 4.5-5.5%, including inflation |
| Investment rate of return | 7.75%, 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>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|-------------------|--------------------|
| Actuarially determined contribution | \$ 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, 2014.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 25 years |
| Asset valuation method | 10-year smoothed market |
| Inflation | 2.75% |
| Salary increases | 1.50%-2.75% |
| Investment rate of return | 7.75%, net of pension plan investment expense, including inflation |
| Retirement age | Prior to the 2014 actuarial valuation, retirement eligibility was any age with 25 years of service. Effective July 1, 2014, for active participants not vested, retirement. |

CITY OF CHATTANOOGA, TENNESSEE

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

| | <u>2015</u> |
|--|--------------------|
| Actuarially determined contribution | \$ 3,646,080 |
| Contributions in relation to the actuarially determined contribution | 3,630,048 |
| Contribution deficiency (excess) | <u>\$ 16,032</u> |
| | |
| Covered employee payroll | \$ 32,127,132 |
| Contributions as a percentage of covered-employee payroll | 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 | 7.50% |

This schedule will be 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, 2015

| 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 |
|-----------------------------|------------------------------|--|------------------------|-----------------|---------------------------|--|
|-----------------------------|------------------------------|--|------------------------|-----------------|---------------------------|--|

CITY OF CHATTANOOGA OTHER POST-EMPLOYMENT BENEFITS PLAN

| | | | | | | |
|-----------------|---------------|----------------|----------------|--------|---------------|--------|
| January 1, 2014 | \$ 32,970,171 | \$ 163,843,121 | \$ 130,872,950 | 20.12% | \$ 95,390,933 | 137.2% |
| January 1, 2012 | 19,853,844 | 146,748,770 | 126,894,926 | 13.53% | 95,280,557 | 133.2% |
| January 1, 2010 | 5,045,878 | 148,187,287 | 143,141,409 | 3.41% | 89,710,458 | 159.6% |
| July 1, 2008 | 4,539,440 | 192,053,979 | 187,514,539 | 2.36% | 78,155,219 | 239.9% |
| July 1, 2006 | - | 228,471,342 | 228,471,342 | 0.00% | 76,239,946 | 299.7% |

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

| | | | | | | |
|--------------|---------------|---------------|--------------|--------|---------------|-------|
| 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 | 10,417,927 | 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, 2015

| 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 |
| 2015 | \$ 12,759,200 | 122.1% | \$ - | 0.0% |
| 2014 | 13,275,679 | 113.5% | 2,039,255 | 84.7% |
| 2013 | 12,857,800 | 100.0% | 1,999,130 | 9.5% |
| 2012 | 14,288,701 | 100.0% | 1,888,329 | 93.4% |
| 2011 | 13,838,396 | 100.0% | 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 | 1/1/2014 | 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 | 7.75-5.00% | |
| 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

Year Ended June 30, 2015

| | Special Revenue | | | | | |
|---|-------------------------|-------------------------------|----------------------|---------------------|--------------------------|---------------------|
| | Downtown Development | Social Services Program | Narcotics Program | State Street Aid | Community Development | Hotel/Motel Tax |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 11,780 | \$ 372,140 | \$ 2,342,865 | \$ 1,955,446 | \$ 2,311,581 | \$ 3,156,904 |
| Investments | - | - | - | - | - | - |
| Receivables, net of allowance for uncollectibles: | | | | | | |
| Other taxes | - | - | - | - | - | 1,221,969 |
| Notes | - | - | - | - | 13,762,221 | - |
| Other | - | 1,061 | 9,630 | - | 181,309 | 415 |
| Due from other funds | - | - | - | - | - | - |
| Due from other governments: | | | | | | |
| Federal | - | 708,593 | - | - | 675,215 | - |
| State of Tennessee | - | 346,876 | - | 848,017 | - | - |
| Prepaid items | - | - | - | - | 11,268 | - |
| Total assets | <u>\$ 11,780</u> | <u>\$ 1,428,670</u> | <u>\$ 2,352,495</u> | <u>\$ 2,803,463</u> | <u>\$ 16,941,594</u> | <u>\$ 4,379,288</u> |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities: | | | | | | |
| Accounts payable | \$ - | \$ 340,502 | \$ 930,171 | \$ 49,990 | \$ 252,839 | \$ 11,786 |
| Accrued payroll | - | 315,659 | - | 61,919 | 17,695 | - |
| Due to other funds | - | - | - | - | - | 204,418 |
| Contracts payable | - | 10,821 | - | - | - | - |
| Unearned grants revenue | - | - | - | - | 447,929 | - |
| Total liabilities | <u>-</u> | <u>666,982</u> | <u>930,171</u> | <u>111,909</u> | <u>718,463</u> | <u>216,204</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue - other local taxes | - | - | - | - | - | 637,777 |
| Unavailable revenue - shared tax revenue | - | - | - | 417,905 | - | - |
| Unavailable revenue - CDBG loans | - | - | - | - | 14,837,110 | - |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>417,905</u> | <u>14,837,110</u> | <u>637,777</u> |
| FUND BALANCES | | | | | | |
| Nonspendable | - | - | - | - | 11,267 | - |
| Restricted | 11,780 | 761,688 | 1,422,324 | 2,273,649 | 1,374,754 | 3,525,307 |
| Committed | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - |
| Total fund balances | <u>11,780</u> | <u>761,688</u> | <u>1,422,324</u> | <u>2,273,649</u> | <u>1,386,021</u> | <u>3,525,307</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 11,780</u> | <u>\$ 1,428,670</u> | <u>\$ 2,352,495</u> | <u>\$ 2,803,463</u> | <u>\$ 16,941,594</u> | <u>\$ 4,379,288</u> |

| Special Revenue | | | | | | | Permanent Fund | Total |
|---------------------|--------------------------|------------------------------|------------------------------------|-------------------------------------|-----------------------|---------------------|---------------------|----------------------|
| River Pier Garage | Regional Planning Agency | Air Pollution Control Bureau | Scenic Cities Beautiful Commission | Tenn Valley Regional Communications | Total Special Revenue | Debt Service | Library Endowment | Nonmajor Funds |
| \$ 1,061,376 | \$ 3,788,171 | \$ 912,680 | \$ 132,507 | \$ 959,235 | \$ 17,004,685 | \$ 3,355,496 | \$ 84,395 | \$ 20,444,576 |
| - | - | - | - | - | - | - | 4,652,501 | 4,652,501 |
| - | - | - | - | - | 1,221,969 | - | - | 1,221,969 |
| - | - | - | - | - | 13,762,221 | - | - | 13,762,221 |
| 46,430 | - | 1,385 | 2,900 | 511 | 243,641 | - | - | 243,641 |
| - | - | - | - | - | - | 90,515 | - | 90,515 |
| - | - | - | - | - | 1,383,808 | - | - | 1,383,808 |
| - | 223,958 | - | - | - | 1,418,851 | - | - | 1,418,851 |
| - | - | - | - | 1,000 | 12,268 | - | - | 12,268 |
| <u>\$ 1,107,806</u> | <u>\$ 4,012,129</u> | <u>\$ 914,065</u> | <u>\$ 135,407</u> | <u>\$ 960,746</u> | <u>\$ 35,047,443</u> | <u>\$ 3,446,011</u> | <u>\$ 4,736,896</u> | <u>\$ 43,230,350</u> |
| \$ - | \$ 33,557 | \$ 1,491 | \$ - | \$ 3,223 | \$ 1,623,559 | \$ - | \$ - | \$ 1,623,559 |
| - | 99,112 | 40,504 | 2,248 | 21,292 | 558,429 | - | - | 558,429 |
| - | - | - | - | - | 204,418 | - | - | 204,418 |
| - | - | - | - | - | 10,821 | - | - | 10,821 |
| - | - | - | - | - | 447,929 | - | - | 447,929 |
| - | 132,669 | 41,995 | 2,248 | 24,515 | 2,845,156 | - | - | 2,845,156 |
| - | - | - | - | - | 637,777 | - | - | 637,777 |
| - | - | - | - | - | 417,905 | - | - | 417,905 |
| - | - | - | - | 36,626 | 14,873,736 | - | - | 14,873,736 |
| - | - | - | - | 36,626 | 15,929,418 | - | - | 15,929,418 |
| - | - | - | - | 1,000 | 12,267 | - | 4,652,501 | 4,664,768 |
| - | 223,958 | 348,828 | - | - | 9,942,288 | - | 84,395 | 10,026,683 |
| - | 3,655,502 | 523,242 | 133,159 | 898,605 | 5,210,508 | 3,446,011 | - | 8,656,519 |
| 1,107,806 | - | - | - | - | 1,107,806 | - | - | 1,107,806 |
| 1,107,806 | 3,879,460 | 872,070 | 133,159 | 899,605 | 16,272,869 | 3,446,011 | 4,736,896 | 24,455,776 |
| <u>\$ 1,107,806</u> | <u>\$ 4,012,129</u> | <u>\$ 914,065</u> | <u>\$ 135,407</u> | <u>\$ 960,746</u> | <u>\$ 35,047,443</u> | <u>\$ 3,446,011</u> | <u>\$ 4,736,896</u> | <u>\$ 43,230,350</u> |

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2015

| | Special Revenue | | | | | |
|--|-------------------------|-------------------------------|----------------------|---------------------|--------------------------|--------------------|
| | Downtown Development | Social Services Program | Narcotics Program | State Street Aid | Community Development | Hotel/Motel Tax |
| REVENUES | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,916,859 |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental: | | | | | | |
| Federal | - | 9,467,079 | 30,535 | - | 2,186,820 | - |
| State | - | 4,130,384 | - | 4,435,597 | 49,132 | - |
| County | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Charges for services | - | 37,741 | - | - | - | - |
| Fines, forfeitures and penalties | - | - | 59,515 | - | - | - |
| Investment income | - | 3,086 | 3,203 | - | 56,260 | 59,414 |
| Contributions and donations | - | 63,817 | - | - | - | - |
| Sale of property | - | - | 2,308 | - | - | - |
| Miscellaneous | - | - | 588,399 | 29,108 | 322,281 | - |
| Total revenues | - | 13,702,107 | 683,960 | 4,464,705 | 2,614,493 | 5,976,273 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government: | | | | | | |
| General government | - | - | - | - | - | 150,747 |
| General services | - | - | - | - | - | - |
| Economic and community development | - | - | - | - | 1,784,891 | - |
| Public safety: | | | | | | |
| Police | - | - | 242,019 | - | - | - |
| Public works | - | - | - | 3,789,882 | - | - |
| Youth and family development | - | 14,757,885 | - | - | - | - |
| Debt service: | | | | | | |
| Principal retirement | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - |
| Total expenditures | - | 14,757,885 | 242,019 | 3,789,882 | 1,784,891 | 150,747 |
| Excess (deficiency) of revenues over (under) expenditures | - | (1,055,778) | 441,941 | 674,823 | 829,602 | 5,825,526 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | 1,165,000 | - | - | - | - |
| Transfers out | - | - | (452,000) | - | (769,815) | (6,284,371) |
| Total other financing sources (uses) | - | 1,165,000 | (452,000) | - | (769,815) | (6,284,371) |
| Net change in fund balances | - | 109,222 | (10,059) | 674,823 | 59,787 | (458,845) |
| FUND BALANCES, beginning | 11,780 | 652,466 | 1,432,383 | 1,598,826 | 1,326,234 | 3,984,152 |
| FUND BALANCES, ending | \$ 11,780 | \$ 761,688 | \$ 1,422,324 | \$ 2,273,649 | \$ 1,386,021 | \$ 3,525,307 |

| River Pier Garage | Special Revenue | | | | | Total Special Revenue | Debt Service | Permanent | Total Nonmajor Funds |
|----------------------|--------------------------------|------------------------------------|--|---|------------------------------|-----------------------------|-----------------|---------------|----------------------------|
| | Regional Planning Agency | Air Pollution Control Bureau | Scenic Cities Beautiful Commission | Tenn Valley Regional Communications | Fund Library Endowment | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,916,859 | \$ - | \$ - | \$ 5,916,859 | |
| - | 103,385 | 425,723 | - | - | 529,108 | - | - | 529,108 | |
| - | - | 535,216 | - | 7,255 | 12,226,905 | - | - | 12,226,905 | |
| - | 477,404 | - | - | 15,152 | 9,107,669 | - | - | 9,107,669 | |
| - | 678,289 | 188,547 | 32,600 | 214,268 | 1,113,704 | 456,877 | - | 1,570,581 | |
| - | 158,113 | - | - | 675,327 | 833,440 | - | - | 833,440 | |
| 442,676 | - | - | - | 36,273 | 516,690 | - | - | 516,690 | |
| - | - | - | - | - | 59,515 | - | - | 59,515 | |
| - | - | - | - | - | 121,963 | - | 50,710 | 172,673 | |
| - | 92,500 | - | - | - | 156,317 | - | 15,000 | 171,317 | |
| - | - | - | - | - | 2,308 | - | - | 2,308 | |
| - | 2,016 | - | - | 353,284 | 1,295,088 | 24,746 | - | 1,319,834 | |
| 442,676 | 1,511,707 | 1,149,486 | 32,600 | 1,301,559 | 31,879,566 | 481,623 | 65,710 | 32,426,899 | |
| 162,163 | 3,320,007 | 1,306,235 | 69,818 | - | 5,008,970 | - | 58,027 | 5,066,997 | |
| - | - | - | - | 941,378 | 941,378 | - | - | 941,378 | |
| - | - | - | - | - | 1,784,891 | - | - | 1,784,891 | |
| - | - | - | - | - | 242,019 | - | - | 242,019 | |
| - | - | - | - | - | 3,789,882 | - | - | 3,789,882 | |
| - | - | - | - | - | 14,757,885 | - | - | 14,757,885 | |
| - | - | - | - | - | - | 17,364,333 | - | 17,364,333 | |
| - | - | - | - | - | - | 7,421,843 | - | 7,421,843 | |
| 162,163 | 3,320,007 | 1,306,235 | 69,818 | 941,378 | 26,525,025 | 24,786,176 | 58,027 | 51,369,228 | |
| 280,513 | (1,808,300) | (156,749) | (37,218) | 360,181 | 5,354,541 | (24,304,553) | 7,683 | (18,942,329) | |
| - | 2,481,557 | 270,820 | - | - | 3,917,377 | 22,729,812 | - | 26,647,189 | |
| - | - | - | - | - | (7,506,186) | - | - | (7,506,186) | |
| - | 2,481,557 | 270,820 | - | - | (3,588,809) | 22,729,812 | - | 19,141,003 | |
| 280,513 | 673,257 | 114,071 | (37,218) | 360,181 | 1,765,732 | (1,574,741) | 7,683 | 198,674 | |
| 827,293 | 3,206,203 | 757,999 | 170,377 | 539,424 | 14,507,137 | 5,020,752 | 4,729,213 | 24,257,102 | |
| \$ 1,107,806 | \$ 3,879,460 | \$ 872,070 | \$ 133,159 | \$ 899,605 | \$ 16,272,869 | \$ 3,446,011 | \$ 4,736,896 | \$ 24,455,776 | |

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, 2015

| | Chattanooga Metropolitan Airport Authority | CARTA | Total |
|---|---|----------------------|-----------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 18,537,138 | \$ 8,073,698 | \$ 26,610,836 |
| Total operating revenues | <u>18,537,138</u> | <u>8,073,698</u> | <u>26,610,836</u> |
| OPERATING EXPENSES | | | |
| Airport operations | 13,621,400 | - | 13,621,400 |
| CARTA operations | - | 19,693,702 | 19,693,702 |
| Management fees | 34,383 | - | 34,383 |
| Maintenance | 491,885 | - | 491,885 |
| Depreciation and amortization | 5,915,607 | 3,593,561 | 9,509,168 |
| Total operating expenses | <u>20,063,275</u> | <u>23,287,263</u> | <u>43,350,538</u> |
| OPERATING INCOME (LOSS) | <u>(1,526,137)</u> | <u>(15,213,565)</u> | <u>(16,739,702)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Intergovernmental revenue | - | 7,628,263 | 7,628,263 |
| Investment income | 13,417 | 1,153 | 14,570 |
| Interest expense | (506,141) | (53,436) | (559,577) |
| Other income (expense) | 2,212,468 | 26,059 | 2,238,527 |
| Total nonoperating revenues (expenses) | <u>1,719,744</u> | <u>7,602,039</u> | <u>9,321,783</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS | 193,607 | (7,611,526) | (7,417,919) |
| Capital contributions | <u>5,270,361</u> | <u>4,859,004</u> | <u>10,129,365</u> |
| CHANGE IN NET POSITION | 5,463,968 | (2,752,522) | 2,711,446 |
| NET POSITION, beginning, as previously reported | 107,913,715 | 28,200,348 | 136,114,063 |
| Change in accounting principle | <u>(1,193,840)</u> | <u>(9,075,625)</u> | <u>(10,269,465)</u> |
| NET POSITION, beginning, as restated | <u>106,719,875</u> | <u>19,124,723</u> | <u>125,844,598</u> |
| NET POSITION, ending | <u>\$ 112,183,843</u> | <u>\$ 16,372,201</u> | <u>\$ 128,556,044</u> |

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS**

Year Ended June 30, 2015

| | Chattanooga Metropolitan Airport Authority | CARTA | Total |
|---|---|---------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 18,657,725 | \$ 8,398,850 | \$ 27,056,575 |
| Payments to suppliers | (11,117,712) | (7,075,214) | (18,192,926) |
| Payments to employees | (3,070,349) | (11,859,493) | (14,929,842) |
| Net cash from operating activities | <u>4,469,664</u> | <u>(10,535,857)</u> | <u>(6,066,193)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Intergovernmental payments received | - | 7,654,322 | 7,654,322 |
| Net cash from noncapital financing activities | <u>-</u> | <u>7,654,322</u> | <u>7,654,322</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Principal paid on capital debt | (3,326,037) | (350,127) | (3,676,164) |
| Principal paid on capital lease | (47,422) | - | (47,422) |
| Interest paid on capital debt | (512,197) | (53,436) | (565,633) |
| Capital contributions | 5,440,456 | 5,299,606 | 10,740,062 |
| Net decrease in revolving line of credit | - | (500,000) | (500,000) |
| Additions to capital assets | (8,086,004) | (734,325) | (8,820,329) |
| Passenger/customer facility charges collected | 2,229,241 | - | 2,229,241 |
| Net cash flows from capital and related financing activities | <u>(4,301,963)</u> | <u>3,661,718</u> | <u>(640,245)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of equipment | 6,743 | - | 6,743 |
| Interest on investments | 13,417 | 1,153 | 14,570 |
| Net cash flows from investing activities | <u>20,160</u> | <u>1,153</u> | <u>21,313</u> |
| Net increase (decrease) in cash and cash equivalents | 187,861 | 781,336 | 969,197 |
| Cash and cash equivalents, beginning of year | 10,258,699 | 1,118,660 | 11,377,359 |
| Cash and cash equivalents, end of year | <u>\$ 10,446,560</u> | <u>\$ 1,899,996</u> | <u>\$ 12,346,556</u> |
| CLASSIFIED AS: | | | |
| Current assets | \$ 7,662,097 | \$ 1,899,996 | \$ 9,562,093 |
| Restricted assets | 2,784,463 | - | 2,784,463 |
| | <u>\$ 10,446,560</u> | <u>\$ 1,899,996</u> | <u>\$ 12,346,556</u> |

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS**

Year Ended June 30, 2015

| | Chattanooga Metropolitan Airport Authority | CARTA | Total |
|--|---|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| (Continued from previous page) | | | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | |
| OPERATING INCOME (LOSS) | \$ (1,526,137) | \$ (15,213,565) | \$ (16,739,702) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | |
| Depreciation and amortization | 5,915,607 | 3,593,561 | 9,509,168 |
| Net general pension expense | 693,019 | - | 693,019 |
| Loss on disposal of property and equipment | 18,080 | - | 18,080 |
| Bad debt expense | 3,843 | - | 3,843 |
| Change in operating assets and liabilities: | | | |
| Trade receivables, net | 120,587 | (5,564) | 115,023 |
| Inventory | 23,152 | (189,302) | (166,150) |
| Prepaid items | (249,731) | 149,126 | (100,605) |
| Other assets | - | 11,542 | 11,542 |
| Accounts payable and accrued liabilities | 37,783 | 2,572,989 | 2,610,772 |
| Unearned revenue | (20,529) | - | (20,529) |
| Deferred pension items | (546,010) | (1,454,644) | (2,000,654) |
| TOTAL ADJUSTMENTS | <u>5,995,801</u> | <u>4,677,708</u> | <u>10,673,509</u> |
| NET CASH FROM OPERATING ACTIVITIES | <u>\$ 4,469,664</u> | <u>\$ (10,535,857)</u> | <u>\$ (6,066,193)</u> |
| SIGNIFICANT NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | |
| Additions to property and equipment included in contracts payable | <u>\$ 177,019</u> | <u>\$ -</u> | <u>\$ 177,019</u> |

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|---|----------------|---------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property taxes | \$113,800,000 | \$113,800,000 | \$115,848,178 | \$ 2,048,178 |
| Payments in lieu of tax: | | | | |
| PILOT CHA | 135,500 | 135,500 | 140,878 | 5,378 |
| PILOT TVA | 1,860,100 | 1,860,100 | 1,986,387 | 126,287 |
| 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 |
| PILOT The Bread Factory | 1,900 | 1,900 | 1,938 | 38 |
| PILOT LJT of Tennessee | - | - | 39,494 | 39,494 |
| PILOT UnumProvident Corporation | 31,000 | 31,000 | 31,062 | 62 |
| PILOT South Market LLC | 1,760 | 1,760 | 1,762 | 2 |
| PILOT Frazier Partners | 620 | 620 | 618 | (2) |
| PILOT Invista | 19,000 | 19,000 | 19,038 | 38 |
| PILOT Wm Wrigley Jr Co | 32,800 | 32,800 | 42,808 | 10,008 |
| PILOT Astec Industries | 30,100 | 30,100 | 26,727 | (3,373) |
| PILOT Blue Cross Blue Shield | 923,500 | 923,500 | 905,374 | (18,126) |
| PILOT Heatec, Inc. | 14,800 | 14,800 | 1,045 | (13,755) |
| PILOT Roadtec | 22,200 | 22,200 | 20,709 | (1,491) |
| PILOT Steel Warehouse of TN | 43,100 | 43,100 | 33,811 | (9,289) |
| PILOT US Express Inc. | 52,400 | 52,400 | 51,915 | (485) |
| PILOT United Packers of Chattanooga | 81,100 | 81,100 | 60,130 | (20,970) |
| PILOT MK LLC | 2,030 | 2,030 | 2,030 | - |
| PILOT Jarnigan Road-EMJ Corp | 40,900 | 40,900 | 40,535 | (365) |
| PILOT National Print-Posters | 15,500 | 15,500 | 14,869 | (631) |
| PILOT Southern Champion Tray | 6,900 | 6,900 | 6,339 | (561) |
| PILOT Gestamp Chattanooga, LLC | 135,000 | 135,000 | 232,479 | 97,479 |
| PILOT Scannell- FedEx, Inc. | - | - | 52,047 | 52,047 |
| PILOT Riverset Apartments | 5,690 | 5,690 | - | (5,690) |
| PILOT Westinghouse Electric Co. | 117,100 | 117,100 | 97,576 | (19,524) |
| PILOT Chit Chattanooga Properties | 700 | 700 | 672 | (28) |
| PILOT EPB | 6,535,800 | 6,535,800 | 6,485,803 | (49,997) |
| PILOT Plastic Omnium Auto Exteriors LLC | - | - | 5,035 | 5,035 |
| PILOT UTC Two LLC | - | - | 10,148 | 10,148 |
| PILOT UTC Three LLC | - | - | 5,790 | 5,790 |
| Interest and penalty on taxes | | | | |
| Current year | 134,100 | 134,100 | 188,591 | 54,491 |
| Prior years | 1,150,000 | 1,150,000 | 1,208,549 | 58,549 |
| Collection fees on delinquent taxes | 280,000 | 280,000 | 247,929 | (32,071) |
| Total property taxes | 125,479,160 | 125,479,160 | 127,881,193 | 2,402,033 |

(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, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--|----------------|--------------|-------------------|---|
| | Original | Final | | |
| (Continued from previous page) | | | | |
| Other local taxes: | | | | |
| Franchise taxes | \$ 4,394,500 | \$ 4,394,500 | \$ 4,702,455 | \$ 307,955 |
| Liquor taxes | 2,200,000 | 2,200,000 | 2,429,696 | 229,696 |
| Beer taxes | 5,730,000 | 5,730,000 | 5,663,118 | (66,882) |
| Local litigation tax city court | 3,200 | 3,200 | 2,989 | (211) |
| Gross receipts tax | 4,891,700 | 4,891,700 | 4,902,824 | 11,124 |
| Corporate excise tax - intangible property | 160,000 | 160,000 | 131,521 | (28,479) |
| Total other taxes | 17,379,400 | 17,379,400 | 17,832,603 | 453,203 |
| Total taxes | 142,858,560 | 142,858,560 | 145,713,796 | 2,855,236 |
| Licenses, fees and permits: | | | | |
| Licenses: | | | | |
| Wrecker Business License | 6,000 | 6,000 | 3,240 | (2,760) |
| Liquor by Drink License | 158,000 | 158,000 | 157,764 | (236) |
| Liquor by Drink Interest & Pen | 800 | 800 | 1,805 | 1,005 |
| Transient Vendor License | - | - | 4,250 | 4,250 |
| City Animal License | - | - | 800 | 800 |
| Motor Vehicle License | 410,000 | 410,000 | 387,385 | (22,615) |
| Original Business License Fee | 22,800 | 22,800 | 21,765 | (1,035) |
| Special Gathering Permit | - | - | 300 | 300 |
| Over & Under Business License | - | - | 4 | 4 |
| Permits: | | | | |
| Building Permits | 1,100,000 | 1,100,000 | 1,405,512 | 305,512 |
| Electrical Permits | 290,000 | 290,000 | 368,423 | 78,423 |
| Plumbing Fixtures Connection Permits | 155,000 | 155,000 | 189,638 | 34,638 |
| Street Cut-in Permits | 307,500 | 307,500 | 189,001 | (118,499) |
| Mechanical Code Permits | 168,000 | 168,000 | 201,330 | 33,330 |
| Hotel Permits | 5,200 | 5,200 | 4,700 | (500) |
| Gas Permits | 29,000 | 29,000 | 37,190 | 8,190 |
| Sign Permits | 140,000 | 140,000 | 129,609 | (10,391) |
| Taxicab Driver Permits | 6,800 | 6,800 | 10,800 | 4,000 |
| Temporary Use Permits | 4,700 | 4,700 | 4,630 | (70) |
| Going Out of Business Permits | - | - | 100 | 100 |
| Traffic Engineering Special Events Permits | 12,400 | 12,400 | 10,975 | (1,425) |
| Fortwood Parking Permits | 4,400 | 4,400 | 7,820 | 3,420 |
| Push Cart Permits | 200 | 200 | 250 | 50 |
| Mobile Food Unit | - | - | 950 | 950 |
| Tree Ordinance Permit | - | - | 600 | 600 |
| Amplified Music District Permit Fees | - | - | 1,000 | 1,000 |

(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, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|---|----------------|-----------|-------------------|---|
| | Original | Final | | |
| (Continued from previous page) | | | | |
| Fees: | | | | |
| Business License Issuance Fees | \$ 90,000 | \$ 90,000 | \$ 52,639 | \$ (37,361) |
| Plumbing Examiners Fees | 52,220 | 52,220 | 40,400 | (11,820) |
| Electrical Examiners Fees | 187,700 | 187,700 | 191,760 | 4,060 |
| Gas Examiners Fees | 44,320 | 44,320 | 42,830 | (1,490) |
| Beer Permit Application Fees | 100,000 | 100,000 | 108,647 | 8,647 |
| Mechanical Exam Fees | 10,000 | 10,000 | 21,960 | 11,960 |
| Permit Issuance Fees | 45,000 | 45,000 | 46,785 | 1,785 |
| Exhibitors Fees | - | - | 1,366 | 1,366 |
| Subdivision Review & Inspection Fees | 17,100 | 17,100 | 25,805 | 8,705 |
| Adult Entertain Application Fees | 10,900 | 10,900 | 10,200 | (700) |
| Zoning Letter Fees | 12,800 | 12,800 | 14,775 | 1,975 |
| Variance Request Fees | 8,500 | 8,500 | 9,300 | 800 |
| Certificate of Occupancy Fees | 19,000 | 19,000 | 26,560 | 7,560 |
| Sewer Verification Letter Fees | 500 | 500 | 150 | (350) |
| Code Compliance Letter Fees | 1,000 | 1,000 | 2,800 | 1,800 |
| Modular Home Site Investigation Fees | 200 | 200 | 150 | (50) |
| Plan Checking Fees | 170,000 | 170,000 | 213,435 | 43,435 |
| Phased Construction Plan Review Fees | 30,000 | 30,000 | 69,028 | 39,028 |
| Cell Tower Site Review Fees | - | - | 1,500 | 1,500 |
| Construction Board of Appeals Fees | 1,700 | 1,700 | 1,300 | (400) |
| Sign Board of Appeals Fees | 5,500 | 5,500 | 3,900 | (1,600) |
| Dead Animal Pickup at Vet Fees | 3,600 | 3,600 | 1,314 | (2,286) |
| Hardship-Appropriateness Construction Fee | - | - | 200 | 200 |
| Northshore Design Appeal Fee | 2,200 | 2,200 | 1,100 | (1,100) |
| Northshore-Downtown Plan Review Fee | 1,000 | 1,000 | 1,000 | - |
| Floodplain Variance Request Fee | 500 | 500 | - | (500) |
| Fire District Removal Request Fee | - | - | 5,954 | 5,954 |
| Fire Permits City Code 16-29 | 50,300 | 50,300 | 91,750 | 41,450 |
| Fire Re-Inspection of Business & Hotels | - | - | 100 | 100 |
| Parking Lot Fee | - | - | 34,445 | 34,445 |
| Designated revenue: | | | | |
| Parking meters | 1,704,135 | 1,704,135 | 1,829,135 | 125,000 |
| Total licenses, fees & permits | 5,388,975 | 5,388,975 | 5,990,129 | 601,154 |

(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, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| (Continued from previous page) | | | | |
| Intergovernmental: | | | | |
| Federal funds | \$ - | \$ - | \$ 19,396 | \$ 19,396 |
| State funds: | | | | |
| State Operations Funds | - | - | 30,136 | 30,136 |
| State Operations Funds TEMA | - | - | 5,452 | 5,452 |
| State Operations Funds Training Supplement F&P | 535,000 | 535,000 | 479,400 | (55,600) |
| State Shared Ops Maintenance of Streets | 304,500 | 304,500 | 293,187 | (11,313) |
| State Shared City Allocation State Sales Tax | 12,310,200 | 12,310,200 | 12,624,796 | 314,596 |
| State Shared City Allocation State Income Tax | 3,200,000 | 3,200,000 | 4,137,843 | 937,843 |
| State Shared City Allocation State Beer Tax | 79,300 | 79,300 | 80,194 | 894 |
| State Shared Mixed Drink Tax | 2,400,000 | 2,400,000 | 2,601,751 | 201,751 |
| State Shared Telecommunications Sales Tax | 14,000 | 14,000 | 16,621 | 2,621 |
| State Shared Alcoholic Beverage Tax | 117,300 | 117,300 | 95,072 | (22,228) |
| State Shared Gas Inspection Fees | 343,000 | 343,000 | 342,139 | (861) |
| State Shared Commission Gross Receipts | 371,900 | 371,900 | 455,406 | 83,506 |
| County funds: | | | | |
| Ham Co Operation Ross's Landing | 1,000,000 | 1,000,000 | 988,002 | (11,998) |
| Ham Co Shared County-wide Sales Tax | 39,857,700 | 39,857,700 | 42,428,955 | 2,571,255 |
| Other intergovernmental | - | - | 69,011 | 69,011 |
| Designated revenue: | | | | |
| Ham Co Shared County-wide Sales Tax | 11,303,400 | 11,303,400 | 12,093,914 | 790,514 |
| Other | 2,026,276 | 1,962,473 | 2,049,460 | 86,987 |
| Total intergovernmental revenues | <u>73,862,576</u> | <u>73,798,773</u> | <u>78,810,735</u> | <u>5,011,962</u> |
| Charges for services | | | | |
| Court charges: | | | | |
| Court Cost Current | 295,000 | 295,000 | 284,760 | (10,240) |
| Court Commissions | 8,200 | 8,200 | 8,561 | 361 |
| Court Clerk's Fee Current | 953,200 | 953,200 | 920,123 | (33,077) |
| Court Clerk's Fee Delinquent | - | - | 2,054 | 2,054 |
| Court Service of Process Current | - | - | 80 | 80 |
| Court Service of Process Delinquent | - | - | 200 | 200 |
| Court Processing of Release Forms | 17,800 | 17,800 | 18,260 | 460 |
| Court Administrative Cost | 10,500 | 10,500 | 10,704 | 204 |
| Court Current State Cost | 1,000 | 1,000 | 1,088 | 88 |
| Court Copy Record Income | - | - | 11 | 11 |
| Court Translation Service Fee | - | - | 14,504 | 14,504 |

(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, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|-----------------------------------|----------------|------------|-------------------|---|
| | Original | Final | | |
| (Continued from previous page) | | | | |
| Facility charges: | | | | |
| Facility Rents | \$ 270,000 | \$ 270,000 | \$ 334,450 | \$ 64,450 |
| Property Rental Revenue | 64,600 | 64,600 | 136,115 | 71,515 |
| Ballfield Income | 52,500 | 52,500 | 43,280 | (9,220) |
| Skateboard Park Fees | 17,000 | 17,000 | 25,537 | 8,537 |
| Carousel Ridership | 85,900 | 85,900 | 117,036 | 31,136 |
| Walker Pavilion Rent | 14,300 | 14,300 | 18,750 | 4,450 |
| Coolidge Park Table Rental | 500 | 500 | 3,933 | 3,433 |
| Heritage Park House Rent | 24,600 | 24,600 | 28,720 | 4,120 |
| Renaissance Park Rent | - | - | 5,725 | 5,725 |
| Greenway Facility Rent | 15,500 | 15,500 | 15,996 | 496 |
| Fitness Center Fees | 44,800 | 44,800 | 44,746 | (54) |
| Dock Rental | 40,000 | 40,000 | 54,628 | 14,628 |
| Ross' Landing Rent | 14,000 | 14,000 | 73,056 | 59,056 |
| Champion's Club Fees | 31,600 | 31,600 | 33,757 | 2,157 |
| Recreation Center Rental | 52,500 | 52,500 | 43,016 | (9,484) |
| Carousel Room Rental | 10,000 | 10,000 | 11,370 | 1,370 |
| Coolidge Park Rental | 9,000 | 9,000 | 14,525 | 5,525 |
| Walnut Street Bridge Rental | 1,000 | 1,000 | 2,925 | 1,925 |
| Event charges: | | | | |
| Preservation Fee | 120,500 | 120,500 | 164,736 | 44,236 |
| Box Office Fee | 200,000 | 200,000 | 93,062 | (106,938) |
| Ticket Stock Charge | - | - | 12,715 | 12,715 |
| Postage Charge | - | - | 245 | 245 |
| Overtime Reimbursement | 14,300 | 14,300 | 35,726 | 21,426 |
| Handling fee | - | - | 12,425 | 12,425 |
| Convenience Fee | - | - | 153,770 | 153,770 |
| Liability Insurance Premiums | - | - | 9,200 | 9,200 |
| Box Office Staff | - | - | 30,265 | 30,265 |
| Program charges: | | | | |
| Park Event Fees | 20,000 | 20,000 | 7,975 | (12,025) |
| Kidz Kamp Fees | 50,000 | 50,000 | 13,815 | (36,185) |
| Sports Program Fees | 12,600 | 12,600 | 11,701 | (899) |
| Non-Traditional Program Fees | 3,400 | 3,400 | 2,340 | (1,060) |
| OutVenture Fees | 14,300 | 14,300 | 18,009 | 3,709 |
| Therapeutic Fees | 1,500 | 1,500 | 1,595 | 95 |
| Swimming Pool Fees | 120,000 | 120,000 | 137,000 | 17,000 |
| Arts & Culture Fees | 1,100 | 1,100 | 981 | (119) |
| Counter sales: | | | | |
| Police Report Fees | 45,000 | 45,000 | 32,705 | (12,295) |
| Credit Card Processing Fee | 112,000 | 112,000 | 143,649 | 31,649 |
| Concessions | 108,000 | 108,000 | 160,541 | 52,541 |
| Civic Facilities Show Merchandise | 20,000 | 20,000 | 27,502 | 7,502 |

(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, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|----------------------------------|----------------|-------------|-------------------|---|
| | Original | Final | | |
| (Continued from previous page) | | | | |
| Other charges: | | | | |
| Financial Service EPB | \$ 7,200 | \$ 7,200 | \$ 7,200 | \$ - |
| Fire & Ambulance Service Fees | - | - | 39 | 39 |
| General Pension Admin Cost | 45,000 | 45,000 | 45,000 | - |
| Returned Check Fee | 1,600 | 1,600 | 3,582 | 1,982 |
| Waste Container Purchases | 35,000 | 35,000 | 25,650 | (9,350) |
| Non Profit Request Fee | - | - | 1,600 | 1,600 |
| Recycle Container Purchases | - | - | 1,975 | 1,975 |
| Revenue adjustments: | | | | |
| Over & Under | - | - | 2,152 | 2,152 |
| Designated revenue: | 2,561,408 | 2,561,408 | 1,655,165 | (906,243) |
| Total charges for services | 5,526,408 | 5,526,408 | 5,080,230 | (446,178) |
| Fines, forfeitures and penalties | | | | |
| City court fines | 740,700 | 740,700 | 701,074 | (39,626) |
| Criminal court fines | 100,000 | 100,000 | 140,130 | 40,130 |
| Traffic court fines | 34,000 | 34,000 | 65,400 | 31,400 |
| Air pollution penalties | - | - | 2,655 | 2,655 |
| Designated revenue | - | - | 1,752,714 | 1,752,714 |
| Total fines and forfeitures | 874,700 | 874,700 | 2,661,973 | 1,787,273 |
| Miscellaneous: | | | | |
| Investment income | 572,000 | 572,000 | 819,588 | 247,588 |
| Sale of property | 104,000 | 104,000 | 777,257 | 673,257 |
| Donations | - | - | 4,971 | 4,971 |
| Settlements | 71,200 | 71,200 | 20,629 | (50,571) |
| Departmental billings | 4,386,500 | 4,386,500 | 4,505,730 | 119,230 |
| Miscellaneous revenue | 800,300 | 800,300 | 695,339 | (104,961) |
| Designated revenue: | | | | |
| Investment income | - | - | 75,921 | 75,921 |
| Donations | 1,341,630 | 1,341,630 | 628,066 | (713,564) |
| Settlements | 7,000 | 7,000 | 14,300 | 7,300 |
| Miscellaneous revenue | 1,076,861 | 1,076,861 | 144,612 | (932,249) |
| Total miscellaneous revenue | 8,359,491 | 8,359,491 | 7,686,413 | (673,078) |
| Total revenues | 236,870,710 | 236,806,907 | 245,943,276 | 9,136,369 |

(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, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|-------------------------------------|----------------|------------|-------------------|---|
| | Original | Final | | |
| (Continued from previous page) | | | | |
| EXPENDITURES | | | | |
| General government: | | | | |
| City Council | \$ 744,169 | \$ 744,169 | \$ 714,374 | \$ (29,795) |
| City Judges | 895,391 | 895,391 | 878,612 | (16,779) |
| City Attorney | 1,542,843 | 1,542,843 | 1,501,550 | (41,293) |
| Internal Audit | 615,440 | 615,440 | 572,205 | (43,235) |
| Information Services: | | | | |
| Information Services | 5,530,986 | 5,530,986 | 5,382,845 | (148,141) |
| 311 Call Center | 534,796 | 534,796 | 560,427 | 25,631 |
| Purchasing | 745,110 | 745,110 | 665,107 | (80,003) |
| External Appropriations: | | | | |
| Allied Arts Council Fund, Inc. | 275,000 | 275,000 | 275,000 | - |
| Carter Street Corporation | 200,000 | 200,000 | 200,000 | - |
| Chattanooga Neighborhood Enterprise | 705,000 | 705,000 | 705,000 | - |
| WTCL-TV Channel 45 | 85,000 | 85,000 | 85,000 | - |
| Tennessee River Park | 1,129,610 | 1,129,610 | 1,059,448 | (70,162) |
| Children's Advocacy Center | 60,000 | 60,000 | 60,000 | - |
| Community Foundation Scholarships | 101,300 | 101,300 | 101,300 | - |
| Chattanooga Area Urban League | 100,000 | 100,000 | 100,000 | - |
| Bessie Smith Cultural Center | 60,000 | 60,000 | 60,000 | - |
| Railroad Authority | 19,371 | 19,371 | 4,174 | (15,197) |
| Enterprise Center | 160,500 | 160,500 | 160,500 | - |
| Enterprise South Nature Park | 771,878 | 771,878 | 681,571 | (90,307) |
| Friends of Moccasin Bend Nat'l Park | 30,000 | 30,000 | 30,000 | - |
| ESIP Security Services | 62,077 | 62,077 | 53,587 | (8,490) |
| 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 | - |
| 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 | 98,472 | 98,472 | 98,472 | - |
| Signal Center | 80,000 | 80,000 | 80,000 | - |
| AIM Center, Inc. | 60,000 | 60,000 | 60,000 | - |
| Bethlehem Center | 25,000 | 25,000 | 25,000 | - |
| Hope for the Inner City | 75,000 | 75,000 | 75,000 | - |
| Girls, Inc. | 30,000 | 30,000 | 30,000 | - |
| Greater Chattanooga Sports & Events | 100,000 | 100,000 | 100,000 | - |
| 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 | - |
| Component Unit Appropriations: | | | | |
| CARTA Subsidy | 5,217,440 | 5,217,440 | 4,923,329 | (294,111) |

(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, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--|----------------|------------|-------------------|---|
| | Original | Final | | |
| (Continued from previous page) | | | | |
| General government: (continued) | | | | |
| Election Expense | \$ 30,000 | \$ 30,000 | \$ 53,118 | \$ 23,118 |
| City Code Revision | - | - | 7,441 | 7,441 |
| Unemployment Insurance | 90,000 | 90,000 | 37,930 | (52,070) |
| Contingency Fund | 1,541,744 | 1,541,744 | 155,887 | (1,385,857) |
| Renewal & Replacement | 280,000 | 280,000 | 137,946 | (142,054) |
| Audits, Dues & Surveys | 355,371 | 355,371 | 123,635 | (231,736) |
| Intergovernmental Relations | 358,000 | 358,000 | 217,500 | (140,500) |
| City Water Quality Mgmt Fees | 450,000 | 450,000 | 433,153 | (16,847) |
| Liability Insurance Premiums | 1,000,000 | 1,000,000 | 1,500,000 | 500,000 |
| Education Per TCA 57-4-306 | 239,420 | 239,420 | 1,180,710 | 941,290 |
| ESIP Administration | - | - | 7,479 | 7,479 |
| Tuition Assistance Program | 20,000 | 20,000 | 23,308 | 3,308 |
| Designated expenditures: | | | | |
| General government programs: | | | | |
| CARTA Parking Meters | 1,704,135 | 1,704,135 | 1,704,135 | - |
| Office of Sustainability Programs | 1,846 | 1,846 | 1,846 | - |
| Automated Traffic Enforcement | 1,039,241 | 1,039,241 | 1,603,553 | 564,312 |
| General government grants: | | | | |
| EPA - Brownfield Revolving Loan Brightbridge | - | - | 305,100 | 305,100 |
| Public Library | 7,093,783 | 7,093,783 | 6,326,074 | (767,709) |
| Economic Development | 7,146,213 | 9,484,416 | 8,851,887 | (632,529) |
| Total general government | 42,153,836 | 44,492,039 | 42,662,903 | (1,829,136) |
| Executive Office of the Mayor: | | | | |
| Executive Office Admin | 1,293,346 | 1,293,346 | 1,294,869 | 1,523 |
| Multicultural Affairs | 344,282 | 344,282 | 299,391 | (44,891) |
| Designated expenditures: | | | | |
| Executive Programs | 26,674 | 26,674 | 8,067 | (18,607) |
| Family Justice Center Grant | 79,781 | 79,781 | 79,781 | - |
| Violent Gang & Gun Crime Reduction Program | 300,000 | - | - | - |
| Total executive office | 2,044,083 | 1,744,083 | 1,682,108 | (61,975) |
| Finance and administration: | | | | |
| Finance Office | 3,284,178 | 3,284,178 | 3,272,772 | (11,406) |
| Office of the City Treasurer | 738,651 | 738,651 | 695,761 | (42,890) |
| City Court Clerk's Office | 1,179,088 | 1,179,088 | 1,157,381 | (21,707) |
| Designated expenditures: | | | | |
| Municipal Billing and Collection | 4,253 | 4,253 | 2,998 | (1,255) |
| Total finance and administration | 5,206,170 | 5,206,170 | 5,128,912 | (77,258) |

(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, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--|----------------|------------|-------------------|---|
| | Original | Final | | |
| (Continued from previous page) | | | | |
| General services: | | | | |
| General Services Administration | \$ 793,935 | \$ 793,935 | \$ 824,830 | \$ 30,895 |
| Building Maintenance | 2,235,355 | 2,235,355 | 1,969,893 | (265,462) |
| Real Estate | 22,450 | 22,450 | 15,052 | (7,398) |
| Farmer's Market | 13,950 | 13,950 | 14,069 | 119 |
| Zoo | 675,000 | 675,000 | 677,213 | 2,213 |
| Civic Facilities | 1,481,374 | 1,481,374 | 1,521,089 | 39,715 |
| Designated expenditures: | | | | |
| Heritage Hall & Museum | 129,253 | 129,253 | 108,410 | (20,843) |
| DRC Building Operations | 181,258 | 181,258 | 149,490 | (31,768) |
| Brainerd Golf Course | 839,650 | 839,650 | 824,396 | (15,254) |
| Brown Acres Golf Course | 895,883 | 895,883 | 862,246 | (33,637) |
| Total general services | 7,268,108 | 7,268,108 | 6,966,688 | (301,420) |
| Human resources: | | | | |
| Human Resource Administration | 1,390,645 | 1,390,645 | 1,195,315 | (195,330) |
| Insurance Officer and Programs | 511,121 | 511,121 | 504,049 | (7,072) |
| Total human resources | 1,901,766 | 1,901,766 | 1,699,364 | (202,402) |
| Economic and community development: | | | | |
| Neighborhood Services Administration | 1,165,912 | 1,165,912 | 911,000 | (254,912) |
| Codes & Community Services | 344,638 | 344,638 | 383,306 | 38,668 |
| Outdoor Chattanooga | 382,712 | 382,712 | 422,553 | 39,841 |
| Economic & Community Development Initiatives | 100,000 | 100,000 | 119,144 | 19,144 |
| Public Art Initiative | 125,588 | 125,588 | 72,554 | (53,034) |
| Land Development Office | 4,202,577 | 4,202,577 | 4,020,426 | (182,151) |
| Certified Local Government Program Grant | 14,210 | 14,210 | 14,210 | - |
| Designated expenditures: | | | | |
| Neighborhood Partners Projects & Initiatives | 416,131 | 416,131 | 477,092 | 60,961 |
| Special Projects | 215,000 | 215,000 | 215,000 | - |
| Public Art Initiative | 202,951 | 202,951 | 197,601 | (5,350) |
| Total economic and community development | 7,169,719 | 7,169,719 | 6,832,886 | (336,833) |

(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, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| (Continued from previous page) | | | | |
| Police: | | | | |
| Police Administration | \$ 2,832,031 | \$ 2,832,030 | \$ 2,529,469 | \$ (302,561) |
| Uniform Services | 23,500,041 | 23,500,041 | 24,542,453 | 1,042,412 |
| Investigative Services | 9,447,313 | 9,447,313 | 9,409,265 | (38,048) |
| Support Services | 21,228,006 | 21,228,006 | 20,145,572 | (1,082,434) |
| Designated expenditures: | | | | |
| Reduction of Part 1 Offenses | 107,046 | 107,046 | 38,529 | (68,517) |
| Police Special Programs | 193,460 | 193,460 | 36,818 | (156,642) |
| Law Enforcement Planning | 96,459 | 234,566 | 65,087 | (169,479) |
| Other Police Grants | 373,009 | 471,099 | 423,502 | (47,597) |
| Total police | <u>57,777,365</u> | <u>58,013,561</u> | <u>57,190,695</u> | <u>(822,866)</u> |
| Fire: | | | | |
| Fire Administration | 490,701 | 949,283 | 801,937 | (147,346) |
| Fire Marshall | 317 | 317 | 182,418 | 182,101 |
| Station Operations | 33,273,008 | 32,814,426 | 32,249,446 | (564,980) |
| Safety, Training and Tactical Services | 2,558,884 | 2,558,884 | 2,764,294 | 205,410 |
| Designated expenditures: | | | | |
| Fire Programs and Grants | 21,562 | 21,562 | 16,903 | (4,659) |
| Total fire | <u>36,344,472</u> | <u>36,344,472</u> | <u>36,014,998</u> | <u>(329,474)</u> |
| Public works: | | | | |
| Public Works Administration | 734,270 | 734,270 | 822,194 | 87,924 |
| City Engineer's Office | 1,684,587 | 1,684,587 | 1,690,805 | 6,218 |
| Utilities | 193,661 | 193,661 | 196,003 | 2,342 |
| Solid Waste Disposal | 6,500,000 | 6,500,000 | 6,500,000 | - |
| City-wide Services Administration | 785,512 | 785,512 | 1,155,135 | 369,623 |
| Emergency | 837,063 | 837,063 | 807,703 | (29,360) |
| Street Cleaning | 3,183,346 | 3,183,346 | 3,083,413 | (99,933) |
| Waste Pickup | 6,825,332 | 6,825,332 | 6,672,206 | (153,126) |
| Municipal Forestry | 889,051 | 889,051 | 839,180 | (49,871) |
| Storm Stations | 265 | 265 | 95,611 | 95,346 |
| Park Management | 2,575,621 | 2,575,621 | 2,303,668 | (271,953) |
| Hamilton County Shared Parks Maintenance | 2,516,979 | 2,516,979 | 2,081,333 | (435,646) |
| Designated expenditures: | | | | |
| Public Works Programs | 133,027 | 133,027 | 132,705 | (322) |
| Municipal Forestry Grants and Tree Program | 4,808 | 4,808 | 4,808 | - |
| Other Public Works Grants | 390,073 | 390,073 | 297,211 | (92,862) |
| Total public works | <u>27,253,595</u> | <u>27,253,595</u> | <u>26,681,975</u> | <u>(571,620)</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, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|---|----------------|-------------|-------------------|---|
| | Original | Final | | |
| (Continued from previous page) | | | | |
| Transportation: | | | | |
| Transportation Administration | \$ 228,087 | \$ 228,087 | \$ 888,939 | \$ 660,852 |
| Traffic Engineering Administration | 2,092,348 | 2,092,348 | 1,141,348 | (951,000) |
| Street Lighting | 2,837,184 | 2,837,184 | 3,094,022 | 256,838 |
| Traffic Operations | 2,192,868 | 2,192,868 | 2,138,352 | (54,516) |
| Designated expenditures: | | | | |
| Transportation Programs | 58,788 | 58,788 | 88,240 | 29,452 |
| Total transportation | 7,409,275 | 7,409,275 | 7,350,901 | (58,374) |
| Youth and family development: | | | | |
| Youth & Family Development Administration | 600,963 | 600,963 | 633,957 | 32,994 |
| Recreation Administration | 1,420,014 | 1,420,014 | 1,472,973 | 52,959 |
| Youth Development | 1,074,630 | 1,074,630 | 536,244 | (538,386) |
| Kidz Kamp | 176,432 | 176,432 | 199,052 | 22,620 |
| Sports Programs | 400,143 | 400,143 | 367,412 | (32,731) |
| Aquatics Programs | 187,507 | 187,507 | 225,695 | 38,188 |
| Therapeutic Programs | 145,474 | 145,474 | 144,822 | (652) |
| Fitness Center | 260,707 | 260,707 | 272,542 | 11,835 |
| Youth Dev - CAPS | - | - | 115,882 | 115,882 |
| Youth Dev - Education | - | - | 103,793 | 103,793 |
| Youth Dev - Career Development | - | - | 34,786 | 34,786 |
| Skatepark | - | - | 81,975 | 81,975 |
| Champion's Club | 315,137 | 315,137 | 331,422 | 16,285 |
| Summit of Softball | 502,812 | 502,812 | 452,482 | (50,330) |
| Recreation Centers | 3,669,002 | 3,669,002 | 3,470,098 | (198,904) |
| North River Center Programs | 103,523 | 103,523 | 100,226 | (3,297) |
| Eastgate Center Programs | 185,873 | 185,873 | 200,275 | 14,402 |
| Heritage House Programs | 69,832 | 69,832 | 81,506 | 11,674 |
| Cultural Arts Programs | 35,883 | 35,883 | - | (35,883) |
| Designated expenditures: | | | | |
| Recreation Special Programs | 22,494 | 22,494 | 22,681 | 187 |
| Senior & Youth Programming | 196,329 | 196,329 | 138,782 | (57,547) |
| Total youth and family development | 9,366,755 | 9,366,755 | 8,986,605 | (380,150) |
| Debt service - principal retirement | 1,960,580 | 1,960,580 | 1,960,580 | - |
| Total expenditures | 205,855,724 | 208,130,123 | 203,158,615 | (4,971,508) |
| Excess of revenues over expenditures | 31,014,986 | 28,676,784 | 42,784,661 | 14,107,877 |

(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, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--------------------------------------|----------------|---------------|-------------------|---|
| | Original | Final | | |
| (Continued from previous page) | | | | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 558,744 | \$ 558,744 | \$ 33,055 | \$ (525,689) |
| Transfers out | (31,540,586) | (52,093,530) | (52,093,530) | - |
| Total other financing sources (uses) | (30,981,842) | (51,534,786) | (52,060,475) | (525,689) |
| Net change in fund balances | 33,144 | (22,858,002) | (9,275,814) | 13,582,188 |
| FUND BALANCES, beginning | 78,711,978 | 78,711,978 | 78,711,978 | - |
| FUND BALANCES, ending | \$ 78,745,122 | \$ 55,853,976 | \$ 69,436,164 | \$ 13,582,188 |

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2015

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

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget- Over (Under) |
|--|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Federal funds | \$ 9,823,535 | \$ 9,823,535 | \$ 9,467,079 | \$ (356,456) |
| State of Tennessee funds | 5,366,483 | 5,351,983 | 4,130,384 | (1,221,599) |
| United Way | - | - | 466 | 466 |
| Project Warm Neighbors | 8,000 | 8,000 | 19,051 | 11,051 |
| Day care fees | 50,378 | 50,378 | 31,741 | (18,637) |
| Donations | 49,613 | 49,613 | 44,300 | (5,313) |
| Investment income | - | - | 3,086 | 3,086 |
| Miscellaneous | 400 | 400 | 6,000 | 5,600 |
| Total revenues | 15,298,408 | 15,283,908 | 13,702,107 | (1,581,801) |
| EXPENDITURES | | | | |
| Administration | 917,857 | 917,857 | 769,943 | (147,914) |
| Headstart program | 9,628,883 | 9,628,883 | 9,114,326 | (514,557) |
| Day care | 298,271 | 298,271 | 274,490 | (23,781) |
| Food program | 93,368 | 93,368 | 82,351 | (11,017) |
| Foster grandparent program | 515,330 | 515,330 | 467,069 | (48,261) |
| Low-income energy assistance | 3,853,183 | 3,853,183 | 3,025,287 | (827,896) |
| Community services block grant | 788,836 | 788,836 | 561,201 | (227,635) |
| Title II commodities | 33,000 | 33,000 | 73,668 | 40,668 |
| Emergency food and shelter | 25,611 | 25,611 | 24,352 | (1,259) |
| Other programs | 99,740 | 99,740 | 61,756 | (37,984) |
| Capital outlay | 268,736 | 268,736 | 303,442 | 34,706 |
| Total expenditures | 16,522,816 | 16,522,816 | 14,757,885 | (1,764,931) |
| Excess (deficiency) of revenues over (under) expenditures | (1,224,408) | (1,238,908) | (1,055,778) | 183,130 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,179,101 | 1,179,101 | 1,165,000 | (14,101) |
| Total other financing sources (uses) | 1,179,101 | 1,179,101 | 1,165,000 | (14,101) |
| Net change in fund balances | (45,307) | (59,807) | 109,222 | 169,029 |
| FUND BALANCES, beginning | 652,466 | 652,466 | 652,466 | - |
| FUND BALANCES, ending | \$ 607,159 | \$ 592,659 | \$ 761,688 | \$ 169,029 |

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget- Over (Under) |
|--|------------------|------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Federal funds | \$ 30,535 | \$ 30,535 | \$ 30,535 | \$ - |
| Confiscations | 641,437 | 641,437 | 650,222 | 8,785 |
| Investment income | 1,666 | 1,666 | 3,203 | 1,537 |
| Total revenues | 673,638 | 673,638 | 683,960 | 10,322 |
| EXPENDITURES | | | | |
| Narcotics program | 242,019 | 242,019 | 216,339 | (25,680) |
| Capital outlay | - | - | 25,680 | 25,680 |
| Total expenditures | 242,019 | 242,019 | 242,019 | - |
| Excess (deficiency) of revenues over (under) expenditures | 431,619 | 431,619 | 441,941 | 10,322 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (452,000) | (452,000) | (452,000) | - |
| Total other financing sources (uses) | (452,000) | (452,000) | (452,000) | - |
| Net change in fund balances | (20,381) | (20,381) | (10,059) | 10,322 |
| FUND BALANCES, beginning | 1,432,383 | 1,432,383 | 1,432,383 | - |
| FUND BALANCES, ending | \$ 1,412,002 | \$ 1,412,002 | \$ 1,422,324 | \$ 10,322 |

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget- Over (Under) |
|-----------------------------|------------------|------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| State of Tennessee funds | \$ 4,397,476 | \$ 4,397,476 | \$ 4,435,597 | \$ 38,121 |
| Miscellaneous | 2,524 | 2,524 | 29,108 | 26,584 |
| Total revenues | 4,400,000 | 4,400,000 | 4,464,705 | 64,705 |
| EXPENDITURES | | | | |
| Salaries and wages | 1,750,639 | 1,750,639 | 1,459,718 | (290,921) |
| Fringe benefits | 956,887 | 956,887 | 784,861 | (172,026) |
| Purchased services | 61,595 | 61,595 | 94,783 | 33,188 |
| Vehicle operations | 951,476 | 951,476 | 800,923 | (150,553) |
| Materials and supplies | 683,148 | 683,148 | 643,959 | (39,189) |
| Other expense | 55 | 55 | 2,674 | 2,619 |
| Capital outlay | - | - | 2,964 | 2,964 |
| Total expenditures | 4,403,800 | 4,403,800 | 3,789,882 | (613,918) |
| Net change in fund balances | (3,800) | (3,800) | 674,823 | 678,623 |
| FUND BALANCES, beginning | 1,598,826 | 1,598,826 | 1,598,826 | - |
| FUND BALANCES, ending | \$ 1,595,026 | \$ 1,595,026 | \$ 2,273,649 | \$ 678,623 |

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget- Over (Under) |
|--|------------------|------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Federal funds | \$ 2,785,716 | \$ 2,785,716 | \$ 2,186,820 | \$ (598,896) |
| State of Tennessee funds | - | - | 49,132 | 49,132 |
| Investment income | 15,173 | 15,173 | 56,260 | 41,087 |
| Miscellaneous | - | - | 322,281 | 322,281 |
| Total revenues | 2,800,889 | 2,800,889 | 2,614,493 | (186,396) |
| EXPENDITURES | | | | |
| Administration | 332,838 | 332,838 | 455,331 | 122,493 |
| Community development programs | 526,803 | 526,803 | 339,448 | (187,355) |
| Home investment programs | 1,012,353 | 1,012,353 | 837,738 | (174,615) |
| Emergency shelter programs | 138,151 | 138,151 | 152,374 | 14,223 |
| Total expenditures | 2,010,145 | 2,010,145 | 1,784,891 | (225,254) |
| Excess (deficiency) of revenues over (under) expenditures | 790,744 | 790,744 | 829,602 | 38,858 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (769,815) | (769,815) | (769,815) | - |
| Total other financing sources (uses) | (769,815) | (769,815) | (769,815) | - |
| Net change in fund balances | 20,929 | 20,929 | 59,787 | 38,858 |
| FUND BALANCES, beginning | 1,326,234 | 1,326,234 | 1,326,234 | - |
| FUND BALANCES, ending | \$ 1,347,163 | \$ 1,347,163 | \$ 1,386,021 | \$ 38,858 |

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget- Over (Under) |
|--|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Hotel/motel tax | \$ 5,295,500 | \$ 5,295,500 | \$ 5,916,859 | \$ 621,359 |
| Investment income | - | 59,414 | 59,414 | - |
| Total revenues | <u>5,295,500</u> | <u>5,354,914</u> | <u>5,976,273</u> | <u>621,359</u> |
| EXPENDITURES | | | | |
| Contracted services | <u>150,747</u> | <u>150,747</u> | <u>150,747</u> | <u>-</u> |
| Total expenditures | <u>150,747</u> | <u>150,747</u> | <u>150,747</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>5,144,753</u> | <u>5,204,167</u> | <u>5,825,526</u> | <u>621,359</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(5,404,590)</u> | <u>(6,287,430)</u> | <u>(6,284,371)</u> | <u>3,059</u> |
| Total other financing sources (uses) | <u>(5,404,590)</u> | <u>(6,287,430)</u> | <u>(6,284,371)</u> | <u>3,059</u> |
| Net change in fund balances | (259,837) | (1,083,263) | (458,845) | 624,418 |
| FUND BALANCES, beginning | <u>3,984,152</u> | <u>3,984,152</u> | <u>3,984,152</u> | <u>-</u> |
| FUND BALANCES, ending | <u>\$ 3,724,315</u> | <u>\$ 2,900,889</u> | <u>\$ 3,525,307</u> | <u>\$ 624,418</u> |

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget- Over (Under) |
|-----------------------------|----------------|------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Parking garage income | \$ 250,000 | \$ 250,000 | \$ 442,676 | \$ 192,676 |
| Total revenues | 250,000 | 250,000 | 442,676 | 192,676 |
| EXPENDITURES | | | | |
| Contracted services | 250,000 | 250,000 | 162,163 | (87,837) |
| Total expenditures | 250,000 | 250,000 | 162,163 | (87,837) |
| Net change in fund balances | - | - | 280,513 | 280,513 |
| FUND BALANCES, beginning | 827,293 | 827,293 | 827,293 | - |
| FUND BALANCES, ending | \$ 827,293 | \$ 827,293 | \$ 1,107,806 | \$ 280,513 |

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget- Over (Under) |
|--|------------------|------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Federal funds | \$ 94,727 | \$ 94,727 | \$ - | \$ (94,727) |
| State of Tennessee funds | 53,627 | 53,627 | 477,404 | 423,777 |
| Hamilton County funds | 678,289 | 678,289 | 678,289 | - |
| Other governmental | 186,953 | 186,953 | 158,113 | (28,840) |
| Contributions | 50,000 | 50,000 | 92,500 | 42,500 |
| Miscellaneous | 90,000 | 90,000 | 105,401 | 15,401 |
| Total revenues | 1,153,596 | 1,153,596 | 1,511,707 | 358,111 |
| EXPENDITURES | | | | |
| Administration | 3,105,540 | 3,105,540 | 2,560,008 | (545,532) |
| Transportation planning | 369,528 | 369,528 | 728,127 | 358,599 |
| Other program | 307,575 | 307,575 | 13,622 | (293,953) |
| Capital outlay | 58,750 | 58,750 | 18,250 | (40,500) |
| Total expenditures | 3,841,393 | 3,841,393 | 3,320,007 | (521,386) |
| Excess (deficiency) of revenues over (under) expenditures | (2,687,797) | (2,687,797) | (1,808,300) | 879,497 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 2,470,586 | 2,359,920 | 2,481,557 | 121,637 |
| Total other financing sources (uses) | 2,470,586 | 2,359,920 | 2,481,557 | 121,637 |
| Net change in fund balances | (217,211) | (327,877) | 673,257 | 1,001,134 |
| FUND BALANCES, beginning | 3,206,203 | 3,206,203 | 3,206,203 | - |
| FUND BALANCES, ending | \$ 2,988,992 | \$ 2,878,326 | \$ 3,879,460 | \$ 1,001,134 |

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget- Over (Under) |
|--|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Federal funds | \$ 492,500 | \$ 492,500 | \$ 535,216 | \$ 42,716 |
| Hamilton County funds | 188,547 | 188,547 | 188,547 | - |
| Permits | 458,709 | 458,709 | 425,723 | (32,986) |
| Total revenues | <u>1,139,756</u> | <u>1,139,756</u> | <u>1,149,486</u> | <u>9,730</u> |
| EXPENDITURES | | | | |
| Operations | 1,368,876 | 1,368,876 | 1,247,076 | (121,800) |
| Special programs | - | - | 21,141 | 21,141 |
| Capital outlay | - | 44,000 | 38,018 | (5,982) |
| Total expenditures | <u>1,368,876</u> | <u>1,412,876</u> | <u>1,306,235</u> | <u>(106,641)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(229,120)</u> | <u>(273,120)</u> | <u>(156,749)</u> | <u>116,371</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>270,820</u> | <u>270,820</u> | <u>270,820</u> | <u>-</u> |
| Total other financing sources (uses) | <u>270,820</u> | <u>270,820</u> | <u>270,820</u> | <u>-</u> |
| Net change in fund balances | 41,700 | (2,300) | 114,071 | 116,371 |
| FUND BALANCES, beginning | <u>757,999</u> | <u>757,999</u> | <u>757,999</u> | <u>-</u> |
| FUND BALANCES, ending | <u>\$ 799,699</u> | <u>\$ 755,699</u> | <u>\$ 872,070</u> | <u>\$ 116,371</u> |

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget- Over (Under) |
|-----------------------------|----------------|------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Hamilton County funds | \$ 32,600 | \$ 32,600 | \$ 32,600 | \$ - |
| Total revenues | 32,600 | 32,600 | 32,600 | - |
| EXPENDITURES | | | | |
| Operations | 69,818 | 69,818 | 69,818 | - |
| Total expenditures | 69,818 | 69,818 | 69,818 | - |
| Net change in fund balances | (37,218) | (37,218) | (37,218) | - |
| FUND BALANCES, beginning | 170,377 | 170,377 | 170,377 | - |
| FUND BALANCES, ending | \$ 133,159 | \$ 133,159 | \$ 133,159 | \$ - |

CITY OF CHATTANOOGA, TENNESSEE

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

TENNESSEE VALLEY REGIONAL COMMUNICATIONS FUND

Year Ended June 30, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget- Over (Under) |
|-----------------------------|------------------|------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| State of Tennessee funds | \$ 50,000 | \$ 50,000 | \$ 15,152 | \$ (34,848) |
| Hamilton County funds | 190,610 | 190,610 | 214,268 | 23,658 |
| Other intergovernmental | 559,877 | 559,877 | 675,327 | 115,450 |
| Charges for services | 55,000 | 55,000 | 36,273 | (18,727) |
| Miscellaneous | 211,915 | 211,915 | 360,539 | 148,624 |
| Total revenues | 1,067,402 | 1,067,402 | 1,301,559 | 234,157 |
| EXPENDITURES | | | | |
| Operations | 1,025,795 | 1,025,795 | 937,883 | (87,912) |
| Capital outlay | 33,106 | 33,106 | 3,495 | (29,611) |
| Total expenditures | 1,058,902 | 1,058,902 | 941,378 | (117,524) |
| Net change in fund balances | 8,500 | 8,500 | 360,181 | 351,681 |
| FUND BALANCES, beginning | 539,424 | 539,424 | 539,424 | - |
| FUND BALANCES, ending | \$ 547,924 | \$ 547,924 | \$ 899,605 | \$ 351,681 |

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

Year Ended June 30, 2015

| | Budget Amounts | | Actual Amounts | Variance with Final Budget- Over (Under) |
|--|----------------|--------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Hamilton County funds | \$ 456,877 | \$ 456,877 | \$ 456,877 | \$ - |
| Miscellaneous | - | - | 24,746 | 24,746 |
| Total revenues | 456,877 | 456,877 | 481,623 | 24,746 |
| EXPENDITURES | | | | |
| Principal retirement | 17,345,338 | 17,345,338 | 17,364,333 | 18,995 |
| Interest | 7,379,379 | 7,379,379 | 7,332,043 | (47,336) |
| Fiscal charges | 110,000 | 110,000 | 89,800 | (20,200) |
| Total expenditures | 24,834,717 | 24,834,717 | 24,786,176 | (48,541) |
| Excess (deficiency) of revenues over (under) expenditures | (24,377,840) | (24,377,840) | (24,304,553) | 73,287 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 22,544,840 | 22,544,840 | 22,729,812 | 184,972 |
| Total other financing sources (uses) | 22,544,840 | 22,544,840 | 22,729,812 | 184,972 |
| Net change in fund balances | (1,833,000) | (1,833,000) | (1,574,741) | 258,259 |
| FUND BALANCES, beginning | 5,020,752 | 5,020,752 | 5,020,752 | - |
| FUND BALANCES, ending | \$ 3,187,752 | \$ 3,187,752 | \$ 3,446,011 | \$ 258,259 |

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, 2015

| | Interest Rate % | Maturity Date | Amount |
|---|--------------------|------------------|-----------------------------|
| GOVERNMENTAL FUNDS | | | |
| General fund | | | |
| Federal National Mortgage Association | 133.73% | 2/19/2019 | \$ 1,500,000 |
| Federal Home Loan Mortgage | 118.00% | 5/6/2018 | 11,335,000 |
| Federal Home Loan Mortgage | 118.00% | 5/6/2018 | 10,515,000 |
| Fed Natl Mortgage Assn. | 137.50% | 10/29/2018 | 4,486,370 |
| Federal Home Loan Mortgage | 105.10% | 10/30/2017 | 7,525,000 |
| Federal Home Loan Mortgage | 125.00% | 12/12/2017 | 7,500,000 |
| Federal National Mortgage Association | 130.00% | 10/29/2018 | 5,000,000 |
| Federal Farm Credit Bank | 135.10% | 1/23/2019 | 1,998,357 |
| | | | <u>49,859,727</u> |
| Capital projects | | | |
| Federal Home Loan Bank | 125.00% | 6/23/2017 | 689,452 |
| | | | <u>689,452</u> |
| Total governmental fund investments excluding permanent funds | | | <u><u>\$ 50,549,179</u></u> |
| ENTERPRISE FUNDS | | | |
| Interceptor Sewer Fund | | | |
| Federal Home Loan Bank | 138.00% | 4/29/2019 | \$ 5,000,000 |
| Federal Home Loan Bank | 135.00% | 4/29/2019 | 4,000,000 |
| Federal National Mortgage Association | 112.50% | 10/30/2018 | 7,700,000 |
| Federal National Mortgage Association | 116.00% | 10/29/2018 | 6,800,000 |
| Federal National Mortgage Association | 125.00% | 11/20/2018 | 3,975,000 |
| Federal National Mortgage Association | 112.50% | 9/18/2017 | 7,500,000 |
| Federal Home Loan Mortgage | 119.35% | 3/20/2018 | 1,650,000 |
| Federal Home Loan Mortgage | 123.19% | 7/27/2018 | 5,996,000 |
| Federal Home Loan Bank | 125.00% | 1/19/2019 | 1,531,335 |
| | | | <u>44,152,335</u> |
| Solid Waste Fund | | | |
| Federal Farm Credit Bank | 145.00% | 1/8/2019 | 3,300,000 |
| Federal Farm Credit Bank | 145.00% | 1/8/2019 | 4,950,000 |
| Federal Farm Credit Bank | 124.00% | 11/13/2018 | 300,000 |
| Federal Farm Credit Bank | 124.00% | 11/13/2018 | 450,000 |
| | | | <u>9,000,000</u> |
| Chattanooga Downtown Redevelopment Corporation | | | |
| Federal Home Loan Bank Discount Note | 0.00% | 9/23/2015 | 9,668,284 |
| | | | <u>9,668,284</u> |
| Total enterprise fund investments | | | <u><u>\$ 62,820,619</u></u> |

CITY OF CHATTANOOGA, TENNESSEE

COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE

Year Ended June 30, 2015

| TAX YEAR (1) | Property Taxes Receivable Balance 6/30/2014 | Property Tax Levied | Anticipated Current Year Levy (2) | Net Pick-Ups and Charge-Offs | Collections | Property Taxes Receivable Balance 6/30/2015 | Allowance for Uncollectibles | Net Receivable Balance 6/30/2015 |
|-----------------|---|---------------------------|---|------------------------------------|-----------------------|---|------------------------------------|---|
| 2015 | \$ - | \$ - | \$ 112,985,600 | \$ - | \$ - | \$ 112,985,600 | \$ - | \$ 112,985,600 |
| 2014 | - | 116,480,000 | - | (309,570) | 110,399,759 | 5,770,671 | 478,966 | 5,291,705 |
| 2013 | 6,002,601 | - | - | (101,314) | 3,575,511 | 2,325,776 | 470,501 | 1,855,275 |
| 2012 | 2,516,038 | - | - | 28,322 | 928,258 | 1,616,102 | 549,636 | 1,066,466 |
| 2011 | 1,482,336 | - | - | (11,724) | 822,475 | 648,137 | 506,779 | 141,358 |
| 2010 | 590,600 | - | - | (862) | 98,649 | 491,089 | 465,308 | 25,781 |
| 2009 | 377,548 | - | - | (135) | 18,642 | 358,771 | 358,771 | - |
| 2008 | 340,020 | - | - | 2,188 | 5,202 | 337,006 | 337,006 | - |
| 2007 | 255,402 | - | - | - | 3,350 | 252,052 | 252,052 | - |
| 2006 | 194,713 | - | - | (209) | 149 | 194,355 | 194,355 | - |
| 2005 | 316,686 | - | - | (3) | 82 | 316,601 | 316,601 | - |
| | <u>\$ 12,075,944</u> | <u>\$ 116,480,000</u> | <u>\$ 112,985,600</u> | <u>\$ (393,307)</u> | <u>\$ 115,852,077</u> | <u>\$ 125,296,160</u> | <u>\$ 3,929,975</u> | <u>\$ 121,366,185</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, 2015

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| GOVERNMENTAL ACTIVITIES | | | |
| 2016 | \$ 17,160,538 | \$ 7,014,587 | \$ 24,175,125 |
| 2017 | 15,631,834 | 6,428,879 | 22,060,713 |
| 2018 | 16,918,713 | 5,882,246 | 22,800,959 |
| 2019 | 17,162,473 | 5,314,044 | 22,476,517 |
| 2020 | 13,982,069 | 4,843,439 | 18,825,508 |
| 2021 | 13,761,087 | 4,450,870 | 18,211,957 |
| 2022 | 14,057,422 | 3,934,030 | 17,991,452 |
| 2023 | 14,351,310 | 3,435,559 | 17,786,869 |
| 2024 | 14,778,771 | 2,872,935 | 17,651,706 |
| 2025 | 13,205,762 | 2,365,659 | 15,571,421 |
| 2026 | 13,535,490 | 1,842,047 | 15,377,537 |
| 2027 | 10,974,070 | 1,283,479 | 12,257,549 |
| 2028 | 8,520,000 | 900,494 | 9,420,494 |
| 2029 | 8,620,000 | 633,494 | 9,253,494 |
| 2030 | 4,760,000 | 363,200 | 5,123,200 |
| 2031 | 4,320,000 | 172,800 | 4,492,800 |
| | <u>201,739,539</u> | <u>51,737,762</u> | <u>253,477,301</u> |
| BUSINESS-TYPE ACTIVITIES | | | |
| 2016 | 27,642,789 | 20,049,371 | 47,692,160 |
| 2017 | 29,661,945 | 19,058,624 | 48,720,569 |
| 2018 | 28,422,802 | 17,996,927 | 46,419,729 |
| 2019 | 24,811,050 | 16,942,389 | 41,753,439 |
| 2020 | 23,370,947 | 15,932,980 | 39,303,927 |
| 2021 | 22,501,385 | 14,927,653 | 37,429,038 |
| 2022 | 23,442,156 | 13,918,151 | 37,360,307 |
| 2023 | 24,384,446 | 12,921,712 | 37,306,158 |
| 2024 | 25,352,204 | 11,908,669 | 37,260,873 |
| 2025 | 25,932,649 | 10,793,307 | 36,725,956 |
| 2026 | 24,437,323 | 9,675,670 | 34,112,993 |
| 2027 | 23,733,718 | 8,540,643 | 32,274,361 |
| 2028 | 23,878,776 | 7,411,755 | 31,290,531 |
| 2029 | 25,540,364 | 6,211,357 | 31,751,721 |
| 2030 | 26,417,552 | 4,946,897 | 31,364,449 |
| 2031 | 27,705,376 | 3,626,129 | 31,331,505 |
| 2032 | 18,971,123 | 2,480,988 | 21,452,111 |
| 2033 | 19,685,000 | 1,525,625 | 21,210,625 |
| 2034 | 20,670,000 | 516,750 | 21,186,750 |
| | <u>466,561,605</u> | <u>199,385,597</u> | <u>665,947,202</u> |
| Total primary government indebtedness | <u>\$ 668,301,144</u> | <u>\$ 251,123,359</u> | <u>\$ 919,424,503</u> |

CITY OF CHATTANOOGA

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2015

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|----------------------|---------------------|----------------------|
| COMPONENT UNITS | | | |
| 2016 | \$ 935,041 | \$ 372,043 | \$ 1,307,084 |
| 2017 | 734,162 | 342,058 | 1,076,220 |
| 2018 | 748,838 | 318,717 | 1,067,555 |
| 2019 | 3,383,763 | 281,319 | 3,665,082 |
| 2020 | 308,916 | 198,389 | 507,305 |
| 2021 | 319,752 | 187,554 | 507,306 |
| 2022 | 330,981 | 176,324 | 507,305 |
| 2023 | 342,622 | 164,684 | 507,306 |
| 2024 | 4,527,231 | 90,973 | 4,618,204 |
| | <u>4,527,231</u> | <u>90,973</u> | <u>4,618,204</u> |
| Total component units indebtedness | <u>\$ 11,631,306</u> | <u>\$ 2,132,061</u> | <u>\$ 13,763,367</u> |

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2015

| | Outstanding June 30, 2014 | Interest Paid FY2015 | Issued FY2015 | Retired FY2015 | Refunded FY2015 | Outstanding June 30, 2015 | Maturing FY 2016 | Interest Payable FY 2016 |
|--|------------------------------|-------------------------|------------------|-------------------|--------------------|------------------------------|---------------------|-----------------------------|
| GOVERNMENTAL ACTIVITIES: | | | | | | | | |
| Serial Bonds: | | | | | | | | |
| Tax Supported | | | | | | | | |
| 1998 Public Improvement Refunding | \$ 1,406,800 | \$ 65,407 | \$ - | \$ 321,900 | \$ - | \$ 1,084,900 | \$ 341,300 | \$ 47,998 |
| 2002 Municipal Public Refunding | 1,745,000 | 58,753 | - | 855,000 | - | 890,000 | 890,000 | 20,025 |
| 2002 Series A Refunding | 154,536 | 3,168 | - | 154,536 | - | - | - | - |
| 2005A Municipal Public Improvement Refunding | 10,740,992 | 318,576 | - | 1,586,822 | 3,862,268 | 5,291,902 | 1,673,199 | 233,034 |
| 2006A Municipal Public Improvement | 13,476,317 | 114,031 | - | 1,036,640 | 10,366,400 | 2,073,277 | 1,036,640 | 67,382 |
| 2007A Municipal Public Refunding | 14,520,000 | 690,783 | - | - | - | 14,520,000 | - | 690,805 |
| 2009 Series A General Obligation | 34,050,000 | 1,285,388 | - | 2,270,000 | - | 31,780,000 | 2,270,000 | 1,217,288 |
| 2010 Series A GO Bond | 5,365,000 | 188,538 | - | 340,000 | - | 5,025,000 | 335,000 | 181,738 |
| 2010 Series B Refunding GO bonds | 4,025,349 | 144,471 | - | 342,086 | - | 3,683,263 | 351,703 | 137,630 |
| 2010 Series C Recovery Zone Bonds | 5,465,000 | 185,600 | - | 345,000 | - | 5,120,000 | 345,000 | 176,975 |
| 2011 Series A General Obligation | 22,955,000 | 706,175 | - | 1,770,000 | - | 21,185,000 | 1,765,000 | 635,475 |
| 2011 Series B Refunding GO bonds | 1,949,250 | 73,407 | - | - | - | 1,949,250 | - | 73,407 |
| 2013 Series General Improvement Bond | 19,355,000 | 773,344 | - | 960,000 | - | 18,395,000 | 1,315,000 | 730,869 |
| 2014 Municipal Public Improvement Refunding | - | 323,197 | 13,792,100 | - | - | 13,792,100 | - | 499,360 |
| Total Tax Supported Bonds | 135,208,244 | 4,930,838 | 13,792,100 | 9,981,984 | 14,228,668 | 124,789,692 | 10,322,842 | 4,711,986 |
| Self Supported | | | | | | | | |
| 2005A Hotel-Motel Tax Pledge Refunding | 4,133,095 | 337,020 | - | 393 | 4,085,866 | 46,836 | 14,336 | 260,861 |
| 2010 Series B Refunding Hotel Motel Tax Pledge | 25,274,651 | 907,116 | - | 2,147,914 | - | 23,126,737 | 2,208,297 | 864,158 |
| 2011 Series B Refunding Hotel Motel Tax Pledge | 15,595,750 | 587,318 | - | - | - | 15,595,750 | - | 587,319 |
| 2013 Series Hotel-Motel Tax Pledge | 7,420,000 | 296,581 | - | 365,000 | - | 7,055,000 | 505,000 | 280,307 |
| 2014 Hotel Motel Refunding | - | 92,808 | 3,961,340 | - | - | 3,961,340 | - | 143,395 |
| Total Self Supported Bonds | 52,423,496 | 2,220,843 | 3,961,340 | 2,513,307 | 4,085,866 | 49,785,663 | 2,727,633 | 2,136,040 |
| Total Serial Bonds | 187,631,740 | 7,151,681 | 17,753,440 | 12,495,291 | 18,314,534 | 174,575,355 | 13,050,475 | 6,848,026 |
| Notes Payable: | | | | | | | | |
| Tax Supported | | | | | | | | |
| 2003 TML Bond Fund | 1,714,165 | 3,475 | - | 408,564 | - | 1,305,601 | 421,276 | 3,133 |
| 2004 TML Bond Fund | 14,233,265 | 29,645 | 83,132 | 1,271,325 | - | 13,045,072 | 1,305,408 | 31,743 |
| 2008 Hennen Land Note | 166,477 | - | - | 75,961 | - | 90,516 | 56,968 | - |
| 2010 VAAP Land Note | 2,750,000 | - | - | 2,750,000 | - | - | - | - |
| 2014 Hamilton County | 11,763,477 | - | - | 1,960,580 | - | 9,802,897 | 1,960,580 | - |
| Total Tax Supported Notes Payable | 30,627,384 | 33,120 | 83,132 | 6,466,430 | - | 24,244,086 | 3,744,232 | 34,876 |
| Self Supported | | | | | | | | |
| 2008 HUD Section 108 Loan Program | 3,051,000 | 138,095 | - | 305,000 | - | 2,746,000 | 305,000 | 125,178 |
| Total Self Supported Notes Payable | 3,051,000 | 138,095 | - | 305,000 | - | 2,746,000 | 305,000 | 125,178 |
| Total Notes Payable | 33,678,384 | 171,215 | 83,132 | 6,771,430 | - | 26,990,086 | 4,049,232 | 160,054 |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2015

(continued from previous page)

| | Outstanding June 30, 2014 | Interest Paid FY2015 | Issued FY2015 | Retired FY2015 | Refunded FY2015 | Outstanding June 30, 2015 | Maturing FY 2016 | Interest Payable FY 2016 |
|--|------------------------------|-------------------------|-------------------|-------------------|--------------------|------------------------------|---------------------|-----------------------------|
| GOVERNMENTAL ACTIVITIES: (continued) | | | | | | | | |
| Capital leases payable: | | | | | | | | |
| Self Supported | | | | | | | | |
| 2013 Golf Course Capital Lease | \$ 232,290 | \$ 9,145 | \$ - | \$ 58,192 | \$ - | \$ 174,098 | \$ 60,831 | \$ 6,507 |
| Total Self Supported Capital Leases Payable | <u>232,290</u> | <u>9,145</u> | <u>-</u> | <u>58,192</u> | <u>-</u> | <u>174,098</u> | <u>60,831</u> | <u>6,507</u> |
| Total governmental activities | <u>221,542,414</u> | <u>7,332,041</u> | <u>17,836,572</u> | <u>19,324,913</u> | <u>18,314,534</u> | <u>201,739,539</u> | <u>17,160,538</u> | <u>7,014,587</u> |
| BUSINESS TYPE ACTIVITIES: | | | | | | | | |
| Interceptor Sewer System: | | | | | | | | |
| Serial Bonds: | | | | | | | | |
| 1998 Sewer & Sewage Facilities Refunding | 5,498,200 | 255,630 | - | 1,258,100 | - | 4,240,100 | 1,333,700 | 187,596 |
| 2002 Municipal Public Refunding | 1,175,000 | 26,438 | - | 1,175,000 | - | - | - | - |
| 2002 Series A Refunding | 825,464 | 16,922 | - | 825,464 | - | - | - | - |
| 2005A Municipal Public Improvement Refunding | 10,991,431 | 199,404 | - | 1,993,724 | 2,417,479 | 6,580,228 | 2,085,759 | 145,861 |
| 2014 Municipal Public Improvement Refunding | - | 54,912 | 2,343,620 | - | - | 2,343,620 | - | 84,842 |
| Total serial bonds | <u>18,490,095</u> | <u>553,306</u> | <u>2,343,620</u> | <u>5,252,288</u> | <u>2,417,479</u> | <u>13,163,948</u> | <u>3,419,459</u> | <u>418,299</u> |
| Notes payable: | | | | | | | | |
| 1998 State of Georgia Revolving Loan | 2,161,162 | 79,999 | - | 433,419 | - | 1,727,743 | 451,017 | 62,401 |
| 2003-168 State Revolving Loan | 24,212,151 | 695,409 | - | 1,922,463 | - | 22,289,688 | 1,980,540 | 637,332 |
| 2007-204 State Revolving Loan | 11,612,083 | 317,208 | - | 531,660 | - | 11,080,423 | 546,684 | 302,184 |
| 2011-289 State Revolving Loan | 9,117,592 | 204,778 | 3,841,391 | - | - | 12,958,983 | 1,083,000 | 275,984 |
| 2012-307 State Revolving Loan | - | 42,523 | 7,067,709 | - | - | 7,067,709 | 1,480,536 | 96,755 |
| 2013-318 State Revolving Loan | - | 60,354 | 6,169,218 | - | - | 6,169,218 | 2,837,172 | 108,725 |
| Total notes payable | <u>47,102,988</u> | <u>1,400,271</u> | <u>17,078,318</u> | <u>2,887,542</u> | <u>-</u> | <u>61,293,764</u> | <u>8,378,949</u> | <u>1,483,381</u> |
| Capital leases payable: | | | | | | | | |
| 2001 Capital Lease City of Collegedale | 5,562 | 47 | - | 5,562 | - | - | - | - |
| Total capital leases payable | <u>5,562</u> | <u>47</u> | <u>-</u> | <u>5,562</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Interceptor Sewer System | <u>65,598,645</u> | <u>1,953,624</u> | <u>19,421,938</u> | <u>8,145,392</u> | <u>2,417,479</u> | <u>74,457,712</u> | <u>11,798,408</u> | <u>1,901,680</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2015

(continued from previous page)

| | Outstanding June 30, 2014 | Interest Paid FY2015 | Issued FY2015 | Retired FY2015 | Refunded FY2015 | Outstanding June 30, 2015 | Maturing FY 2016 | Interest Payable FY 2016 |
|---|------------------------------|-------------------------|-------------------|-------------------|--------------------|------------------------------|---------------------|-----------------------------|
| BUSINESS TYPE ACTIVITIES: (continued) | | | | | | | | |
| Solid Waste Fund: | | | | | | | | |
| Serial Bonds: | | | | | | | | |
| 2005A Municipal Public Improvement Refunding | \$ 7,881,476 | \$ 164,054 | \$ - | \$ 1,368,051 | \$ 1,988,910 | \$ 4,524,515 | \$ 1,433,438 | \$ 120,002 |
| 2006A Municipal Public Improvement | 3,683,683 | 31,169 | - | 283,360 | 2,833,600 | 566,723 | 283,360 | 18,419 |
| 2007A Municipal Public Improvement Refunding | 2,480,000 | 117,990 | - | - | - | 2,480,000 | - | 117,990 |
| 2014 Municipal Public Improvement Refunding | - | 109,541 | 4,674,278 | - | - | 4,674,278 | - | 169,248 |
| Total serial bonds | <u>14,045,159</u> | <u>422,754</u> | <u>4,674,278</u> | <u>1,651,411</u> | <u>4,822,510</u> | <u>12,245,516</u> | <u>1,716,798</u> | <u>425,659</u> |
| Notes payable: | | | | | | | | |
| 2003 TML Bond Fund | 173,835 | 352 | - | 41,436 | - | 132,399 | 42,724 | 318 |
| 2004 TML Bond Fund | 346,471 | 715 | - | 30,675 | - | 315,796 | 31,592 | 768 |
| Total Notes Payable | <u>520,306</u> | <u>1,067</u> | <u>-</u> | <u>72,111</u> | <u>-</u> | <u>448,195</u> | <u>74,316</u> | <u>1,086</u> |
| Total Solid Waste & Sanitation Fund | <u>14,565,465</u> | <u>423,821</u> | <u>4,674,278</u> | <u>1,723,522</u> | <u>4,822,510</u> | <u>12,693,711</u> | <u>1,791,114</u> | <u>426,745</u> |
| Water Quality Fund | | | | | | | | |
| Serial Bonds: | | | | | | | | |
| 2005A Municipal Public Improvement Refunding | 5,068,007 | 98,196 | - | 901,011 | 1,190,477 | 2,976,519 | 943,267 | 71,829 |
| 2007A Municipal Public Improvement Refunding | 750,000 | 35,683 | - | - | - | 750,000 | - | 35,683 |
| 2013 Water Quality Bonds | 5,245,000 | 209,544 | - | 260,000 | - | 4,985,000 | 360,000 | 197,944 |
| 2014 Municipal Public Improvement Refunding | - | 27,041 | 1,153,663 | - | - | 1,153,663 | - | 41,780 |
| Total serial bonds | <u>11,063,007</u> | <u>370,464</u> | <u>1,153,663</u> | <u>1,161,011</u> | <u>1,190,477</u> | <u>9,865,182</u> | <u>1,303,267</u> | <u>347,236</u> |
| Total Water Quality Fund | <u>11,063,007</u> | <u>370,464</u> | <u>1,153,663</u> | <u>1,161,011</u> | <u>1,190,477</u> | <u>9,865,182</u> | <u>1,303,267</u> | <u>347,236</u> |
| Total Business-Type Activities | <u>91,227,117</u> | <u>2,747,909</u> | <u>25,249,879</u> | <u>11,029,925</u> | <u>8,430,466</u> | <u>97,016,605</u> | <u>14,892,789</u> | <u>2,675,661</u> |
| TOTAL GENERAL OBLIGATION DEBT | <u>312,769,531</u> | <u>10,079,950</u> | <u>43,086,451</u> | <u>30,354,838</u> | <u>26,745,000</u> | <u>298,756,144</u> | <u>32,053,327</u> | <u>9,690,248</u> |
| Electric Power Board | | | | | | | | |
| Revenue Bonds: | | | | | | | | |
| 2006A Electric System Revenue Bonds | 34,230,000 | 1,455,766 | - | 1,295,000 | - | 32,935,000 | 1,345,000 | 1,401,316 |
| 2006B Electric System Refunding Revenue Bonds | 19,905,000 | 781,656 | - | 1,745,000 | - | 18,160,000 | 1,730,000 | 711,075 |
| 2008A Electric System Revenue Bonds | 216,830,000 | 10,594,500 | - | 4,000,000 | - | 212,830,000 | 5,000,000 | 10,389,500 |
| Total Revenue Bonds | <u>270,965,000</u> | <u>12,831,922</u> | <u>-</u> | <u>7,040,000</u> | <u>-</u> | <u>263,925,000</u> | <u>8,075,000</u> | <u>12,501,891</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2015

(continued from previous page)

| | Outstanding June 30, 2014 | Interest Paid FY2015 | Issued FY2015 | Retired FY2015 | Refunded FY2015 | Outstanding June 30, 2015 | Maturing FY 2016 | Interest Payable FY 2016 |
|---|------------------------------|-------------------------|----------------------|----------------------|----------------------|------------------------------|----------------------|-----------------------------|
| Electric Power Board (continued) | | | | | | | | |
| Notes Payable | | | | | | | | |
| 2013 Secured Term Note | \$ 4,777,000 | \$ 31,000 | \$ - | \$ 4,777,000 | \$ - | \$ - | \$ - | \$ - |
| Total Notes Payable | <u>4,777,000</u> | <u>31,000</u> | <u>-</u> | <u>4,777,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Electric Power Board | <u>275,742,000</u> | <u>12,862,922</u> | <u>-</u> | <u>11,817,000</u> | <u>-</u> | <u>263,925,000</u> | <u>8,075,000</u> | <u>12,501,891</u> |
| Chattanooga Downtown Redevelopment Corporation: | | | | | | | | |
| Revenue Bonds: | | | | | | | | |
| 2007 Chattanooga Lease Rental Rev Ref Bonds | 48,840,000 | 2,338,300 | - | 90,000 | - | 48,750,000 | 95,000 | 2,334,600 |
| 2010 Chattanooga Lease Rental Rev Ref Bonds | <u>61,300,000</u> | <u>2,695,269</u> | <u>-</u> | <u>4,430,000</u> | <u>-</u> | <u>56,870,000</u> | <u>4,580,000</u> | <u>2,537,219</u> |
| Total Chattanooga Downtown Redevelopment Corp. | <u>110,140,000</u> | <u>5,033,569</u> | <u>-</u> | <u>4,520,000</u> | <u>-</u> | <u>105,620,000</u> | <u>4,675,000</u> | <u>4,871,819</u> |
| Total Primary Government | <u>\$ 698,651,531</u> | <u>\$ 27,976,441</u> | <u>\$ 43,086,451</u> | <u>\$ 46,691,838</u> | <u>\$ 26,745,000</u> | <u>\$ 668,301,144</u> | <u>\$ 44,803,327</u> | <u>\$ 27,063,958</u> |
| COMPONENT UNITS | | | | | | | | |
| Metropolitan Airport Authority: | | | | | | | | |
| Revenue Bonds: | | | | | | | | |
| 2009 Refunding | \$ 4,847,413 | \$ 139,258 | \$ - | \$ 420,990 | \$ - | \$ 4,426,423 | \$ 433,755 | \$ 126,492 |
| 2014 Tax Exempt | 5,015,999 | 156,443 | - | 1,947,424 | - | 3,068,575 | 127,875 | 81,494 |
| 2014 Taxable | <u>4,853,290</u> | <u>211,925</u> | <u>-</u> | <u>957,623</u> | <u>-</u> | <u>3,895,667</u> | <u>141,379</u> | <u>156,557</u> |
| Total Revenue Bonds | <u>14,716,702</u> | <u>507,626</u> | <u>-</u> | <u>3,326,037</u> | <u>-</u> | <u>11,390,665</u> | <u>703,009</u> | <u>364,543</u> |
| Capital leases payable: | | | | | | | | |
| 2012 Fuel Facility Capital Lease | <u>106,081</u> | <u>4,575</u> | <u>-</u> | <u>47,421</u> | <u>-</u> | <u>58,660</u> | <u>50,051</u> | <u>1,945</u> |
| Total Metropolitan Airport Authority | <u>14,822,783</u> | <u>512,201</u> | <u>-</u> | <u>3,373,458</u> | <u>-</u> | <u>11,449,325</u> | <u>753,060</u> | <u>366,488</u> |
| CARTA | | | | | | | | |
| Note Payable: | | | | | | | | |
| Republic Parking System, Inc. | <u>443,782</u> | <u>18,851</u> | <u>-</u> | <u>261,801</u> | <u>-</u> | <u>181,981</u> | <u>181,981</u> | <u>5,555</u> |
| Total CARTA | <u>443,782</u> | <u>18,851</u> | <u>-</u> | <u>261,801</u> | <u>-</u> | <u>181,981</u> | <u>181,981</u> | <u>5,555</u> |
| Total Component Units | <u>\$ 15,266,565</u> | <u>\$ 531,052</u> | <u>\$ -</u> | <u>\$ 3,635,259</u> | <u>\$ -</u> | <u>\$ 11,631,306</u> | <u>\$ 935,041</u> | <u>\$ 372,043</u> |

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

DIRECT INDEBTEDNESS

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---------------------------|---|---------------|-------------------|----------------|------------------------------|
| 2016 | 1998 Municipal Public Improvement Refunding | 5.250% | \$ 341,300 | \$ 47,998 | \$ 389,298 |
| 2017 | | 5.250% | 361,600 | 29,547 | 391,147 |
| 2018 | | 5.250% | 382,000 | 10,027 | 392,027 |
| | | | <u>1,084,900</u> | <u>87,572</u> | <u>1,172,472</u> |
| 2016 | 2002 Municipal Public Improvement Refunding | 4.500% | 890,000 | 20,025 | 910,025 |
| | | | <u>890,000</u> | <u>20,025</u> | <u>910,025</u> |
| 2016 | 2003 Note Payable - Tennessee Municipal Bond Fund | 0.240% | 421,276 | 3,133 | 424,409 |
| 2017 | | 0.240% | 434,895 | 2,122 | 437,017 |
| 2018 | | 0.240% | 449,430 | 1,079 | 450,509 |
| | | | <u>1,305,601</u> | <u>6,334</u> | <u>1,311,935</u> |
| 2016 | 2004 Note Payable - Tennessee Municipal Bond Fund | 0.240% | 1,305,408 | 31,743 | 1,337,151 |
| 2017 | | 0.240% | 1,340,557 | 28,567 | 1,369,124 |
| 2018 | | 0.240% | 1,375,707 | 25,305 | 1,401,012 |
| 2019 | | 0.240% | 1,412,809 | 21,957 | 1,434,766 |
| 2020 | | 0.240% | 1,450,887 | 18,519 | 1,469,406 |
| 2021 | | 0.240% | 1,488,966 | 14,989 | 1,503,955 |
| 2022 | | 0.240% | 1,528,997 | 11,366 | 1,540,363 |
| 2023 | | 0.240% | 1,570,004 | 7,645 | 1,577,649 |
| 2024 | | 0.240% | 1,571,737 | 3,825 | 1,575,562 |
| | | | <u>13,045,072</u> | <u>163,916</u> | <u>13,208,988</u> |
| 2016 | 2005A Hotel-Motel Tax Refunding | 5.00% | 14,336 | 260,861 | 275,197 |
| 2017 | | 5.00% | 16,000 | 167,391 | 183,391 |
| 2018 | | 5.00% | 16,500 | 67,818 | 84,318 |
| | | | <u>46,836</u> | <u>496,070</u> | <u>542,906</u> |
| 2016 | 2005 Series A Refunding | 5.00% | 1,673,199 | 233,034 | 1,906,233 |
| 2017 | | 5.00% | 1,759,427 | 143,106 | 1,902,533 |
| 2018 | | 5.00% | 1,859,276 | 48,510 | 1,907,786 |
| | | | <u>5,291,902</u> | <u>424,650</u> | <u>5,716,552</u> |
| 2016 | 2006 A Municipal Public Improvement | 5.00% | 1,036,640 | 67,382 | 1,104,022 |
| 2017 | | 4.00% | 1,036,637 | 20,733 | 1,057,370 |
| | | | <u>2,073,277</u> | <u>88,115</u> | <u>2,161,392</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

(continued from previous page)

DIRECT INDEBTEDNESS

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---------------------------|---|---------------|-------------------|------------------|------------------------------|
| 2016 | 2007 A Municipal Public Improvement Refunding | 5.00% | \$ - | \$ 690,805 | \$ 690,805 |
| 2017 | | 5.00% | - | 690,805 | 690,805 |
| 2018 | | 5.00% | - | 690,805 | 690,805 |
| 2019 | | 5.00% | - | 690,805 | 690,805 |
| 2020 | | 5.00% | - | 690,805 | 690,805 |
| 2021 | | 5.00% | 2,120,000 | 690,805 | 2,810,805 |
| 2022 | | 4.30% | 2,235,000 | 584,805 | 2,819,805 |
| 2023 | | 5.00% | 2,345,000 | 488,700 | 2,833,700 |
| 2024 | | 4.75% | 2,470,000 | 371,450 | 2,841,450 |
| 2025 | | 4.75% | 2,605,000 | 254,125 | 2,859,125 |
| 2026 | | 4.75% | 2,745,000 | 130,388 | 2,875,388 |
| | | | <u>14,520,000</u> | <u>5,974,298</u> | <u>20,494,298</u> |
| 2016 | 2008 Hennen Notes Payable | 0.00% | 56,968 | - | 56,968 |
| 2017 | | 0.00% | 33,548 | - | 33,548 |
| | | | | <u>90,516</u> | <u>-</u> |
| 2016 | 2008 Section 108 HUD Loan | 4.00% | 305,000 | 125,178 | 430,178 |
| 2017 | | 4.00% | 305,000 | 111,743 | 416,743 |
| 2018 | | 4.00% | 305,000 | 97,957 | 402,957 |
| 2019 | | 4.00% | 305,000 | 83,957 | 388,957 |
| 2020 | | 4.00% | 305,000 | 69,485 | 374,485 |
| 2021 | | 4.00% | 305,000 | 54,494 | 359,494 |
| 2022 | | 4.00% | 305,000 | 39,229 | 344,229 |
| 2023 | | 4.00% | 305,000 | 23,705 | 328,705 |
| 2024 | | 4.00% | 306,000 | 7,941 | 313,941 |
| | | | | <u>2,746,000</u> | <u>613,689</u> |
| 2016 | 2009 Series A General Obligation | 3.00% | 2,270,000 | 1,217,288 | 3,487,288 |
| 2017 | | 3.00% | 2,270,000 | 1,149,187 | 3,419,187 |
| 2018 | | 3.25% | 2,270,000 | 1,078,250 | 3,348,250 |
| 2019 | | 3.50% | 2,270,000 | 1,001,637 | 3,271,637 |
| 2020 | | 4.00% | 2,270,000 | 916,513 | 3,186,513 |
| 2021 | | 4.00% | 2,270,000 | 825,712 | 3,095,712 |
| 2022 | | 4.00% | 2,270,000 | 734,913 | 3,004,913 |
| 2023 | | 4.00% | 2,270,000 | 644,112 | 2,914,112 |
| 2024 | | 4.13% | 2,270,000 | 551,894 | 2,821,894 |
| 2025 | | 4.25% | 2,270,000 | 456,837 | 2,726,837 |
| 2026 | | 4.38% | 2,270,000 | 358,944 | 2,628,944 |
| 2027 | | 4.50% | 2,270,000 | 258,212 | 2,528,212 |
| 2028 | | 4.50% | 2,270,000 | 156,063 | 2,426,063 |
| 2029 | | 4.63% | 2,270,000 | 52,494 | 2,322,494 |
| | | | <u>31,780,000</u> | <u>9,402,056</u> | <u>41,182,056</u> |

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

(continued from previous page)

DIRECT INDEBTEDNESS

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---------------------------|-------------------------------------|---------------|-------------------|------------------|------------------------------|
| 2016 | 2010 A Series General Obligation | 2.50% | \$ 335,000 | \$ 181,738 | \$ 516,738 |
| 2017 | | 2.75% | 335,000 | 173,362 | 508,362 |
| 2018 | | 3.00% | 335,000 | 164,150 | 499,150 |
| 2019 | | 3.25% | 335,000 | 154,100 | 489,100 |
| 2020 | | 3.25% | 335,000 | 143,212 | 478,212 |
| 2021 | | 3.50% | 335,000 | 132,325 | 467,325 |
| 2022 | | 4.00% | 335,000 | 120,600 | 455,600 |
| 2023 | | 4.00% | 335,000 | 107,200 | 442,200 |
| 2024 | | 4.00% | 335,000 | 93,800 | 428,800 |
| 2025 | | 4.00% | 335,000 | 80,400 | 415,400 |
| 2026 | | 4.00% | 335,000 | 67,000 | 402,000 |
| 2027 | | 4.00% | 335,000 | 53,600 | 388,600 |
| 2028 | | 4.00% | 335,000 | 40,200 | 375,200 |
| 2029 | | 4.00% | 335,000 | 26,800 | 361,800 |
| 2030 | | 4.00% | 335,000 | 13,400 | 348,400 |
| | | | <u>5,025,000</u> | <u>1,551,887</u> | <u>6,576,887</u> |
| 2016 | 2010 Series B Refunding Hotel Motel | 2.50% | 2,208,297 | 864,158 | 3,072,455 |
| 2017 | | 2.75% | 1,535,457 | 803,430 | 2,338,887 |
| 2018 | | 3.00% | 1,626,031 | 757,366 | 2,383,397 |
| 2019 | | 3.00% | 133,705 | 708,585 | 842,290 |
| 2020 | | 3.25% | 138,019 | 704,240 | 842,259 |
| 2021 | | 3.50% | 2,005,582 | 699,409 | 2,704,991 |
| 2022 | | 4.00% | 2,139,288 | 619,186 | 2,758,474 |
| 2023 | | 4.00% | 2,277,306 | 533,614 | 2,810,920 |
| 2024 | | 4.00% | 90,575 | 442,522 | 533,097 |
| 2025 | | 4.00% | 90,575 | 438,899 | 529,474 |
| 2026 | | 4.00% | 94,888 | 435,276 | 530,164 |
| 2027 | | 4.00% | 99,201 | 431,481 | 530,682 |
| 2028 | | 4.00% | 103,514 | 427,512 | 531,026 |
| 2029 | | 4.00% | 3,334,011 | 423,372 | 3,757,383 |
| 2030 | | 4.00% | 3,523,787 | 290,012 | 3,813,799 |
| 2031 | 4.00% | 3,726,501 | 149,060 | 3,875,561 | |
| | | | <u>23,126,737</u> | <u>8,728,122</u> | <u>31,854,859</u> |

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

(continued from previous page)

DIRECT INDEBTEDNESS

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---------------------------------|--|------------------|------------|-----------------|------------------------------------|
| 2016 | 2010 Series B Refunding General Obligation | 2.50% | \$ 351,703 | \$ 137,630 | \$ 489,333 |
| 2017 | | 2.75% | 244,543 | 127,958 | 372,501 |
| 2018 | | 3.00% | 258,969 | 120,621 | 379,590 |
| 2019 | | 3.00% | 21,295 | 112,852 | 134,147 |
| 2020 | | 3.25% | 21,981 | 112,160 | 134,141 |
| 2021 | | 3.50% | 319,418 | 111,391 | 430,809 |
| 2022 | | 4.00% | 340,712 | 98,615 | 439,327 |
| 2023 | | 4.00% | 362,694 | 84,986 | 447,680 |
| 2024 | | 4.00% | 14,425 | 70,478 | 84,903 |
| 2025 | | 4.00% | 14,425 | 69,901 | 84,326 |
| 2026 | | 4.00% | 15,112 | 69,324 | 84,436 |
| 2027 | | 4.00% | 15,799 | 68,719 | 84,518 |
| 2028 | | 4.00% | 16,486 | 68,087 | 84,573 |
| 2029 | | 4.00% | 530,989 | 67,428 | 598,417 |
| 2030 | | 4.00% | 561,213 | 46,188 | 607,401 |
| 2031 | | 4.00% | 593,499 | 23,740 | 617,239 |
| | | | 3,683,263 | 1,390,078 | 5,073,341 |
| 2016 | 2010 Series C Recovery Zone | 3.00% | 345,000 | 176,975 | 521,975 |
| 2017 | | 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 |
| | | | 5,120,000 | 1,505,575 | 6,625,575 |

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

(continued from previous page)

DIRECT INDEBTEDNESS

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---------------------------|--|---------------|-------------------|------------------|------------------------------|
| 2016 | 2011 Series A General Obligation | 4.00% | \$ 1,765,000 | \$ 635,475 | \$ 2,400,475 |
| 2017 | | 1.50% | 1,770,000 | 586,900 | 2,356,900 |
| 2018 | | 2.00% | 1,765,000 | 555,975 | 2,320,975 |
| 2019 | | 3.00% | 1,765,000 | 511,850 | 2,276,850 |
| 2020 | | 3.00% | 1,765,000 | 458,900 | 2,223,900 |
| 2021 | | 4.00% | 1,765,000 | 397,125 | 2,162,125 |
| 2022 | | 4.00% | 1,765,000 | 326,525 | 2,091,525 |
| 2023 | | 2.50% | 1,765,000 | 269,162 | 2,034,162 |
| 2024 | | 3.00% | 1,765,000 | 220,625 | 1,985,625 |
| 2025 | | 3.00% | 1,765,000 | 167,675 | 1,932,675 |
| 2026 | | 4.00% | 1,765,000 | 105,900 | 1,870,900 |
| 2027 | 4.00% | 1,765,000 | 35,300 | 1,800,300 | |
| | | | <u>21,185,000</u> | <u>4,271,412</u> | <u>25,456,412</u> |
| 2016 | 2011 Series B Refunding Hotel Motel | 0.00% | - | 587,319 | 587,319 |
| 2017 | | 0.00% | - | 587,318 | 587,318 |
| 2018 | | 3.00% | 1,008,901 | 572,185 | 1,581,086 |
| 2019 | | 2.00% | 22,223 | 556,829 | 579,052 |
| 2020 | | 2.00% | 22,223 | 556,385 | 578,608 |
| 2021 | | 2.25% | 26,667 | 555,862 | 582,529 |
| 2022 | | 2.50% | 26,667 | 555,229 | 581,896 |
| 2023 | | 2.63% | 26,667 | 554,546 | 581,213 |
| 2024 | | 4.00% | 2,555,587 | 503,084 | 3,058,671 |
| 2025 | | 4.00% | 2,715,590 | 397,661 | 3,113,251 |
| 2026 | | 4.00% | 2,888,925 | 285,570 | 3,174,495 |
| 2027 | | 4.00% | 3,062,260 | 166,547 | 3,228,807 |
| 2028 | | 3.25% | 3,240,040 | 52,651 | 3,292,691 |
| | | | <u>15,595,750</u> | <u>5,931,186</u> | <u>21,526,936</u> |
| 2016 | 2011 Series B Refunding General Obligation | 0.00% | - | 73,407 | 73,407 |
| 2017 | | 0.00% | - | 73,406 | 73,406 |
| 2018 | | 3.00% | 126,099 | 71,515 | 197,614 |
| 2019 | | 2.00% | 2,777 | 69,596 | 72,373 |
| 2020 | | 2.00% | 2,777 | 69,540 | 72,317 |
| 2021 | | 2.25% | 3,333 | 69,475 | 72,808 |
| 2022 | | 2.50% | 3,333 | 69,396 | 72,729 |
| 2023 | | 2.63% | 3,333 | 69,310 | 72,643 |
| 2024 | | 4.00% | 319,413 | 62,879 | 382,292 |
| 2025 | | 4.00% | 339,410 | 49,702 | 389,112 |
| 2026 | | 4.00% | 361,075 | 35,692 | 396,767 |
| 2027 | | 4.00% | 382,740 | 20,816 | 403,556 |
| 2028 | 3.25% | 404,960 | 6,581 | 411,541 | |
| | | | <u>1,949,250</u> | <u>741,315</u> | <u>2,690,565</u> |

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

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DIRECT INDEBTEDNESS

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---------------------------|---|---------------|-------------------|------------------|------------------------------|
| 2016 | 2013 Golf Course Capital Lease | 4.60% | \$ 60,831 | \$ 6,507 | \$ 67,338 |
| 2017 | | 4.60% | 63,590 | 3,748 | 67,338 |
| 2018 | | 4.60% | 49,677 | 926 | 50,603 |
| | | | <u>174,098</u> | <u>11,181</u> | <u>185,279</u> |
| 2016 | 2013 General Improvement Bond | 5.00% | 1,315,000 | 730,869 | 2,045,869 |
| 2017 | | 5.00% | 1,315,000 | 665,119 | 1,980,119 |
| 2018 | | 5.00% | 1,315,000 | 599,369 | 1,914,369 |
| 2019 | | 2.00% | 1,315,000 | 553,344 | 1,868,344 |
| 2020 | | 5.00% | 1,315,000 | 507,319 | 1,822,319 |
| 2021 | | 5.00% | 1,315,000 | 441,569 | 1,756,569 |
| 2022 | | 5.00% | 1,315,000 | 375,819 | 1,690,819 |
| 2023 | | 5.00% | 1,315,000 | 310,068 | 1,625,068 |
| 2024 | | 3.00% | 1,315,000 | 257,468 | 1,572,468 |
| 2025 | | 3.00% | 1,315,000 | 218,018 | 1,533,018 |
| 2026 | | 3.13% | 1,315,000 | 177,747 | 1,492,747 |
| 2027 | | 4.00% | 1,310,000 | 131,000 | 1,441,000 |
| 2028 | | 4.00% | 1,310,000 | 78,600 | 1,388,600 |
| 2029 | | 4.00% | 1,310,000 | 26,200 | 1,336,200 |
| | | | <u>18,395,000</u> | <u>5,072,509</u> | <u>23,467,509</u> |
| 2016 | 2013 Hotel-Motel Tax | 5.00% | 505,000 | 280,307 | 785,307 |
| 2017 | | 5.00% | 505,000 | 255,057 | 760,057 |
| 2018 | | 5.00% | 505,000 | 229,807 | 734,807 |
| 2019 | | 2.00% | 505,000 | 212,131 | 717,131 |
| 2020 | | 5.00% | 505,000 | 194,456 | 699,456 |
| 2021 | | 5.00% | 505,000 | 169,206 | 674,206 |
| 2022 | | 5.00% | 505,000 | 143,956 | 648,956 |
| 2023 | | 5.00% | 505,000 | 118,706 | 623,706 |
| 2024 | | 3.00% | 505,000 | 98,506 | 603,506 |
| 2025 | | 3.00% | 505,000 | 83,355 | 588,355 |
| 2026 | | 3.13% | 505,000 | 67,890 | 572,890 |
| 2027 | | 4.00% | 500,000 | 50,000 | 550,000 |
| 2028 | 4.00% | 500,000 | 30,000 | 530,000 | |
| 2029 | 4.00% | 500,000 | 10,000 | 510,000 | |
| | | | <u>7,055,000</u> | <u>1,943,377</u> | <u>8,998,377</u> |
| 2016 | 2014 Hamilton County Dept. of Education | 0.00% | 1,960,580 | - | 1,960,580 |
| 2017 | | 0.00% | 1,960,580 | - | 1,960,580 |
| 2018 | | 0.00% | 1,960,579 | - | 1,960,579 |
| 2019 | | 0.00% | 1,960,579 | - | 1,960,579 |
| 2020 | | 0.00% | 1,960,579 | - | 1,960,579 |
| | | | <u>9,802,897</u> | <u>-</u> | <u>9,802,897</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

(continued from previous page)

DIRECT INDEBTEDNESS

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---------------------------------|---------------------------------------|------------------|--------------------|-------------------|------------------------------------|
| 2016 | 2014 Refunding Hotel Motel Tax Pledge | 0.00% | \$ - | \$ 143,395 | \$ 143,395 |
| 2017 | | 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>739,422</u> | <u>4,700,762</u> |
| 2016 | 2014 General Obligation Refunding | 0.00% | - | 499,360 | 499,360 |
| 2017 | | 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>2,574,973</u> | <u>16,367,073</u> |
| Total direct indebtedness | | | <u>201,739,539</u> | <u>51,737,762</u> | <u>253,477,301</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

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INTERCEPTOR SEWER SYSTEM

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---------------------------|---|---------------|-------------------|-------------------|------------------------------|
| 2016 | 1998 Municipal Public Improvement Refunding | 5.25% | \$ 1,333,700 | \$ 187,596 | \$ 1,521,296 |
| 2017 | | 5.25% | 1,413,400 | 115,484 | 1,528,884 |
| 2018 | | 5.25% | 1,493,000 | 39,191 | 1,532,191 |
| | | | | <u>4,240,100</u> | <u>342,271</u> |
| 2016 | 1998 Georgia Environmental Facilities Authority | 4.00% | 451,017 | 62,401 | 513,418 |
| 2017 | | 4.00% | 469,331 | 44,087 | 513,418 |
| 2018 | | 4.00% | 488,387 | 25,031 | 513,418 |
| 2019 | | 4.00% | 319,008 | 5,803 | 324,811 |
| | | | <u>1,727,743</u> | <u>137,322</u> | <u>1,865,065</u> |
| 2016 | 2003 State Revolving Loan | 2.98% | 1,980,540 | 637,332 | 2,617,872 |
| 2017 | | 2.98% | 2,040,373 | 577,500 | 2,617,873 |
| 2018 | | 2.98% | 2,102,014 | 515,856 | 2,617,870 |
| 2019 | | 2.98% | 2,165,817 | 452,052 | 2,617,869 |
| 2020 | | 2.98% | 2,230,938 | 386,940 | 2,617,878 |
| 2021 | | 2.98% | 2,298,336 | 319,536 | 2,617,872 |
| 2022 | | 2.98% | 2,367,768 | 250,104 | 2,617,872 |
| 2023 | | 2.98% | 2,439,300 | 178,572 | 2,617,872 |
| 2024 | | 2.98% | 2,512,992 | 104,880 | 2,617,872 |
| 2025 | | 2.98% | 2,151,610 | 26,541 | 2,178,151 |
| | | | | <u>22,289,688</u> | <u>3,449,313</u> |
| 2016 | 2005 Series A Refunding | 5.00% | 2,085,759 | 145,861 | 2,231,620 |
| 2017 | | 5.00% | 2,191,790 | 89,573 | 2,281,363 |
| 2018 | | 5.00% | 2,302,679 | 30,364 | 2,333,043 |
| | | | <u>6,580,228</u> | <u>265,798</u> | <u>6,846,026</u> |
| 2016 | 2007 State Revolving Loan | 2.79% | 546,684 | 302,184 | 848,868 |
| 2017 | | 2.79% | 562,128 | 286,740 | 848,868 |
| 2018 | | 2.79% | 578,016 | 270,852 | 848,868 |
| 2019 | | 2.79% | 594,348 | 254,520 | 848,868 |
| 2020 | | 2.79% | 611,148 | 237,720 | 848,868 |
| 2021 | | 2.79% | 628,416 | 220,452 | 848,868 |
| 2022 | | 2.79% | 646,176 | 202,692 | 848,868 |
| 2023 | | 2.79% | 664,428 | 184,440 | 848,868 |
| 2024 | | 2.79% | 683,208 | 165,660 | 848,868 |
| 2025 | | 2.79% | 702,516 | 146,352 | 848,868 |
| 2026 | | 2.79% | 722,376 | 126,492 | 848,868 |
| 2027 | | 2.79% | 742,788 | 106,080 | 848,868 |
| 2028 | | 2.79% | 763,776 | 85,092 | 848,868 |
| 2029 | | 2.79% | 785,364 | 63,504 | 848,868 |
| 2030 | | 2.79% | 807,552 | 41,316 | 848,868 |
| 2031 | | 2.79% | 830,376 | 18,492 | 848,868 |
| 2032 | 2.79% | 211,123 | 1,001 | 212,124 | |
| | | | <u>11,080,423</u> | <u>2,713,589</u> | <u>13,794,012</u> |

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

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INTERCEPTOR SEWER SYSTEM

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---------------------------|---|---------------|-------------------|------------------|------------------------------|
| 2016 | 2011 State Revolving Loan | 2.00% | \$ 1,083,000 | \$ 275,984 | \$ 1,358,984 |
| 2017 | | 2.00% | 1,104,660 | 254,324 | 1,358,984 |
| 2018 | | 2.00% | 1,126,753 | 232,231 | 1,358,984 |
| 2019 | | 2.00% | 1,149,288 | 209,696 | 1,358,984 |
| 2020 | | 2.00% | 1,172,274 | 186,710 | 1,358,984 |
| 2021 | | 2.00% | 1,195,719 | 163,265 | 1,358,984 |
| 2022 | | 2.00% | 1,219,634 | 139,350 | 1,358,984 |
| 2023 | | 2.00% | 1,244,027 | 114,957 | 1,358,984 |
| 2024 | | 2.00% | 1,268,907 | 90,077 | 1,358,984 |
| 2025 | | 2.00% | 1,294,285 | 64,699 | 1,358,984 |
| 2026 | | 2.00% | 1,100,436 | 38,813 | 1,139,249 |
| | | | <u>12,958,983</u> | <u>1,770,106</u> | <u>14,729,089</u> |
| 2016 | 2012-307 State Revolving Loan | 1.15% | 1,480,536 | 96,755 | 1,577,291 |
| 2017 | | 1.15% | 1,497,648 | 79,729 | 1,577,377 |
| 2018 | | 1.15% | 1,514,964 | 62,506 | 1,577,470 |
| 2019 | | 1.15% | 1,532,484 | 45,084 | 1,577,568 |
| 2020 | | 1.15% | 1,042,077 | 27,461 | 1,069,538 |
| | | | <u>7,067,709</u> | <u>311,535</u> | <u>7,379,244</u> |
| 2016 | 2013-318 State Revolving Loan | 1.67% | 2,837,172 | 108,725 | 2,945,897 |
| 2017 | | 1.67% | 2,884,920 | 61,345 | 2,946,265 |
| 2018 | | 1.67% | 447,126 | 13,166 | 460,292 |
| | | | <u>6,169,218</u> | <u>183,236</u> | <u>6,352,454</u> |
| 2016 | 2014 General Obligation Refunding | 0.00% | - | 84,842 | 84,842 |
| 2017 | | 0.00% | - | 84,842 | 84,842 |
| 2018 | | 1.75% | 127,450 | 83,727 | 211,177 |
| 2019 | | 4.00% | 893,504 | 64,742 | 958,246 |
| 2020 | | 5.00% | 468,672 | 35,155 | 503,827 |
| 2021 | | 3.00% | 126,998 | 21,533 | 148,531 |
| 2022 | | 2.00% | 125,190 | 18,376 | 143,566 |
| 2023 | | 2.25% | 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>437,493</u> | <u>2,781,113</u> |
| | Total Interceptor Sewer System indebtedness | | <u>74,457,712</u> | <u>9,610,663</u> | <u>84,068,375</u> |

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

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SOLID WASTE FUND

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---------------------------|--|---------------|------------------|------------------|------------------------------|
| 2016 | 2003 Note Payable - Tennessee Municipal Bond Fund | 0.240% | \$ 42,724 | \$ 318 | \$ 43,042 |
| 2017 | | 0.240% | 44,105 | 215 | 44,320 |
| 2018 | | 0.240% | 45,570 | 109 | 45,679 |
| | | | <u>132,399</u> | <u>642</u> | <u>133,041</u> |
| 2016 | 2004 Note Payable - Tennessee Municipal Bond Fund | 0.240% | 31,592 | 768 | 32,360 |
| 2017 | | 0.240% | 32,443 | 691 | 33,134 |
| 2018 | | 0.240% | 33,293 | 612 | 33,905 |
| 2019 | | 0.240% | 34,191 | 531 | 34,722 |
| 2020 | | 0.240% | 35,113 | 448 | 35,561 |
| 2021 | | 0.240% | 36,034 | 363 | 36,397 |
| 2022 | | 0.240% | 37,003 | 275 | 37,278 |
| 2023 | | 0.240% | 37,996 | 185 | 38,181 |
| 2024 | | 0.240% | 38,131 | 93 | 38,224 |
| | | | <u>315,796</u> | <u>3,966</u> | <u>319,762</u> |
| 2016 | 2005 Series A Refunding | 5.00% | 1,433,438 | 120,002 | 1,553,440 |
| 2017 | | 5.00% | 1,506,507 | 73,694 | 1,580,201 |
| 2018 | | 5.00% | 1,584,570 | 24,981 | 1,609,551 |
| | | | <u>4,524,515</u> | <u>218,677</u> | <u>4,743,192</u> |
| 2016 | 2006 Series A Municipal Public Improvement | 5.00% | 283,360 | 18,419 | 301,779 |
| 2017 | | 4.00% | 283,363 | 5,667 | 289,030 |
| | | | <u>566,723</u> | <u>24,086</u> | <u>590,809</u> |
| 2016 | 2007 Series A Municipal Public Improvement Refunding | 5.00% | - | 117,990 | 117,990 |
| 2017 | | 5.00% | - | 117,990 | 117,990 |
| 2018 | | 5.00% | - | 117,990 | 117,990 |
| 2019 | | 5.00% | - | 117,990 | 117,990 |
| 2020 | | 5.00% | - | 117,990 | 117,990 |
| 2021 | | 5.00% | 360,000 | 117,990 | 477,990 |
| 2022 | | 4.30% | 380,000 | 99,990 | 479,990 |
| 2023 | | 5.00% | 400,000 | 83,650 | 483,650 |
| 2024 | | 4.75% | 425,000 | 63,650 | 488,650 |
| 2025 | | 4.75% | 445,000 | 43,463 | 488,463 |
| 2026 | | 4.75% | 470,000 | 22,325 | 492,325 |
| | | | <u>2,480,000</u> | <u>1,021,018</u> | <u>3,501,018</u> |

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

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SOLID WASTE FUND

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---------------------------|-------------------------------------|---------------|-------------------|------------------|------------------------------|
| 2016 | 2014 General Obligation Refunding | 0.00% | \$ - | \$ 169,248 | \$ 169,248 |
| 2017 | | 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>872,733</u> | <u>5,547,011</u> |
| | Total Solid Waste Fund indebtedness | | <u>12,693,711</u> | <u>2,141,122</u> | <u>14,834,833</u> |

WATER QUALITY FUND

| | | | | | |
|------|--|--------|------------------|----------------|------------------|
| 2016 | 2005 Series A Refunding | 5.000% | 943,267 | 71,829 | 1,015,096 |
| 2017 | | 5.000% | 991,277 | 44,110 | 1,035,387 |
| 2018 | | 5.000% | 1,041,975 | 14,952 | 1,056,927 |
| | | | <u>2,976,519</u> | <u>130,891</u> | <u>3,107,410</u> |
| 2016 | 2007 Series A Municipal Public Improvement Refunding | 5.000% | - | 35,683 | 35,683 |
| 2017 | | 5.000% | - | 35,682 | 35,682 |
| 2018 | | 5.000% | - | 35,683 | 35,683 |
| 2019 | | 5.000% | - | 35,682 | 35,682 |
| 2020 | | 5.000% | - | 35,683 | 35,683 |
| 2021 | | 5.000% | 110,000 | 35,682 | 145,682 |
| 2022 | | 4.300% | 115,000 | 30,183 | 145,183 |
| 2023 | | 5.000% | 120,000 | 25,237 | 145,237 |
| 2024 | | 4.750% | 130,000 | 19,238 | 149,238 |
| 2025 | | 4.750% | 135,000 | 13,062 | 148,062 |
| 2026 | | 4.750% | 140,000 | 6,650 | 146,650 |
| | | | <u>750,000</u> | <u>308,465</u> | <u>1,058,465</u> |

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

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WATER QUALITY FUND

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---------------------------------------|-----------------------------------|---------------|------------------|------------------|------------------------------|
| 2016 | 2013 General Obligation | 5.000% | \$ 360,000 | \$ 197,944 | \$ 557,944 |
| 2017 | | 5.000% | 360,000 | 179,944 | 539,944 |
| 2018 | | 5.000% | 355,000 | 162,069 | 517,069 |
| 2019 | | 2.000% | 360,000 | 149,594 | 509,594 |
| 2020 | | 5.000% | 355,000 | 137,119 | 492,119 |
| 2021 | | 5.000% | 355,000 | 119,369 | 474,369 |
| 2022 | | 5.000% | 355,000 | 101,619 | 456,619 |
| 2023 | | 5.000% | 355,000 | 83,869 | 438,869 |
| 2024 | | 3.000% | 355,000 | 69,668 | 424,668 |
| 2025 | | 3.000% | 355,000 | 59,017 | 414,017 |
| 2026 | | 3.125% | 355,000 | 48,147 | 403,147 |
| 2027 | | 4.000% | 355,000 | 35,500 | 390,500 |
| 2028 | | 4.000% | 355,000 | 21,300 | 376,300 |
| 2029 | 4.000% | 355,000 | 7,100 | 362,100 | |
| | | | <u>4,985,000</u> | <u>1,372,259</u> | <u>6,357,259</u> |
| 2016 | 2014 General Obligation Refunding | 0.00% | - | 41,780 | 41,780 |
| 2017 | | 0.00% | - | 41,780 | 41,780 |
| 2018 | | 1.75% | 62,762 | 41,231 | 103,993 |
| 2019 | | 4.00% | 440,002 | 31,882 | 471,884 |
| 2020 | | 5.00% | 230,795 | 17,312 | 248,107 |
| 2021 | | 3.00% | 62,540 | 10,604 | 73,144 |
| 2022 | | 2.00% | 61,649 | 9,049 | 70,698 |
| 2023 | | 2.25% | 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>215,442</u> | <u>1,369,105</u> |
| Total Water Quality Fund indebtedness | | | <u>9,865,182</u> | <u>2,027,057</u> | <u>11,892,239</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

(continued from previous page)

ELECTRIC POWER BOARD

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---------------------------|--|---------------|-------------------|-------------------|------------------------------|
| 2016 | 2006 A Electric System Revenue Bonds | 4.125% | \$ 1,345,000 | \$ 1,401,316 | \$ 2,746,316 |
| 2017 | | 4.125% | 1,400,000 | 1,344,700 | 2,744,700 |
| 2018 | | 4.125% | 1,460,000 | 1,285,713 | 2,745,713 |
| 2019 | | 4.125% | 1,520,000 | 1,224,250 | 2,744,250 |
| 2020 | | 4.250% | 1,585,000 | 1,159,219 | 2,744,219 |
| 2021 | | 4.250% | 1,655,000 | 1,090,369 | 2,745,369 |
| 2022 | | 4.375% | 1,730,000 | 1,017,356 | 2,747,356 |
| 2023 | | 4.500% | 1,805,000 | 938,900 | 2,743,900 |
| 2024 | | 4.250% | 1,885,000 | 858,231 | 2,743,231 |
| 2025 | | 4.375% | 1,970,000 | 775,081 | 2,745,081 |
| 2026 | | 4.375% | 2,060,000 | 686,925 | 2,746,925 |
| 2027 | | 4.375% | 2,155,000 | 594,722 | 2,749,722 |
| 2028 | | 4.375% | 2,250,000 | 498,363 | 2,748,363 |
| 2029 | | 4.375% | 2,355,000 | 397,628 | 2,752,628 |
| 2030 | | 4.375% | 2,470,000 | 292,081 | 2,762,081 |
| 2031 | | 4.500% | 2,585,000 | 179,887 | 2,764,887 |
| 2032 | | 4.500% | 2,705,000 | 60,862 | 2,765,862 |
| | | | <u>32,935,000</u> | <u>13,805,603</u> | <u>46,740,603</u> |
| 2016 | 2006 B Electric System Refunding Revenue Bonds | 4.125% | 1,730,000 | 711,075 | 2,441,075 |
| 2017 | | 4.125% | 1,715,000 | 640,022 | 2,355,022 |
| 2018 | | 4.125% | 1,705,000 | 569,484 | 2,274,484 |
| 2019 | | 4.000% | 1,690,000 | 500,519 | 2,190,519 |
| 2020 | | 4.000% | 1,670,000 | 433,319 | 2,103,319 |
| 2021 | | 4.000% | 1,655,000 | 366,819 | 2,021,819 |
| 2022 | | 4.125% | 1,635,000 | 299,997 | 1,934,997 |
| 2023 | | 4.125% | 1,620,000 | 232,862 | 1,852,862 |
| 2024 | | 4.125% | 1,600,000 | 166,450 | 1,766,450 |
| 2025 | | 4.250% | 1,580,000 | 99,875 | 1,679,875 |
| 2026 | | 4.250% | 1,560,000 | 33,150 | 1,593,150 |
| | | | <u>18,160,000</u> | <u>4,053,572</u> | <u>22,213,572</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

(continued from previous page)

ELECTRIC POWER BOARD

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---|--------------------------------------|---------------|--------------------|--------------------|------------------------------|
| 2016 | 2008 A Electric System Revenue Bonds | 5.00% | \$ 5,000,000 | \$ 10,389,500 | \$ 15,389,500 |
| 2017 | | 3.50% | 6,275,000 | 10,154,688 | 16,429,688 |
| 2018 | | 4.50% | 6,575,000 | 9,896,937 | 16,471,937 |
| 2019 | | 5.00% | 6,955,000 | 9,575,125 | 16,530,125 |
| 2020 | | 5.00% | 7,385,000 | 9,216,625 | 16,601,625 |
| 2021 | | 5.00% | 7,835,000 | 8,836,125 | 16,671,125 |
| 2022 | | 5.00% | 8,310,000 | 8,432,500 | 16,742,500 |
| 2023 | | 5.00% | 8,805,000 | 8,004,625 | 16,809,625 |
| 2024 | | 5.00% | 9,335,000 | 7,551,125 | 16,886,125 |
| 2025 | | 5.00% | 9,885,000 | 7,070,625 | 16,955,625 |
| 2026 | | 5.00% | 10,460,000 | 6,562,000 | 17,022,000 |
| 2027 | | 5.00% | 12,605,000 | 5,985,375 | 18,590,375 |
| 2028 | | 5.00% | 13,235,000 | 5,339,375 | 18,574,375 |
| 2029 | | 5.00% | 13,890,000 | 4,661,250 | 18,551,250 |
| 2030 | | 5.00% | 14,575,000 | 3,949,625 | 18,524,625 |
| 2031 | | 5.00% | 15,295,000 | 3,202,875 | 18,497,875 |
| 2032 | | 5.00% | 16,055,000 | 2,419,125 | 18,474,125 |
| 2033 | | 5.00% | 19,685,000 | 1,525,625 | 21,210,625 |
| 2034 | | 5.00% | 20,670,000 | 516,750 | 21,186,750 |
| | | | <u>212,830,000</u> | <u>123,289,875</u> | <u>336,119,875</u> |
| Total Electric Power Board indebtedness | | | <u>263,925,000</u> | <u>141,149,050</u> | <u>405,074,050</u> |

CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

| | | | | | |
|------|-------------------------------------|-----------|-------------------|-------------------|-------------------|
| 2016 | 2007 Lease Rental Revenue Refunding | 4.000% | 95,000 | 2,334,600 | 2,429,600 |
| 2017 | | 4.000% | 100,000 | 2,330,700 | 2,430,700 |
| 2018 | | 4.000% | 105,000 | 2,326,600 | 2,431,600 |
| 2019 | | 4.000% | 105,000 | 2,322,400 | 2,427,400 |
| 2020 | | 4.125% | 110,000 | 2,318,031 | 2,428,031 |
| 2021 | | 4.200% | 115,000 | 2,313,348 | 2,428,348 |
| 2022 | | 4.250% | 120,000 | 2,308,383 | 2,428,383 |
| 2023 | | 4.250% | 125,000 | 2,303,176 | 2,428,176 |
| 2024 | | 4.300% | 130,000 | 2,297,725 | 2,427,725 |
| 2025 | | 4.300% | 135,000 | 2,292,027 | 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>48,750,000</u> | <u>30,530,646</u> | <u>79,280,646</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

(continued from previous page)

CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---------------------------|---|---------------|-----------------------|-----------------------|------------------------------|
| 2016 | 2010 IDB Revenue Refunding | 4.000% | \$ 4,580,000 | \$ 2,537,219 | \$ 7,117,219 |
| 2017 | | 5.000% | 4,790,000 | 2,325,869 | 7,115,869 |
| 2018 | | 5.000% | 5,020,000 | 2,080,619 | 7,100,619 |
| 2019 | | 5.000% | 5,270,000 | 1,823,369 | 7,093,369 |
| 2020 | | 5.000% | 5,540,000 | 1,553,119 | 7,093,119 |
| 2021 | | 5.000% | 5,815,000 | 1,269,243 | 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>56,870,000</u> | <u>13,927,059</u> | <u>70,797,059</u> |
| | Total Chattanooga Downtown Redevelopment Corporation indebtedness | | <u>105,620,000</u> | <u>44,457,705</u> | <u>150,077,705</u> |
| | Total Primary Government | | <u>\$ 668,301,144</u> | <u>\$ 251,123,359</u> | <u>\$ 919,424,503</u> |

METROPOLITAN AIRPORT AUTHORITY

| | | | | | |
|------|----------------------------------|--------|------------------|----------------|------------------|
| 2016 | 2009 Refunding Revenue Bonds | 2.950% | \$ 433,755 | \$ 126,492 | \$ 560,247 |
| 2017 | | 2.950% | 446,908 | 113,339 | 560,247 |
| 2018 | | 2.950% | 460,460 | 99,788 | 560,248 |
| 2019 | | 2.950% | 3,085,300 | 72,477 | 3,157,777 |
| | | | <u>4,426,423</u> | <u>412,096</u> | <u>4,838,519</u> |
| 2016 | 2012 Fuel Facility Capital Lease | | 50,051 | 1,945 | 51,996 |
| 2017 | | | 8,609 | 58 | 8,667 |
| | | | <u>58,660</u> | <u>2,003</u> | <u>60,663</u> |
| 2016 | 2014 Tax Exempt Revenue Bonds | 2.670% | 127,875 | 81,494 | 209,369 |
| 2017 | | 2.670% | 131,380 | 77,990 | 209,370 |
| 2018 | | 2.670% | 134,981 | 74,389 | 209,370 |
| 2019 | | 2.670% | 138,680 | 70,689 | 209,369 |
| 2020 | | 2.670% | 142,481 | 66,888 | 209,369 |
| 2021 | | 2.670% | 146,387 | 62,982 | 209,369 |
| 2022 | | 2.670% | 150,399 | 58,970 | 209,369 |
| 2023 | | 2.670% | 154,521 | 54,848 | 209,369 |
| 2024 | | 2.670% | 1,941,871 | 30,196 | 1,972,067 |
| | | | <u>3,068,575</u> | <u>578,446</u> | <u>3,647,021</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2015

(continued from previous page)

METROPOLITAN AIRPORT AUTHORITY

| Fiscal Year Ended June 30 | Issue | Interest Rate | Principal | Due Interest | Total Interest and Principal |
|---------------------------------|--------------------------------------|------------------|-------------------|------------------|------------------------------------|
| 2016 | 2014 Taxable Revenue Bonds | 4.030% | \$ 141,379 | \$ 156,557 | \$ 297,936 |
| 2017 | | 4.030% | 147,265 | 150,671 | 297,936 |
| 2018 | | 4.030% | 153,397 | 144,540 | 297,937 |
| 2019 | | 4.030% | 159,783 | 138,153 | 297,936 |
| 2020 | | 4.030% | 166,435 | 131,501 | 297,936 |
| 2021 | | 4.030% | 173,365 | 124,572 | 297,937 |
| 2022 | | 4.030% | 180,582 | 117,354 | 297,936 |
| 2023 | | 4.030% | 188,101 | 109,836 | 297,937 |
| 2024 | | 4.030% | 2,585,360 | 60,777 | 2,646,137 |
| | | | <u>3,895,667</u> | <u>1,133,961</u> | <u>5,029,628</u> |
| | Total Airport Authority indebtedness | | <u>11,449,325</u> | <u>2,126,506</u> | <u>13,575,831</u> |

CARTA

| | | | | | |
|------|--|--|----------------------|---------------------|----------------------|
| 2016 | Note Payable - Republic Parking System | | 181,981 | 5,555 | 187,536 |
| | | | <u>181,981</u> | <u>5,555</u> | <u>187,536</u> |
| | Total CARTA | | <u>181,981</u> | <u>5,555</u> | <u>187,536</u> |
| | Total component unit indebtedness | | <u>\$ 11,631,306</u> | <u>\$ 2,132,061</u> | <u>\$ 13,763,367</u> |

CITY OF CHATTANOOGA, TENNESSEE

STATISTICAL SECTION (Unaudited)

Contents

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Financial Trends – These schedules contain trend information to help the reader understand government’s financial performance and overall fiscal health.

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| Governmental Activities Tax Revenue by Source | F - 5 |
| Fund Balances of Governmental Funds | F - 6 |
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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.

| | |
|---|--------|
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| Property Tax Rates – Direct and Overlapping Governments | F - 10 |
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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.

| | |
|---|--------|
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Demographic Information – These schedules show demographic and economic indicators for the City.

| | |
|-------------------------------------|--------|
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| | |
|--|--------|
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Other Information – These schedules provide additional information.

| | |
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CITY OF CHATTANOOGA, TENNESSEE

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

| | Fiscal Year | | | | | | | | | |
|---|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 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 | \$ 60,152,675 |
| Economic & community development | 25,728,093 | 6,785,001 | - | - | - | - | - | - | - | - |
| Public safety | 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 | 64,367,574 |
| Public works | - | - | 61,278,623 | 69,321,709 | 66,493,039 | 61,734,669 | 61,147,976 | 55,935,906 | 55,075,495 | 55,077,404 |
| Public works & transportation | 66,224,659 | 64,730,037 | - | - | - | - | - | - | - | - |
| Youth & family development | 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 | 13,785,184 |
| Social services | - | - | 17,513,922 | 19,329,779 | 20,924,562 | 23,531,828 | 20,440,264 | 19,072,003 | 22,080,281 | 19,199,188 |
| Interest on long-term debt | 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 | 6,493,154 |
| Total governmental activities expenses | <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> | <u>219,075,179</u> |
| Business-type activities: | | | | | | | | | | |
| Electric utility | 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 | 417,792,000 |
| Sewer | 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 | 35,395,214 |
| Solid waste | 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 | 4,678,270 |
| Water quality management | 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 | 4,475,706 |
| Housing management | - | - | 602,886 | 1,028,404 | 1,105,718 | 1,042,569 | 941,834 | 1,003,096 | 1,410,217 | 1,552,119 |
| Downtown redevelopment | 16,760,841 | 16,049,380 | 16,196,291 | - | - | - | - | - | - | - |
| Total business-type activities expenses | <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> | <u>463,893,309</u> |
| Total primary government expenses | <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> | <u>682,968,488</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | 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 | 9,279,550 |
| Economic & community development | 3,645,519 | 3,537,586 | - | - | - | - | - | - | - | - |
| Public safety | 934,476 | 820,316 | 1,854,727 | 654,680 | 880,936 | 977,577 | 630,281 | 807,649 | 298,434 | 1,121,281 |
| Public works | - | - | 3,195,233 | 3,314,133 | 2,652,857 | 2,443,705 | 1,893,443 | 2,523,650 | 1,901,136 | 2,392,789 |
| Public works & transportation | 581,137 | 501,462 | - | - | - | - | - | - | - | - |
| Youth & family development | 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 | 2,910,484 |
| Social services | - | - | 344,385 | 746,120 | 646,768 | 834,020 | 700,179 | 1,203,478 | 117,114 | 1,163,593 |
| Operating grants and contributions | 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 | 29,397,005 |
| Capital grants and contributions | 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 | 14,440,793 |
| Total governmental activities program revenues | <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> | <u>60,705,495</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Electric utility | 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 | 422,143,000 |
| Sewer | 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 | 36,509,866 |
| Solid waste | 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 | 5,475,554 |
| Water quality management | 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 | 5,730,458 |
| Housing management | - | - | 2,667,646 | 882,897 | 839,126 | 816,476 | 807,058 | 751,350 | 1,168,471 | 1,204,120 |
| Downtown redevelopment | 18,659,042 | 17,038,504 | 17,706,905 | - | - | - | - | - | - | - |
| Operating grants and contributions | - | - | - | 100,819 | 19,983,313 | 2,398,436 | 191,575 | 189,973 | 175,675 | 76,532 |
| Capital grants and contributions | 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 | 3,379,000 |
| Total business-type activities program revenues | <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> | <u>474,518,530</u> |
| Total primary government program revenues | <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> | <u>535,224,025</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

(continued from previous page)

| | Fiscal Year | | | | | | | | | |
|---|----------------------|--------------------------------------|---------------------------|----------------------|------------------------|-----------------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Net (expense)/revenue: | | | | | | | | | | |
| Governmental activities | \$ (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) | \$ (158,369,684) |
| Business-type activities | 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 | 10,625,221 |
| Total primary government net expense | <u>(169,112,224)</u> | <u>(118,262,990)</u> | <u>(182,161,092)</u> | <u>(190,658,104)</u> | <u>(171,896,614)</u> | <u>(183,498,272)</u> | <u>(183,732,065)</u> | <u>(152,293,869)</u> | <u>(157,138,173)</u> | <u>(147,744,463)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | 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 | \$ 87,484,889 |
| Liquor and beer taxes | 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 | 6,393,852 |
| Gross receipts tax | 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 | 3,510,891 |
| Franchise tax | 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 | 1,755,878 |
| Hotel-motel tax | 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 | 3,640,518 |
| Other taxes | 134,509 | 162,765 | 69,598 | 83,017 | 43,520 | 227,546 | 2,578,385 | 2,605,700 | 2,542,465 | 2,471,256 |
| Unrestricted investment earnings | 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 | 3,441,171 |
| Grants not allocated to specific programs | 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 | 49,165,675 |
| Gain on sale of capital assets | 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 | 8,789,979 |
| Endowment contributions | - | 105 | - | 4,554 | - | - | - | 19,306 | 11,044 | 500 |
| Transfers | - | - | 1,363,048 | 6,344,311 | 5,917,771 | 4,089,754 | 3,061,998 | 4,321,107 | 44,999 | 2,458,048 |
| Special Item- Transfer of Land to VW | - | - | - | - | - | - | (8,916,345) | - | - | - |
| Total governmental activities | <u>228,866,882</u> | <u>220,636,406</u> | <u>224,063,729</u> | <u>227,670,022</u> | <u>192,166,944</u> | <u>172,181,432</u> | <u>159,355,041</u> | <u>176,694,703</u> | <u>165,681,472</u> | <u>169,112,657</u> |
| Business-type activities: | | | | | | | | | | |
| Unrestricted investment earnings | 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 | 3,015,706 |
| Miscellaneous | - | - | 388,268 | 147,914 | - | 16,427 | 808,000 | 816,803 | 108,928 | 817,415 |
| Transfers | - | - | (1,363,048) | (6,344,311) | (5,917,771) | (4,089,754) | (3,061,998) | (4,321,107) | (44,999) | (2,458,048) |
| Loss on disposal of capital assets | - | - | (4,150,506) | - | - | - | - | - | - | - |
| Extra ordinary - tornado damage | - | - | - | - | (28,000,000) | - | - | - | - | - |
| Total business-type activities | <u>1,186,019</u> | <u>990,099</u> | <u>(4,069,391)</u> | <u>(5,392,279)</u> | <u>(32,454,769)</u> | <u>(440,914)</u> | <u>6,737,906</u> | <u>1,745,541</u> | <u>5,065,576</u> | <u>1,375,073</u> |
| Total primary government | <u>230,052,901</u> | <u>221,626,505</u> | <u>219,994,338</u> | <u>222,277,743</u> | <u>159,712,175</u> | <u>171,740,518</u> | <u>166,092,947</u> | <u>178,440,244</u> | <u>170,747,048</u> | <u>170,487,730</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | 15,022,732 | 60,820,976 | 17,904,001 ⁽³⁾ | 12,664,192 | (3,292,342) | (15,769,633) ⁽²⁾ | (34,814,039) ⁽¹⁾ | 5,070,995 | 1,302,335 | 10,742,973 |
| Business-type activities | 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 | 12,000,294 |
| Total primary government | <u>\$ 60,940,677</u> | <u>\$ 103,363,515</u> ⁽⁴⁾ | <u>\$ 37,833,246</u> | <u>\$ 31,619,639</u> | <u>\$ (12,184,439)</u> | <u>\$ (11,757,754)</u> | <u>\$ (17,639,118)</u> | <u>\$ 26,146,375</u> | <u>\$ 13,608,875</u> | <u>\$ 22,743,267</u> |

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

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

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

| | Fiscal Year | | | |
|---|-------------------------|-------------------------------------|-------------------------|-----------------------------------|
| | 2015 | 2014 | 2013 | 2012 |
| Governmental activities | | | | |
| Invested in capital assets, net of related debt | \$ 1,275,429,168 | \$ 1,204,844,784 | \$ 1,212,457,120 | \$ 1,203,907,660 |
| Restricted | 47,791,629 | 47,931,872 | 28,150,164 | 41,687,490 |
| Unrestricted | <u>(149,419,291)</u> | <u>(93,997,882)</u> ⁽⁴⁾ | <u>92,237,845</u> | <u>89,243,312</u> |
| Total governmental activities net position | <u>1,173,801,506</u> | <u>1,158,778,774</u> | <u>1,332,845,129</u> | <u>1,334,838,462</u> |
| Business-type activities | | | | |
| Invested in capital assets, net of related debt | 603,011,447 | 573,918,419 | 537,001,543 | 527,583,854 |
| Restricted | 69,421,422 | 46,644,598 | 45,014,643 | 30,684,020 |
| Unrestricted ⁽¹⁾ | <u>(23,077,281)</u> | <u>(13,959,374)</u> ⁽⁴⁾ | <u>(10,293,881)</u> | <u>3,519,144</u> |
| Total business-type activities net position | <u>649,355,588</u> | <u>606,603,643</u> | <u>571,722,305</u> | <u>561,787,018</u> ⁽³⁾ |
| Primary government | | | | |
| Invested in capital assets, net of related debt | 1,878,440,615 | 1,778,763,203 | 1,749,458,663 | 1,731,491,514 |
| Restricted | 117,213,051 | 94,576,470 | 73,164,807 | 72,371,510 |
| Unrestricted | <u>(172,496,572)</u> | <u>(107,957,256)</u> ⁽⁴⁾ | <u>81,943,964</u> | <u>92,762,456</u> |
| Total primary government net position | <u>\$ 1,823,157,094</u> | <u>\$ 1,765,382,417</u> | <u>\$ 1,904,567,434</u> | <u>\$ 1,896,625,480</u> |

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

| Fiscal Year | | | | | |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| \$ 1,231,353,280 | \$ 1,259,985,302 | \$ 1,259,405,543 | \$ 1,276,307,361 | \$ 1,267,302,733 | \$ 1,269,926,195 |
| 27,167,455 | 13,118,922 | 24,162,165 | 12,295,632 | 16,780,377 | 6,312,540 |
| 63,653,535 | 52,362,388 | 57,668,537 | 87,447,291 | 86,896,179 | 93,438,219 |
| <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> | <u>1,369,676,954</u> |
| 568,185,846 | 533,433,835 | 559,872,034 | 563,418,374 | 478,366,634 | 491,351,965 |
| 18,097,653 | 22,728,886 | 24,501,372 | 27,476,571 | 18,789,364 | 17,944,835 |
| (43,451,928) | (4,439,053) | (36,661,617) | (60,528,077) | 12,305,490 | (12,141,852) |
| <u>542,831,571</u> | <u>551,723,668</u> | <u>547,711,789</u> | <u>530,366,868</u> | <u>509,461,488</u> | <u>497,154,948</u> |
| 1,799,539,126 | 1,793,419,137 | 1,819,277,577 | 1,839,725,735 | 1,745,669,367 | 1,761,278,160 |
| 45,265,108 | 35,847,808 | 48,663,537 | 39,772,203 | 35,569,741 | 24,257,375 |
| 20,201,607 | 47,923,335 | 21,006,920 | 26,919,214 | 99,201,669 | 81,296,367 |
| <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> | <u>\$ 1,866,831,902</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 | |
| 2006 | 87,484,889 ⁽¹⁾ | 1,658,004 | 4,735,848 | 3,510,891 | 1,755,878 | 3,640,518 | 2,471,256 ⁽²⁾ | 105,257,284 |
| 2007 | 89,934,837 | 1,748,944 | 4,840,524 | 3,773,166 | 1,764,684 | 3,747,137 | 2,542,465 ⁽²⁾ | 108,351,757 |
| 2008 | 91,847,883 | 1,860,774 | 5,090,283 | 3,931,405 | 2,507,204 | 4,067,597 | 2,605,700 ⁽²⁾ | 111,910,846 |
| 2009 | 94,274,504 | 1,957,072 | 5,437,519 | 3,905,913 | 2,210,697 | 3,893,990 | 2,578,385 ⁽²⁾ | 114,258,080 |
| 2010 | 96,982,279 ⁽³⁾ | 1,973,682 | 5,089,018 | 3,790,913 | 2,248,279 | 4,058,621 | 227,546 | 114,370,338 |
| 2011 | 112,953,898 ⁽³⁾ | 1,964,432 | 5,387,951 | 4,437,883 | 2,119,546 | 4,746,845 | 43,520 | 131,654,075 |
| 2012 | 133,455,222 ⁽³⁾ | 2,062,772 | 5,552,065 | 4,276,496 | 2,915,030 | 5,001,504 | 83,017 | 153,346,106 |
| 2013 | 129,150,158 ⁽³⁾ | 2,164,510 | 5,442,213 | 4,231,661 | 4,115,338 | 5,004,320 | 69,598 | 150,177,798 |
| 2014 | 125,641,150 ⁽³⁾ | 2,243,288 | 5,943,103 | 4,797,634 | 4,221,364 | 5,364,901 | 162,765 | 148,374,206 |
| 2015 | 127,519,982 ⁽³⁾ | 2,468,684 | 5,137,334 | 4,899,150 | 4,725,955 | 5,995,649 | 134,509 | 150,881,263 |

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

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

⁽³⁾ Beginning FY2010 change in unearned revenue is included in property tax. Amounts are as follows: 2010 \$(324,571); 2011 \$(1,831,958); 2012 \$18,122,674; 2013 \$(4,408,851); 2014 \$1,470,961; 2015 \$(1,447,046). Property tax rate increased effective FY2011.

CITY OF CHATTANOOGA, TENNESSEE

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 ⁽¹⁾ | 2009 | 2008 | 2007 | 2006 |
| General fund | | | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,617,430 | \$ 3,535,673 | \$ 3,593,931 | \$ 4,347,114 |
| Unreserved: | | | | | | | | | | |
| Designated | - | - | - | - | - | - | 3,608,909 | 7,812,678 | 6,509,160 | 6,557,035 |
| Undesignated | - | - | - | - | - | - | 31,520,660 | 40,746,518 | 45,027,258 | 45,138,561 |
| Nonspendable | 1,783,514 | 2,482,752 | 2,852,473 | 4,377,659 | 4,286,374 | 1,780,661 | - | - | - | - |
| Restricted | 5,449,595 | 6,213,426 | 7,567,786 | 7,502,063 | 6,658,785 | 7,455,576 | - | - | - | - |
| Committed | 795,692 | 689,137 | 733,927 | 967,538 | 898,772 | 1,184,148 | - | - | - | - |
| Assigned | 6,293,667 | 5,100,983 | 3,111,037 | 4,686,118 | 4,572,721 | 993,642 | - | - | - | - |
| Unassigned | 55,113,696 | 64,225,680 | 55,580,376 | 45,470,014 | 33,863,477 | 28,415,466 | - | - | - | - |
| Total general fund ⁽²⁾ | <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> | <u>56,042,710</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | - | - | - | - | - | - | 36,659,112 | 22,488,664 | 25,499,173 | 16,086,804 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | - | - | - | - | - | - | 8,454,135 | 10,913,021 | 10,029,363 | 10,103,900 |
| Debt service fund | - | - | - | - | - | - | 8,375,003 | 7,032,956 | 7,548,761 | 5,842,577 |
| Permanent funds | - | - | - | - | - | - | 36,705 | 52,324 | 47,070 | 45,786 |
| Nonspendable | 5,623,182 | 5,857,179 | 5,587,435 | 5,418,717 | 5,669,095 | 5,695,501 | - | - | - | - |
| Restricted | 52,110,734 | 51,548,075 | 32,077,331 | 43,422,413 | 30,890,348 | 43,983,628 | - | - | - | - |
| Committed | 8,656,519 | 9,227,214 | 5,466,410 | 3,456,211 | 7,063,311 | 6,559,175 | - | - | - | - |
| Assigned | 1,107,806 | 827,293 | 953,975 | 604,092 | 338,988 | 205,049 | - | - | - | - |
| Unassigned | - | - | - | - | - | (777,863) | - | - | - | - |
| Total all other governmental funds | <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> | <u>32,079,067</u> |
| Total governmental funds | <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> | <u>\$ 88,121,777</u> |

⁽¹⁾ The City implemented GASB Statement 54 in fiscal year 2010.

⁽²⁾ Reductions in General Fund are due to one-time capital appropriations as follows: 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 | | | |
|--|-----------------------|----------------------|-----------------------|----------------------|
| | 2015 | 2014 | 2013 | 2012 |
| Revenues | | | | |
| Taxes | \$ 151,630,655 | \$ 147,420,648 | \$ 144,654,630 | \$ 135,223,433 |
| Licenses and permits | 6,519,237 | 6,384,410 | 5,830,254 | 5,738,751 |
| Intergovernmental | 104,921,960 | 96,926,638 | 107,416,967 | 103,679,076 |
| Charges for services | 5,596,920 | 6,017,985 | 6,333,801 | 6,045,639 |
| Fines, forfeitures and penalties | 2,721,488 | 2,051,888 | 1,422,556 | 2,148,952 |
| Investment income | 1,111,693 | 1,581,549 | 1,185,179 | 1,170,671 |
| Contributions and donations | 982,639 | 782,545 | 218,028 | 839,599 |
| Miscellaneous | 8,144,924 | 6,236,014 | 6,340,451 | 5,730,827 |
| Total revenues | <u>281,629,516</u> | <u>267,401,677</u> | <u>273,401,866</u> | <u>260,576,948</u> |
| Expenditures | | | | |
| General government | 64,148,350 | 61,432,644 | 64,000,423 | 57,347,682 |
| Economic & community development | 8,617,777 | 6,896,838 | - | - |
| Public safety | 93,447,712 | 93,249,612 | 92,123,889 | 90,486,931 |
| Public works | - | - | 40,854,938 | 39,283,330 |
| Public works & transportation | 37,822,758 | 38,201,294 | - | - |
| Youth & family development | 23,744,490 | 21,738,673 | - | - |
| Parks and recreation, education, arts & culture | - | - | 19,872,077 | 19,459,895 |
| Social Services | - | - | 16,515,906 | 19,123,591 |
| Capital outlay | 35,186,418 | 22,598,368 | 18,236,057 | 24,674,873 |
| Debt service: | | | | |
| Principal | 19,324,913 | 12,970,806 | 13,037,072 | 11,846,305 |
| Interest | 7,421,843 | 7,030,200 | 7,178,691 | 7,683,913 |
| Total expenditures | <u>289,714,261</u> | <u>264,118,435</u> | <u>271,819,053</u> | <u>269,906,520</u> |
| Excess of revenues over (under) expenditures | (8,084,745) | 3,283,242 | 1,582,813 | (9,329,572) |
| Other financing sources (uses) | | | | |
| Transfers in | 59,632,771 | 38,834,687 | 31,557,514 | 33,930,297 |
| Transfers out | (61,032,771) | (39,321,328) | (35,544,306) | (31,650,986) |
| Refunding bonds issued | 17,753,440 | - | - | - |
| Bonds issued | - | 26,775,000 | - | 44,115,201 |
| Premium on bonds issued | 1,735,417 | 2,369,489 | - | 3,172,754 |
| Payments to refunded bond escrow agent | (19,324,578) | - | - | (18,574,740) |
| Notes issued | 83,132 | - | 128,416 | - |
| Capital leases | - | - | 301,493 | - |
| Total other financing sources (uses) | <u>(1,152,589)</u> | <u>28,657,848</u> | <u>(3,556,883)</u> | <u>30,992,526</u> |
| Net change in fund balances | <u>\$ (9,237,334)</u> | <u>\$ 31,941,090</u> | <u>\$ (1,974,070)</u> | <u>\$ 21,662,954</u> |
| Debt service as a percentage of non-capital expenditures | 9.69% | 8.24% | 8.08% | 7.82% |

| Fiscal Year | | | | | |
|-----------------------|-----------------------|---------------------|-----------------------|----------------------|---------------------|
| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| \$ 133,486,033 | \$ 114,584,911 | \$ 111,959,239 | \$ 109,552,362 | \$ 106,062,416 | \$ 103,157,615 |
| 5,176,412 | 5,368,232 | 4,435,320 | 4,633,755 | 4,754,390 | 4,272,090 |
| 100,441,019 | 97,317,492 | 95,014,416 | 83,610,126 | 87,768,854 | 83,117,431 |
| 5,602,433 | 6,182,979 | 5,302,861 | 5,227,764 | 4,760,080 | 4,292,707 |
| 2,705,952 | 3,256,983 | 2,835,260 | 2,493,879 | 1,424,431 | 1,472,402 |
| 1,476,502 | 1,350,106 | 1,777,344 | 4,536,219 | 5,899,679 | 3,949,483 |
| 1,208,813 | 754,226 | 589,914 | 2,568,829 | 644,561 | 414,713 |
| 4,813,272 | 5,953,361 | 5,970,884 | 8,531,832 | 7,663,218 | 8,891,546 |
| <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> | <u>209,567,987</u> |
| 54,344,907 | 68,917,674 | 69,935,803 | 65,152,105 | 65,854,933 | 63,379,025 |
| - | - | - | - | - | - |
| 83,338,295 | 71,310,426 | 72,616,829 | 72,660,880 | 69,319,262 | 63,063,290 |
| 39,260,630 | 31,601,596 | 37,185,999 | 35,209,087 | 33,619,639 | 32,797,851 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 18,003,988 | 16,979,064 | 16,809,777 | 16,617,304 | 14,735,418 | 13,113,632 |
| 20,977,875 | 22,890,301 | 17,712,991 | 3,288,257 | 5,405,373 | 3,029,762 |
| 24,601,428 | 23,446,614 | 42,528,781 | 24,352,978 | 31,430,746 | 28,294,636 |
| - | - | - | - | - | - |
| 13,007,185 | 12,532,082 | 9,591,682 | 10,839,021 | 8,453,319 | 7,735,136 |
| 7,211,011 | 7,979,170 | 6,333,051 | 7,007,893 | 7,215,084 | 6,402,538 |
| <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> | <u>217,815,870</u> |
| (5,834,883) | (20,888,637) | (44,829,675) | (13,972,759) | (17,056,145) | (8,247,883) |
| 33,896,437 | 31,587,851 | 31,750,605 | 40,995,521 | 37,882,821 | 28,655,193 |
| (29,444,666) | (27,567,851) | (28,969,931) | (41,141,279) | (40,911,869) | (26,197,145) |
| - | 14,219,204 | - | - | 14,520,000 | - |
| - | 34,265,000 | 46,056,885 | - | 20,732,796 | - |
| - | 730,718 | 682,236 | - | 969,489 | - |
| - | (34,123,256) | - | - | (14,906,348) | - |
| 130,000 | - | - | 8,445,635 | 8,902,195 | 10,106,804 |
| - | - | - | - | - | - |
| <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>12,564,852</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> | <u>\$ 4,316,969</u> |
| 8.56% | 9.00% | 6.59% | 8.37% | 7.61% | 7.40% |

CITY OF CHATTANOOGA, TENNESSEE

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

| Fiscal Year Ended June 30 | Assessed Value | | | | | Original Total Taxable Value ^{(1) (2)} | Direct Tax Rate | Estimated Actual Taxable Value ⁽¹⁾ | Assessed Value as a Percentage of Actual Value |
|---------------------------------|------------------------------|------------------------|-----------------------|-------------|---------------------|---|--------------------|--|---|
| | Real Property ⁽³⁾ | | | Personalty | Public Utilities | | | | |
| | Residential Property | Commercial Property | Multi-Use Property | | | | | | |
| 2006 | 1,324,074,615 | 1,798,350,685 | 47,481,205 | 455,264,664 | 235,281,790 | 3,860,452,959 | 2.202 | 11,955,447,977 | 32.29% |
| 2007 | 1,362,719,845 | 1,847,946,530 | 46,096,515 | 480,080,854 | 231,313,627 | 3,968,157,371 | 2.202 | 12,310,849,619 | 32.23% |
| 2008 | 1,421,354,257 | 1,910,417,410 | 48,320,830 | 456,098,873 | 212,569,505 | 4,048,760,875 | 2.202 | 12,906,102,564 | 31.37% |
| 2009 | 1,452,977,142 | 1,968,057,920 | 50,987,075 | 509,493,519 | 222,152,961 | 4,203,668,617 | 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% |

Source: City Treasurer

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

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

⁽³⁾ Real property includes commercial and industrial property assessed at 40% and residential and farms assessed at 25% of the estimated actual value.

Personal property is assessed at 30% of the estimated actual value. Utilities are assessed at 55% of estimated actual value.

Multi-Use is a combination of assessment rates based on the use of the property.

CITY OF CHATTANOOGA, TENNESSEE

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

| Fiscal Year Ended June 30 | City of Chattanooga Tax Rate | Hamilton County | | | | Total Direct & Overlapping Rates ⁽¹⁾ |
|---------------------------------|------------------------------------|--------------------------|-------------------------|-----------------------|-------------------|--|
| | | General Fund Tax Rate | School Fund Tax Rate | Road Fund Tax Rate | Total Tax Rate | |
| 2006 | 2.2020 | 1.3159 | 1.5655 | 0.0126 | 2.8940 | 5.0960 |
| 2007 | 2.2020 | 1.3159 | 1.5655 | 0.0126 | 2.8940 | 5.0960 |
| 2008 | 2.2020 | 1.5759 | 1.5655 | 0.0126 | 3.1540 | 5.3560 |
| 2009 | 2.2020 | 1.3816 | 1.3726 | 0.0110 | 2.7652 | 4.9672 |
| 2010 | 1.9390 | 1.3816 | 1.3726 | 0.0110 | 2.7652 | 4.7042 |
| 2011 | 2.3090 | 1.3816 | 1.3726 | 0.0110 | 2.7652 | 5.0742 |
| 2012 | 2.3090 | 1.3816 | 1.3726 | 0.0110 | 2.7652 | 5.0742 |
| 2013 | 2.3090 | 1.3816 | 1.3726 | 0.0110 | 2.7652 | 5.0742 |
| 2014 | 2.3090 | 1.3816 | 1.3726 | 0.0110 | 2.7652 | 5.0742 |
| 2015 | 2.3090 | 1.3816 | 1.3726 | 0.0110 | 2.7652 | 5.0742 |

Source: www.hamiltontn.gov/trustee/

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

CITY OF CHATTANOOGA, TENNESSEE

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

| Taxpayer ⁽¹⁾ | 2015 | | | 2006 | | |
|--|------------------------------------|------|--------------------------------|-----------------------|------|--------------------------------|
| | Taxable ⁽²⁾ Assessed | Rank | Percentage of Total Taxable | Taxable Assessed | Rank | Percentage of Total Taxable |
| | Value | | Assessed | Value | | Assessed |
| Electric Power Board ⁽²⁾ | \$ 297,488,393 | 1 | 5.26% | \$ 142,675,659 | 1 | 3.70% |
| Volkswagen | 214,496,976 | 2 | 3.79% | - | - | 0.00% |
| BlueCross BlueShield | 90,394,679 | 3 | 1.60% | 28,414,286 | 8 | 0.74% |
| CBL & Associates | 85,122,357 | 4 | 1.51% | 57,283,814 | 3 | 1.49% |
| AT&T (BellSouth) | 54,837,419 | 5 | 0.97% | 52,335,872 | 4 | 1.36% |
| Tennessee-American Water Co. | 49,536,099 | 6 | 0.88% | 41,918,351 | 6 | 1.09% |
| Unum/Provident | 39,463,751 | 7 | 0.70% | 42,767,342 | 5 | 1.11% |
| WALMART | 33,988,992 | 8 | 0.60% | - | - | 0.00% |
| JDK Real Estate (KENCO Group Inc.) | 27,771,349 | 9 | 0.49% | 27,233,486 | 10 | 0.71% |
| Invista | 25,901,439 | 10 | 0.46% | - | - | 0.00% |
| Tennessee Valley Authority (Computer Center) | - | - | 0.00% | 92,508,189 | 2 | 2.40% |
| E.I. DuPont de Nemours & Co. | - | - | 0.00% | 30,307,487 | 7 | 0.79% |
| AGL resources - Chatt. Gas Co. | - | - | 0.00% | 27,751,225 | 9 | 0.72% |
| Totals | <u>\$ 919,001,454</u> | | <u>16.26%</u> | <u>\$ 543,195,711</u> | | <u>14.11%</u> |

Source: The City Treasurer

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

| Fiscal Year Ended June 30 | Original Tax Levy ⁽¹⁾ | Cumulative Adjustments to Tax Levy ⁽²⁾ | Adjusted Tax Levy | Collected Within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---------------------------------|-------------------------------------|---|----------------------|---|--------------------|------------------------------------|---------------------------|--------------------|
| | | | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2006 | 85,007,191 | (267,776) | 84,739,415 | 81,194,003 | 95.8% | 3,545,412 | 84,739,415 | 100.0% |
| 2007 | 87,378,841 | 107,626 | 87,486,467 | 83,848,154 | 95.8% | 3,489,386 | 87,337,540 | 99.8% |
| 2008 | 89,153,730 | 63,822 | 89,217,552 | 85,019,277 | 95.3% | 3,981,880 | 89,001,157 | 99.8% |
| 2009 | 91,760,952 | (259,193) | 91,501,759 | 87,144,122 | 95.2% | 4,078,531 | 91,222,653 | 99.7% |
| 2010 | 93,958,030 | (1,208,571) | 92,749,459 | 88,615,281 | 95.5% | 3,575,982 | 92,191,263 | 99.4% |
| 2011 | 111,034,964 | (270,003) | 110,764,961 | 104,399,752 | 94.3% | 5,699,416 | 110,099,168 | 99.4% |
| 2012 | 111,312,877 | (517,344) | 110,795,533 | 104,608,676 | 94.4% | 5,349,118 | 109,957,794 | 99.2% |
| 2013 | 112,552,779 | (614,201) | 111,938,578 | 105,385,912 | 94.1% | 4,780,837 | 110,166,749 | 98.4% |
| 2014 | 114,416,715 | (595,096) | 113,821,619 | 107,610,482 | 94.5% | 3,433,741 | 111,044,223 | 97.6% |
| 2015 | 116,478,000 | (51,685) | 116,426,315 | 110,399,359 | 94.8% | - | 110,399,359 | 94.8% |

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

| Calendar Year ⁽¹⁾ | Commercial Construction/Others | | Residential Construction | | Property Value | | |
|---------------------------------|--------------------------------|----------------------------|--------------------------|-------------|----------------|---------------|------------------|
| | Number of Permits | Value | Number of Permits | Value | Commercial | Residential | Public Utilities |
| 2005 | 808 | 226,421,856 | 1,870 | 162,002,991 | 4,713,822,750 | 5,296,293,120 | 427,785,073 |
| 2006 | 907 | 234,192,365 | 1,760 | 181,022,954 | 4,839,133,200 | 5,450,878,720 | 420,570,231 |
| 2007 | 735 | 489,134,625 ⁽²⁾ | 1,652 | 184,475,058 | 5,004,087,050 | 5,685,416,370 | 580,059,970 |
| 2008 | 471 | 244,137,277 | 715 | 108,132,239 | 5,163,673,852 | 5,811,908,568 | 620,270,613 |
| 2009 | 1,057 | 381,383,099 ⁽³⁾ | 791 | 84,885,364 | 6,008,895,400 | 6,930,739,450 | 626,311,137 |
| 2010 | 1151 | 185,443,140 | 745 | 81,002,976 | 5,951,110,800 | 7,069,893,350 | 500,090,912 |
| 2011 | 1444 | 322,226,474 | 661 | 69,817,203 | 5,908,284,300 | 7,130,854,966 | 501,109,262 |
| 2012 | 1228 | 526,589,240 | 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 |

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

⁽¹⁾ Latest information available for the calendar year.

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

⁽³⁾ Starting 2009 combined commercial and other permits such as electrical, 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> |
|--------------------|------------------------------|--|---|---|--------------------------|---------------------------|--------------|
| 2006 | 25,063,557 | 10,379,781 | 10,153,916 | 3,071,346 | 1,540,706 | 6,150,412 | 56,359,718 |
| 2007 | 26,154,704 | 11,180,175 | 10,566,227 | 4,125,590 | 1,748,548 | 5,744,627 | 59,519,871 |
| 2008 | 26,604,258 | 11,185,750 | 10,767,083 | 4,909,130 | 1,818,211 | 5,856,223 | 61,140,655 |
| 2009 | 25,710,248 | 10,254,407 | 10,394,686 | 3,629,181 | 1,763,451 | 17,780,474 ⁽¹⁾ | 69,532,447 |
| 2010 | 25,116,025 | 9,904,220 | 10,182,243 | 2,578,926 | 1,888,061 | 13,749,395 ⁽²⁾ | 63,418,870 |
| 2011 | 26,462,886 | 10,357,166 | 10,652,849 | 2,714,695 | 1,942,779 | 10,987,506 ⁽³⁾ | 63,117,881 |
| 2012 | 38,054,892 ⁽⁴⁾ | 11,313,906 | 11,365,043 | 2,651,353 | 2,095,770 | 10,421,921 | 75,902,885 |
| 2013 | 40,007,670 | 11,544,670 | 11,405,092 | 4,199,313 | 2,229,008 | 10,323,819 | 79,709,572 |
| 2014 | 39,781,604 | 11,948,621 | 11,340,990 | 3,744,628 | 2,402,905 ⁽⁵⁾ | 6,293,761 | 75,512,509 |
| 2015 | 42,428,955 | 12,624,796 | 12,093,914 | 4,137,843 | 2,601,751 | 4,923,476 | 78,810,735 |

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

⁽²⁾ In fiscal year 2010 the City of Chattanooga began reporting Regional Planning Agency, Air Pollution Control Bureau, and Scenic Cities Beautiful as Special Revenue Funds.

⁽³⁾ In fiscal year 2011 the City of Chattanooga recognized the remaining of the Public Safety Interoperable Communications (PSIC) Grant revenue which decreased by \$5,740,453 from fiscal year 2010.

⁽⁴⁾ In fiscal year 2012 the 1966 Sales Tax agreement with Hamilton County expired returning the City's portion of the sales tax dollars to the City.

⁽⁵⁾ In fiscal year 2014, the City started remitting 50% of this revenue to the Department of Education. The city will be paying past due amount starting

CITY OF CHATTANOOGA, TENNESSEE

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

| <u>Fiscal Year Ended June 30</u> | <u>Residential Customers</u> | <u>Cents per KWH</u> | <u>Small Commercial Customers</u> | <u>Cents per KWH</u> | <u>Large Commercial Customers</u> | <u>Cents per KWH</u> | <u>Outdoor Lighting Customers</u> | <u>Cents per KWH</u> | <u>Total Customers</u> | <u>Cents per KWH</u> |
|--|----------------------------------|--------------------------|---|--------------------------|---|--------------------------|---|--------------------------|----------------------------|--------------------------|
| 2006 | 141,839 | 7.16 | 20,331 | 8.04 | 3,289 | 6.09 | 142 | 9.21 | 165,601 | 6.65 |
| 2007 | 144,288 | 7.56 | 19,630 | 8.46 | 3,363 | 6.39 | 143 | 9.37 | 167,424 | 7.00 |
| 2008 | 145,941 | 8.14 | 19,450 | 9.06 | 3,438 | 6.99 | 141 | 9.97 | 168,970 | 7.59 |
| 2009 | 147,301 | 9.55 | 19,326 | 10.53 | 3,414 | 8.39 | 139 | 11.35 | 170,180 | 9.01 |
| 2010 | 147,532 | 8.67 | 19,226 | 9.77 | 3,379 | 7.54 | 141 | 10.45 | 170,278 | 8.17 |
| 2011 | 148,033 | 9.56 | 19,157 | 10.69 | 3,524 | 8.32 | 138 | 11.37 | 170,852 | 9.00 |
| 2012 | 148,788 | 10.15 | 19,365 | 11.31 | 3,443 | 8.53 | 138 | 11.85 | 171,734 | 9.34 |
| 2013 | 149,875 | 10.19 | 20,079 | 11.36 | 3,387 | 8.67 | 143 | 12.06 | 173,484 | 9.47 |
| 2014 | 150,901 | 10.16 | 20,482 | 11.33 | 3,137 | 8.55 | 142 | 12.14 | 174,662 | 9.42 |
| 2015 | 152,503 | 10.22 | 20,910 | 11.39 | 3,127 | 8.58 | 142 | 12.01 | 176,682 | 9.46 |

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 Bonds | Notes Payable | Capital Leases | Revenue Bonds | General | | | | Percentage of Personal Income ⁽¹⁾ | Per Capita ⁽¹⁾ | Percentage of Personal Income ⁽¹⁾ | Per Capita ⁽¹⁾ |
| | | | | | Obligation Bonds | Notes Payable | Capital Leases | | | | | |
| 2006 | \$ 120,680,396 | \$ 21,356,582 | \$ 118,275,709 | \$ 32,000,000 | \$ 113,409,604 | \$ 43,452,859 | \$ 214,562 | \$ 449,389,712 | 9.33% | \$ 2,904 | 8.67% | \$ 2,697 |
| 2007 | 136,098,716 | 27,592,266 | 115,513,895 | 71,430,000 | 106,881,285 | 47,392,117 | 193,543 | 505,101,822 | 9.24% | 3,001 | 7.93% | 2,577 |
| 2008 | 130,843,479 | 32,593,423 | 112,603,776 | 289,660,000 | 96,051,522 | 44,406,947 | 171,298 | 706,330,445 | 12.58% | 4,158 | 7.42% | 2,453 |
| 2009 | 169,652,698 | 30,654,836 | 109,822,026 | 288,060,000 | 83,302,301 | 52,607,497 | 147,723 | 734,247,081 | 12.90% | 4,297 | 7.84% | 2,611 |
| 2010 | 176,064,209 | 31,266,117 | 106,531,819 | 285,390,000 | 72,480,791 | 50,197,546 | 122,705 | 722,053,187 | 12.11% | 4,214 | 7.33% | 2,548 |
| 2011 | 165,968,711 | 28,547,881 | 103,678,615 | 282,680,000 | 62,441,288 | 66,590,772 | 96,119 | 710,003,386 | 12.13% | 4,234 | 7.30% | 2,549 |
| 2012 | 182,677,809 | 25,814,209 | 100,625,098 | 279,930,000 | 54,342,190 | 66,140,734 | 67,834 | 709,597,874 | 12.04% | 4,171 | 7.29% | 2,525 |
| 2013 | 177,238,092 | 23,950,371 | 287,958 ⁽²⁾ | 406,889,598 ⁽²⁾ | 47,709,242 | 57,542,512 | 37,701 | 713,655,474 | 11.55% | 4,167 | 4.97% | 1,791 |
| 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 |

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

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

CITY OF CHATTANOOGA, TENNESSEE

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

| Fiscal Year | Primary Government ⁽¹⁾ | | | 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 |
| 2006 | \$ 234,090,000 | \$ 185,915,712 | \$ 420,005,712 | \$ 55,174,987 | \$ 115,925,472 | \$ 2,473,620 | \$ - | \$ - | \$ 126,923 |
| 2007 | 242,980,000 | 190,691,819 | 433,671,819 | 54,434,830 | 113,738,737 | 2,752,555 | - | - | - |
| 2008 | 226,895,000 | 189,775,445 | 416,670,445 | 53,638,980 | 111,411,938 | - | - | 4,576,000 | - |
| 2009 | 252,955,000 | 193,232,084 | 446,187,084 | 52,768,980 | 108,937,617 | - | 284,251 | 4,576,000 | - |
| 2010 | 248,545,000 | 188,118,187 | 436,663,187 | 53,455,510 | 106,308,081 | - | 223,738 | 4,271,000 | - |
| 2011 | 228,409,999 | 198,913,388 | 427,323,387 | 52,163,815 | 103,518,327 | - | 160,288 | 3,966,000 | - |
| 2012 | 237,019,999 | 192,647,875 | 429,667,874 | 49,324,122 | 100,531,340 | - | 93,758 | 3,661,000 | - |
| 2013 | 224,947,334 | 81,818,542 ⁽³⁾ | 306,765,876 | 47,091,427 | - ⁽⁴⁾ | - | 287,958 | 3,356,000 | - |
| 2014 | 240,117,957 | 86,316,530 | 326,434,487 | 52,423,496 | - | - | 232,290 | 3,051,000 | - |
| 2015 | 219,292,110 | 88,906,143 | 308,198,253 | 49,785,663 | - | - | 174,098 | 2,746,000 | - |

(1) Primary Government includes premiums and discounts

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

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

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

| 800 MHz Capital Lease | Sewer Debt | Solid Waste Debt | Water Quality Debt | EPB Debt | Less: Debt Service Fund Balance | Total Reduction | Debt Supported by Property Tax Total | % Estimated Actual Taxable Value of Property ⁽²⁾ | Per Capita ⁽³⁾ |
|--------------------------|----------------|---------------------|-----------------------|--------------|---------------------------------------|--------------------|--|--|------------------------------|
| \$ 2,350,237 | \$ 116,878,339 | \$ 24,052,649 | \$ 16,146,037 | \$ 2,616,000 | \$ 7,139,208 | \$ 342,883,472 | \$ 77,122,240 | 0.65% | \$ 498 |
| 1,775,158 | 109,164,894 | 28,679,013 | 14,653,040 | 1,970,000 | 8,871,564 | 336,039,791 | 97,632,028 | 0.79% | 580 |
| 1,191,838 | 98,154,112 | 27,345,475 | 13,835,180 | 1,295,000 | 8,925,003 | 320,373,526 | 96,296,919 | 0.75% | 567 |
| 600,159 | 98,468,501 | 24,813,108 | 12,189,914 | 586,000 | 8,925,003 | 312,149,532 | 134,037,552 | 1.01% | 784 |
| - | 90,181,577 | 22,160,064 | 10,459,401 | - | 4,870,365 | 291,929,736 | 144,733,451 | 0.95% | 845 |
| - | 82,208,790 | 19,377,489 | 8,634,900 | 18,907,000 | 4,954,374 | 293,890,983 | 133,432,404 | 0.88% | 796 |
| - | 73,329,345 | 17,838,771 | 7,657,642 | 21,725,000 | 652,699 | 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 |

CITY OF CHATTANOOGA, TENNESSEE

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2015

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable ⁽²⁾</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-----------------------------|---|--|
| Debt repaid with property taxes: | | | |
| Hamilton County General Obligation Debt | \$ 271,634,646 | 60.2830% | \$ 163,749,426 |
| Other debt: | | | |
| Hamilton County Notes Payable | \$ 668,964 | 60.2830% | <u>403,271</u> |
| Subtotal, overlapping debt ⁽¹⁾ | | | 164,152,697 |
| City of Chattanooga gross direct debt ⁽³⁾ | | | <u>668,301,144</u> |
| Total direct and overlapping debt | | | <u><u>\$ 832,453,841</u></u> |

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

Notes:

- ⁽¹⁾ Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Chattanooga. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.
- ⁽²⁾ The percentage of overlapping debt is calculated by dividing the City's assessed property values by the total Hamilton County assessments.
- ⁽³⁾ Direct and overlapping includes \$56,151,772 of self-supporting governmental debt and \$466,561,605 of self-supporting enterprise debt. Please see Ratios of General Bonded Debt Outstanding for the debt supported by property taxes. Net overlapping is \$309,745,183.

CITY OF CHATTANOOGA, TENNESSEE

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

| | Fiscal Year | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2015 | 2014 | 2013 | 2012 |
| Debt limit ⁽¹⁾ | \$ 504,460,741 | \$ 495,524,906 | \$ 487,452,421 | \$ 482,082,558 |
| Total net debt applicable to limit ⁽²⁾ | 153,348,109 | 168,114,593 | 148,264,399 | 154,854,197 |
| Legal debt margin | <u>\$ 351,112,632</u> | <u>\$ 327,410,313</u> | <u>\$ 339,188,022</u> | <u>\$ 327,228,361</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 30.40% | 33.93% | 30.42% | 32.12% |

| | Legal Debt Margin Calculation by Fiscal Year | | | |
|--|--|-----------------------|-----------------------|-----------------------|
| Assessed value | \$ 5,044,607,410 | \$ 4,955,249,059 | \$ 4,874,524,209 | \$ 4,820,825,577 |
| Debt limit (10% of total assessed value) | 504,460,741 | 495,524,906 | 487,452,421 | 482,082,558 |
| Debt applicable to limit: | | | | |
| General obligation bonds | 156,794,120 | 173,135,345 | 150,741,036 | 155,506,895 |
| Less: amount set aside for repayment of general obligation debt | <u>(3,446,011)</u> | <u>(5,020,752)</u> | <u>(2,476,637)</u> | <u>(652,700)</u> |
| Total net debt applicable to limit | <u>153,348,109</u> | <u>168,114,593</u> | <u>148,264,399</u> | <u>154,854,195</u> |
| Legal debt margin | <u>\$ 351,112,632</u> | <u>\$ 327,410,313</u> | <u>\$ 339,188,022</u> | <u>\$ 327,228,363</u> |

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

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

| Fiscal Year | | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| \$ 480,878,951 | \$ 484,569,450 | \$ 416,716,328 | \$ 404,876,088 | \$ 396,815,737 | \$ 386,045,296 |
| 133,432,404 | 144,733,451 | 134,037,552 | 96,296,919 | 97,632,028 | 77,122,240 |
| <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> | <u>\$ 308,923,056</u> |
| 27.75% | 29.87% | 32.17% | 23.78% | 24.60% | 19.98% |

| Legal Debt Margin Calculation by Fiscal Year | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 4,808,789,510 | \$ 4,845,694,497 | \$ 4,167,163,278 | \$ 4,048,760,875 | \$ 3,968,157,371 | \$ 3,860,452,959 |
| 480,878,951 | 484,569,450 | 416,716,328 | 404,876,088 | 396,815,737 | 386,045,296 |
| 138,386,776 | 149,603,816 | 142,962,554 | 105,221,922 | 106,503,597 | 84,261,448 |
| (4,954,374) | (4,870,365) | (8,925,003) | (8,925,003) | (8,871,564) | (7,139,208) |
| <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>77,122,240</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> | <u>\$ 308,923,056</u> |

CITY OF CHATTANOOGA, TENNESSEE

HISTORICAL DEBT RATIOS

June 30, 2015

| | Fiscal Year | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2015 | 2014 | 2013 | 2012 |
| Estimated population | 173,366 | 173,366 | 171,279 | 170,136 |
| Appraised property valuation | \$ 15,484,126,401 | \$ 15,754,641,402 | \$ 15,498,290,496 | \$ 15,239,117,325 |
| Assessed property valuation | 5,044,607,410 | 4,955,249,059 | 4,874,524,209 | 4,820,825,577 |
| Gross indebtedness ⁽¹⁾ | 404,376,144 | 312,769,531 | 288,657,541 | 407,942,874 |
| Less: Self-supporting indebtedness ⁽²⁾ | 255,342,366 | 146,933,903 | 143,414,312 | 252,435,979 |
| Debt Service Fund | 3,446,011 | 5,020,752 | 2,476,637 | 652,700 |
| Net direct indebtedness | 145,587,767 | 160,814,876 | 142,766,592 | 154,854,195 |
| Plus: Estimated net overlapping indebtedness | 164,152,697 | 146,010,497 | 158,657,256 | 152,555,047 |
| Net direct and overlapping indebtedness | <u>\$ 309,740,464</u> | <u>\$ 306,825,373</u> | <u>\$ 301,423,848</u> | <u>\$ 307,409,242</u> |
| Gross debt per capita | \$ 2,332.50 | \$ 1,804.10 | \$ 1,685.31 | \$ 2,397.75 |
| Net direct debt per capita | 839.77 | 927.60 | 833.53 | 910.18 |
| Net direct and overlapping debt per capita | 1,786.63 | 1,769.81 | 1,759.84 | 1,806.84 |
| Gross debt to appraised valuation | 2.61% | 1.99% | 1.86% | 2.68% |
| Net direct debt to appraised valuation | 0.94% | 1.02% | 0.92% | 1.02% |
| Net direct debt and overlapping debt to appraised valuation | 2.00% | 1.95% | 1.94% | 2.02% |
| Gross debt to assessed valuation | 8.02% | 6.31% | 5.92% | 8.46% |
| Net direct debt to assessed valuation | 2.89% | 3.25% | 2.93% | 3.21% |
| Net direct and overlapping debt to assessed valuation | 6.14% | 6.19% | 6.18% | 6.38% |

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

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

| Fiscal Year | | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| 167,674 | 171,349 | 170,880 | 169,884 | 168,293 | 154,762 |
| \$ 15,187,143,683 | \$ 15,307,270,881 | \$ 13,294,163,310 | \$ 12,906,102,564 | \$ 12,310,849,619 | \$ 11,955,447,979 |
| 4,808,789,510 | 4,845,694,497 | 4,167,163,278 | 4,048,760,875 | 3,968,157,371 | 3,860,452,959 |
| 408,416,390 | 436,663,186 | 445,601,083 | 415,375,442 | 431,701,818 | 417,389,712 |
| 270,029,615 | 287,059,370 | 302,638,530 | 310,153,520 | 325,198,221 | 333,128,264 |
| 4,954,374 | 4,870,365 | 8,925,003 | 8,925,003 | 8,871,564 | 7,139,208 |
| 133,432,402 | 144,733,451 | 134,037,550 | 96,296,919 | 97,632,033 | 77,122,240 |
| 148,698,012 | 154,968,909 | 149,048,842 | 136,287,686 | 89,393,466 | 87,645,429 |
| <u>\$ 282,130,414</u> | <u>\$ 299,702,360</u> | <u>\$ 283,086,392</u> | <u>\$ 232,584,605</u> | <u>\$ 187,025,499</u> | <u>\$ 164,767,668</u> |
| \$ 2,435.78 | \$ 2,548.38 | \$ 2,607.68 | \$ 2,445.05 | \$ 2,565.18 | \$ 2,696.98 |
| 795.78 | 844.67 | 784.40 | 566.84 | 580.13 | 498.33 |
| 1,682.61 | 1,749.08 | 1,656.64 | 1,369.08 | 1,111.31 | 1,064.65 |
| 2.69% | 2.85% | 3.35% | 3.22% | 3.51% | 3.49% |
| 0.88% | 0.95% | 1.01% | 0.75% | 0.79% | 0.65% |
| 1.86% | 1.96% | 2.13% | 1.80% | 1.52% | 1.38% |
| 8.49% | 9.01% | 10.69% | 10.26% | 10.88% | 10.81% |
| 2.77% | 2.99% | 3.22% | 2.38% | 2.46% | 2.00% |
| 5.87% | 6.18% | 6.79% | 5.74% | 4.71% | 4.27% |

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 | |
| 2006 | \$ 412,296,000 | \$ 382,285,000 | \$ 30,011,000 | \$ 1,600,000 | \$ 1,660,000 | 9.2 |
| 2007 | 432,025,000 | 401,801,000 | 30,224,000 | 1,600,000 | 2,348,000 | 7.7 |
| 2008 | 472,983,000 | 429,161,000 | 43,822,000 | 1,600,000 | 3,019,000 | 9.5 |
| 2009 | 537,696,000 | 489,623,000 | 48,073,000 | 1,600,000 | 2,946,000 | 10.6 |
| 2010 | 491,501,000 | 445,493,000 | 46,008,000 | 2,670,000 | 2,853,000 | 8.3 |
| 2011 | 552,527,000 | 518,728,000 | 33,799,000 | 2,710,000 | 8,118,000 | 3.1 |
| 2012 | 562,569,000 | 498,384,000 | 64,185,000 | 2,750,000 | 13,377,000 | 4.0 |
| 2013 | 555,051,000 | 486,769,000 | 68,282,000 | 2,965,000 | 13,256,000 | 4.2 |
| 2014 | 566,989,000 | 501,006,000 | 65,983,000 | 6,000,000 | 13,084,756 | 3.5 |
| 2015 | 567,528,000 | 500,078,000 | 67,450,000 | 7,040,000 | 12,832,000 | 3.4 |

Source: Electric Power Board, Electric Division

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

| Fiscal Year Ended June 30 | CDRC Lease Rental Revenue Bonds | | | | | |
|---------------------------------|----------------------------------|---|-----------------------------|-----------------------------|--------------|-------------------|
| | Total Revenues ⁽¹⁾ | Less: Operating Expenses ⁽²⁾ | Net Available Revenue | Debt Service ⁽³⁾ | | Times Coverage |
| | | | | Principal | Interest | |
| 2006 | \$ 11,776,294 | \$ 4,590 | \$ 11,771,704 | \$ - | \$ 7,198,975 | 1.6 |
| 2007 | 12,891,364 | 18,975 | 12,872,389 | - | 7,198,975 | 1.8 |
| 2008 | 13,245,809 | 6,095 | 13,239,714 | 2,700,000 | 6,440,809 | 1.4 |
| 2009 | 11,511,201 | 8,975 | 11,502,226 | 2,910,000 | 6,460,806 | 1.2 |
| 2010 | 14,014,621 | 10,830 | 14,003,791 | 3,050,000 | 6,312,556 | 1.5 |
| 2011 | 12,413,941 | 2,915 | 12,411,026 | 3,205,000 | 5,937,867 | 1.4 |
| 2012 | 13,469,678 | 6,890 | 13,462,788 | 4,060,000 | 5,527,719 | 1.4 |
| 2013 | 13,182,618 | 6,890 | 13,175,728 | 4,240,000 | 5,336,719 | 1.4 |
| 2014 | 13,153,265 | 9,065 | 13,144,200 | 4,395,000 | 5,168,194 | 1.4 |
| 2015 | 13,467,751 | 6,890 | 13,460,861 | 4,520,000 | 5,033,569 | 1.4 |

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

| <u>Fiscal Year</u> | <u>Personal Income⁽⁴⁾</u> | <u>Population⁽¹⁾</u> | <u>Per Capita Income⁽⁴⁾</u> | <u>Median Age⁽²⁾</u> | <u>Education Level In Years of Formal Schooling⁽²⁾</u> | <u>School Enrollment⁽²⁾</u> | <u>Unemployment Rate⁽³⁾</u> |
|--------------------|--------------------------------------|---------------------------------|--|---------------------------------|---|--|--|
| 2006 | 4,815,110,106 | 154,762 | 31,113 | 38.5 | 16.4% 4yr. Degree | 40,066 | 5.3% |
| 2007 | 5,469,354,207 | 168,293 | 32,499 | 38.8 | 17.4% 4yr. Degree | 39,020 | 4.7% |
| 2008 | 5,614,836,084 | 169,884 | 33,051 | 38.9 | 15.3% 4yr. Degree | 39,106 | 6.1% |
| 2009 | 5,690,816,640 | 170,880 | 33,303 | 39.2 | 17.0% 4yr. Degree | 39,247 | 9.1% |
| 2010 | 5,960,203,616 | 171,349 | 34,784 | 39.7 | 16.5% 4yr. Degree | 41,072 | 9.3% |
| 2011 | 5,852,325,622 | 167,674 | 34,903 | 39.3 | 16.5% 4yr. Degree | 41,913 | 9.1% |
| 2012 | 5,892,149,952 | 170,136 | 34,632 | 39.0 | 23.3% 4yr. Degree | 42,236 | 8.2% |
| 2013 | 6,177,348,414 | 171,279 | 36,066 | 40.0 | 23.0% 4yr. Degree | 41,214 | 8.5% |
| 2014 | 6,454,069,448 | 173,366 | 37,228 | 39.8 | 22.9% 4yr. Degree | 43,691 | 7.1% |
| 2015 | 6,546,300,160 | 173,366 | 37,760 | 39.8 | 23.0% 4yr. Degree | 45,531 | 6.2% |

⁽¹⁾ U.S. Census Bureau.

⁽²⁾ Chamber of Commerce

⁽³⁾ Tennessee Department of Labor and Workforce Development

⁽⁴⁾ U.S. Department of Commerce Bureau of Economic Analysis

CITY OF CHATTANOOGA, TENNESSEE

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

| Employer | 2015 (1) | | | 2006 (2) | | |
|---|---------------|------|-------------------------------------|---------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Hamilton County Department of Education | 4,504 | 1 | 2.60% | 5,070 | 1 | 3.28% |
| BlueCross BlueShield of Tennessee | 4,437 | 2 | 2.56% | 3,808 | 2 | 2.46% |
| Tennessee Valley Authority | 3,737 | 3 | 2.16% | - | - | 0.00% |
| Erlanger Health System | 3,604 | 4 | 2.08% | 3,217 | 4 | 2.08% |
| Memorial Health Care System | 2,832 | 5 | 1.63% | 2,615 | 6 | 1.69% |
| Unum | 2,800 | 6 | 1.62% | 2,930 | 5 | 1.89% |
| McKee Foods Corporation | 2,750 | 7 | 1.59% | 3,300 | 3 | 2.13% |
| Amazon.com.dedc LLC | 2,473 | 8 | 1.43% | - | - | 0.00% |
| Volkswagen Chattanooga | 2,372 | 9 | 1.37% | - | - | 0.00% |
| City of Chattanooga | 2,230 | 10 | 1.29% | 2,487 | 7 | 1.61% |
| CIGNA HealthCare | - | - | 0.00% | 2,154 | 8 | 1.39% |
| Synthetic Industries | - | - | 0.00% | 1,931 | 9 | 1.25% |
| Pilgrim's Pride Corp | - | - | 0.00% | 1,610 | 10 | 1.04% |
| Total | 31,739 | | 18.31% | 29,122 | | 18.82% |

Sources: (1) Chattanooga Area Chamber of Commerce Business Information Center;
(2) City of Chattanooga Comprehensive Annual Financial Report for the year ended June 30, 2006

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 | | | | | | | | | |
|----------------------------------|---|--------------------|--------------|--------------|--------------|--------------|--------------------|--------------|--------------|--------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| General Government | 373 | 359 ⁽²⁾ | 301 | 300 | 301 | 291 | 279 | 277 | 276 | 266 |
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Sworn | 486 | 486 | 475 | 475 | 481 | 475 | 472 | 472 | 471 | 472 |
| Civilian | 115 | 103 | 129 | 129 | 123 | 130 | 139 ⁽¹⁾ | 213 | 212 | 206 |
| Fire | | | | | | | | | | |
| Sworn | 429 | 429 | 429 | 414 | 412 | 400 | 400 | 400 | 400 | 400 |
| Civilian | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 18 |
| Public Works | 286 | 307 | 337 | 337 | 338 | 409 | 326 | 331 | 333 | 339 |
| Economic & Community Development | 86 | 80 | 35 | 35 | 35 | 29 | 36 | 36 | 36 | 36 |
| Youth & Family Development | 426 | 412 ⁽³⁾ | - | - | - | - | - | - | - | - |
| Parks & Recreation | - | - ⁽³⁾ | 230 | 230 | 237 | 236 | 230 | 229 | 226 | 217 |
| Education, Arts and Culture | - | - ⁽³⁾ | 28 | 27 | 27 | 26 | 27 | 26 | 26 | 24 |
| Social Services | - | - ⁽³⁾ | 307 | 305 | 286 | 293 | 249 | 289 | 294 | 339 |
| Transportation | 58 | 47 ⁽⁴⁾ | - | - | - | - | - | - | - | - |
| Interceptor Sewer System | 147 | 147 | 143 | 139 | 137 | 136 | 135 | 132 | 124 | 115 |
| Solid Waste/Sanitation | 20 | 20 | 19 | 19 | 16 | 16 | 17 | 14 | 13 | 14 |
| Water Quality | 151 | 141 | 138 | 138 | 137 | 59 | 55 | 47 | 50 | 49 |
| EPB | 545 | 547 | 521 | 499 | 453 | 435 | 398 | 389 | 394 | 402 |
| Totals | <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> | <u>2,897</u> |

Source: City Budget office Position Summary.

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

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

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

⁽⁴⁾ In FY14, the Transportation department was established with 47 positions.

CITY OF CHATTANOOGA, TENNESSEE

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

| Function | Fiscal Year | | | | | | | | | |
|--|-------------|---------|-----------|-----------|-----------|---------|---------|---------|---------|---------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| General Government | | | | | | | | | | |
| 311 Service Requests Created | 154,546 | 156,724 | 135,664 | 110,247 | 135,692 | 114,711 | 66,443 | 72,663 | 76,401 | 66,710 |
| % of Current Tax Levy Collected | 95 | 94 | 94 | 94 | 94 | 94 | 95 | 95.4 | 95.9 | 95.8 |
| Police | | | | | | | | | | |
| Crimes Committed ⁽¹⁾ | 12,622 | 12,902 | 12,869 | 12,037 | 12,158 | 14,385 | 14,577 | 14,219 | 13,999 | 13,843 |
| Moving/Parking Violations ⁽²⁾ | 47,425 | 40,727 | 51,674 | 102,067 | 105,470 | 166,438 | 105,069 | 64,928 | 98,984 | 78,052 |
| Citizen Complaints | 20 | 64 | 66 | 44 | 47 | 56 | 47 | 35 | 33 | 96 |
| Fire | | | | | | | | | | |
| Emergency Calls | 16,356 | 15,926 | 15,858 | 16,161 | 16,363 | 12,473 | 12,889 | 11,849 | 11,385 | 10,617 |
| Inspections | 5,078 | 3,263 | 3,551 | 4,298 | 4,750 | 5,466 | 7,769 | 5,978 | 3,774 | 2,492 |
| Public Works | | | | | | | | | | |
| Sidewalks Repaired (sq.ft.) | 18,473 | 66,056 | 5,938 | 13,344 | 12,359 | 8,186 | 848 | 80 | 335 | 1,660 |
| Streets Paved (sq.ft.) | 1,384,359 | 389,500 | 1,966,402 | 1,706,200 | 1,132,286 | 615,038 | 790,988 | 520,896 | 516,146 | 632,793 |
| Parks, Recreation, Arts & Culture | | | | | | | | | | |
| Chattanooga Zoo-Attendance | 183,173 | 152,561 | 151,699 | 177,723 | 210,966 | 253,115 | 231,225 | 174,093 | 149,582 | 125,293 |
| Recreation Centers-Attendance | 510,599 | 600,805 | 833,674 | 630,178 | 630,178 | 550,496 | 588,927 | 567,444 | 458,331 | 394,660 |
| Social Services | | | | | | | | | | |
| Children Immunized | 918 | 1,078 | 946 | 1,223 | 888 | 1,014 | 869 | 897 | 865 | 768 |
| Households Assisted | 8,192 | 9,636 | 7,184 | 10,905 | 6,334 | 8,473 | 6,280 | 4,950 | 4,284 | 4,119 |
| Interceptor Sewer System | | | | | | | | | | |
| NPDES Violations | 2 | 9 | 28 | 29 | 10 | 19 | 10 | 7 | 5 | 5 |
| Combined Sewer Overflows | 121 | 76 | 128 | 113 | 131 | 158 | 103 | 100 | 83 | 118 |
| Solid Waste/Sanitation | | | | | | | | | | |
| NPDES Landfill Violations | - | - | - | 4 | 2 | 4 | 4 | 4 | - | 4 |
| Violation Notices to Industry | 37 | - | 50 | 26 | 48 | 40 | 44 | 59 | 96 | 61 |
| Water Quality | | | | | | | | | | |
| 311 Service Requests Created | 1,440 | 1,650 | 2,229 | 1,632 | 1,727 | 3,206 | 1,764 | 1,798 | 1,586 | 1,808 |
| 311 Service Requests Unresolved | 116 | 95 | 55 | 58 | 89 | 388 | 69 | 52 | 34 | 53 |

Source: City budget office.

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

| Function | Fiscal Year | | | | | | | | | |
|--|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| General Government | | | | | | | | | | |
| City Fleet | 1739 | 1,734 | 1,734 | 1,854 | 1,769 | 1,774 | 1,773 | 1,769 | 1,709 | 1,670 |
| Properties Returned to Tax Rolls | 111 | 57 | 138 | 65 | 47 | 24 | 21 | 26 | 33 | 22 |
| Police | | | | | | | | | | |
| Stations | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Patrol Units | 588 | 580 | 551 | 555 | 450 | 450 | 450 | 450 | 450 | 450 |
| Fire | | | | | | | | | | |
| Stations | 19 | 19 | 18 | 18 | 18 | 18 | 17 | 17 | 17 | 17 |
| Ladder Trucks/Fire Engines/Combos ⁽¹⁾ | 27 | 27 | 27 | 25 | 25 | 25 | 24 | 24 | 24 | 24 |
| Public Works | | | | | | | | | | |
| Miles of Paved Streets | 1160 | 1,160 | 1,151 | 1,151 | 1,151 | 1,151 | 1,159 | 1,159 | 1,154 | 1,150 |
| Signalized Intersections | 330 | 327 | 332 | 320 | 320 | 321 | 318 | 315 | 314 | 312 |
| Garbage Trucks | 25 | 25 | 25 | 21 | 21 | 18 | 23 | 21 | 21 | 21 |
| Knuckleboom Trucks | 22 | 22 | 22 | 19 | 23 | 20 | 20 | 21 | 21 | 21 |
| Interceptor Sewer System | | | | | | | | | | |
| Miles of Sewer | 1263 | 1,263 | 1,254 | 1,254 | 1,254 | 1,254 | 1,255 | 1,239 | 1,200 | 1,200 |
| Pump Stations | 71 | 71 | 70 | 70 | 70 | 70 | 70 | 67 | 67 | 67 |
| Parks, Recreation, Arts & Culture | | | | | | | | | | |
| Parks | 79 | 74 | 70 | 51 | 51 | 51 | 51 | 50 | 50 | 50 |
| Recreation Centers | 15 | 15 | 17 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |

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

CITY OF CHATTANOOGA, TENNESSEE

EMPLOYMENT AND UNEMPLOYMENT STATS LAST TEN CALENDAR YEARS

| Calendar Year | MSA Civilian Labor-Force (in 000's) | | | Civilian Labor Force % Unemployed | | |
|------------------|-------------------------------------|----------|------------|-----------------------------------|-----|------|
| | Total | Employed | Unemployed | MSA | TN | U.S. |
| 2005 | 251.4 | 239.3 | 12.1 | 4.8 | 5.6 | 5.1 |
| 2006 | 261.1 | 251.3 | 9.8 | 4.3 | 4.4 | 4.6 |
| 2007 | 265.1 | 253.9 | 11.2 | 4.2 | 4.8 | 4.8 |
| 2008 | 265.1 | 246.6 | 18.5 | 5.7 | 6.4 | 7.1 |
| 2009 | 252.3 | 228.5 | 23.8 | 9.4 | 9.8 | 9.7 |
| 2010 | 260.3 | 238.6 | 21.7 | 8.3 | 8.3 | 9.1 |
| 2011 | 262.9 | 243.8 | 19.1 | 7.3 | 8.1 | 8.3 |
| 2012 | 264.4 | 245.5 | 18.9 | 7.1 | 7.8 | 7.9 |
| 2013 | 262.5 | 240.7 | 21.8 | 8.3 | 8.5 | 7.6 |
| 2014 | 246.5 | 232.0 | 14.5 | 5.9 | 6.1 | 5.6 |

Source: Bureau of Labor Statistics (www.bls.gov)

CITY OF CHATTANOOGA, TENNESSEE

**OTHER TAXES
LAST TEN FISCAL YEARS**

| Fiscal Year | Local Option Sales Taxes ⁽¹⁾ | | | Other Tax Receipts | | | | |
|----------------|---|-------------------------------------|---------------------------|--|---------|---|------------|------------|
| | County-Wide Sales Tax | County-Wide Designated Sales Tax | Total Local Option Tax | Tourist Development Zone Sales Tax ⁽²⁾ | | Hotel-Motel Occupancy Tax ⁽³⁾ | State | |
| | | | | State | Local | | Sales Tax | Income Tax |
| 2006 | 25,063,557 | 10,153,916 | 35,217,473 | 427,823 | 69,252 | 3,640,518 | 10,379,781 | 3,071,346 |
| 2007 | 26,154,704 | 10,566,227 | 36,720,931 | 47,635 | - | 3,747,124 | 11,180,175 | 4,125,590 |
| 2008 | 26,604,258 | 10,767,083 | 37,371,341 | - | - | 4,067,154 | 11,185,750 | 4,909,130 |
| 2009 | 25,710,248 | 10,394,686 | 36,104,934 | - | - | 3,893,990 | 10,254,407 | 3,629,181 |
| 2010 | 25,116,025 | 10,182,243 | 35,298,268 | 1,809,794 | 549,755 | 4,058,621 | 9,904,220 | 2,578,926 |
| 2011 | 26,462,886 | 10,652,849 | 37,115,735 | - | - | 4,746,845 | 10,357,166 | 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 |

⁽¹⁾ Local Option Sales Taxes - In accordance with the 1963 Local Option Revenue Act Title 67, Chapter 6, Part 7 of the Tennessee Code Annotated, as amended, the City and the County have adopted a Local Option Sales Tax. The effective rate is 2.25%; the City earmarks .25 percent of its share for economic development.

⁽²⁾ Tourist Development Zone (TDZ) Sales Tax - This tax is based on the incremental state and local sales taxes generated within TDZ. In some years sales in the TDZ do not exceed the base year revenues as adjusted for growth in the county as a whole.

⁽³⁾ Hotel-Motel Occupancy Tax - The City of Chattanooga and Hamilton County are authorized to levy taxes on the occupancy of hotel and motel rooms by transients. Pursuant to the Private Act of 1980, in February 1981, Hamilton County levied a 3 percent tax and increased it to 4 percent in July 1988. In August 2002 the City also levied such a tax which was phased in over a 30-month period beginning October 1, 2002. The tax, now at 4 percent, is pledged to pay debt service on the 2002 general obligation bonds used to finance a portion of the 21st Century Waterfront Plan to develop 129 acres in the downtown riverfront area, a \$120 million project jointly funded by the public and private sectors.

CITY OF CHATTANOOGA, TENNESSEE

**CAPITAL IMPROVEMENT PROGRAM
FIVE YEARS**

| | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|-------------------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Bonds | | | | | | |
| General Fund | \$ 12,299,357 | \$ 15,595,843 | \$ 13,253,468 | \$ 13,109,643 | \$ 8,281,000 | \$ 62,539,311 |
| ISS (SRF Enterprise) | 42,500,000 | 14,400,000 | 14,500,000 | 17,850,000 | 6,000,000 | 95,250,000 |
| Total Bonds | 54,799,357 | 29,995,843 | 27,753,468 | 30,959,643 | 14,281,000 | 157,789,311 |
| Cash/Reserves | | | | | | |
| General Fund | 11,939,728 | 5,967,000 | 5,482,000 | 4,958,000 | 5,158,000 | 33,504,728 |
| Econ. Dev. Fund | 3,698,460 | 2,389,535 | 2,010,000 | 374,600 | 250,000 | 8,722,595 |
| Hotel-Motel Fund | 1,020,563 | 1,000,000 | 1,000,000 | - | - | 3,020,563 |
| Fleet Fund | 3,670,000 | 1,072,000 | 1,222,000 | 1,000,000 | 1,000,000 | 7,964,000 |
| Solid Waste | 1,000,000 | 1,260,000 | 1,300,000 | 1,050,000 | 520,000 | 5,130,000 |
| Water Quality | 7,102,000 | 11,630,000 | 6,902,500 | 5,007,625 | 4,600,506 | 35,242,631 |
| Interceptor Sewer | 20,200,000 | 3,200,000 | 2,700,000 | 4,200,000 | 2,200,000 | 32,500,000 |
| Total Cash/Reserves | 48,630,751 | 26,518,535 | 20,616,500 | 16,590,225 | 13,728,506 | 126,084,517 |
| External Sources | | | | | | |
| Hamilton County | 85,000 | 145,000 | - | - | - | 230,000 |
| State of Tennessee | 1,327,692 | 5,990,071 | 9,245,871 | 4,472,973 | - | 21,036,607 |
| Federal | 2,832,393 | 8,099,739 | 6,213,200 | 6,509,200 | 5,869,200 | 29,523,732 |
| Total External Sources | 4,245,085 | 14,234,810 | 15,459,071 | 10,982,173 | 5,869,200 | 50,790,339 |
| Other | 1,303,200 | - | - | - | - | 1,303,200 |
| Total All Sources | \$ 108,978,393 | \$ 70,749,188 | \$ 63,829,039 | \$ 58,532,041 | \$ 33,878,706 | \$ 335,967,367 |

Source: City of Chattanooga Budget Department

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2015

| Federal Grantor/Pass-Through/Grantor/Program Title | Federal CFDA Number | Contract Number | Beginning (Accrued) Unearned Grant Revenue | Cash Receipts | Expenditures | Other Adjustments | Ending (Accrued) Unearned Grant Revenue |
|--|----------------------------|------------------------|---|----------------------|---------------------|--------------------------|--|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | | |
| Passed Through Tennessee Department of Agriculture: | | | | | | | |
| Emergency Food Assistance Program (Admin Costs) | 10.568 | 35738 | \$ (29,307) | \$ 38,354 | \$ 9,047 | \$ - | \$ - |
| Emergency Food Assistance Program (Admin Costs) | 10.568 | 45898 | - | 32,999 | 64,277 | - | (31,278) |
| Emergency Food Assistance Program (Commodities-Noncash) | 10.569 | N/A | - | 223,178 | 223,178 | - | - |
| Total Emergency Food Assistance Program | | | <u>(29,307)</u> | <u>294,531</u> | <u>296,502</u> | <u>-</u> | <u>(31,278)</u> |
| Passed Through Tennessee Department of Human Services: | | | | | | | |
| 2014 CHS Child Care Program | 10.558 | N/A | (18,940) | 18,940 | - | - | - |
| 2015 CHS Child Care Program | 10.558 | N/A | - | 64,260 | 67,098 | - | (2,838) |
| 2014 Child and Adult Food Program | 10.558 | 3-47-60076-00-9 | (8,319) | 8,319 | - | - | - |
| 2015 Child and Adult Food Program | 10.558 | 3-47-56136-00-6 | - | 62,455 | 64,589 | - | (2,133) |
| 2014 Child and Adult Food Program | 93.600 | 04CH0047/37 | (5,830) | 5,830 | - | - | - |
| 2015 Child and Adult Food Program | 93.600 | 04CH0047/38 | - | 301,008 | 308,429 | - | (7,421) |
| Total Child and Adult Food Program | | | <u>(33,089)</u> | <u>460,812</u> | <u>440,115</u> | <u>-</u> | <u>(12,392)</u> |
| Total U. S. Department of Agriculture | | | <u>(62,396)</u> | <u>755,343</u> | <u>736,617</u> | <u>-</u> | <u>(43,670)</u> |
| U.S. DEPARTMENT OF COMMERCE | | | | | | | |
| Economic Development Administration Sewer System Upgrade | 11.300 | 04-79-06577 | - | 1,094,119 | 1,368,465 | - | (274,346) |
| Total U. S. Department of Commerce | | | <u>-</u> | <u>1,094,119</u> | <u>1,368,465</u> | <u>-</u> | <u>(274,346)</u> |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-13-MC-47-0001 | (276,957) | 276,957 | 381,004 | - | (381,004) |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-14-MC-47-0001 | - | 1,012,731 | 1,036,486 | - | (23,756) |
| Community Development Block Grants/Entitlement Grants-Program Income | 14.218 | N/A | - | 288,767 | 288,767 | - | - |
| Total Community Development Block Grants/Entitlement Grants | | | <u>(276,957)</u> | <u>1,578,454</u> | <u>1,706,257</u> | <u>-</u> | <u>(404,760)</u> |
| Shelter Plus Care | 14.238 | TN0010L4J001306 | - | 145,398 | 235,899 | - | (90,501) |
| THDA ESG Stage | 14.231 | E-13-MC-47-0003 | (40,589) | 89,736 | 49,147 | - | - |
| THDA ESG Stage | 14.231 | E-14-MC-47-0003 | - | 73,954 | 113,573 | - | (39,619) |
| Total Shelter Plus Care | | | <u>(40,589)</u> | <u>309,088</u> | <u>398,619</u> | <u>-</u> | <u>(130,120)</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2015

| Federal Grantor/Pass-Through/Grantor/Program Title | Federal CFDA Number | Contract Number | Beginning (Accrued) Unearned Grant Revenue | Cash Receipts | Expenditures | Other Adjustments | Ending (Accrued) Unearned Grant Revenue |
|---|----------------------------|------------------------|---|----------------------|---------------------|--------------------------|--|
| (continued from previous page) | | | | | | | |
| HOME Investment Partnerships Program | 14.239 | M-10-MC-47-0200 | \$ - | \$ 29,364 | \$ 29,364 | \$ - | \$ - |
| HOME Investment Partnerships Program | 14.239 | M-12-MC-47-0200 | - | 44,688 | 54,303 | - | (9,616) |
| HOME Investment Partnerships Program | 14.239 | M-13-MC-47-0200 | - | 46,912 | 144,674 | - | (97,762) |
| HOME Investment Partnerships Program | 14.239 | M-14-MC-47-0200 | - | 158,544 | 191,501 | - | (32,957) |
| HOME Investment Partnerships Program - Program Income | 14.239 | N/A | - | 263,974 | 263,974 | - | - |
| Total HOME Investment Partnerships Program | | | - | 514,117 | 654,452 | - | (140,335) |
| Total U. S. Department of Housing and Urban Development | | | (317,546) | 2,401,660 | 2,759,328 | - | (675,215) |
| U.S. DEPARTMENT OF THE INTERIOR | | | | | | | |
| National Park Service, Historic Preservation Grants | 15.928 | P14AP00192 | - | 440,000 | 440,000 | - | - |
| Total U.S. Department of the Interior | | | - | 440,000 | 440,000 | - | - |
| U.S. DEPARTMENT OF JUSTICE | | | | | | | |
| Edward Byrne Memorial Grant - Police Explorers | 16.738 | 2011-DJ-BX-3041 | (627) | 1,613 | 986 | - | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2012-DJ-BX-0641 | - | 10,654 | 10,654 | - | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2013-DJ-BX-0975 | - | 43,302 | 43,302 | - | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2014-DJ-BX-1123 | - | - | 10,146 | - | (10,146) |
| Hamilton County Family Justice Center | 16.738 | 22560 | (5,705) | 51,794 | 79,781 | - | (33,692) |
| Total Edward Byrne Memorial Grant | | | (6,332) | 107,362 | 144,868 | - | (43,838) |
| 2010 COPS Hiring Grant | 16.710 | 2010-CK-WX-0391 | (364,121) | 671,202 | 307,081 | - | - |
| Total COPS Hiring Grant | | | (364,121) | 671,202 | 307,081 | - | - |
| Total U. S. Department of Justice | | | (370,453) | 778,564 | 451,949 | - | (43,838) |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2015

| Federal Grantor/Pass-Through/Grantor/Program Title | Federal CFDA Number | Contract Number | Beginning (Accrued) Unearned Grant Revenue | Cash Receipts | Expenditures | Other Adjustments | Ending (Accrued) Unearned Grant Revenue |
|---|----------------------------|------------------------|---|----------------------|---------------------|--------------------------|--|
| (continued from previous page) | | | | | | | |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | | | | |
| Passed Through Georgia Department of Transportation: | | | | | | | |
| Highway Planning and Construction | 20.205 | PL000-0011-00-798 | \$ (35,096) | \$ 61,069 | \$ 25,973 | \$ - | \$ - |
| Highway Planning and Construction | 20.205 | AEOPLPLN140836 | - | 65,644 | 114,990 | - | (49,346) |
| Total GA Highway Planning and Construction | | | <u>(35,096)</u> | <u>126,713</u> | <u>140,963</u> | <u>-</u> | <u>(49,346)</u> |
| Passed through Tennessee Department of Transportation: | | | | | | | |
| Highway Planning and Construction | 20.205 | Z14MPO002 | (38,345) | 297,247 | 304,164 | - | (45,262) |
| Governor's Highway Safety Grant | 20.600 | Z14GHSO59 | (45,807) | 110,814 | 65,007 | - | - |
| Governor's Highway Safety Grant | 20.607 | Z15GHSO59 | - | - | 51,414 | - | (51,414) |
| TDOT - Congestion Management Air Quality (CMAQ) | 20.205 | 33LPLM-F0-066 | (150,336) | 150,336 | 90,285 | - | (90,285) |
| TDOT - Congestion Management Air Quality (CMAQ) | 20.205 | 33LPLM-F3-076 | (76,317) | 355,213 | 299,787 | - | (20,891) |
| TDOT - Congestion Management Air Quality (CMAQ) | 20.205 | 33LPLM-F0-095 | (64,881) | 86,371 | 111,592 | - | (90,102) |
| Total TN Highway Planning and Construction | | | <u>(375,687)</u> | <u>999,980</u> | <u>922,249</u> | <u>-</u> | <u>(297,954)</u> |
| Federal Transit Metropolitan Planning Grant | 20.505 | GG-13-34410 | (25,018) | 33,167 | 8,149 | - | - |
| Federal Transit Metropolitan Planning Grant | 20.505 | GG-15-43720-00 | - | 14,379 | 53,627 | - | (39,248) |
| Total Federal Transit: Metropolitan Planning Grant | | | <u>(25,018)</u> | <u>47,546</u> | <u>61,776</u> | <u>-</u> | <u>(39,248)</u> |
| Total U. S. Department of Transportation | | | <u>(435,801)</u> | <u>1,174,239</u> | <u>1,124,988</u> | <u>-</u> | <u>(386,548)</u> |
| INSTITUTE OF MUSEUM AND LIBRARY SERVICES | | | | | | | |
| Passed Through Tennessee Libraries and Archives | | | | | | | |
| General Library Services | 45.310 | 30504-00115-01 | - | 48,700 | 48,700 | - | - |
| 2015 LSTA Technology Grant | 45.310 | 30504-00315-22 | - | 9,757 | 9,757 | - | - |
| Total Institute of Museum and Library Services | | | <u>-</u> | <u>58,457</u> | <u>58,457</u> | <u>-</u> | <u>-</u> |

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**CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2015**

| Federal Grantor/Pass-Through/Grantor/Program Title | Federal CFDA Number | Contract Number | Beginning (Accrued) Unearned Grant Revenue | Cash Receipts | Expenditures | Other Adjustments | Ending (Accrued) Unearned Grant Revenue |
|--|----------------------------|------------------------|---|----------------------|---------------------|--------------------------|--|
| (continued from previous page) | | | | | | | |
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | | | | | | |
| Brownfields Assessment & Cleanup Cooperative Agreements | 66.818 | BF-95441209 | \$ - | \$ 218,348 | \$ 272,041 | \$ - | \$ (53,694) |
| Brownfields Assessment & Cleanup Cooperative Agreements | 66.818 | BF-95462810 | (67,903) | 67,903 | - | - | - |
| Air Pollution Control Program | 66.001 | 00408410 | 59,218 | 345,998 | 405,216 | - | - |
| Surveys, Studies, Investigations and Special Purpose Grants | 66.034 | 96497408 | - | 130,000 | 130,000 | - | - |
| Total U.S. Environmental Protection Agency | | | <u>(8,685)</u> | <u>762,249</u> | <u>807,257</u> | <u>-</u> | <u>(53,694)</u> |
| Passed Through Tennessee Department of Environment And Conservation: | | | | | | | |
| Clean Water State Revolving Loan Program (SRF 2011-289) | 66.458 | SRF 2011-289 | - | 3,201,031 | 3,201,031 | - | - |
| Clean Water State Revolving Loan Program (SRF 2012-307) | 66.458 | SRF 2012-307 | (3,829,788) | 5,889,522 | 5,889,522 | 3,829,788 | - |
| Clean Water State Revolving Loan Program (SRF 2013-318) | 66.458 | SRF 2013-318 | (4,099,215) | 5,140,809 | 5,140,809 | 4,099,215 | - |
| Total Revolving Loan Program | | | <u>(7,929,003)</u> | <u>14,231,362</u> | <u>14,231,362</u> | <u>7,929,003</u> | <u>-</u> |
| Total U. S. Environmental Protection Agency | | | <u>(7,937,688)</u> | <u>14,993,611</u> | <u>15,038,619</u> | <u>7,929,003</u> | <u>(53,694)</u> |
| FEDERAL EMERGENCY MANAGEMENT AGENCY | | | | | | | |
| Emergency Food and Shelter National Board Program | 97.024 | 768200-001 | (5,785) | 12,500 | 6,715 | - | - |
| Emergency Food and Shelter National Board Program | 97.024 | 768200-001 | - | 12,806 | 17,637 | - | (4,831) |
| Total Federal Emergency Management Agency | | | <u>(5,785)</u> | <u>25,306</u> | <u>24,352</u> | <u>-</u> | <u>(4,831)</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | |
| Head Start | 93.600 | 04CH0047/37 | (421,358) | 421,358 | - | - | - |
| Head Start | 93.600 | 04CH0047/38 | - | 8,123,822 | 8,635,842 | - | (512,020) |
| Early Head Start-Child Care Partnership Grant | 93.600 | 04HP0041/01 | - | 264,623 | 425,405 | - | (160,782) |
| Total Head Start | | | <u>(421,358)</u> | <u>8,809,803</u> | <u>9,061,247</u> | <u>-</u> | <u>(672,802)</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2015

| Federal Grantor/Pass-Through/Grantor/Program Title | Federal CFDA Number | Contract Number | Beginning (Accrued) Unearned Grant Revenue | Cash Receipts | Expenditures | Other Adjustments | Ending (Accrued) Unearned Grant Revenue |
|--|----------------------------|------------------------|---|--------------------------|--------------------------|--------------------------|--|
| (continued from previous page) | | | | | | | |
| Passed Through Tennessee Department of Human Services: | | | | | | | |
| Low-Income Home Energy Assistance | 93.568 | LIHEAP-14-03 | \$ (825,219) | \$ 1,625,924 | \$ 800,705 | \$ - | \$ - |
| Low-Income Home Energy Assistance | 93.568 | LIHEAP-15-03 | - | 1,992,062 | 2,229,499 | - | (237,437) |
| Total Low-Income Home Energy Assistance | | | <u>(825,219)</u> | <u>3,617,986</u> | <u>3,030,204</u> | <u>-</u> | <u>(237,437)</u> |
| Community Services Block Grant | 93.569 | Z 14-49104 | (116,212) | 116,212 | - | - | - |
| Community Services Block Grant | 93.569 | Z 15-49104 | - | 499,751 | 565,519 | - | (65,768) |
| Total Community Services Block Grant | | | <u>(116,212)</u> | <u>615,963</u> | <u>565,519</u> | <u>-</u> | <u>(65,768)</u> |
| YFD Summer Food Service Program | | | - | - | 61,720 | - | (61,720) |
| Total U. S. Department of Health and Human Services | | | <u>(1,362,789)</u> | <u>13,043,752</u> | <u>12,718,690</u> | <u>-</u> | <u>(1,037,727)</u> |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICES | | | | | | | |
| Foster Grandparents Program | 94.011 | 13SFSTN003 | (145,354) | 145,354 | - | - | - |
| Foster Grandparents Program | 94.011 | 13SFSTN003 | - | 350,520 | 381,480 | - | (30,960) |
| Total Corporation for National and Community Services | | | <u>(145,354)</u> | <u>495,874</u> | <u>381,480</u> | <u>-</u> | <u>(30,960)</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | | | | | |
| Passed Through Tennessee Emergency Management Agency - Disaster Relief | | | | | | | |
| FEMA 1965 DR TN - February 2011 | 97.036 | FEMA 1965 DR TN | (18,905) | 18,905 | - | - | - |
| FEMA 1974 DR TN - April 2011 | 97.036 | FEMA 1974 DR TN | (1,006,434) | 1,025,830 | - | (19,396) | - |
| Total U. S. Department of Homeland Security | | | <u>(1,025,339)</u> | <u>1,044,735</u> | <u>-</u> | <u>(19,396)</u> | <u>-</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT | | | <u>(11,663,151)</u> | <u>36,305,660</u> | <u>35,102,946</u> | <u>7,909,607</u> | <u>(2,550,829)</u> |

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2015

| <u>Federal Grantor/Pass-Through/Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Contract Number</u> | <u>Beginning (Accrued) Unearned Grant Revenue</u> | <u>Cash Receipts</u> | <u>Expenditures</u> | <u>Other Adjustments</u> | <u>Ending (Accrued) Unearned Grant Revenue</u> |
|--|----------------------------|------------------------|---|-----------------------------|-----------------------------|-----------------------------|--|
| (continued from previous page) | | | | | | | |
| STATE AWARDS | | | | | | | |
| Tennessee Commission on Aging & Disability Southeast Tennessee Development District | N/A | 42185 | \$ - | \$ 46,450 | \$ 46,450 | \$ - | \$ - |
| Tennessee Department of Environment & Conservation | | | | | | | |
| Household Hazardous Waste | N/A | GG-1338886 | (19,259) | 64,535 | 69,924 | - | (24,648) |
| Clean TN Energy | N/A | DG1338940-00 | (10,389) | 10,389 | - | - | - |
| Certified Local Government Program Grant | 15.904 | 32701-01776 | - | 14,210 | 14,210 | - | - |
| Clean Water State Revolving Loan Program (SRF 2011-289) | 66.458 | SRF 2011-289 | (1,651,989) | 640,360 | 640,360 | 1,651,989 | - |
| Clean Water State Revolving Loan Program (SRF 2012-307) | 66.458 | SRF 2012-307 | (730,069) | 1,178,187 | 1,178,187 | 730,069 | - |
| Clean Water State Revolving Loan Program (SRF 2013-318) | 66.458 | SRF 2013-318 | (863,701) | 1,028,409 | 1,028,409 | 863,701 | - |
| Total Tennessee Department of Environment & Conservation | | | <u>(3,275,407)</u> | <u>2,936,090</u> | <u>2,931,090</u> | <u>3,245,759</u> | <u>(24,648)</u> |
| Tennessee Department of Finance & Administration | | | | | | | |
| THDA Entitlement - CNE Project | | Program Income | 431,571 | 54,927 | 38,570 | - | 447,929 |
| Tennessee Department of Transportation: | | | | | | | |
| TDOT - HWY 58 Imp Pedestrian and Bike Facilities | 20.205 | 33LPLM-F3-037 | - | 212 | 584,870 | - | (584,658) |
| TDOT - SR27 Pedestrian and Bicycle Facilities | 20.205 | 33LPLM-F3-038 | | 212 | 70,611 | - | (70,399) |
| Tennessee Emergency Management Agency - Disaster relief | | | | | | | |
| FEMA 1965 DR TN - February 2011 | 97.036 | FEMA 1965 DR TN | (2,825) | 2,825 | - | - | - |
| FEMA 1974 DR TN - April 2011 | 97.036 | FEMA 1974 DR TN | (159,916) | 155,839 | - | (5,452) | (9,529) |
| TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT | | | <u>(3,006,577)</u> | <u>3,196,555</u> | <u>3,671,591</u> | <u>3,240,307</u> | <u>(241,305)</u> |
| TOTAL EXPENDITURE OF FEDERAL AND STATE AWARDS - PRIMARY GOVERNMENT | | | <u>\$(14,669,728)</u> | <u>\$ 39,502,216</u> | <u>\$ 38,774,537</u> | <u>\$ 11,149,914</u> | <u>\$ (2,792,134)</u> |

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

June 30, 2015

Note 1. Basis of Presentation

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

Note 2. Program Income

Cash receipts for the Community Development Block Grant (CFDA 14.218) and HOME Investment Partnerships Program (CFDA 14.239) include program income of \$327,336 and \$389,686, respectively.

Note 3. Other Adjustments

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

Note 4. Subrecipients

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

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Amount Provided to Subrecipient</u> |
|---|--------------------------------|--|
| Community Development Block Grants/ Entitlement Grants | 14.218 | \$446,731 |
| Shelter Plus Care | 14.231 | 227,202 |
| THDA ESG Stage | 14.231 | 152,374 |
| Home Investment Partnerships Program | 14.239 | 835,886 |



HENDERSON HUTCHERSON
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Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the aggregate discretely-presented component units, each major fund and the aggregate remaining fund information of the City of Chattanooga, Tennessee (the City), as of and for the year ended June 30, 2015, 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 10, 2015. Our report includes a reference to other auditors who audited the financial statements of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority, as described in our report on the City of Chattanooga's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported in separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Chattanooga, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 10, 2015

Henderson Hutcherson
& McCullough, PLLC



HENDERSON HUTCHERSON
& MCCULLOUGH, PLLC

Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Chattanooga, Tennessee's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. 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 the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority which expended federal awards which are not included in the accompanying schedule of expenditures of federal awards during the year ended June 30, 2015. 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 OMB Circular A-133. The City's basic financial statements also include operations of the Electric Power Board. We performed an audit in accordance with OMB Circular A-133 for this enterprise fund. The schedule of expenditures of federal awards for the year ended June 30, 2015 does not include these operations as we reported on them separately.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Compliance for Each Major Federal Program

In our opinion, the City of Chattanooga, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Chattanooga, Tennessee
December 10, 2015

*Henderson Hutcherson
& McCullough, PLLC*

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 11.300 | U.S. Department of Commerce Economic Development Administration Sewer System Upgrade |
| 15.928 | U.S. Department of Interior National Park Service, Historic Preservation Grants |
| 66.001 66.818 | U.S. Environmental Protection Agency Air Pollution Control Program Brownfields Assessment & Cooperative Agreement |
| 93.569 | U.S. Department of Health and Human Services Community Services Block Grant |
| 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, 2015

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

\$1,053,088

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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