

SAFER STREETS | GROWING ECONOMY | STRONGER NEIGHBORHOODS
HIGH PERFORMING GOVERNMENT | SMARTER STUDENTS, STRONGER FAMILIES

CITY OF CHATTANOOGA

CAFR

2020

Comprehensive Annual Financial Report for the Year Ended June 30, 2020

CHATTANOOGA, TENNESSEE



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

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, 2020

DEPARTMENT OF FINANCE AND ADMINISTRATION
DAISY W. MADISON, ADMINISTRATOR

CITY OF CHATTANOOGA, TENNESSEE

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CITY OF CHATTANOOGA, TENNESSEE

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Mayor's Letter



City of Chattanooga
Office of the Mayor
City Hall 101 East 11th Street Chattanooga, Tennessee 37402

December 31, 2020

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

I am pleased to present the City of Chattanooga's annual financial report for the year ending June 30, 2020. Chattanooga's resilience has been evident throughout this year as we have worked hard to address crises like the coronavirus pandemic, economic recession, and a natural disaster. Your City of Chattanooga government has been able to keep our community safe and strong, while working to build a brighter, better future for all Chattanoogaans, even in a year of deep and unexpected revenue shortfalls.

As we began this year, Chattanooga was poised to be the number one city for new jobs in America, which was no surprise based on the years of strong private sector growth, record unemployment, and rising wages. However, the COVID-19 pandemic put a halt to economic progress and your city government acted swiftly providing more than \$2.5 million in loans and grants to struggling small businesses, nearly \$1 million in rent and utility assistance, and providing local businesses with the resources they needed to do business safely.

We're continuing to build smarter students and stronger families by helping families bridge the digital divide through our landmark HCS Connect initiative and preparing our students for the future with increased investment in early childhood education.

Creating safer streets not only includes investing in our police and fire but also enhancing the infrastructure that we all use. We spent more money than ever before on paving and moved forward with several infrastructure projects to connect people to places with greenways, sidewalks, and bike lanes.

Lastly, we know that our neighborhoods are strongest when the members of the community feel a sense of pride. This year, in addition to celebrating the renovations of many of our neighborhood parks, we launched Neighborroots, an initiative to tell the stories of the people, places, and moments that make our neighborhoods so special.

In everything we do, we try to break down barriers and empower Chattanoogaans to live the life of their choosing. We're already looking to a future that will allow us to build back better. On behalf of everyone responsible for delivering these services to the residents of Chattanooga, thank you for your support.

Sincerely,

Mayor Andy Berke
City of Chattanooga



Mayor Andy Berke

City Council



Chip Henderson
Chair
District 1



Jerry Mitchell
District 2



Ken Smith
Vice-Chair
District 3



Darrin Ledford
District 4



Russell J. Gilbert, Sr.
District 5



Carol Berz
District 6



Erskine Oglesby, Jr.
District 7



Anthony Byrd
District 8



Demetrus Coonrod
District 9

Letter of Transmittal



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

December 31, 2020

**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, 2020 is submitted in compliance with this requirement.

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

Henderson, Hutcherson & McCullough, PLLC, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Chattanooga’s financial statements for the year ended June 30, 2020. The independent auditor’s report is presented as the first item in the financial section of this report.

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

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

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



Daisy W. Madison,
City Finance Officer



GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND MAJOR INITIATIVES

PROFILE OF THE GOVERNMENT

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

Founded as a ferry landing and warehouse site in 1815, the City of Chattanooga was incorporated under State of Tennessee Private Acts of 1839. The City is the county seat of Hamilton County and is located near the southeastern corner of the state on the Tennessee-Georgia border. Chattanooga is centrally located in relation to other major population centers of the southeast, being within a 150-mile radius of Knoxville and Nashville, Tennessee; Birmingham, Alabama; and Atlanta, Georgia. Over 11 million people live within a 2 to 2½ hour drive of Chattanooga. It encompasses an area of 148 square miles. Official results of the 2010 U.S. Census show a population of 167,674, a 7.8% growth since the 2000 Census. The most recent Census Bureau estimate shows the city with a population growth rate of over

0.8% in 2018, with a current estimate of 182,799. The City is empowered to levy a property tax on both real and personal property located within its boundaries. Corporate limits may be extended at the request of an adjacent property owner or by a referendum of the people in the affected proposed annex areas who want to petition to be brought into the city boundary.

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

The City provides a full range of municipal services including but not limited to fire and police protection; sanitation services and recycling; construction and maintenance of highways, streets and infrastructure; recreation and cultural activities; youth and family development; public library; community development; planning and zoning; neighborhood services; social services; and administrative services for the government as a whole. It also operates a water quality program, a solid waste program and a wastewater treatment system for its residents and for other communities in southeast Tennessee and northwest



Georgia. The City's Electric Power Board (EPB) provides electric service and fiber-to-home to support phone, cable, and internet services. Other services are provided through the legally separate Chattanooga Downtown Redevelopment Corporation, which is reported along with EPB as an enterprise fund. Additional services are provided through the legally separate Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transportation Authority (CARTA), both of which are reported separately within the City's financial statements. Additional information on all these legally separate entities can be found in the notes to the financial statements.

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

FACTORS AFFECTING FINANCIAL CONDITION

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

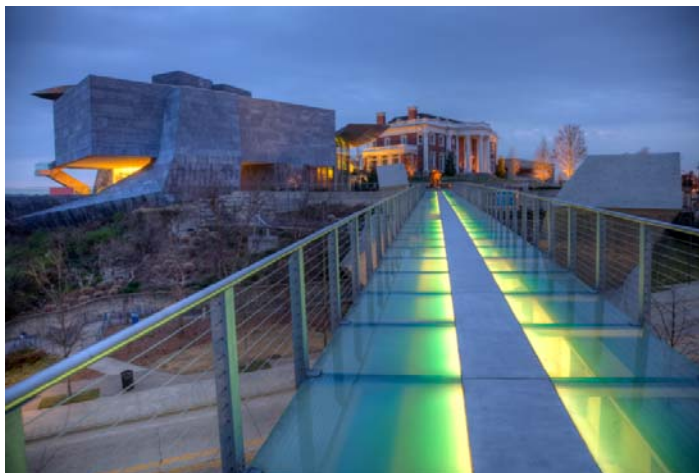
The Local Economy:

The City of Chattanooga remains well positioned for future growth. Employment in the Chattanooga area is diverse. The pandemic which created devastating job loss nationwide in 2020 was much less apparent in the Chattanooga region, which has continued to show strength in manufacturing. The top employment sectors of trades, transportation, and utilities (20%), government (14%), manufacturing (13%), professional and business services (18%), education and health (13%), and leisure and hospitality (11%) comprise 89% of the workforce. The local unemployment rate of 5.1% for the Chattanooga Metro-

politan Statistical Area is comparable to the state and national averages of 6.3% and 7.9% as of September, 2020, according to information from the U.S. Bureau of Labor Statistics.

Chattanooga enjoys strategic advantages related to its location, strong transportation system, natural resources and competitive cost of doing business. The Chattanooga area is served by three interstate highways, seven U.S. highways, two railways, airlines, bus service, and the Tennessee River system. The widening of US Highway 27 through downtown has entered its final phase, expected to be completed in January 2020 at a total cost to exceed \$143 million. Reconstruction of the intersection of Interstates 75 and 24 has just begun. This \$133 million project should be completed in 2022. The Thrive Regional Partnership, comprised of 16 area counties, has partnered with the Federal Highway Administration to develop a long-range transportation plan for the Chattanooga region, ensuring continued transportation needs are met. Work is still underway in the Tennessee River on the new Chickamauga Lock. Construction to cost an estimated \$850 million will replace the existing 60 by 360 foot lock with one that is 110 by 600 feet. The project could be completed as early as 2024. The Chattanooga Metropolitan Airport is served by four airlines. Direct flights are available to ten major cities. During 2019, enplanements totaled 554,050, up 9.87% over 2018, indicating a robust increase in business and leisure travel. Enplanements in 2020, through the first three quarters, are down 60% from the same period in 2019. The Airport Authority is constructing a \$25 million 1,300 space parking deck to accommodate future growth in air travel. 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.

There is no doubt the retail service sector has suffered in 2020. Hamilton Place Mall, which is in its 34th year of operation, anchors the area's I-75 retail corridor. Adaptation to change is the key to continued success of big-box retail as internet sales shift the shopping experience. Renewed retail opened as planned in the space formerly anchored by Sears. Construction nears completion on a new 135-room hotel on mall property. The mall's owners, with over 40 years in the shopping



center industry, remain confident as they reorganize to adapt to the rapidly shifted retail environment. The retail area just north of the mall, known as Waterside, could ultimately include 350,000 square feet of retail space, restaurants, and up to 300 apartments in this mixed use development encompassing over 60 acres. Recent rezoning will allow construction of a 200-room hotel near the entrance to development.

A Central Business Improvement Districts (CBID) has just been established to promote continued revitalization of the area. Additional fees will pay for an enhanced level of programs and services not currently provided by city government. Within the CBID, the City's \$4.9 million project to reshape the historic Patten Parkway block is nearing completion. A new 117-room boutique hotel opened in the central business district in October.

A recent extension of M. L. King Blvd. west to the Tennessee River is complete. A portion of the funding was provided by a \$4 million Tax Increment Financing plan and includes a medical office building and new apartments. Adjacent to the area is the former Alstom plant site, purchased in 2018 by a private development group. This 112-acre parcel along the river is envisioned to attract \$2 billion of investment to add manufacturing, office, and residential uses. Additional major residential announcements include plans for a 56-unit condominium in the East Main Street corridor within the City's Southside, an area which continues to attract additional interest. The past few months have brought announced plans for a new hotel, townhomes, and condominiums. Additionally, developers are in the planning stages of a residential and commercial project in the North Chattanooga area which could reach \$300 million dollars on the 200 acre tract.

Chattanooga continues to receive recognition as a world leader in technology. The Electric Power Board (EPB) began offering one-gig high-speed internet in 2010. This service was upgraded to a ten-gigabit connection offered to all 170,000 homes in Chattanooga beginning in 2015, the first city to do so. The Fiber-to-the-Home (FITH) network is available to individuals, schools, and businesses in a service area covering 600 square miles including urban, suburban, and rural places and a diverse



population of 300,000 people. Beginning in 2016, EPB added 4K ultra high definition TV service, the first in the area. The utility surpassed 100,000 customers in 2018. The system is

integrated with Smart Grid, a technology which allows remote monitoring of meters for every customer. A \$111 million federal stimulus grant from the Department of Energy in 2010 dramatically accelerated the installation in 2012 of the Smart Grid, allowing for an implementation schedule to taking only two years. A wireless mesh network is piggybacked onto the entire system, enhancing public safety as well. The network represents a total \$320 million investment. This investment continues to provide dividends to the city, including the recently announced relocation of MFG Chemical headquarters citing the internet speed as a factor in the decision to choose Chattanooga. The City has utilized the 10-gig speed, through the establishment of NoogaNet in city-owned spaces and buildings to provide free Wi-Fi. The service is currently offered in 55 locations.

Manufacturing continues the resurgence that began in 2008 with the announcement that Volkswagen AG would locate its United States manufacturing headquarters in Chattanooga. Since that time, the area has attracted \$4 billion in foreign direct investment. The Enterprise South Industrial Park (ESIP), home to Volkswagen AG, hosts numerous companies associated with automobile manufacturing, as well as an Amazon distribution center. The 3,000 acre industrial site has essentially been filled or committed for additional potential expansion of the VW plant. The plant has achieved production of over 100,000 units per year. A new SUV, designed and built specifically for the U.S. market, began production in December 2016, with sales beginning in May 2017. A November announcement called for an additional 300 employees to be hired by a staffing contractor to meet production demand. The company is in the midst of an \$800 million expansion to the plant on 900 additional acres adjacent to their 1,300 acre facility for the production of an electric vehicle, expected to go on sale in 2022. The vehicle will have a 250-mile range and entry level price of under \$40,000. Total vehicle production is expected to reach 185,000 once the new electric vehicles line is at full production. Ground was broken in November on a \$22 million Battery Engineering Lab, expected to create 20 new jobs. The largest remaining undeveloped tract within the industrial park is being developed by the City and County as a 250-acre automotive supplier park. ATN Hoelzel LP, a supplier to VW, relocated its North American headquarters to Chattanooga as part of a \$6 million investment to move its manufacturing facility closer to the VW factory and bring an estimated 100 additional jobs. Another significant addition to the automotive manufacturing arena is the upcoming investment by Nippon Paint, a Japanese company, which will build a 270,000 square foot factory on 30 acres of the former Harriet Tubman housing project location in the East Chattanooga area. This will be a \$61 million investment and will bring 150 jobs to supply the Toyota/Mazda plant being constructed in Huntsville, AL. The development is adjacent to a newly identified Tax Increment Financing District which is designed to spur additional growth in the area. Gestamp, a world leader in hot-stamp technology and a Tier 1 supplier for VW, BMW, and Mercedes-Benz, announced plans in November for a \$94 million expansion. This will add 260 new jobs over the next five years. Additional metropolitan regional job announcements this fall include a \$225 million investment bringing 480 new jobs in snack food production, a \$114 million investment bringing 197 jobs in automotive manufacturing, and

100 new jobs in appliance manufacturing.

Chattanooga remains a leader 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. Most employment announcements over the past year range from 10 to 100 in a variety of industries, including manufacturing, freight logistics, data analytics, and marketing. Our success is driven by technology, capital venture funding, business incubators, and a City initiative known as the “Innovation District”, designed to connect entrepreneurs who have creative ideas with existing businesses to jump start new successful companies. Startup Week (October 19-23), went entirely virtual in 2020. Hosted from the Innovation District by The Company Lab (Co.Lab.), the conference, offered 80 events to highlight entrepreneurship development within Chattanooga’s business culture. The city hosted the fourth annual Alexa Conference last January. The online personal finance website SmartAsset ranked Chattanooga as the most affordable place to start a company for the fifth year in its 2019 edition, citing low costs “of office space, wages, utilities, and legal and accounting rates.”

The first phase of the Chattanooga Chamber of Commerce “Chattanooga Climbs” campaign, conducted from July 2019 – June 2024, set goals for job growth, private investment and new payroll income. These goals include the following benchmarks (with results in parenthesis):

	<u>5 Year</u>	<u>Actual</u>
<u>Goal to increase</u>	<u>Target</u>	<u>(1 year)</u>
Regional Employment	5,000	824
Private Investment	\$1.0 B	\$574.8 M
Payroll	\$500 M	\$78.5 M
Annual Income	\$55,000	\$53,162

The “Chattanooga Climbs” economic development strategy will focus on an education initiative in high schools to help build a workforce, which will be ready to participate in the labor market driven by a need for a higher level of skills than required in the past.

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

(STEM), located on the Chattanooga State campus, which provides coursework based on hands-on training and offers internships or apprenticeships to the students. The University of Tennessee at Chattanooga (UTC) offers undergraduate and graduate degree opportunities in twenty-nine academic departments. The school recently received a Department of Energy grant to study how to increase efficiency of intersections by reducing wait time. The Chattanooga Smart Community Collaborative, a joint effort by EPB, UTC, Erlanger Hospital, Chattanooga and Hamilton County governments, and local business accelerator groups, will work to attract new research projects in energy, transportation, and health care.

Tourism, part of the bedrock of our downtown resurgence, unfortunately fell flat in 2020 due to the Coronavirus. Local attractions along with several national events which were held here, brought an estimated \$1 billion to the local economy in



2019. Expectations are that downtown will return a popular tourist destination, anchored by the Tennessee River and the Tennessee Aquarium, which just celebrated its 28th anniversary. Many national events which took place in 2019, including Ironman competitions with over 2200 participants at the Fall 2019 event, the 7 Bridges Marathon, and the fifteenth Head of the Hooch rowing competition will begin to return when the pandemic has passed. The Tennessee Riverwalk and River park system, which first opened a 2-mile section in 1989, now encompasses nearly 13 miles of walkway along the southern bank of the river, stretching from the Chickamauga Dam, through the northern edge of downtown, and terminating near the historic St. Elmo neighborhood. The Riverwalk is connected to the 12 mile South Chickamauga Creek Greenway. Chattanooga has become nationally recognized as a destination for those seeking outdoor activities which include hiking, hang-gliding, rock climbing, biking, and water sports. Outdoor competition and activities bring millions to the local economy and help keep Chattanooga in the forefront.

The fiscal health of Chattanooga City Government remains strong. As outlined in the Management’s Discussion and Analysis on page iii, the City has maintained a healthy financial position through sound fiscal management. We have a history of strong fiscal discipline, healthy reserves, and con-



stant review of operations, being ever vigilant to find new efficiencies and cost reduction measures. Standard and Poor's Ratings Services raised the City's bond rating to AAA in November 2013, which was reaffirmed as AAA Stable in October 2019. Fitch Ratings affirmed their bond rating for the City at AA+ Stable in September 2019. The EPB maintains AA+ ratings from S&P and Fitch.

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

The City's Budgeting for Outcomes approach to budget preparation and management began with the Fiscal Year 2014 budget. This approach, in its seventh year with the Fiscal Year 2020 budget, is designed to measure results against goals and benchmarks used in determining funding levels for all city operations. It provides accountability by requiring regular review and monitoring of departmental performance by the Mayor, the City Finance Officer, and other senior City officials. The City's annual performance report to the citizens of Chattanooga gives residents an update on how city services are responding to their needs. It also provides department heads and managers with quantifiable information to assess performance in meeting the City's goal of efficient and effective management of resources

in providing quality services to the citizens of Chattanooga. An Open Data portal is in place to improve transparency and promote citizen engagement and includes regular updates to the budget and spending for the public to view on the City's website.

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

Major initiatives: Chattanooga is a major participant in a 40-year regional growth plan, known as the Greater Chattanooga Regional Growth Initiative, or "Thrive 2055". The participants include sixteen counties and their major cities from south-east 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, 2019. This was the twenty-eighth 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.

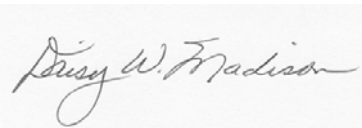
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal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

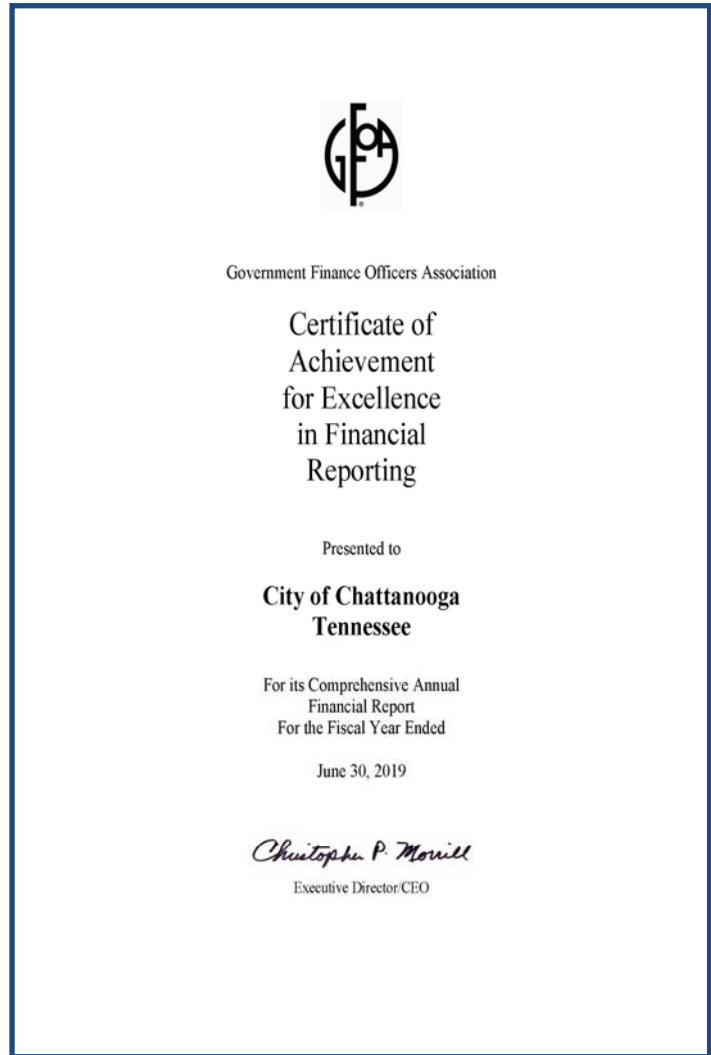
The GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting was received for the fiscal year ended June 30, 2019. This is the ninth consecutive year for which the City received the award. In order to qualify, a government must publish a Popular Annual Financial Report with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

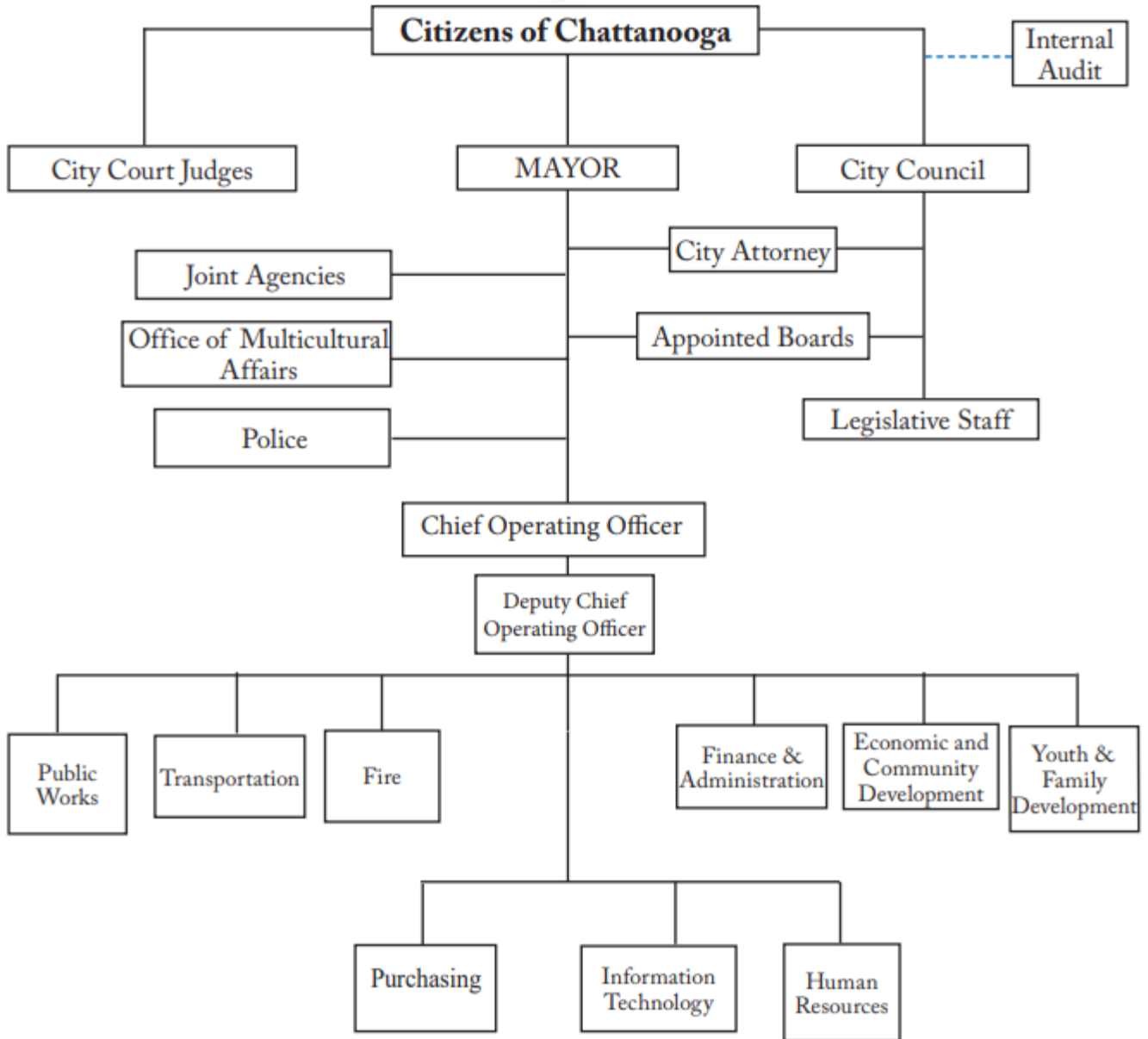
The preparation of this report could not have been accomplished without the professional and dedicated services of the entire staff of the Finance Department and the City's independent public accountants, Henderson, Hutcherson & McCullough PLLC. We would like to express our appreciation to members of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

Respectfully submitted,



Daisy W. Madison
City Finance Officer









CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee (the City), as of and for the year ended June 30, 2020, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Chattanooga Metropolitan Airport Authority and Chattanooga Area Regional Transit Authority, which represent 100 percent of the assets, net position, and revenues of the discretely-presented component units. Additionally, we did not audit the financial statements of EPB, which represent 40 percent, 45 percent, and 84 percent, respectively, of the assets, net position, and operating revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Chattanooga Metropolitan Airport Authority, Chattanooga Area Regional Transit Authority and EPB is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iv through xxii of the Financial Section and the required supplementary information on pages B-1 through B-17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2020, 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 31, 2020

Henderson Hutcherson
& McCullough, PLLC

Management's Discussion and Analysis

As management of the City of Chattanooga (the "City"), we provide readers of the City's financial statements with this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with our Letter of Transmittal beginning on page Intro 3 and the financial statements beginning on page A-1.

Financial Highlights

- Assets and deferred outflow of resources for the primary government exceeded liabilities and deferred inflow of resources by \$2.3 billion (net position), an increase of \$68.4 million or 3.1 percent, at the close of the fiscal year. Of this amount, there is a \$73.5 million deficit unrestricted net position. The deficit in unrestricted net position increased by \$27.8 million; governmental activities decreased \$2.8 million while business-type activities decreased \$25.0 million.
- Net position of governmental activities was \$1.2 billion, an increase of \$16.3 million, or 1.3 percent. Business-type activities reported an ending net position of \$1.0 billion, an increase of \$52.1 million, or 5.4 percent due to favorable operations trend in all business-type activities.
- Long-term liabilities for the City's primary government increased \$27.5 million or 2.4 percent, during the current fiscal year. Governmental activities long-term liabilities increased \$13.0 million. During the year, the city issued \$39.0 million in bonds; \$20.2 million to finance new projects and \$18.8 million to refinance \$22.3 million. \$19.3 million in debt was retired during the year. Other increases include debt premiums of \$5.5 million, pension liabilities of \$16.5 million and compensated absences of \$1.4 million. These were offset by a decrease in other post-employment benefits (OPEB) liabilities of \$7.8 million. Business-type activities increased \$14.5 million. During the year, the city issued \$27.3 million in new bonds and notes. Other increases include pension liabilities of \$6.0 million and OPEB liabilities of \$8.4 million. These were offset by a \$27.8 million decrease in bonded debt and debt premiums.
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$76.9 million, a decrease of \$1.3 million or 1.6 percent from prior year. This is primarily due to appropriation of \$6.0 million of fund balance for one time capital expenditures. Revenue estimates were lowered during the fiscal year by \$5.5 million as a result of lower expected performance due to the COVID-19 pandemic. Appropriations were increased \$2.1 million to appropriate funds for the city's matching requirement of the anticipation FEMA disaster declaration for the Easter 2020 tornado. We had favorable variances in both estimated revenues and operations costs totaling \$11.7 million. Unassigned fund balance represents 25.4 percent of total General Fund expenditures and transfers out.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

There are two government-wide financial statements:

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

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

The government-wide financial statements reflect three distinct activities:

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

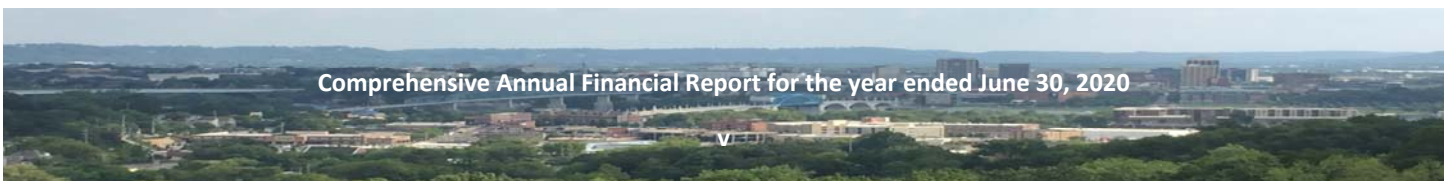
Business-type Activities - These activities are supported by user fees and charges for service which are intended to recover all of their costs. Included are electric, sewer, water quality systems, solid waste disposal, as well as a communications system. Also included is The Chattanooga Downtown Redevelopment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

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the most significant funds — not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes. Some funds are required by State or Federal law or by bond covenants.



Other funds are established by the City to help manage money for specific purposes (i.e. economic development) or to show that it is meeting legal responsibilities for how certain monies are used (i.e. grants received from the U.S. Department of Housing and Urban Development or hotel-motel taxes).

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

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

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

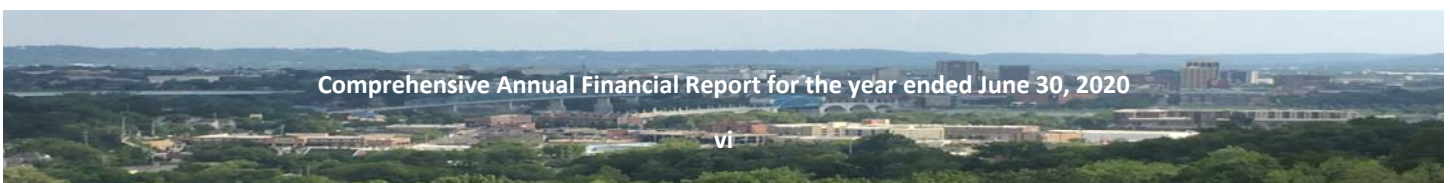
The City maintains a general fund, multiple special revenue funds, a debt service fund, a capital projects fund and one permanent fund as governmental funds. Information is presented separately in the governmental statements for the General Fund and the Capital Projects Fund since both are considered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

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

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

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

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements but provide more detail and additional information, such as cash flows. The Electric Power Board (EPB), Interceptor Sewer System, Water Quality Management, Solid Waste, Tennessee Valley Regional Communications System and Chattanooga Downtown Redevelopment Corporation are considered major funds.



- **Internal service funds** are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Chattanooga accounts for fleet maintenance, technology replacement and risk financing (e.g. medical cost and third party liability claims) in the internal service fund. The internal service funds are combined into a single column in the proprietary fund statements. Because these services predominantly benefit governmental rather than business-type functions, they have been included as part of governmental activities in the government-wide financial statements.

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

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

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

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

Notes to the Financial Statements

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

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

Supplemental Information

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

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

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

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

Government-wide Overall Financial Analysis

Net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$2.3 billion at the close of the most recent fiscal year, an increase of \$68.4 million, or 3.1 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.

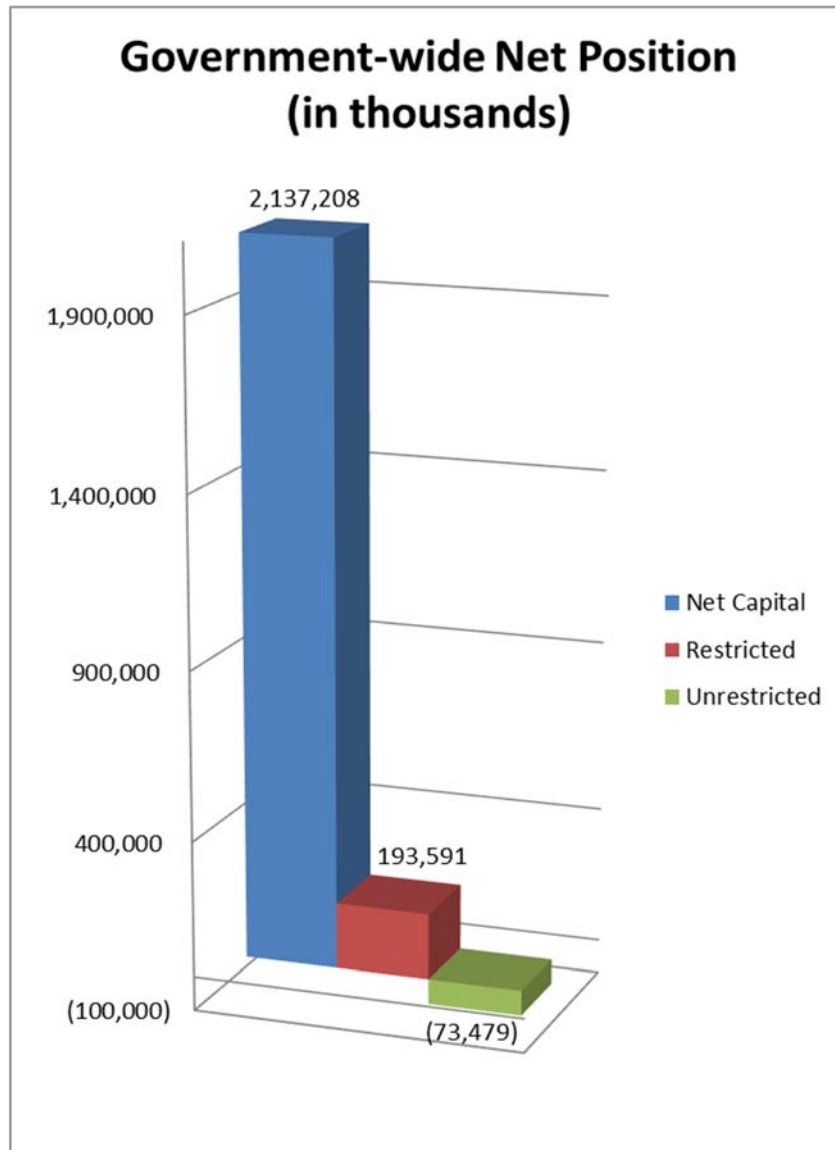
City of Chattanooga's Net Position

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 429,803	\$ 389,563	\$ 533,354	\$ 516,368	\$ 963,157	\$ 905,931
Capital assets	1,494,459	1,490,674	1,228,634	1,164,885	2,723,093	2,655,559
Total assets	<u>1,924,262</u>	<u>1,880,237</u>	<u>1,761,988</u>	<u>1,681,253</u>	<u>3,686,250</u>	<u>3,561,490</u>
Total deferred outflows of resources	104,673	110,101	26,895	23,386	131,568	133,487
Long-term liabilities outstanding	603,239	590,264	555,778	541,242	1,159,017	1,131,506
Other liabilities	36,221	29,720	216,131	198,526	252,352	228,246
Total liabilities	<u>639,460</u>	<u>619,984</u>	<u>771,909</u>	<u>739,768</u>	<u>1,411,369</u>	<u>1,359,752</u>
Total deferred inflows of resources	149,129	146,330	-	-	149,129	146,330
Net position:						
Net investment						
in capital assets	1,323,233	1,324,097	813,975	741,029	2,137,208	2,065,126
Restricted	91,569	71,557	102,022	97,898	193,591	169,455
Unrestricted	<u>(174,457)</u>	<u>(171,631)</u>	<u>100,977</u>	<u>125,944</u>	<u>(73,479)</u>	<u>(45,687)</u>
Total net position	<u>\$ 1,240,345</u>	<u>\$ 1,224,023</u>	<u>\$ 1,016,974</u>	<u>\$ 964,871</u>	<u>\$ 2,257,320</u>	<u>\$ 2,188,894</u>

By far the largest portion of the City's net position, \$2.3 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, \$193.6 million, represents resources that are subject to external restrictions on how they may be used. There is a \$73.5 million deficit in unrestricted net position due to recording of unfunded OPEB liabilities of \$117.5 million and unfunded pension liabilities of \$281.2 million. Please refer to Note 7 for more information on the City's pension and OPEB programs.



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

City of Chattanooga's Changes in Net Position

(in thousands)

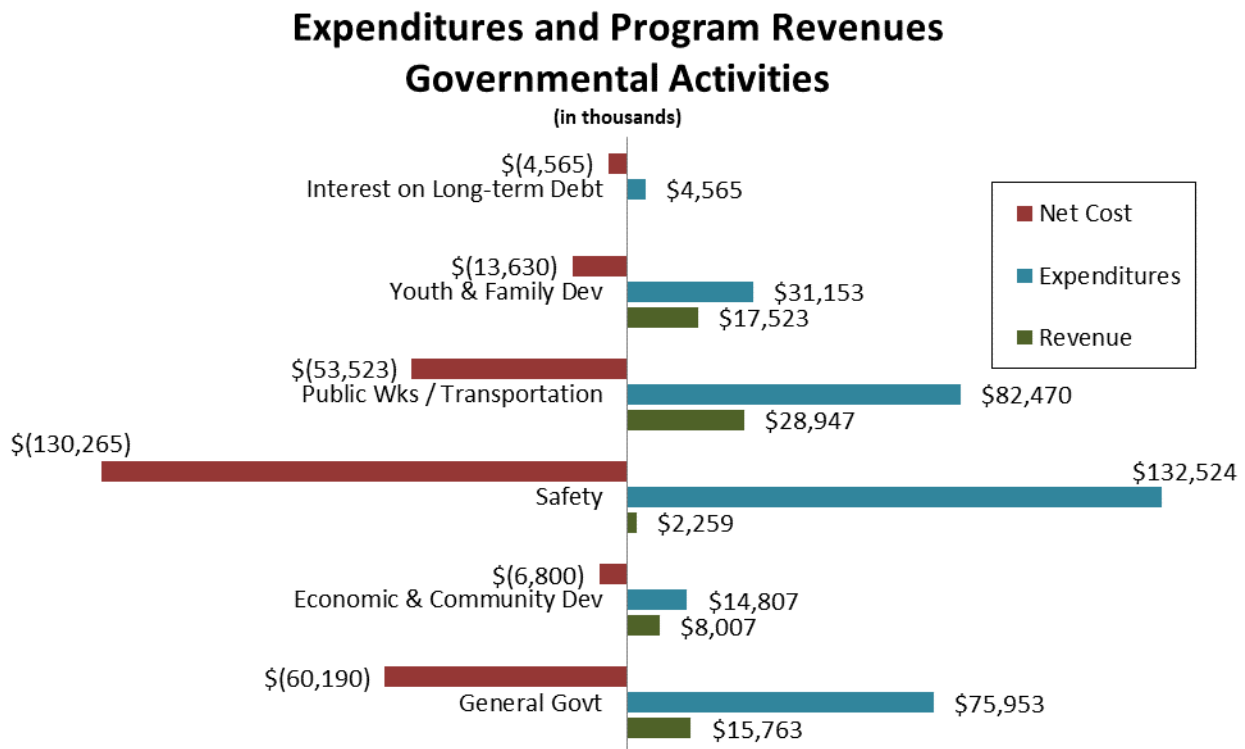
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 22,135	\$ 22,531	\$ 853,361	\$ 901,876	\$ 875,496	\$ 924,407
Operating grants	32,526	32,629	-	-	32,526	32,629
Capital grants	17,838	46,911	1,292	1,751	19,130	48,662
General revenues:						
Property taxes	151,750	149,034	-	-	151,750	149,034
Other taxes	27,522	26,926	-	-	27,522	26,926
Investment income	4,118	3,824	6,190	5,326	10,308	9,150
Miscellaneous	285	723	-	-	285	723
Unrestricted grants and contributions	96,718	95,072	-	-	96,718	95,072
Total revenues	<u>352,892</u>	<u>377,650</u>	<u>860,843</u>	<u>908,953</u>	<u>1,213,735</u>	<u>1,286,603</u>
Expenses						
Governmental activities:						
General government	75,953	63,023	-	-	75,953	63,023
Economic and community development	14,807	12,157	-	-	14,807	12,157
Public safety	132,524	132,778	-	-	132,524	132,778
Public works and transportation	82,470	76,435	-	-	82,470	76,435
Youth and family development	31,153	31,341	-	-	31,153	31,341
Interest on long-term debt	4,565	5,329	-	-	4,565	5,329
Business-type activities:						
Electric utility	-	-	709,943	708,305	709,943	708,305
Sewer	-	-	67,087	59,352	67,087	59,352
Solid waste	-	-	3,958	2,638	3,958	2,638
Water quality	-	-	18,828	12,114	18,828	12,114
Regional communications	-	-	1,900	2,602	1,900	2,602
Downtown redevelopment	-	-	2,122	37,205	2,122	37,205
Total expenses	<u>341,472</u>	<u>321,063</u>	<u>803,838</u>	<u>822,216</u>	<u>1,145,310</u>	<u>1,143,279</u>
Excess (deficiency) before transfers	11,420	56,587	57,005	86,737	68,425	143,324
Transfers	4,902	(19)	(4,902)	19	-	-
Increase (decrease) in net position	16,322	56,568	52,103	86,756	68,425	143,324
Net position, beginning	1,224,023	1,167,455	964,871	878,115	2,188,894	2,045,570
Change in accounting principal - EPB	-	-	-	-	-	-
Net position, restated	-	-	-	878,115	-	2,045,570
Net position, ending	<u>\$ 1,240,345</u>	<u>\$ 1,224,023</u>	<u>\$ 1,016,974</u>	<u>\$ 964,871</u>	<u>\$ 2,257,320</u>	<u>\$ 2,188,894</u>

Governmental Activities

During the current fiscal year, net position of the City’s governmental activities increased \$16.3 million from the prior year for an ending balance of \$1.2 billion. Overall revenue decreased \$19.8 million or 5.3 percent. The combination of sales tax, both local option and tourist development zone, increased \$2.5 million or 3.4 percent. Property tax increased by \$2.7 million or 1.8 percent. Interfund transfers increased by \$4.9 million. These were offset by a decrease in donated streets completed by developers by \$28.8 million or 62.3 percent.

Expenditures for the current year increased \$20.4 million or 6.4 percent. The increase primarily consists of an increase in General Government of \$12.9 million, or 20.5 percent. In fiscal year 2019, we had a \$25.3 million credit for the write-off of the Southside Capital Lease and a \$15.6 million loss on the sale of assets which was not repeated in fiscal year 2020. Other increases include an increase in liability premiums of \$1.7 million, a net increase of \$929,000 to supported agencies and an increase in CARTA subsidy of \$448,000. Public Works and Transportation increased by \$6.0 million, or 7.9 percent largely due to the cleanup efforts from a tornado disaster during the year.

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



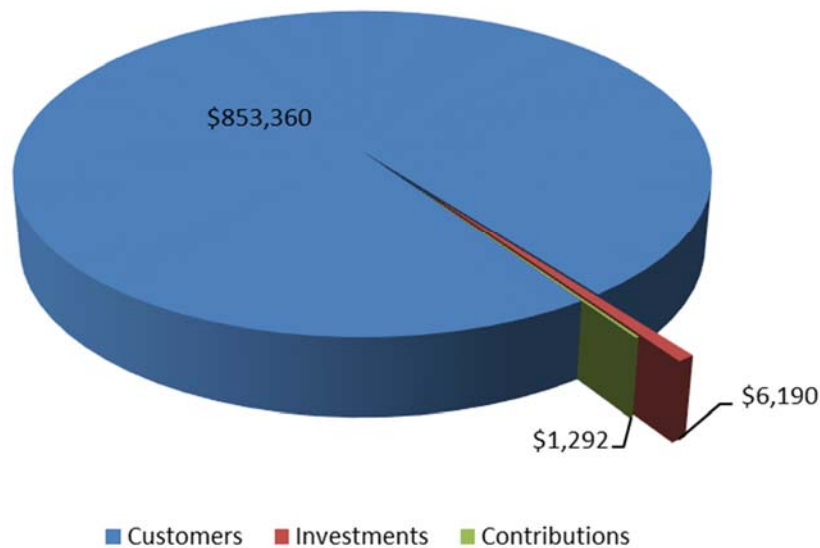
Business-type Activities

During the current year, net position of the business-type activities increased \$52.1 million or 5.4 percent, to \$1.0 billion. This net position is dedicated solely to finance the continuing operations of the electric, sewer, water quality systems, solid waste disposal, regional communications systems and downtown redevelopment operations.

Revenues for the City’s business-type activities were \$860.8 million for the year just completed; this is a \$48.1 million or 5.3 percent decrease. Expenses decreased \$18.4 million or 2.2 percent resulting in total expense of \$803.8 million for the year. Please see Enterprise Fund detail for additional information.

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

Revenues by Source Business-type Activities
(in thousands)



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

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

	Electric	Sewer	Solid Waste	Water Quality	Regional Communication System	Downtown Revelopment	Total
Expenses	\$ 709,943	\$ 67,087	\$ 3,958	\$ 18,828	\$ 6,823	\$ 2,122	\$ 808,761
Revenues	717,811	103,101	5,287	27,616	2,111	4,938	860,864
Change in net position	\$ 7,868	\$ 36,014	\$ 1,329	\$ 8,788	\$ (4,712)	\$ 2,816	\$ 52,103

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

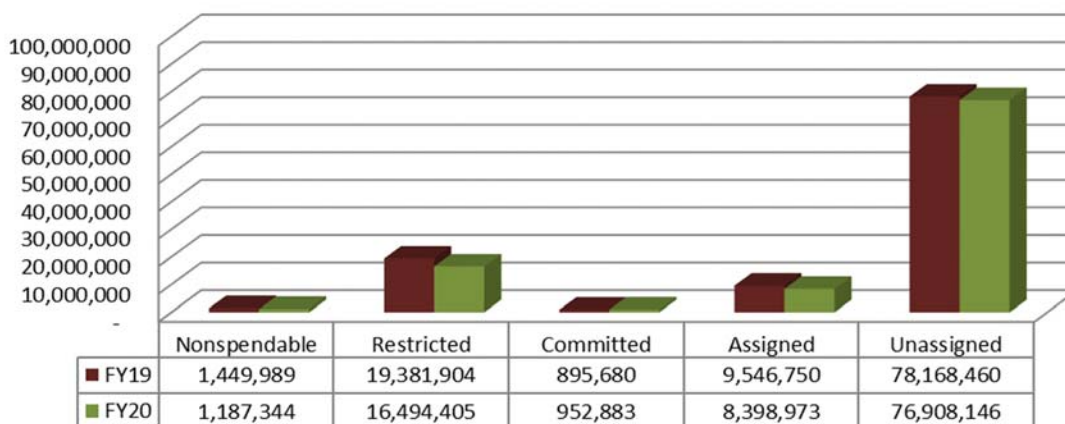
Governmental funds focus on the near-term flow of resources and balance of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's resources available for discretionary use since 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 \$219.2 million at the end of the fiscal year. Of this amount, 35.1 percent or \$76.9 million is available for spending at the City's discretion (unassigned fund balance). Total fund balance is made up of the following:

- \$6.7 million is in non-spendable form such as inventories and notes receivable.
- \$118.9 million is restricted for particular purposes due to restrictions placed by grants, bond covenants, other governments or by City ordinance.
- \$8.4 million is committed for specific purposes based on City resolutions.
- \$8.4 million is assigned for particular purposes such as under control of boards or designated purpose by management.
- \$76.9 million is unassigned for General Fund discretionary use.

General Fund: This is the chief operating fund of the City. Total fund balance of the General Fund decreased by 5.0 percent or \$5.5 million to \$103.9 million during the fiscal year. Unassigned fund balance decreased \$1.3 million or 1.6 percent to \$76.9 million. During fiscal year 2020 there was a \$6.0 million planned use of fund balance for pay-as-you-go capital and economic development incentives.

General Fund Fund Balance



As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Unassigned fund balance represents approximately 25.4 percent of total General Fund expenditures and transfers out, while total fund balance represents 34.3 percent.

Revenues - Total revenues increased \$5.0 million or 1.7 percent, from the prior year, largely due to an increase of tax and intergovernmental revenue . All major revenue sources are discussed as follows.

- Tax revenue is \$4.3 million or 2.5 percent higher than in the prior year. Property tax revenue increased by \$2.7 million or 2.0 percent, from the prior year. Revenue from Payment in Lieu of Taxes (PILOT) increased \$562,000 or 4.7 percent. All other taxes, such as Gross Receipts Tax, Corporate Intangible Property Tax and Franchise Taxes, increased \$1.1 million or 5.5 percent.
- Licenses and permits revenues decreased by \$204,000 or 2.9 percent. The decreases were seen from a various number of permits and fees, including building permits, examiners fees and plan checking fees of \$203,000.
- Intergovernmental revenues increased \$2.0 million or 2.0 percent over the prior year. The biggest increase was TDZ incremental sales tax which increased by \$3.1 million, both locally and at the state level. State shared sales tax is up \$350,000 or 2.4 percent. Overall increases in sales tax is an indicator of the health of the local economy. These increases were offset by a decrease in state income tax of \$1.2 million or 61.6 percent. The state income tax is being phased out in 2021.
- Charges for services decreased \$600,000 or 14.0 percent. Court fees decreased \$172,000 or 19.4 percent. Property rental revenue and local facilities fees and rentals were down \$250,000 largely due to the COVID-19 pandemic that shut down all local parks and facilities for the last four months of the fiscal year.
- Fines, forfeitures and penalties saw a minimal decrease of \$5,000 from the prior year. The main reason for the decrease was a decrease in parking ticket fines of \$10,800. This decrease was offset by an increase in air pollution penalties of \$4,800.
- Investment income increased \$234,000 or 6.7 percent. The city is placing greater emphasis on ensuring all idle funds are invested at the maximum rate of return allowed by law and taking advantage of rising interest rates.
- Contributions and donations decreased \$632,000 or 62.4 percent. This was due to an increase of private donations in FY19 versus FY20, primarily for Public Art.
- Sale of property decreased \$516,000 or 64.4 percent. This was largely due to a decrease in the sale of city owned property, back tax lots and city equipment in FY20.
- All other revenues saw an increase of \$520,000 or 7.3 percent largely due to a damage settlement payment of \$425,000 for a tornado disaster in April 2020.

Expenditures - Total expenditures increased \$11.5 million or 4.8 percent, from the previous year. Major changes during fiscal year 2020 are discussed below.

- Employee Compensation increased by \$7.5 million or 5.0 percent. Salaries for full-time employees increased \$4.2 million or 4.9 percent. Civilian personnel earning less than \$50,000 received a lump sum increase of \$1,250 while all other civilians received a 2.5 percent increase in base pay. Sworn personnel increases were provided based on a career ladder program. The largest increase in personnel costs relates to pension and OPEB costs. The general pension contribution increase was \$750,000 or 10.1 percent and the fire and police pension contribution increase was \$1.6 million or 8.2 percent. OPEB contribution increased \$425,000 or 3.4 percent. Another increase was in health care costs of \$228,000 or 1.5 percent.
- Operations costs increased by \$4.1 million or 4.4 percent. The largest increase was due to the April 2020 tornado disaster where we incurred \$5.0 million in debris removal costs. Other increases include Information Technology costs of \$900,000 and liability fund premium costs of \$1.7 million. These were offset by decreases of \$1.3 million in waste disposal costs, \$900,000 in contracted operations, \$800,000 in fire equipment costs and 600,000 in fleet leasing operations.

Transfers - Total transfers out decreased \$1.7 million primarily due to a decrease in general fund dollars for capital in the amount of \$754,000 million and a \$3.7 million decrease for debt service. These were offset by an increase in transfers out of \$2.6 million for Fleet services.

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 \$85.8 million in fund balance, an increase of \$19.8 million. Fund balance for this fund fluctuates from year-to-year based on debt issued and project expenditures; new debt increases fund balance while project expenditures decreases it. Analysis of project income and expenditures follows.

Funding sources during the current fiscal year include \$27.8 million in new bonds and premiums; transfers in of \$26.2 million, including \$23.5 million from General Fund, \$1.7 million from State Street Aid, \$670,000 from Hotel Motel and \$273,000 from Community Development; and \$1.8 million of revenue primarily from intergovernmental and private donations.

Current year expenditures of \$32.5 million include \$15.8 million for street, sidewalk, bridge and tunnel projects, \$4.7 million for neighborhood and park improvements, \$2.9 million for ball fields, parks and family centers, \$1.6 million for new police equipment including brand new in-car cameras and laptops, \$1.8 million maintenance upgrade to the public library, \$1.1 million for a new fire apparatus, \$854,000 for IT upgrades.

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 a combined net position of \$1.1 billion. Net investment in capital assets is \$828.5 million, with an additional \$102.0 million restricted for future use, leaving \$143.7 million available to meet on-going obligations.

Enterprise Funds - Total net position of the enterprise funds is \$1.0 billion, an increase of \$52.1 million or 5.4 percent. Details for each fund are presented below:

- **Electric Power Board** – The largest enterprise fund is EPB, which has both an electric and a fiber optic division. Total net position increased \$7.9 million or 1.7 percent to \$461.1 million, mainly due to an increase in utility plant of \$27.0 million. This was offset by net position decreases due to increases in other liabilities and deferred inflows of \$15.1 million and other decreases of \$4.0 million. Operating revenues were down \$26.9 million or 3.6 percent, mainly due to a decrease in electric sales of \$28.8 million. This was primarily caused by the COVID-19 pandemic and “shelter-in-place” order issued during part of the year which significantly impacted energy usage in the EPB service territory. Combined operating expenses, which includes tax equivalents and depreciation, increased \$3.1 million or 0.5 percent.
- **Interceptor Sewer System** – Net position of the Interceptor Sewer System increased \$36.0 million or 9.1 percent, to \$433.0 million. Operating revenues rose \$8.6 million or 9.4 percent while operating expenses increased by \$7.8 million or 13.8 percent. Unrestricted net position (available to finance on-going operations) decreased \$4.0 million or 5.9 percent to \$63.6 million. An additional \$76.6 million is restricted for future capital spending, which is an increase of \$3.7 million. Capital net position increased \$36.3 million or 14.2 percent.
- **Solid Waste** – The City of Chattanooga operates a municipal solid waste landfill. The fund has a net position of \$14.3 million. To date the City has accrued liabilities of \$4.7 million for closure and post closure care costs with adequate investments earmarked to cover these costs, in compliance with the Environmental Protection Agency (EPA) mandate establishing closure and post closure requirements.
- **Water Quality Management** – The Water Quality Fund, established to comply with EPA guidelines, now has \$94.3 million in net position, an increase of \$8.8 million or 10.3 percent from last year. Net investment in capital is \$54.8 million, leaving the amount available to fund day-to-day operations (unrestricted net position) at \$35.6 million. An additional \$3.8 million is restricted for future capital spending.
- **Tennessee Valley Regional Communications System** – The Tennessee Valley Regional Communications System was established in fiscal year 2016 to account for a regional communication system that services a multi-county/multi-state region. The fund has a net position of \$6.4 million which is a \$4.7 million decrease from last year due to a reserve fund being reclassified as an Internal Service Fund.
- **Chattanooga Downtown Redevelopment Corporation** – The Chattanooga Downtown Redevelopment Corporation (CDRC) accounts for redevelopment financing, the operations of the Southside Parking Garage and other parking facilities, and other activities. CDRC has a net position of \$7.9 million, an increase of \$2.8 million from last year.

Internal Service Fund - The internal service fund is used to account for the City’s vehicle operation and maintenance program, employee medical benefits program, technology replacement and third party liability claims. The fund has a net position of \$57.2 million, and increase of \$11.0 million or 23.9 from last year.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget

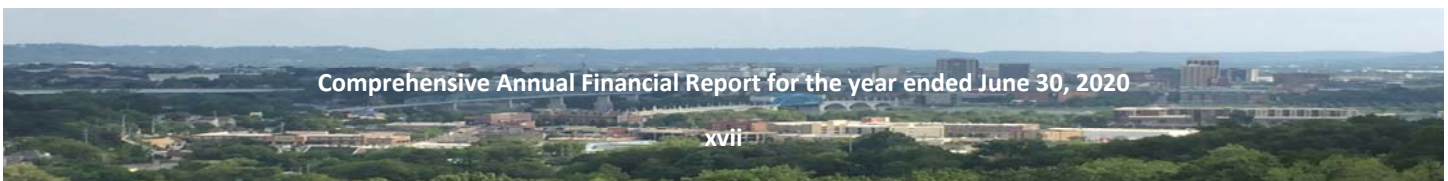
The City's budget ordinance provides the strategic financial plan of City government, encompassing all major funds and appropriations to agencies. The budget ordinance authorizes the City Finance Officer to make reallocations within the General Fund as necessary.

Final Budget Compared to Actual Results

Revenues exceeded budget for the year by \$13.6 million or 4.79 percent. All revenue categories with the exception of licenses and permits and charges for services exceeded expectations. All major revenue categories are addressed below.

- Total tax revenue for the year was higher than budget by \$2.88 million or 1.70 percent. This was mainly due to an increase in gross receipts tax and excise tax of \$2.0 million or 10.89 percent. Also, property taxes, inclusive of payments in lieu of tax, were higher than budget by \$875,000 or 0.58 percent.
- Licenses and permits fell just below budget by a miniscule amount of less than .01 percent.
- Intergovernmental revenue is \$10.23 million or 11.21 percent more than budget, primarily due to sales tax, including the tourism development zone. Local option sales tax is \$2.17 million or 3.29 percent over budget while state shared sales tax exceeds budget by \$7.64 million or 46.19 percent.
- Charges for services are \$105,000 below budget or 2.78 percent primarily from a decrease in rental revenue from the various parks and facilities within the City due to the COVID-19 pandemic shutting these down for part of the year.
- Fines and forfeitures are \$22,000 above estimates. This is primarily due to higher than expected automated traffic fines.
- Miscellaneous revenue is \$583,000 or 5.08 percent above budget primarily due to investment income exceeding budget by \$750,000 or 26.04 percent. This was offset by other miscellaneous decreases including donations and contributions of \$170,000 or 8.04 percent.

Expenditures were less than budget by \$11.68 million or 4.43 percent. All departments were under budget. Employee compensation is \$7.37 million or 4.52 percent below budget due to vacancies. Operations are also under budget by \$4.31 million or 4.29 percent.



Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the City had a \$2.7 billion net investment in capital assets, an increase of \$67.5 million or 2.5 percent. This investment includes land, buildings, utility system improvements, machinery and equipment, park facilities and infrastructure. Net investment in capital assets for governmental funds increased \$3.8 million or 0.3 percent while business-type net investment in capital assets increased by \$63.7 million or 5.5 percent. The following table shows the net investment in capital assets by both governmental activities and business-type activities.

City of Chattanooga's Capital Assets

(net of depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Non-depreciable:						
Land & Easements	\$ 1,118,167	\$ 1,106,865	\$ 22,452	\$ 21,992	\$ 1,140,620	\$ 1,128,857
Construction in progress	84,312	66,707	185,718	160,240	\$ 270,030	\$ 226,947
Depreciable:						
Buildings & Improvements	76,476	81,720	101,567	99,161	\$ 178,043	\$ 180,881
Vehicles & Machinery	29,667	30,198	148,403	140,210	\$ 178,071	\$ 170,408
Infrastructure	185,837	205,184	770,493	743,282	\$ 956,330	\$ 948,466
Total	\$ 1,494,459	\$ 1,490,674	\$ 1,228,634	1,164,885	\$ 2,723,093	\$ 2,655,559

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

- Construction-in-progress (CIP) additions for governmental activities include \$15.8 million for paving/sidewalks/road improvements, \$817,000 for the East Lake Park renovations, \$870,000 towards a new Youth and Family Development Center in Avondale and \$1.1 million for a new fire apparatus. Construction of projects related to the sewer system's consent decree and water quality projects comprised the majority of the increase in business-type activities. More information on the City's consent decree agreement can be found in Note 13 to the financial statements.
- The infrastructure decrease of \$19.3 million in governmental activities is primarily due to the depreciation of \$20.8 million of roads offset by the \$1.5 million of CIP infrastructure that was capitalized. Business-type activities infrastructure assets decreased by \$27.2 million.
- The City of Chattanooga has opted to use depreciation rather than the maintenance method to report infrastructure assets. During the current fiscal year governmental activities recognized depreciation expense of \$20.8 million while business-type activities recognized depreciation expense of \$26.6 million.

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



Debt Administration

At June 30, the City had \$632.9 million in long-term debt outstanding. This is a \$1.6 million decrease or 0.3 percent, from last year. This minimal change is mostly due to the City issuing new general obligation debt and refunding debt during fiscal year 2020. Detail is provided in the table and narrative that follows.

The City of Chattanooga maintains a “AAA” rating from Standard & Poor’s and “AA+” from Fitch Inc. for general obligation debt. The City Charter limits the amount of net general obligation debt to 10 percent of the assessed value of all taxable property within its corporate limits. The City’s general obligation debt, net of self-supporting debt, is \$139.9 million; this is 2.29 percent of the assessed value of \$6,100,604,893 billion. As of year-end, EPB had \$235.8 million in revenue bond debt outstanding compared to \$246.5 million last year; these bonds are rated “AA+” by Standard & Poor’s and Fitch. In fiscal year 2020, EPB opened an electric line of credit for \$13 million and will repay the entire amount in fiscal year 2021. CDRC had \$55.3 million in revenue bonds outstanding compared to \$60.4 million last year; these bonds are rated “AA” by Standard & Poor’s and Fitch.

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds (backed by the City)	\$ 149,777	\$ 147,234	\$ 18,268	\$ 17,411	\$ 168,045	\$ 164,645
Revenue bonds (backed by specific revenues)	-	-	304,115	306,890	304,115	306,890
Notes payable and other	7,381	11,097	150,612	147,761	157,993	158,858
Capital leases	2,714	4,101	-	-	2,714	4,101
Total	\$ 159,872	\$ 162,432	\$ 472,995	\$ 472,062	\$ 632,867	\$ 634,494

During the year the City issued the following new debt:

- The City issued \$23.8 million in new general obligation bonds; \$20.2 million related to governmental activities and \$3.6 million related to business-type activities.
- \$18.9 million in general obligation bonds were issued to refund \$22.3 million; all related to governmental activities.
- The Interceptor Sewer System drew down \$10.7 million from a state revolving loan fund for EPA consent decree projects.
- A total of \$45.7 million in debt was retired during the fiscal year; \$32.7 million in bond principal payments were made with an additional \$13.0 million in note and lease repayments.

More detailed information about the City’s long-term liabilities is presented in Note 5 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

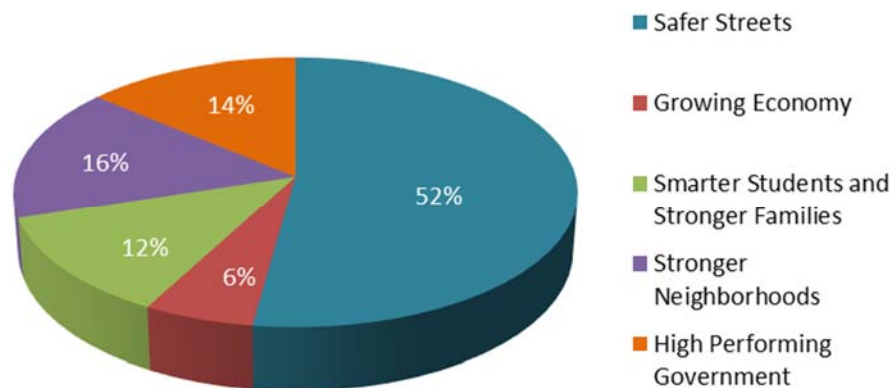
The following factors were taken into account when adopting the budget for 2021:

- Anticipated revenues in the General Fund are \$278.4 million, down 9.7 million or 3.4 percent from the 2020 budget. The fiscal year 2021 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 decreases include intergovernmental revenue (revenue from other agencies) of \$6.1 million or 6.5 percent and miscellaneous revenue and interest income of \$2.1 million or 19.2 percent. The reduction in revenue is mainly the result of the coronavirus pandemic that swept the nation in 2020.
- Expenditures of \$219.3 million reflect an elevated awareness of constituent priorities in the following areas: safer streets; growing the local economy; smarter students/stronger families; stronger neighborhoods; and a high performing government. Expenditures are expected to be \$9.2 million or 4.4 percent more in 2021.
- The City of Chattanooga employs a method called *Budgeting for Outcomes* for undesignated general funds (\$257,668,500). This approach ensures accountability, collaboration, and transparency throughout the entire budgetary process to reflect the priorities of our citizenry. Budget requests in the form of offers are prioritized by results areas and funded as revenue permits.
 - Safer Streets — The 2021 budget funds 25 offers totaling \$134,412,436 (52.0 percent) of the budget to build a safer Chattanooga. This provides funding for successful crime prevention strategies including support for technology recourses that allow the Chattanooga Police Department to investigate and resolve cases more rapidly. Also included is funding for ongoing re-entry support for ex-offenders, domestic violence survivor services at the Family Justice Center, the Chattanooga Police Department's Explorer program, as well as fire and police services.
 - Growing Economy — 24 offers for a total of \$14,612,518 (6.0 percent) were funded for building a more prosperous Chattanooga. This results area focuses on sustaining current economic growth while making strategic investments in the products, places, and people that will build a more vibrant, diverse, and resilient economy. These offers include improving economic mobility in Chattanooga to increase new businesses, retain existing businesses, and to develop a stronger local workforce through numerous citywide partnerships. Continuing in 2021 is funding to support the growth of locally-owned small businesses through programs like our Growing Small Business grants, the development of neighborhoods, including more sidewalks to enhance pedestrian safety and comfort, and ensuring transportation is viable for all users.
 - Smarter Students, Stronger Families — \$31,643,413 (12.0 percent) of the budget provides funding for 34 offers that build a smarter, healthier Chattanooga. This results areas funds programs, policies, and initiatives that create support systems and positive environments in which all children can learn and thrive. These dollars will focus on continuing our successful Baby University program to help make vulnerable children and parents in our city healthier, safer, and more financially secure, and enhancing the curriculum used by all of early learning providers. Included in funding are con-

tinued partnerships with Hamilton County to support schools and teachers, increase of out of school tutoring.

- **Stronger Neighborhoods** — Received \$41,371,247 (16.0 percent) to fund 22 offers to build a more connected Chattanooga. Funding will continue to focus on street improvements and repairs, curbside recycling for all Chattanoogaans, and the completion of key segments of our citywide greenway system. We will continue our work to protect neighborhood stability through our Affordable Housing Fund and implement critical parts of our plan to eliminate homelessness in Chattanooga.
- **High Performing Government** — Building a more effective Chattanooga means operating a high-performing, constituent-focused local government. The 23 offers totaling \$35,628,886 (14.0 percent) ensure the long-term financial health of the City and funds all essential services. These offers include continuing the high level of critical citywide services with no tax increase, creating a framework for a cooperative and comprehensive regional resiliency plan, and state-of-the-art financial planning tools to ensure our dollars and investments are protected. Also included is funding for environmentally conscious purchases and building management strategies that promote sustainability while saving taxpayer dollars and providing citizens with a designated Service Center (311) to contact the City for a more convenient and faster way to report City related issues or to make a service request.

Funding of Results Areas



Requests for Information

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

City of Chattanooga Finance Department

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

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

Chattanooga Metropolitan Airport Authority

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

CARTA

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



**BASIC FINANCIAL
STATEMENTS**

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 161,705,625	\$ 146,308,332	\$ 308,013,957	\$ 13,026,109
Investments	84,789,560	167,423,519	252,213,079	-
Receivables, net of allowance for uncollectibles	190,510,793	111,588,665	302,099,458	5,013,538
Internal balances	(46,639,196)	46,639,196	-	-
Inventories	3,356,564	18,698,888	22,055,452	1,030,991
Prepaid items	4,000	9,141,000	9,145,000	2,038,607
Certificates of deposit	-	-	-	12,000,000
Restricted assets:				
Cash and cash equivalents	17,107,593	13,607,507	30,715,100	4,255,684
Investments	6,358,760	17,091,105	23,449,865	-
Endowment investments	5,470,369	-	5,470,369	-
Receivables	32,028	-	32,028	95,188
Other	-	100,095	100,095	-
Net pension assets	-	2,756,000	2,756,000	-
Equity interest in joint venture	7,106,455	-	7,106,455	-
Land and other nondepreciable assets	1,202,479,122	208,170,784	1,410,649,906	14,934,553
Other capital assets, net of accumulated depreciation	291,980,147	1,020,463,320	1,312,443,467	140,731,137
Total assets	<u>1,924,261,820</u>	<u>1,761,988,411</u>	<u>3,686,250,231</u>	<u>193,125,807</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	2,565,538	9,331,891	11,897,429	-
Deferred pension	81,024,039	9,748,951	90,772,990	2,558,779
Deferred OPEB	21,083,115	7,813,803	28,896,918	326,964
Total deferred outflows of resources	<u>104,672,692</u>	<u>26,894,645</u>	<u>131,567,337</u>	<u>2,885,743</u>
LIABILITIES				
Accounts payable and accrued liabilities	34,742,246	179,822,314	214,564,560	5,710,478
Customer deposits	-	23,112,000	23,112,000	-
Contracts payable	844,659	3,641,162	4,485,821	-
Unearned grants revenue	633,854	6,323,000	6,956,854	-
Other liabilities	-	3,232,000	3,232,000	-
Long-term liabilities:				
Due within one year	19,653,262	41,553,669	61,206,931	494,838
Due in more than one year	583,586,208	514,224,494	1,097,810,702	17,431,780
Total liabilities	<u>639,460,229</u>	<u>771,908,639</u>	<u>1,411,368,868</u>	<u>23,637,096</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	149,128,794	-	149,128,794	1,143,631
Deferred pension	-	-	-	47,236
Total deferred inflows of resources	<u>149,128,794</u>	<u>-</u>	<u>149,128,794</u>	<u>1,190,867</u>
NET POSITION				
Net investment in capital assets	1,323,233,082	813,975,284	2,137,208,366	152,403,530
Restricted for:				
Capital projects	85,779,119	-	85,779,119	-
Debt service reserve	-	9,843,063	9,843,063	4,350,872
Renewal and replacement	-	81,032,680	81,032,680	-
Landfill postclosure	-	6,910,441	6,910,441	-
Permanent endowments:				
Expendable	320,041	-	320,041	-
Nonexpendable	5,470,369	-	5,470,369	-
Unrestricted	(174,457,122)	105,212,949	(69,244,173)	14,429,185
Total net position	<u>\$ 1,240,345,489</u>	<u>\$ 1,016,974,417</u>	<u>\$ 2,257,319,906</u>	<u>\$171,183,587</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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 75,953,229	\$ 12,656,487	\$ 2,597,968	\$ 508,881
Economic and community development	14,806,447	5,635,373	2,371,641	-
Public safety	132,524,318	788,301	1,469,771	1,298
Public works and transportation	82,470,389	2,813,739	8,805,550	17,327,363
Youth and family development	31,152,643	241,719	17,280,817	-
Interest on long-term debt	4,565,153	-	-	-
Total governmental activities	<u>341,472,179</u>	<u>22,135,619</u>	<u>32,525,747</u>	<u>17,837,542</u>
Business-type activities:				
Electric utility, including fiber optics	709,943,000	714,862,000	-	1,250,000
Sewer	67,086,717	100,567,367	-	-
Solid waste	3,958,406	4,718,160	-	-
Water quality management	18,827,597	26,735,084	-	42,383
Regional Communications	1,899,550	2,110,687	-	-
Downtown redevelopment	2,122,563	4,367,108	-	-
Total business-type activities	<u>803,837,833</u>	<u>853,360,406</u>	<u>-</u>	<u>1,292,383</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,145,310,012</u>	<u>\$ 875,496,025</u>	<u>\$ 32,525,747</u>	<u>\$ 19,129,925</u>
COMPONENT UNITS				
Airport authority	\$ 23,368,919	\$ 22,086,794	\$ -	\$ 8,908,749
Transportation authority	26,350,023	17,205,523	325,741	12,642,442
TOTAL COMPONENT UNITS	<u>\$ 49,718,942</u>	<u>\$ 39,292,317</u>	<u>\$ 325,741</u>	<u>\$ 21,551,191</u>
General revenues:				
Property taxes				
Liquor and beer taxes				
Hotel-Motel tax				
Local gross receipts tax				
Franchise taxes				
Other taxes				
Grants and contributions not allocated to specific programs:				
County-wide sales taxes				
City allocation of state sales taxes				
City allocation of state income taxes				
City allocation of TDZ tax				
City allocation of other shared taxes				
Unrestricted investment earnings				
Miscellaneous				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Net position, ending				

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (60,189,893)	\$ -	\$ (60,189,893)	\$ -
(6,799,433)	-	(6,799,433)	-
(130,264,948)	-	(130,264,948)	-
(53,523,737)	-	(53,523,737)	-
(13,630,107)	-	(13,630,107)	-
(4,565,153)	-	(4,565,153)	-
(268,973,271)	-	(268,973,271)	-
-	6,169,000	6,169,000	-
-	33,480,650	33,480,650	-
-	759,754	759,754	-
-	7,949,870	7,949,870	-
-	211,137	211,137	-
-	2,244,545	2,244,545	-
-	50,814,956	50,814,956	-
(268,973,271)	50,814,956	(218,158,315)	-
-	-	-	7,626,624
-	-	-	3,823,683
-	-	-	11,450,307
151,749,670	-	151,749,670	-
8,560,765	-	8,560,765	-
6,478,478	-	6,478,478	-
6,218,255	-	6,218,255	-
4,247,252	-	4,247,252	-
2,017,772	-	2,017,772	-
65,568,292	-	65,568,292	-
15,125,764	-	15,125,764	-
781,005	-	781,005	-
10,318,465	-	10,318,465	-
4,924,833	-	4,924,833	-
4,117,538	6,190,417	10,307,955	312,691
-	-	-	2,454,644
285,040	-	285,040	-
4,902,279	(4,902,279)	-	-
285,295,408	1,288,138	286,583,546	2,767,335
16,322,137	52,103,094	68,425,231	14,217,642
1,224,023,352	964,871,323	2,188,894,675	156,965,945
\$ 1,240,345,489	\$ 1,016,974,417	\$ 2,257,319,906	\$ 171,183,587

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

CITY OF CHATTANOOGA, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2020

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 44,305,940	\$ 80,065,879	\$ 25,781,104	\$ 150,152,923
Investments	61,104,147	11,358,760	5,470,369	77,933,276
Receivables, net of allowance for uncollectibles:				
Property taxes	142,266,986	-	-	142,266,986
Other taxes	13,868,194	-	759,298	14,627,492
Accounts receivable	525	250,000	-	250,525
Notes	886,777	-	7,672,724	8,559,501
Other	1,543,260	32,029	17,427	1,592,716
Due from other funds	96,000	-	-	96,000
Due from other governments	17,565,481	601,418	2,686,476	20,853,375
Inventories	838,600	-	-	838,600
Prepaid items	4,000	-	-	4,000
Total assets	\$ 282,479,910	\$ 92,308,086	\$ 42,387,398	\$ 417,175,394
LIABILITIES				
Accounts payable and accrued liabilities:				
Accounts payable	\$ 5,963,532	\$ 5,702,445	\$ 1,450,016	\$ 13,115,993
Accrued payroll	9,348,436	-	945,631	10,294,067
Due to other funds	-	-	96,000	96,000
Due to other governments	172,869	-	268	173,137
Contracts payable	18,135	826,522	-	844,657
Unearned grants revenue	58,291	-	575,563	633,854
Total liabilities	15,561,263	6,528,967	3,067,478	25,157,708
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	152,176,633	-	-	152,176,633
Unavailable revenue - other local taxes	2,294,242	-	441,688	2,735,930
Unavailable revenue - shared tax revenue	7,202,322	-	483,333	7,685,655
Unavailable revenue - CDBG loans	-	-	8,867,223	8,867,223
Unavailable revenue - other	1,303,699	-	-	1,303,699
Total deferred inflows of resources	162,976,896	-	9,792,244	172,769,140
FUND BALANCES				
Nonspendable	1,187,344	-	5,470,369	6,657,713
Restricted	16,494,405	85,779,119	16,646,589	118,920,113
Committed	952,883	-	7,410,718	8,363,601
Assigned	8,398,973	-	-	8,398,973
Unassigned	76,908,146	-	-	76,908,146
Total fund balances	103,941,751	85,779,119	29,527,676	219,248,546
Total liabilities, deferred inflows of resources and fund balances	\$ 282,479,910	\$ 92,308,086	\$ 42,387,398	\$ 417,175,394

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, 2020

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

Fund balances - total governmental funds	\$	219,248,546
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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.	1,479,922,103
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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.	23,640,346
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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.	7,106,455
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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	57,241,524
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Contributions to pension plans made after the measurement date are recorded as expenditures in governmental fund but must be deferred in the statement of net position in addition to certain other items:

Deferred pension	\$ 95,516,142	
Deferred OPEB	<u>23,173,580</u>	118,689,722

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.	(117,517,047)
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The City's pollution remediation obligation is considered a long term obligation	(70,612)
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Net pension liabilities are not due and payable in the current period and are not reported in the funds:

General pension	\$ (64,467,706)	
Fire and police pension	<u>(216,713,104)</u>	(281,180,810)

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	\$ (149,776,632)	
Add net deferred refunding, issue premiums and discounts	(16,029,533)	
Notes payable	(7,380,601)	
Capital leases	(2,713,547)	
Capital lease payable to CDRC - reported as internal balance	(46,639,196)	
Compensated absences	(25,596,895)	
Accrued interest payable	<u>(2,015,766)</u>	(250,152,170)

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

Deferred pension	\$ (14,492,103)	
Deferred OPEB	<u>(2,090,465)</u>	<u>(16,582,568)</u>

Net position of governmental activities	<u>\$ 1,240,345,489</u>
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The notes to basic financial statements are an integral part of this statement.

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2020

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 171,930,045	\$ -	\$ 7,456,620	\$ 179,386,665
Licenses and permits	6,950,486	-	642,856	7,593,342
Intergovernmental	101,553,259	763,296	26,774,611	129,091,166
Charges for services	3,671,091	-	256,212	3,927,303
Fines, forfeitures and penalties	1,324,995	-	33,355	1,358,350
Investment income	3,712,431	281,510	449,798	4,443,739
Contributions and donations	381,035	802,023	8,747	1,191,805
Sale of property	285,042	-	-	285,042
Miscellaneous	7,677,598	6,000	1,275,100	8,958,698
Total revenues	297,485,982	1,852,829	36,897,299	336,236,110
EXPENDITURES				
Current:				
General government	55,886,760	-	6,135,417	62,022,177
Finance and administration	6,752,488	-	-	6,752,488
Economic and community development	9,071,786	-	2,044,667	11,116,453
Public safety	120,429,250	-	155,601	120,584,851
Public works and transportation	48,608,154	-	3,520,277	52,128,431
Youth and family development	11,226,653	-	18,156,690	29,383,343
Capital outlay/capital assets	-	32,468,708	-	32,468,708
Debt service:				
Principal retirement	-	-	19,298,160	19,298,160
Interest and fiscal charges	-	-	6,035,667	6,035,667
Total expenditures	251,975,091	32,468,708	55,346,479	339,790,278
Excess (deficiency) of revenues over (under) expenditures	45,510,891	(30,615,879)	(18,449,180)	(3,554,168)
OTHER FINANCING SOURCES (USES)				
Transfers in	388	26,218,517	28,151,807	54,370,712
Transfers out	(51,012,311)	(388)	(5,967,824)	(56,980,523)
General obligation bonds issued	-	20,156,711	-	20,156,711
Refunding bonds issued	-	18,860,000	-	18,860,000
Premium on bonds issued	-	7,689,396	-	7,689,396
Payments to refunded bonds escrow agent	-	(22,534,528)	-	(22,534,528)
Total other financing sources (uses)	(51,011,923)	50,389,708	22,183,983	21,561,768
Net change in fund balances	(5,501,032)	19,773,829	3,734,803	18,007,600
FUND BALANCES, beginning	109,442,783	66,005,290	25,792,873	201,240,946
FUND BALANCES, ending	\$ 103,941,751	\$ 85,779,119	\$ 29,527,676	\$ 219,248,546

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, 2020

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 \$ 18,007,600

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay expenditures in governmental funds, that meet the capitalization threshold, are shown as capital assets in the statement of net position. 21,094,029

Depreciation expense for governmental capital assets are included in the governmental activities. (31,020,873)

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. 17,387,700

The net effect of various transactions involving capital assets is to decrease net positions. (3,862,247)

The loss of equity interest in joint venture is reported in the statement of activities. This loss does not use current financial resources and is not reflected in the governmental funds. (272,402)

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	\$	19,298,160	
Payment of capital lease		3,283,884	
Bonds issued		(20,156,711)	
Premiums on bonds issued		(7,689,396)	
Refunding bonds issued		(18,860,000)	
Escrow payment		22,534,528	
Amortization		1,611,695	
Change in accrued interest payable		<u>(187,004)</u>	(164,844)

Net gains of the internal service fund are reported with governmental activities. 11,031,664

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	\$	(1,416,026)	
Change in pension expense		(19,838,293)	
Change in pollution remediation liability		15,203	
Change in OPEB liability		<u>6,092,397</u>	(15,146,719)

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>(731,771)</u>	<u>(731,771)</u>
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Change in net position of governmental activities \$ 16,322,137

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 170,219,561	\$ 169,054,561	\$ 171,930,045	\$ 2,875,484
Licenses and permits	6,950,612	6,950,612	6,950,486	(126)
Intergovernmental	95,091,939	91,318,939	101,553,259	10,234,320
Charges for services	3,954,953	3,775,953	3,671,091	(104,862)
Fines, forfeitures and penalties	1,303,400	1,303,400	1,324,995	21,595
Investment income	3,075,625	2,880,625	3,712,431	831,806
Miscellaneous	8,757,483	8,592,483	8,343,675	(248,808)
Total revenues	289,353,573	283,876,573	297,485,982	13,609,409
EXPENDITURES				
General government	55,934,303	55,934,303	50,826,155	(5,108,148)
Executive	2,483,297	2,483,297	2,378,757	(104,540)
Finance and administration	7,425,779	7,425,779	6,752,488	(673,291)
Human resources	3,239,729	3,239,729	2,681,848	(557,881)
Economic and community development	9,818,370	9,818,370	9,071,786	(746,584)
Police	74,058,040	74,058,040	73,963,990	(94,050)
Fire	47,240,264	47,240,264	46,465,260	(775,004)
Public works	41,544,130	41,544,130	39,930,338	(1,613,792)
Transportation	9,753,779	9,753,779	8,677,816	(1,075,963)
Youth and family development	12,153,591	12,153,591	11,226,653	(926,938)
Total expenditures	263,651,282	263,651,282	251,975,091	(11,676,191)
Excess of revenues over expenditures	25,702,291	20,225,291	45,510,891	25,285,600
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	388	388
Transfers out	(51,769,351)	(51,769,351)	(51,012,311)	757,855
Total other financing sources (uses)	(51,769,351)	(51,769,351)	(51,011,923)	758,243
Net change in fund balances	(26,067,060)	(31,544,060)	(5,501,032)	26,043,843
FUND BALANCES, beginning	109,442,783	109,442,783	109,442,783	-
FUND BALANCES, ending	\$ 83,375,723	\$ 77,898,723	\$ 103,941,751	\$ 26,043,843

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, 2020

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Fund
	Major Funds						Total	
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment	Regional Communications		
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 91,459,000	\$ 28,834,746	\$ 4,642,598	\$ 8,963,844	\$ 8,305,952	\$ 4,102,192	\$ 146,308,332	\$ 28,660,294
Investments	10,366,000	118,296,142	-	38,761,377	-	-	167,423,519	18,685,413
Receivables:								
Customer service	59,301,000	28,096,952	20,955	5,051,830	-	-	92,470,737	2,306,440
Other	-	566,200	183,813	160,172	30,746	4,312	945,243	-
Less allowance for doubtful accounts	(3,503,000)	(12,861,931)	(100)	(1,278,688)	-	-	(17,643,719)	-
Inventories	15,693,000	3,005,888	-	-	-	-	18,698,888	2,517,964
Due from other governments	-	35,693,685	36,879	85,840	-	-	35,816,404	85,787
Prepaid items	9,140,000	-	-	-	-	1,000	9,141,000	-
Total current assets	182,456,000	201,631,682	4,884,145	51,744,375	8,336,698	4,107,504	453,160,404	52,255,898
Noncurrent Assets:								
Restricted Assets:								
Cash and cash equivalents	-	-	11,146,703	2,460,804	-	-	13,607,507	-
Investments	7,248,000	-	-	-	9,843,105	-	17,091,105	-
Investment in capital lease	-	-	-	-	46,639,196	-	46,639,196	-
Other	-	-	100,066	29	-	-	100,095	-
Accrued post-employment benefit asset	2,756,000	-	-	-	-	-	2,756,000	-
Total restricted assets	10,004,000	-	11,246,769	2,460,833	56,482,301	-	80,193,903	-
Capital Assets:								
Land	6,499,000	12,210,275	1,517,514	2,180,121	45,541	-	22,452,451	-
Construction in progress	28,478,000	128,595,833	405,047	27,489,289	511,826	238,338	185,718,333	59,884
Buildings	67,641,000	70,738,827	1,955,387	10,601,459	415,897	-	151,352,570	5,788,909
Equipment	133,185,000	43,015,585	4,611,390	2,358,139	211,121	9,523,282	192,904,517	9,661,858
Vehicles	-	3,996,943	1,216,676	2,636,629	-	-	7,850,248	36,797,753
Infrastructure	881,642,000	527,158,107	9,520,509	45,937,574	-	-	1,464,258,190	-
Total capital assets	1,117,445,000	785,715,570	19,226,523	91,203,211	1,184,385	9,761,620	2,024,536,309	52,308,404
Less accumulated depreciation	(412,087,000)	(341,499,501)	(11,164,593)	(24,125,128)	(375,483)	(6,650,500)	(795,902,205)	(37,771,238)
Net capital assets	705,358,000	444,216,069	8,061,930	67,078,083	808,902	3,111,120	1,228,634,104	14,537,166
Total noncurrent assets	715,362,000	444,216,069	19,308,699	69,538,916	57,291,203	3,111,120	1,308,828,007	14,537,166
Total assets	897,818,000	645,847,751	24,192,844	121,283,291	65,627,901	7,218,624	1,761,988,411	66,793,064
DEFERRED OUTFLOWS OF RESOURCES								
Deferred refunding	11,029,000	46,628	128,734	9,452	257,263	-	11,471,077	-
Deferred pension	14,497,000	4,074,107	122,930	3,295,754	-	182,975	22,172,766	-
Deferred OPEB	4,988,000	1,643,222	105,516	1,281,659	-	75,595	8,093,992	-
Total deferred outflows of resources	\$ 30,514,000	\$ 5,763,957	\$ 357,180	\$ 4,586,865	\$ 257,263	\$ 258,570	\$ 41,737,835	\$ -

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, 2020

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment	Regional Communications		Total
LIABILITIES								
Current liabilities:								
Accounts payable and accrued liabilities:								
Accounts payable	\$ 132,702,000	\$ 44,430,960	\$ 111,860	\$ 442,441	\$ 59,442	\$ 151,779	\$ 177,898,482	\$ 8,983,517
Accrued payroll	-	589,345	29,306	444,161	-	37,997	1,100,809	164,393
Other accrued liabilities	-	77,012	51,519	206,261	488,231	-	823,023	-
Due to other governments	-	-	-	-	-	-	-	(4,626)
Current maturities of long-term liabilities:								
Bonds payable	11,130,000	126,998	593,342	1,295,015	5,330,000	-	18,475,355	-
Notes payable	13,000,000	9,313,712	36,034	-	-	-	22,349,746	-
Compensated absences	188,000	60,032	4,160	49,143	-	5,431	306,766	22,780
Landfill postclosure costs	-	-	421,802	-	-	-	421,802	-
Contracts payable	-	3,560,815	-	80,347	-	-	3,641,162	-
Unearned revenue	6,323,000	-	-	-	-	-	6,323,000	-
Total current liabilities	<u>163,343,000</u>	<u>58,158,874</u>	<u>1,248,023</u>	<u>2,517,368</u>	<u>5,877,673</u>	<u>195,207</u>	<u>231,340,145</u>	<u>9,166,064</u>
Long-term liabilities:								
Bonds payable	248,912,000	850,353	3,763,754	14,309,135	49,975,000	-	317,810,242	-
Notes payable	-	141,149,157	113,233	-	-	-	141,262,390	-
Compensated absences	411,000	1,015,806	70,388	831,552	-	91,901	2,420,647	385,476
OPEB liability	-	8,333,046	535,093	6,499,504	-	383,352	15,750,995	-
Pension liability	17,280,000	8,207,884	247,661	6,639,782	-	368,631	32,743,958	-
Landfill postclosure costs	-	-	4,236,262	-	-	-	4,236,262	-
Customer deposits	23,112,000	-	-	-	-	-	23,112,000	-
Other noncurrent liabilities	3,232,000	-	-	-	-	-	3,232,000	-
Total long-term liabilities	<u>292,947,000</u>	<u>159,556,246</u>	<u>8,966,391</u>	<u>28,279,973</u>	<u>49,975,000</u>	<u>843,884</u>	<u>540,568,494</u>	<u>385,476</u>
Total liabilities	<u>456,290,000</u>	<u>217,715,120</u>	<u>10,214,414</u>	<u>30,797,341</u>	<u>55,852,673</u>	<u>1,039,091</u>	<u>771,908,639</u>	<u>9,551,540</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred refunding	-	-	-	-	2,139,186	-	2,139,186	-
Deferred pension	10,933,000	791,287	23,877	640,113	-	35,538	12,423,815	-
Deferred OPEB	-	148,233	9,519	115,617	-	6,820	280,189	-
Total deferred inflows of resources	<u>10,933,000</u>	<u>939,520</u>	<u>33,396</u>	<u>755,730</u>	<u>2,139,186</u>	<u>42,358</u>	<u>14,843,190</u>	<u>-</u>
NET POSITION								
Net investment in capital assets	456,345,000	292,822,476	6,061,916	54,825,870	808,902	3,111,120	813,975,284	14,537,166
Restricted for renewal and replacement	-	76,557,813	617,015	3,847,836	-	10,016	81,032,680	-
Restricted for landfill postclosure	-	-	6,910,441	-	-	-	6,910,441	-
Restricted for debt service	-	-	-	-	9,843,063	-	9,843,063	-
Unrestricted	4,764,000	63,576,779	712,842	35,643,379	(2,758,660)	3,274,609	105,212,949	42,704,358
Total net position	<u>\$ 461,109,000</u>	<u>\$ 432,957,068</u>	<u>\$ 14,302,214</u>	<u>\$ 94,317,085</u>	<u>\$ 7,893,305</u>	<u>\$ 6,395,745</u>	<u>\$ 1,016,974,417</u>	<u>\$ 57,241,524</u>

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

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Fund
	Major Funds						Total	
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment	Regional Communications		
OPERATING REVENUES								
Charges for services:								
Electric	\$ 531,285,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 531,285,000	\$ -
Fiber optic	162,880,000	-	-	-	-	-	162,880,000	-
Sewer	-	99,598,842	-	-	-	-	99,598,842	-
Waste disposal	-	-	4,408,096	-	-	-	4,408,096	-
Water quality	-	-	-	26,691,488	-	-	26,691,488	-
Lease rental revenue	-	-	-	-	3,491,727	-	3,491,727	-
Parking garage	-	-	-	-	875,381	-	875,381	-
Regional Communications Services	-	-	-	-	-	1,856,420	1,856,420	-
Other services	20,564,000	868,141	(8,160)	-	-	254,267	21,678,248	58,659,351
Other	-	5,450	295,432	-	-	-	300,882	9,766,900
Total operating revenues	714,729,000	100,472,433	4,695,368	26,691,488	4,367,108	2,110,687	853,066,084	68,426,251
OPERATING EXPENSES								
Power purchases	417,043,000	-	-	-	-	-	417,043,000	-
Other electric operations	90,978,000	-	-	-	-	-	90,978,000	-
Fiber optic operations	105,422,000	-	-	-	-	-	105,422,000	-
Sewer plant operations	-	51,790,313	-	-	-	-	51,790,313	-
Waste disposal operations	-	-	3,337,801	-	-	-	3,337,801	-
Closure/postclosure costs	-	-	57,861	-	-	-	57,861	-
Water quality operations	-	-	-	16,956,523	-	-	16,956,523	-
Parking garage operations	-	-	-	-	396,407	-	396,407	-
Regional Communication Services	-	-	-	-	-	1,268,311	1,268,311	-
Fleet operations	-	-	-	-	-	-	-	12,930,741
Liability insurance	-	-	-	-	-	-	-	2,945,062
Health services	-	-	-	-	-	-	-	43,917,672
Technology replacement	-	-	-	-	-	-	-	391,806
Depreciation	65,286,000	12,726,259	459,276	1,435,619	47,847	631,239	80,586,240	4,732,980
Other	13,444,000	-	-	-	148,910	-	13,592,910	-
Total operating expenses	692,173,000	64,516,572	3,854,938	18,392,142	593,164	1,899,550	781,429,366	64,918,261
OPERATING INCOME (LOSS)	22,556,000	35,955,861	840,430	8,299,346	3,773,944	211,137	71,636,718	3,507,990

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, 2020

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Redevelopment	Regional Communications		Total
NONOPERATING REVENUES (EXPENSES)								
Investment income	1,699,000	2,533,887	568,898	817,534	571,098	-	6,190,417	-
Interest expense	(9,327,000)	(2,570,145)	(103,468)	(393,849)	(1,529,399)	-	(13,923,861)	-
Tax equivalent	(7,193,000)	-	-	-	-	-	(7,193,000)	-
Other income	133,000	94,934	22,792	43,596	-	-	294,322	11,228
Other expense	(1,250,000)	-	-	(41,606)	-	-	(1,291,606)	-
Total nonoperating revenues (expenses)	(15,938,000)	58,676	488,222	425,675	(958,301)	-	(15,923,728)	11,228
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	6,618,000	36,014,537	1,328,652	8,725,021	2,815,643	211,137	55,712,990	3,519,218
Capital contributions	1,250,000	-	-	42,383	-	-	1,292,383	358
Transfers in	-	-	-	21,130	-	-	21,130	7,512,088
Transfers out	-	-	-	-	-	(4,923,409)	(4,923,409)	-
CHANGE IN NET POSITION	7,868,000	36,014,537	1,328,652	8,788,534	2,815,643	(4,712,272)	52,103,094	11,031,664
NET POSITION, beginning	453,241,000	396,942,531	12,973,562	85,528,551	5,077,662	11,108,017	964,871,323	46,209,860
NET POSITION, ending	\$ 461,109,000	\$ 432,957,068	\$ 14,302,214	\$ 94,317,085	\$ 7,893,305	\$ 6,395,745	\$ 1,016,974,417	\$ 57,241,524

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, 2020

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Fund
	Major Funds						Total	
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Development	Regional Communications		
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	\$ 743,124,095	\$ 77,562,759	\$ 490,754	\$ 25,218,082	\$ 4,398,069	\$ 2,109,141	\$ 852,902,900	\$ 67,073,852
Receipts from interfund services provided	4,297,905	996,396	4,073,000	702,092	-	-	10,069,393	-
Receipts from operating grants	-	-	(45,039)	-	-	-	(45,039)	-
Payments to suppliers	(590,304,000)	(11,020,023)	(2,551,874)	(5,421,189)	(690,715)	1,191,171	(608,796,630)	(51,239,545)
Payments to employees	(51,025,000)	(12,670,074)	(426,664)	(8,482,714)	-	(2,087,539)	(74,691,991)	(3,616,908)
Payments in lieu of taxes	(21,691,000)	-	-	-	-	-	(21,691,000)	-
Net cash from operating activities	84,402,000	54,869,058	1,540,177	12,016,271	3,707,354	1,212,773	157,747,633	12,217,399
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers in	-	-	-	21,130	-	-	21,130	7,589,038
Transfers out	-	-	-	-	-	(4,923,409)	(4,923,409)	(76,592)
Net cash flows used in noncapital financing	-	-	-	21,130	-	(4,923,409)	(4,902,279)	7,512,446
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Principal paid on capital debt	(10,645,000)	(8,300,557)	(969,941)	(1,367,509)	(5,130,000)	-	(26,413,007)	-
Bond refunded	-	-	-	241,712	-	-	241,712	-
Interest paid on capital debt	(10,662,000)	(2,589,292)	(180,206)	(525,743)	(2,050,181)	-	(16,007,422)	-
Line of credit	12,980,000	-	-	-	-	-	12,980,000	-
Proceeds from capital debt	-	10,717,715	-	3,386,577	3,283,883	-	17,388,175	-
Capital grants and contributions	1,626,000	-	-	42,383	-	-	1,668,383	-
(Additions) Subtractions to capital assets	(94,913,000)	(51,476,969)	(70,208)	(3,225,362)	(60,254)	2,750,172	(146,995,621)	(7,401,065)
Proceeds from sale of capital assets	-	-	-	21,285	-	-	21,285	(507,556)
Premium on debt	-	-	-	683,639	-	-	683,639	-
Net cash flows used in capital and related financing activities	(101,614,000)	(51,649,103)	(1,220,355)	(743,018)	(3,956,552)	2,750,172	(156,432,856)	(7,908,621)
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of investments	-	(209,070,550)	(7,457,999)	(21,769,448)	(75,355,757)	-	(313,653,754)	(8,777,172)
Proceeds from sales and maturities of investments	3,104,000	162,415,832	17,242,906	9,856,331	75,194,955	-	267,814,024	-
Interest	1,201,000	2,533,887	610,468	756,659	571,098	-	5,673,112	-
Net cash flows from investing activities	4,305,000	(44,120,831)	10,395,375	(11,156,458)	410,296	-	(40,166,618)	(8,777,172)
Net increase (decrease) in cash and cash equivalents	(12,907,000)	(40,900,876)	10,715,197	137,925	161,098	(960,464)	(43,754,120)	3,044,052
Cash and cash equivalents, beginning of year	104,366,000	69,735,622	5,074,104	11,286,723	8,144,854	5,062,656	203,669,959	25,616,242
Cash and cash equivalents, end of year	\$ 91,459,000	\$ 28,834,746	\$ 15,789,301	\$ 11,424,648	\$ 8,305,952	\$ 4,102,192	\$ 159,915,839	\$ 28,660,294
CLASSIFIED AS:								
Current assets	\$ 91,459,000	\$ 28,834,746	\$ 4,642,598	\$ 8,963,844	\$ 8,305,952	\$ 4,102,192	\$ 146,308,332	\$ 28,660,294
Restricted assets	\$ -	\$ -	\$ 11,146,703	\$ 2,460,804	\$ -	\$ -	\$ 13,607,507	\$ -
	\$ 91,459,000	\$ 28,834,746	\$ 15,789,301	\$ 11,424,648	\$ 8,305,952	\$ 4,102,192	\$ 159,915,839	\$ 28,660,294

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Fund
	Major Funds						Total	
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Development	Regional Communications		
(Continued from previous page)								
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES								
OPERATING INCOME (LOSS)	\$ 22,556,000	\$ 35,955,861	\$ 840,430	\$ 8,299,346	\$ 3,773,944	\$ 211,137	\$ 71,636,718	\$ 3,507,990
ADJUSTMENTS NOT AFFECTING CASH								
Depreciation and amortization	66,635,000	12,726,259	459,276	1,435,619	47,847	631,239	81,935,240	7,721,849
Miscellaneous nonoperating expenses	154,000	-	-	-	-	-	154,000	-
Tax equivalents transferred to City	(7,193,000)	-	-	-	-	-	(7,193,000)	-
Provision for uncollectible accounts	-	904,397	-	(978,685)	-	-	(74,288)	-
(Increase) decrease in:								
Accounts receivable	10,519,000	(22,912,609)	(139,773)	269,671	30,961	(1,546)	(12,234,296)	(1,388,328)
Due from other funds	-	-	-	-	-	-	-	(606)
Due from other governments	-	-	(36,879)	(62,300)	-	-	(99,179)	-
Inventory	(2,271,000)	120,693	-	-	-	-	(2,150,307)	(159,184)
Prepaid Items	(1,034,000)	-	-	-	-	-	(1,034,000)	-
Increase (decrease) in:								
Accounts payable	(7,439,000)	23,509,003	(65,596)	(738,168)	(145,398)	147,907	15,268,748	2,467,715
Accrued liabilities	-	45,710	350,386	81,641	-	8,760	486,497	-
Other assets/liabilities	2,606,000	4,400,773	12,138	(1,386,163)	-	199,359	5,832,107	72,146
Net pension liability	1,153,000	-	(173,092)	1,529,182	-	-	2,509,090	-
OPEB liability	(1,284,000)	-	293,287	3,446,787	-	-	2,456,074	-
Compensated absences	-	118,971	-	119,341	-	15,917	254,229	(4,183)
Total adjustments	61,846,000	18,913,197	699,747	3,716,925	(66,590)	1,001,636	86,110,915	8,709,409
Net cash from operating activities	\$ 84,402,000	\$ 54,869,058	\$ 1,540,177	\$ 12,016,271	\$ 3,707,354	\$ 1,212,773	\$ 157,747,633	\$ 12,217,399

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, 2020

	<u>Other Postemployment Benefits and Pension Trust Fund</u>
ASSETS	
Investments:	
Corporate bonds and notes	\$ 13,138,284
Corporate stocks	52,008,198
Foreign equity	80,511,336
Private debt	13,444,648
Mutual funds - equity	171,582,827
Mutual funds - fixed income	120,527,111
Real estate	52,143,809
Hedge funds	57,810,092
Private equity	37,313,255
Temporary investments	12,803,648
Receivables:	
Accrued income	148,916
Due from plan custodian	1,547,886
	<hr/>
Total assets	612,980,010
<hr/>	
LIABILITIES	
Accounts payable and accrued liabilities:	
Accrued payable	220,120
Due to plan custodian	743,209
	<hr/>
Total liabilities	963,329
<hr/>	
NET POSITION	
Net position restricted for OPEB	66,443,741
Net position restricted for pensions	545,572,940
	<hr/>
Total net position	\$ 612,016,681
	<hr/> <hr/>

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, 2020

	Other Postemployment Benefits and Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 49,419,923
Plan member	9,067,037
Other	<u>150,878</u>
Total contributions	<u>58,637,838</u>
Investment income:	
Net appreciation (depreciation) in fair market value of investments	11,016,534
Interest	381,313
Dividends	<u>6,316,735</u>
	17,714,582
Less investment expense	<u>(582,328)</u>
Net investment income (loss)	<u>17,132,254</u>
Total additions	<u>75,770,092</u>
DEDUCTIONS	
Benefits paid to participants	63,727,648
Administrative expenses	<u>1,206,360</u>
Total deductions	<u>64,934,008</u>
CHANGE IN NET POSITION	10,836,084
NET POSITION - beginning	<u>601,180,597</u>
NET POSITION - ending	<u><u>\$ 612,016,681</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, 2020

	Chattanooga Metropolitan Airport Authority	CARTA	Total
ASSETS			
Cash and cash equivalents	\$ 10,294,657	\$ 2,731,452	\$ 13,026,109
Accounts receivable	2,733,164	2,280,374	5,013,538
Inventories	131,438	899,553	1,030,991
Certificates of deposit	12,000,000	-	12,000,000
Prepaid items	1,194,675	843,932	2,038,607
Restricted assets:			
Cash and cash equivalents	4,255,684	-	4,255,684
Receivables	95,188	-	95,188
Land and other nondepreciable assets	10,787,154	4,147,399	14,934,553
Other capital assets, net of accumulated depreciation	119,740,047	20,991,090	140,731,137
Total assets	<u>161,232,007</u>	<u>31,893,800</u>	<u>193,125,807</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	1,134,961	1,423,818	2,558,779
Deferred OPEB outflows	326,964	-	326,964
Total deferred outflows of resources	<u>1,461,925</u>	<u>1,423,818</u>	<u>2,885,743</u>
LIABILITIES			
Accounts payable and accrued liabilities	3,242,573	2,467,905	5,710,478
Net pension obligation	2,837,689	11,787,593	14,625,282
Net OPEB obligation	719,514	230,404	949,918
Compensated absences payable	-	494,838	494,838
Notes payable	709,396	-	709,396
Revenue bonds payable	1,147,184	-	1,147,184
Total liabilities	<u>8,656,356</u>	<u>14,980,740</u>	<u>23,637,096</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	84,870	1,058,761	1,143,631
Deferred pension inflows	47,236	-	47,236
Total deferred inflows of resources	<u>132,106</u>	<u>1,058,761</u>	<u>1,190,867</u>
NET POSITION			
Net investment in capital assets	127,265,040	25,138,490	152,403,530
Restricted for debt service and construction	4,350,872	-	4,350,872
Unrestricted	22,289,558	(7,860,373)	14,429,185
Total net position	<u>\$ 153,905,470</u>	<u>\$ 17,278,117</u>	<u>\$ 171,183,587</u>

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



**NOTES TO BASIC
FINANCIAL STATEMENTS**

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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CITY OF CHATTANOOGA, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

The City of Chattanooga, Tennessee (the City) was incorporated under the Private Acts of 1839. The Mayor, who is elected at-large, has all executive and administrative authority. The City Council has all legislative authority and is composed of nine members, with each member elected from one of nine districts within the geographic boundaries of the City. The Mayor is not a member of the City Council.

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

The City reports the following blended component unit:

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

The City reports the following discretely-presented component units:

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

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

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

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CARTA
1617 Wilcox Boulevard
Chattanooga, TN 37406

Downtown Chattanooga Business Improvement District (CBID) – This entity was established October 18, 2019, under Tennessee Code Annotated 7-84. CBID was established to administer special assessment revenue collected by the City. CBID's duties and responsibilities are defined in an ordinance approved by City Council and include, but not limited to, providing services for improvement and operation of the CBID. CBID is a legally separate entity which is closely related to and financially dependent on the City as the City has the legal obligation to levy the CBID taxes. These taxes represent substantially all of CBID's revenue. CBID's fiscal year end date is December 31, but there were no operation as of December 31, 2019.

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

Basis of Presentation

Government-wide Financial Statements

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

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

Transfers within governmental activities and business-type activities are eliminated upon consolidation, although activity which represents services provided or used are not eliminated. Any residual balances outstanding between the governmental activities and the business-type activities, including a capital lease, are reported in the government-wide financial statements as "internal balances." Transactions between the primary government and its discretely-presented component units are reported as external transactions, that is as revenues and expenses.

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Chattanooga Downtown Redevelopment Corporation - The Chattanooga Downtown Redevelopment Corporation Fund accounts for redevelopment financing, the operations of the Southside Parking Garage and other parking facilities, and other activities. 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.

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Amounts transferred are reported to City Council as required by Tennessee Code Annotated (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.

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Balances

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

Inventories and Prepaid Items

Inventories, principally materials, supplies, and replacement parts to be used by the government, are valued at cost. Inventories held for resale are valued at the lower of cost or market, using either the first-in, first-out (FIFO) or the weighted average method. Prepaid items include certain payments to vendors which reflect costs applicable to future accounting periods. The costs of inventories and prepaid items are recorded as expenditures/expenses at the time individual inventory items are consumed (consumption method).

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.

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.

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Pensions and Other Postemployment Benefits

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

Benefit payments related to the pension plans (including refunds of employee contributions) are recognized in the fund financial statements when due and payable in accordance with the benefit terms. Benefit payments related to the OPEB plan are recognized when due and payable in accordance with the benefit terms. Payments made after the measurement date are deferred in government-wide statements.

Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Revenues, Expenditures/Expenses

Program Revenues

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

Property Taxes

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

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

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

Indirect Costs

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

Compensated Absences

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

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

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds Operating and Non-operating Revenues and Expenses

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

Estimates

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

NOTE 2. CASH AND INVESTMENTS

Cash Deposits with Financial Institutions

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

Investments

The City utilizes a pooled investment concept. The City's investment policy with respect to the cash and investment pool is to maximize investment earnings while maintaining an acceptable level of risk. At June 30, 2020, investments of the primary government (except for Permanent, Restricted, Pension Trust and Other Postemployment Benefits Trust Funds) consist of the following:

Weighted Average	<u>Fair Value or Maturity (Years)</u>	<u>Carrying Amount</u>
Primary Government – Governmental Activities:		
U.S. Government agency securities	2.93	\$ <u>91,148,320</u>
Primary Government – Business-Type Activities:		
Certificates of deposit classified as investments	2.94	\$ <u>184,514,625</u>

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

	S&P or Moody's <u>Rating</u>	Fair Value Measurements Using:	
		<u>Fair Value</u>	<u>Level 1</u>
Primary Government – Governmental Activities:			
Corporate Bonds – Federal Home Loan Bank	AA+	\$ 34,388,700	\$ 34,388,700
Corporate Bonds – Federal Farm Credit Bank	AA+	39,680,281	39,680,281
Corporate Bonds – Fannie Mae	AA+	2,079,339	2,079,339
Corporate Bonds – Federal Home Loan Mortgage	AA+	<u>15,000,000</u>	<u>15,000,000</u>
		<u>\$ 91,148,320</u>	<u>\$ 91,148,320</u>

(Continued)

NOTE 2. CASH AND INVESTMENTS (Continued)

	S&P or Moody's Rating	Fair Value Measurements Using:	
		Fair Value	Level 1
Primary Government – Business-Type Activities:			
Corporate Bonds – Federal Home Loan Bank	AA+	\$ 68,457,105	\$ 68,457,105
Corporate Bonds – Federal Farm Credit Bank	AA+	73,262,179	73,262,179
Corporate Bonds – Fannie Mae	AA+	15,148,678	15,148,678
Corporate Bonds – Federal Home Loan Mortgage	AA+	<u>27,646,662</u>	<u>27,646,662</u>
		<u>\$ 184,514,625</u>	<u>\$ 184,514,625</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. T.C.A. 9-1-107(a) (1) authorizes municipalities to deposit and invest funds. All deposits in excess of the insurance coverage must be collateralized at 105% of value unless backed by the full faith and credit of the United States Government or its agencies. T.C.A. 6-56-106 details the types of allowable investments for public funds and states in part, "In order to provide a safe temporary medium for investment of idle funds, municipalities are authorized to invest in the following: (1) Bonds, notes or treasury bills of the United States; (2) Non-convertible debt securities of (a) The Federal Home Loan Bank, (b) the Federal National Mortgage Association, (c) the Federal Farm Credit Bank, and (d) the Federal Home Loan Mortgage Corporation; (3) Any other obligations not listed which are guaranteed as to principal and interest by the United States or any of its agencies; (4) Certificates of deposit and other evidences of deposit at state and federal chartered banks and savings and loan associations; (5) Obligations of the United States or its agencies; (6) The Tennessee Local Government Investment Pool; and (7) Repurchase Agreements (provided a master repurchase agreement has been executed and approved by the state director of local finance, such as that investments are made in accordance with procedures established by the state funding board)".

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

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

(Continued)

NOTE 2. CASH AND INVESTMENTS (Continued)

	S&P or Moody's Rating	Fair Value	Fair Value Measurements Using:	
			Level 1	Level 2
Permanent Fund				
Mutual funds – equity	Not rated	\$ 3,088,592	\$ 3,088,592	\$ -
Mutual funds – fixed income	Not rated	1,677,676	1,677,676	-
Other investments	Not rated	459,669	-	459,669
Temporary investments	Not rated	<u>244,432</u>	<u>244,432</u>	<u>-</u>
		<u>\$ 5,470,369</u>	<u>\$ 5,010,700</u>	<u>\$ 459,669</u>

	S&P or Moody's Rating	Fair Value	Fair Value Measurements Using:	
			Level 1	Level 2
City of Chattanooga General Pension Plan				
Domestic corporate bonds	Not rated	\$ 6,585,372	\$ 6,585,372	\$ -
Corporate stocks	Not rated	52,008,198	52,008,198	-
Foreign equity	Not rated	31,480,791	31,480,791	-
Private debt	Not rated	13,444,648	13,444,648	-
Mutual funds – equity	Not rated	26,675,468	26,675,468	-
Mutual funds – fixed income	Not rated	65,236,565	65,236,565	-
Real estate	Not rated	29,420,913	-	29,420,913
Hedge funds	Not rated	52,980,325	-	52,980,325
Private equity	Not rated	9,897,442	-	9,897,442
Temporary investments	Not rated	<u>6,315,604</u>	<u>6,315,604</u>	<u>-</u>
		<u>\$ 294,045,326</u>	<u>\$ 201,746,646</u>	<u>\$ 92,298,680</u>

Fire and Police Pension Fund				
Corporate bonds and notes	Not rated	\$ 6,552,912	\$ 6,552,912	\$ -
Foreign equity	Not rated	42,169,740	42,169,740	-
Mutual funds – equity	Not rated	104,617,445	104,617,445	-
Mutual funds – fixed income	Not rated	37,182,839	37,182,839	-
Real estate	Not rated	17,494,041	-	17,494,041
Private equity	Not rated	25,224,602	-	25,224,602
Temporary investments	Not rated	<u>1,666,898</u>	<u>1,666,898</u>	<u>-</u>
		<u>\$ 234,908,477</u>	<u>\$ 192,189,834</u>	<u>\$ 42,718,643</u>

Other Postemployment Benefit Trust Fund				
Foreign equity	Not rated	\$ 6,860,805	\$ 6,860,805	\$ -
Mutual funds – equity	Not rated	40,289,914	40,289,914	-
Mutual funds – fixed income	Not rated	18,107,707	18,107,707	-
Real estate	Not rated	5,228,855	-	5,228,855
Hedge funds	Not rated	4,829,767	-	4,829,767
Private equity	Not rated	2,191,211	-	2,191,211
Temporary investments	Not rated	<u>4,821,146</u>	<u>4,821,146</u>	<u>-</u>
		<u>\$ 82,329,405</u>	<u>\$ 70,079,572</u>	<u>\$ 12,249,833</u>

(Continued)

NOTE 2. CASH AND INVESTMENTS (Continued)

At June 30, 2020, the fair values of the City's investments in items classified as Level 2 on the fair value hierarchy totaling \$147,267,156 are based on valuations for which a readily determinable fair value does not exist. These investments are not listed on national exchanges or over-the-counter markets, and quoted market prices are not available. These investments include hedge funds, limited partnerships, private equity funds, and other types of non-traditional investments. Management estimates the fair values of these investments based on a review of all available information provided by fund managers and general partners. These fair value estimates are evaluated on a regular basis by management and are susceptible to revisions as more information becomes available. Because of these factors, it is reasonably possible that the estimated fair values of these investments may change materially in the near term.

NOTE 3. RECEIVABLES

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

	Governmental Activities Funds					Total
	General	Capital Projects	Other Governmental	Internal Service	Business-Type Activities	
Primary Government						
Receivables:						
Taxes	\$ 146,959,210	\$ -	\$ -	\$ -	\$ -	\$ 146,959,210
Accounts	13,868,719	-	759,298	-	-	14,628,017
Notes	886,777	-	9,042,692	-	-	9,929,469
Customer service	-	-	-	2,306,440	92,470,737	94,777,177
Other	1,543,260	282,029	17,427	-	945,243	2,787,959
Intergovernmental	<u>17,565,481</u>	<u>601,418</u>	<u>2,686,476</u>	<u>85,787</u>	<u>35,816,404</u>	<u>56,755,566</u>
Gross receivables	180,823,447	883,447	12,505,893	2,392,227	129,232,384	325,837,398
Less:						
Allowance for uncollectibles	<u>(4,692,224)</u>	<u>-</u>	<u>(1,369,968)</u>	<u>-</u>	<u>(17,643,719)</u>	<u>(23,705,911)</u>
Net receivables	<u>\$ 176,131,223</u>	<u>\$ 883,447</u>	<u>\$ 11,135,925</u>	<u>\$2,392,227</u>	<u>\$111,588,665</u>	<u>\$ 302,131,487</u>

Taxes Receivable

Taxes receivable include the uncollected property taxes from tax levies made during the current and past nine years, as well as the anticipated levy for the current calendar year. The allowance for uncollectible taxes of \$4,692,224 is the weighted average percentage of prior year collections on delinquent taxes to the total delinquent taxes receivable at June 30, 2020.

Community Development Loans

Notes receivable of \$9,042,692, 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. The allowance for uncollectable loans is \$1,369,968.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Transfers In</u>	<u>Deductions/ Transfers Out</u>	<u>Ending Balance</u>
PRIMARY GOVERNMENT				
Governmental Activities:				
Non-depreciable assets:				
Land and land improvements	\$ 1,106,865,159	\$ 11,302,005	\$ -	\$ 1,118,167,164
Construction in progress	<u>66,706,507</u>	<u>19,235,076</u>	<u>1,629,625</u>	<u>84,311,958</u>
Total non-depreciable assets	<u>1,173,571,666</u>	<u>30,537,081</u>	<u>1,629,625</u>	<u>1,202,479,122</u>
Depreciable assets:				
Buildings and improvements	207,616,537	460,049	-	208,076,586
Vehicles and machinery	155,404,631	9,538,225	840,820	164,102,036
Infrastructure	<u>787,945,917</u>	<u>7,817,000</u>	<u>6,319,452</u>	<u>789,443,465</u>
Total depreciable assets	<u>1,150,967,085</u>	<u>17,815,274</u>	<u>7,160,272</u>	<u>1,161,622,087</u>
Less accumulated depreciation for:				
Buildings and improvements	125,896,294	5,704,499	-	131,600,793
Vehicles and machinery	125,206,458	10,297,804	1,069,452	134,434,810
Infrastructure	<u>582,762,113</u>	<u>20,844,224</u>	<u>-</u>	<u>603,606,337</u>
Total accumulated depreciation	<u>833,864,865</u>	<u>36,846,527</u>	<u>1,069,452</u>	<u>869,641,940</u>
Depreciable assets, net	<u>317,102,220</u>	<u>(19,031,253)</u>	<u>6,090,820</u>	<u>291,980,147</u>
Governmental activities capital assets, net	<u>\$ 1,490,673,886</u>	<u>\$ 11,505,828</u>	<u>\$ 7,720,445</u>	<u>\$ 1,494,459,269</u>
Business-Type Activities				
Non-depreciable assets:				
Land	\$ 21,990,069	\$ 462,382	\$ -	\$ 22,452,451
Construction in progress	<u>160,240,304</u>	<u>65,779,854</u>	<u>40,301,825</u>	<u>185,718,333</u>
Total non-depreciable assets	<u>182,230,373</u>	<u>66,242,236</u>	<u>40,301,825</u>	<u>208,170,784</u>
Depreciable assets:				
Buildings and improvements	146,976,129	6,429,441	2,053,000	151,352,570
Vehicles and machinery	192,699,700	12,672,330	4,617,265	200,754,765
Sewer system	487,968,147	39,189,960	-	527,158,107
Solid waste system	9,520,509	-	-	9,520,509
Water quality management system	45,422,607	514,967	-	45,937,574
Electric system	739,946,000	39,267,000	24,239,000	754,974,000
Communication system	<u>124,968,000</u>	<u>16,696,000</u>	<u>14,996,000</u>	<u>126,668,000</u>
Total depreciable assets	<u>1,747,501,092</u>	<u>114,769,698</u>	<u>45,905,265</u>	<u>1,816,365,525</u>
Less accumulated depreciation for:				
Buildings and improvements	67,449,714	4,219,784	2,054,000	69,615,498
Vehicles and machinery	108,941,670	13,163,980	1,885,265	120,220,385
Sewer system	253,308,439	9,090,911	-	262,399,350
Solid waste system	3,631,558	317,350	-	3,948,908
Water quality management system	14,391,362	938,700	-	15,330,062
Electric system	250,401,000	30,484,002	26,330,000	254,555,002
Communication system	<u>66,724,000</u>	<u>20,732,000</u>	<u>17,623,000</u>	<u>69,833,000</u>
Total accumulated depreciation	<u>764,847,743</u>	<u>78,946,727</u>	<u>47,892,265</u>	<u>795,902,205</u>
Depreciable assets, net	<u>982,653,349</u>	<u>35,822,971</u>	<u>(1,987,000)</u>	<u>1,020,463,320</u>
Business-type activities capital assets, net	<u>\$ 1,164,885,722</u>	<u>\$ 102,065,207</u>	<u>\$ 38,314,825</u>	<u>\$ 1,228,634,104</u>

(Continued)

NOTE 4. CAPITAL ASSETS (Continued)

DISCRETELY-PRESENTED COMPONENT UNITS

Non-depreciable assets:

Land	\$ 11,798,471	\$ 711,950	\$ -	\$ 12,510,421
Construction in progress	<u>4,493,275</u>	<u>2,017,393</u>	<u>4,086,536</u>	<u>2,424,132</u>
Total non-depreciable assets	<u>16,291,746</u>	<u>2,729,343</u>	<u>4,086,536</u>	<u>14,934,553</u>

Depreciable assets:

Buildings and improvements	218,300,759	16,157,741	-	234,458,500
Vehicles and equipment	<u>74,253,328</u>	<u>8,525,889</u>	-	<u>82,779,217</u>
Total depreciable assets	<u>292,554,087</u>	<u>24,683,630</u>	-	<u>317,237,717</u>

Less accumulated depreciation	<u>165,284,801</u>	<u>11,221,779</u>	-	<u>176,506,580</u>
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Depreciable assets, net	<u>127,269,286</u>	<u>13,461,851</u>	-	<u>140,731,137</u>
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Component unit's capital assets, net	<u>\$ 143,561,032</u>	<u>\$ 16,191,194</u>	<u>\$ 4,086,536</u>	<u>\$ 155,665,690</u>
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Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:

General Government	\$ 4,699,570
Public Safety	3,069,820
Economic Development	29,438
Public Works	22,574,302
Youth & Family Development	321,748
Transportation	<u>5,058,976</u>

Total	<u>\$ 35,753,854</u>
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Primary Government – Business-Type Activities:

Electric Utility	\$ 65,286,000
Sewer	12,726,259
Solid Waste	459,276
Water Quality	1,435,619
Tennessee Valley Regional Communications	631,239
Downtown Redevelopment	<u>47,847</u>

Total	<u>\$ 80,586,240</u>
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Discretely Presented Component Units:

CARTA	\$ 2,720,588
Airport Authority	<u>8,501,191</u>

Total	<u>\$ 11,221,779</u>
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NOTE 5. LONG-TERM LIABILITIES

Governmental Activities

Debt related to governmental activities at June 30, 2020, consisted of the following:

General Obligation Bonds

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

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

General obligation bonds are summarized by issue as follows:

<u>Series</u>	<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2020</u>
General Obligations Bonds, Series 2009	\$ 45,415,000	3.00% - 4.63%	11/01/20	\$ 2,270,000
General Obligations Bonds, Series 2010 A	6,725,000	2.00% - 4.00%	02/01/30	-
General Obligation Refunding Bonds, Series 2010 B	4,707,460	2.00% - 4.00%	02/01/30	-
Hotel-Motel Tax Refunding Bonds, Series 2010 B	29,557,540	2.00% - 4.00%	02/01/30	-
General Obligation Bonds, Series 2010 C	6,840,000	2.00% - 4.00%	02/01/30	145,000
General Obligation Bonds, Series 2011 A	26,495,000	2.00% - 4.00%	10/01/26	12,355,000
General Obligation Refunding Bonds, Series 2011 B	1,949,250	2.00% - 4.00%	10/01/27	1,817,596
Hotel-Motel Tax Refunding Bonds, Series 2011 B	15,595,750	2.00% - 4.00%	10/01/27	14,542,404
General Obligation Bonds, Series 2013	19,355,000	2.00% - 5.00%	10/01/28	11,820,000
Hotel-Motel Tax Pledge, Series 2013	7,420,000	2.00% - 5.00%	10/01/28	4,530,000
General Obligation Refunding Bonds, Series 2014 A	13,792,100	1.75% - 5.00%	11/01/26	5,024,538
Hotel-Motel Tax Refunding Bonds, Series 2014 A	3,961,340	1.75% - 5.00%	11/01/26	1,443,670
General Obligation Bonds, Series 2015 A	28,245,000	5.00%	09/01/30	20,705,000
General Obligation Refunding Bonds, Series 2015 B	18,955,000	3.00% - 5.00%	11/01/28	18,955,000
General Obligation Bonds, Series 2017 A	8,200,000	5.00%	03/01/31	6,005,000
General Obligation Refunding Bonds, Series 2017 B	12,640,000	3.00% - 5.00%	03/01/26	12,640,000
General Obligation Bonds, Series 2019 A	20,156,711	5.00%	02/01/34	18,813,424
General Obligation Refunding Bonds, Series 2019 B	4,055,000	2.00% - 5.00%	02/01/31	4,020,000
Hotel-Motel Tax Refunding Bonds, Series 2019 B	<u>14,805,000</u>	2.00% - 5.00%	02/01/31	<u>14,690,000</u>
 Total payable from Debt Service Fund	 <u>\$ 288,870,151</u>			 <u>\$ 149,776,632</u>

Notes and Loans Payable

Tennessee Municipal Bond Fund Loan (2004) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$25,000,000 for the purpose of paying for certain general government capital projects. The loan is being repaid over a 20-year period at variable rates through 2024. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2020, is \$6,308,868, of which \$6,159,601 is due from Governmental Activities and \$149,267 is due from Solid Waste Fund (a Business-type Activity).

HUD Section 108 Loan - On June 12, 2008, the City received a loan from the U.S. Department of Housing and Urban Development for an aggregate principal amount of \$4,576,000. A significant portion of the money was authorized to be used for repayment of the 2003 Fannie Mae Loan, with the remaining balance to be used for the Brownfields/Community Development Loan Fund and public infrastructure projects. The note bears an interest rate of 4% and is being amortized over 15 years with an optional redemption after 10 years. The balance at June 30, 2020 is \$1,221,000.

Hamilton County Department of Education Note Payable - In July 2014, the Chancery Court for Hamilton County approved a joint motion by the Hamilton County Department of Education (HCDE) and the City of Chattanooga for compromise of litigation whereby HCDE filed a declaratory judgment action asking the Court to declare the rights and responsibilities of the parties under TCA § 57-4-306(2) relative to past liquor-by-the drink tax revenues. Under provisions of the Compromise, the City of Chattanooga will pay \$11,763,477 to the HCDE in six equal annual payments of \$1,960,580 over a five-year period commencing on August 1, 2014 and ending in August 2019. The balance at June 30, 2020 is \$0.

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

Capital Leases

Chattanooga Downtown Redevelopment Corporation Capital Lease - In October 2000, the City entered into a non-cancelable long-term lease with the Chattanooga Downtown Redevelopment Corporation (CDRC), for financing the cost of designing, acquiring, constructing and equipping four facilities in the Tourist Development Zone comprising more than 631,210 square feet at a cost of over \$120 million. Facilities include (1) The Chattanooga - a residential conference center, (2) parking garage, (3) the Development Resource Center, and (4) an expansion of the Chattanooga-Hamilton County Convention and Trade Center. The lease provides for semi-annual payments in amounts sufficient to meet the annual debt service requirements on \$129 million in revenue bonds issued by the Industrial Development Board of the City of Chattanooga (IDB) on behalf of the CDRC, a non-profit corporation. The IDB bonds are secured by payments to be made by the CDRC. The lease payments are funded by the City's share of the 0.5% increase in the county-wide sales tax passed by county-wide referendum, income from the Chattanooga, state incremental sales tax generated in the Tourist Development Zone and interest income from a debt service reserve fund in excess of \$9 million included as part of the bond issue. In the event these sources are insufficient, the City agreed to appropriate sufficient moneys to make the lease payments. In October 2018, the Chattanooga was sold to a private developer for \$27 million. One hundred percent of the proceeds from the sale were used to defease a pro-rata share of the outstanding bonds. The City's lease payment for the year ended June 30, 2020, was \$7,180,181, of which \$5,130,000 was a reduction of principal. The debt service reserve fund held by the fiscal agent at June 30, 2020 is \$9,843,063. The fiscal agent is required by the agreement to apply any interest on the debt service reserve fund toward the lease payments. The debt service reserve fund will be used to retire debt near the end of the lease.

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

Regional Communication Capital Lease – In August 2016, the City entered into an equipment lease-purchase agreement to finance radio communication equipment totaling \$5,977,735. The lease term is five years and provides for annual payments which begin August 1, 2017. The recorded liability under this capital lease at June 30, 2020 is \$2,391,094.

Golf Course Capital Lease - In January 2018, the City entered into an equipment lease-purchase agreement to finance golf carts at the Brainerd and Brown Acres Golf Courses totaling \$346,000. The lease term is five years and provides for monthly payments which began April 1, 2018. The recorded liability under this capital lease at June 30, 2020 is \$197,653.

Tasers Capital Lease – In November 2016, the City entered into an equipment lease-purchase agreement to finance tasers for the Chattanooga Police Department totaling \$625,799. The lease term is five years and provides for annual payments which began June 1, 2018. The recorded liability under this capital lease at June 30, 2020 is \$124,800.

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

Business-type Activities

Debt related to business-type activities at June 30, 2020, consisted of the following:

Revenue and General Obligation Bonds

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

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

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

<u>Series</u>	<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2020</u>
Electric Power Board				
2015A Electric System Refunding Revenue Bonds	\$ 218,855,000	2.88%-5.00%	09/01/33	\$ 200,225,000
2008B Electric System Revenue Bonds	15,355,000	0.70%-3.38%	09/01/25	9,705,000
2008C Electric System Revenue Bonds	25,880,000	4.00%-5.00%	09/01/40	25,880,000
Electric Line of Credit	13,000,000	1.45%	05/28/21	13,000,000
Interceptor Sewer System				
General Obligation Refunding Bonds, Series 2014A	2,343,620	1.75%-5.00%	11/01/26	853,994
Solid Waste Fund				
General Obligation Refunding Bonds, Series 2014A	4,674,278	1.75%-5.00%	11/01/26	1,702,695
General Obligation Refunding Bonds, Series 2017A	2,155,000	3.00%-5.00%	03/01/26	2,115,000
Water Quality Fund				
General Obligation Bonds, Series 2013	5,245,000	2.00%-5.00%	10/01/28	3,195,000
General Obligation Refunding Bonds, Series 2014A	1,153,663	1.75%-5.00%	11/01/26	420,103
General Obligation Bonds, Series 2015A	8,100,000	5.00%	09/01/30	5,940,000
General Obligation Refunding Bonds, Series 2017B	615,000	3.00%-5.00%	03/01/26	615,000
General Obligation Bonds, Series 2019 A	3,628,289	5.00%	02/01/34	3,386,577
Chattanooga Downtown Redevelopment Corporation				
2018A IDB Rev Refunding 2007 Bonds	32,235,000	3.25%	10/01/28	31,380,000
2010 Chatt Lease Rental Rev Ref Bonds	<u>28,200,000</u>	3.90%	10/01/24	<u>23,925,000</u>
Total payable from Business-type Activities	<u>\$ 361,439,850</u>			<u>\$ 322,383,369</u>

Notes, Loans, and Line of Credit Payable

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, 2020 to be paid from Interceptor Sewer Fund is \$11,770,007.

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, 2020, is \$6,308,868, of which \$6,159,601 is due from Governmental Activities and \$149,267 is due from Solid Waste Fund (a Business-type Activity).

State Revolving Loan 2007 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a \$13,000,000 loan for the purpose of financing sewer projects. The loan is being repaid in monthly installments through September 2031 at 2.79% interest. The balance at June 30, 2020 to be paid from Interceptor Sewer Fund is \$8,188,099.

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

State Revolving Loan 2011 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a \$20,000,000 loan for the purpose of financing sewer projects. The loan will be repaid in monthly installments after 90 percent of the loan has been drawn down at 2.00% interest. The balance at June 30, 2020 to be paid from Interceptor Sewer Fund is \$16,558,974.

State Revolving Loan 2012 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a \$33,100,000 loan for the purpose of financing sewer projects. The loan will be repaid in monthly installments after 90 percent of the loan has been drawn down at 1.15% interest. The balance at June 30, 2020 to be paid from Interceptor Sewer Fund is \$27,827,820.

State Revolving Loan 2013 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a \$66,800,000 loan for the purpose of financing sewer projects. The loan will be repaid in monthly installments after 90 percent of the loan has been drawn down at 1.67% interest. The balance at June 30, 2020 to be paid from Interceptor Sewer Fund is \$56,102,917.

State Revolving Loan 2016 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a \$42,500,000 loan for the purpose of financing sewer projects. The loan will be repaid in monthly installments after 90 percent of the loan has been drawn down at 1.29% interest. The balance at June 30, 2020 to be paid from Interceptor Sewer Fund is \$26,282,109.

State Revolving Loan 2018 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure two loans worth \$18,100,000 for the purpose of financing sewer projects. The loan will be repaid in monthly installments after 90 percent of the loan has been drawn down at 1.53% interest. The balance at June 30, 2020 to be paid from Interceptor Sewer Fund is \$3,082,906.

State Revolving Loan 2019 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure two loans worth \$24,000,000 for the purpose of financing sewer projects. The loan will be repaid in monthly installments after 90 percent of the loan has been drawn down at 2.05% interest. The balance at June 30, 2020 to be paid from Interceptor Sewer Fund is \$650,037.

Component Units

Component Units debt at June 30, 2020, 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, 2020</u>
Metropolitan Airport Authority Tax Exempt Revenue Bonds, Series 2019A	\$ 16,250,000	2.29%	07/10/41	\$ 1,147,184

Note Payable

<u>Description</u>	<u>Original Principal</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Principal June 30, 2020</u>
Note payable	\$ 754,000	0.00%	04/01/27	\$ 709,396
Total payable from Component Units	<u>\$ 17,004,000</u>			<u>\$ 1,856,580</u>

Refunding

During fiscal year 2020, the City issued \$18,860,000 of general obligation bonds to refinance \$22,280,000 resulting in debt service savings of \$3,718,213 with net present value savings of \$3,394,836.

In prior years, the City refunded certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust accounts assets and the liabilities for the refunded bonds are not included in the City's financial statements. At June 30, 2020, the remaining liabilities for the bonds refunded were as follows.

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

Year	Primary Government
2011	\$ 16,360,000
2014	9,445,000
2015	18,955,000
2017	15,410,000
2019	18,710,000

Changes in long-term liabilities for the fiscal year ended June 30, 2020, were as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Primary Government					
GOVERNMENTAL ACTIVITIES					
General obligation serial bonds	\$ 147,233,811	\$ 39,016,711	\$ 36,473,890	\$ 149,776,632	\$ 14,969,646
Notes payable	11,097,170	-	3,716,569	7,380,601	1,793,966
Capital leases payable	4,101,248	-	1,387,701	2,713,547	1,390,063
Accrued pollution remediation costs	85,816	1,942	17,144	70,614	48,500
Accrued postemployment benefits	125,301,912	-	7,784,865	117,517,047	-
Accrued general pension costs	50,008,483	14,459,223	-	64,467,706	-
Accrued fire and police pension costs	214,713,659	1,999,445	-	216,713,104	-
Compensated absences	<u>24,593,308</u>	<u>17,286,733</u>	<u>15,874,890</u>	<u>26,005,151</u>	<u>1,451,087</u>
Total governmental activities	<u>\$ 577,135,407</u>	<u>\$ 72,764,054</u>	<u>\$ 65,255,059</u>	584,644,402	<u>\$ 19,653,262</u>
Original issue premiums and discounts				<u>18,595,068</u>	
				<u>\$ 603,239,470</u>	
BUSINESS-TYPE ACTIVITIES					
EPB:					
Revenue bonds	\$ 246,455,000	\$ -	\$ 10,645,000	\$ 235,810,000	\$ 11,130,000
Electric line of credit	-	13,000,000	-	13,000,000	13,000,000
Accrued pension costs	14,361,000	2,919,000	-	17,280,000	-
Compensated absences	<u>603,000</u>	<u>-</u>	<u>4,000</u>	<u>599,000</u>	<u>188,000</u>
	<u>261,419,000</u>	<u>15,919,000</u>	<u>10,649,000</u>	<u>266,689,000</u>	<u>24,318,000</u>
Interceptor Sewer System:					
General obligation serial bonds	1,322,666	-	468,672	853,994	126,998
Notes payable	147,577,039	10,717,715	7,831,885	150,462,869	9,313,712
Accrued postemployment benefits	3,913,903	4,419,143	-	8,333,046	-
Accrued general pension costs	6,552,214	1,655,670	-	8,207,884	-
Compensated absences	<u>956,867</u>	<u>948,318</u>	<u>829,347</u>	<u>1,075,838</u>	<u>60,032</u>
	<u>160,322,689</u>	<u>17,740,846</u>	<u>9,129,904</u>	<u>168,933,631</u>	<u>9,500,742</u>
Solid Waste Fund:					
General obligation serial bonds	4,792,626	-	934,931	3,857,695	593,342
Notes payable	184,277	-	35,010	149,267	36,034
Accrued landfill closure costs	4,339,578	519,380	200,894	4,658,064	421,802
Accrued postemployment benefits	251,325	283,768	-	535,093	-
Accrued general pension costs	420,753	-	173,092	247,661	-
Compensated absences	<u>53,930</u>	<u>54,742</u>	<u>34,124</u>	<u>74,548</u>	<u>4,160</u>
	<u>10,042,489</u>	<u>857,890</u>	<u>1,378,051</u>	<u>9,522,328</u>	<u>1,055,338</u>

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Water Quality Management Fund:					
General obligation serial bonds	11,295,898	3,628,289	1,367,507	13,556,680	1,295,015
Accrued postemployment benefits	3,052,717	3,446,787	-	6,499,504	-
Accrued general pension costs	5,110,602	1,529,180	-	6,639,782	-
Compensated absences	<u>761,354</u>	<u>801,187</u>	<u>681,846</u>	<u>880,695</u>	<u>49,143</u>
	<u>20,220,571</u>	<u>9,405,443</u>	<u>2,049,353</u>	<u>27,576,661</u>	<u>1,344,158</u>
Tennessee Valley Regional Communication Systems Fund:					
Accrued postemployment benefits	176,818	206,534	-	383,352	-
Accrued general pension costs	296,019	72,612	-	368,631	-
Compensated absences	<u>81,414</u>	<u>59,582</u>	<u>43,664</u>	<u>97,332</u>	<u>5,431</u>
	<u>554,251</u>	<u>338,728</u>	<u>43,664</u>	<u>849,315</u>	<u>5,431</u>
Chattanooga Downtown Redevelopment Corporation:					
Revenue bonds	<u>60,435,000</u>	<u>-</u>	<u>5,130,000</u>	<u>55,305,000</u>	<u>5,330,000</u>
Total business-type activities	<u>\$ 512,994,000</u>	<u>\$ 44,261,907</u>	<u>\$ 28,379,972</u>	528,875,935	<u>\$ 41,553,669</u>
Original issue premiums and discounts				<u>26,902,228</u>	
				<u>\$ 555,778,163</u>	
Discretely-Presented Component Units					
Airport Authority:					
Revenue bonds	\$ 5,830,230	\$ 1,147,184	\$ 5,830,230	\$ 1,147,184	\$ -
Note payable	-	754,000	44,604	709,396	107,714
Accrued postemployment benefits	716,429	3,085	-	719,514	-
Accrued general pension costs	<u>2,337,836</u>	<u>499,853</u>	<u>-</u>	<u>2,837,689</u>	<u>-</u>
	<u>8,884,495</u>	<u>2,404,122</u>	<u>5,874,834</u>	<u>5,413,783</u>	<u>107,714</u>
CARTA:					
Accrued postemployment benefits	235,891	34,037	39,524	230,404	-
Accrued general pension costs	14,051,674	2,994,399	5,258,480	11,787,593	-
Compensated absences	<u>505,697</u>	<u>411,766</u>	<u>422,625</u>	<u>494,838</u>	<u>494,838</u>
	<u>14,793,262</u>	<u>3,440,202</u>	<u>5,720,629</u>	<u>12,512,835</u>	<u>494,838</u>
Total component units	<u>\$ 23,677,757</u>	<u>\$ 5,844,324</u>	<u>\$ 11,595,463</u>	<u>\$ 17,926,618</u>	<u>\$ 602,552</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
2021	\$ 16,763,612	\$ 6,270,460	\$ 40,825,101	\$ 15,289,459
2022	16,889,947	5,605,113	29,514,868	14,058,572
2023	16,964,598	4,971,325	30,456,481	12,971,820
2024	17,641,956	4,271,274	31,505,511	11,827,671
2025	16,049,050	3,606,859	32,118,123	10,639,986
2026-2030	61,270,998	8,846,760	153,824,022	37,444,497
2031-2035	11,577,074	762,765	120,555,573	12,488,887
2036-2040	-	-	32,220,825	2,094,193
2041-2045	<u>-</u>	<u>-</u>	<u>1,975,000</u>	<u>16,458</u>
	<u>\$ 157,157,235</u>	<u>\$ 34,334,556</u>	<u>\$ 472,995,504</u>	<u>\$ 116,831,543</u>

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

<u>Year</u>	<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 107,714	\$ 26,271
2022	1,105,349	15,843
2023	257,264	410
2024	107,714	-
2025	107,714	-
Thereafter	<u>170,825</u>	<u>-</u>
	<u>\$ 1,856,580</u>	<u>\$ 42,524</u>

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

<u>Year</u>	<u>Primary Government</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,390,063	\$ 5,726
2022	1,267,707	3,281
2023	<u>55,777</u>	<u>805</u>
	<u>\$ 2,713,547</u>	<u>\$ 9,812</u>

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS

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

General Pension Plan

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

Plan Description

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

Plan membership - Pension plan membership as of January 1, 2020, the valuation date, consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	1,244
Inactive plan members entitled to but not yet receiving benefits	140
Active plan members	<u>1,460</u>
Total	<u>2,844</u>

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

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Deferred Retirement Option Provision - The Deferred Retirement Option Provision (DROP) of the GPP offers participants the option of receiving a portion of total pension benefit as a lump-sum cash payment at the time of retirement. When a participant elects the DROP, monthly benefit payments are reduced. The DROP payment is paid as a lump sum during the first month of retirement. The amount of the lump sum is dependent upon the participant's total credited service. The participant must have 26 years of credited service to be eligible for a one-year DROP payment, 27 years for a two-year DROP payment and at least 28 years for a three-year DROP payment.

Contributions - The GPP Board of Trustees establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate and amount 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, 2019 valuation, for the year ended June 30, 2020, is 21.42% of projected payroll. The active member contribution rate was 2% of payroll.

Plan Investments

Investment policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the GPP Board of Trustees. It is the policy of the GPP Board of Trustees to pursue an investment strategy that provides sufficient return to meet its actuarial assumptions without undue investment risk. The following was the adopted asset allocation policy as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
US large cap equity	22.7%
US small cap equity	4.9
International equity	12.6
US core fixed income	12.3
US high yield fixed income	4.4
International fixed developed	6.1
Private debt	5.1
Equity hedge funds	9.9
Diversified hedge funds	7.5
Private equity	3.4
Private real estate	<u>11.1</u>
Total	100.0%

Rate of return - For the year ended June 30, 2020, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 2.35 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the City at June 30, 2020 were as follows:

Total pension liability	\$ 390,406,699
Plan fiduciary net position	<u>(293,987,317)</u>
Net pension liability	<u>\$ 96,419,382</u>
Plan fiduciary net position as a percentage of the total pension liability	75.30%

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2020 using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.50 percent
Salary increases	3.00 - 5.25 percent
Investment rate of return	6.75 percent, net of investment expenses

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Mortality rates for both pre-retirement and post-retirement individuals were based on the RP 2014 Mortality Table with Blue Collar Adjustment set forward four years for males and set forward three years for females and using a Scale MP-2017 projection to 2025. Post-disability mortality rates were based on the RP 2014 Disabled Mortality Table set forward four years for males and set forward seven years for females using a Scale MP-2017 projection to 2025.

Actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2017, dated February 21, 2019. The investment rate of return was decreased from 7.00 percent to 6.75 percent as of January 1, 2019.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as listed in the last actuarial experience study, dated February 21, 2019 are summarized as follows:

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

Discount rate - The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that plan members contribute 2.00 percent of pay and that the Board of Trustees adopts the actuarially determined contribution rate for the employer. Projected future benefit payments for all current plan members were projected through 2126.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the sensitivity of the net pension liability of the Plan to changes in the discount rate. Analysis is calculated using the discount rate of 6.75 percent, as well as what the Plan’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
GPP net pension liability	<u>\$ 139,581,267</u>	<u>\$ 96,419,382</u>	<u>\$ 59,868,966</u>

Fire and Police Pension Plan

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

Plan Description

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

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Plan membership – Pension plan membership as of January 1, 2020, the valuation date, consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	799
Inactive plan members entitled to but not yet receiving benefits	40
Active plan members	<u>866</u>
Total	<u>1,705</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 years 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.

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

Deferred Retirement Option Program - Two deferred retirement option plans (DROP) are available for participants:

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

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

Contributions - The CFPPF Board of Directors establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate and amount 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, 2019 valuation, for the year ended June 30, 2020, is 46.95% of projected payroll. The active member contribution rate was 11% of payroll.

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Plan Investments

Investment policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the CFPPF Board of Directors. It is the policy of the CFPPF Board of Directors to pursue an investment strategy that provides sufficient return to meet its actuarial assumptions without undue investment risk. The following was the adopted asset allocation policy as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic large cap	20%
Domestic mid cap	15
Domestic small cap	5
Developed international	10
Domestic fixed income	20
Emerging markets	10
Private debt	5
Real estate	5
Timber	5
Farmland	5
Total	<u>100%</u>

Rate of return - For the year ended June 30, 2020, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 3.85 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the City at June 30, 2020 were as follows:

Total pension liability	\$ 470,391,345
Plan fiduciary net position	<u>(234,894,622)</u>
Net pension liability	<u>\$ 235,496,723</u>
Plan fiduciary net position as a percentage of the total pension liability	49.94%

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.25 percent
Salary increases	2.25 percent – 2.75 percent
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation
COLA	1.50 percent

Pre-retirement mortality rates were based on the RP-2014 Blue Collar Employee Mortality Table set forward two years. Healthy annuitant mortality rates are based on the RP-2014 Blue Collar Healthy Mortality Table set forward three years. Disabled annuitant mortality rates are based on the RP-2014 Disabled Retiree Mortality Table set forward three years. All mortality tables are projected generationally with scale SSA2019-2D times 75%.

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

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2019 (see the discussion of the pension plan’s investment policy) are summarized in the table below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic large cap	6.15%
Domestic mid cap	6.75
Domestic small cap	7.15
Developed international	7.05
Domestic fixed income	1.15
Emerging markets	9.00
Private debt	10.40
Real estate	4.50
Timber	4.85
Farmland	6.30
*Arithmetic mean	

Discount rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current 11% of pay contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the CFPPF, calculated using the discount rate of 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
CFPPF net pension liability	<u>\$ 287,937,281</u>	<u>\$ 235,496,723</u>	<u>\$ 188,194,284</u>

Combining Statements for Pension Trust Fund

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

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Combining Statement of Pension Trust Net Position:

	<u>General Pension Plan</u>	<u>Fire and Police Pension Fund</u>	<u>Total</u>
ASSETS			
Receivables:			
Accrued income	\$ 144,109	\$ 4,147	\$ 148,256
Total receivables	<u>144,109</u>	<u>4,147</u>	<u>148,256</u>
Investments:			
Corporate bonds and notes	6,585,372	6,552,912	13,138,284
Corporate stocks	52,008,198	-	52,008,198
Foreign equity	31,480,791	42,169,740	73,650,531
Private debt	13,444,648	-	13,444,648
Mutual funds – equity	26,675,468	104,617,445	131,292,913
Mutual funds – fixed income	65,236,565	37,182,839	102,419,404
Real estate	29,420,913	17,494,041	46,914,954
Hedge funds	52,980,325	-	52,980,325
Private equity	9,897,442	25,224,602	35,122,044
Temporary investments	6,315,604	1,666,898	7,982,502
Total investments	<u>294,045,326</u>	<u>234,908,477</u>	<u>528,953,803</u>
Total assets	<u>294,189,435</u>	<u>234,912,624</u>	<u>529,102,059</u>
LIABILITIES			
Accrued expenses	<u>202,118</u>	<u>18,002</u>	<u>220,120</u>
Total liabilities	<u>202,118</u>	<u>18,002</u>	<u>220,120</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 293,987,317</u>	<u>\$ 234,894,622</u>	<u>\$ 528,881,939</u>

Combining Statement of Changes in Plan Net Position:

ADDITIONS			
Contributions:			
Employer	\$ 13,808,964	\$ 20,996,995	\$ 34,805,959
Employee	1,293,351	4,555,733	5,849,084
Other	-	150,878	150,878
Total contributions	<u>15,102,315</u>	<u>25,703,606</u>	<u>40,805,921</u>
Investments income:			
Net appreciation in fair value of investments	3,666,467	5,738,168	9,404,635
Interest	329,685	51,628	381,313
Dividends	<u>2,237,642</u>	<u>3,303,598</u>	<u>5,541,240</u>
Less investment expense	<u>(445,718)</u>	<u>(116,610)</u>	<u>(562,328)</u>
Net investment income (loss)	<u>5,788,076</u>	<u>8,976,784</u>	<u>14,764,860</u>
Total additions	<u>20,890,391</u>	<u>34,680,390</u>	<u>55,570,781</u>
DEDUCTIONS			
Benefits paid to participants	23,446,580	29,563,336	53,009,916
Administrative expenses	<u>221,766</u>	<u>947,089</u>	<u>1,168,855</u>
Total deductions	<u>23,668,346</u>	<u>30,510,425</u>	<u>54,178,771</u>
NET CHANGE	(2,777,955)	4,169,965	1,392,010
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of year	<u>296,765,272</u>	<u>230,724,657</u>	<u>527,489,929</u>
End of year	<u>\$ 293,987,317</u>	<u>\$ 234,894,622</u>	<u>\$ 528,881,939</u>

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Other Postemployment Benefits Plan (OPEB) - Trust

The City's OPEB plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions for all permanent, full-time City employees and employees of the Chattanooga Metropolitan Airport Authority. A stand-alone Financial Report is not issued for this trust.

Plan Description

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

Plan membership – OPEB plan membership as of January 1, 2020, the date of the valuation, consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	1,320
Active plan members	<u>2,321</u>
Total	<u>3,641</u>

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

Contributions - The City contributes to the plan at an actuarially determined rate. Retired plan members and beneficiaries are required to contribute specified amounts monthly toward the cost of health insurance premiums. Employees who retired prior to 2002 contribute an amount equal to the amount paid by active employees. Employees who retire after 2002 with 25 years of service or a job-related disability contribute an amount equal to 1.5 times that paid by active employees. Employees who retire after 2002 with less than 25 years of service or a non-job-related disability contribute an increased amount on the member of years' service less than 25 years. The City pays the remainder of the costs of medical coverage. The City established an Other Postemployment Benefits Trust (the Trust) in 2008 to partially pre-fund benefits. Beginning in 2011, the City began funding the Trust based on 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 13.60 percent of the total covered payroll of participants. All obligations are liquidated from the OPEB trust.

Plan Investments

Investment policy - The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the GPP Board of Trustees. It is the policy of the GPP Board of Trustees to pursue an investment strategy that provides sufficient return to meet its actuarial assumptions without undue investment risk. The following was the adopted asset allocation policy as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
US equity - large cap	38.0%
US equity - small cap	5.0
International equity	15.0
Core fixed income	12.0
High yield fixed income	3.0
International fixed income	5.0
E.M. debt	5.0
Private debt	0.0
Equity hedge funds	3.5
Diversified hedge funds	3.5
Private equity	5.0
Real estate	<u>5.0</u>
Total	<u>100.0%</u>

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Rate of return - For the year ended June 30, 2020, the annual money-weighted rate of return on OPEB investments, net of OPEB plan investment expense, was 3.76 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

OPEB Liability

The components of the net OPEB liability of the City at June 30, 2020 were as follows:

Total OPEB liability	\$ 207,781,905
Plan fiduciary net position	<u>(83,134,742)</u>
City's net OPEB liability	<u>\$ 124,647,163</u>
Plan fiduciary net position as a percentage of the total OPEB liability	40.01%

Actuarial assumptions - The total OPEB liability was determined by an actuarial valuation as of January 1, 2020 using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.50 percent
Salary increases	1.50 to 5.00 percent, including inflation
Investment rate of return	6.75 percent compounded annually, net of OPEB plan investment expense, including inflation
Single equivalent interest rate	6.75%
Healthcare cost trend rates:	
Pre-Medicare eligible	7.00%
Medicare eligible	5.25%
Ultimate trend rates:	
Pre-Medicare eligible	4.50%
Medicare eligible	4.50%
Year of Ultimate trend rate	2027

Mortality – General Employee Deaths After Retirement: According to the RP-2014 Mortality Table with Blue Collar Adjustment, set forward four years for males and three years for females and projected to 2025 with projection scale MP-2017 for service retirements and beneficiaries of retired participants. The RP-2014 Disabled Mortality Table set forward four years for males and seven years for females and projected to 2025 using Scale MP-2017 is used for the period after disability retirement. Fire and Police Employee Deaths After Retirement: According to the RP 2014 Blue Collar Mortality fully generational using a modified MP-2018 projection scale and set forward three years for males and female for service retirements and beneficiaries of retired participants. The RP 2014 Disabled Mortality fully generational using a modified MP-2018 projection scale and set forward three years for both males and females is used for the period after disability retirement.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the January 1, 2020 valuation for general employees were based on the results of the last actuarial experience study, dated January 7, 2017. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases for fire and police employees reflect the results of the experience investigation of the Fire and Police Pension Fund for the period ending December 31, 2014, with an additional update to the mortality assumption based on most recent assumptions used in the Fund's GASB 67 and 68 actuarial valuations prepared as of June 30, 2019

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the January 1, 2020 valuation were based on a review of recent plan experience done concurrently with the January 1, 2020 valuation.

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

The long-term expected rate of return on plan assets is to be reviewed as part of regular experience studies prepared for the Plan every four to five years. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in the current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions to be developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

<u>Asset Class</u>	<u>3-yr Expected Real Rate of Return</u>
US equity - large cap	7.0 %
US equity - small cap	7.5
International equity	7.5
Core fixed equity	1.7
High yield fixed income	6.5
International fixed income	1.2
E.M. debt	6.6
Private debt	7.0
Equity hedge funds	7.5
Diversified hedge funds	6.5
Private equity	15.0
Real estate	8.0

Discount rate - The discount rate used to measure the OPEB liability was 6.75%. The plan will be funded based on the actuarially determined contribution each year in the future and therefore will not be projected to run out of money.

Based on these assumptions, the Plan’s Fiduciary Net Position (FNP) was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability (TOL). The discount rate determination does not use the Municipal Bond Index Rate.

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current discount rate:

	<u>1% Decrease (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net OPEB liability	\$ 145,421,343	\$ 124,647,163	\$ 106,607,754

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. - The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (6.00% decreasing to 3.50% for pre-Medicare, 4.25% decreasing 3.50% for Medicare eligible) or 1-percentage point higher (8.00% decreasing to 5.50% for pre-Medicare, 6.25% decreasing to 5.50% for Medicare eligible) than the current healthcare cost trend rates. The current healthcare cost trend rates are 7.00% decreasing to 4.50% for pre-Medicare, 5.25% decreasing to 4.50% for Medicare eligible.

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

	<u>1% Decrease</u>	Healthcare Cost <u>Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 104,270,392	\$ 124,647,163	\$ 148,438,803

Alternative measurement method – January 1, 2018 is the actuarial valuation date upon which the total OPEB liability is based. The result was rolled forward using standard actuarial techniques to the measurement date of June 30, 2019. The roll forward calculation adds the normal cost (also called the service cost) for six months of 2019, subtracts the actual benefits payments for the same period and then applies the expected investment rate of return for the period. If applicable, actuarial gains and losses arising from benefit changes, the differences between estimates and actual experience, and changes in assumptions or other inputs are reconciled to the total OPEB liability as of the Measurement Date.

The procedure was used to determine the total OPEB liability as of June 30, 2020, as shown in the following:

Total OPEB Liability Roll Forward

Total OPEB Liability as of June 30, 2019	\$ 207,678,223
Actual benefit payment and refunds for July 1, 2019 – June 30, 2020	(7,499,779)
Interest on TOL	14,274,983
Service cost for the period July 1, 2019 – June 30, 2020 at the end of period	3,883,018
Experience (Gain)/Loss	(11,458,511)
Assumption Change (Gain/Loss)	<u>903,971</u>
Total OPEB liability rolled forward to June 30, 2020	<u>\$ 207,781,905</u>

Combining Statement of OPEB Trust Net Position:

ASSETS

Investments:	
Foreign equity	6,860,805
Mutual funds – equity	40,289,914
Mutual funds – fixed income	18,107,707
Real estate	5,228,855
Hedge funds	4,829,767
Private equity	2,191,211
Temporary investments	<u>4,821,146</u>
Total investments	<u>82,329,405</u>
Receivables:	
Accrued income	660
Due from plan custodian	<u>1,547,886</u>
Total receivables	<u>1,548,546</u>
Total assets	<u>83,877,951</u>

LIABILITIES

Due to plan custodian	<u>743,209</u>
Total liabilities	<u>743,209</u>
NET POSITION RESTRICTED FOR OPEB	<u>\$ 83,134,742</u>

(Continued)

NOTE 6. PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUSTS FUNDS (Continued)

Combining Statement of Changes in Plan Net Position:

ADDITIONS

Contributions:	
Employer	\$ 14,613,964
Employee	<u>3,217,953</u>
Total contributions	<u>17,831,917</u>

Investments income:

Net appreciation in fair value of investments	1,611,899
Dividends	775,495
Less investment expense	<u>(20,000)</u>
Net investment income (loss)	<u>2,367,394</u>
Total additions	<u>20,199,311</u>

DEDUCTIONS

Benefits paid to participants	10,717,732
Administrative expenses	<u>37,505</u>
Total deductions	<u>10,755,237</u>

NET CHANGE 9,444,074

NET POSITION RESTRICTED FOR OPEB

Beginning of year	<u>73,690,668</u>
End of year	<u>\$ 83,134,742</u>

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS

PENSION

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

(Continued)

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

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 6/30/2018	\$ 849,419,700	\$ 559,515,972	\$ 289,903,728
Changes for the year:			
Service cost	17,968,160	-	17,968,160
Interest expense	59,217,843	-	59,217,843
Experience losses (gains)	3,881,941	-	3,881,941
Changes of assumptions	4,209,348	-	4,209,348
Contributions – city	-	37,790,479	(37,790,479)
Contributions – members	-	5,697,175	(5,697,175)
Net investment income	-	22,912,495	(22,912,495)
Benefits paid	(56,534,025)	(56,534,025)	-
Plan administrative expenses	-	(2,217,689)	2,217,689
Other	-	144,652	(144,652)
Net changes	<u>28,743,267</u>	<u>7,793,087</u>	<u>20,950,180</u>
Balances at 6/30/2019	<u>\$ 878,162,967</u>	<u>\$ 567,309,059</u>	<u>\$ 310,853,908</u>
	Component Units		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2018	\$ 41,222,629	\$ 24,833,117	\$ 16,389,512
Changes for the year:			
Service cost	1,177,447	-	1,177,447
Interest expense	2,929,219	-	2,929,219
Experience losses (gains)	(217,586)	-	(217,586)
Changes of assumptions	195,455	-	195,455
Contributions – city	-	2,261,196	(2,261,196)
Contributions – members	-	348,883	(348,883)
Net investment income	-	3,151,359	(3,151,359)
Benefits paid	(2,634,978)	(2,634,978)	-
Plan administrative expenses	-	(64,533)	64,533
Other	-	-	-
Net changes	<u>1,449,557</u>	<u>3,061,927</u>	<u>(1,612,370)</u>
Balances at 6/30/2019	<u>\$ 42,672,186</u>	<u>\$ 27,895,044</u>	<u>\$ 14,777,142</u>

(Continued)

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

	<u>General Pension Plan</u>	<u>Fire & Police Pension Plan</u>	<u>EPB Pension Plan</u>	<u>CARTA Pension Plan</u>	<u>Totals</u>
Net pension liability	\$ 82,769,353	\$216,713,104	\$ 14,361,000	\$ 11,787,593	\$325,631,050
Deferred pension outflows					
Contributions	13,808,964	20,996,995	100,000	-	34,905,959
Change in assumptions	9,590,841	18,944,846	3,330,000	-	31,865,687
Difference between expected and actual experience	2,209,750	16,158,176	8,584,000	391,279	27,343,205
Net difference between projected and actual earnings on pension plan investments	<u>7,510,692</u>	<u>4,949,716</u>	<u>717,000</u>	<u>-</u>	<u>13,177,408</u>
	<u>33,120,247</u>	<u>61,049,733</u>	<u>12,731,000</u>	<u>391,279</u>	<u>107,292,259</u>
Deferred pension inflows					
Change in assumptions	-	862,812	-	-	862,812
Difference between expected and actual experience	15,879	4,947,336	-	542,193	5,505,408
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,877</u>	<u>492,877</u>
	<u>15,879</u>	<u>5,810,148</u>	<u>-</u>	<u>1,035,070</u>	<u>6,861,097</u>
Pension expense (income)	21,551,362	34,542,230	5,800,000	1,894,980	63,788,572

The following is a summary of each of these plans:

City of Chattanooga General Pension Plan

General Information

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

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

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

Deferred Retirement Option Provision - The Deferred Retirement Option Provision (DROP) of the GPP offers participants the option of receiving a portion of total pension benefit as a lump-sum cash payment at the time of retirement. When a participant elects the DROP, monthly benefit payments are reduced. The DROP payment is paid as a lump sum during the first month of retirement. The amount of the lump sum is dependent upon the participant's total credited service. The participant must have 26 years of credited service to be eligible for a one-year DROP payment, 27 years for a two-year DROP payment and at least 28 years for a three-year DROP payment.

(Continued)

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

Employees covered by benefit terms – The following employees were covered by the benefit terms as of January 1, 2019, the valuation date:

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

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, 2019, the active member contribution rate was 2.0 percent of annual pay and the City’s contribution rate was 20.50 percent of the total covered payroll of participants.

Net Pension Liability

The City’s net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019, rolled-forward to June 30, 2019 using standard roll forward techniques.

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50 percent
Salary increases	3.0 - 5.25 percent, including inflation
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
COLA	3.0 percent

Both pre-retirement and post-retirement mortality rates were based on the RP 2000 combined mortality table set forward four years for males and set forward two years for females and using a Scale AA projection to 2025. Post-disability mortality rates were based on the RP 2000 disabled retiree mortality table set forward eight years for males and set forward nine years for females. The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study, dated January 7, 2014. The investment rate of return was decreased from 7.25% to 7.00% as of January 1, 2017.

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

(Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US large cap equity	22.6%	3.0%
US small cap equity	4.9	4.0
International equity	12.6	4.5
US core fixed income	12.3	0.3
US high yield fixed income	4.4	2.0
International fixed developed	6.1	-1.5
Private debt	5.1	4.4
Equity hedge funds	9.9	3.5
Diversified hedge funds	7.5	3.0
Private equity	3.4	12.0
Private real estate	<u>11.2</u>	3.0
	<u>100.0%</u>	

Discount rate - The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate of 2% of pay and that City contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Net Position</u> <u>(b)</u>	<u>Net Pension Liability</u> <u>(a) - (b)</u>
Balances at 6/30/2018	\$ 363,710,846	\$ 298,984,939	\$ 64,725,907
Changes for the year:			
Service cost	7,739,257	-	7,739,257
Interest expense	24,677,422	-	24,677,422
Changes of assumptions	5,411,416	-	5,411,416
Difference between expected and actual experience	348,190	-	348,190
Contributions – city	-	12,770,788	(12,770,788)
Contributions – members	-	1,245,864	(1,245,864)
Net investment income	-	6,280,709	(6,280,709)
Benefits paid	(22,352,506)	(22,352,506)	-
Plan administrative expenses	-	(164,522)	164,522
Net changes	<u>15,823,779</u>	<u>(2,219,667)</u>	<u>18,043,446</u>
Balances at 6/30/2019	<u>\$ 379,534,625</u>	<u>\$ 296,765,272</u>	<u>\$ 82,769,353</u>

Changes in actuarial assumptions – Since the prior measurement date the discount rate used in the measurement of the total pension liability has been changed from 7.00% to 6.75%.

(Continued)

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

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

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
City’s net pension liability	\$ <u>125,180,585</u>	\$ <u>82,769,353</u>	\$ <u>46,851,339</u>

Pension plan fiduciary net position – The plan does not issue a separate financial report. Detailed information about the pension plan’s fiduciary net position is found in Note 6.

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

For the year ended June 30, 2019, the City recognized pension expense of \$20,812,489 with an additional \$738,873 for the Airport Authority, a component unit of the City.

Deferred outflows of resources related to pensions are as follows:

	<u>Primary Government</u>	<u>Airport Authority</u>	<u>Total</u>
Deferred contributions	\$ 13,335,533	\$ 473,431	\$ 13,808,964
Net difference between projected and actual earnings on pension plan investments	7,253,193	257,499	7,510,692
Difference between expected and actual experience	2,133,990	75,760	2,209,750
Change of assumptions	<u>9,262,026</u>	<u>328,815</u>	<u>9,590,841</u>
Total deferred outflow of resources	<u>\$ 31,984,742</u>	<u>\$ 1,135,505</u>	<u>\$ 33,120,247</u>

Deferred inflows of resources related to pensions are as follows:

	<u>Primary Government</u>	<u>Airport Authority</u>	<u>Total</u>
Difference between expected and actual experience	\$ 15,335	\$ 544	\$ 15,879
Total deferred inflow of resources	<u>\$ 15,535</u>	<u>\$ 544</u>	<u>\$ 15,879</u>

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

Year ended June 30,	<u>Primary Government</u>	<u>Airport Authority</u>	<u>Total</u>
2020	\$ 10,475,561	\$ 371,897	\$ 10,847,458
2021	9,043,153	321,045	9,364,198
2022	3,613,483	128,284	3,741,767
2023	2,654,290	94,231	2,748,521
2024	<u>3,322,949</u>	<u>117,969</u>	<u>3,440,918</u>
	<u>\$ 29,109,436</u>	<u>\$ 1,033,426</u>	<u>\$ 30,142,862</u>

(Continued)

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

Payable to the Pension Plan

At June 30, 2020, 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.

(Continued)

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

Employees covered by benefit terms – The following employees were covered by the benefit terms as of January 1, 2019, the valuation date:

Inactive plan members or beneficiaries currently receiving benefits	791
Inactive plan members entitled to but not yet receiving benefits	30
Active plan members	<u>862</u>
	<u><u>1,683</u></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, 2019, the active member contribution rate was 11 percent of payroll. The City’s contribution rate was 45.56% of the total covered payroll of participants.

Net Pension Liability

The City’s net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019, rolled-forward to June 30, 2019.

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.75 percent
Salary increases	1.50 - 2.75 percent plus service based merit increases
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation
COLA	1.50 percent

Pre-retirement mortality rates were based on the RP-2014 Blue Collar Employee Mortality Table set forward two years. Healthy annuitant mortality rates are based on the RP-2014 Blue Collar Healthy Mortality Table set forward three years. Disabled annuitant mortality rates are based on the RP-2014 Disabled Retiree Mortality Table set forward three years. All mortality tables are projected generationally with scale MP-2018. The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an experience study for the period January 1, 2010 through December 31, 2014 and based on changes to the retirement rate and COLA assumptions made in the conjunction with plan changes effective July 1, 2014. The investment return and administrative expense assumptions were further modified in the January 1, 2017 valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap equity	20%	6.16%
Mid cap equity	15	6.76
Small cap equity	5	7.26
International equity	10	6.96
Emerging markets	10	9.86
Private equity	5	10.41
Real estate	5	4.76
Timber	5	5.36
Farmland	5	6.81
Fixed income	<u>20</u>	1.96
	<u><u>100%</u></u>	

(Continued)

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

Discount rate - The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at their applicable rates and that City contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 6/30/2018	\$ 438,535,735	\$ 223,822,076	\$ 214,713,659
Changes for the year:			
Service cost	6,456,437	-	6,456,437
Interest expense	31,209,745	-	31,209,745
Difference between expected and actual experience	1,268,237	-	1,268,237
Change of assumptions	(1,006,613)	-	(1,006,613)
Contributions – city	-	19,646,959	(19,646,959)
Contributions – members	-	4,496,310	(4,496,310)
Net investment income	-	13,644,639	(13,644,639)
Benefits paid	(29,025,870)	(29,025,870)	-
Plan administrative expenses	-	(2,004,109)	2,004,109
Other	-	144,652	(144,652)
Net changes	<u>8,902,026</u>	<u>6,902,581</u>	<u>1,999,445</u>
Balances at 6/30/2019	<u>\$ 447,437,761</u>	<u>\$ 230,724,657</u>	<u>\$ 216,713,104</u>

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

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

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's net pension liability	<u>\$ 267,860,155</u>	<u>\$ 216,713,104</u>	<u>\$ 173,888,845</u>

Pension plan fiduciary net position – The plan does not issue a separate financial report. Detailed information about the pension plan's fiduciary net position is found in Note 6.

(Continued)

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

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

For the year ended June 30, 2019, the City recognized \$34,542,230 in pension expense. Deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 16,158,176	\$ 4,947,336
Change of assumptions	18,944,846	862,812
Deferred contributions	20,996,995	-
Net difference between projected and actual earnings on pension plan investments	<u>4,949,716</u>	<u>-</u>
Total	<u>\$ 61,049,733</u>	<u>\$ 5,810,148</u>

Deferred outflows of resources totaling \$20,996,995 represent contributions made after the plan’s valuation date. Amounts reported as deferred outflows of resources and deferred inflows of resources, excluding deferred contributions, related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2020	\$ 13,289,737
2021	7,360,122
2022	5,021,152
2023	4,656,754
2024	3,877,437
2025	<u>37,388</u>
	<u>\$ 34,242,590</u>

Payable to the Pension Plan

At June 30, 2020, 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% of final monthly salary for the ten years of service; 0.5% of final monthly salary for the next five years of service (maximum 35 years).

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

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

(Continued)

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

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

Employees covered by benefit terms – The following employees were covered by the benefit terms as of June 30, 2020:

Inactive plan members or beneficiaries currently receiving benefits	16
Inactive plan members entitled to but not yet receiving benefits	141
Active plan members	<u>547</u>
	<u>704</u>

Contributions – Plan members are not required to contribute to the Plan. EPB’s contributions are calculated based on an actuarially determined rate, which is currently 13.60% of annual covered payroll.

Net Pension Liability

EPB’s net pension liability was measured as of August 1, 2019, 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, 2019, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	1.5 percent
Salary increases	3.0 percent
Investment rate of return	7.0 percent

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

The actuarial assumptions used in the August 1, 2019 valuation were based on the results of an experience study for the period August 1, 2016 through July 31, 2019. The actuarial assumptions used in the August 1, 2018 valuation were based on the results of an actuarial experience study for the period August 1, 2015 – July 31, 2018.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	30-45%	7.0%
International equity	25-40	6.5
Fixed income	15-25	4.0
Real estate	0-10	6.0
Cash	0-10	0.5

(Continued)

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

Discount rate - The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that EPB contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2018	\$ 60,310,000	\$ 47,508,000	\$ 12,802,000
Changes for the year:			
Service cost	4,052,000	-	4,052,000
Interest expense	4,222,000	-	4,222,000
Difference between expected and actual experience	2,278,000	-	2,278,000
Contributions – EPB	-	5,834,000	(5,834,000)
Net investment income	-	3,214,000	(3,214,000)
Benefits paid	(5,963,000)	(5,963,000)	-
Plan administrative expenses	-	(55,000)	55,000
Net changes	<u>4,589,000</u>	<u>3,030,000</u>	<u>1,559,000</u>
Balance at 6/30/2019	<u>\$ 64,899,000</u>	<u>\$ 50,538,000</u>	<u>\$ 14,361,000</u>

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the Plan, calculated using the discount rate of 7.0 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City’s net pension liability	<u>\$ 24,970,000</u>	<u>\$ 14,361,000</u>	<u>\$ 5,537,000</u>

The plan does not issue a separate report.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2020, EPB recognized \$5,800,000 in pension expense. Deferred outflows of resources related to pensions are as follows:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 9,595,000
Employer contributions made after plan year	440,000
Change in assumptions	3,091,000
Net difference between projected and actual earnings on pension plan investments	<u>1,371,000</u>
Total	<u>\$ 14,497,000</u>

(Continued)

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

Deferred outflows of resources totaling \$100,000 represent contributions made after the plan’s valuation date. Amounts reported as deferred outflows of resources and deferred inflows of resources, excluding deferred contributions, related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2021	\$ 1,679,000
2022	1,008,000
2023	1,261,000
2024	1,278,000
2025	964,000
Thereafter	<u>7,867,000</u>
	<u>\$ 14,057,000</u>

Payable to the Pension Plan

At June 30, 2020, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan.

Other Postemployment Benefits

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

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

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2018	\$ 225,806,844	\$ 89,821,741	\$ 135,985,103
Changes for the year:			
Service cost	5,160,132	-	5,160,132
Interest expense	15,335,152	-	15,335,152
Difference between expected and actual experience	(2,537,000)	-	(2,537,000)
Contributions – city	-	15,762,763	(15,762,763)
Net investment income	-	4,628,123	(4,628,123)
Benefits paid	(11,340,905)	(11,340,905)	-
Plan administrative expenses	-	(83,054)	83,054
Net changes	<u>6,617,379</u>	<u>8,966,927</u>	<u>(2,349,548)</u>
Balances at 6/30/2019	<u>\$ 232,424,223</u>	<u>\$ 98,788,668</u>	<u>\$ 133,635,555</u>

	<u>Component Unit</u> Total OPEB Liability
Total OPEB liability (TOL) as of June 30, 2018	\$ 240,773
Changes for the year:	
Service cost	3,273
Interest on TOL and cash flows	6,975
Changes in benefit terms	1,438
Benefits paid	<u>(16,568)</u>
Net changes	<u>(4,882)</u>
Total OPEB liability (TOL) as of June 30, 2019	<u>\$ 235,891</u>

(Continued)

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

	City & Airport OPEB Plan	EPB OPEB Plan	CARTA OPEB Plan	Total
Net OPEB liability	\$ 133,987,555	\$ (352,000)	\$ 235,891	\$ 133,871,446
Deferred OPEB outflows:				
Deferred contributions	14,613,964	1,719,000	38,126	16,371,090
Net difference between projected and actual earnings on OPEB plan investments	306,666	-	-	306,666
Change in assumptions	9,003,470	-	-	9,003,470
Difference between expected and actual experience	<u>113,903</u>	<u>-</u>	<u>1,150</u>	<u>115,053</u>
	<u>24,038,003</u>	<u>1,719,000</u>	<u>39,276</u>	<u>25,796,279</u>
Deferred OPEB inflows:				
Difference between expected and actual experience	-	5,651,000	-	5,651,000
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>893,000</u>	<u>-</u>	<u>893,000</u>
	<u>-</u>	<u>6,544,000</u>	<u>-</u>	<u>6,544,000</u>
OPEB expense	15,400,333	1,200,000	10,536	16,610,869

The following is a summary of each plan:

Other Postemployment Benefits (City Fund)

General Information

Plan Description - The City's OPEB plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions for all permanent, full-time general City employees and employees of the Chattanooga Metropolitan Airport Authority. Management of the OPEB Plan vested in the General Pension Plan (GPP) Board of Trustees, which consists of seven members. The Mayor is an ex-officio member with the other six appointed by the Mayor with the approval of a majority vote of the City Council. A stand-alone Financial Report is not issued for this plan.

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

Employees covered by benefit terms. The following employees were covered by the benefit terms as of January 1, 2018, the date of the valuation used to determine the June 30, 2019:

Inactive members or their beneficiaries currently receiving benefits	1,309
Active members	<u>2,217</u>
Total	<u>3,526</u>

Contributions - The City contributes to the plan at an actuarially determined rate. Retired plan members and beneficiaries are required to contribute specified amounts monthly toward the cost of health insurance premiums. Employees who retired prior to 2002 contribute an amount equal to the amount paid by active employees. Employees who retire after 2002 with 25 years of service or a job-related disability contribute an amount equal to 1.5 times that paid by active employees. Employees who retire after 2002 with less than 25 years of service or a non-job-related disability contribute an increased amount on the member of years' service less than 25 years. The City pays the remainder of the costs of medical coverage. The City established an Other Postemployment Benefits Trust (the Trust) in 2008 to partially pre-fund benefits. Beginning in 2011, the City began funding the Trust based on an actuarial calculation in which all unfunded prior service costs as well as normal costs are allocated to various funds based on applicable payroll. The City is currently contributing 14.18 percent of the total covered payroll of participants. All obligations are liquidated from the OPEB trust.

(Continued)

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

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018, rolled-forward to June 30, 2019.

Actuarial assumptions. The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 %
Salary increases	1.50 to 5.00 %, including inflation
Investment rate of return	7.00% compounded annually, net of investment expense, and including inflation
Single equivalent interest rate	7.00%
Healthcare cost trend rates	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.75 %
Ultimate trend rate	
Pre-Medicare Eligible	5.00 %
Medicare Eligible	5.00 %
Year of Ultimate trend rate	2023

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the January 1, 2018 valuation for general employees were based on the results of the last actuarial experience study, dated January 7, 2014. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases for fire and police employees reflect the results of the experience investigation of the Fire and Police Pension Fund for the period ending December 31, 2014.

The remaining actuarial assumptions (e.g., initial per capital costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the January 1, 2018 valuation were based on a review of recent plan experience done concurrently with the January 1, 2018 valuation.

The long-term expected rate of return on plan assets is to be reviewed as part of regular experience studies prepared for the Plan every four to five years. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in the current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions to be developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

(Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>3-yr Expected Real Rate of Return</u>
US equity - large cap	38.0 %	4.0 %
US equity - small cap	5.0 %	5.0 %
International equity	15.0 %	5.5 %
Global fixed income	15.0 %	-1.5 %
E.M. debt	5.0 %	4.5 %
Private debt	5.0 %	7.0 %
Equity hedge funds	3.5 %	4.5 %
Diversified hedge funds	3.5 %	4.0 %
Real estate	10.0 %	7.0 %
	<u>100.0 %</u>	

Discount rate - The discount rate used to measure the OPEB liability was 7.0 percent. The plan will be funded based on the actuarially determined contribution each year in the future therefore will not be projected to run out of money.

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

Changes in Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u> <u>(a)</u>	<u>Plan Net Position</u> <u>(b)</u>	<u>Net Pension Liability</u> <u>(a) – (b)</u>
Balances at 6/30/2018	\$ 199,856,844	\$ 66,443,741	\$ 133,413,103
Changes for the year:			
Service cost	3,910,132	-	3,910,132
Interest expense	13,649,152	-	13,649,152
Contributions – employer	-	14,180,763	(14,180,763)
Net investment income	-	2,848,123	(2,848,123)
Benefits paid	(9,737,905)	(9,737,905)	-
Plan administrative expenses	-	(44,054)	44,054
Net changes	<u>7,821,379</u>	<u>7,246,927</u>	<u>574,452</u>
Balance at 6/30/2019	<u>\$ 207,678,223</u>	<u>\$ 73,690,668</u>	<u>\$ 133,987,555</u>

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current discount rate:

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

(Continued)

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

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. - The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (6.00% decreasing to 4.00% for pre-Medicare, 4.75% decreasing 4.00% for Medicare eligible) or 1-percentage point higher (8.00% decreasing to 6.00% for pre-Medicare, 6.75% decreasing to 6.00% for Medicare eligible) than the current healthcare cost trend rates. The current healthcare cost trend rates are 7.00% decreasing to 5.00% for pre-Medicare, 5.75% decreasing to 5.00% for Medicare eligible.

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability	\$ 111,325,293	\$ 133,987,555	\$ 159,944,876

OPEB plan fiduciary net position. The plan does not issue a separate financial report. Detailed information about the OPEB plan's fiduciary net position is found in Note 6.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows, or Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$15,317,633 with an additional \$82,700 for the Airport Authority, a component unit of the City.

The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Primary Government</u>	<u>Airport Authority</u>	<u>Total</u>
Deferred outflow of resources:			
Deferred contribution	\$ 14,535,487	\$ 78,477	\$ 14,613,964
Net difference between projected and actual earnings on OPEB investment	305,019	1,647	306,666
Changes of assumptions	8,955,121	48,349	9,003,470
Difference between expected and actual experience	<u>113,291</u>	<u>612</u>	<u>113,903</u>
Total	<u>\$ 23,908,918</u>	<u>\$ 129,085</u>	<u>\$ 24,038,003</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>Primary Government</u>	<u>Airport Authority</u>	<u>Total</u>
Year ended June 30,			
2020	\$ 2,588,042	\$ 13,973	\$ 2,602,015
2021	1,469,478	7,934	1,477,412
2022	2,259,450	12,199	2,271,649
2023	2,523,023	13,622	2,536,645
2024	<u>533,437</u>	<u>2,880</u>	<u>536,317</u>
	<u>\$ 9,373,430</u>	<u>\$ 50,608</u>	<u>\$ 9,424,038</u>

(Continued)

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

Payable to the OPEB Plan

At June 30, 2020, the City reported a payable of \$0 for the outstanding required amount of contribution to the OPEB plan.

Other Postemployment Benefits (EPB)

Plan Description - The Electric Power Board of Chattanooga Post Employment Health and Welfare Benefit Plan (“Plan”) is a single-employer defined benefit healthcare and welfare plan administered by an individual designated by EPB. The Plan assigns the authority to establish and amend benefit provisions to EPB. A stand-alone Financial Report is not issued for this plan.

Benefits provided - The plan provides health and life insurance benefits. These benefits are subject to deductibles, co-payments provisions, and other limitations. Eligible retirees and their dependents may continue healthcare coverage through EPB, and retirees after July 1, 1994 received a death benefit from the plan.

Employees Covered by Benefit Terms - At June 30, 2019, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	438
Inactive plan members entitled to but not yet receiving benefits	54
Active plan members	<u>617</u>
	<u>1,109</u>

Contributions - The contribution requirements of plan members and EPB are established and may be amended by EPB. Plan members receiving benefits contribute based on retiree’s age, retirement date, and years of service. Contribution rates for FY 2019 are as shown in the table below.

Category	Retirement After March 1, 1991				
	Years of Service/percent of Contributions				
	<u>5-9/85%</u>	<u>10-14/75%</u>	<u>15-19/55%</u>	<u>20-24/35%</u>	<u>25+/15%</u>
Pre-Age 65, EPO					
Individual	\$ 475	\$ 419	\$ 308	\$ 196	\$ 84
Employee +1	951	839	615	392	168
Family	1,426	1,258	923	587	252
Pre-Age 65, PPO					
Individual	\$ 380	\$ 336	\$ 246	\$ 157	\$ 67
Employee +1	761	671	492	313	134
Family	1,141	1,007	738	470	201
Age 65 & Over					
Individual	\$ 130	\$ 118	\$ 88	\$ 57	\$ 27
Spouse	130	118	88	57	27

EPB’s contributions are calculated based on claims actually paid under the plan, which were 3.8% of annual covered payroll as of June 30, 2019.

Net OPEB Liability

EPB’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

(Continued)

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

Actuarial Assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Healthcare cost trend	7.50 percent initial, 5.50 percent ultimate
Investment rate of return	6.50 percent

Mortality rates were based on the UP-1984 Mortality Table for Males or Females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	30-40%	7.0 %
International equity	30-50	6.5 %
Fixed income	15-25	4.0 %
Real estate	0-10	6.0 %
Cash	0-10	0.5 %

Discount rate - The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that EPB contributions will be made at the expected level of future claims under the plan. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table shows the changes in the net OPEB liability:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u> <u>(a)</u>	<u>Plan Net Position</u> <u>(b)</u>	<u>Net OPEB Liability</u> <u>(a) – (b)</u>
Balances at 6/30/2018	\$ 25,950,000	\$ 23,378,000	\$ 2,572,000
Changes for the year:			
Service cost	1,250,000	-	1,250,000
Interest expense	1,686,000	-	1,686,000
Difference between expected and actual experience	(2,537,000)	-	(2,537,000)
Contributions – employer	-	1,582,000	(1,582,000)
Net investment income	-	1,780,000	(1,780,000)
Benefits paid	(1,603,000)	(1,603,000)	-
Plan administrative expenses	-	(39,000)	39,000
Net changes	<u>(1,204,000)</u>	<u>1,720,000</u>	<u>(2,924,000)</u>
Balance at 6/30/2019	<u>\$ 24,746,000</u>	<u>\$ 25,098,000</u>	<u>\$ (352,000)</u>

(Continued)

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

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of the Plan, calculated using the discount rate of 6.5 percent, as well as what the Plan's net OPEB 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:

	<u>1% Decrease</u> <u>(5.50%)</u>	<u>Discount Rate</u> <u>(6.50%)</u>	<u>1% Increase</u> <u>(7.50%)</u>
Net OPEB liability (asset)	\$ 2,668,000	\$ (352,000)	\$ (2,883,000)

Sensitivity of the net OPEB liability to changes in healthcare cost trend rate - The following presents the net OPEB liability (asset) of the Plan, calculated using the healthcare trend rate of 7.5 percent decreasing to an ultimate 5.5 percent, as well as what the Plan's net OPEB 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:

	<u>1% Decrease</u> <u>(6.50% to 7.50%)</u>	<u>Healthcare</u> <u>Trend Rate</u> <u>(7.50% to 5.50%)</u>	<u>1% Increase</u> <u>(8.50% to 6.50%)</u>
Net OPEB liability (asset)	\$ (3,211,000)	\$ (352,000)	\$ 3,199,000

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revisions as results are compared to the past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2019.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB

For the year ended June 30, 2019, EPB recognized an OPEB expense of \$0.7 million. At June 30, 2019, EPB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ 5,651,000
Employer contributions made after plan year	1,719,000	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>893,000</u>
Total	<u>\$ 1,719,000</u>	<u>\$ 6,544,000</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense (revenue) as follows:

Year ended June 30,	
2020	\$ (742,000)
2021	(742,000)
2022	(742,000)
2023	(515,000)
2024	(462,000)
Thereafter	<u>(3,341,000)</u>
	<u>\$ (6,544,000)</u>

Deferred outflows of resources totaling \$1.7 million represent contributions made after the Plan's valuation date. These contributions will be used to reduce the net OPEB liability during 2020.

(Continued)

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

Payable to the OPEB Plan

At June 30, 2019, EPB reported \$0 payable balances for required outstanding contributions to the Plan.

City Deferred Compensation Plan

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

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

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

Asset balance at July 1, 2019	\$ 35,482,235
Deferrals of compensation	2,515,725
Earnings (losses)	2,134,804
Withdrawals	(2,192,922)
Administrative expenses	(40,926)
Asset balance at June 30, 2020	<u>\$ 37,898,916</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 \$1.7 million in fiscal year 2020. Employee contributions were approximately \$3.5 million. 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, 2020, 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.

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.

(Continued)

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

Employees covered by benefit terms – The following employees were covered by the benefit terms as of January 1, 2020, the valuation date:

Inactive employees or beneficiaries currently receiving benefits	109
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>166</u>
	<u>282</u>

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

Net Pension Liability

The Authority’s net pension liability was measured as of January 1, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Changes in Net Pension Liability

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

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balances at 1/1/2018	\$ 28,085,748	\$ 14,034,074	\$ 14,051,674
Changes for the year:			
Service cost	897,913	-	897,913
Interest expense	2,037,895	-	2,037,895
Difference between expected and actual experience	(230,162)	-	(230,162)
Contributions – CARTA	-	1,799,928	(1,799,928)
Contributions – members	-	303,884	(303,884)
Net investment income	-	2,924,506	(2,924,506)
Benefits paid	(1,827,627)	(1,827,627)	-
Plan administrative expenses	-	(58,591)	58,591
Net changes	<u>878,019</u>	<u>3,142,100</u>	<u>(2,264,081)</u>
Balance at 1/1/2019	<u>\$ 28,963,767</u>	<u>\$ 17,176,174</u>	<u>\$ 11,787,593</u>

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
Authority’s net pension liability	\$ 14,439,805	\$ 11,787,593	\$ 9,523,177

(Continued)

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

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

For the year ended June 30, 2020, the Authority recognized pension expense of \$1,894,980. Deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 391,279	\$ 542,193
Authority contributions received after the measurement date	-	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>492,877</u>
Total	<u>\$ 391,279</u>	<u>\$ 1,035,070</u>

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

Year ended June 30,	
2020	\$ 265,181
2021	34,414
2022	(131,147)
2023	(22,769)
2024	(491,182)
Thereafter	<u>(33,107)</u>
	<u>\$ (378,610)</u>

Other Postemployment Benefits of Component Units

General Information

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

Plan administration

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

Funding Policy

CARTA pays for all of the costs of the health care, life insurance, and supplemental retirement benefits. The contribution requirements are established and may be amended by CARTA’s Board of Directors.

Membership

The following schedule (derived from the recent actuarial valuation report) reflects membership for the OPEB Health Care Plan as of June 30, 2019.

Inactive employees or beneficiaries	95
DROP members	10
Active employees	<u>168</u>
Total	<u>273</u>

(Continued)

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

Contribution

Plan members are currently not required to contribute.

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of the valuation date, June 30, 2019. An expected total OPEB liability is determined as of June 30, 2018, the prior measurement date, using standard roll back techniques. The rollback calculation begins with the total OPEB liability, as of the measurement date, June 30, 2019, adds the expected benefit payments for the year, deducts interest at the discount rate of the year, and then subtracts the annual service cost.

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

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

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

Changes in Total OPEB Liability

The following is the Authority's changes in the total OPEB liability by source for the fiscal year ended June 30, 2019:

Total OPEB Liability (TOL) as of June 30, 2018	\$	240,773
Changes for the Year:		
Service cost		3,273
Interest on TOL and cash flows		6,975
Difference between actual and expected		1,438
Benefits paid		<u>(16,568)</u>
Net changes		<u>(4,882)</u>
Total OPEB Liability (TOL) as of June 30, 2019	\$	<u>235,891</u>

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

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

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

	1% Decrease <u>(2.00%)</u>	Discount Rate <u>(3.00%)</u>	1% Increase <u>(4.00%)</u>
Net OPEB Liability (asset)	267,898	235,891	210,141

(Continued)

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

At June 30, 2019, the Authority reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred contributions	\$ 38,126	\$ -
Net difference between expected and actual experience	<u>1,150</u>	<u>-</u>
Total	<u>\$ 39,276</u>	<u>\$ -</u>

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Fund	\$ 96,000
		<u>\$ 96,000</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 9. INTERFUND TRANSFERS

	<u>Transfers In:</u>					<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Water Quality Management</u>	<u>Internal Service</u>	
Transfers out:						
General Fund	\$ -	\$ 23,534,802	\$ 24,888,829	\$ -	\$ 2,588,680	\$ 51,012,311
Capital Project Fund	388	-	-	-	-	388
Nonmajor Governmental Funds						
Community Development	-	273,467	334,071	21,130	-	628,668
State Street Aid	-	1,740,359	-	-	-	1,740,359
Hotel/Motel Tax	-	669,889	2,928,907	-	-	3,598,796
TVRCS	-	-	-	-	4,923,409	4,923,409
Total	<u>\$ 388</u>	<u>\$ 26,218,517</u>	<u>\$ 28,151,807</u>	<u>\$ 21,130</u>	<u>\$ 7,512,089</u>	<u>\$ 61,903,931</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 unrestricted revenue from borrowings to the Capital Projects Fund and the Debt Service Fund as required, (3) move unrestricted revenues from the General Fund to other funds for various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, (4) move unrestricted revenues from the General Fund to the Capital Projects Fund for ongoing projects. (5) move revenues from Community Development Fund, State Street Aid, and Hotel/Motel Fund to Capital Projects Fund for going projects, (5) due to reclassification of capital assets, assets and remaining funds balance were transferred to Internal Service fund.

NOTE 10. 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, 2020, the minimum fund balance per policy is \$44.6 million. The current unrestricted fund balance is \$86.3 million.

	General Fund	Capital Projects Fund	Other Governmental Funds	Total
Fund Balances:				
Nonspendable				
Endowments	\$ -	\$ -	\$ 5,470,369	\$ 5,470,369
Inventory	838,600	-	-	838,600
Long-term notes receivable	344,744	-	-	344,744
Prepaid expenses	4,000	-	-	4,000
Restricted				
Law enforcement	67,393	-	1,646,506	1,713,899
Economic development	16,145,021	-	11,424	16,156,445
African-American Museum	88,689	-	-	88,689
Special programs	193,302	-	-	193,302
Capital projects	-	85,779,119	-	85,779,119
Library Endowment	-	-	320,041	320,041
Human services program	-	-	380,678	380,678
State street aid	-	-	6,741,294	6,741,294
Community development	-	-	2,572,327	2,572,327
Hotel-Motel tax revenue pledge	-	-	4,207,106	4,207,106
Regional Planning Agency	-	-	352,793	352,793
Air Pollution Control Bureau	-	-	414,420	414,420
Committed				
Law enforcement	237,509	-	-	237,509
Economic development	509,677	-	-	509,677
Free Public Library	117,008	-	-	117,008
African-American Museum	88,689	-	-	88,689
Regional Planning Agency	-	-	4,670,274	4,670,274
Air Pollution Control Bureau	-	-	621,631	621,631
Debt service	-	-	2,118,813	2,118,813
Assigned				
Public Library	1,686,062	-	-	1,686,062
Special programs	2,188,478	-	-	2,188,478
Golf course	582,136	-	-	582,136
Other purposes	3,942,297	-	-	3,942,297
Unassigned	<u>76,908,146</u>	<u>-</u>	<u>-</u>	<u>76,908,146</u>
Total fund balances	<u>\$ 103,941,751</u>	<u>\$ 85,779,119</u>	<u>\$ 29,527,676</u>	<u>\$ 219,248,546</u>
Summary for Governmental Funds				
Balance Sheet:				
Nonspendable	\$ 1,187,344	\$ -	\$ 5,470,369	\$ 6,657,713
Restricted	16,494,405	85,779,119	16,646,589	118,920,113
Committed	952,883	-	7,410,718	8,363,601
Assigned	8,398,973	-	-	8,398,973
Unassigned	<u>76,908,146</u>	<u>-</u>	<u>-</u>	<u>76,908,146</u>
Total fund balances	<u>\$ 103,941,751</u>	<u>\$ 85,779,119</u>	<u>\$ 29,527,676</u>	<u>\$ 219,248,546</u>

NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; medical benefits; certain retiree medical benefits; unemployment compensation; injuries to employees; errors and omissions; and natural disasters. The City maintains property and casualty insurance coverage against property loss above the deductible amount which is ranging from \$500 to \$500,000 depending on the type of damage. As of June 30, 2020, there were no significant reductions in insurance coverage in the prior year.

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

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, 2020, the Internal Service Fund liability consists of \$3,160,000 related to torts and \$3,876,357 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, 2018	\$ 481,041	\$ 5,220,712
Incurred claims, including IBNRs/reduction in estimated liabilities	2,984,356	33,911,892
Claim payments	<u>(2,976,165)</u>	<u>(33,472,781)</u>
Unpaid claims, June 30, 2019	489,232	5,659,823
Incurred claims, including IBNRs/reduction in estimated liabilities	1,962,808	31,601,554
Claim payments	<u>(2,105,870)</u>	<u>(30,225,020)</u>
Unpaid claims, June 30, 2020	<u>\$ 346,170</u>	<u>\$ 7,036,357</u>

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

NOTE 12. TAX ABATEMENTS

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

(Continued)

NOTE 12. TAX ABATEMENTS (Continued)

Downtown Housing Development

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

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

Commercial and Industrial Development

The City promotes economic development and growth through commercial and industrial projects that involve a significant capital investment and the generation of new jobs with wages in excess of the annual average wage in the City of Chattanooga.

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

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

(Continued)

NOTE 12. TAX ABATEMENTS (Continued)

Information relevant to disclosure of these programs includes the following:

	Number of New Abatements During the Fiscal Year	Number of Abatements as of End of the Fiscal Year	Number of Future Abatements Approved by Council	Amounts of Abatements During the Fiscal Year
Downtown Housing Development	1	10	0	\$ 140,561
Commercial and Industrial Development	<u>2</u>	<u>22</u>	<u>0</u>	<u>14,618,001</u>
Total	<u>3</u>	<u>32</u>	<u>0</u>	<u>\$ 14,758,562</u>

NOTE 13. COMMITMENTS AND CONTINGENCIES

Construction Commitments

The City has entered into various construction commitments. Such contracts include contracts for improvements to sewer, solid waste, and water quality systems, and acquisition and construction contracts related to general government capital projects. As of June 30, 2020, the City’s commitment with contractors was \$123,374,846.

Operating Lease Agreements

In September 2017, the City entered into a rental lease agreement with Dew Edney, LLC, for offices in the Edney Building for the period December 1, 2017 through November 31, 2021. The annual rent for the first three years will be \$164,213.20 and \$169,139.60 for the fourth year.

Landfill Closure and Post Closure Care Costs

The Solid Waste Fund accounts for all aspects of solid waste disposal, including the city’s municipal landfill; operations include a current landfill as well as closure and post closure care costs of landfills closed in prior years. State and federal regulations require the City to place a final cover on all landfills after closure and perform certain maintenance and monitoring functions for 30 years thereafter. The City recognizes landfill closure and post closure care costs based on the amount of the landfill used during the year. The estimated liability is based on 16.60 percent of the City Landfill Area III capacity and 100 percent usage of the Summit Landfill and the City Landfill Area II. Estimated remaining life is calculated based on anticipated usage. Currently, the City diverts all its waste, under contract, to the Bradley County Landfill. This has reduced utilization of Area III by approximately 65,000 cubic yards per year below normal. Absent renewal of a contract, the useful life will be approximately 64 years.

Changes in the estimated liability for landfill closure and post closure care costs for the year ended June 30, 2020, are as follows:

Estimated liability, June 30, 2019	\$ 4,339,578
Expenses recognized	519,380
Costs incurred	<u>(200,894)</u>
Estimated liability, June 30, 2020	<u>\$ 4,658,064</u>
Due within one year	<u>\$ 421,802</u>

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

(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

Consent Decree

The Interceptor Sewer System was established in 1952 to provide sewers for the City in a planned and orderly manner. The system encompasses approximately 1,296 miles of sewer gravity mains, 56 miles of sewer pressurized mains, 78 sewage pumping stations, approximately 171 residential/grinder stations, 8 combined sewer overflow treatment facilities, 1 combined sewer overflow storage facility and 1 regional wastewater treatment plant.

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

Pollution Remediation

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

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

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

During the fiscal year, the City spent \$17,144 in pollution remediation obligation related activities and received \$1,942 reimbursement from the State of Tennessee. At June 30, 2020, the City had a net pollution remediation obligation of \$70,613.

In the early 2000's, City took possession of the Butcher Block in a land swap deal worked out with EPB. At the same time, Butcher Block revealed contamination from former uses within the block: One Hour Valet Cleaners and a gas station. As part of the land swap agreement, the City agreed to remediate the pollution. The City applied and was granted assistance by the Dry Cleaner Environmental Remediation Program (DCERP) with the cleanup efforts and costs. DCERP is a state program funded by fees charged to drycleaner facilities to help clean up the contaminated property that has been affected by dry cleaning solvent. Based on the most recent work authorizations from DCERP and monitoring reports from S&ME, the company under contract with City to perform the remediation, it has been estimated that the remaining remediation could take up to ten (10) years to complete. Excluding the assistance from DCERP, the cost for the City to complete the remediation is estimated currently at \$43,456 at the end of fiscal year 2020.

In 2016, a new EPA grant was applied and granted for remediating a 50 foot buffer zone along approximately 2,050 lineal feet of Chattanooga Creek. This property is in the Chattanooga Creek floodway and has been responsible for depositing contaminants from former manufacturing sites upstream. The total project cost is \$240,000, with \$200,000 grant revenue from EPA. The grant is set to end by September of 2021. The estimated cost to finish the project at the end of fiscal year 2020 is \$27,158.

(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

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 nine (9) outstanding bond issues, the original amounts of which were \$256,650,000. The Health, Educational and Housing Facility Board currently has twenty-nine (29) bond issues, the original amount of which were \$724,855,727. The Boards have no means of determining the outstanding amount of these bonds.

Tax Increment Financing (TIF)

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

The TIF Program is primarily for the economic development projects that provide improvements in blighted and under-utilized areas in the City of Chattanooga and in other properties designated by City Council and the Hamilton County Commission. This program normally applies 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, 2020, the City committed \$364,124.08 to the Industrial Development Board.

During the year, the City initiated a TIF program that is supported by tax increment property tax revenues. There were no financial transactions related to this program as of June 30, 2020.

NOTE 14. SEGMENT INFORMATION

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

(Continued)

NOTE 14. SEGMENT INFORMATION (Continued)

CONDENSED STATEMENT OF NET POSITION

	<u>Electric Division</u>	<u>Fiber Optics Division</u>	<u>Eliminations</u>	<u>Total</u>
Assets and deferred outflows of resources:				
Current assets	\$ 147,087,000	\$ 38,603,000	\$ (4,938,000)	\$ 180,752,000
Capital assets	614,370,000	151,546,000	(48,850,000)	717,066,000
Deferred outflows of resources	<u>28,349,000</u>	<u>8,167,000</u>	<u>(6,002,000)</u>	<u>30,514,000</u>
Total assets and deferred Outflows of resources	<u>789,806,000</u>	<u>198,316,000</u>	<u>(59,790,000)</u>	<u>928,332,000</u>
Liabilities and deferred inflows of resources:				
Current liabilities	143,510,000	24,771,000	(4,938,000)	163,343,000
Noncurrent liabilities	339,606,000	2,191,000	(48,850,000)	292,947,000
Deferred inflows of resources	<u>16,238,000</u>	<u>697,000</u>	<u>(6,002,000)</u>	<u>10,933,000</u>
Total liabilities and deferred Inflows of resources	<u>499,354,000</u>	<u>27,659,000</u>	<u>(59,790,000)</u>	<u>467,223,000</u>
Net position:				
Net investment in capital assets	311,189,000	96,306,000	48,850,000	456,345,000
Unrestricted	<u>(20,737,000)</u>	<u>74,351,000</u>	<u>(48,850,000)</u>	<u>4,764,000</u>
Total net position	<u>\$ 290,452,000</u>	<u>\$ 170,657,000</u>	<u>\$ -</u>	<u>\$ 461,109,000</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	\$ 561,855,000	\$ 175,440,000	\$ (22,566,000)	\$ 714,729,000
Depreciation expense	(44,554,000)	(20,732,000)	-	(65,286,000)
Other operating expenses	<u>(520,864,000)</u>	<u>(128,589,000)</u>	<u>22,566,000</u>	<u>(626,887,000)</u>
Operating income	(3,563,000)	26,119,000	-	22,556,000
Nonoperating revenues (expenses):				
Investment earnings	742,000	957,000	-	1,699,000
Interest expense	(9,327,000)	-	-	(9,327,000)
Other nonoperating	(135,000)	268,000	-	133,000
Tax equivalent	<u>(6,531,000)</u>	<u>(662,000)</u>	<u>-</u>	<u>(7,193,000)</u>
Change in net position	<u>(18,814,000)</u>	<u>26,682,000</u>	<u>-</u>	<u>7,868,000</u>
Net position, beginning	<u>309,266,000</u>	<u>143,975,000</u>	<u>-</u>	<u>453,241,000</u>
Net position, end of year	<u>\$ 290,452,000</u>	<u>\$ 170,657,000</u>	<u>\$ -</u>	<u>\$ 461,109,000</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	\$ 39,107,000	\$ 45,295,000	\$ -	\$ 84,402,000
Capital and related financing activities	(46,198,000)	(55,416,000)	-	(101,614,000)
Investing activities	<u>1,773,000</u>	<u>2,532,000</u>	<u>-</u>	<u>4,305,000</u>
Net increase (decrease)	(5,318,000)	(7,589,000)	-	(12,907,000)
Beginning cash and cash equivalents	<u>79,536,000</u>	<u>24,830,000</u>	<u>-</u>	<u>104,366,000</u>
Ending cash and cash equivalents	<u>\$ 74,218,000</u>	<u>\$ 17,241,000</u>	<u>\$ -</u>	<u>\$ 91,459,000</u>

NOTE 15. JOINT VENTURE

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

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

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

Total net position	\$ 10,659,682
Multiplied by two-thirds	<u>x 2/3</u>
City's equity interest	<u>\$ 7,106,455</u>

Condensed financial information for Carter Street Corporation as of June 30, 2020, is as follows:

STATEMENT OF NET POSITION

Assets:

Cash	\$ 2,581,095
Accounts receivable, net	39,203
Prepaid expenses	38,714
Inventories	68,936
Capital assets, net	<u>8,225,941</u>
Total assets	<u>\$ 10,953,889</u>

Liabilities:

Accounts payable	\$ 95,084
Accrued expenses	108,392
Advanced deposits	<u>90,731</u>
Total liabilities	<u>294,207</u>

Net Position:

Net investment in capital assets	8,225,941
Unrestricted	<u>2,433,741</u>
Total net position	<u>10,659,682</u>
Total liabilities and net position	<u>\$ 10,953,889</u>

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Total operating revenues	\$ 3,534,782
Total operating expenses	<u>(4,379,185)</u>
Loss from operations	(844,403)
Nonoperating revenues	260,800
Capital contributions	<u>175,000</u>
Net increase	(408,603)
Net position, beginning of year	<u>11,068,285</u>

Net position, end of year \$ 10,659,682

Complete financial statements can be obtained from:

Carter Street Corporation
P.O. Box 6008
Chattanooga, TN 37401

NOTE 16. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Except for the matter discussed in the following paragraphs, management has not identified any other items requiring recognition or disclosure.

A resolution authorized a loan on November 2, 2020 for the amount of \$4,000,000 from the City of Chattanooga to the Industrial Development Board for the purpose of funding infrastructure improvement projects at 3.5% interest rate for twenty years to fund infrastructure improvements within the East Chattanooga Rising TIF District pursuant to the Associated Economic Impact Plan for the area.

The City expects to receive reimbursement in the amount of \$2,708,355 for expenditures related to the COVID-19 health pandemic. These funds are related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) that was passed on March 27, 2020.



Required Supplementary Information

Pension and OPEB Trust Fund

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
 PENSION TRUST FUND - GENERAL (Reporting per GASB 67)
 Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 7,713,580	\$ 7,739,257	\$ 7,437,871	\$ 6,982,512	\$ 6,379,426	\$ 6,381,168	\$ 6,069,090
Interest	24,827,265	24,677,422	23,936,377	23,280,746	22,693,730	21,950,480	22,247,450
Differences between expected and actual experience	1,777,809	348,190	1,236,249	2,630,676	735,472	(333,439)	-
Changes of assumptions	-	5,411,416	-	8,927,192	8,345,787	-	(5,893,894)
Benefit payments, including refund of member contributions	(23,446,580)	(22,352,506)	(21,695,787)	(20,277,462)	(18,970,026)	(17,206,397)	(16,420,492)
Net change in total pension liability	10,872,074	15,823,779	10,914,710	21,543,664	19,184,389	10,791,812	6,002,154
Total pension liability - beginning	379,534,625	363,710,846	352,796,136	331,252,472	312,068,083	301,276,271	295,274,117
Total pension liability - ending (a)	\$ 390,406,699	\$ 379,534,625	\$ 363,710,846	\$ 352,796,136	\$ 331,252,472	\$ 312,068,083	\$ 301,276,271
Plan fiduciary net position							
Contributions - employer	\$ 13,808,964	\$ 12,770,788	\$ 11,659,818	\$ 9,717,412	\$ 8,076,989	\$ 7,925,195	\$ 7,751,909
Contributions - member	1,293,351	1,245,864	1,203,981	1,179,685	1,158,835	1,140,121	1,130,354
Net investment income	5,788,076	6,280,709	27,938,443	25,744,473	193,190	9,290,101	31,178,197
Benefit payments, including refund of member contribution	(23,446,580)	(22,352,506)	(21,695,787)	(20,277,462)	(18,970,026)	(17,206,397)	(16,420,492)
Administrative expense	(221,766)	(164,522)	(393,230)	(158,790)	(161,500)	(205,580)	(192,205)
Net change in plan fiduciary net position	(2,777,955)	(2,219,667)	18,713,225	16,205,318	(9,702,512)	943,440	23,447,763
Plan fiduciary net position - beginning	296,765,272	298,984,939	280,271,714	264,066,396	273,768,908	272,825,468	249,377,705
Plan fiduciary net position - ending (b)	\$ 293,987,317	\$ 296,765,272	\$ 298,984,939	\$ 280,271,714	\$ 264,066,396	\$ 273,768,908	\$ 272,825,468
Net pension liability - ending (a) - (b)	\$ 96,419,382	\$ 82,769,353	\$ 64,725,907	\$ 72,524,422	\$ 67,186,076	\$ 38,299,175	\$ 28,450,803
Plan fiduciary net position as a percentage of the total pension liability	75.30%	78.19%	82.20%	79.44%	79.72%	87.73%	90.56%
Covered payroll	\$ 65,158,198	\$ 62,944,765	\$ 60,195,485	\$ 59,220,510	\$ 57,608,950	\$ 57,555,196	\$ 55,815,216
Net pension liability as a percentage of covered payroll	147.98%	131.50%	107.53%	122.47%	116.62%	66.54%	50.97%

Notes to Schedule:

Benefit changes. None

Changes in actuarial assumptions and methods:

2019:

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

2017:

- *The assumed investment rate of return was lowered from 7.25% to 7.00%.

This schedule will be 10 years as information is available

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
PENSION TRUST FUND - FIRE AND POLICE (Reporting per GASB 67)

Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 6,598,391	\$ 6,456,437	\$ 5,486,963	\$ 5,398,371	\$ 5,599,755	\$ 5,754,036	\$ 5,858,028
Interest	31,845,950	31,209,745	29,768,876	30,121,491	29,255,906	27,011,054	30,728,527
Changes of benefit terms	-	-	-	-	-	-	(65,257,551)
Differences between expected and actual experience	55,033	1,268,327	18,629,233	(8,657,838)	175,120	1,007,292	9,811,157
Changes of assumptions	14,017,546	(1,006,613)	8,251,113	10,839,776	-	23,999,640	-
Benefit payments, including refund of member contributions	(29,563,336)	(29,025,870)	(30,063,677)	(29,009,204)	(29,511,435)	(28,100,924)	(30,114,186)
Net change in total pension liability	22,953,584	8,902,026	32,072,508	8,692,596	5,519,346	29,671,098	(48,974,025)
Total pension liability - beginning	447,437,761	438,535,735	406,463,227	397,770,631	392,251,285	362,580,187	411,554,212
Total pension liability - ending (a)	\$ 470,391,345	\$ 447,437,761	\$ 438,535,735	\$ 406,463,227	\$ 397,770,631	\$ 392,251,285	\$ 362,580,187
Plan fiduciary net position							
Contributions - employer	\$ 20,996,995	\$ 19,646,959	\$ 18,036,218	\$ 12,999,917	\$ 11,987,641	\$ 11,115,222	\$ 13,495,433
Contributions - member	4,555,733	4,496,310	4,456,026	4,137,743	3,869,165	3,528,823	3,199,093
Net investment income	8,976,784	13,644,639	14,333,154	21,850,184	(5,439,852)	6,760,919	33,750,882
Benefit payments, including refund of member contribution	(29,563,336)	(29,025,870)	(30,063,677)	(29,009,204)	(29,511,435)	(28,100,924)	(30,114,186)
Administrative expense	(947,089)	(2,004,109)	(1,054,284)	(742,349)	(1,269,308)	(889,162)	(608,924)
Other	150,878	144,652	135,260	151,146	326,393	162,076	167,314
Net change in plan fiduciary net position	4,169,965	6,902,581	5,842,697	9,387,437	(20,037,396)	(7,423,046)	19,889,612
Plan fiduciary net position - beginning	230,724,657	223,822,076	217,979,379	208,591,942	228,629,338	236,052,384	216,162,772
Plan fiduciary net position - ending (b)	\$ 234,894,622	\$ 230,724,657	\$ 223,822,076	\$ 217,979,379	\$ 208,591,942	\$ 228,629,338	\$ 236,052,384
Net pension liability - ending (a) - (b)	\$ 235,496,723	\$ 216,713,104	\$ 214,713,659	\$ 188,483,848	\$ 189,178,689	\$ 163,621,947	\$ 126,527,803
Plan fiduciary net position as a percentage of the total pension liability	49.94%	51.57%	51.04%	53.63%	52.44%	58.29%	65.10%
Covered payroll	\$ 41,958,234	\$ 41,751,143	\$ 41,312,393	\$ 38,432,299	\$ 38,954,094	\$ 39,282,422	\$ 36,187,624
Net pension liability as a percentage of covered payroll	561.26%	519.06%	519.73%	490.43%	485.65%	416.53%	349.64%

Notes to Schedule:

Benefit changes: None.

Changes in assumptions:

2020:

*The mortality improvement assumption was changed from the MP-2018 improvement scale to 75% of the improvement rates used in the alternative II projection in the 2019 OASDI Trustees Report

*The turnover rates for Police were increased for the first 10 years of service with minor adjustments to rates in later years

*The turnover rates for Fire were increased for the first 10 years of service

*The disability rates were increased from 25% to 100% of the Old Age Survivors and Disability Income Table.

*The retirement rates for participants who were vested as of July 1, 2014 were increased for most years of service beginning at year 25 resulting in earlier projected retirement ages

*On average participants are assumed to retire mid-year.

*The percent married assumption was lowered from 75% to 70%

*The inflation assumption was lowered from 2.75% to 2.25%

*The assumed rate of return was lowered from 7.25% to 7.00%.

*The salary scale was increased for participants with less than 10 years of service and lowered for participants with 16 or more years of service

*The payroll growth assumption was lowered from 2.75% to 2.25%

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CITY CONTRIBUTIONS
 PENSION TRUST FUND - GENERAL (Reporting per GASB 67)
 Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 13,482,769	\$ 12,340,736	\$ 11,599,926	\$ 9,550,286	\$ 8,120,912	\$ 7,771,920	\$ 7,717,400	\$ 7,806,000	\$ 7,203,000	\$ 6,302,882
Contributions in relation to the actuarially determined contribution	13,808,964	12,770,788	11,659,818	9,717,412	8,076,989	7,925,195	7,751,909	7,599,939	6,682,722	4,376,484
Contribution deficiency (excess)	\$ (326,195)	\$ (430,052)	\$ (59,892)	\$ (167,126)	\$ 43,923	\$ (153,275)	\$ (34,509)	\$ 206,061	\$ 520,278	\$ 1,926,398
Covered payroll	\$ 65,158,198	\$ 62,944,765	\$ 60,195,485	\$ 59,220,510	\$ 57,608,950	\$ 57,555,196	\$ 55,815,216	\$ 56,270,053	\$ 57,976,515	\$ 57,061,358
Contributions as a percentage of covered payroll	21.19%	20.29%	19.37%	16.41%	14.02%	13.77%	13.89%	13.51%	11.53%	7.67%

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	26.3 years
Asset valuation method	Market value, with 5-year recognition of investment gains and losses, not less than 80% or greater than 120% of market value
Inflation	2.50%
Salary increases	3.00-5.25%, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Cost of living adjustments	3.0%
Mortality	Pre-retirement and post-retirement: RP2014 Mortality Table set forward four years for males and set forward three years for females and using a Scale MP-2017 projection to 2025. Post-retirement mortality: RP-2014 Disabled Mortality Table set forward four years for males and set forward seven years for females.

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CITY CONTRIBUTIONS

PENSION TRUST FUND - FIRE AND POLICE (Reporting per GASB 67)

Last 10 Calendar Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 19,604,058	\$ 18,823,113	\$ 16,504,790	\$ 12,829,325	\$ 12,030,640	\$ 9,478,900	\$ 13,346,490	\$ 11,859,505	\$ 9,692,292	\$ 8,613,696
Contributions in relation to the actuarially determined contribution	20,996,995	19,646,959	18,036,218	12,999,917	11,987,641	11,115,222	13,495,433	12,258,360	10,542,423	9,004,655
Contribution deficiency (excess)	\$ (1,392,937)	\$ (823,846)	\$ (1,531,428)	\$ (170,592)	\$ 42,999	\$ (1,636,322)	\$ (148,943)	\$ (398,855)	\$ (850,131)	\$ (390,959)
Covered payroll	\$ 41,751,143	\$ 41,312,393	\$ 38,432,299	\$ 38,954,094	\$ 39,282,422	\$ 36,187,624	\$ 37,215,933	\$ 37,288,914	\$ 34,940,022	\$ 34,573,261
Contributions as a percentage of covered payroll	50.29%	47.56%	46.93%	33.37%	30.52%	30.72%	36.26%	32.87%	30.17%	26.05%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, 2019

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal
Amortization method	100% level dollar
Remaining amortization period	Separate 30-year bases established annually for level dollar method
Asset valuation method	10-year smoothed market; the actuarial value of assets is adjusted, if necessary, to be within 20% of the market value
Inflation	2.75%
Salary increases	1.50%-2.75%
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Cost of living adjustments	1.50% (starting January 1 after third anniversary of retirement date)

This schedule will be 10 years as information is available

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF INVESTMENT RETURNS

Last 10 Fiscal Years

PENSION TRUST FUND

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense							
General Plan	2.35%	5.56%	8.07%	11.46%	-0.78%	2.93%	16.11%
Fire & Police Plan	3.85%	5.81%	6.35%	10.59%	-2.61%	2.89%	16.15%

Notes to Schedule:

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

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

OPEB TRUST FUND (Reporting Per GASB 74)

Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability					
Service cost	\$ 3,883,018	\$ 3,910,132	\$ 3,796,244	\$ 3,285,014	\$ 3,078,079
Interest	14,274,983	13,649,152	13,031,065	12,436,672	12,016,977
Difference between expected and actual experience	(11,458,511)	-	167,505	-	-
Change in assumption	903,971	-	13,240,396	-	-
Benefit payments, including refund of member contributions	(7,499,779)	(9,737,905)	(8,251,792)	(7,341,124)	(11,657,111)
Net change in total OPEB liability	<u>103,682</u>	<u>7,821,379</u>	<u>21,983,418</u>	<u>8,380,562</u>	<u>3,437,945</u>
Total OPEB liability - beginning	<u>207,678,223</u>	<u>199,856,844</u>	<u>177,873,426</u>	<u>169,492,864</u>	<u>166,054,919</u>
Total OPEB liability - ending (a)	<u>\$ 207,781,905</u>	<u>\$ 207,678,223</u>	<u>\$ 199,856,844</u>	<u>\$ 177,873,426</u>	<u>\$ 169,492,864</u>
Plan fiduciary net position					
Contributions - employer	\$ 14,613,964	\$ 14,180,763	\$ 14,191,396	\$ 13,403,639	\$ 12,917,243
Contributions - member	-	-	-	-	2,739,171
Net investment income	2,367,394	2,848,123	5,662,711	7,313,765	(2,469,379)
Benefit payments, including refund of member contributions	(7,499,779)	(9,737,905)	(8,251,792)	(7,341,124)	(11,657,111)
Administrative expense	(37,505)	(44,054)	(50,522)	(41,992)	(41,906)
Net change in plan fiduciary net position	<u>9,444,074</u>	<u>7,246,927</u>	<u>11,551,793</u>	<u>13,334,288</u>	<u>1,488,018</u>
Plan fiduciary net position - beginning	<u>73,690,668</u>	<u>66,443,741</u>	<u>54,891,948</u>	<u>41,557,660</u>	<u>40,069,642</u>
Plan fiduciary net position - ending (b)	<u>\$ 83,134,742</u>	<u>\$ 73,690,668</u>	<u>\$ 66,443,741</u>	<u>\$ 54,891,948</u>	<u>\$ 41,557,660</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 124,647,163</u>	<u>\$ 133,987,555</u>	<u>\$ 133,413,103</u>	<u>\$ 122,981,478</u>	<u>\$ 127,935,204</u>
Plan fiduciary net position as a percentage of the total OPEB liability	40.01%	35.48%	33.25%	30.86%	24.52%
Covered payroll	\$ 107,477,193	\$ 100,062,772	\$ 100,062,772	\$ 96,436,271	\$ 96,436,271
Net OPEB liability as a percentage of covered payroll	115.98%	133.90%	133.33%	127.53%	132.66%

Benefit changes. None

Changes in actuarial assumptions and methods:

January 1, 2020 valuation: Discount rate was changed to 6.75%. Healthcare trend assumption was updated.

January 1, 2018 valuation: Discount rate was changed to 7.00%. Healthcare trend assumption was updated.

January 1, 2016 valuation: The demographic assumptions for retirement, disability incidence, withdrawal, and salary increases for fire and police employees reflect the results of the experience of the Fire and Police Pension Fund for the period ended December 31, 2014

Notes to Schedule:

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CITY CONTRIBUTIONS
 OPEB TRUST FUND (Reporting Per GASB 74)
 Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 13,588,664	\$ 13,588,664	\$ 13,163,283	\$ 13,163,283	\$ 12,759,200	\$ 12,759,200	\$ 13,275,679	\$ 12,857,800	\$ 14,288,701	\$ 13,838,396
Contributions in relation to the actuarially determined contribution	14,613,964	14,180,763	14,191,396	13,403,639	12,917,243	15,754,457	15,071,389	12,857,800	14,288,701	13,838,396
Contribution deficiency (excess)	\$ (1,025,300)	\$ (592,099)	\$ (1,028,113)	\$ (240,356)	\$ (158,043)	\$ (2,995,257)	\$ (1,795,710)	\$ -	\$ -	\$ -
Covered payroll	\$ 107,477,193	\$ 100,062,772	\$ 100,062,772	\$ 96,436,271	\$ 96,436,271	\$ 95,390,933	\$ 95,390,933	\$ 95,280,557	\$ 95,280,557	\$ 89,710,458
Contributions as a percentage of covered payroll	13.60%	14.17%	14.18%	13.90%	13.39%	16.52%	15.80%	13.49%	15.00%	15.43%

Notes to Schedule:

Valuation date:

Valuations are performed every other year. The last valuation was January 1, 2020.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Inflation	3.00%
Healthcare cost trend rate	
Pre-Medicare eligible	7.00%
Medicare eligible	5.75%
Ultimate trend rate	
Pre-Medicare eligible	5.50%
Medicare eligible	5.50%
Year of ultimate trend rate	2023
Investment rate of return	7.00 including inflation
Retirement:	
General employees:	Minimum 5 years of service and age 62 or Rule of 80 or 55.
Fire / Police:	Age 55 with 10 years of service or any age with 25 years of service (30 years if hired after July 1, 2014)
Disability:	Immediate eligibility if duty-related disability, otherwise 10 years of service
Mortality	
General employee deaths after retirement:	According to the RP-2014 Mortality Table with Blue Collar Adjustment, set forward four years for males and three years for females and projected to 2025 with projection scale MP-2017 for service retirements and beneficiaries of retired participants. The RP-2014 Disabled Mortality Table set forward four years for males and seven years for females and projected to 2025 using Scale MP-2017 is used for the period after disability retirement.
Fire and Police employee deaths after retirement:	According to the RP 2014 Blue Collar Mortality fully generational using a modified MP-2018 projection scale and set forward three years for males and female for service retirements and beneficiaries of retired participants. The RP 2014 Disabled Mortality fully generational using a modified MP-2018 projection scale and set forward three years for both males and females is used for the period after disability retirement.
Other information:	None

CITY OF CHATTANOOGA, TENNESSEE

**SCHEDULE OF INVESTMENT RETURNS
OPEB TRUST (Reporting Per GASB 74)
Last 10 Fiscal Years**

OPEB TRUST FUND

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense					
OPEB	3.76%	5.98%	8.30%	12.86%	-0.77%

Notes to Schedule:

This schedule will be 10 years as information is available.

Required Supplementary Information

City Pension and OPEB Plans

CITY OF CHATTANOOGA, TENNESSEE

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

GENERAL PENSION PLAN (Reporting per GASB 68)

Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 7,739,257	\$ 7,437,871	\$ 6,982,512	\$ 6,379,426	\$ 6,381,168	\$ 6,069,090
Interest	24,677,422	23,936,377	23,280,746	22,693,730	21,950,480	22,247,450
Changes of assumptions	5,411,416	1,236,249	8,927,192	8,345,787	-	(5,893,894)
Difference between expected and actual experience	348,190	-	2,630,676	735,472	(333,439)	-
Benefit payments, including refund of member contributions	(22,352,506)	(21,695,787)	(20,277,462)	(18,970,026)	(17,206,397)	(16,420,492)
Net change in total pension liability	15,823,779	10,914,710	21,543,664	19,184,389	10,791,812	6,002,154
Total pension liability - beginning	363,710,846	352,796,136	331,252,472	312,068,083	301,276,271	295,274,117
Total pension liability - ending (a)	\$ 379,534,625	\$ 363,710,846	\$ 352,796,136	\$ 331,252,472	\$ 312,068,083	\$ 301,276,271
Plan fiduciary net position						
Contributions - employer	12,770,788	11,659,818	9,717,412	8,076,989	7,925,195	7,751,909
Contributions - member	1,245,864	1,203,981	1,179,685	1,158,835	1,140,121	1,130,354
Net investment income	6,280,709	27,938,443	25,744,473	193,190	9,290,101	31,178,197
Benefit payments, including refund of member contributions	(22,352,506)	(21,695,787)	(20,277,462)	(18,970,026)	(17,206,397)	(16,420,492)
Administrative expense	(164,522)	(393,230)	(158,790)	(161,500)	(205,580)	(192,205)
Net change in plan fiduciary net position	(2,219,667)	18,713,225	16,205,318	(9,702,512)	943,440	23,447,763
Plan fiduciary net position - beginning	298,984,939	280,271,714	264,066,396	273,768,908	272,825,468	249,377,705
Plan fiduciary net position - ending (b)	\$ 296,765,272	\$ 298,984,939	\$ 280,271,714	\$ 264,066,396	\$ 273,768,908	\$ 272,825,468
Net pension liability - ending (a) - (b)	\$ 82,769,353	\$ 64,725,907	\$ 72,524,422	\$ 67,186,076	\$ 38,299,175	\$ 28,450,803
Plan fiduciary net position as a percentage of the total pension liability	78.19%	82.20%	79.44%	79.72%	87.73%	90.56%
Covered payroll	\$ 62,944,765	\$ 60,195,485	\$ 59,220,510	\$ 57,608,950	\$ 57,555,196	\$ 55,815,216
Net pension liability as a percentage of covered payroll	131.50%	107.53%	122.47%	116.62%	66.54%	50.97%

Notes to Schedule:

Benefit changes: None

Assumption changes:

2019:

*The assumed investment rate of return was lowered from 7.00% to 6.75%.

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

*The pre-retirement and post-retirement healthy mortality tables were changed to the RP-2014 Mortality Table set forward four years for males and three years for females and using a Scale MP-2017 projection to 2025.

*The post-retirement mortality table was changed to the RP-2014 Disability Mortality Table set forward four years for males and set forward seven years for females and using a Scale MP-2017 projection to 2025 for disability retirements.

*Salary increase rates were changed to more closely reflect recent experience.

*The administrative expense assumption was increased from 0.42% to 0.50% of payroll.

*The asset smoothing method was changed from 10-year to 5-year smoothing.

2017:

*The assumed investment rate of return was lowered from 7.25% to 7.00%.

CITY OF CHATTANOOGA, TENNESSEE

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
FIRE AND POLICE PENSION FUND (Reporting per GASB 68)
Last 10 Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 6,456,437	\$ 5,486,963	\$ 5,398,371	\$ 5,599,755	\$ 5,754,036	\$ 5,858,028
Interest	31,209,745	29,768,876	30,121,491	29,255,906	27,011,054	30,728,527
Changes of benefit terms	-	-	-	-	-	(65,257,551)
Differences between expected and actual experience	1,268,327	18,629,233	(8,657,838)	175,120	1,007,292	9,811,157
Changes of assumptions	(1,006,613)	8,251,113	10,839,776	-	23,999,640	-
Benefit payments, including refund of member contributions	(29,025,870)	(30,063,677)	(29,009,204)	(29,511,435)	(28,100,924)	(30,114,186)
Net change in total pension liability	<u>8,902,026</u>	<u>32,072,508</u>	<u>8,692,596</u>	<u>5,519,346</u>	<u>29,671,098</u>	<u>(48,974,025)</u>
Total pension liability - beginning	<u>438,535,735</u>	<u>406,463,227</u>	<u>397,770,631</u>	<u>392,251,285</u>	<u>362,580,187</u>	<u>411,554,212</u>
Total pension liability - ending (a)	<u>\$ 447,437,761</u>	<u>\$ 438,535,735</u>	<u>\$ 406,463,227</u>	<u>\$ 397,770,631</u>	<u>\$ 392,251,285</u>	<u>\$ 362,580,187</u>
Plan fiduciary net position						
Contributions - employer	\$ 19,646,959	\$ 18,036,218	\$ 12,999,917	\$ 11,987,641	\$ 11,115,222	\$ 13,495,433
Contributions - member	4,496,310	4,456,026	4,137,743	3,869,165	3,528,823	3,199,093
Net investment income	13,644,639	14,333,154	21,850,184	(5,439,852)	6,760,919	33,750,882
Benefit payments, including refund of member contributions	(29,025,870)	(30,063,677)	(29,009,204)	(29,511,435)	(28,100,924)	(30,114,186)
Administrative expense	(2,004,109)	(1,054,284)	(742,349)	(1,269,308)	(889,162)	(608,924)
Other	144,652	135,260	151,146	326,393	162,076	167,314
Net change in plan fiduciary net position	<u>6,902,581</u>	<u>5,842,697</u>	<u>9,387,437</u>	<u>(20,037,396)</u>	<u>(7,423,046)</u>	<u>19,889,612</u>
Plan fiduciary net position - beginning	<u>223,822,076</u>	<u>217,979,379</u>	<u>208,591,942</u>	<u>228,629,338</u>	<u>236,052,384</u>	<u>216,162,772</u>
Plan fiduciary net position - ending (b)	<u>\$ 230,724,657</u>	<u>\$ 223,822,076</u>	<u>\$ 217,979,379</u>	<u>\$ 208,591,942</u>	<u>\$ 228,629,338</u>	<u>\$ 236,052,384</u>
Net pension liability - ending (a) - (b)	<u>\$ 216,713,104</u>	<u>\$ 214,713,659</u>	<u>\$ 188,483,848</u>	<u>\$ 189,178,689</u>	<u>\$ 163,621,947</u>	<u>\$ 126,527,803</u>
Plan fiduciary net position as a percentage of the total pension liability	51.57%	51.04%	53.63%	52.44%	58.29%	65.10%
Covered payroll	\$ 41,751,143	\$ 41,312,393	\$ 38,432,299	\$ 38,954,094	\$ 39,282,422	\$ 36,187,624
Net pension liability as a percentage of covered payroll	519.06%	519.73%	490.43%	485.65%	416.53%	349.64%

Notes to Schedule:

Benefit changes: None.

Changes in assumptions: The discount rate was lowered from 7.50% to 7.25% and the administrative expense assumption was increased from \$600,000 to \$850,000 between June 30, 2017 and June 30, 2018 disclosures. The generational mortality scale was changed from a modified version of Scale MP-2017 to Scale MP-2018 between June 30, 2018 and June 30, 2019 disclosure.

This schedule will be 10 years as information is available

CITY OF CHATTANOOGA, TENNESSEE

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 4,052,285	\$ 3,419,789	\$ 3,191,879	\$ 2,765,420	\$ 2,395,069
Interest	4,221,731	4,431,537	4,250,696	4,043,136	3,637,040
Differences between expected and actual experience	2,277,706	1,460,427	734,695	2,594,311	3,608,092
Changes in assumptions	-	-	4,049,739	-	-
Benefit payments, including refund of member contributions	<u>(5,962,649)</u>	<u>(7,177,555)</u>	<u>(6,568,775)</u>	<u>(5,237,213)</u>	<u>(2,455,053)</u>
Net change in total pension liability	4,589,073	2,134,198	5,658,234	4,165,654	7,185,148
Total pension liability - beginning	60,310,446	58,176,248	52,518,014	48,352,360	41,167,212
Total pension liability - ending (a)	<u>\$ 64,899,519</u>	<u>\$ 60,310,446</u>	<u>\$ 58,176,248</u>	<u>\$ 52,518,014</u>	<u>\$ 48,352,360</u>
Plan fiduciary net position					
Contributions - employer	\$ 5,834,370	\$ 5,825,000	\$ 7,000,000	\$ 5,700,000	\$ 3,630,048
Net investment income	3,213,690	4,174,435	(345,933)	2,142,992	5,735,092
Benefit payments, including refund of member contributions	(5,962,649)	(7,177,555)	(6,568,775)	(5,237,213)	(2,455,053)
Administrative expense	<u>(55,831)</u>	<u>(74,716)</u>	<u>(74,572)</u>	<u>(73,572)</u>	<u>(86,522)</u>
Net change in plan fiduciary net position	3,029,580	2,747,164	10,720	2,532,207	6,823,565
Plan fiduciary net position - beginning	47,508,451	44,761,287	44,750,567	42,218,360	35,394,795
Plan fiduciary net position - ending (b)	<u>\$ 50,538,031</u>	<u>\$ 47,508,451</u>	<u>\$ 44,761,287</u>	<u>\$ 44,750,567</u>	<u>\$ 42,218,360</u>
Net pension liability - ending (a) - (b)	<u>\$ 14,361,488</u>	<u>\$ 12,801,995</u>	<u>\$ 13,414,961</u>	<u>\$ 7,767,447</u>	<u>\$ 6,134,000</u>
Plan fiduciary net position as a percentage of the total pension liability	77.87%	78.77%	76.94%	85.21%	87.31%
Covered payroll	\$ 42,505,392	\$ 37,195,884	\$ 37,808,796	\$ 35,014,644	\$ 32,127,132
Net pension liability as a percentage of covered payroll	33.79%	34.42%	35.48%	22.18%	19.09%

Notes to Schedule:

Benefit changes. None.

Changes in assumptions. None.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

**SCHEDULE OF CITY CONTRIBUTIONS
GENERAL PENSION FUND (Reporting per GASB 68)
Last 10 Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 12,340,736	\$ 11,599,926	\$ 9,550,286	\$ 8,120,912	\$ 7,771,920	\$ 7,717,400	\$ 7,806,000	\$ 7,203,000	\$ 6,302,882	\$ 3,779,597
Contributions in relation to the actuarially determined contribution	1,277,078	11,659,818	9,717,412	8,076,989	7,925,195	7,751,909	7,599,939	6,682,722	4,376,484	3,779,597
Contribution deficiency (excess)	<u>\$ 11,063,658</u>	<u>\$ (59,892)</u>	<u>\$ (167,126)</u>	<u>\$ 43,923</u>	<u>\$ (153,275)</u>	<u>\$ (34,509)</u>	<u>\$ 206,061</u>	<u>\$ 520,278</u>	<u>\$ 1,926,398</u>	<u>\$ -</u>
Covered payroll	\$ 62,944,765	\$ 60,195,485	\$ 59,220,510	\$ 57,608,950	\$ 57,555,196	\$ 55,815,216	\$ 56,270,053	\$ 57,976,515	\$ 57,061,358	\$ 58,140,286
Contributions as a percentage of covered payroll	2.03%	19.37%	16.41%	14.02%	13.77%	13.89%	13.51%	11.53%	7.67%	6.50%

Notes to Schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	27.0 years
Asset valuation method	10-year smoothed market with a 20% corridor
Inflation	2.75%
Salary increases	4.0-5.0%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CITY CONTRIBUTIONS

FIRE AND POLICE PENSION FUND (Reporting per GASB 68)

Last 10 Calendar Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 18,823,113	\$ 16,504,790	\$ 12,829,325	\$ 12,030,640	\$ 9,478,900	\$ 13,346,490	\$ 11,859,505	\$ 9,692,292	\$ 8,613,696	\$ 7,903,392
Contributions in relation to the actuarially determined contribution	19,646,959	18,036,218	12,999,917	11,987,641	11,115,222	13,495,433	12,258,360	10,542,423	9,004,655	7,522,018
Contribution deficiency (excess)	\$ (823,846)	\$ (1,531,428)	\$ (170,592)	\$ 42,999	\$ (1,636,322)	\$ (148,943)	\$ (398,855)	\$ (850,131)	\$ (390,959)	\$ 381,374
Covered payroll	\$ 41,312,393	\$ 38,432,299	\$ 38,954,094	\$ 39,282,422	\$ 36,187,624	\$ 37,215,933	\$ 37,288,914	\$ 34,940,022	\$ 34,573,261	\$ 34,715,838
Contributions as a percentage of covered payroll	47.56%	46.93%	33.37%	30.52%	30.72%	36.26%	32.87%	30.17%	26.05%	21.67%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed with level dollar phase-in
Remaining amortization period	30 years
Asset valuation method	10-year smoothed market with 20% corridor
Inflation	2.75%
Salary increases	1.50%-2.75%
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Cost of living adjustment	1.50%, (starting January 1 after third anniversary of retirement date)

CITY OF CHATTANOOGA, TENNESSEE

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

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 5,597,000	\$ 5,573,063	\$ 5,058,640	\$ 4,758,552	\$ 3,561,883	\$ 3,646,080
Contributions in relation to the actuarially determined contribution	5,600,000	5,584,370	5,075,000	4,500,000	3,700,000	3,630,048
Contribution deficiency (excess)	\$ (3,000)	\$ (11,307)	\$ (16,360)	\$ 258,552	\$ (138,117)	\$ 16,032
Covered payroll	\$ 42,079,000	\$ 40,978,404	\$ 37,195,884	\$ 35,295,564	\$ 34,480,956	\$ 32,127,132
Contributions as a percentage of covered payroll	13.31%	13.63%	13.64%	12.75%	10.73%	11.30%

Notes to Schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

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

Changes in assumptions

The investment rate of return was changed from 7.5% to 7.0% beginning in 2016.

This schedule will be 10 years as information is available.

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
CITY'S OPEB FUND (Reporting Per GASB 75)
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability				
Service cost	\$ 3,910,132	\$ 3,796,244	\$ 3,285,014	\$ 3,078,078
Interest	13,649,152	13,031,065	12,436,672	12,016,977
Difference between expected and actual experience	-	167,505	-	-
Changes of assumptions	-	13,240,396	-	-
Benefit payments	(9,737,905)	(8,251,792)	(7,341,124)	(11,657,111)
Net change in total OPEB liability	<u>7,821,379</u>	<u>21,983,418</u>	<u>8,380,562</u>	<u>3,437,944</u>
Total OPEB liability - beginning	<u>199,856,844</u>	<u>177,873,426</u>	<u>169,492,863</u>	<u>166,054,919</u>
Total OPEB liability - ending (a)	<u>\$ 207,678,223</u>	<u>\$ 199,856,844</u>	<u>\$ 177,873,425</u>	<u>\$ 169,492,863</u>
Plan fiduciary net position				
Contributions - employer	14,180,763	14,191,396	13,403,639	12,917,243
Contributions - member	-	-	-	2,739,171
Net investment income	2,848,123	5,662,711	7,313,765	(2,469,379)
Benefit payments, net of member contributions	(9,737,905)	(8,251,792)	(7,341,124)	(11,657,111)
Administrative expense	(44,054)	(50,522)	(41,992)	(41,906)
Net change in plan fiduciary net position	<u>7,246,927</u>	<u>11,551,793</u>	<u>13,334,288</u>	<u>1,488,018</u>
Plan fiduciary net position - beginning	<u>66,443,741</u>	<u>54,891,948</u>	<u>41,557,660</u>	<u>40,069,642</u>
Plan fiduciary net position - ending (b)	<u>\$ 73,690,668</u>	<u>\$ 66,443,741</u>	<u>\$ 54,891,948</u>	<u>\$ 41,557,660</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 133,987,555</u>	<u>\$ 133,413,103</u>	<u>\$ 122,981,477</u>	<u>\$ 127,935,203</u>
Plan fiduciary net position as a percentage of the total OPEB liability	35.48%	33.25%	30.86%	24.52%
Covered payroll	\$ 100,062,772	\$ 100,062,772	\$ 96,436,271	\$ 96,436,271
City's net OPEB liability as a percentage of covered payroll	133.90%	133.33%	127.53%	132.66%

Notes to Schedule:

Benefit changes: None

Assumption changes: January 1, 2018 valuation: Discount rate was changed to 7.00%. Healthcare trend assumption was updated.

January 1, 2016 valuation: The demographic assumptions for retirement, disability incidence, withdrawal, and salary increases for fire and police employees reflect the results of the experience of the Fire and Police Pension Fund for the period ended December 31, 2014.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

**SCHEDULE OF CITY CONTRIBUTIONS
CITY'S OPEB FUND (Reporting Per GASB 75)
Last 10 Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 13,588,664	\$ 13,163,283	\$ 13,163,283	\$ 12,759,200	\$ 12,759,200	\$ 13,275,679	\$ 12,857,800	\$ 14,288,701	\$ 13,838,396	\$ 18,459,218
Contributions in relation to the actuarially determined contribution	14,180,763	14,191,396	13,403,639	12,917,243	15,754,457	15,071,389	12,857,800	14,288,701	13,838,396	10,423,688
Contribution deficiency (excess)	<u>\$ (592,099)</u>	<u>\$ (1,028,113)</u>	<u>\$ (240,356)</u>	<u>\$ (158,043)</u>	<u>\$ (2,995,257)</u>	<u>\$ (1,795,710)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,035,530</u>
Covered payroll	\$ 100,062,772	\$ 100,062,772	\$ 96,436,271	\$ 96,436,271	\$ 95,390,933	\$ 95,390,933	\$ 95,280,557	\$ 95,280,557	\$ 89,710,458	\$ 89,710,458
Contributions as a percentage of covered payroll	14.17%	14.18%	13.90%	13.39%	16.52%	15.80%	13.49%	15.00%	15.43%	11.62%

Notes to Schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Inflation	3.00%
Healthcare cost trend rate	
Pre-Medicare eligible	7.00%
Medicare eligible	5.75%
Ultimate trend rate	
Pre-Medicare eligible	5.00%
Medicare eligible	5.00%
Year of ultimate trend rate	2021
Salary increases	1.50% to 5.00%, including inflation
Investment rate of return	7.50%, including inflation
Retirement:	
General employees:	Minimum 5 years of service and age 62 or Rule of 80 or 55.
Fire / Police:	Age 55 with 10 years of service or any age with 25 years of service (30 years if hired after July 1, 2014)
Disability:	Immediate eligibility if duty-related disability, otherwise 10 years of service
Mortality	
General employee deaths after retirement:	According to the RP-2000 Combined Mortality Table set forward 4 years for males and set forward 2 years for females and using a Scale AA projection to 2025, for service retirements and beneficiaries of retired participants. The RP-2000 Disabled Mortality Table set forward 8 years for males and set forward 9 years for females and using a Scale AA projection to 2025 is used for the period after disability retirement.
Fire and Police employee deaths after retirement:	According to the RP-2014 Blue Collar Mortality fully generational using a modified MP-2014 projection scale and set forward 3 years for males and females for service retirements and beneficiaries of retired participants. The RP-2014 Disabled Retiree Mortality fully generational using a modified MP-2014 projection scale and set forward 3 years for both males and females is used for the period after disability retirement.
Other information:	None

CITY OF CHATTANOOGA, TENNESSEE

**SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIO:
ELECTRIC POWER BOARD OF CHATTANOOGA OPEB PLAN
Last 10 Fiscal Years**

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 1,250,000	\$ 1,191,000
Interest	1,686,000	1,851,000
Difference between expected and actual experience	(2,537,000)	(3,860,000)
Refunds of contributions	(1,603,000)	(1,716,000)
Net change in total OPEB liability	<u>(1,204,000)</u>	<u>(2,534,000)</u>
Total OPEB liability - beginning	25,950,000	28,483,000
Total OPEB liability - ending (a)	<u>\$ 24,746,000</u>	<u>\$ 25,949,000</u>
Plan fiduciary net position		
Contributions - employer	1,582,000	1,686,000
Net investment income	1,780,000	2,495,000
Benefit payments, net of member contributions	(1,603,000)	(1,716,000)
Administrative expense	(39,000)	(49,000)
Net change in plan fiduciary net position	<u>1,720,000</u>	<u>2,416,000</u>
Plan fiduciary net position - beginning	23,378,000	20,962,000
Plan fiduciary net position - ending (b)	<u>\$ 25,098,000</u>	<u>\$ 23,378,000</u>
Net OPEB liability / (asset) - ending (a) - (b)	<u>\$ (352,000)</u>	<u>\$ 2,571,000</u>
Plan fiduciary net position as a percentage of the total OPEB liability	101.42%	90.09%
Covered payroll	\$ 43,270,000	\$ 42,611,000
Net OPEB liability as a percentage of covered payroll	-0.81%	6.03%

Notes to Schedule:

Benefit changes: None

Assumption changes: None

This schedule will be 10 years as information is available.



**COMBINING FINANCIAL
STATEMENTS**

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.

Downtown Chattanooga Business Improvement District Fund accounts for tax revenues associated with a special assessment tax collected by the City. The CBID was established to provide improvements to a portion of downtown Chattanooga.

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, 2020

	Special Revenue						
	Downtown Development	Social Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax	River Pier Garage
ASSETS							
Cash and cash equivalents	\$ 11,424	\$ 871	\$ 2,924,885	\$ 6,364,754	\$ 4,152,951	\$ 2,046,785	\$ 1,869,848
Investments	-	-	-	-	-	-	-
Receivables, net of allowance for uncollectibles							
Other taxes	-	-	-	-	-	759,298	-
Notes	-	-	-	-	7,672,724	-	-
Other	-	(5)	904	(130)	4,720	2,389	3,324
Due from other governments:							
Federal	-	666,504	-	129	223,190	-	-
State of Tennessee	-	462,894	-	960,572	-	-	-
Other	-	-	-	-	19,264	-	-
Total assets	\$ 11,424	\$ 1,130,264	\$ 2,925,789	\$ 7,325,325	\$ 12,072,849	\$ 2,808,472	\$ 1,873,172
LIABILITIES							
Accounts payable and accrued liabilities							
Accounts payable	-	53,716	1,279,283	6,318	29,332	8,410	24,440
Accrued payroll	-	599,602	-	94,380	28,404	-	-
Due to other funds	-	96,000	-	-	-	-	-
Due to other governments	-	268	-	-	-	-	-
Unearned grants revenue	-	-	-	-	575,563	-	-
Total liabilities	-	749,586	1,279,283	100,698	633,299	8,410	24,440
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - other local taxes	-	-	-	-	-	441,688	-
Unavailable revenue - shared tax revenue	-	-	-	483,333	-	-	-
Unavailable revenue - CDBG loans	-	-	-	-	8,867,223	-	-
Total deferred inflows of resources	-	-	-	483,333	8,867,223	441,688	-
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	11,424	380,678	1,646,506	6,741,294	2,572,327	2,358,374	1,848,732
Committed	-	-	-	-	-	-	-
Total fund balances	11,424	380,678	1,646,506	6,741,294	2,572,327	2,358,374	1,848,732
Total liabilities, deferred inflows of resources and fund balances	\$ 11,424	\$ 1,130,264	\$ 2,925,789	\$ 7,325,325	\$ 12,072,849	\$ 2,808,472	\$ 1,873,172

Special Revenue					Permanent		Total Nonmajor Funds
Regional Planning Agency	Air Pollution Control Bureau	Scenic Cities Beautiful Commission	Chattanooga Business Improvement District	Total Special Revenue	Debt Service	Fund Library Endowment	
\$ 4,852,747	\$ 1,089,035	\$ 5,019	\$ 23,931	\$ 23,342,250	\$ 2,118,813	\$ 320,041	\$ 25,781,104
-	-	-	-	-	-	5,470,369	5,470,369
-	-	-	-	759,298	-	-	759,298
-	-	-	-	7,672,724	-	-	7,672,724
95	2,272	3,750	108	17,427	-	-	17,427
6,240	-	-	-	896,063	-	-	896,063
345,773	1,130	-	-	1,770,369	-	-	1,770,369
780	-	-	-	20,044	-	-	20,044
<u>\$ 5,205,635</u>	<u>\$ 1,092,437</u>	<u>\$ 8,769</u>	<u>\$ 24,039</u>	<u>\$ 34,478,175</u>	<u>\$ 2,118,813</u>	<u>\$ 5,790,410</u>	<u>\$ 42,387,398</u>
18,124	1,365	4,989	24,039	1,450,016	-	-	1,450,016
164,444	55,021	3,780	-	945,631	-	-	945,631
-	-	-	-	96,000	-	-	96,000
-	-	-	-	268	-	-	268
-	-	-	-	575,563	-	-	575,563
<u>182,568</u>	<u>56,386</u>	<u>8,769</u>	<u>24,039</u>	<u>3,067,478</u>	<u>-</u>	<u>-</u>	<u>3,067,478</u>
-	-	-	-	441,688	-	-	441,688
-	-	-	-	483,333	-	-	483,333
-	-	-	-	8,867,223	-	-	8,867,223
-	-	-	-	9,792,244	-	-	9,792,244
-	-	-	-	-	-	5,470,369	5,470,369
352,793	414,420	-	-	16,326,548	-	320,041	16,646,589
4,670,274	621,631	-	-	5,291,905	2,118,813	-	7,410,718
<u>5,023,067</u>	<u>1,036,051</u>	<u>-</u>	<u>-</u>	<u>21,618,453</u>	<u>2,118,813</u>	<u>5,790,410</u>	<u>29,527,676</u>
<u>\$ 5,205,635</u>	<u>\$ 1,092,437</u>	<u>\$ 8,769</u>	<u>\$ 24,039</u>	<u>\$ 34,478,175</u>	<u>\$ 2,118,813</u>	<u>\$ 5,790,410</u>	<u>\$ 42,387,398</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2020

	Special Revenue						
	Downtown Development	Social Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax	River Pier Garage
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,688,404	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental:							
Federal	-	12,771,487	23,401	129	2,058,221	-	-
State	-	3,991,414	50	5,958,655	-	-	-
County	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Charges for services	-	-	-	-	12,551	-	243,661
Fines, forfeitures and penalties	-	-	33,355	-	-	-	-
Investment income	-	-	6,814	139,455	41,331	-	-
Contributions and donations	-	1,246	-	5,000	2,501	-	-
Miscellaneous	-	12,175	394,408	-	866,835	-	-
Total revenues	-	16,776,322	458,028	6,103,239	2,981,439	6,688,404	243,661
EXPENDITURES							
Current:							
General government:							
General government	-	-	-	-	-	198,681	330,685
Economic and community development	-	-	-	-	2,044,667	-	-
Public safety:							
Police	-	-	155,601	-	-	-	-
Public works and transportation:							
Public works	-	-	-	3,520,277	-	-	-
Youth and family development:							
Youth and family development	-	18,156,690	-	-	-	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	-	18,156,690	155,601	3,520,277	2,044,667	198,681	330,685
Excess (deficiency) of revenues over (under) expenditures	-	(1,380,368)	302,427	2,582,962	936,772	6,489,723	(87,024)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	1,632,499	-	-	41,035	-	-
Transfers out	-	(297,856)	-	(1,740,359)	(669,703)	(3,598,796)	-
Total other financing sources (uses)	-	1,334,643	-	(1,740,359)	(628,668)	(3,598,796)	-
Net change in fund balances	-	(45,725)	302,427	842,603	308,104	2,890,927	(87,024)
FUND BALANCES, beginning	11,424	426,403	1,344,079	5,898,691	2,264,223	(532,553)	1,935,756
FUND BALANCES, ending	<u>\$ 11,424</u>	<u>\$ 380,678</u>	<u>\$ 1,646,506</u>	<u>\$ 6,741,294</u>	<u>\$ 2,572,327</u>	<u>\$ 2,358,374</u>	<u>\$ 1,848,732</u>

Special Revenue						Debt Service	Permanent Fund Library Endowment	Total Nonmajor Funds
Regional Planning Agency	Air Pollution Control Bureau	Scenic Cities Beautiful Commission	Chattanooga Business Improvement District	Interfund Eliminations	Total Special Revenue			
\$ -	\$ -	\$ -	\$ 768,216	\$ -	\$ 7,456,620	\$ -	\$ -	\$ 7,456,620
99,187	543,669	-	-	-	642,856	-	-	642,856
6,240	463,296	-	-	-	15,322,774	-	-	15,322,774
414,887	1,130	44,450	-	-	10,410,586	-	-	10,410,586
798,529	188,548	-	-	-	987,077	-	-	987,077
54,174	-	-	-	-	54,174	-	-	54,174
-	-	-	-	-	256,212	-	-	256,212
-	-	-	-	-	33,355	-	-	33,355
-	-	-	-	-	187,600	-	262,198	449,798
-	-	-	-	-	8,747	-	-	8,747
-	-	-	1,682	-	1,275,100	-	-	1,275,100
1,373,017	1,196,643	44,450	769,898	-	36,635,101	-	262,198	36,897,299
3,379,921	1,348,923	83,187	769,898	-	6,111,295	-	24,122	6,135,417
-	-	-	-	-	2,044,667	-	-	2,044,667
-	-	-	-	-	155,601	-	-	155,601
-	-	-	-	-	3,520,277	-	-	3,520,277
-	-	-	-	-	18,156,690	-	-	18,156,690
-	-	-	-	-	-	19,298,160	-	19,298,160
-	-	-	-	-	-	6,035,667	-	6,035,667
3,379,921	1,348,923	83,187	769,898	-	29,988,530	25,333,827	24,122	55,346,479
(2,006,904)	(152,280)	(38,737)	-	-	6,646,571	(25,333,827)	238,076	(18,449,180)
2,192,676	716,833	38,536	-	(873,916)	3,747,663	25,603,330	814	29,351,807
(89,013)	(446,013)	-	-	873,916	(5,967,824)	(1,200,000)	-	(7,167,824)
2,103,663	270,820	38,536	-	-	(2,220,161)	24,403,330	814	22,183,983
96,759	118,540	(201)	-	-	4,426,410	(930,497)	238,890	3,734,803
4,926,308	917,511	201	-	-	17,192,043	3,049,310	5,551,520	25,792,873
\$ 5,023,067	\$ 1,036,051	\$ -	\$ -	\$ -	\$ 21,618,453	\$ 2,118,813	\$ 5,790,410	\$ 29,527,676

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, 2020

	Chattanooga Metropolitan Airport Authority	CARTA	Total
OPERATING REVENUES			
Charges for services	\$ 22,086,794	\$ 8,210,218	\$ 30,297,012
Total operating revenues	<u>22,086,794</u>	<u>8,210,218</u>	<u>30,297,012</u>
OPERATING EXPENSES			
Airport operations	14,821,145	-	14,821,145
CARTA operations	-	23,629,435	23,629,435
Depreciation and amortization	8,501,191	2,720,588	11,221,779
Total operating expenses	<u>23,322,336</u>	<u>26,350,023</u>	<u>49,672,359</u>
OPERATING INCOME (LOSS)	<u>(1,235,542)</u>	<u>(18,139,805)</u>	<u>(19,375,347)</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	-	9,321,046	9,321,046
Investment income	305,989	6,702	312,691
Interest expense	(46,583)	-	(46,583)
Other income (expense)	2,405,292	49,352	2,454,644
Total nonoperating revenues (expenses)	<u>2,664,698</u>	<u>9,377,100</u>	<u>12,041,798</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	1,429,156	(8,762,705)	(7,333,549)
Capital contributions	<u>8,908,749</u>	<u>12,642,442</u>	<u>21,551,191</u>
CHANGE IN NET POSITION	10,337,905	3,879,737	14,217,642
NET POSITION, beginning	<u>143,567,565</u>	<u>13,398,380</u>	<u>156,965,945</u>
NET POSITION, ending	<u>\$ 153,905,470</u>	<u>\$ 17,278,117</u>	<u>\$ 171,183,587</u>

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS**

Year Ended June 30, 2020

	Chattanooga Metropolitan Airport Authority	CARTA	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 22,243,587	\$ 7,810,899	\$ 30,054,486
Payments to suppliers	(10,756,951)	(13,522,694)	(24,279,645)
Payments to employees	(3,730,872)	(9,159,893)	(12,890,765)
Net cash from operating activities	<u>7,755,764</u>	<u>(14,871,688)</u>	<u>(7,115,924)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental payments received	-	9,370,398	9,370,398
Net cash from noncapital financing activities	<u>-</u>	<u>9,370,398</u>	<u>9,370,398</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	(5,874,834)	-	(5,874,834)
Proceeds from issuance of long-term debt	1,901,184	-	1,901,184
Interest paid on capital debt	(56,325)	-	(56,325)
Capital contributions	9,040,279	12,642,442	21,682,721
Additions to capital assets	(16,893,988)	(6,329,361)	(23,223,349)
Passenger/customer facility charges collected	2,759,615	-	2,759,615
Net cash flows from capital and related financing activities	<u>(9,124,069)</u>	<u>6,313,081</u>	<u>(2,810,988)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of certificates of deposit	(12,000,000)	-	(12,000,000)
Proceeds from certificates of deposit	12,016,274	-	12,016,274
Interest on investments	305,989	6,702	312,691
Net cash flows from investing activities	<u>322,263</u>	<u>6,702</u>	<u>328,965</u>
Net increase (decrease) in cash and cash equivalents	(1,046,042)	818,493	(227,549)
Cash and cash equivalents, beginning of year	<u>15,596,383</u>	<u>1,912,959</u>	<u>17,509,342</u>
Cash and cash equivalents, end of year	<u>\$ 14,550,341</u>	<u>\$ 2,731,452</u>	<u>\$ 17,281,793</u>
CLASSIFIED AS:			
Current assets	\$ 10,294,657	\$ 2,731,452	\$ 13,026,109
Restricted assets	4,255,684	-	4,255,684
	<u>\$ 14,550,341</u>	<u>\$ 2,731,452</u>	<u>\$ 17,281,793</u>

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS**

Year Ended June 30, 2020

	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)	\$ (1,235,542)	\$ (18,139,805)	\$ (19,375,347)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Depreciation and amortization	8,501,191	2,720,588	11,221,779
Net general pension expense (benefit)	290,510	(2,264,081)	(1,973,571)
Net general other post-employment benefit	50,783	(5,487)	45,296
Bad debt expense	2,968	-	2,968
Change in operating assets and liabilities:			
Trade receivables, net	177,397	(399,319)	(221,922)
Inventory	35,085	11,442	46,527
Prepaid items	(369,826)	20,062	(349,764)
Accounts payable and accrued liabilities	323,802	655,555	979,357
Unearned revenue	(20,604)	-	(20,604)
Deferred pension items	-	2,529,357	2,529,357
	<u>8,991,306</u>	<u>3,268,117</u>	<u>12,259,423</u>
TOTAL ADJUSTMENTS			
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 7,755,764</u>	<u>\$ (14,871,688)</u>	<u>\$ (7,115,924)</u>



**BUDGETARY COMPARISON
SCHEDULES**

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 137,432,412	\$ 137,432,412	\$ 137,645,264	\$ 212,852
Payments in lieu of tax:				
PILOT CHA	146,700	146,700	172,292	25,592
PILOT TVA	2,038,800	2,038,800	2,105,311	66,511
PILOT Good Neighbors	2,800	2,800	2,808	8
PILOT Dev Corp O Knob	-	-	466	466
PILOT Chatterm	64,500	64,500	-	(64,500)
PILOT The Bread Factory	16,200	16,200	-	(16,200)
PILOT UnumProvident Corporation	57,200	57,200	57,163	(37)
PILOT South Market LLC	6,300	6,300	8,590	2,290
PILOT Wm Wrigley Jr Co	-	-	24,959	24,959
PILOT Blue Cross Blue Shield	973,800	973,800	984,865	11,065
PILOT Roadtec	-	-	134	134
PILOT MK LLC	5,700	5,700	9,333	3,633
PILOT Jarnigan Road-EMJ Corp	51,100	51,100	51,004	(96)
PILOT Southern Champion Tray	-	-	81,064	81,064
PILOT Gestamp Chattanooga, LLC	280,000	280,000	748,109	468,109
PILOT Westinghouse Electric Co.	63,500	63,500	62,630	(870)
PILOT EPB	7,618,149	7,618,149	7,618,149	-
PILOT Coca Cola	99,000	99,000	93,701	(5,299)
PILOT Plastic Omnium Auto Exteriors LLC	159,500	159,500	176,609	17,109
PILOT UTC Two LLC	10,100	10,100	10,148	48
PILOT UTC Three LLC	5,800	5,800	5,790	(10)
PILOT Van De Wiele, Inc.	14,500	14,500	19,033	4,533
PILOT Alco Woodlawn Partners	33,400	33,400	33,400	-
PILOT Yanfeng US Automotive Interior Systems LLC	-	-	128,526	128,526
PILOT Choo Choo Partners	-	-	20,704	20,704
Interest and penalty on taxes				
Current year	-	-	7,327	7,327
Prior years	1,375,700	1,375,700	1,264,227	(111,473)
Collection fees on delinquent taxes	221,700	221,700	220,058	(1,642)
Total property taxes	150,676,861	150,676,861	151,551,664	874,803
Other local taxes:				
Franchise Taxes	4,790,900	4,790,900	4,344,227	(446,673)
Liquor Taxes	2,900,300	2,900,300	3,161,491	261,191
Beer Taxes	5,521,900	5,521,900	5,399,299	(122,601)
Local Litigation City Court	2,700	2,700	1,969	(731)
Gross receipts Tax	5,966,600	4,801,600	6,223,805	1,422,205
Corp Intangible Property Tax	360,300	360,300	563,522	203,222
NonDep Excise Tax TCA 67-4-2020	-	-	684,068	684,068
Total other taxes	19,542,700	18,377,700	20,378,381	2,000,681
Total taxes	170,219,561	169,054,561	171,930,045	2,875,484

(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, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Licenses, fees and permits:				
Licenses:				
Wrecker Business License	5,000	5,000	6,000	1,000
Liquor by Drink License	157,000	157,000	190,495	33,495
Liquor by Drink Int & Pen	3,200	3,200	4,680	1,480
Transient Vendor License	2,500	2,500	700	(1,800)
Motor Vehicle License	419,200	419,200	427,085	7,885
Wrecker Contractor License	-	-	660	660
Original Business License Fee	23,400	23,400	22,940	(460)
Special Gathering Permit	-	-	30	30
Over & Under Business License	-	-	(15)	(15)
Permits:				
Building Permits	1,747,700	1,747,700	1,825,775	78,075
Electrical Permits	397,200	397,200	426,384	29,184
Plumbing Fixtures Connection Permits	213,800	213,800	224,917	11,117
Street Cut-in Permits	448,500	448,500	461,011	12,511
Mechanical Code Permits	220,100	220,100	293,541	73,441
Hotel Permits	4,200	4,200	4,900	700
Gas Permits	47,200	47,200	42,665	(4,535)
Sign Permits	150,600	150,600	120,282	(30,318)
Taxicab Driver Permits	6,400	6,400	2,320	(4,080)
Temporary Use Permits	2,300	2,300	2,935	635
Moving Permit Investigation Fee	-	-	455	455
Going Out of Business Permits	-	-	100	100
Traffic Eng Special Events Permits	36,700	36,700	9,725	(26,975)
Push Cart Permits	100	100	25	(75)
Mobile Food Unit	-	-	700	700
Tree Ordinance Permit	-	-	25,500	25,500
Tire Haulers Permit	-	-	25	25
Short Term Vacation Rental Permit	-	-	10,275	10,275
Fees:				
Business License Issuance Fees	70,500	70,500	65,586	(4,914)
Plumbing Examiners Fees	172,400	172,400	21,840	(150,560)
Electrical Examiners Fees	71,300	71,300	58,615	(12,685)
Gas Examiners Fees	24,600	24,600	18,520	(6,080)
Beer Board Application Fees	109,600	109,600	98,855	(10,745)
Mechanical Exam Fees	33,100	33,100	117,205	84,105
Permit Issuance Fees	55,700	55,700	60,105	4,405
Exhibitors Fees	1,100	1,100	197	(903)
Subdivision Review & Inspection Fees	32,300	32,300	26,590	(5,710)
Adult Entertain Application Fees	9,000	9,000	6,000	(3,000)
Zoning Letter Fees	14,300	14,300	14,850	550
Variance Request Fees	15,300	15,300	15,000	(300)
Certificate of Occupancy Fees	33,800	33,800	32,400	(1,400)
Code Compliance Letter Fees	1,600	1,600	1,625	25
Modular Home Site Investigation Fees	-	-	3,871	3,871
Plan Checking Fees	376,900	376,900	257,850	(119,050)
Phased Construction Plan Review Fees	43,700	43,700	95,474	51,774
Construction Board of Appeals Fees	2,800	2,800	2,596	(204)
Sign Board of Appeals Fees	900	900	600	(300)
Historic Zone Construction Fee	-	-	3,325	3,325
Northshore Design Appeal Fee	40,200	40,200	13,700	(26,500)
Northshore-Downtown Plan Review Fee	-	-	10,450	10,450

(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, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Fire District Removal Request Fee	-	-	2,180	2,180
Fire Permits City Code 16-29	245,000	245,000	205,730	(39,270)
Fire Re-Inspection of Business & Hotels	-	-	1,400	1,400
Wine in Grocery Store	-	-	400	400
Designated revenue:				
Parking meters and other fees	1,711,412	1,711,412	1,711,412	-
Total licenses, fees & permits	6,950,612	6,950,612	6,950,486	(126)
Intergovernmental:				
Federal funds	-	-	31,263	31,263
State funds:				
State Operations Funds TEMA	-	-	5,211	5,211
State Operations Funds Training Supplement F&P	535,000	535,000	666,400	131,400
State Operations Funds COVID-19	-	-	212,310	212,310
State Shared Ops Maintenance of Streets	88,800	88,800	122,169	33,369
State Shared City Alloc State Sales Tax	14,821,700	14,191,700	15,185,905	994,205
State Shared City Alloc State Income Tax	1,100,000	-	731,005	731,005
State Shared City Alloc State Beer Tax	78,500	78,500	78,544	44
State Shared Mixed Drink Tax	3,856,400	3,644,400	3,517,154	(127,246)
State Shared Ci Interstate Telecommunication Sales Tax	234,100	234,100	254,876	20,776
State Shared Alcoholic Beverage Tax	95,000	95,000	160,153	65,153
State Shared Gas Inspection Fees	334,600	334,600	332,885	(1,715)
State Shared Commission Gross Receipts	539,600	433,600	581,221	147,621
County funds:				
Ham Co Oper Ross's Landing	1,614,244	1,614,244	1,366,242	(248,002)
Ham Co Local Option Sales Tax	52,254,300	50,529,300	51,347,406	818,106
Other intergovernmental	69,000	69,000	67,459	(1,541)
Designated revenue:				
Ham Co Local Option Sales Tax (Economic Dev)	14,211,661	14,211,661	14,657,429	445,769
State Shared TDZ Sales Tax	2,340,300	2,340,300	8,251,144	5,910,844
Ham Co Local Option Sales Tax TDZ	1,160,000	1,160,000	2,067,321	907,321
Other	1,758,734	1,758,734	1,917,162	158,427
Total intergovernmental revenues	95,091,939	91,318,939	101,553,259	10,234,320
Charges for services				
Court charges:				
Court Cost Current	204,400	204,400	163,087	(41,313)
Court Commissions	4,500	4,500	6,320	1,820
Court Clerk's Fee Current	665,400	486,400	522,070	35,670
Court Service of Process Current	-	-	106	106
Court Processing of Release Forms	15,100	15,100	12,148	(2,952)
Court Administrative Cost	1,100	1,100	145	(955)
Court Current State Cost	1,800	1,800	1,527	(273)
Court Translation Service Fee	11,700	11,700	7,070	(4,630)
Facility charges:				
Facility Rents	1,300	1,300	-	(1,300)
Property Rental Revenue	151,500	151,500	147,305	(4,195)
Ballfield Income	38,900	38,900	22,000	(16,900)
Skateboard Park Fees	-	-	4,300	4,300
Carousel Ridership	133,100	133,100	78,916	(54,184)
Walker Pavilion Rent	26,900	26,900	8,320	(18,580)
Coolidge Park Table Rental	-	-	-	-
Heritage Park House Rent	22,700	22,700	8,520	(14,180)
Renaissance Park Rent	-	-	500	500
Greenway Facility Rent	12,500	12,500	4,786	(7,714)
Fitness Center Fees	34,100	34,100	25,685	(8,415)
Dock Rental	71,900	71,900	28,323	(43,577)

(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, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Ross' Landing Rent	65,400	65,400	56,446	(8,954)
Champion's Club Fees	44,700	44,700	25,031	(19,669)
Recreation Center Rental	41,000	41,000	29,129	(11,871)
Carousel Room Rental	15,800	15,800	8,640	(7,160)
Coolidge Park Rental	22,600	22,600	20,293	(2,307)
Walnut Street Bridge Rental	-	-	1,300	1,300
Program charges:				
Program Fees	9,100	9,100	7,660	(1,440)
Park Event Fees	16,200	16,200	10,904	(5,296)
Non-Traditional Program Fees	10,100	10,100	9,599	(501)
OutVenture Fees	12,500	12,500	11,455	(1,045)
Therapeutic Fees	1,400	1,400	760	(640)
Swimming Pool Fees	82,100	82,100	56,550	(25,550)
Arts & Culture Fees	800	800	584	(216)
Counter sales:				
Police Report Fees	11,000	11,000	5,815	(5,185)
Credit Card Processing Fee	49,700	49,700	48,077	(1,623)
Concessions	8,900	8,900	33,546	24,646
Other charges:				
Financial Service EPB	7,200	7,200	7,200	-
General Pension Admin Cost	45,000	45,000	46,144	1,144
Technology Fee	5,400	5,400	-	(5,400)
Returned Check Fee	1,400	1,400	2,167	767
Waste Container Purchases	24,700	24,700	34,285	9,585
Non Profit Request Fee	3,100	3,100	2,750	(350)
Recycle Container Purchases	-	-	15,400	15,400
Revenue adjustments:				
Processing Fee	-	-	2,500	2,500
Over & Under	-	-	102	102
Designated revenue	2,079,953	2,079,953	2,193,626	113,673
Total charges for services	3,954,953	3,775,953	3,671,091	(104,862)
Fines, forfeitures and penalties				
City court fines	538,500	538,500	463,770	(74,730)
Criminal court fines	102,500	102,500	116,158	13,658
Traffic court fines	38,400	38,400	26,123	(12,277)
Air pollution penalties	-	-	4,810	4,810
Designated revenue	624,000	624,000	714,134	90,134
Total fines and forfeitures	1,303,400	1,303,400	1,324,995	21,595
Miscellaneous:				
Investment income	3,075,625	2,880,625	3,630,615	749,990
Sale of property	455,200	290,200	285,043	(5,157)
Donations	-	-	8,395	8,395
Settlements	800	800	1,192	392
Departmental billings	6,180,270	6,180,270	6,180,270	-
Miscellaneous revenue	460,700	460,700	662,535	201,835
Designated revenue:				
Investment income	-	-	81,815	81,815
Donations	1,201,008	1,201,008	372,640	(828,368)
Settlements	409,505	409,505	425,136	15,631
Miscellaneous revenue	50,000	50,000	408,465	358,465
Total miscellaneous revenue	11,833,108	11,473,108	12,056,106	582,998
Total revenues	289,353,573	283,876,573	297,485,982	13,609,409

(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, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
EXPENDITURES				
General government:				
City Council	841,366	841,366	693,459	(147,907)
City Judges	1,059,075	1,059,075	1,040,697	(18,378)
City Attorney	1,771,228	1,771,228	1,601,516	(169,712)
Records Retention Management	30,000	30,000	37,588	7,588
Internal Audit	731,542	731,542	687,804	(43,738)
Information Services:				
Information Services	9,483,483	9,483,483	7,784,798	(1,698,686)
Purchasing	951,985	951,985	905,191	(46,794)
311 Call Center	696,741	696,741	672,632	(24,107)
External Appropriations:				
Arts Build	275,000	275,000	275,000	-
Chatt Neighborhood Enterprise	720,751	720,751	720,751	-
WTCL-TV Channel 45	93,000	93,000	93,000	-
Tennessee River Park	1,234,869	1,234,869	1,234,869	-
Children's Advocacy Center	65,000	65,000	65,000	-
Community Foundation Scholarships	100,000	100,000	100,000	-
Chatt Area Urban League	132,000	132,000	132,000	-
Bessie Smith Cultural Center	80,000	80,000	80,000	-
Enterprise South Nature Park	826,417	826,417	733,168	(93,249)
Chattanooga Area Food Bank	10,000	10,000	10,000	-
Homeless Coalition	70,000	70,000	70,000	-
Partnership Family,Child,Adult	65,000	65,000	65,000	-
Chambliss Center for Children	350,000	350,000	350,000	-
Fortwood Ctr (Helen Ross McNabb)	62,000	62,000	62,000	-
Joe Johnson Mental Health	60,000	60,000	60,000	-
Speech & Hearing Center	67,700	67,700	67,700	-
Orange Grove	106,000	106,000	53,000	(53,000)
Signal Center	1,025,000	1,025,000	895,230	(129,770)
Family Promise of Greater Chattanooga (was Interfaith Ho	512,750	512,750	495,000	(17,750)
AIM Center, Inc	65,000	65,000	65,000	-
Bethlehem Center	65,000	65,000	65,000	-
Girls, Inc.	91,000	91,000	91,000	-
Greater Chattanooga Sports & Events	100,000	100,000	100,000	-
Chattanooga Zoo	26,250	26,250	20,000	(6,250)
Chattanooga Room in the Inn	25,000	25,000	25,000	-
LaPaz Chattanooga	50,000	50,000	50,000	-
Green Spaces	25,000	25,000	25,000	-
Chattanooga Goodwill Industries	22,500	22,500	22,500	-
United Way of Greater Chattanooga	500,000	500,000	356,980	(143,020)
TechTown Foundation	40,000	40,000	30,000	(10,000)
Chattanooga Kids on the Block	20,000	20,000	-	(20,000)
Chattanooga Basketball	100,000	100,000	100,000	-
Chattanooga Design Studio	100,000	100,000	100,000	-
Chattanooga Football Club Foundati	40,000	40,000	40,000	-
Chattanooga State Comm College	25,000	25,000	25,000	-
Habitat for Humanity of Greater Chattanooga Area	40,000	40,000	40,000	-
Lookout Mountain Conservancy	16,250	16,250	16,250	-
LAUNCH	30,000	30,000	30,000	-
Tennessee Golf Foundation	25,000	25,000	18,750	(6,250)
Creative Discovery Museum	25,000	25,000	25,000	-
Component Unit Appropriations:				

(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, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
CARTA Subsidy	5,824,996	5,824,996	5,800,000	(24,996)
Election Expense	25,000	25,000	-	(25,000)
City Code Revision	16,457	16,457	7,601	(8,856)
Unemployment Insurance	40,000	40,000	40,487	487
Contingency Fund	2,847,752	2,847,752	41,000	(2,806,752)
Renewal & Replacement	1,252,943	1,252,943	904,741	(348,202)
Audits, Dues & Surveys	289,680	289,680	114,680	(175,000)
Intergovernmental Relations	292,285	292,285	242,003	(50,282)
City Water Quality Mgmt. Fees	576,458	576,458	598,820	22,362
Liability Insurance Premiums	500,000	500,000	2,500,000	2,000,000
Education Per TCA 57-4-306	1,919,100	1,919,100	1,763,577	(155,523)
ESIP Administration	16,991	16,991	2,593	(14,398)
Tuition Assistance Program	25,000	25,000	5,000	(20,000)
Designated expenditures:				
General government programs:				
CARTA Parking Meters	1,711,412	1,711,412	1,711,412	-
Automated Traffic Enforcement	624,000	624,000	470,731	(153,269)
General government grants:				
EPA - Brownfield Revolving Loan Brightbridge	-	-	150,000	150,000
EPA - Brownfield at E 38th St at Workman Rd "Glo"	-	-	2,330	2,330
Public Library	7,568,362	7,568,362	6,972,798	(595,564)
Economic Development	9,551,960	9,551,960	9,267,499	(284,462)
Total general government	<u>55,934,303</u>	<u>55,934,303</u>	<u>50,826,155</u>	<u>(5,108,148)</u>
Executive Office of the Mayor:				
Executive Office Admin	1,675,928	1,675,928	1,667,454	(8,475)
Multicultural Affairs	416,242	416,242	374,615	(41,628)
Designated expenditures:				
Go Fest	5,000	5,000	12,694	7,694
Economic Mobility	60,000	60,000	101,264	41,264
Regional Resiliency Planning	100,000	100,000	-	(100,000)
Chattanooga FJC VOCA Grant	82,489	82,489	82,489	-
OVW Abuse in Later Life Program Grant	89,443	89,443	89,549	106
FJC OVC Hope & Healing	44,194	44,194	44,194	-
TN Commission on Children and Youth 2020	-	-	1,154	1,154
2020 State Tennessee Complete Counts (Census)	10,000	10,000	5,344	(4,656)
Total executive office	<u>2,483,296</u>	<u>2,483,296</u>	<u>2,378,757</u>	<u>(104,541)</u>
Finance and administration:				
Finance Office	4,410,365	4,410,365	3,918,289	(492,076)
Office of the City Treasurer	1,244,891	1,244,891	1,659,321	414,430
City Court Clerk's Office	1,470,521	1,470,521	1,174,878	(295,643)
Designated expenditures:				
City Court Technology	300,002	300,002	-	(300,002)
Total finance and administration	<u>7,425,779</u>	<u>7,425,779</u>	<u>6,752,488</u>	<u>(673,291)</u>
Human resources:				
Human Resource Administration	2,479,588	2,479,588	2,069,562	(410,026)
Insurance Officer and Programs	760,141	760,141	612,286	(147,854)
Total human resources	<u>3,239,729</u>	<u>3,239,729</u>	<u>2,681,848</u>	<u>(557,880)</u>
Economic and community development:				
Neighborhood Services Administration	2,226,190	2,226,190	2,268,782	42,591
Codes & Community Services	2,533,779	2,533,779	1,939,103	(594,676)
Outdoor Chattanooga	943,954	943,954	896,348	(47,606)

(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, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Public Art Initiative	239,428	239,428	155,709	(83,719)
Land Development Office	3,139,745	3,139,745	3,059,841	(79,904)
Designated expenditures:				
Neighborhood Partners Projects & Initiatives	70,000	70,000	59,186	(10,814)
Special Projects	-	-	397,138	397,138
Public Art Initiative	475,274	475,274	136,400	(338,874)
Open Spaces	15,000	15,000	7,804	(7,196)
Building Better Communities	150,000	150,000	150,000	-
Dog Park Dash	25,000	25,000	1,432	(23,568)
April 2020 Disaster FEMA	-	-	43	43
Total economic and community development	<u>9,818,370</u>	<u>9,818,370</u>	<u>9,071,786</u>	<u>(746,585)</u>
Police:				
Police Administration	3,390,187	3,390,187	2,658,007	(732,180)
Uniform Services	34,848,535	34,848,535	31,260,862	(3,587,673)
Investigative Services	13,267,896	13,267,896	14,186,542	918,646
Support Services	21,970,193	21,970,193	25,242,901	3,272,708
Designated expenditures:				
Reduction of Part 1 Offenses	-	-	30,392	30,392
Police Special Programs	-	-	4,057	4,057
Law Enforcement Planning	165,615	165,615	165,615	-
Other Police Grants	415,614	415,614	415,614	-
Total police	<u>74,058,040</u>	<u>74,058,040</u>	<u>73,963,990</u>	<u>(94,050)</u>
Fire:				
Fire Administration	715,981	715,981	651,299	(64,682)
Station Operations	42,921,194	42,921,194	42,202,694	(718,500)
Safety, Training and Tactical Services	3,526,089	3,526,089	3,441,363	(84,726)
Designated expenditures:				
Fire Programs and Grants	77,000	77,000	169,904	92,904
Total fire	<u>47,240,264</u>	<u>47,240,264</u>	<u>46,465,260</u>	<u>(775,004)</u>
Public works:				
Public Works Administration	604,814	604,814	1,164,855	560,041
City Engineer's Office	1,578,235	1,578,235	1,585,487	7,251
Field Surveyors	222,370	222,370	156,254	(66,116)
Facilities Management	398,444	398,444	255,960	(142,484)
Mail Room	86,635	86,635	83,556	(3,080)
Office of Sustainability	116,268	116,268	118,026	1,758

(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, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Building Maintenance	2,166,575	2,166,575	2,463,986	297,412
Storage on Main Street	51,100	51,100	64,402	13,302
Heritage Hall Maintenance	183,058	183,058	128,650	(54,408)
GIS	331,923	331,923	289,457	(42,466)
Summer Youth Worker Program	118,731	118,731	41,485	(77,246)
Utilities	187,260	187,260	174,378	(12,882)
Solid Waste Disposal	4,740,200	4,740,200	4,968,991	228,791
Farmer's Market	3,000	3,000	3,000	-
City-wide Services Administration	1,429,509	1,429,509	1,212,837	(216,673)
Emergency	674,208	674,208	618,991	(55,216)
Central Business District	439,932	439,932	472,908	32,976
Street Cleaning Crews	984,873	984,873	805,645	(179,229)
Mowing Tractors/Leaf Collector	967,863	967,863	979,552	11,689
Street Sweeping	752,449	752,449	664,464	(87,984)
Waste Pickup	8,736,024	8,736,024	8,256,746	(479,278)
Municipal Forestry	1,100,108	1,100,108	901,865	(198,243)
Park Management	3,118,641	3,118,641	2,495,827	(622,814)
Hamilton County Shared Parks Maintenance	3,196,850	3,196,850	2,785,818	(411,032)
Zoo	746,480	746,480	744,796	(1,684)
Brainerd Golf Course	776,622	776,622	876,657	100,035
Brown Acres Golf Course	851,285	851,285	915,831	64,546
Civic Facilities	504,615	504,615	498,721	(5,894)
Designated expenditures:				
Public Works Programs	542,823	542,823	418,024	(124,799)
Building Operations	283,252	283,252	224,604	(58,648)
Other Public Works Grants	5,649,983	5,649,983	5,558,565	(91,417)
Total public works	<u>41,544,130</u>	<u>41,544,130</u>	<u>39,930,338</u>	<u>(1,613,792)</u>
Transportation:				
Transportation Administration	1,717,491	1,717,491	1,755,531	38,041
Traffic Engineering Administration	6,299	6,299	70,227	63,928
Street Lighting	-	-	5,000	5,000
Smart Cities Operations	5,602,525	5,602,525	4,632,815	(969,710)
Traffic Operations	2,427,464	2,427,464	2,189,730	(237,735)
Designated expenditures:				
April 2020 Disaster FEMA	-	-	21,705	21,705
Transportation Programs	-	-	2,808	2,808
Total transportation	<u>9,753,779</u>	<u>9,753,779</u>	<u>8,677,816</u>	<u>(1,075,963)</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, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Youth and family development:				
Youth & Family Development Administration	848,228	848,228	779,765	(68,463)
Recreation Administration	2,208,985	2,208,985	2,357,891	148,906
Youth Development	141,170	141,170	75,809	(65,361)
Kidz Kamp	603,294	603,294	322,358	(280,936)
Sports Programs	315,029	315,029	187,824	(127,205)
Aquatics Programs	367,065	367,065	292,119	(74,946)
Therapeutic Programs	197,576	197,576	188,486	(9,090)
Fitness Center	296,839	296,839	319,256	22,417
Youth Dev - CAPS	208,846	208,846	204,465	(4,381)
Youth Dev - Education	314,214	314,214	293,457	(20,757)
Skatepark	13,542	13,542	29,233	15,691
Champion's Club	421,235	421,235	347,318	(73,917)
Summit of Softball	547,297	547,297	467,340	(79,957)
Recreation Centers	4,266,490	4,266,490	4,236,846	(29,644)
North River Center Programs	126,175	126,175	115,373	(10,802)
Eastgate Center Programs	300,538	300,538	242,301	(58,236)
Heritage House Programs	116,690	116,690	115,064	(1,626)
Designated expenditures:				
Recreation Special Programs	-	-	8,414	8,414
Senior & Youth Programming	860,378	860,378	643,334	(217,044)
Total youth and family development	<u>12,153,591</u>	<u>12,153,591</u>	<u>11,226,653</u>	<u>(926,937)</u>
Total expenditures	<u>263,651,281</u>	<u>263,651,281</u>	<u>251,975,091</u>	<u>(11,676,191)</u>
Excess of revenues over expenditures	<u>25,702,292</u>	<u>20,225,292</u>	<u>45,510,891</u>	<u>25,285,600</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	388	388
Transfers out	<u>(51,769,351)</u>	<u>(51,769,351)</u>	<u>(51,012,311)</u>	<u>757,855</u>
Total other financing sources (uses)	<u>(51,769,351)</u>	<u>(51,769,351)</u>	<u>(51,011,923)</u>	<u>758,243</u>
Net change in fund balances	<u>(26,067,059)</u>	<u>(31,544,059)</u>	<u>(5,501,032)</u>	<u>26,043,843</u>
FUND BALANCES, beginning	<u>109,442,783</u>	<u>109,442,783</u>	<u>109,442,783</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 83,375,724</u>	<u>\$ 77,898,724</u>	<u>\$ 103,941,751</u>	<u>\$ 26,043,843</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2020

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

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 10,032,113	\$ 12,258,480	\$ 12,771,487	\$ 513,007
State of Tennessee funds	4,367,619	4,367,619	3,991,414	(376,205)
United Way	-	-	326	326
Donations	370	370	920	550
Miscellaneous	12,000	12,000	12,175	175
Total revenues	14,412,101	16,638,468	16,776,322	137,854
EXPENDITURES				
Administration	1,000,688	1,000,688	1,123,676	122,988
Headstart program	10,489,635	12,716,002	12,831,654	115,652
Foster grandparent program	548,380	548,380	515,685	(32,695)
Low-income energy assistance	3,143,911	3,143,911	3,121,154	(22,757)
Community services block grant	453,865	453,865	512,924	59,059
Other programs	25,000	25,000	(33,917)	(58,917)
Capital outlay	98,917	98,917	85,514	(13,403)
Total expenditures	15,760,396	17,986,763	18,156,690	169,927
Excess (deficiency) of revenues over (under) expenditures	(1,348,295)	(1,348,295)	(1,380,368)	(32,073)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,346,598	1,346,598	1,334,643	(11,955.00)
Total other financing sources (uses)	1,346,598	1,346,598	1,334,643	(11,955)
Net change in fund balances	(1,697)	(1,697)	(45,725)	(44,028)
FUND BALANCES, beginning	426,403	426,403	426,403	-
FUND BALANCES, ending	\$ 424,706	\$ 424,706	\$ 380,678	\$ (44,028)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ -	\$ -	\$ 23,401	\$ 23,401
State of Tennessee funds	-	-	50	50
Confiscations	250,000	250,000	368,762	118,762
Investment income	-	-	6,814	6,814
Miscellaneous	60,000	60,000	59,001	(999)
Total revenues	310,000	310,000	458,028	148,028
EXPENDITURES				
Narcotics program	310,000	310,000	131,034	(178,966)
Capital outlay	-	-	24,567	24,567
Total expenditures	310,000	310,000	155,601	(154,399)
Excess (deficiency) of revenues over (under) expenditures	-	-	302,427	302,427
Net change in fund balances	-	-	302,427	302,427
FUND BALANCES, beginning	1,344,079	1,344,079	1,344,079	-
FUND BALANCES, ending	<u>\$ 1,344,079</u>	<u>\$ 1,344,079</u>	<u>\$ 1,646,506</u>	<u>\$ 302,427</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ -	\$ -	\$ 129	\$ 129
State of Tennessee	4,806,925	4,806,925	4,455,533	(351,392)
State of Tennessee Improve Act	1,645,677	1,645,677	1,503,122	(142,555)
Investment Income	-	-	139,455	139,455
Miscellaneous	-	-	5,000	5,000
Total revenues	6,452,602	6,452,602	6,103,239	(349,363)
EXPENDITURES				
Salaries and wages	1,699,359	1,699,359	1,418,217	(281,142)
Fringe benefits	1,224,784	1,224,784	850,722	(374,062)
Purchased services	239,159	239,159	155,765	(83,394)
Vehicle operations	805,614	805,614	538,657	(266,957)
Materials and supplies	919,387	919,387	335,789	(583,598)
Other expense	7,000	7,000	5,333	(1,667)
Capital outlay	542,792	542,792	215,794	(326,998)
Total expenditures	5,438,095	5,438,095	3,520,277	(1,917,818)
Excess (deficiency) of revenues over (under) expenditures	1,014,507	1,014,507	2,582,962	1,568,455
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,740,359)	(1,740,359)	(1,740,359)	-
Total other financing sources (uses)	(1,740,359)	(1,740,359)	(1,740,359)	-
Net change in fund balances	(725,852)	(725,852)	842,603	1,568,455
FUND BALANCES, beginning	5,898,691	5,898,691	5,898,691	-
FUND BALANCES, ending	\$ 5,172,839	\$ 5,172,839	\$ 6,741,294	\$ 1,568,455

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 1,005,770	\$ 1,005,770	\$ 2,058,221	\$ 1,052,451
Investment income	-	-	41,331	41,331
Miscellaneous	297,143	297,143	881,887	584,744
Total revenues	1,302,913	1,302,913	2,981,439	1,678,526
EXPENDITURES				
Administration	499,185	499,185	558,593	59,408
Community development programs	21,151	21,151	1,289,531	1,268,380
Emergency shelter programs	75,253	75,253	99,275	24,022
Other programs	81,993	81,393	97,268	15,875
Capital outlay	(600)	(600)	-	600
Total expenditures	676,982	676,382	2,044,667	1,368,285
Excess (deficiency) of revenues over (under) expenditures	625,931	626,531	936,772	310,241
OTHER FINANCING SOURCES (USES)				
Transfers in	10,762	10,762	-	(10,762)
Transfers out	(636,693)	(636,693)	(628,668)	8,025
Total other financing sources (uses)	(625,931)	(625,931)	(628,668)	(2,737)
Net change in fund balances	-	600	308,104	307,504
FUND BALANCES, beginning	2,264,223	2,264,223	2,264,223	-
FUND BALANCES, ending	\$ 2,264,223	\$ 2,264,823	\$ 2,572,327	\$ 307,504

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Hotel/Motel tax	\$ 7,819,366	\$ 7,819,366	\$ 6,688,404	\$ (1,130,962)
Total revenues	7,819,366	7,819,366	6,688,404	(1,130,962)
EXPENDITURES				
Contracted services	236,130	236,130	198,681	(37,449)
Total expenditures	236,130	236,130	198,681	(37,449)
Excess (deficiency) of revenues over (under) expenditures	7,583,236	7,583,236	6,489,723	(1,093,513)
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,642,748)	(3,642,748)	(3,598,796)	43,952
Total other financing sources (uses)	(3,642,748)	(3,642,748)	(3,598,796)	43,952
Net change in fund balances	3,940,488	3,940,488	2,890,927	(1,049,561)
FUND BALANCES, beginning	(532,553)	(532,553)	(532,553)	-
FUND BALANCES, ending	\$ 3,407,935	\$ 3,407,935	\$ 2,358,374	\$ (1,049,561)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Parking garage income	\$ 397,106	\$ 397,106	\$ 243,661	\$ (153,445)
Total revenues	397,106	397,106	243,661	(153,445)
EXPENDITURES				
Contracted services	181,873	181,873	330,685	148,812
Capital outlay	91,552	91,552	-	(91,552)
Total expenditures	273,425	273,425	330,685	57,260
Excess (deficiency) of revenues over (under) expenditures	123,681	123,681	(87,024)	(210,705)
Net change in fund balances	123,681	123,681	(87,024)	(210,705)
FUND BALANCES, beginning	1,935,756	1,935,756	1,935,756	-
FUND BALANCES, ending	<u>\$ 2,059,437</u>	<u>\$ 2,059,437</u>	<u>\$ 1,848,732</u>	<u>\$ (210,705)</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 6,240	\$ 6,240	\$ 6,240	\$ -
State of Tennessee funds	321,774	321,774	414,887	93,113
Hamilton County funds	798,529	798,529	798,529	-
Other intergovernmental	155,046	155,046	54,174	(100,872)
Miscellaneous	97,500	97,500	99,187	1,687
Total revenues	1,379,089	1,379,089	1,373,017	(6,072)
EXPENDITURES				
Administration	3,374,703	3,374,703	2,924,729	(449,974)
Transportation planning	524,388	524,388	524,282	(106)
Other program	100,000	100,000	(79,090)	(179,090)
Capital outlay	32,500	32,500	10,000	(22,500)
Total expenditures	4,031,591	4,031,591	3,379,921	(651,670)
Excess (deficiency) of revenues over (under) expenditures	<u>(2,652,502)</u>	<u>(2,652,502)</u>	<u>(2,006,904)</u>	<u>645,598</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,017,570	2,017,570	2,103,663	86,093
Total other financing sources (uses)	2,017,570	2,017,570	2,103,663	86,093
Net change in fund balances	(634,932)	(634,932)	96,759	731,691
FUND BALANCES, beginning	4,926,308	4,926,308	4,926,308	-
FUND BALANCES, ending	<u>\$ 4,291,376</u>	<u>\$ 4,291,376</u>	<u>\$ 5,023,067</u>	<u>\$ 731,691</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 463,296	\$ 463,296	\$ 463,296	\$ -
State of Tennessee funds	-	-	1,130	1,130
Hamilton County funds	188,548	188,548	188,548	-
Permits	526,250	526,250	543,669	17,419
Total revenues	1,178,094	1,178,094	1,196,643	18,549
EXPENDITURES				
Operations	1,484,513	1,484,513	1,314,243	(170,270)
Special programs	31,110	31,110	25,748	(5,362)
Capital outlay	-	41,500	8,932	(32,568)
Total expenditures	1,515,623	1,557,123	1,348,923	(208,200)
Excess (deficiency) of revenues over (under) expenditures	(337,529)	(379,029)	(152,280)	226,749
OTHER FINANCING SOURCES (USES)				
Transfers in	736,703	736,703	270,820	(465,883)
Transfers out	(441,146)	(441,146)	-	441,146
Total other financing sources (uses)	295,557	295,557	270,820	(24,737)
Net change in fund balances	(41,972)	(83,472)	118,540	202,012
FUND BALANCES, beginning	917,511	917,511	917,511	-
FUND BALANCES, ending	\$ 875,539	\$ 834,039	\$ 1,036,051	\$ 202,012

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	44,485	44,485	44,450	(35)
Total revenues	44,485	44,485	44,450	(35)
EXPENDITURES				
Operations	92,917	92,917	83,187	(9,730)
Total expenditures	92,917	92,917	83,187	(9,730)
Excess (deficiency) of revenues over (under) expenditures	(48,432)	(48,432)	(38,737)	9,695
OTHER FINANCING SOURCES (USES)				
Transfers in	45,221	45,221	38,536	(6,685)
Total other financing sources (uses)	45,221	45,221	38,536	(6,685)
Net change in fund balances	(3,211)	(3,211)	(201)	3,010
FUND BALANCES, beginning	201	201	201	-
FUND BALANCES, ending	\$ (3,010)	\$ (3,010)	\$ -	\$ 3,010

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
CENTRAL BUSINESS IMPROVEMENT DISTRICT**

Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Special Assessment Central Business Improvement District Interest	925,060 -	925,060 -	768,216 1,682	(156,844) 1,682
Total revenues	<u>925,060</u>	<u>925,060</u>	<u>769,898</u>	<u>(155,162)</u>
EXPENDITURES				
BID Assessment Fee	925,060	925,060	769,898	(155,162)
Total expenditures	<u>925,060</u>	<u>925,060</u>	<u>769,898</u>	<u>(155,162)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
FUND BALANCES, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
EXPENDITURES				
Principal retirement	17,804,771	18,779,771	19,298,160	518,389
Interest	6,447,125	6,447,125	5,989,844	(457,281)
Fiscal charges	110,000	110,000	45,823	(64,177)
Total expenditures	<u>24,361,896</u>	<u>25,336,896</u>	<u>25,333,827</u>	<u>(3,069)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(24,361,896)</u>	<u>(25,336,896)</u>	<u>(25,333,827)</u>	<u>3,069</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>24,361,896</u>	<u>24,361,896</u>	<u>24,403,330</u>	<u>41,434</u>
Total other financing sources (uses)	<u>24,361,896</u>	<u>24,361,896</u>	<u>24,403,330</u>	<u>41,434</u>
Net change in fund balances	-	(975,000)	(930,497)	44,503
FUND BALANCES, beginning	<u>3,049,310</u>	<u>3,049,310</u>	<u>3,049,310</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 3,049,310</u>	<u>\$ 2,074,310</u>	<u>\$ 2,118,813</u>	<u>\$ 44,503</u>



FINANCIAL SCHEDULES

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, 2020

Issuer	Interest Rate %	Maturity Date	Amount
GOVERNMENTAL FUNDS			
General fund			
Federal Home Loan Bank	1.642	7/14/2021	2,986,365
Federal Farm Credit Bank	1.050	9/16/2020	33,074,207
Federal Home Loan Bank	0.800	10/2/2020	25,043,575
			<u>61,104,147</u>
Capital projects			
Federal Home Loan Bank	1.645	11/11/2020	6,358,760
Federal Home Loan Mortgage Corporation	1.800	1/6/2023	5,000,000
			<u>11,358,760</u>
Nonmajor funds			
Library endowments -Raymond James & Associate Inc.			<u>5,470,369</u>
Total governmental fund investments			<u>\$ 77,933,276</u>
ENTERPRISE FUNDS			
Interceptor Sewer Fund			
Federal Home Loan Mortgage Corporation	0.150	2/16/2021	4,806,834
Federal Home Loan Bank	0.900	3/19/2021	25,000,000
Fannie Mae	0.175	10/7/2021	5,091,527
Federal Farm Credit Bank	0.230	12/23/2021	7,000,000
Federal Home Loan Mortgage Corporation	1.650	1/24/2022	2,000,000
Federal Farm Credit Bank	0.270	6/9/2022	10,000,000
Federal Farm Credit Bank	0.270	6/9/2022	10,000,000
Federal Farm Credit Bank	2.110	7/22/2022	10,450,000
Federal Farm Credit Bank	1.840	9/9/2022	9,511,706
Federal Farm Credit Bank	1.740	10/21/2022	4,300,000
Federal Home Loan Mortgage Corporation	1.650	1/30/2023	2,645,000
Federal Farm Credit Bank	2.200	7/24/2023	10,001,222
Federal Home Loan Mortgage Corporation	1.700	11/20/2023	7,432,702
Fannie Mae	1.875	1/17/2024	10,057,151
			<u>118,296,142</u>
Water quality			
Federal Farm Credit Bank	0.210	6/23/2021	5,000,000
Federal Farm Credit Bank	0.230	12/23/2021	3,000,000
Federal Farm Credit Bank	0.230	12/23/2021	3,999,251
Federal Home Loan Bank	3.150	10/26/2022	16,000,000
Federal Home Loan Mortgage Corporation	1.830	11/20/2024	10,762,126
			<u>38,761,377</u>
Internal service funds			
Federal Home Loan Mortgage Corporation	1.650	1/30/2023	10,000,000
Fannie Mae	0.150	6/22/2021	2,079,339
Federal Farm Credit Bank	0.200	12/8/2021	6,606,073
			<u>18,685,412</u>
Chattanooga Downtown Redevelopment Corporation			
Bank of China		8/27/2020	9,659,458
US Treasury Bonds	1.000	8/27/2020	183,647
			<u>9,843,105</u>
Electric Power Board			
Tower Community Bank (CDARS) - Fund 1	2.72	03/31/22	1,034,410
CapStar Bank (CDARS) - Fund 1	2.98	03/25/21	2,076,707
SmartBank (CDARS) - Fund 2	2.62	02/25/21	2,071,323
SmartBank (CDARS) - Fund 2	2.68	02/24/22	1,036,608
SmartBank (CDARS) - Fund 2	2.68	03/03/22	1,036,075
Reliant Bank (CDARS) - Fund 3	2.70	04/08/21	2,067,235
Reliant Bank (CDARS) - Fund 3	2.70	04/07/22	1,033,617
Reliant Bank (CDARS) - Fund 3	2.70	02/25/21	2,073,667
Reliant Bank (CDARS) - Fund 3	2.80	02/24/22	1,038,223
Reliant Bank (CDARS) - Fund 3	2.80	03/03/22	1,037,666
Reliant Bank (CDARS) - Fund 3	1.70	04/07/22	1,031,270
CapStar Bank (CDARS) - Fund 3	2.98	03/25/21	2,077,199
			<u>17,614,000</u>
Total enterprise fund investments			<u>\$ 203,200,036</u>

CITY OF CHATTANOOGA, TENNESSEE

COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE

Year Ended June 30, 2020

TAX YEAR (1)	Property Taxes Receivable Balance 6/30/2019	Property Tax Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance 6/30/2020	Allowance for Uncollectibles	Net Receivable Balance 6/30/2020
2020	\$ -	\$ -	\$ 135,834,622	\$ -	\$ -	\$ 135,834,622	\$ -	135,834,622
2019	-	140,035,693	-	(1,946,689)	133,369,720	4,719,284	613,507	4,105,777
2018	4,743,027	-	-	267,044	2,834,071	2,176,000	565,760	1,610,240
2017	1,753,248	-	-	(146,202)	503,488	1,103,558	485,565	617,993
2016	1,046,111	-	-	(62,106)	561,067	422,938	346,809	76,129
2015	474,973	-	-	11,203	41,677	444,499	422,274	22,225
2014	417,714	-	-	2,276	21,505	398,485	398,485	-
2013	488,217	-	-	8,122	18,457	477,882	477,882	-
2012	480,738	-	-	7,609	13,135	475,212	475,212	-
2011	448,561	-	-	957	4,649	444,869	444,869	-
2010	463,287	-	-	962	2,388	461,861	461,861	-
	<u>\$ 10,315,876</u>	<u>\$ 140,035,693</u>	<u>\$ 135,834,622</u>	<u>\$ (1,856,824)</u>	<u>\$ 137,370,157</u>	<u>\$ 146,959,210</u>	<u>\$ 4,692,224</u>	<u>\$ 142,266,986</u>

Note:

- (1) All years prior to 2015 have been turned over to the Clerk and Master for collection.
- (2) Accrual of the anticipated current year levy is required by GASB Statement No. 33. The accrual is recorded net of the allowance for uncollectible amounts.

CITY OF CHATTANOOGA, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
2021	18,153,675	6,276,186	24,429,861
2022	18,157,654	5,608,394	23,766,048
2023	17,020,375	4,972,130	21,992,505
2024	17,641,956	4,271,274	21,913,230
2025	16,049,050	3,606,859	19,655,909
2026	16,358,778	2,919,038	19,277,816
2027	14,222,358	2,191,576	16,413,934
2028	11,753,288	1,658,976	13,412,264
2029	11,343,288	1,257,130	12,600,418
2030	7,593,288	820,040	8,413,328
2031	7,548,288	440,376	7,988,664
2032	1,343,288	161,195	1,504,483
2033	1,343,288	107,463	1,450,751
2034	1,342,212	53,732	1,395,944
	<u>159,870,786</u>	<u>34,344,369</u>	<u>194,215,155</u>
BUSINESS-TYPE ACTIVITIES			
2021	40,825,101	15,289,459	56,114,560
2022	29,514,868	14,058,572	43,573,440
2023	30,456,481	12,971,820	43,428,301
2024	31,505,511	11,827,671	43,333,182
2025	32,118,123	10,639,986	42,758,109
2026	31,090,941	9,465,647	40,556,588
2027	31,683,706	8,521,233	40,204,939
2028	31,671,407	7,618,429	39,289,836
2029	32,912,343	6,433,669	39,346,012
2030	26,465,625	5,405,520	31,871,145
2031	27,311,305	4,493,079	31,804,384
2032	27,011,723	3,422,124	30,433,847
2033	27,862,075	2,305,354	30,167,429
2034	28,986,509	1,300,870	30,287,379
2035	9,383,961	967,461	10,351,422
2036	9,576,139	768,616	10,344,755
2037	9,780,246	563,926	10,344,172
2038	5,823,251	372,033	6,195,284
2039	3,464,439	252,589	3,717,028
2040	3,576,750	137,028	3,713,778
2041	1,975,000	16,458	1,991,458
	<u>472,995,504</u>	<u>116,831,544</u>	<u>589,827,048</u>
Total primary government indebtedness	<u>\$ 632,866,290</u>	<u>\$ 151,175,913</u>	<u>\$ 784,042,203</u>

CITY OF CHATTANOOGA, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
COMPONENT UNITS			
2021	-	26,271	26,271
2022	997,635	15,843	1,013,478
2023	149,549	410	149,959
	<u>1,147,184</u>	<u>42,524</u>	<u>1,189,708</u>
Total component units indebtedness	<u>\$ 1,147,184</u>	<u>\$ 42,524</u>	<u>\$ 1,189,708</u>

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2020

	Outstanding June 30, 2019	Interest Paid FY2020	Issued FY2020	Retired FY2020	Refunded FY2020	Outstanding June 30, 2020	Maturing FY 2021	Interest Payable FY 2021
GOVERNMENTAL ACTIVITIES:								
Serial Bonds:								
Tax Supported								
2009 Series A General Obligation	4,540,000	136,200	-	2,270,000	-	2,270,000	2,270,000	45,400
2010 Series A GO Bond	2,345,000	50,250	-	335,000	2,010,000	-	-	-
2010 Series B Refunding GO bonds	2,806,753	56,465	-	21,981	2,784,772	-	-	-
2010 Series C Recovery Zone Bonds	485,000	14,550	-	340,000	-	145,000	145,000	4,350
2011 Series A General Obligation	14,120,000	458,900	-	1,765,000	-	12,355,000	1,765,000	397,125
2011 Series B Refunding GO bonds	1,820,374	69,540	-	2,778	-	1,817,596	3,333	69,475
2013 Series General Improvement Bond	13,135,000	507,319	-	1,315,000	-	11,820,000	1,315,000	441,569
2014 Municipal Public Improvement Refunding	7,783,022	206,913	-	2,758,484	-	5,024,538	747,477	126,739
2015 Series A GO Bond	22,590,000	1,025,825	-	1,885,000	-	20,705,000	1,885,000	931,575
2015 Series B Refunding GO Bond	18,955,000	707,350	-	-	-	18,955,000	-	707,350
2017 Series A GO Bond	6,555,000	327,750	-	550,000	-	6,005,000	550,000	300,250
2017 Series B Refunding GO Bond	12,640,000	632,000	-	-	-	12,640,000	1,985,000	632,000
2019 Series A GO Bond	-	257,093	20,156,711	1,343,287	-	18,813,424	1,347,525	886,994
2019 Series B Refunding GO Bond	-	50,885	4,055,000	35,000	-	4,020,000	540,000	187,100
Total Tax Supported Bonds	107,775,149	4,501,040	24,211,711	12,621,530	4,794,772	114,570,558	12,553,335	4,729,927
Self Supported								
2010 Series B Refunding Hotel Motel Tax Pledge	17,623,247	354,535	-	138,019	17,485,228	-	-	-
2011 Series B Refunding Hotel Motel Tax Pledge	14,564,626	556,385	-	22,222	-	14,542,404	26,667	555,862
2013 Series Hotel-Motel Tax Pledge	5,035,000	194,456	-	505,000	-	4,530,000	505,000	169,206
2014 Hotel Motel Refunding	2,235,789	59,417	-	792,119	-	1,443,670	214,644	36,394
2019 Series Hotel Motel Refunding	-	190,389	14,805,000	115,000	-	14,690,000	1,670,000	700,850
Total Self Supported Bonds	39,458,662	1,355,182	14,805,000	1,572,360	17,485,228	35,206,074	2,416,311	1,462,312
Total Serial Bonds	147,233,811	5,856,222	39,016,711	14,193,890	22,280,000	149,776,632	14,969,646	6,192,239
Notes Payable:								
Tax Supported								
2004 TML Bond Fund	7,610,591	96,464	-	1,450,990	-	6,159,601	1,488,966	50,715
2014 Hamilton County	1,960,579	-	-	1,960,579	-	-	-	-
Total Tax Supported Notes Payable	9,571,170	96,464	-	3,411,569	-	6,159,601	1,488,966	50,715
Self Supported								
2008 HUD Section 108 Loan Program	1,526,000	29,071	-	305,000	-	1,221,000	305,000	27,507
Total Self Supported Notes Payable	1,526,000	29,071	-	305,000	-	1,221,000	305,000	27,507
Total Notes Payable	11,097,170	125,535	-	3,716,569	-	7,380,601	1,793,966	78,222

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2020

(continued from previous page)

	Outstanding June 30, 2019	Interest Paid FY2020	Issued FY2020	Retired FY2020	Refunded FY2020	Outstanding June 30, 2020	Maturing FY 2021	Interest Payable FY 2021
GOVERNMENTAL ACTIVITIES: (continued)								
Capital Leases Payable:								
Tax Supported								
2018 Tasers Capital Lease	249,600	-	-	124,800	-	124,800	124,800	-
2016 Regional Communication Capital Lease	3,586,641	-	-	1,195,547	-	2,391,094	1,195,547	-
2018 Golf Course Capital Lease	265,007	8,088	-	67,354	-	197,653	69,716	5,726
Total Tax Supported Capital Leases Payable	4,101,248	8,088	-	1,387,701	-	2,713,547	1,390,063	5,726
Total governmental activities	162,432,229	5,989,845	39,016,711	19,298,160	22,280,000	159,870,780	18,153,675	6,276,187
BUSINESS TYPE ACTIVITIES:								
Interceptor Sewer System:								
Serial Bonds:								
2014 Municipal Public Improvement Refunding	1,322,666	35,155	-	468,672	-	853,994	126,998	21,533
Total Serial Bonds	1,322,666	35,155	-	468,672	-	853,994	126,998	21,533
Notes Payable:								
2003-168 State Revolving Loan	14,000,939	386,940	-	2,230,932	-	11,770,007	2,298,336	319,536
2007-204 State Revolving Loan	8,799,247	266,043	-	611,148	-	8,188,099	628,416	220,452
2011-289 State Revolving Loan	17,360,888	310,289	-	801,914	-	16,558,974	816,720	323,724
2012-307 State Revolving Loan	29,265,182	326,730	-	1,437,362	-	27,827,820	1,451,496	312,384
2013-318 State Revolving Loan	58,853,446	963,915	-	2,750,529	-	56,102,917	2,798,916	915,528
2016-357 State Revolving Loan	18,830,008	266,251	7,452,101	-	-	26,282,109	1,160,279	339,039
2018-405 State Revolving Loan	467,329	7,009	375,230	-	-	842,559	36,330	12,891
2018-406 State Revolving Loan	-	22,400	2,240,347	-	-	2,240,347	96,600	34,277
2019-428 State Revolving Loan	-	1,065	138,582	-	-	138,582	5,675	2,841
2019-429 State Revolving Loan	-	3,496	511,455	-	-	511,455	20,945	10,485
Total Notes Payable	147,577,039	2,554,138	10,717,715	7,831,885	-	150,462,869	9,313,713	2,491,157
Total Interceptor Sewer System	148,899,705	2,589,293	10,717,715	8,300,557	-	151,316,863	9,440,711	2,512,690

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2020

(continued from previous page)

	Outstanding June 30, 2019	Interest Paid FY2020	Issued FY2020	Retired FY2020	Refunded FY2020	Outstanding June 30, 2020	Maturing FY 2021	Interest Payable FY 2021
BUSINESS TYPE ACTIVITIES: (continued)								
Solid Waste Fund:								
Serial Bonds:								
2014 Municipal Public Improvement Refunding	2,637,626	70,129	-	934,931	-	1,702,695	253,342	42,955
2017 Series B Refundng GO Bond	2,155,000	107,750	-	-	-	2,155,000	340,000	107,750
Total Serial Bonds	4,792,626	177,879	-	934,931	-	3,857,695	593,342	150,705
Notes Payable:								
2004 TML Bond Fund	184,277	2,328	-	35,010	-	149,267	36,034	1,228
Total Notes Payable	184,277	2,328	-	35,010	-	149,267	36,034	1,228
Total Solid Waste & Sanitation Fund	4,976,903	180,207	-	969,941	-	4,006,962	629,376	151,933
Water Quality Fund								
Serial Bonds:								
2013 Water Quality Bonds	3,550,000	137,119	-	355,000	-	3,195,000	355,000	119,369
2014 Municipal Public Improvement Refunding	650,898	17,312	-	230,795	-	420,103	62,540	10,604
2015 Series A GO Bond	6,480,000	294,300	-	540,000	-	5,940,000	540,000	267,300
2017 Series B Refundng GO Bond	615,000	30,750	-	-	-	615,000	95,000	30,750
2019 Series A Water Quality GO Bond	-	46,261	3,628,289	241,712	-	3,386,577	242,475	159,607
Total Serial Bonds	11,295,898	525,742	3,628,289	1,367,507	-	13,556,680	1,295,015	587,630
Total Water Quality Fund	11,295,898	525,742	3,628,289	1,367,507	-	13,556,680	1,295,015	587,630
Total Business-Type Activities	165,172,506	3,295,242	14,346,004	10,638,005	-	168,880,505	11,365,102	3,252,253
TOTAL GENERAL OBLIGATION DEBT	327,604,735	9,285,087	53,362,715	29,936,165	22,280,000	328,751,285	29,518,777	9,528,440

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2020

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	Outstanding June 30, 2019	Interest Paid FY2020	Issued FY2020	Retired FY2020	Refunded FY2020	Outstanding June 30, 2020	Maturing FY 2021	Interest Payable FY 2021
Electric Power Board								
Revenue Bonds:								
2015A Electric System Refunding Revenue Bonds	209,105,000	9,087,000	-	8,880,000	-	200,225,000	9,410,000	8,472,898
2015B Electric System Revenue Bonds	11,470,000	298,500	-	1,765,000	-	9,705,000	1,720,000	247,426
2015C Electric System Revenue Bonds	25,880,000	1,276,500	-	-	-	25,880,000	-	1,276,500
Total Revenue Bonds	<u>246,455,000</u>	<u>10,662,000</u>	<u>-</u>	<u>10,645,000</u>	<u>-</u>	<u>235,810,000</u>	<u>11,130,000</u>	<u>9,996,824</u>
Notes Payable:								
Electric Line of Credit	-	-	13,000,000	-	-	13,000,000	13,000,000	188,500
Total Notes Payable	<u>-</u>	<u>-</u>	<u>13,000,000</u>	<u>-</u>	<u>-</u>	<u>13,000,000</u>	<u>13,000,000</u>	<u>188,500</u>
Total Electric Power Board	<u>246,455,000</u>	<u>10,662,000</u>	<u>13,000,000</u>	<u>10,645,000</u>	<u>-</u>	<u>248,810,000</u>	<u>24,130,000</u>	<u>10,185,324</u>
Chattanooga Downtown Redevelopment Corporation:								
Revenue Bonds:								
2018A IDB Rev Refunding 2007 Bonds	32,235,000	1,033,744	-	855,000	-	31,380,000	890,000	1,005,388
2018C IDB Rev Refunding 2010 Bonds Taxable	28,200,000	1,016,438	-	4,275,000	-	23,925,000	4,440,000	846,495
Total Chattanooga Downtown Redevelopment Corp.	<u>60,435,000</u>	<u>2,050,182</u>	<u>-</u>	<u>5,130,000</u>	<u>-</u>	<u>55,305,000</u>	<u>5,330,000</u>	<u>1,851,883</u>
Total Primary Government	<u>\$ 634,494,735</u>	<u>\$ 21,997,269</u>	<u>\$ 66,362,715</u>	<u>\$ 45,711,165</u>	<u>\$ 22,280,000</u>	<u>\$ 632,866,285</u>	<u>\$ 58,978,777</u>	<u>\$ 21,565,647</u>
COMPONENT UNITS								
Metropolitan Airport Authority:								
Revenue Bonds:								
2014 Tax Exempt	2,535,901	18,521	-	2,535,901	-	-	-	-
2014 Taxable	3,294,329	36,335	-	3,294,329	-	-	-	-
2020 Tax Exempt Garage	-	1,469	1,147,184	-	-	1,147,184	-	26,271
Total Revenue Bonds	<u>5,830,230</u>	<u>56,325</u>	<u>1,147,184</u>	<u>5,830,230</u>	<u>-</u>	<u>1,147,184</u>	<u>-</u>	<u>26,271</u>
Total Metropolitan Airport Authority	<u>5,830,230</u>	<u>56,325</u>	<u>1,147,184</u>	<u>5,830,230</u>	<u>-</u>	<u>1,147,184</u>	<u>-</u>	<u>26,271</u>
Total Component Units	<u>\$ 5,830,230</u>	<u>\$ 56,325</u>	<u>\$ 1,147,184</u>	<u>\$ 5,830,230</u>	<u>\$ -</u>	<u>\$ 1,147,184</u>	<u>\$ -</u>	<u>\$ 26,271</u>

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2004 Note Payable - Tennessee Municipal Bond Fund	0.823%	1,488,966	50,715	1,539,681
2022		0.823%	1,528,997	38,456	1,567,453
2023		0.823%	1,570,004	25,867	1,595,871
2024		0.823%	1,571,634	12,941	1,584,575
			<u>6,159,601</u>	<u>127,979</u>	<u>6,287,580</u>
2021	2008 Section 108 HUD Loan	4.00%	305,000	27,507	332,507
2022		4.00%	305,000	19,699	324,699
2023		4.00%	305,000	11,895	316,895
2024		4.00%	306,000	4,006	310,006
			<u>1,221,000</u>	<u>63,107</u>	<u>1,284,107</u>
2021	2009 Series A General Obligation	4.00%	2,270,000	45,400	2,315,400
			<u>2,270,000</u>	<u>45,400</u>	<u>2,315,400</u>
2021	2010 Series C Recovery Zone	2.00%	145,000	4,350	149,350
			<u>145,000</u>	<u>4,350</u>	<u>149,350</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2011 Series A General Obligation	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>12,355,000</u>	<u>1,522,312</u>	<u>13,877,312</u>
2021	2011 Series B Refunding Hotel Motel	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%	3,240,041	52,651	3,292,692
			<u>14,542,404</u>	<u>3,071,150</u>	<u>17,613,554</u>
2021	2011 Series B Refunding General Obligation	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%	404,959	6,581	411,540
			<u>1,817,596</u>	<u>383,851</u>	<u>2,201,447</u>
2021	2013 General Obligation	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>11,820,000</u>	<u>2,016,489</u>	<u>13,836,489</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2013 Hotel Motel	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>4,530,000</u>	<u>771,619</u>	<u>5,301,619</u>
2021	2014 Series A Refunding Hotel Motel	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>1,443,670</u>	<u>142,283</u>
2021	2014 Series A Refunding General Obligation	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>5,024,538</u>	<u>495,490</u>	<u>5,520,028</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2015 Series A General Obligation	5.00%	1,885,000	931,575	2,816,575
2022		5.00%	1,885,000	865,600	2,750,600
2023		5.00%	1,885,000	799,625	2,684,625
2024		5.00%	1,885,000	705,375	2,590,375
2025		5.00%	1,885,000	611,125	2,496,125
2026		5.00%	1,880,000	517,000	2,397,000
2027		5.00%	1,880,000	423,000	2,303,000
2028		5.00%	1,880,000	329,000	2,209,000
2029		5.00%	1,880,000	235,000	2,115,000
2030		5.00%	1,880,000	141,000	2,021,000
2031		5.00%	1,880,000	47,000	1,927,000
			<u>20,705,000</u>	<u>5,605,300</u>	<u>26,310,300</u>
2021	2015 Series B Refunding General Obligation	3.00%	-	707,350	707,350
2022		3.00%	2,580,000	668,650	3,248,650
2023		3.00%	2,550,000	591,700	3,141,700
2024		3.00%	2,520,000	515,650	3,035,650
2025		5.00%	2,515,000	414,975	2,929,975
2026		5.00%	2,205,000	296,975	2,501,975
2027		5.00%	2,215,000	186,475	2,401,475
2028		3.00%	2,205,000	98,025	2,303,025
2029		3.00%	2,165,000	32,475	2,197,475
				<u>18,955,000</u>	<u>3,512,275</u>
2021	2016 Regional Communication Capital Lease	0.00%	1,195,547	-	1,195,547
2022		0.00%	1,195,547	-	1,195,547
			<u>2,391,094</u>	<u>-</u>	<u>2,391,094</u>
2021	2017 Series A General Obligation	5.00%	550,000	300,250	850,250
2022		5.00%	550,000	272,750	822,750
2023		5.00%	545,000	245,250	790,250
2024		5.00%	545,000	218,000	763,000
2025		5.00%	545,000	190,750	735,750
2026		5.00%	545,000	163,500	708,500
2027		5.00%	545,000	136,250	681,250
2028		5.00%	545,000	109,000	654,000
2029		5.00%	545,000	81,750	626,750
2030		5.00%	545,000	54,500	599,500
2031		5.00%	545,000	27,250	572,250
			<u>6,005,000</u>	<u>1,799,250</u>	<u>7,804,250</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2017 Series B Refunding General Obligation	3.00%	1,985,000	632,000	2,617,000
2022		3.00%	2,045,000	532,750	2,577,750
2023		3.00%	1,980,000	430,500	2,410,500
2024		3.00%	2,090,000	331,500	2,421,500
2025		3.00%	2,210,000	227,000	2,437,000
2026		3.00%	2,330,000	116,500	2,446,500
			<u>12,640,000</u>	<u>2,270,250</u>	<u>14,910,250</u>
2021	2018 Golf Course Capital Lease	3.45%	69,716	5,726	75,442
2022		3.45%	72,160	3,281	75,441
2023		3.45%	55,777	805	56,582
			<u>197,653</u>	<u>9,812</u>	<u>207,465</u>
2021	2018 Tasers Capital Lease	0.00%	124,800	-	124,800
			<u>124,800</u>	<u>-</u>	<u>124,800</u>
2021	2019 Series A General Obligation	5.00%	1,347,525	886,994	2,234,519
2022		5.00%	1,347,525	819,617	2,167,142
2023		5.00%	1,343,288	752,241	2,095,529
2024		5.00%	1,343,288	685,077	2,028,365
2025		5.00%	1,343,288	617,912	1,961,200
2026		5.00%	1,343,288	550,748	1,894,036
2027		5.00%	1,343,288	483,584	1,826,872
2028		5.00%	1,343,288	416,419	1,759,707
2029		5.00%	1,343,288	349,255	1,692,543
2030		5.00%	1,343,288	282,090	1,625,378
2031		5.00%	1,343,288	214,926	1,558,214
2032		5.00%	1,343,288	161,195	1,504,483
2033		5.00%	1,343,288	107,463	1,450,751
2034		5.00%	1,342,212	53,732	1,395,944
			<u>18,813,430</u>	<u>6,381,253</u>	<u>25,194,683</u>
2021	2019 Series B General Obligation Refunding	5.00%	540,000	187,100	727,100
2022		5.00%	285,000	160,100	445,100
2023		5.00%	310,000	145,850	455,850
2024		0.00%	-	130,350	130,350
2025		0.00%	-	130,350	130,350
2026		5.00%	285,000	130,350	415,350
2027		2.00%	290,000	116,100	406,100
2028		5.00%	285,000	110,300	395,300
2029		5.00%	735,000	96,050	831,050
2030		5.00%	770,000	59,300	829,300
2031		4.00%	520,000	20,800	540,800
			<u>4,020,000</u>	<u>1,286,650</u>	<u>5,306,650</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2019 Series B Hotel Motel Refunding	5.00%	1,670,000	700,850	2,370,850
2022		5.00%	1,800,000	617,350	2,417,350
2023		5.00%	1,930,000	527,350	2,457,350
2024		0.00%	-	430,850	430,850
2025		0.00%	-	430,850	430,850
2026		5.00%	35,000	430,850	465,850
2027		2.00%	35,000	429,100	464,100
2028		5.00%	40,000	428,400	468,400
2029		5.00%	2,865,000	426,400	3,291,400
2030		5.00%	3,055,000	283,150	3,338,150
2031		4.00%	3,260,000	130,400	3,390,400
			<u>14,690,000</u>	<u>4,835,550</u>	<u>19,525,550</u>
	Total direct indebtedness		<u>159,870,786</u>	<u>34,344,370</u>	<u>194,215,156</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2003 State Revolving Loan	2.98%	2,298,336	319,536	2,617,872
2022		2.98%	2,367,768	250,104	2,617,872
2023		2.98%	2,439,300	178,572	2,617,872
2024		2.98%	2,512,992	104,880	2,617,872
2025		2.98%	2,151,611	26,541	2,178,152
			<u>11,770,007</u>	<u>879,633</u>	<u>12,649,640</u>
2021	2007 State Revolving Loan	2.79%	628,416	220,452	848,868
2022		2.79%	646,176	202,692	848,868
2023		2.79%	664,428	184,440	848,868
2024		2.79%	683,208	165,660	848,868
2025		2.79%	702,516	146,352	848,868
2026		2.79%	722,376	126,492	848,868
2027		2.79%	742,788	106,080	848,868
2028		2.79%	763,776	85,092	848,868
2029		2.79%	785,364	63,504	848,868
2030		2.79%	807,552	41,316	848,868
2031		2.79%	830,376	18,492	848,868
2032		2.79%	211,123	1,001	212,124
			<u>8,188,099</u>	<u>1,361,573</u>	<u>9,549,672</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2011-289 State Revolving Loan	2.00%	816,720	323,724	1,140,444
2022		2.00%	833,208	307,236	1,140,444
2023		2.00%	850,032	290,412	1,140,444
2024		2.00%	867,180	273,264	1,140,444
2025		2.00%	884,688	255,756	1,140,444
2026		2.00%	902,544	237,900	1,140,444
2027		2.00%	920,760	219,684	1,140,444
2028		2.00%	939,348	201,096	1,140,444
2029		2.00%	958,308	182,136	1,140,444
2030		2.00%	977,652	162,792	1,140,444
2031		2.00%	997,380	143,064	1,140,444
2032		2.00%	1,017,516	122,928	1,140,444
2033		2.00%	1,038,048	102,396	1,140,444
2034		2.00%	1,059,000	81,444	1,140,444
2035		2.00%	1,080,372	60,072	1,140,444
2036		2.00%	1,102,188	38,256	1,140,444
2037		2.00%	1,124,436	16,008	1,140,444
2038		2.00%	189,594	474	190,068
			<u>16,558,974</u>	<u>3,018,642</u>	<u>19,577,616</u>
2021	2012-307 State Revolving Loan	1.15%	1,451,496	312,384	1,763,880
2022		1.15%	1,468,272	295,608	1,763,880
2023		1.15%	1,485,252	278,628	1,763,880
2024		1.15%	1,502,424	261,456	1,763,880
2025		1.15%	1,519,788	244,092	1,763,880
2026		1.15%	1,537,356	226,524	1,763,880
2027		1.15%	1,555,128	208,752	1,763,880
2028		1.15%	1,573,104	190,776	1,763,880
2029		1.15%	1,591,296	172,584	1,763,880
2030		1.15%	1,609,692	154,188	1,763,880
2031		1.15%	1,628,304	135,576	1,763,880
2032		1.15%	1,647,132	116,748	1,763,880
2033		1.15%	1,666,164	97,716	1,763,880
2034		1.15%	1,685,436	78,444	1,763,880
2035		1.15%	1,704,912	58,968	1,763,880
2036		1.15%	1,724,628	39,252	1,763,880
2037		1.15%	1,744,560	19,320	1,763,880
2038		1.15%	732,876	2,109	734,985
			<u>27,827,820</u>	<u>2,893,125</u>	<u>30,720,945</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2013-318 State Revolving Loan	1.67%	2,798,916	915,528	3,714,444
2022		1.67%	2,846,016	868,428	3,714,444
2023		1.67%	2,893,908	820,536	3,714,444
2024		1.67%	2,942,616	771,828	3,714,444
2025		1.67%	2,992,128	722,316	3,714,444
2026		1.67%	3,042,492	671,952	3,714,444
2027		1.67%	3,093,684	620,760	3,714,444
2028		1.67%	3,145,752	568,692	3,714,444
2029		1.67%	3,198,684	515,760	3,714,444
2030		1.67%	3,252,516	461,928	3,714,444
2031		1.67%	3,307,248	407,196	3,714,444
2032		1.67%	3,362,904	351,540	3,714,444
2033		1.67%	3,419,496	294,948	3,714,444
2034		1.67%	3,477,036	237,408	3,714,444
2035		1.67%	3,535,560	178,884	3,714,444
2036		1.67%	3,595,056	119,388	3,714,444
2037		1.67%	3,655,548	58,896	3,714,444
2038		1.67%	1,543,357	6,055	1,549,412
			<u>56,102,917</u>	<u>8,592,043</u>	<u>64,694,960</u>
2021	2014 General Obligation Refunding	2.00%	126,998	21,533	148,531
2022		2.25%	125,190	18,376	143,566
2023		3.00%	122,930	15,742	138,672
2024		3.00%	121,574	12,535	134,109
2025		3.00%	120,219	8,908	129,127
2026		3.00%	118,863	5,322	124,185
2027		3.00%	118,220	1,769	119,989
			<u>853,994</u>	<u>84,185</u>	<u>938,179</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2016-357 State Revolving Loan	1.29%	1,160,279	339,039	1,499,318
2022		1.29%	1,175,246	324,072	1,499,318
2023		1.29%	1,190,407	308,911	1,499,318
2024		1.29%	1,205,763	293,555	1,499,318
2025		1.29%	1,221,317	278,000	1,499,317
2026		1.29%	1,237,072	262,245	1,499,317
2027		1.29%	1,253,031	246,287	1,499,318
2028		1.29%	1,269,195	230,123	1,499,318
2029		1.29%	1,285,567	213,750	1,499,317
2030		1.29%	1,302,151	197,167	1,499,318
2031		1.29%	1,318,949	180,369	1,499,318
2032		1.29%	1,335,963	163,354	1,499,317
2033		1.29%	1,353,197	146,120	1,499,317
2034		1.29%	1,370,654	128,664	1,499,318
2035		1.29%	1,388,335	110,983	1,499,318
2036		1.29%	1,406,244	93,073	1,499,317
2037		1.29%	1,424,385	74,933	1,499,318
2038		1.29%	1,442,760	56,558	1,499,318
2039		1.29%	1,461,371	37,947	1,499,318
2040		1.29%	1,480,223	19,095	1,499,318
			<u>26,282,109</u>	<u>3,704,245</u>	<u>29,986,354</u>
2021	2018-405 State Revolving Loan	1.53%	36,330	12,891	49,221
2022		1.53%	36,885	12,335	49,220
2023		1.53%	37,450	11,771	49,221
2024		1.53%	38,023	11,198	49,221
2025		1.53%	38,604	10,616	49,220
2026		1.53%	39,195	10,026	49,221
2027		1.53%	39,795	9,426	49,221
2028		1.53%	40,404	8,817	49,221
2029		1.53%	41,022	8,199	49,221
2030		1.53%	41,649	7,571	49,220
2031		1.53%	42,287	6,934	49,221
2032		1.53%	42,934	6,287	49,221
2033		1.53%	43,591	5,630	49,221
2034		1.53%	44,258	4,963	49,221
2035		1.53%	44,935	4,286	49,221
2036		1.53%	45,622	3,599	49,221
2037		1.53%	46,320	2,901	49,221
2038		1.53%	47,029	2,192	49,221
2039		1.53%	47,748	1,472	49,220
2040		1.53%	48,479	742	49,221
			<u>842,560</u>	<u>141,856</u>	<u>984,416</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2018-406 State Revolving Loan	1.53%	96,600	34,277	130,877
2022		1.53%	98,078	32,799	130,877
2023		1.53%	99,578	31,299	130,877
2024		1.53%	101,102	29,775	130,877
2025		1.53%	102,649	28,228	130,877
2026		1.53%	104,219	26,658	130,877
2027		1.53%	105,814	25,063	130,877
2028		1.53%	107,433	23,444	130,877
2029		1.53%	109,076	21,801	130,877
2030		1.53%	110,745	20,132	130,877
2031		1.53%	112,440	18,437	130,877
2032		1.53%	114,160	16,717	130,877
2033		1.53%	115,907	14,970	130,877
2034		1.53%	117,680	13,197	130,877
2035		1.53%	119,480	11,396	130,876
2036		1.53%	121,308	9,568	130,876
2037		1.53%	123,164	7,712	130,876
2038		1.53%	125,049	5,828	130,877
2039		1.53%	126,962	3,915	130,877
2040		1.53%	128,905	1,972	130,877
			<u>2,240,349</u>	<u>377,188</u>	<u>2,617,537</u>
2021	2019-428 State Revolving Loan	2.05%	5,675	2,841	8,516
2022		2.05%	5,792	2,725	8,517
2023		2.05%	5,910	2,606	8,516
2024		2.05%	6,031	2,485	8,516
2025		2.05%	6,155	2,361	8,516
2026		2.05%	6,281	2,235	8,516
2027		2.05%	6,410	2,106	8,516
2028		2.05%	6,541	1,975	8,516
2029		2.05%	6,676	1,841	8,517
2030		2.05%	6,812	1,704	8,516
2031		2.05%	6,952	1,564	8,516
2032		2.05%	7,095	1,422	8,517
2033		2.05%	7,240	1,276	8,516
2034		2.05%	7,388	1,128	8,516
2035		2.05%	7,540	976	8,516
2036		2.05%	7,694	822	8,516
2037		2.05%	7,852	664	8,516
2038		2.05%	8,013	503	8,516
2039		2.05%	8,177	339	8,516
2040		2.05%	8,345	171	8,516
			<u>138,579</u>	<u>31,744</u>	<u>170,323</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2019-429 State Revolving Loan	2.05%	20,945	10,485	31,430
2022		2.05%	21,375	10,055	31,430
2023		2.05%	21,813	9,617	31,430
2024		2.05%	22,260	9,170	31,430
2025		2.05%	22,716	8,714	31,430
2026		2.05%	23,182	8,248	31,430
2027		2.05%	23,657	7,773	31,430
2028		2.05%	24,142	7,288	31,430
2029		2.05%	24,637	6,793	31,430
2030		2.05%	25,142	6,288	31,430
2031		2.05%	25,658	5,773	31,431
2032		2.05%	26,184	5,247	31,431
2033		2.05%	26,720	4,710	31,430
2034		2.05%	27,268	4,162	31,430
2035		2.05%	27,827	3,603	31,430
2036		2.05%	28,397	3,033	31,430
2037		2.05%	28,980	2,450	31,430
2038		2.05%	29,574	1,856	31,430
2039		2.05%	30,180	1,250	31,430
2040		2.05%	30,799	631	31,430
			<u>511,456</u>	<u>117,146</u>	<u>628,602</u>
	Total Interceptor Sewer System indebtedness		<u>151,316,864</u>	<u>21,201,380</u>	<u>172,518,244</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

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SOLID WASTE FUND

2021	2004 Note Payable - Tennessee Municipal	0.823%	36,034	1,228	37,262
2022	Bond Fund	0.823%	37,003	931	37,934
2023		0.823%	37,996	627	38,623
2024		0.823%	38,234	314	38,548
			<u>149,267</u>	<u>3,100</u>	<u>152,367</u>
2021	2014 General Obligation Refunding	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%	234,934	3,529	238,463
			<u>1,702,695</u>	<u>167,935</u>	<u>1,870,630</u>
2021	2017 Series B General Obligation Refunding	3.00%	340,000	107,750	447,750
2022		3.00%	350,000	90,750	440,750
2023		3.00%	335,000	73,250	408,250
2024		3.00%	355,000	56,500	411,500
2025		3.00%	375,000	38,750	413,750
2026		5.00%	400,000	20,000	420,000
			<u>2,155,000</u>	<u>387,000</u>	<u>2,542,000</u>
	Total Solid Waste Fund indebtedness		<u>4,006,962</u>	<u>558,035</u>	<u>4,564,997</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

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WATER QUALITY FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2013 General Obligation	5.000%	355,000	119,369	474,369
2022		5.000%	355,000	101,619	456,619
2023		5.000%	355,000	83,869	438,869
2024		3.000%	355,000	69,668	424,668
2025		3.000%	355,000	59,017	414,017
2026		3.125%	355,000	48,147	403,147
2027		4.000%	355,000	35,500	390,500
2028		4.000%	355,000	21,300	376,300
2029		4.000%	355,000	7,100	362,100
				<u>3,195,000</u>	<u>545,589</u>
2021	2014 General Obligation Refunding	2.00%	62,540	10,604	73,144
2022		2.25%	61,649	9,049	70,698
2023		3.00%	60,537	7,752	68,289
2024		3.00%	59,869	6,173	66,042
2025		3.00%	59,201	4,387	63,588
2026		3.00%	58,534	2,621	61,155
2027		3.00%	57,773	871	58,644
				<u>420,103</u>	<u>41,457</u>
2021	2015 Series A General Obligation	5.00%	540,000	267,300	807,300
2022		5.00%	540,000	248,400	788,400
2023		5.00%	540,000	229,500	769,500
2024		5.00%	540,000	202,500	742,500
2025		5.00%	540,000	175,500	715,500
2026		5.00%	540,000	148,500	688,500
2027		5.00%	540,000	121,500	661,500
2028		5.00%	540,000	94,500	634,500
2029		5.00%	540,000	67,500	607,500
2030		5.00%	540,000	40,500	580,500
2031		5.00%	540,000	13,500	553,500
			<u>5,940,000</u>	<u>1,609,200</u>	<u>7,549,200</u>
2021	2017 Series B General Obligation Refunding	3.00%	95,000	30,750	125,750
2022		3.00%	100,000	26,000	126,000
2023		3.00%	95,000	21,000	116,000
2024		3.00%	100,000	16,250	116,250
2025		3.00%	110,000	11,250	121,250
2026		5.00%	115,000	5,750	120,750
			<u>615,000</u>	<u>111,000</u>	<u>726,000</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

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2021	2019 Series A General Obligation	5.00%	242,475	159,607	402,082
2022		5.00%	242,475	147,483	389,958
2023		5.00%	241,713	135,359	377,072
2024		5.00%	241,713	123,273	364,986
2025		5.00%	241,713	111,188	352,901
2026		5.00%	241,713	99,102	340,815
2027		5.00%	241,713	87,017	328,730
2028		5.00%	241,713	74,931	316,644
2029		5.00%	241,713	62,845	304,558
2030		5.00%	241,713	50,760	292,473
2031		5.00%	241,713	38,674	280,387
2032		5.00%	241,713	29,006	270,719
2033		5.00%	241,713	19,337	261,050
2034		5.00%	242,790	9,669	252,459
			<u>3,386,583</u>	<u>1,148,251</u>	<u>4,534,834</u>
	Total Water Quality Fund indebtedness		<u>13,556,686</u>	<u>3,455,497</u>	<u>17,012,183</u>

ELECTRIC POWER BOARD

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2015 A Electric System Refunding Revenue	5.00%	9,410,000	8,472,898	17,882,898
2022	Bonds	5.00%	9,970,000	7,979,065	17,949,065
2023		5.00%	10,545,000	7,456,606	18,001,606
2024		5.00%	11,160,000	6,903,731	18,063,731
2025		5.00%	11,810,000	6,318,648	18,128,648
2026		5.00%	12,485,000	5,700,023	18,185,023
2027		2.88%	14,735,000	5,242,955	19,977,955
2028		3.00%	15,160,000	4,793,350	19,953,350
2029		5.00%	15,610,000	4,067,133	19,677,133
2030		4.00%	16,395,000	3,390,550	19,785,550
2031		4.00%	17,050,000	2,712,917	19,762,917
2032		5.00%	17,730,000	1,860,500	19,590,500
2033		5.00%	18,615,000	937,125	19,552,125
2034		4.00%	19,550,000	130,333	19,680,333
			<u>200,225,000</u>	<u>65,965,834</u>	<u>266,190,834</u>
2021	2015 B Electric System Revenue Bonds	2.30%	1,720,000	247,426	1,967,426
2022		2.60%	1,675,000	204,541	1,879,541
2023		2.90%	1,635,000	157,770	1,792,770
2024		3.05%	1,595,000	109,328	1,704,328
2025		3.20%	1,560,000	59,620	1,619,620
2026		3.38%	1,520,000	8,550	1,528,550
			<u>9,705,000</u>	<u>787,235</u>	<u>10,492,235</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

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ELECTRIC POWER BOARD

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2015 C Electric System Revenue Bonds	5.00%	-	1,276,500	1,276,500
2022		5.00%	795,000	1,243,375	2,038,375
2023		4.00%	835,000	1,208,917	2,043,917
2024		5.00%	870,000	1,167,100	2,037,100
2025		4.00%	915,000	1,129,350	2,044,350
2026		5.00%	950,000	1,083,667	2,033,667
2027		5.00%	995,000	1,034,292	2,029,292
2028		5.00%	1,045,000	982,458	2,027,458
2029		5.00%	1,100,000	927,917	2,027,917
2030		5.00%	1,155,000	870,625	2,025,625
2031		5.00%	1,210,000	810,583	2,020,583
2032		5.00%	1,275,000	747,375	2,022,375
2033		5.00%	1,335,000	681,125	2,016,125
2034		5.00%	1,405,000	611,458	2,016,458
2035		5.00%	1,475,000	538,292	2,013,292
2036		5.00%	1,545,000	461,625	2,006,625
2037		5.00%	1,625,000	381,042	2,006,042
2038		5.00%	1,705,000	296,458	2,001,458
2039		5.00%	1,790,000	207,667	1,997,667
2040		5.00%	1,880,000	114,417	1,994,417
2041	5.00%	1,975,000	16,458	1,991,458	
			<u>25,880,000</u>	<u>15,790,701</u>	<u>41,670,701</u>
2021	Electric Line of Credit	1.45%	<u>13,000,000</u>	<u>188,500</u>	<u>13,188,500</u>
	Total Electric Power Board indebtedness		<u>248,810,000</u>	<u>82,732,270</u>	<u>331,542,270</u>

CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

2021	2018 Series A IDB Rev Refunding 2007 Bonds	3.25%	890,000	1,005,388	1,895,388
2022		3.25%	915,000	976,056	1,891,056
2023		3.25%	945,000	945,831	1,890,831
2024		3.25%	980,000	914,550	1,894,550
2025		3.25%	1,005,000	882,294	1,887,294
2026		3.25%	6,455,000	761,069	7,216,069
2027		3.25%	6,665,000	547,869	7,212,869
2028		3.25%	6,460,000	334,588	6,794,588
2029		3.25%	7,065,000	114,806	7,179,806
			<u>31,380,000</u>	<u>6,482,451</u>	<u>37,862,451</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2020

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CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2018 Series C IDB Rev Refunding 2010 Bonds	3.90%	4,440,000	846,495	5,286,495
2022	Taxable	3.90%	4,600,000	670,215	5,270,215
2023		3.90%	4,775,000	487,403	5,262,403
2024		3.90%	4,965,000	297,473	5,262,473
2025		3.90%	5,145,000	100,328	5,245,328
			<u>23,925,000</u>	<u>2,401,914</u>	<u>26,326,914</u>
	Total Chattanooga Downtown Redevelopment Corporation indebtedness		<u>55,305,000</u>	<u>8,884,365</u>	<u>64,189,365</u>
	Total Primary Government		<u>\$ 632,866,298</u>	<u>\$ 151,175,917</u>	<u>\$ 784,042,215</u>

METROPOLITAN AIRPORT AUTHORITY

2021	2020 Tax Exempt Garage	2.29%	-	26,271	26,271
2022		2.29%	997,635	15,843	1,013,478
2023		2.29%	149,549	410	149,959
			<u>1,147,184</u>	<u>42,524</u>	<u>1,189,708</u>
	Total Airport Authority indebtedness		<u>1,147,184</u>	<u>42,524</u>	<u>1,189,708</u>
	Total component unit indebtedness		<u>\$ 1,147,184</u>	<u>\$ 42,524</u>	<u>\$ 1,189,708</u>



CITY OF CHATTANOOGA, TENNESSEE

STATISTICAL SECTION (Unaudited)

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CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental activities:										
General government	\$ 75,953,230	\$ 63,023,449	\$ 64,499,674	\$ 74,480,647	\$ 68,405,139	\$ 68,922,709	\$ 70,744,329	\$ 68,097,422	\$ 64,751,775	\$ 63,957,991
Economic & community development	14,806,447	12,156,617	10,021,209	11,379,757	18,390,875	25,728,093	6,785,001	-	-	-
Public safety	132,524,318	132,778,507	119,561,798	116,346,808	104,952,395	82,128,786	38,174,721	90,260,439	91,995,943	84,765,514
Public works	-	-	-	-	-	-	-	61,278,623	69,321,709	66,493,039
Public works & transportation	82,470,389	76,435,104	75,170,258	64,442,601	63,429,352	66,224,659	64,730,037	-	-	-
Youth & family development	31,152,643	31,340,713	28,892,158	27,234,006	26,048,987	23,455,413	21,716,619	-	-	-
Parks and recreation	-	-	-	-	-	-	-	22,884,259	22,807,242	24,010,501
Social services	-	-	-	-	-	-	-	17,513,922	19,329,779	20,924,562
Interest on long-term debt	4,565,153	5,328,912	6,028,962	6,380,122	6,854,540	6,904,505	6,819,652	6,763,002	7,087,446	7,126,810
Total governmental activities expenses	341,472,180	321,063,302	304,174,059	300,263,941	288,081,288	273,364,165	208,970,359	266,797,667	275,293,894	267,278,417
Business-type activities:										
Electric utility	709,943,000	708,305,000	689,008,000	683,959,000	653,115,000	655,053,000	639,502,000	630,133,000	640,200,589	633,506,721
Sewer	67,086,717	59,351,594	55,483,626	51,040,686	46,229,974	48,140,754	48,359,508	51,882,717	50,173,707	47,790,192
Solid waste	3,958,406	2,638,142	3,431,188	3,948,930	4,145,986	4,126,419	4,392,822	6,457,957	5,108,430	5,037,895
Water quality management	18,827,597	12,113,690	15,370,685	14,525,893	13,688,806	13,151,961	13,175,781	12,868,856	12,386,648	10,003,657
Housing management	-	-	-	-	-	-	-	602,886	1,028,404	1,105,718
Downtown redevelopment	2,122,563	37,205,161	16,140,720	17,794,859	16,759,306	16,760,841	16,049,380	16,196,291	-	-
Regional communication	1,899,550	2,602,144	2,616,794	1,039,599	931,065	-	-	-	-	-
Total business-type activities expenses	803,837,833	822,215,731	782,051,013	772,308,967	734,870,137	737,232,975	721,479,491	718,141,707	708,897,778	697,444,183
Total primary government expenses	1,145,310,013	1,143,279,033	1,086,225,072	1,072,572,908	1,022,951,425	1,010,597,140	930,449,850	984,939,374	984,191,672	964,722,600
Program Revenues										
Governmental activities:										
Charges for services:										
General government	12,656,487	13,255,087	11,968,056	14,166,467	14,530,075	16,177,423	15,401,345	11,696,397	11,045,632	10,434,649
Economic & community development	5,635,373	5,673,454	4,811,693	4,949,579	4,130,813	3,645,519	3,537,586	-	-	-
Public safety	788,301	708,997	691,340	960,516	878,733	934,476	820,316	1,854,727	654,680	880,936
Public works	-	-	-	-	-	-	-	3,195,233	3,314,133	2,652,857
Public works & transportation	2,813,739	2,427,357	2,256,844	536,615	524,452	581,137	501,462	-	-	-
Youth & family development	241,719	466,502	478,048	532,507	553,403	559,531	599,463	-	-	-
Parks and recreation	-	-	-	-	-	-	-	3,649,255	3,728,321	3,815,671
Social services	-	-	-	-	-	-	-	344,385	746,120	646,768
Operating grants and contributions	32,525,747	32,629,404	36,569,368	33,639,774	30,519,758	36,065,180	28,078,849	38,425,404	38,545,589	45,528,069
Capital grants and contributions	17,837,542	46,910,666	14,265,850	8,761,232	28,317,766	1,556,749	215,908	1,472,538	2,253,589	7,860,181
Total governmental activities program revenues	72,498,908	102,071,467	71,041,199	63,546,690	79,455,000	59,520,015	49,154,929	60,637,939	60,288,064	71,819,131
Business-type activities:										
Charges for services:										
Electric utility	714,862,000	741,762,000	729,971,000	716,889,000	684,060,000	671,251,000	654,818,000	625,486,000	618,552,000	589,475,000
Sewer	100,567,367	91,924,327	83,455,871	78,169,727	70,770,332	64,055,861	63,155,547	52,708,135	52,051,115	48,702,486
Solid waste	4,718,160	5,950,273	6,048,011	6,322,756	6,981,881	7,314,318	7,085,846	6,343,124	6,317,708	6,597,533
Water quality management	26,735,084	23,478,180	19,443,914	21,239,224	19,526,288	19,945,571	19,100,534	17,245,533	16,123,965	14,292,397
Housing management	-	-	-	-	-	-	-	2,667,646	882,897	839,126
Downtown redevelopment	4,367,108	36,227,818	18,875,249	19,324,706	18,882,874	18,659,042	17,038,504	17,706,905	-	-
Regional communication	2,110,687	2,533,273	2,505,410	1,330,745	1,306,785	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	100,819	19,983,313
Capital grants and contributions	1,292,383	1,751,000	2,178,000	2,639,203	985,000	739,109	1,833,500	19,983,000	39,217,000	41,117,000
Total business-type activities program revenues	854,652,789	903,626,871	862,477,455	845,915,361	802,513,160	781,964,901	763,031,931	742,140,343	733,245,504	721,006,855
Total primary government program revenues	927,151,697	1,005,698,338	933,518,654	909,462,051	881,968,160	841,484,916	812,186,860	802,778,282	793,533,568	792,825,986

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CITY OF CHATTANOOGA, TENNESSEE

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

(continued from previous page)

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net (expense)/revenue:										
Governmental activities	\$ (268,973,273)	\$ (218,991,835)	\$ (233,132,860)	\$ (236,717,250)	\$ (208,626,288)	\$ (213,844,150)	\$ (159,815,430)	\$ (206,159,728)	\$ (215,005,830)	\$ (195,459,286)
Business-type activities	50,814,956	81,411,140	80,426,442	73,606,394	67,643,023	44,731,926	41,552,440	23,998,636	24,347,726	23,562,672
Total primary government net expense	<u>(218,158,317)</u>	<u>(137,580,695)</u>	<u>(152,706,418)</u>	<u>(163,110,856)</u>	<u>(140,983,265)</u>	<u>(169,112,224)</u>	<u>(118,262,990)</u>	<u>(182,161,092)</u>	<u>(190,658,104)</u>	<u>(171,896,614)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	151,749,670	149,034,245	146,283,546	134,943,202	130,902,972	127,519,982	125,641,150	129,150,158	133,455,222	112,953,898
Liquor and beer taxes	8,560,765	8,270,282	8,330,478	8,737,791	8,997,261	7,606,018	8,186,392	7,606,723	7,614,837	7,352,383
Gross receipts tax	6,218,255	6,032,093	5,748,596	5,958,597	5,882,100	4,899,150	4,797,634	4,231,661	4,276,496	4,437,883
Franchise tax	4,247,252	4,656,152	4,824,817	4,498,990	4,382,373	4,725,955	4,221,364	4,115,338	2,915,030	2,119,546
Hotel-motel tax	6,478,478	7,604,794	7,206,593	7,030,339	6,589,452	5,995,649	5,364,901	5,004,320	5,001,504	4,746,845
Other taxes	2,017,775	362,712	658,303	750,707	222,074	134,509	162,765	69,598	83,017	43,520
Unrestricted investment earnings	4,117,538	3,824,381	3,079,718	2,992,787	1,753,046	954,972	1,331,773	1,069,002	873,653	1,344,715
Grants not allocated to specific programs	96,718,359	95,070,994	91,059,607	82,923,454	79,585,292	75,505,288	70,667,626	70,563,200	66,731,113	53,070,739
Gain on sale of capital assets	285,040	723,448	1,110,365	831,846	836,089	1,501,675	197,445	890,681	370,285	179,644
Gain on equity interest in joint venture	-	-	-	229,028	-	23,684	65,251	-	-	-
Endowment contributions	-	-	-	-	-	-	105	-	4,554	-
Transfers	4,902,278	(19,030)	(10,047,603)	-	50,952	-	-	1,363,048	6,344,311	5,917,771
Special Item- Transfer of Land to VW	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>285,295,410</u>	<u>275,560,071</u>	<u>258,254,420</u>	<u>248,896,741</u>	<u>239,201,611</u>	<u>228,866,882</u>	<u>220,636,406</u>	<u>224,063,729</u>	<u>227,670,022</u>	<u>192,166,944</u>
Business-type activities:										
Unrestricted investment earnings	6,190,417	5,326,319	3,058,133	1,898,682	1,815,617	1,186,019	990,099	1,055,895	804,118	1,463,002
Miscellaneous	-	-	-	-	-	-	-	388,268	147,914	-
Transfers	(4,902,279)	19,030	10,047,603	-	(50,952)	-	-	(1,363,048)	(6,344,311)	(5,917,771)
Loss on disposal of capital assets	-	-	-	-	-	-	-	(4,150,506)	-	-
Extra ordinary - tornado damage	-	-	-	-	-	-	-	-	-	(28,000,000)
Total business-type activities	<u>1,288,138</u>	<u>5,345,349</u>	<u>13,105,736</u>	<u>1,898,682</u>	<u>1,764,665</u>	<u>1,186,019</u>	<u>990,099</u>	<u>(4,069,391)</u>	<u>(5,392,279)</u>	<u>(32,454,769)</u>
Total primary government	<u>286,583,548</u>	<u>280,905,420</u>	<u>271,360,156</u>	<u>250,795,423</u>	<u>240,966,276</u>	<u>230,052,901</u>	<u>221,626,505</u>	<u>219,994,338</u>	<u>222,277,743</u>	<u>159,712,175</u>
Change in Net Position										
Governmental activities	16,322,137	56,568,236	25,121,560	12,179,491	30,575,323	15,022,732	60,820,976	17,904,001 ⁽¹⁾	12,664,192	(3,292,342)
Business-type activities	52,103,094	86,756,489	93,532,178	75,505,076	69,407,688	45,917,945	42,542,539	19,929,245	18,955,447	(8,892,097)
Total primary government	<u>\$ 68,425,231</u>	<u>\$ 143,324,725</u>	<u>\$ 118,653,738</u>	<u>\$ 87,684,567</u> ⁽³⁾	<u>\$ 99,983,011</u>	<u>\$ 60,940,677</u>	<u>\$ 103,363,515</u> ⁽²⁾	<u>\$ 37,833,246</u>	<u>\$ 31,619,639</u>	<u>\$ (12,184,439)</u>

⁽¹⁾ 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.

⁽²⁾ In fiscal year 2014, GASB 67 and 68 were implemented.

⁽³⁾ In fiscal year 2017, GASB 74 and 75 were implemented.

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year			
	2020	2019	2018	2017
Governmental activities				
Net investment in capital assets	\$ 1,323,233,082	\$ 1,324,097,124	\$ 1,285,941,167	\$ 1,277,949,718
Restricted	91,569,529	71,556,811	65,361,086	60,727,476
Unrestricted	(174,457,122)	(171,630,583)	(183,847,137)	(196,343,638) ⁽⁴⁾
Total governmental activities net position	<u>1,240,345,489</u>	<u>1,224,023,352</u>	<u>1,167,455,116</u>	<u>1,142,333,556</u>
Business-type activities				
Net investment in capital assets	813,975,284	741,029,373	720,686,418	652,037,064
Restricted	102,022,445	97,897,857	70,984,783	76,121,378
Unrestricted ⁽¹⁾	100,976,688	125,944,093	86,443,633	53,364,214 ⁽⁴⁾
Total business-type activities net position	<u>1,016,974,417</u>	<u>964,871,323</u>	<u>878,114,834</u>	<u>781,522,656</u>
Primary government				
Net investment in capital assets	2,137,208,366	2,065,126,497	2,006,627,585	1,929,986,782
Restricted	193,591,974	169,454,668	136,345,869	136,848,854
Unrestricted	(73,480,434)	(45,686,490)	(97,403,504)	(142,979,424) ⁽⁴⁾
Total primary government net position	<u>\$ 2,257,319,906</u>	<u>\$ 2,188,894,675</u>	<u>\$ 2,045,569,950</u>	<u>\$ 1,923,856,212</u>

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

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

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

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

		Fiscal Year									
		2016	2015	2014	2013	2012	2011				
\$	1,272,353,698	\$	1,275,429,168	\$	1,204,844,784	\$	1,212,457,120	\$	1,203,907,660	\$	1,231,353,280
	66,118,034		47,791,629		47,931,872		28,150,164		41,687,490		27,167,455
	(134,094,903)		(149,419,291)		(93,997,882) ⁽³⁾		92,237,845		89,243,312		63,653,535
	<u>1,204,376,829</u>		<u>1,173,801,506</u>		<u>1,158,778,774</u>		<u>1,332,845,129</u>		<u>1,334,838,462</u>		<u>1,322,174,270</u>
	590,844,184		603,011,447		573,918,419		537,001,543		527,583,854		568,185,846
	49,238,536		69,421,422		46,644,598		45,014,643		30,684,020		18,097,653
	78,680,556		(23,077,281)		(13,959,374) ⁽³⁾		(10,293,881)		3,519,144		(43,451,928)
	<u>718,763,276</u>		<u>649,355,588</u>		<u>606,603,643</u>		<u>571,722,305</u>		<u>561,787,018</u> ⁽²⁾		<u>542,831,571</u>
	1,863,197,882		1,878,440,615		1,778,763,203		1,749,458,663		1,731,491,514		1,799,539,126
	115,356,570		117,213,051		94,576,470		73,164,807		72,371,510		45,265,108
	(55,414,347)		(172,496,572)		(107,957,256) ⁽³⁾		81,943,964		92,762,456		20,201,607
\$	<u>1,923,140,105</u>	\$	<u>1,823,157,094</u>	\$	<u>1,765,382,417</u>	\$	<u>1,904,567,434</u>	\$	<u>1,896,625,480</u>	\$	<u>1,865,005,841</u>

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	
2011	\$ 112,953,898 ⁽¹⁾	\$ 1,964,432	\$ 5,387,951	\$ 4,437,883	\$ 2,119,546	\$ 4,746,845	\$ 43,520	\$ 131,654,075
2012	133,455,222	2,062,772	5,552,065	4,276,496	2,915,030	5,001,504	83,017	153,346,106
2013	129,150,158	2,164,510	5,442,213	4,231,661	4,115,338	5,004,320	69,598	150,177,798
2014	125,641,150	2,243,288	5,943,103	4,797,634	4,221,364	5,364,901	162,765	148,374,205
2015	127,519,982	2,468,684	5,137,334	4,899,150	4,725,955	5,995,649	134,509	150,881,263
2016	130,902,972	2,796,779	6,200,482	5,882,100	4,382,373	6,589,452	222,074	156,976,232
2017	134,943,202	2,708,237	6,029,553	5,958,597	4,498,990	7,030,339	750,707	161,919,625
2018	146,283,546	2,698,025	5,632,453	5,748,596	4,824,817	7,206,593	658,303	173,052,333
2019	149,034,245	2,817,350	5,452,931	6,032,093	4,656,152	7,604,794	362,712	175,960,277
2020	151,749,670	3,161,466	5,399,299	6,218,255	4,247,252	6,478,478	2,017,775	179,272,195

⁽¹⁾ Effective FY2011 property tax rate increased.

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General fund										
Nonspendable	\$ 1,187,344	\$ 1,449,989	\$ 1,131,708	\$ 1,131,569	\$ 1,521,502	\$ 1,783,514	\$ 2,482,752	\$ 2,852,473	\$ 4,377,659	\$ 4,286,374
Restricted	16,494,405	19,381,904	18,515,906	10,599,175	5,924,050	5,449,595	6,213,426	7,567,786	7,502,063	6,658,785
Committed	952,883	895,680	808,990	810,609	645,036	795,692	689,137	733,927	967,538	898,772
Assigned	8,398,973	9,546,750	9,194,748	11,105,986	8,830,766	6,293,667	5,100,983	3,111,037	4,686,118	4,572,721
Unassigned	76,908,146	78,168,460	80,489,150	77,758,552	65,922,139	55,113,696	64,225,680	55,580,376	45,470,014	33,863,477
Total general fund	<u>103,941,751</u>	<u>109,442,783</u>	<u>110,140,502</u>	<u>101,405,891</u>	<u>82,843,493</u>	<u>69,436,164</u>	<u>78,711,978</u>	<u>69,845,599</u>	<u>63,003,392</u>	<u>50,280,129</u>
All other governmental funds										
Nonspendable	5,470,369	5,289,761	5,131,170	4,748,454	4,814,493	5,623,182	5,857,179	5,587,435	5,418,717	5,669,095
Restricted	102,425,708	78,221,716	73,045,107	70,681,969	73,783,314	52,110,734	51,548,075	32,077,331	43,422,413	30,890,348
Committed	7,410,718	8,286,685	8,103,627	6,423,455	6,413,573	8,656,519	9,227,214	5,466,410	3,456,211	7,063,311
Assigned	-	-	1,795,550	1,556,472	1,315,448	1,107,806	827,293	953,975	604,092	338,988
Total all other governmental funds	<u>115,306,795</u>	<u>91,798,162</u>	<u>88,075,454</u>	<u>83,410,350</u>	<u>86,326,828</u>	<u>67,498,241</u>	<u>67,459,761</u>	<u>44,085,151</u>	<u>52,901,433</u>	<u>43,961,742</u>
Total governmental funds	<u>\$ 219,248,546</u>	<u>\$ 201,240,945</u>	<u>\$ 198,215,956</u>	<u>\$ 184,816,241</u>	<u>\$ 169,170,321</u>	<u>\$ 136,934,405</u>	<u>\$ 146,171,739</u>	<u>\$ 113,930,750</u>	<u>\$ 115,904,825</u>	<u>\$ 94,241,871</u>

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year			
	2020	2019	2018	2017
Revenues				
Taxes	\$ 179,386,665	\$ 175,253,318	\$ 172,980,292	\$ 163,443,650
Licenses and permits	7,593,342	7,916,922	6,938,663	7,569,081
Intergovernmental	129,091,166	126,600,057	122,729,461	113,376,554
Charges for services	3,927,303	4,020,963	4,394,849	4,558,271
Fines, forfeitures and penalties	1,358,350	1,364,832	1,367,852	2,117,601
Investment income	4,443,739	4,191,025	3,451,398	3,277,471
Contributions and donations	1,191,805	1,851,373	5,322,453	1,244,604
Sale of property	285,042	723,642	-	-
Miscellaneous	8,958,698	8,969,818	8,763,086	7,445,416
Total revenues	<u>336,236,110</u>	<u>330,891,950</u>	<u>325,948,054</u>	<u>303,032,648</u>
Expenditures				
General government	68,774,665	64,751,771	63,148,457	65,960,761
Economic & community development	11,116,453	10,092,368	9,768,808	8,917,998
Public safety	120,584,851	116,575,652	111,685,239	103,566,128
Public works	-	-	-	-
Public works & transportation	52,128,431	48,376,794	47,288,529	39,207,550
Youth & family development	29,383,343	29,607,847	28,071,723	26,506,698
Parks and recreation, education, arts & culture	-	-	-	-
Social Services	-	-	-	-
Capital outlay	32,468,708	27,412,439	25,286,422	33,351,247
Debt service:				
Principal	19,298,160	20,982,893	20,689,981	18,058,024
Interest	6,035,667	6,793,170	7,454,385	7,500,114
Total expenditures	<u>339,790,278</u>	<u>324,592,934</u>	<u>313,393,544</u>	<u>303,068,520</u>
Excess of revenues over (under) expenditures	(3,554,168)	6,299,016	12,554,510	(35,872)
Other financing sources (uses)				
Transfers in	54,370,712	64,620,727	55,217,621	39,699,793
Transfers out	(56,980,523)	(64,639,757)	(55,217,621)	(39,699,794)
Refunding bonds issued	18,860,000	-	-	12,640,000
Bonds issued	20,156,711	-	-	8,200,000
Premium on bonds issued	7,689,396	-	-	3,762,622
Payments to refunded bond escrow agent	(22,534,528)	(3,255,000)	-	(14,898,565)
Notes issued	-	-	-	-
Capital leases	-	-	845,200	5,977,735
Total other financing sources (uses)	<u>21,561,768</u>	<u>(3,274,030)</u>	<u>845,200</u>	<u>15,681,791</u>
Net change in fund balances	<u>\$ 18,007,600</u>	<u>\$ 3,024,986</u>	<u>\$ 13,399,710</u>	<u>\$ 15,645,919</u>
Debt service as a percentage of non-capital expenditures	7.95%	9.07%	9.69%	9.10%

		Fiscal Year									
		2016	2015	2014	2013	2012	2011				
\$	155,799,808	\$	151,630,655	\$	147,420,648	\$	144,654,630	\$	135,223,433	\$	133,486,033
	7,352,468		6,519,237		6,384,410		5,830,254		5,738,751		5,176,412
	109,583,823		104,921,960		96,926,638		107,416,967		103,679,076		100,441,019
	4,491,755		5,596,920		6,017,985		6,333,801		6,045,639		5,602,433
	2,599,585		2,721,488		2,051,888		1,422,556		2,148,952		2,705,952
	1,972,171		1,111,693		1,581,549		1,185,179		1,170,671		1,476,502
	1,609,166		982,639		782,545		218,028		839,599		1,208,813
	-		-		-		-		-		-
	6,651,589		8,144,924		6,236,014		6,340,451		5,730,827		4,813,272
	<u>290,060,365</u>		<u>281,629,516</u>		<u>267,401,677</u>		<u>273,401,866</u>		<u>260,576,948</u>		<u>254,910,436</u>
	63,105,668		64,148,350		61,432,644		64,000,423		57,347,682		54,344,907
	8,633,354		8,617,777		6,896,838		-		-		-
	96,260,548		93,447,712		93,249,612		92,123,889		90,486,931		83,338,295
	-		-		-		40,854,938		39,283,330		39,260,630
	37,834,604		37,822,758		38,201,294		-		-		-
	25,772,920		23,744,490		21,738,673		-		-		-
	-		-		-		19,872,077		19,459,895		18,003,988
	-		-		-		16,515,906		19,123,591		20,977,875
	35,147,388		35,186,418		22,598,368		18,236,057		24,674,873		24,601,428
	17,164,347		19,324,913		12,970,806		13,037,072		11,846,305		13,007,185
	7,426,116		7,421,843		7,030,200		7,178,691		7,683,913		7,211,011
	<u>291,344,945</u>		<u>289,714,261</u>		<u>264,118,435</u>		<u>271,819,053</u>		<u>269,906,520</u>		<u>260,745,319</u>
	(1,284,580)		(8,084,745)		3,283,242		1,582,813		(9,329,572)		(5,834,883)
	44,454,692		59,632,771		38,834,687		31,557,514		33,930,297		33,896,437
	(44,403,738)		(61,032,771)		(39,321,328)		(35,544,306)		(31,650,986)		(29,444,666)
	-		17,753,440		-		-		-		-
	47,200,000		-		26,775,000		-		44,115,201		-
	7,684,371		1,735,417		2,369,489		-		3,172,754		-
	(21,414,829)		(19,324,578)		-		-		(18,574,740)		-
	-		83,132		-		128,416		-		130,000
	-		-		-		301,493		-		-
	<u>33,520,496</u>		<u>(1,152,589)</u>		<u>28,657,848</u>		<u>(3,556,883)</u>		<u>30,992,526</u>		<u>4,581,771</u>
\$	<u>32,235,916</u>	\$	<u>(9,237,334)</u>	\$	<u>31,941,090</u>	\$	<u>(1,974,070)</u>	\$	<u>21,662,954</u>	\$	<u>(1,253,112)</u>
	9.12%		9.69%		8.24%		8.08%		7.82%		8.56%

CITY OF CHATTANOOGA, TENNESSEE

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

Fiscal Year Ended June 30	Assessed Value						Direct Tax Rate	Estimated Actual Taxable Value ⁽¹⁾	Assessed Value as a Percentage of Actual Value
	Real Property ⁽³⁾			Personalty	Public Utilities	Original Total Taxable Value ⁽¹⁾⁽²⁾			
	Residential Property	Commercial Property	Multi-Use Property						
2011	\$ 1,767,475,281	\$ 2,277,144,490	\$ 52,744,350	\$ 499,813,408	\$ 211,611,981	\$ 4,808,789,510	2.309	\$ 15,187,143,683	31.66%
2012	1,782,714,560	2,256,432,695	53,283,085	509,661,044	218,734,193	4,820,825,577	2.309	15,239,117,325	31.63%
2013	1,795,943,110	2,261,110,225	58,632,465	538,856,958	219,981,451	4,874,524,209	2.309	15,498,290,496	31.45%
2014	1,784,295,979	2,348,871,997	74,573,687	531,222,301	216,285,095	4,955,249,059	2.309	15,679,940,525	31.60%
2015	1,840,532,560	2,374,091,013	70,770,559	532,072,812	227,140,466	5,044,607,410	2.309	16,071,141,262	31.39%
2016	1,865,936,950	2,418,840,319	68,275,406	531,204,313	226,768,904	5,111,025,892	2.309	16,253,882,118	31.44%
2017	1,900,272,750	2,476,752,924	61,714,906	558,833,997	228,322,303	5,225,896,880	2.309	16,617,822,120	31.45%
2018	2,127,444,981	2,895,632,080	69,792,695	596,315,999	228,623,897	5,917,809,652	2.277	18,515,514,113	31.96%
2019	2,169,319,715	2,927,137,436	89,320,033	611,696,491	233,024,409	6,030,498,084	2.277	18,964,234,130	31.80%
2020	2,216,255,370	3,018,692,513	80,273,470	614,530,887	220,255,645	6,150,007,885	2.277	23,020,567,139	26.72%

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 Tax Rate	Total Direct & Overlapping Rates ⁽¹⁾
		General Fund Tax Rate	School Fund Tax Rate	Road Fund Tax Rate		
2011	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2012	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2013	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2014	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2015	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2016	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2017	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2018	2.2770	1.5050	1.2503	0.0099	2.7652	5.0422
2019	2.2770	1.5050	1.2503	0.0099	2.7652	5.0422
2020	2.2770	1.5050	1.2503	0.0099	2.7652	5.0422

Source: www.hamiltontn.gov/trustee/

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

CITY OF CHATTANOOGA, TENNESSEE

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer ⁽¹⁾	2020			2011		
	Taxable ⁽²⁾ Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
	Value		Value	Value		
Electric Power Board	\$334,569,564	1	5.14%	\$252,620,182	1	4.78%
CBL & Associates	111,612,365	2	1.72%	69,481,315	3	1.32%
AT&T (BellSouth)				51,122,612	5	0.97%
Tennessee Valley Authority (Computer Center)	92,459,860	3	1.42%	120,376,871	2	2.28%
BlueCross BlueShield	56,684,301	4	0.87%	101,417,067	4	1.92%
Tennessee-American Water Co.	51,848,845	5	0.80%	40,599,761	6	0.77%
Alstom Power				37,912,748	7	0.72%
Unum/Provident	44,487,103	6	0.68%	36,704,696	8	0.69%
WALMART	33,402,149	7	0.51%	30,671,852	9	0.58%
JDK Real Estate (Kenco Group)	32,031,861	8	0.49%	28,599,440	10	0.54%
AGL Resources-Chatt. Gas Co.	28,828,890	9	0.44%	19,188,576	13	0.36%
Parkridge Medical Center	25,976,359	10	0.40%	26,176,749	11	0.50%
Totals	<u>\$ 811,901,297</u>		<u>12.47%</u>	<u>\$ 814,871,869</u>		<u>15.43%</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
2011	\$ 111,034,964	\$ (270,003)	\$ 110,764,961	\$ 104,399,752	94.3%	\$ 5,758,248	\$ 110,158,000	99.5%
2012	111,312,877	(517,330)	110,795,547	104,608,676	94.4%	5,560,530	110,169,206	99.4%
2013	112,552,779	(598,045)	111,954,734	105,385,912	94.1%	5,937,117	111,323,029	99.4%
2014	114,416,715	(634,990)	113,781,725	107,610,482	94.6%	5,220,168	112,830,650	99.2%
2015	116,480,000	(29,954)	116,450,046	110,399,359	94.8%	4,623,647	115,023,006	98.8%
2016	118,013,601	(34,522)	117,979,079	112,528,120	95.4%	4,792,310	117,320,430	99.4%
2017	120,665,972	(304,870)	120,361,102	116,366,570	96.7%	3,302,821	119,669,391	99.4%
2018	134,748,526	(734,679)	134,013,847	128,784,910	96.1%	2,916,850	131,701,760	98.3%
2019	137,314,441	(887,348)	136,427,093	130,780,192	95.9%	2,332,191	133,112,383	97.6%
2020	140,035,693	(459,179)	139,576,514	133,369,720	95.6%	-	133,369,720	95.6%

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

Calendar Year ⁽¹⁾	Commercial Construction/Others		Residential Construction		Property Value		
	Number of Permits	Value	Number of Permits	Value	Commercial	Residential	Public Utilities
2010	1151	\$ 185,443,140	745	\$ 81,002,976	\$ 5,951,110,800	\$ 7,069,893,350	\$ 500,090,912
2011	1444	322,226,474	661	69,817,203	5,908,284,300	7,130,854,966	501,109,262
2012	1228	526,589,240	1,155	92,540,434	5,946,058,500	7,183,769,166	572,274,272
2013	619	309,615,547	1,319	118,773,260	6,296,210,200	7,123,787,316	563,981,000
2014	743	354,627,089	1,313	167,484,483	6,462,411,280	7,248,274,500	587,014,861
2015	720	522,770,623	1,476	127,443,336	6,375,533,044	7,463,747,800	589,291,000
2016	987	480,609,555	1,668	140,670,709	6,501,615,759	7,601,091,000	594,958,000
2017	1265	542,892,582	1,515	131,819,969	7,602,456,450	8,509,779,926	415,679,813
2018	1267	379,908,204	1,592	150,086,791	7,766,808,645	8,744,997,800	423,680,744
2019	510	289,463,495	1,346	163,745,034	7,948,691,009	12,574,180,470	220,255,645

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

⁽¹⁾ Latest information available for the calendar year.

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND INTERGOVERNMENTAL REVENUE

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>County-Wide Sales Tax</u>	<u>City Allocation State Sales Tax</u>	<u>County-Wide Designated Sales Tax</u>	<u>City Allocation State Income Tax</u>	<u>Mixed Drink Tax</u>	<u>Other Revenue</u>	<u>Total</u>
2011	\$ 26,462,886	\$ 10,357,166	\$ 10,652,849	\$ 2,714,695	\$ 1,942,779	\$ 10,987,506 ⁽¹⁾	\$ 63,117,881
2012	38,054,892 ⁽²⁾	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 ⁽³⁾	6,293,761	75,512,509
2015	42,428,955	12,624,796	12,093,914	4,137,843	2,601,751	4,923,476	78,810,735
2016	45,479,387	13,491,087	12,961,844	3,532,771	2,909,666	5,021,382	83,396,137
2017	45,012,507	13,901,449	12,827,046	3,268,174	3,066,428	9,404,322	87,479,926
2018	49,450,575	14,236,066	13,937,255	2,866,453	3,312,240	11,579,054	95,381,643
2019	51,528,837	14,836,056	14,660,843	1,902,862	3,813,432	12,839,950	99,581,980
2020	51,347,406	15,185,906	14,657,430	731,005	3,517,154	16,114,356	101,553,257

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ In fiscal year 2014, the City started remitting 50% of this revenue to the Department of Education.

CITY OF CHATTANOOGA, TENNESSEE

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

Fiscal Year Ended June 30	Residential Customers	Cents per KWH	Small Commercial Customers	Cents per KWH	Large Commercial Customers	Cents per KWH	Outdoor Lighting Customers	Cents per KWH	Total Customers	Cents per KWH
2011	148,033	9.56	19,157	10.69	3,524	8.32	138	11.37	170,852	9.00
2012	148,788	10.15	19,365	11.31	3,443	8.53	138	11.85	171,734	9.34
2013	149,875	10.19	20,079	11.36	3,387	8.67	143	12.06	173,484	9.47
2014	150,901	10.16	20,482	11.33	3,137	8.55	142	12.14	174,662	9.42
2015	152,503	10.22	20,910	11.39	3,127	8.58	142	12.01	176,682	9.46
2016	154,273	10.59	21,082	11.94	3,178	8.52	144	11.70	178,677	9.58
2017	155,745	10.93	21,500	12.30	3,199	8.55	145	12.07	180,589	9.77
2018	157,547	10.86	21,627	12.23	3,135	8.45	144	12.57	182,454	9.72
2019	159,504	10.94	21,841	12.32	3,173	8.43	143	13.63	184,661	9.76
2020	162,048	10.83	21,745	12.27	3,125	8.35	140	14.18	187,058	9.70

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 Primary Government		Total Excluding Revenue Bonds	
	General Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	General Obligation Bonds	Notes Payable	Capital Leases		Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
2011	\$ 165,968,711	\$ 28,547,881	\$ 103,678,615	\$ 282,680,000	\$ 62,441,288	\$ 66,590,772	\$ 96,119	\$ 710,003,386	12.13%	4,234	7.30%	2,549
2012	182,677,809	25,814,209	100,625,098	279,930,000	54,342,190	66,140,734	67,834	709,597,874	12.04%	4,171	7.29%	2,525
2013	177,238,092	23,950,371	287,958 ⁽²⁾	406,889,598 ⁽²⁾	47,709,242	57,542,512	37,701	713,655,474	11.55%	4,167	4.97%	1,791
2014	194,931,457	33,678,384	232,290	395,635,613	45,186,500	52,400,294	5,562	722,070,100	11.19%	4,165	5.06%	1,883
2015	182,335,696	26,990,086	174,098	383,215,627	36,956,413	61,741,959	-	691,413,879	10.56%	3,988	4.71%	1,778
2016	203,311,219 ⁽³⁾	22,937,045	113,267	405,428,642	39,750,749	92,504,381	-	764,045,303	11.02%	4,327	5.17%	2,031
2017	197,788,968 ⁽³⁾	18,866,275	6,027,412	378,853,657	32,089,501	104,170,481	-	737,796,294	10.45%	4,155	5.08%	2,021
2018	181,054,741 ⁽³⁾	14,775,559	5,486,668	382,792,672	23,941,286	122,572,720	-	730,623,646	9.57%	4,079	4.56%	1,942
2019	160,361,732 ⁽³⁾	11,097,170	4,101,248	322,871,000	19,677,853	147,761,316	-	665,870,319	8.28%	3,688	4.27%	1,900
2020	168,371,703 ⁽³⁾	7,380,601	2,713,547	316,630,000	20,920,512	163,612,136	-	679,628,499	8.10%	3,718	4.33%	1,986

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

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

⁽³⁾ Includes premium and discount

CITY OF CHATTANOOGA, TENNESSEE

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

Fiscal Year	GO Bonds ⁽¹⁾	Notes and Capital Leases	Total	Less: Debt Service Fund Balance	Debt Supported by Property Tax Total	% Estimated Actual Taxable Value of Property ⁽²⁾	Per Capita ⁽³⁾
2011	\$ 117,257,025	\$ 24,581,882	\$ 141,838,907	\$ 4,954,374	\$ 136,884,533	0.90%	816
2012	139,340,087	22,153,209	161,493,296	652,699	160,840,597	1.06%	945
2013	130,146,664	20,594,370	150,741,034	2,476,637	148,264,397	0.96%	866
2014	142,507,961	30,627,384	173,135,345	5,020,752	168,114,593	1.07%	970
2015	132,550,033	24,244,086	156,794,119	3,446,011	153,348,108	0.95%	885
2016	156,253,190	20,496,045	176,749,235	2,161,977	174,587,258	1.07%	989
2017	152,787,396	16,730,275	169,517,671	1,778,396	167,739,275	1.01%	945
2018	139,425,007	12,944,559	152,369,566	2,990,089	149,379,477	0.81%	834
2019	120,903,070	13,672,418	134,575,488	3,049,310	131,526,178	0.69%	728
2020	133,165,629	8,873,148	142,038,777	2,118,813	139,919,964	0.60%	765

⁽¹⁾ GO Bonds 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.

CITY OF CHATTANOOGA, TENNESSEE

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

Fiscal Year	Primary Government ⁽¹⁾			Debt Supported by Designated Revenue Streams Other Than Property Taxes							
	Total Debt	Less:	Total Self Supported Debt	Hotel-Motel Debt	CDRC		HUD Sec. 108 Notes	Sewer Debt	Solid Waste Debt	Water Quality Debt	EPB Debt
		Tax Supported Gen Gov Debt			Capital Lease	Capital Lease					
2011	\$ 430,775,516	\$ 141,838,907	\$ 288,936,609	\$ 52,163,815	\$ 103,518,327	\$ 160,288	\$ 3,966,000	\$ 82,208,790	\$ 19,377,489	\$ 8,634,900	\$ 18,907,000
2012	435,654,274	161,493,296	274,160,978	49,324,122	100,531,340	93,758	3,661,000	73,329,345	17,838,771	7,657,642	21,725,000
2013	306,765,876	150,741,034	156,024,842	47,091,427	-	(2) 287,958	3,356,000	70,632,818	16,811,099	6,984,540	10,861,000
2014	326,434,487	173,135,345	153,299,142	52,423,496	-	232,290	3,051,000	66,235,357	14,913,893	11,666,106	4,777,000
2015	308,198,253	156,794,119	151,404,134	49,785,663	-	174,098	2,746,000	74,920,454	13,300,710	10,477,209	-
2016	358,616,661	176,749,235	181,867,426	47,058,029	-	113,267	2,441,000	102,232,212	11,426,361	18,596,557	-
2017	358,942,637	169,517,671	189,424,966	45,001,572	-	6,027,412	2,136,000	110,264,335	9,491,440	16,504,207	-
2018	347,830,974	152,369,566	195,461,408	41,629,734	-	5,486,668	1,831,000	124,729,023	7,499,337	14,285,646	-
2019	342,999,319	134,575,488	208,423,831	39,458,662	-	-	1,526,000	149,040,684	5,556,831	12,841,654	-
2020	349,998,499	142,038,777	207,959,722	35,206,074	-	-	1,221,000	151,440,220	5,476,304	12,425,282	-

⁽¹⁾ Primary Government includes premiums and discounts

⁽²⁾ Per GASB 61 announcement. CDRC is now a blended component unit. They City removed the portion of capital lease and booked the amount under Lease Rental Revenue Bonds

CITY OF CHATTANOOGA, TENNESSEE

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2020

<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	\$ 279,942,324	57.7152%	<u>\$ 161,569,272</u>
Subtotal, overlapping debt ⁽¹⁾			161,569,272
City of Chattanooga debt related to governmental activities ⁽³⁾			159,870,780
City original issue premiums and discounts			<u>18,595,071</u>
Total direct and overlapping debt			<u><u>\$ 340,035,123</u></u>

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

Notes:

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

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year			
	2020	2019	2018	2017
Debt limit ⁽¹⁾	\$ 610,060,489	\$ 599,278,414	\$ 590,946,293	\$ 522,577,906
Total net debt applicable to limit ⁽²⁾	139,919,964	131,526,178	149,379,477	167,739,275
Legal debt margin	<u>\$ 470,140,525</u>	<u>\$ 467,752,236</u>	<u>\$ 441,566,816</u>	<u>\$ 354,838,631</u>
Total net debt applicable to the limit as a percentage of debt limit	22.94%	21.95%	25.28%	32.10%

	Legal Debt Margin Calculation by Fiscal Year			
Assessed value	\$ 6,100,604,893	\$ 5,992,784,141	\$ 5,909,462,932	\$ 5,225,779,059
Debt limit (10% of total assessed value)	610,060,489	599,278,414	590,946,293	522,577,906
Debt applicable to limit:				
General obligation debt	142,038,777	134,575,488	152,369,566	169,517,671
Less: amount set aside for repayment of general obligation debt	<u>(2,118,813)</u>	<u>(3,049,310)</u>	<u>(2,990,089)</u>	<u>(1,778,396)</u>
Total net debt applicable to limit	<u>139,919,964</u>	<u>131,526,178</u>	<u>149,379,477</u>	<u>167,739,275</u>
Legal debt margin	<u>\$ 470,140,525</u>	<u>\$ 467,752,236</u>	<u>\$ 441,566,816</u>	<u>\$ 354,838,631</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					
2016	2015	2014	2013	2012	2011
\$ 511,102,589	\$ 504,460,741	\$ 495,524,906	\$ 487,452,421	\$ 482,082,558	\$ 480,878,951
174,587,258	153,348,109	168,114,593	148,264,399	154,854,197	133,432,404
<u>\$ 336,515,331</u>	<u>\$ 351,112,632</u>	<u>\$ 327,410,313</u>	<u>\$ 339,188,022</u>	<u>\$ 327,228,361</u>	<u>\$ 347,446,547</u>
34.16%	30.40%	33.93%	30.42%	32.12%	27.75%

Legal Debt Margin Calculation by Fiscal Year					
\$ 5,111,025,892	\$ 5,044,607,410	\$ 4,955,249,059	\$ 4,874,524,209	\$ 4,820,825,577	\$ 4,808,789,510
511,102,589	504,460,741	495,524,906	487,452,421	482,082,558	480,878,951
176,749,235	156,794,120	173,135,345	150,741,036	155,506,895	138,386,776
(2,161,977)	(3,446,011)	(5,020,752)	(2,476,637)	(652,700)	(4,954,374)
<u>174,587,258</u>	<u>153,348,109</u>	<u>168,114,593</u>	<u>148,264,399</u>	<u>154,854,195</u>	<u>133,432,402</u>
<u>\$ 336,515,331</u>	<u>\$ 351,112,632</u>	<u>\$ 327,410,313</u>	<u>\$ 339,188,022</u>	<u>\$ 327,228,363</u>	<u>\$ 347,446,549</u>

CITY OF CHATTANOOGA, TENNESSEE

HISTORICAL DEBT RATIOS

June 30, 2020

	Fiscal Year			
	2020	2019	2018	2017
Estimated population	182,799	180,557	179,139	177,571
Appraised property valuation	\$ 23,200,776,303	\$ 18,964,234,130	\$ 18,515,514,113	\$ 16,617,822,120
Assessed property valuation	6,100,604,893	5,992,784,141	5,909,462,932	5,225,896,880
Gross indebtedness ⁽¹⁾	384,056,285	388,039,735	421,599,947	435,929,169
Less: Self-supporting indebtedness ⁽²⁾	263,264,722	266,592,168	283,502,826	282,579,251
Debt Service Fund	2,118,813	3,049,310	2,990,089	1,778,396
Net direct indebtedness	118,672,750	118,398,257	135,107,032	151,571,522
Plus: Estimated net overlapping indebtedness	161,569,272	183,016,242	204,647,086	158,510,550
Net direct and overlapping indebtedness	<u>\$ 280,242,022</u>	<u>\$ 301,414,499</u>	<u>\$ 339,754,118</u>	<u>\$ 310,082,072</u>
Gross debt per capita	\$ 2,100.98	\$ 2,149.13	\$ 2,353.48	\$ 2,454.96
Net direct debt per capita	649.20	655.74	754.20	853.58
Net direct and overlapping debt per capita	1,533.06	1,669.36	1,896.59	1,746.24
Gross debt to appraised valuation	1.66%	2.05%	2.28%	2.62%
Net direct debt to appraised valuation	0.51%	0.62%	0.73%	0.91%
Net direct debt and overlapping debt to appraised valuation	1.21%	1.59%	1.83%	1.87%
Gross debt to assessed valuation	6.30%	6.48%	7.13%	8.34%
Net direct debt to assessed valuation	1.95%	1.98%	2.29%	2.90%
Net direct and overlapping debt to assessed valuation	4.59%	5.03%	5.75%	5.93%

⁽¹⁾ Gross indebtedness of the primary government less revenue bonds payable by the EPB of Chattanooga.

⁽²⁾ Includes the self-supporting debt of Governmental Activities, and Business-Type Activities other than EPB, including the blended Chattanooga Downtown Redevelopment Corporation

Fiscal Year					
2016	2015	2014	2013	2012	2011
176,588	173,366	173,366	171,279	170,136	167,674
\$ 16,253,882,118	\$ 15,484,126,401	\$ 15,754,641,402	\$ 15,498,290,496	\$ 15,239,117,325	\$ 15,187,143,683
5,111,025,892	5,044,607,410	4,955,249,059	4,874,524,209	4,820,825,577	4,808,789,510
442,659,694	404,376,144	422,909,531	403,192,541	407,942,874	408,416,390
279,996,798	255,342,366	257,073,903	257,949,312	252,435,979	270,029,615
2,161,977	3,446,011	5,020,752	2,476,637	652,700	4,954,374
160,500,919	145,587,767	160,814,876	142,766,592	154,854,195	133,432,401
170,209,506	164,152,697	146,010,497	158,657,256	152,555,047	148,698,012
\$ 330,710,425	\$ 309,740,464	\$ 306,825,373	\$ 301,423,848	\$ 307,409,242	\$ 282,130,413
\$ 2,506.74	\$ 2,332.50	\$ 2,439.40	\$ 2,354.01	\$ 2,397.75	\$ 2,435.78
908.90	839.77	927.60	833.53	910.18	795.78
1,872.78	1,786.63	1,769.81	1,759.84	1,806.84	1,682.61
2.72%	2.61%	2.68%	2.60%	2.68%	2.69%
0.99%	0.94%	1.02%	0.92%	1.02%	0.88%
2.03%	2.00%	1.95%	1.94%	2.02%	1.86%
8.66%	8.02%	8.53%	8.27%	8.46%	8.49%
3.14%	2.89%	3.25%	2.93%	3.21%	2.77%
6.47%	6.14%	6.19%	6.18%	6.38%	5.87%

CITY OF CHATTANOOGA, TENNESSEE

**REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	EPB Revenue Bonds					Times Coverage
	Total Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2011	\$ 552,527,000	\$ 518,728,000	\$ 33,799,000	\$ 2,710,000	\$ 8,118,000	3.1
2012	562,569,000	498,384,000	64,185,000	2,750,000	13,377,000	4.0
2013	555,051,000	486,769,000	68,282,000	2,965,000	13,256,000	4.2
2014	566,989,000	501,006,000	65,983,000	6,000,000	13,084,756	3.5
2015	567,528,000	500,078,000	67,450,000	7,040,000	12,832,000	3.4
2016	564,280,000	487,101,000	77,179,000	8,075,000	12,371,000	3.8
2017	582,900,000	507,571,000	75,329,000	9,560,000	11,895,000	3.5
2018	583,517,000	501,690,000	81,827,000	9,835,000	11,546,000	3.8
2019	590,915,000	510,216,000	80,699,000	10,205,000	11,127,000	3.8
2020	562,730,000	507,280,000	55,450,000	10,645,000	10,662,000	2.6

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					Times Coverage
	Total Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service		
				Principal	Interest	
2011	\$ 12,413,941	\$ 2,915	\$ 12,411,026	\$ 3,205,000	\$ 5,937,867	1.4
2012	13,469,678	6,890	13,462,788	4,060,000	5,527,719	1.4
2013	13,182,618	6,890	13,175,728	4,240,000	5,336,719	1.4
2014	13,153,265	9,065	13,144,200	4,395,000	5,168,194	1.4
2015	13,467,751	6,890	13,460,861	4,520,000	5,033,569	1.4
2016	15,070,640	8,115	15,062,525	4,675,000	4,871,819	1.6
2017	19,501,990	20,038	19,481,952	4,890,000	4,656,569	2.0
2018	20,896,563	146,439	20,750,124	5,125,000	4,407,219	2.2
2019 ⁽³⁾	22,237,730	71,556	22,166,174	32,690,000	3,238,756	0.6
2020	25,546,992	5,725	25,541,267	5,130,000	2,050,182	3.6

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

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

<u>Fiscal Year</u>	<u>Personal Income⁽⁴⁾</u>	<u>Population⁽¹⁾</u>	<u>Per Capita Income⁽⁴⁾</u>	<u>Median Age⁽²⁾</u>	<u>Education Level In Years of Formal Schooling⁽²⁾</u>	<u>School Enrollment⁽²⁾</u>	<u>Unemployment Rate⁽³⁾</u>
2011	\$ 5,852,325,622	167,674	\$ 34,903	39.3	16.5% 4yr. Degree	41,913	9.1%
2012	5,892,149,952	170,136	34,632	39.0	23.3% 4yr. Degree	42,236	8.2%
2013	6,177,348,414	171,279	36,066	40.0	23.0% 4yr. Degree	41,214	8.5%
2014	6,454,069,448	173,366	37,228	39.8	22.9% 4yr. Degree	43,691	7.1%
2015	6,546,300,160	173,366	37,760	39.8	23.0% 4yr. Degree	43,531	6.2%
2016	6,932,844,880	176,588	39,260	39.5	23.0% 4yr. Degree	43,797	5.1%
2017	7,061,998,670	177,571	39,770	40.1	15.3% 4yr. Degree	44,414	4.3%
2018	7,631,500,539	179,139	42,601	39.6	17.9% 4yr. Degree	44,444	4.1%
2019	8,039,842,096	180,557	44,528	40.3	18.8% 4yr. Degree	43,830	3.9%
2020	8,390,474,100	182,799	45,900	40.4	19.5% 4yr. Degree	44,376	8.1%

⁽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	2020 (1)			2011 (2)		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
● Erlanger Health System	5,580	1	3.05%	3,441	4	1.96%
● BlueCross BlueShield of Tennessee	5,498	2	3.01%	4,458	1	2.60%
● Hamilton County Schools	4,857	3	2.66%	4,347	2	2.51%
Tennessee Valley Authority	3,402	4	1.86%	3,970	3	2.17%
● Unum	2,800	6	1.53%	2,800	7	1.63%
● McKee Foods Corporation	2,798	5	1.53%	2,950	6	1.79%
Volkswagen Chattanooga	2,564	7	1.40%	-	-	0.00%
CHI Memorial	2,474	8	1.35%	3,071	5	1.63%
● City of Chattanooga	2,348	9	1.28%	2,239	8	1.32%
Roper Corporation	1,900	10	1.04%	1,500	12	0.88%
Total	<u>34,221</u>		<u>18.71%</u>	<u>28,776</u>		<u>16.49%</u>

Sources: (1) Chattanooga Area Chamber of Commerce Business Information Center;
 (2) City of Chattanooga Comprehensive Annual Financial Report for the year ended June 30, 2011
 ● Locally owned and/or headquartered

CITY OF CHATTANOOGA, TENNESSEE

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

FUNCTION	Full-Time Equivalent Positions as of June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Government	231	222	219 ⁽⁴⁾	367	368	373	359 ⁽¹⁾	301	300	301
Public Safety										
Police										
Sworn	498	498	498	486	486	486	486	475	475	481
Civilian	115	115	120	119	115	115	103	129	129	123
Fire										
Sworn	443	443	429	429	429	429	429	429	414	412
Civilian	25	24	24	16	16	17	17	17	17	17
Public Works	338	338	336	281	284	286	307	337	337	338
Economic & Community Development	111	101	100	95	85	86	80	35	35	35
Youth & Family Development	386	403	406	424	423	426	412 ⁽²⁾	-	-	-
Parks & Recreation	-	-	-	-	-	-	- ⁽²⁾	230	230	237
Education, Arts and Culture	-	-	-	-	-	-	- ⁽²⁾	28	27	27
Social Services	-	-	-	-	-	-	- ⁽²⁾	307	305	286
Transportation	65	61	60	60	60	58	47 ⁽³⁾	-	-	-
Interceptor Sewer System	191	181	176	177	161	147	147	143	139	137
Solid Waste/Sanitation	15	15	20	20	20	20	20	19	19	16
Water Quality	153	149	143	152	152	151	141	138	138	137
EPB	617	602	592	597	552	545	547	521	499	453
Totals	<u>3,188</u>	<u>3,152</u>	<u>3,123</u>	<u>3,223</u>	<u>3,151</u>	<u>3,139</u>	<u>3,095</u>	<u>3,109</u>	<u>3,064</u>	<u>3,000</u>

Source: City Budget Office Position Summary.

⁽¹⁾ In FY14, General Services absorbed the Civic Facilities positions from the Education Arts & Culture dissolved department

⁽²⁾ In FY14, the Parks & Recreation and Education, Arts & Culture departments were dissolved and the function absorbed by other departments.

⁽³⁾ In FY14, the Transportation department was established with 47 positions.

⁽⁴⁾ In FY18, the General Services department was merged with Public Works, Fire and Economic & Development departments

CITY OF CHATTANOOGA, TENNESSEE

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

Function	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Government										
311 Service Requests Created	153,475	150,443	131,225	156,370	137,005	154,546	156,724	135,664	110,247	135,692
% of Current Tax Levy Collected	100.8	95.47	95.6	96.4	95.4	94.8	94.0	94	94	94
Police										
Crimes Committed ⁽¹⁾	23,121	26,272	23,882	23,556	21,619	12,622	12,902	12,869	12,037	12,158
Moving/Parking Violations ⁽²⁾	33,489	24,870	24,618	22,534	39,326	47,425	40,727	51,674	102,067	105,470
Citizen Complaints	105	66	55	42	n/a	20	64	66	44	47
Fire										
Emergency Calls	18,887	19,704	18,849	19,429	17,311	16,356	15,926	15,858	16,161	16,363
Inspections	4,109	4,539	4,228	5,093	8,103	5,078	3,263	3,551	4,298	4,750
Public Works/Transportation										
Sidewalks Repaired (sq.ft.)	619	4,513	11,902	16,751	65,050	18,473	66,056	5,938	13,344	12,359
Streets Paved (sq.ft.)	778,097	382,353	2,124,852	1,467,417	2,024,985	1,384,359	389,500	1,966,402	1,706,200	1,132,286
Parks, Recreation, Arts & Culture										
Chattanooga Zoo-Attendance	192,514	289,399	262,426	252,629	232,123	183,173	152,561	151,699	177,723	210,966
Recreation Centers-Attendance	88103	123,749	462,314	536,199	791,138	510,599	600,805	833,674	630,178	630,178
Social Services										
Children Immunized	-	-	-	-	954	918	1,078	946	1,223	888
Households Assisted	5,653	5,662	4,898	5,542	6,247	8,192	9,636	7,184	10,905	6,334
Interceptor Sewer System										
% of Consent Decree Requirements Met	100%	100%	100%	100%	100%	100%	100%	n/a	n/a	n/a
% of Capacity, Management, Operations and Maintenance goals met	64%	60%	80%	95%	100%	100%	100%	100%	n/a	n/a
# of Full NPDES Compliance Days at the MBWWTP	353	202	362	364	352	363	356	337	337	355
Solid Waste/Sanitation										
NPDES Landfill Violations	-	1	-	-	-	-	-	-	4	2
Violation Notices to Industry	-	-	-	-	-	37	-	50	26	48
Areas of Concern New for FY17)	4	7	11	5	-	-	-	-	-	-
Water Quality										
311 Service Requests Created	2,864	2,673	2,138	1,238	1,576	1,440	1,650	2,229	1,632	1,727
311 Service Requests Unresolved	31	-	-	38	126	116	95	55	58	89

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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Government										
City Fleet	1008	925	1489	1737	1737	1739	1734	1,734	1,854	1,769
Properties Returned to Tax Rolls	-	74	57	80	100	111	57	138	65	47
Police										
Stations	4	4	4	4	4	4	4	4	3	3
Patrol Units	572	575	586	586	586	588	580	551	555	450
Fire										
Stations	20	20	20	20	19	19	19	18	18	18
Ladder Trucks/Fire Engines/Combos ⁽¹⁾	33	50	28	27	27	27	27	27	25	25
Public Works										
Miles of Paved Streets	1212	1210	1210	1200	1160	1160	1160	1,151	1,151	1,151
Signalized Intersections	343	341	335	339	336	330	327	332	320	320
Garbage Trucks	25	28	25	26	25	25	25	25	21	21
Knuckleboom Trucks	20	24	27	27	22	22	22	22	19	23
Interceptor Sewer System										
Miles of Sewer	1263	1263	1263	1263	1263	1263	1263	1254	1254	1254
Pump Stations	78	77	82	82	82	71	71	70	70	70
Parks, Recreation, Arts & Culture										
Parks	84	84	84	82	80	79	74	70	51	51
Recreation Centers	15	15	15	15	15	15	15	17	16	16

Source: City of Chattanooga

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

CITY OF CHATTANOOGA, TENNESSEE

**EMPLOYMENT AND UNEMPLOYMENT STATS
LAST TEN CALENDAR YEARS**

Calendar Year	MSA Civilian Labor-Force (in 000's)			Civilian Labor Force % Unemployed		
	Total	Employed	Unemployed	MSA	TN	U.S.
2010	260.3	238.6	21.7	8.3	8.3	9.1
2011	262.9	243.8	19.1	7.3	8.1	8.3
2012	264.4	245.5	18.9	7.1	7.8	7.9
2013	262.5	240.7	21.8	8.3	8.5	7.6
2014	246.5	232.0	14.5	5.9	6.1	5.6
2015	254.2	241.1	13.1	5.1	5.3	5.3
2016	261.4	248.5	12.9	4.9	4.9	5.1
2017	277.1	268.1	9.0	3.3	3.1	4.5
2018	267.9	259.6	8.3	3.1	3.3	4.0
2019	277.6	268.6	9.0	3.2	3.3	3.6

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	
2011	\$ 26,462,886	\$ 10,652,849	\$ 37,115,735	\$ -	\$ -	\$ 4,746,845	\$ 10,357,166	\$ 2,714,695	
2012	38,054,892	11,365,043	49,419,935	308,833	-	5,001,504	11,313,906	2,651,353	
2013	40,007,670	11,405,092	51,412,762	-	-	4,970,247	11,544,670	4,199,313	
2014	39,781,604	11,340,990	51,122,594	-	-	5,352,640	11,948,621	3,744,628	
2015	42,428,955	12,093,914	54,522,869	-	-	5,916,859	12,624,797	4,137,843	
2016	45,479,387	12,961,844	58,441,231	-	-	6,668,896	13,491,087	3,532,771	
2017	45,012,507	12,827,046	57,839,553	3,294,273	1,049,789	6,984,506	13,901,449	3,268,174	
2018	49,450,575	13,937,255	63,387,830	4,421,397	1,328,139	7,175,882	14,236,066	2,866,453	
2019	51,528,837	14,660,843	66,189,680	5,386,763	1,802,163	7,588,058	14,836,056	1,902,862	
2020	51,347,406	14,657,430	66,004,836	8,251,144	2,067,321	6,309,081	15,185,906	731,005	

⁽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**

	2021	2022	2023	2024	2025	Total
Department						
Public Works	\$ 105,586,235	\$ 106,130,000	\$ 67,705,000	\$ 73,755,000	\$ 66,070,000	\$ 419,246,235
Police	2,851,600	3,966,696	4,000,000	2,500,000	2,500,000	15,818,296
Fire	3,250,000	2,950,000	-	-	-	6,200,000
Economic & Community Development	3,332,000	6,550,000	2,000,000	2,000,000	2,000,000	15,882,000
East Chattanooga Rising	450,000	3,550,000	-	-	-	4,000,000
General Government	7,546,166	3,399,970	2,676,676	1,588,668	1,599,793	16,811,273
Transportation	31,715,385	32,196,100	13,531,510	27,904,661	25,995,127	131,342,783
Youth & Family	2,025,000	-	-	-	-	2,025,000
Total	\$ 156,756,386	\$ 158,742,766	\$ 89,913,186	\$ 107,748,329	\$ 98,164,920	\$ 611,325,587
Bonds/Loan						
General Fund	\$ 10,000,000	\$ 12,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 52,000,000
IDB-TIF Loan	450,000	3,550,000	-	-	-	4,000,000
ISS (Revenue Bonds)	30,000,000	42,000,000	15,000,000	25,000,000	-	112,000,000
ISS (SRF Enterprise)	20,000,000	28,000,000	28,000,000	34,000,000	52,000,000	162,000,000
Total Bonds	60,450,000	85,550,000	53,000,000	69,000,000	62,000,000	330,000,000
Cash/Reserves						
General Fund	\$ 3,500,000	\$ 6,000,000	\$ 708,186	\$ 1,373,329	\$ 934,920	\$ 12,516,435
Econ. Dev. Fund	18,000,000	14,199,166	6,000,000	6,000,000	4,000,000	48,199,166
Hotel-Motel Fund	-	500,000	750,000	1,000,000	1,500,000	3,750,000
Fleet Fund	2,720,025	4,000,000	4,000,000	5,000,000	5,000,000	20,720,025
State Street Aid	2,937,926	1,800,000	1,850,000	1,900,000	1,950,000	10,437,926
Narcotics Fund	-	-	250,000	250,000	250,000	750,000
TN Valley Regional Communication System	800,000	-	-	-	-	800,000
Solid Waste	26,125	-	-	-	-	26,125
Water Quality	6,473,368	2,900,000	1,125,000	1,385,000	670,000	12,553,368
Interceptor Sewer	36,450,000	27,600,000	19,350,000	7,600,000	9,300,000	100,300,000
Total Cash/Reserves	70,907,444	56,999,166	34,033,186	24,508,329	23,604,920	210,053,045
External Sources						
Private Grants/Donations	669,694	-	-	-	-	669,694
Hamilton County	500,000	200,000	200,000	200,000	200,000	1,300,000
State of Tennessee	16,588,168	-	-	-	-	16,588,168
Community Development Block Grant	-	200,000	200,000	200,000	200,000	800,000
Federal	7,641,080	15,793,600	2,480,000	13,840,000	12,160,000	51,914,680
Total External Sources	25,398,942	16,193,600	2,880,000	14,240,000	12,560,000	71,272,542
Total All Sources	\$ 156,756,386	\$ 158,742,766	\$ 89,913,186	\$ 107,748,329	\$ 98,164,920	\$ 611,325,587

Source: City of Chattanooga Capital Planning and Finance



CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2020

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 Human Services:							
2019 Head Start Child and Adult Food Program	93.600	3-47-55915-00-8	(9,124)	76,577	67,453	-	-
2020 Head Start Child and Adult Food Program	93.600	3-47-55915-00-8	-	296,284	296,284	-	-
Total Child and Adult Food Program			<u>(9,124)</u>	<u>372,861</u>	<u>363,737</u>	<u>-</u>	<u>-</u>
Emergency Watershed Protection Program							
EWP -Abor Creek Way USDA	10.923	NR204741xxxxC013	-	-	62,300	-	(62,300)
Total U. S. Department of Agriculture			<u>(9,124)</u>	<u>372,861</u>	<u>426,037</u>	<u>-</u>	<u>(62,300)</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-47-0001	-	24,365	24,365	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-47-0001	(59,395)	747,405	720,684	-	(32,674)
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-47-0001	-	589,827	592,584	-	(2,757)
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-47-0001	-	640,099	622,860	-	17,239
Community Development Block Grants/Entitlement Grants-Program Income	--	Program Income	-	368,588	368,588	-	-
Total Community Development Block Grants/Entitlement Grants			<u>(59,395)</u>	<u>2,370,284</u>	<u>2,329,081</u>	<u>-</u>	<u>(18,192)</u>
THDA ESG Stage	14.231	E-17-MC-47-0001	(49,455)	62,915	13,460	-	-
THDA ESG Stage	14.231	E-18-MC-47-0001	(27,290)	51,622	34,160	-	(9,828)
THDA ESG Stage	14.231	E-19-MC-47-0001	-	52,983	62,417	-	(9,434)
Total Emergency Solutions Grant			<u>(76,745)</u>	<u>167,520</u>	<u>110,037</u>	<u>-</u>	<u>(19,262)</u>
HOME Investment Partnerships Program	14.239	M-13-MC-47-0200	-	498,061	515,083	-	(17,022)
HOME Investment Partnerships Program	14.239	M-13-MC-47-0200	-	77,424	77,424	-	-
HOME Investment Partnerships Program - Program Income	14.239	Program Income	727,321	-	727,321	-	-
Total HOME Investment Partnerships Program			<u>727,321</u>	<u>575,485</u>	<u>1,319,828</u>	<u>-</u>	<u>(17,022)</u>
LBPH & Healthy Home (LHRD) Program	14.218	TNLHB0653-17	(78,702)	2,501	81,393	-	(157,594)
Total U. S. Department of Housing and Urban Development			<u>512,479</u>	<u>3,115,790</u>	<u>3,840,339</u>	<u>-</u>	<u>(212,070)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2020

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Unearned Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Unearned Grant Revenue
(continued from previous page)							
U.S. DEPARTMENT OF JUSTICE							
Tennessee Commission on Childern and Youth	16.540	31601-DP15-19	-	1,154	1,154	-	-
Hamilton County Family Justice Center-STOP Grant	16.588	26780	(4,872)	-	-	-	(4,872)
Hamilton County Family Justice Center-VOCA	16.575	28887	(13,298)	70,031	82,489	-	(25,756)
Hamilton Count Family Justice Center-OVW	16.528	2017-EW-AX-K003	(66,748)	155,826	89,549	-	(471)
Edward Byrne Memorial Justice Assistance Grant Program-JAG	16.738	2016-DJ-BX-0917	-	1,674	1,674	-	-
Edward Byrne Memorial Justice Assistance Grant Program-JAG	16.738	2017-DJ-BX-0306	(6,809)	84,714	80,896	-	(2,991)
2019 Police VOCA Grant	16.575	2015-VA-GX-0018	(55,646)	165,234	125,931	-	(16,343)
Edward Byrne Memorial Justice Assistance Grant Program-JAG	16.738	2018-DJ-BX-0332	(10,953)	66,293	55,340	-	-
OVC 2018-V3-GX-0018	16.582	2018-V3-GX-0018	(17,829)	101,145	112,172	-	(28,856)
ELERV Grant Program - 9/30/19	16.582	2018-V3-GX-K066	(27,675)	29,330	1,655	-	-
Edward Byrne Memorial Justice Assistance Grant Program-JAG	16.738	2019-DJ-BX-0789	-	-	27,705	-	(27,705)
Beyond Walls-JAG Prevention and Intervention for At Risk Youth	16.738	37294	(8,471)	38,782	34,951	-	(4,640)
FJC - OVC Hope & Healing Grant	16.582	2019-V3-GX-K036	-	18,979	44,194	-	(25,215)
Justice Funds	16.922		-	30,215	-	-	30,215
Treasury Funds	21.016		-	3,261	-	-	3,261
Total U. S. Department of Justice			(212,301)	766,638	657,710	-	(103,373)

U.S. DEPARTMENT OF TRANSPORTATION

Passed Through Georgia Department of Transportation:

Highway Planning and Construction	20.205	AEOPLPLN160004	(20,532)	20,532	-	-	-
Highway Planning and Construction	20.205	N/A	(15,140)	15,140	-	-	-
Highway Planning and Construction	20.205	N/A	(23,302)	76,196	52,894	-	-
Highway Planning and Construction	20.205	N/A	-	-	91,372	-	(91,372)
Total GA Highway Planning and Construction			(58,974)	111,868	144,266	-	(91,372)

Passed through Tennessee Department of Transportation:

Governor's Highway Safety Grant-THSO	20.607	Z19THS047	(20,461)	43,952	23,491	-	-
Governor's Highway Safety Grant-THSO	20.607	Z20THS037	-	18,912	32,459	-	(13,547)
Governor's Highway Safety Grant-PSN	20.609	Z20THS037	-	1,050	6,481	-	(5,431)
TDOT - Chattanooga Green Trips Program	20.205	33LPLM-F1-208	(63,464)	103,558	109,339	-	(69,245)
TDOT - Chattanooga Regional ITS - Phase 2	20.205	CM-9202(118)	(8,790)	14,389	12,322	-	(6,723)
TDOT - South Chickamuaga Greenway - Caine Lane	20.205	140196	-	183	183	-	-
TDOT - CCTV - Various Location in Chattanooga MPO Area	20.205	TAP- 9202(125)	(227,019)	15,610	-	-	(211,409)
TDOT - Shallowford RD - Airport Rd to Jersey Pike	20.205	STP-M-9202(131)	-	2,627	2,627	-	-
TDOT - Hamilton Place Blvd, North Skyline Dr to S. Bams Dr	20.205	STP-M 9202(124)	-	64,425	64,425	-	-
TDOT - Transit Signal Prioritization Project	20.205	33LP1-F1-204	-	-	43,203	-	(43,203)
TDOT - South Chick Creek Greenway - Youngstown Con	20.205	33LP1-F3-202	-	183	183	-	-

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2020

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Unearned Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Unearned Grant Revenue
(continued from previous page)							
U.S. DEPARTMENT OF TRANSPORTATION (Continued)							
TDOT - Bridge Replacement	20.505	STP-M-9202(131)	-	13,253	38,336	-	(25,083)
TDOT - St. Elmo Riverwalk Extension	20.505	STP-M 9202(119)	-	12,902	12,902	-	-
TDOT - Midland Pike, Woodmore to Caruthers Road	20.505	SRTS - 9202(126)	-	16,399	16,399	-	-
TDOT - 3rd and 4th Streets, From Lindsay to Hampton, Blackford	20.505	STP-M/TAP-90202(122)	(67,985)	53,890	-	14,095	-
TDOT - Central Ave	20.505	STP-M-9202(110)	(66,342)	57,510	34,360	8,832	(34,360)
TDOT - Federal Highway Administration	20.505	PI # 0015462-PLN	(12,569)	12,569	-	-	-
TDOT - Federal Highway Administration	20.505	TBD	(104,634)	133,655	211,654	-	(182,633)
TDOT - Federal Highway Administration - CARTA	20.505	TN8000004-02	-	-	6,240	-	(6,240)
TDOT - Motorcycle Safety Education	20.600	Z19THS373	(1,363)	2,777	1,414	-	-
Total TN Highway Planning and Construction			<u>(572,627)</u>	<u>567,844</u>	<u>616,018</u>	<u>22,927</u>	<u>(597,874)</u>
Total U. S. Department of Transportation			<u>(631,601)</u>	<u>679,712</u>	<u>760,284</u>	<u>22,927</u>	<u>(689,246)</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed Through Tennessee Libraries and Archives							
State LSTA Technology Grant - FY18	45.310	LS-00-17-0043-17	-	20,000	20,000	-	-
State Metro Gen Library Services Grant - FY18	45.310	30501-00318-01	-	48,700	48,700	-	-
Total Institute of Museum and Library Services			<u>-</u>	<u>68,700</u>	<u>68,700</u>	<u>-</u>	<u>-</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Air Pollution Control Program	66.001	00408415	-	333,296	333,296	-	-
Surveys, Studies, Investigations and Special Purpose Grants	66.034	96497415	-	130,000	130,000	-	-
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95441209	-	150,000	150,000	-	-
Brownsfield Assessment and Cleanup	N/A	00D48016	(12,600)	-	1,942	-	(14,542)
Total U.S. Environmental Protection Agency			<u>(12,600)</u>	<u>613,296</u>	<u>615,238</u>	<u>-</u>	<u>(14,542)</u>
Clean Water State Revolving Loan Program (SRF 2016-357)	66.458	SRF 2016-357	-	7,452,101	7,452,101	-	-
Clean Water State Revolving Loan Program (SRF 2018-405)	66.458	SRF 2018-405	-	375,230	375,230	-	-
Clean Water State Revolving Loan Program (SRF 2018-406)	66.458	SRF 2018-406	-	1,300,122	1,300,122	-	-
Clean Water State Revolving Loan Program (SRF 2018-428)	66.458	SRF 2019-428	-	138,582	138,582	-	-
Clean Water State Revolving Loan Program (SRF 2018-429)	66.458	SRF 2019-429	-	511,455	511,455	-	-
Total Revolving Loan Program			<u>-</u>	<u>9,777,490</u>	<u>9,777,490</u>	<u>-</u>	<u>-</u>
Total U. S. Environmental Protection Agency			<u>(12,600)</u>	<u>10,390,786</u>	<u>10,392,728</u>	<u>-</u>	<u>(14,542)</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2020

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Unearned Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Other Adjustments</u>	<u>Ending (Accrued) Unearned Grant Revenue</u>
(continued from previous page)							
U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY							
Passed through from Financial Commission for Appalachia HIDTA	95.001	G20AP0001A	-	33,200	21,542	(19,386)	(7,728)
USSS	16.999	Public Safety	-	1,620	1,620	-	-
FBI	16.999	Public Safety	-	29,114	34,882	-	(5,768)
ATF	16.999	Public Safety	-	10,590	11,337	(1,372)	(2,119)
US Marshals	16.999	Public Safety	-	9,285	11,882	(439)	(3,036)
Total U.S. Office of National Drug Control Policy			-	83,809	81,263	(21,197)	(18,651)
U.S. DEPARTMENT OF HOMELAND SECURITY							
Emergency Food and Shelter National Board Program	97.024	768200-001	1,974	-	-	(1,974)	-
Disaster Grants - Public Assistance- 4/17/19 FEMA 4427	97.036	FEMA 4427 DR TN	(47,584)	-	138,765	13,502	(172,847)
Assistance to Firefighters Grant Program FY20	97.044	EMW-2018-FO-05638	-	-	69,300	-	(69,300)
Total Federal Emergency Management Agency			(45,610)	-	208,065	11,528	(242,147)
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Early Head Start-Child Care Partnership Grant	93.600	04HP0041-03-00	(104,417)	461,288	356,871	-	-
Head Start	93.600	04CH010085-03-01	(1,024,818)	1,024,818	-	-	-
Early Head Start-Child Care Partnership Grant	93.600	04HP0041-03-00	-	1,805,147	1,832,607	-	(27,460)
Head Start	93.600	04CH010085-03-01	-	9,719,974	10,296,457	-	(576,483)
Total Head Start			(1,129,235)	13,011,227	12,485,935	-	(603,943)
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance	93.568	G-1801TNLIEA	(721,792)	3,475,032	3,031,730	-	(278,490)
Low-Income Home Energy Assistance	93.568	G-1801TNLIEA	-	-	111,539	-	(111,539)
Total Low-Income Home Energy Assistance			(721,792)	3,475,032	3,143,269	-	(390,029)
Community Services Block Grant	93.569	Z19-49104A	(111,326)	257,722	146,396	-	-
Community Services Block Grant	93.569	Z20-49104A	-	298,183	369,294	-	(71,111)
Total Community Services Block Grant			(111,326)	555,905	515,690	-	(71,111)
YFD After School Care Food Program	10.558	03-47-30140-00-8	(24,325)	46,607	22,282	-	-
YFD Summer Food Service Program	10.559	35-0014	(84,761)	188,814	104,053	-	-
YFD After School Care Food Program	10.558	03-47-30140-00-8	-	222,958	222,958	-	-
YFD Summer Food Service Program	10.559	35-0014	-	1,081	48,025	-	(46,944)
YFD Summer Food Service Program Program Income	10.559	35-0014	-	28,082	-	-	28,082
Total YFD Food Service Program			(109,086)	487,542	397,318	-	(18,862)
Total U. S. Department of Health and Human Services			(2,071,439)	17,529,706	16,542,212	-	(1,083,945)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2020

<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)							
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES							
Foster Grandparents Program	94.011	16SFSTN001-3	(60,973)	57,271	-	-	(3,702)
Foster Grandparents Program	94.011	19SFSTN002-1	-	385,441	448,003	-	(62,562)
Total Corporation for National and Community Services			(60,973)	442,712	448,003	-	(66,264)
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			(2,531,169)	33,450,714	33,425,341	13,258	(2,492,538)
STATE AWARDS							
Tennessee Commission on Aging & Disability							
AAAD Grant Eastgate Senior Center	N/A	00072	(1,361)	1,361	-	-	-
AAAD Grant Eastgate Senior Center	N/A	00072	-	20,773	22,000	-	(1,227)
Total Tennessee Commission on Aging & Disability			(1,361)	22,134	22,000	-	(1,227)
Tennessee Department of Environment & Conservation							
FY20 Household Hazardous Waste	N/A	32701-03858	-	-	36,270	-	(36,270)
Clean Water State Revolving Loan Program (SRF 2011-406)	66.458	SRF 2018-406	-	940,225	940,225	-	-
Total Tennessee Department of Environment & Conservation			-	940,225	976,495	-	(36,270)
Tennessee Department of Finance & Administration							
THDA Entitlement - CNE Project	N/A	Program Income	604,917	27,463	87,202	-	545,178
OCJP- TN Complete Count Census	N/A	N/A	-	20,000	5,344	-	14,656
Total Tennessee Department of Finance & Administration			604,917	47,463	92,546	-	559,834
Tennessee Emergency Management Agency - Disaster relief							
Disaster Grants - Public Assistance- 4/17/19 FEMA 4427	N/A	97.036	(7,931)	-	23,128	2,250	(28,809)
Tennessee Department of Transportation							
TDOT - Federal Highway Administration - CARTA	20.205	TN8000004-02	-	-	780	-	(780)
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT			595,625	1,009,822	1,114,949	2,250	492,748
TOTAL EXPENDITURE OF FEDERAL AND STATE AWARDS - PRIMARY GOVERNMENT			(1,935,544)	34,460,536	34,540,290	15,508	(1,999,790)

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

June 30, 2020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Indirect Cost Rate

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



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the aggregate discretely-presented component units, each major fund and the aggregate remaining fund information of the City of Chattanooga, Tennessee (the City), as of and for the year ended June 30, 2020, 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 31, 2020. Our report includes a reference to other auditors who audited the financial statements of EPB, Chattanooga Metropolitan Airport Authority, and Chattanooga Area Regional Transit Authority, as described in our report on the City of Chattanooga's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee
December 31, 2020

*Henderson Hutcherson
& McCullough, PLLC*



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Chattanooga, Tennessee's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City of Chattanooga, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. The City's basic financial statements include the operations of EPB, Chattanooga Metropolitan Airport Authority, and Chattanooga Area Regional Transit Authority which expended federal awards which are not included in the accompanying schedule of expenditures of federal awards during the year ended June 30, 2020. Our compliance audit, described below, did not include the operations of these entities because the entities engage other auditors to perform audits in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on each of the City of Chattanooga's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Compliance for Each Major Federal Program

In our opinion, the City of Chattanooga, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the City of Chattanooga, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Chattanooga, Tennessee
December 31, 2020

Henderson Hutcherson
is McCullough, PLLC

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2020

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed under the Uniform Guidance? yes no

Identification of major programs:

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

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2020

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

\$ 1,002,760

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, 2019

None reported



City of Chattanooga

Department of Finance and Administration

City Hall

101 East 11th Street

Chattanooga, Tennessee 37402

423.643.7363

www.chattanooga.gov