

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

City of Chattanooga

CAFR

• 2017 •

Comprehensive Annual Financial Report for the Year Ended June 30, 2017
Chattanooga, Tennessee

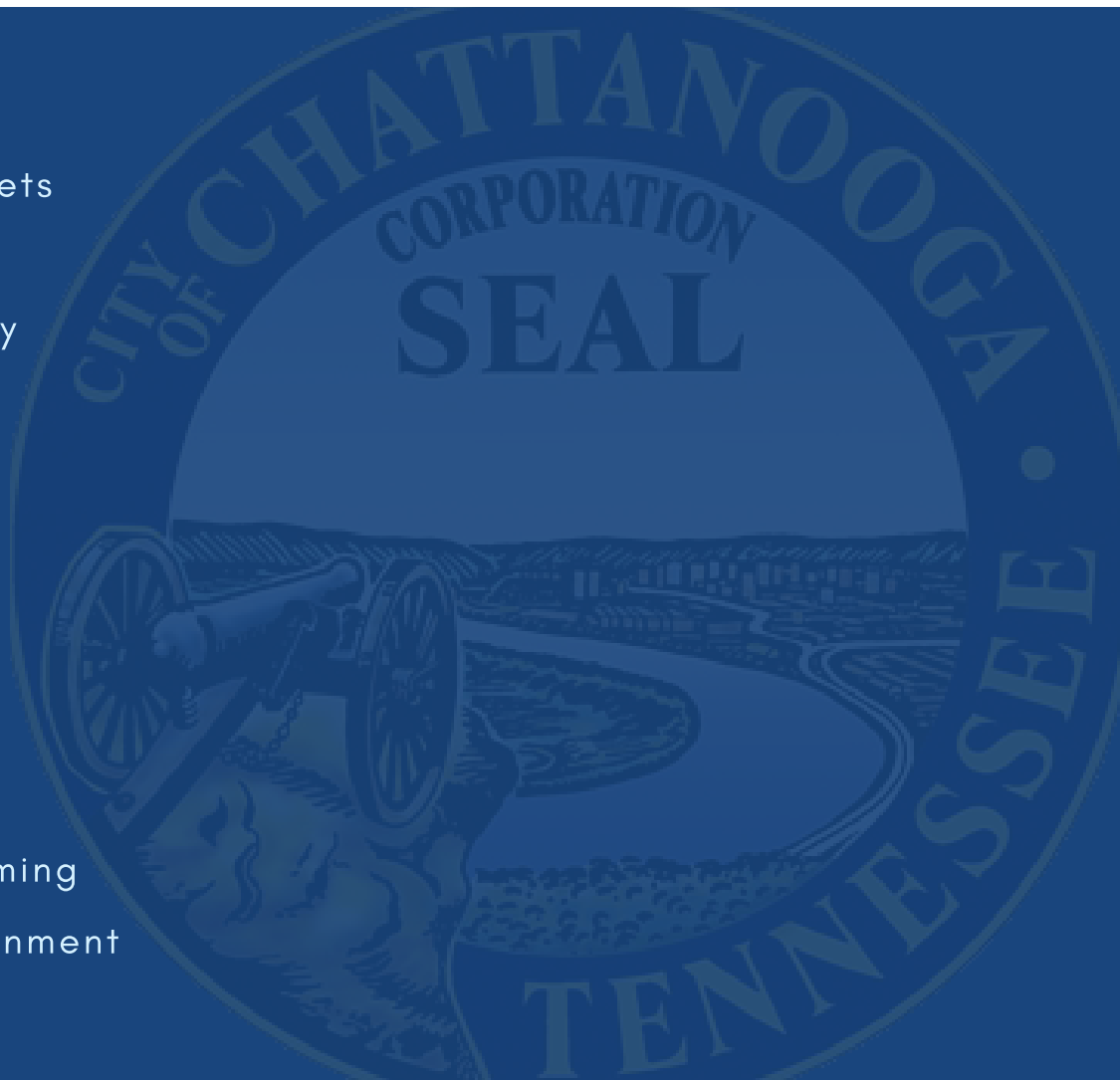
Safer Streets

Growing Economy

Smarter Students

Stronger
Neighborhoods

High Performing
Government



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, 2017

DEPARTMENT OF FINANCE AND ADMINISTRATION
DAISY W. MADISON, ADMINISTRATOR

CITY OF CHATTANOOGA, TENNESSEE

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CITY OF CHATTANOOGA, TENNESSEE

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Mayor's Letter



City of Chattanooga
Office of the Mayor

City Hall 101 East 11th Street Chattanooga, Tennessee 37402



Mayor Andy Berke

December 20, 2017

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

I am honored to present the City of Chattanooga's annual financial report for the year ended June 30, 2017. We are focused on removing the barriers that keep people from leading the life they want in our community, and that begins with empowering Chattanoogaans. Looking back over the past year, we can see improvements in safety, neighborhoods, and our economy. From education and the Office of Early Learning to safety and the Real Time Intelligence Center, we are concentrating our efforts on our community's priorities to ensure the best outcomes for our citizens.

Reviewing the past year, our economy is strong. We graduated our first class of Chattanooga's Manufacturing Excellence Program, a partnership in workforce development between Chattanooga State, Volkswagen, and multiple community organizations. As those students graduate, we know there are jobs for them. This year, Tennessee hit the lowest unemployment level in recorded history. That means more jobs for Chattanoogaans and more money in the pockets of families.

Technology is helping us increase safety and curb violence like never before. By putting the right tools in the hands of officers, we are helping them predict trends and investigate crimes to make our neighborhoods safer. At our Family Justice Center, we are providing coordinated services for survivors of domestic and family violence and empowering them to pursue the best life possible.

To build stronger neighborhoods, we've invested more in infrastructure like sidewalks and crosswalks as well as public art and affordable housing. Our investment in paving is an all time high to ensure smooth and safe passage to school, home, and work. We are improving spaces in neighborhoods through new parks like the Southside Community Park and the construction of a new Avondale Youth and Family Development Center.

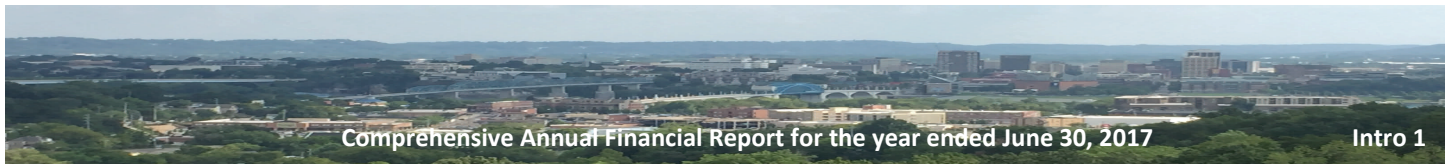
For families to be successful, we must start early with our youngest citizens. Over the past year, we've made advancements in early childhood education by expanding Baby University and unifying our efforts under the Office of Early Learning. To support Chattanooga families, we have also invested in our City employees, ensuring a sustainable pay scale for police and fire and benefits for all employees.

When we break down barriers, we can empower Chattanoogaans to live the life of their choosing. From creating safer routes in neighborhoods to increasing early learning and supporting local businesses, we are building a stronger Chattanooga and leading citizens to a higher quality of life.

Sincerely,

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

Mayor Andy Berke
City of Chattanooga



City Council



Chip Henderson
District 1



Jerry Mitchell
Chair
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 20, 2017

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

State and local statutes require that the City publish annual audited financial statements for each fiscal year. This Comprehensive Annual Financial Report of the City of Chattanooga for the fiscal year ended June 30, 2017 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, 2017. The independent auditor’s report is presented as the first item in the financial section of this report.

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

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



Daisy W. Madison, City Finance Officer



GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND MAJOR INITIATIVES

PROFILE OF THE GOVERNMENT

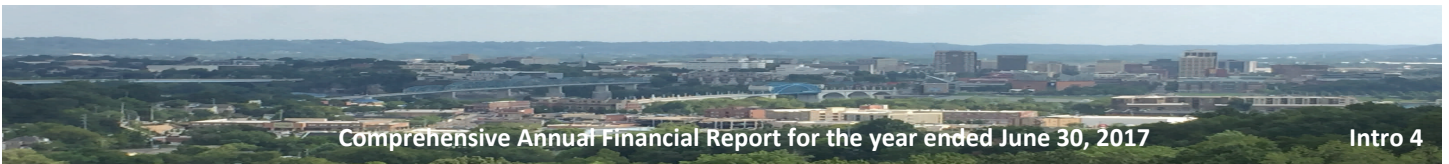
Nestled in a bend of the Tennessee River and surrounded by mountains and lakes, Chattanooga is so beautiful it inspired a community quest to make it the best mid-sized city in America. Living in Chattanooga means that outdoor views and adventures are around every corner, but our city is much more than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

Founded as a ferry landing and warehouse site in 1815, the City of Chattanooga was incorporated under State of Tennessee Private Acts of 1839. The City is the county seat of Hamilton County and is located near the southeastern corner of the state on the Tennessee-Georgia border. Chattanooga is centrally located in relation to other major population centers of the southeast, being within a 150-mile radius of Knoxville and Nashville, Tennessee; Birmingham, Alabama; and Atlanta, Georgia. Over 11 million people live within a 2 to 2½ hour drive of Chattanooga. It encompasses

an area of 148 square miles. Official results of the 2010 U.S. Census show a population of 167,674, a 7.8% growth since the 2000 Census. The most recent Census Bureau data shows the city with a population estimated of 177,571. The City is empowered to levy a property tax on both real and personal property located within its boundaries. Corporate limits may be extended at the request of the property owner or by a referendum of the people in the affected areas that might want to petition to come into the city.

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

The City provides a full range of municipal services including but not limited to fire and police protection; sanitation services and recycling; construction and maintenance of highways, streets and infrastructure; recreation and cultural activities; youth and family development; public library; com-



munity 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 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. Offers are evaluated by a Results Team and allocations are recommended by the Mayor based on citizens' priorities and available funding. During the months of May and June, advertised public hearings are held by the council whereby taxpayers are given the opportunity to comment prior to final passage. The budget is legally enacted through passage of an ordinance with an operative date of July 1. The appropriated budget is adopted on a departmental basis; the legal level of budgetary control is the fund level. The City Finance Officer is authorized to make intra-fund transfers if necessary. Budgetary comparison schedules are provided in the budget document for each individual governmental fund for which an appropriated annual budget has been adopted.

FACTORS AFFECTING FINANCIAL CONDITION

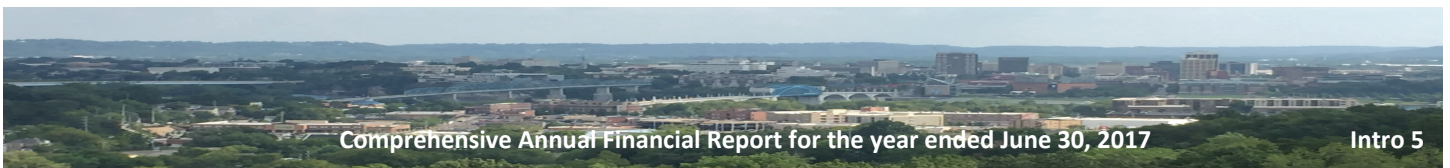
The information presented in the financial statements may be best understood when it is considered from the broader perspective of the specific economic environment within which the City of Chattanooga operates.

The Local Economy: The City of Chattanooga is well positioned for future growth. Employment in the Chattanooga area is diverse. The top employment sectors of trades, transpor-

tation, and utilities (21%), government (15%), manufacturing (13%), professional and business services (18%), education and health (13%), and leisure and hospitality (11%) comprise 91% of the workforce. The local unemployment rate of 3.4% for the Chattanooga Metropolitan Statistical Area is comparable to the state and national averages of 3.0% and 3.9% as of October, 2017, according to preliminary information from the U.S. Bureau of Labor Statistics. Tennessee added jobs at a faster pace than the rest of the country on average over the past year and had the third largest increase in manufacturing wages nationally. Local business starts were up by one third over the previous year.

Chattanooga enjoys strategic advantages related to its location, strong transportation system, natural resources and competitive cost of doing business. The Chattanooga area is served by three interstate highways, seven U.S. highways, two railways, airlines, bus service, and the Tennessee River system. Work on the Chickamauga Lock, a key to transportation along the Tennessee River, has resumed, with an expected project cost of \$850 million. The prior phase was completed in 2013 at a cost of \$185 million. This phase of the project will replace the existing 60 by 360 foot lock with one that is 110 by 600 feet. The Chattanooga Metropolitan Airport is served by four airlines. Direct flights are available to nine major cities. During the first 3 quarters of 2017, enplanements were up 17.9% over 2016, indicating a robust increase in business and leisure travel. Chattanooga is home to three major air cargo facilities, three public use port terminals, and four major industrial parks. The aircraft repair and maintenance facility which opened in 2015 recently announced expansion plans of \$20 million which will add 100 jobs. Railway service is provided by four divisions of the Norfolk Southern Railway System and two divisions of the CSX Transportation System, all with switching service throughout the entire area. Modern "piggyback" service is provided by both lines.

Employment in the retail service sector continues to thrive. Hamilton Place Mall, which is in its 31st year of operation, anchors the area's I-75 retail corridor. Recent additions



within the mall include a major retail outlet which opened in the early fall and a new upscale restaurant which will open soon. The mall's owners are confident there will always be a strong retail presence in conjunction with inevitable internet sales growth. The retail area just north of the mall continues to expand as the \$100 million retail and residential announced almost two years ago remains on track. This development, known as Waterside, could include 350,000 square feet of retail space, restaurants, and up to 300 apartments in this mixed use development encompassing over 60 acres.

Downtown is thriving. An extension of M. L. King Blvd. west to the Tennessee River has won approval. Partial funding will come from a \$4 million Tax Increment Financing plan. Also just announced is the planned construction of a medical office building adjacent to the starting point of that extension. Additional plans for the immediate area include a future 180 new apartments. The "Gold Building", former headquarters of Blue Cross Blue Shield of Tennessee, has reopened as a 260 room luxury hotel with a ballroom and meeting rooms. The hotel is an anchor point for development of additional restaurants. In the core of downtown, construction is essentially complete on a 10-story building in the 700 block of Market Street. The \$30 million development, now open for tenants, includes retail, office, and 122 apartments. The revitalized historic McClellan Building on Broad Street, a landmark since 1924, offers 85 apartments with commercial space on the ground floor. Renovation of the First Tennessee Bank Building on Market Street will bring apartments to that building as well. The value of these two projects exceeds \$25 million. Many other large projects under way or in the planning stages will bring continued transformation to the core of Chattanooga.

GIG TANK

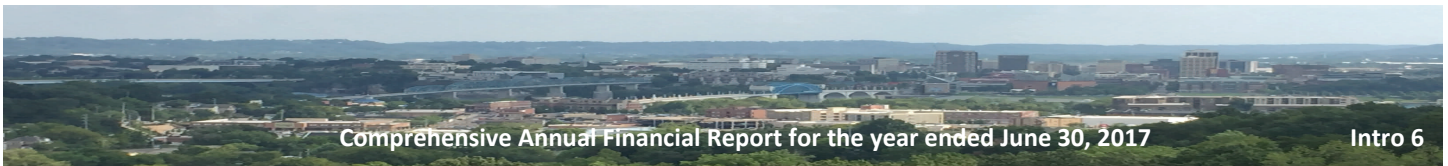
Chattanooga continues to receive recognition as a world leader in technology. The Electric Power Board (EPB), recognized in July as the best mid-sized electric utility in the south by J.D. Power, began offering one-gig high-speed internet in 2010. This service was upgraded to a ten-gigabit connection 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. There are currently over 91,000 customers. The system is integrated with Smart Grid, a technology which allows remote

monitoring of meters for every customer. A \$111 million federal stimulus grant from the Department of Energy in 2010 dramatically accelerated the installation in 2012 of the Smart Grid, allowing for an implementation schedule to taking only two years. A wireless mesh network is piggybacked onto the entire system, enhancing public safety as well. Beginning in 2016, EPB added 4K ultra high definition TV service, the first in the area. The network represents a total \$320 million investment.

One way the City has chosen to take advantage of the 10-gig speed, is through the establishment of NoogaNet in city-owned spaces and buildings to provide free Wi-Fi. Currently offered in 30 locations, expansion plans include 11 additional locations.

The economic impact to the area as a result of the EPB fiber optic network has approached \$1 billion since its inception according to a study published in 2015 by the University of Tennessee at Chattanooga, with an estimated creation of 2800 jobs. The high-speed internet continues to attract competition and international visitors. TenGig, a new style of gaming festival, hosted their inaugural event this October, made possible by the high speed network.

Manufacturing continues the resurgence that began in 2008 with the announcement that Volkswagen AG would locate its United States manufacturing headquarters in Chattanooga. Since that time, the area has attracted \$4 billion in foreign direct investment. The Enterprise South Industrial Park (ESIP), home to Volkswagen AG, hosts numerous companies associated with automobile manufacturing, as well as an Amazon distribution center. The 3000 acre industrial site has essentially been filled or committed for additional potential expansion of the VW plant. The new SUV, designed and built specifically for the U.S. market, began production last December. The \$900 million expansion includes \$600 million by VW, \$230 million from state and local government, and up to \$70 million in additional incentives and infrastructure improvements over the next decade. The City and County share equally a \$52.5 million direct investment in this expansion. On the heels of production startup, an announcement was made that a second SUV could enter the production lineup in the near future. VW retains an option on 900 additional acres adjacent to their 1300 acre facility, in anticipation of significant additional future expansion. Spanish supplier Gestamp, a world leader in hot-stamp technology and a Tier 1 supplier for VW, BMW, and Mercedes-Benz, has expanded its original facility and added a second plant within the park and a third location in an existing building near the park on Jersey Pike. The company, which already had a significant presence as a supplier of cold-stamped components, says the \$180 in expansions will ultimately add 510 new jobs. Another Tier I supplier, Chattanooga Seating Systems, completed a \$5.4 million expansion with 190 new jobs to fill seat orders for the new SUV. The State announced preparations for the \$9.7 million completion of the road through Enterprise South with construction expected to begin in 2018.



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. 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. Chattanooga has recently been recognized by the Brookings Institution for its startup accelerator program and by SmartAsset for its incentive program to entice computer developers to locate here. Venture capital funding of local business continued to set records for the area in 2017. We’re the fourth largest city in Tennessee, which lead the nation for the fifth month in a row in October for growing small business according to information in a report released by the HIS Small Business Employment Watch.

The fourth phase of the Chattanooga Chamber of Commerce “Chattanooga Can Do” campaign, conducted from July 2015 – June 2019, set goals for job growth. These goals include the following benchmarks (with progress as of July 2017):

	<u>4 Year</u>	<u>Actual</u>
<u>Goal to increase</u>	<u>Target</u>	<u>(2 years)</u>
Regional Employment	15,121	4,067
Private Investment	\$500 M	\$304.5 M
Payroll	\$439 M	\$194.4 M

Quality education is also the centerpiece of a successful community. A study released in 2015 by the Manhattan Institute shows the number of adults age 25 and over in the Chattanooga MSA with a bachelor’s degree or higher 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 in hands-on training and offers internships or apprenticeships to the students. The University of Tennessee at Chattanooga offers undergraduate and graduate degree opportunities in twenty-nine academic departments.

Other contributions to the local economy are tourism and several national events which are held here. Downtown remains a popular tourist destination, anchored by the Tennessee River and the Tennessee Aquarium, which just celebrated its 25th anniversary. Hotel tax receipts within the city are up almost 40% over five years ago. Among national events which

took place over the past year were four Ironman competitions, the Head of the Hooch rowing competition, and the NCAA Division III men’s and women’s tennis championships. These and a host of regional tournaments, outdoor events, and recreational activities bring millions to the local economy and help keep Chattanooga in the forefront.

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

The fiscal health of Chattanooga City Government remains strong. As outlined in the Management’s Discussion and Analysis on page iii, the City has maintained a healthy financial position through sound fiscal management. We have a history of strong fiscal discipline, healthy reserves, and constant review of operations, being ever vigilant to find new efficiencies and cost reduction measures. Standard and Poor’s Ratings Services raised the City’s bond rating to AAA in November, 2013, which was reaffirmed as AAA Stable in January, 2017. Fitch Ratings affirmed their bond rating for the City at AA+ Stable in December, 2016. 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 fifth year with the Fiscal Year 2018 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: Over five (5.8) square miles have been annexed since May, 2001. Chattanooga is a major participant in a 40-year regional growth plan, known as the Greater Chattanooga Regional Growth Initiative, or "Thrive 2055". The participants include sixteen counties and their major cities from southeast Tennessee, northwest Georgia, and northeast Alabama, including the three metropolitan statistical areas. This public-private initiative is a pioneering effort for a new kind of long-term regional plan. It is a continuation of the type of public

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, 2016. This was the twenty-fourth consecutive year that the City has received this award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

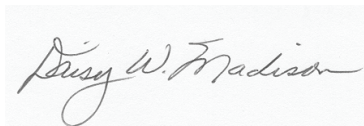
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal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

The City also received the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget for each of the twenty fiscal years for which it applied. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

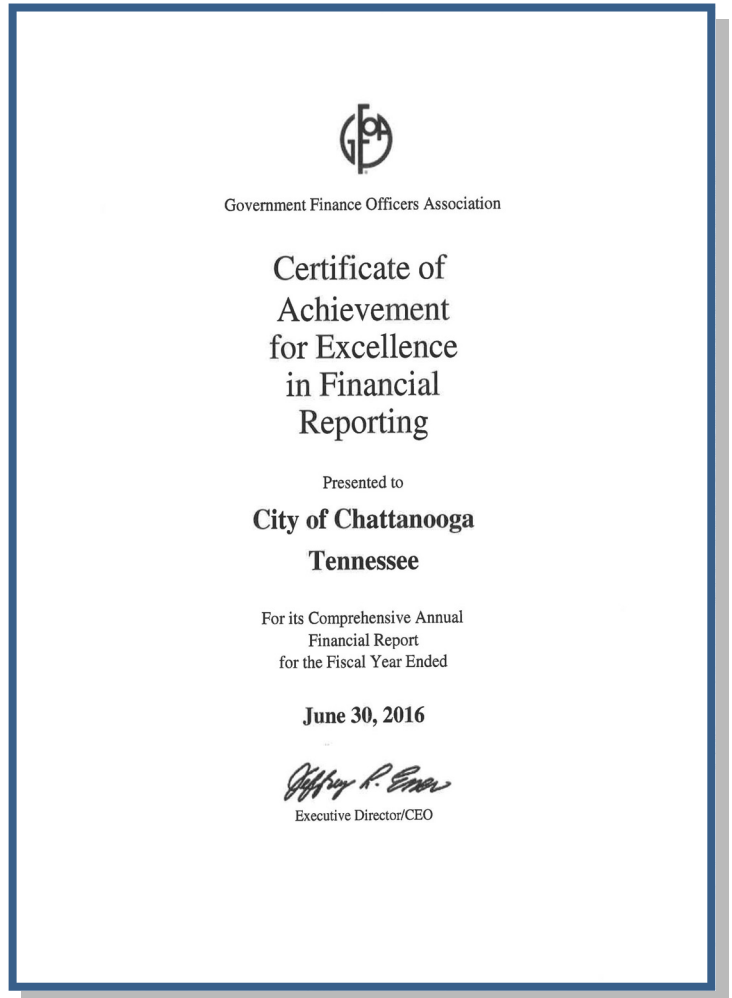
The GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting was received for the fiscal year ended June 30, 2016. This is the fifth consecutive year for which the City applied for the award. In order to qualify, a government must publish a Popular Annual Financial Report with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

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

Respectfully submitted,



Daisy W. Madison
City Finance Officer



City Officials as of June 30, 2017



EXECUTIVE BRANCH:

Andy Berke, Mayor

Stacy Richardson, Chief of Staff

Maura Sullivan, Chief Operating Officer

CITY COUNCIL:

Jerry Mitchell, Chair.....District 2

Ken Smith, Vice Chair.....District 3

Carol Berz.....District 6

Chip Henderson.....District 1

Erskine Oglesby, Jr.....District 7

Darrin Ledford.....District 4

Anthony Byrd.....District 8

Russel J. Gilbert, Sr.....District 5

Demetrus Coonrod.....District 9

COURTS:

Sherry B. Paty.....City Court Judge

Russell J. Bean.....City Court Judge

Ron Swafford.....City Court Clerk

DEPARTMENT ADMINISTRATORS

Legal..... Wade Hinton.....City Attorney

Legislative..... Nicole Gwyn.....Clerk of Council

Finance and Administration..... Daisy W. Madison.....Administrator

Vickie C. Haley.....Deputy Administrator

Fire..... Chief Chris Adams.....Administrator

Economic and Donna Williams.....Administrator

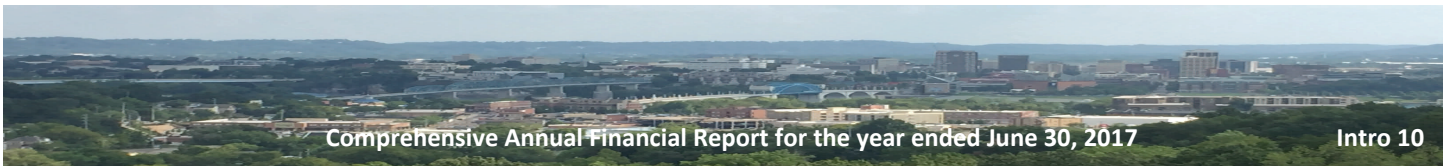
Community Development..... Anthony Sammons.....Deputy Administrator

Police..... Chief Fred Fletcher.....Administrator

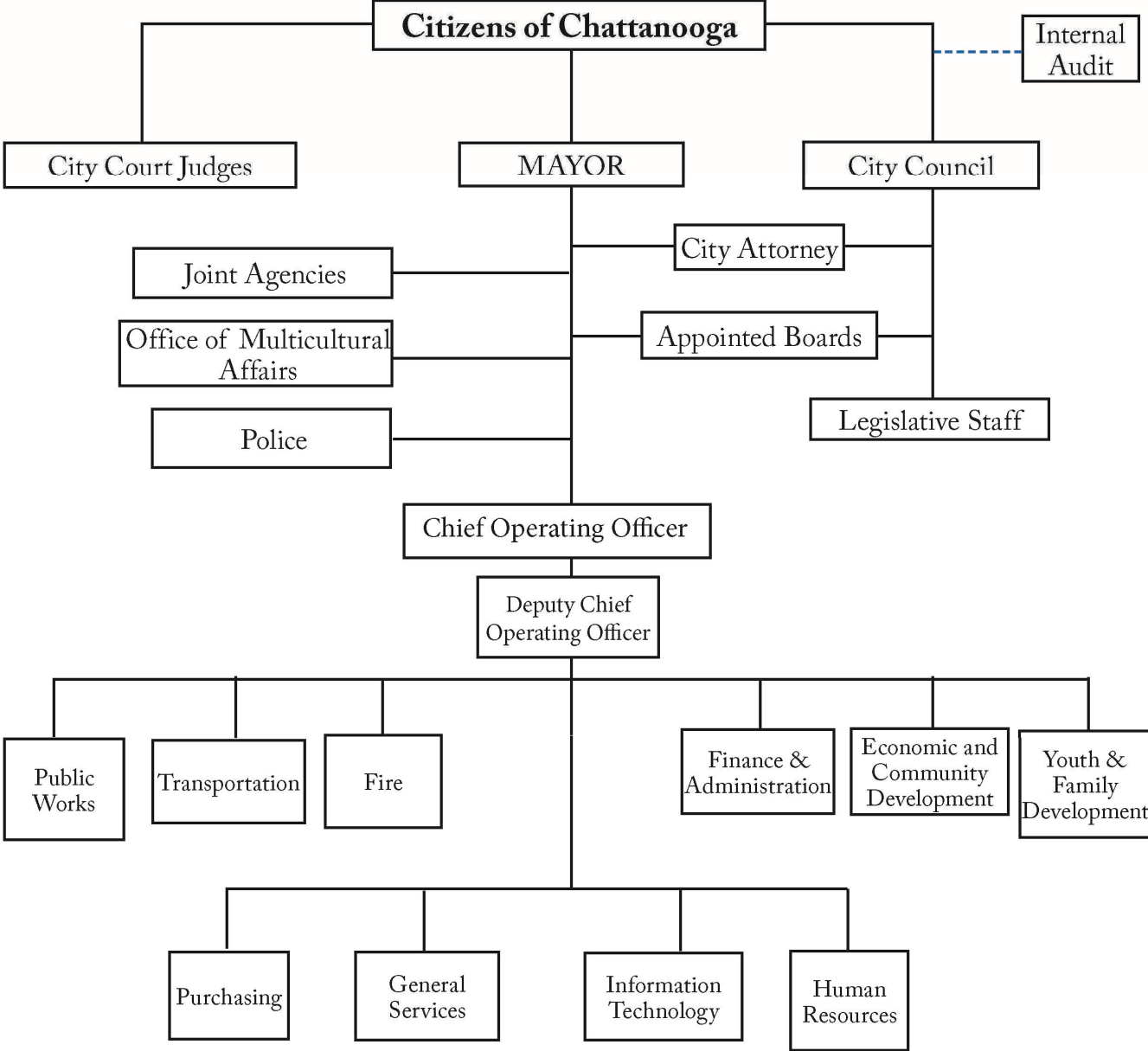
Public Works..... Justin Holland.....Administrator

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

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



Organization Chart







CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee (the City), as of and for the year ended June 30, 2017, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee as of June 30, 2017, 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-18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Chattanooga, Tennessee
December 19, 2017

Henderson Hutcherson
is McCullough, PLLC

Management's Discussion and Analysis

As management of the City of Chattanooga (the "City"), we provide readers of the City's financial statements with this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with our Letter of Transmittal beginning on page Intro 3 and the financial statements beginning on page A-1.

Financial Highlights

- Assets and deferred outflow of resources for the primary government exceeded liabilities and deferred inflow of resources by \$1.9 billion (net position), an increase of \$87.7 million or 4.8 percent, at the close of the fiscal year. Of this amount there is a \$143.0 million deficit unrestricted net position. The deficit in unrestricted net position decreased by \$0.6 million; governmental activities increased \$12.0 million while business-type activities decreased \$12.6 million primarily due to increased infrastructure in water quality.
- Net position of governmental activities at June 30, 2017 was \$1.1 billion, an increase of \$12.2 million, or 1.1 percent. Business-type activities reported ending net position of \$781.5 million, an increase of \$75.5 million, or 10.7 percent due to favorable operations trend in all business-type activities. During fiscal year 2017, beginning net position was restated for implementation of GASB 75 for other post-employment benefits. Governmental activities decreased \$74.2 million and business-type activities decreased \$12.8 million for a total restatement of \$87.7 million.
- Long-term liabilities for the City's primary government increased \$35.2 million or 3.1 percent, during the current fiscal year. Governmental activities long-term liabilities increased \$54.5 million. This primarily consists of increase in pensions of \$47.1 million and Other Post-Employment Benefits (OPEB) of \$12.9 million; these were offset by a \$5.8 million decrease in bonded debt. For business-type activities pension liabilities increased \$11.8 million; this was offset by net decreases in debt and debt premiums for a net decrease of \$19.3 million.
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$77.8 million, an increase of \$11.8 million or 18.0 percent from prior year. This represents 31.3 percent of total General Fund expenditures and transfers out.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

There are two government-wide financial statements:

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

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

The government-wide financial statements reflect three distinct activities:

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

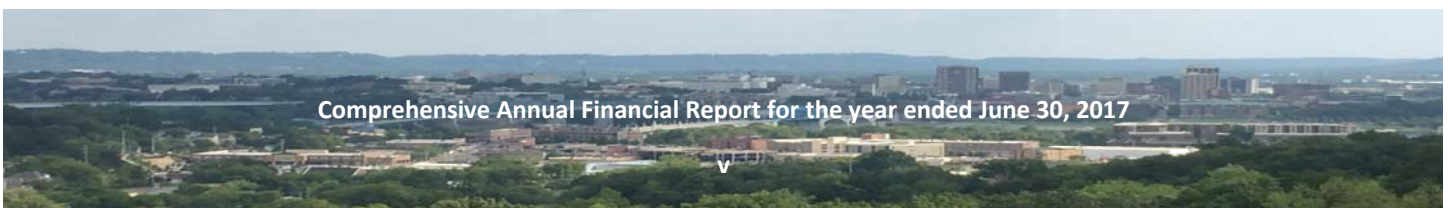
Business-type Activities - These activities are supported by user fees and charges for service which are intended to recover all of their costs. Included are electric, sewer, water quality systems, solid waste disposal, as well as a communications system. Also included is The Chattanooga Downtown Redevelopment 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, however the City of Chattanooga is financially accountable for them. These include: The Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transportation Authority (CARTA).

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

Fund Financial Statements

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



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

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

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

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

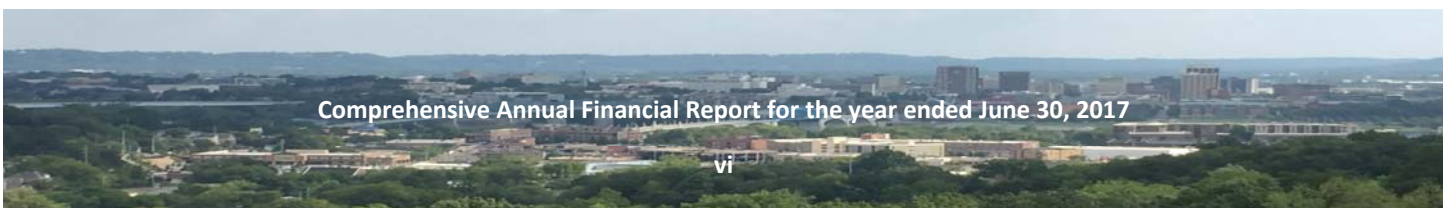
The City maintains a general fund, multiple special revenue funds, a debt service fund, a capital projects fund and one permanent fund as governmental funds. Information is presented separately in the governmental statements for the General Fund and the Capital Projects Fund since both of these are considered major funds. Data for the other funds is combined into a single column with individual fund data for each of these 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 pensions plans and OPEB plan. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Notes to the Financial Statements

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

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

Supplemental Information

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

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

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

- Combining statements for 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 \$1.9 billion at the close of the most recent fiscal year, an increase of \$87.7 million, or 4.78 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.

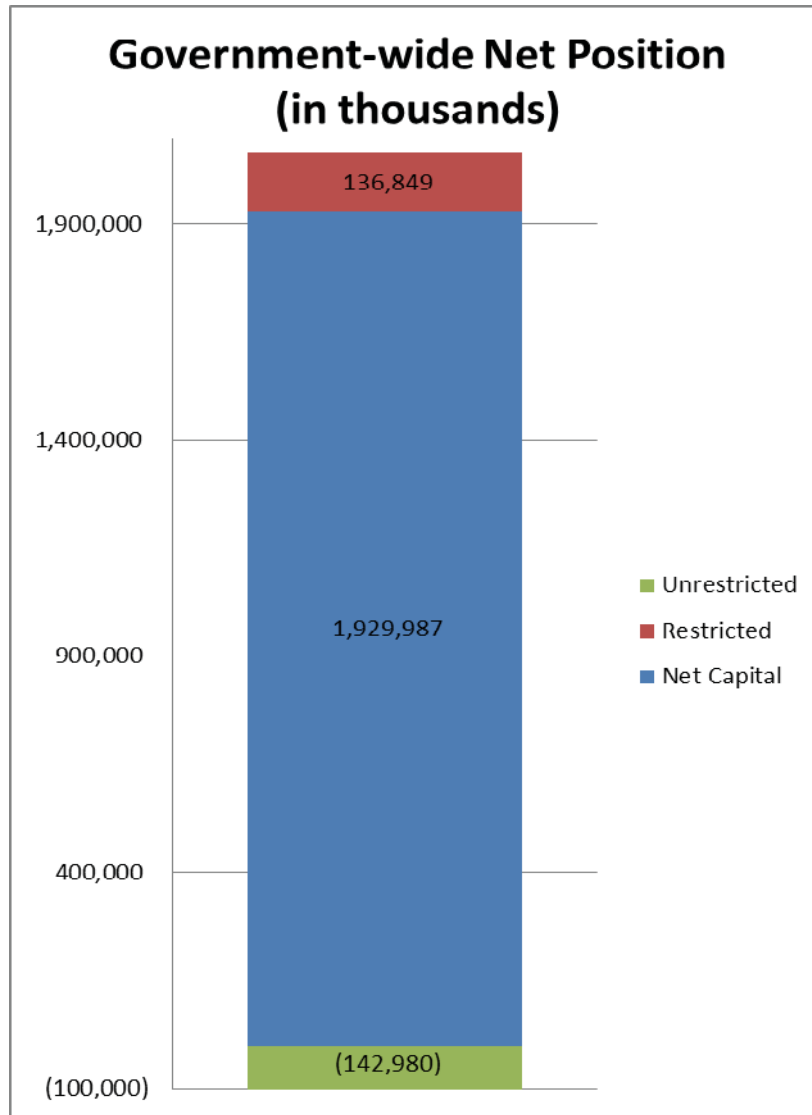
City of Chattanooga's Net Position

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 379,492	\$ 298,558	\$ 468,354	\$ 465,806	\$ 847,846	\$ 764,364
Capital assets	1,485,121	1,486,828	1,065,410	1,009,687	2,550,531	2,496,515
Total assets	1,864,613	1,785,386	1,533,764	1,475,493	3,398,377	3,260,879
Total deferred outflows of resources	110,921	66,438	37,982	28,310	148,903	94,748
Long-term liabilities outstanding	596,241	541,772	591,872	611,154	1,188,113	1,152,926
Other liabilities	91,278	29,012	196,865	183,645	288,143	212,657
Total liabilities	687,519	570,784	788,737	794,799	1,476,256	1,365,583
Total deferred inflows of resources	145,682	150,886	1,486	2,986	147,168	153,872
Net position:						
Net investment						
in capital assets	1,277,950	1,272,354	652,037	590,844	1,929,987	1,863,198
Restricted	60,727	66,118	76,122	49,238	136,849	115,356
Unrestricted	(196,344)	(208,318)	53,364	65,936	(142,980)	(142,382)
Total net position	\$ 1,142,333	\$ 1,130,154	\$ 781,523	\$ 706,018	\$ 1,923,856	\$ 1,836,172

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

An additional portion of the City’s net position, \$136.8 million, represents resources that are subject to external restrictions on how they may be used. There is a \$143.0 million deficit in unrestricted net position due to recording of unfunded OPEB liabilities during the current year and unfunded pension liabilities in fiscal year 2014. Please refer to Note 7.



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

City of Chattanooga's Changes in Net Position

(in thousands)

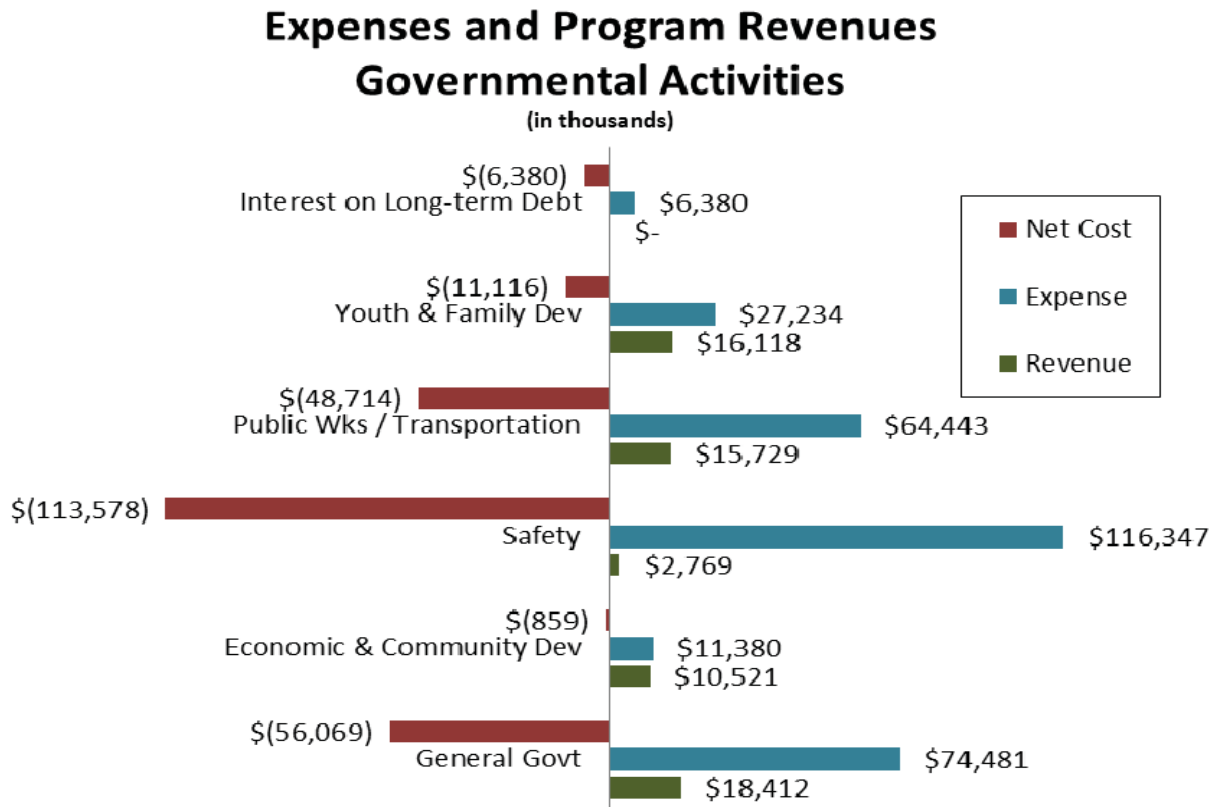
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 21,146	\$ 20,618	\$ 843,276	\$ 801,528	\$ 864,422	\$ 822,146
Operating grants	33,640	30,519	-	-	33,640	30,519
Capital grants	8,761	28,318	2,639	985	11,400	29,303
General revenues:						
Property taxes	134,943	130,903	-	-	134,943	130,903
Other taxes	26,977	26,073	-	-	26,977	26,073
Investment income	2,993	1,753	1,899	1,816	4,892	3,569
Miscellaneous	1,061	836	-	-	1,061	836
Unrestricted grants and contributions	82,924	79,586	-	-	82,924	79,586
Total revenues	<u>312,444</u>	<u>318,606</u>	<u>847,814</u>	<u>804,329</u>	<u>1,160,259</u>	<u>1,122,935</u>
Expenses						
Governmental activities:						
General government	74,481	68,405	-	-	74,481	68,405
Economic and community development	11,380	18,391	-	-	11,380	18,391
Public safety	116,347	104,952	-	-	116,347	104,952
Public works and transportation	64,443	63,429	-	-	64,443	63,429
Youth and family development	27,234	26,049	-	-	27,234	26,049
Interest on long-term debt	6,380	6,855	-	-	6,380	6,855
Business-type activities:						
Electric utility	-	-	683,959	653,115	683,959	653,115
Sewer	-	-	51,041	46,230	51,041	46,230
Solid waste	-	-	3,949	4,146	3,949	4,146
Water quality	-	-	14,526	13,689	14,526	13,689
Regional communications	-	-	1,039	931	1,039	931
Downtown redevelopment	-	-	17,795	16,760	17,795	16,760
Total expenses	<u>300,265</u>	<u>288,081</u>	<u>772,309</u>	<u>734,871</u>	<u>1,072,574</u>	<u>1,022,952</u>
Excess (deficiency) before transfers	12,179	30,525	75,505	69,458	87,685	99,983
Transfers	-	51	-	(51)	-	-
Increase (decrease) in net position	12,179	30,576	75,505	69,407	87,685	99,983
Net position, beginning	1,130,154	1,173,801	706,018	649,356	1,836,172	1,823,157
Net position, ending	<u>\$ 1,142,333</u>	<u>\$ 1,204,377</u>	<u>\$ 781,523</u>	<u>\$ 718,763</u>	<u>\$ 1,923,856</u>	<u>\$ 1,923,140</u>

Governmental Activities

During the current fiscal year, net position of the City’s governmental activities increased \$12.2 million from the prior year for an ending balance of \$1.1 billion. Overall revenue decreased \$6.2 million or 1.9 percent. The combination of sales tax, both local option and tourist development zone, increased \$3.6 million or 6.1 percent. Property tax increased by \$4.0 million or 3.1 percent. Other increases include \$2.3 million of donated public art and a \$3.3 million settlement with Alstom. These were offset by a \$19.2 million decrease related to fewer donated streets.

Expenses for the current year increased \$12.2 million or 4.2 percent. The increase primarily consists of pensions and other post employment benefits of \$12.1. Other increases include on-the-job injury claims of \$1.2 million due to large heart and lung claims, additional technology costs of \$1.7 million, and an increase of \$2.3 in materials. These were offset by a \$7.1 million decrease in appropriation to IDB for VW; in FY16 the City paid a one-time local match for a plant expansion.

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



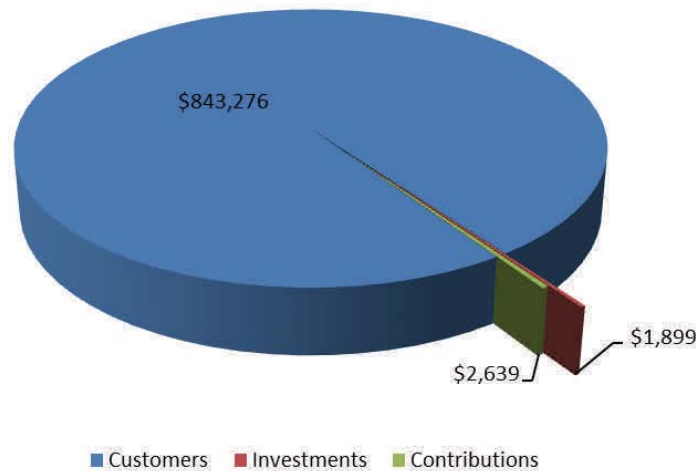
Business-type Activities

During the current year, net position of the business-type activities increased \$75.5 million or 10.7 percent, to \$781.5 million. This net position is dedicated solely to finance the continuing operations of the electric, sewer, water quality systems, solid waste disposal, regional communications systems and downtown redevelopment operations.

Revenues for the City’s business-type activities were \$847.8 million for the year just completed; this is a \$43.5 million or 5.4 percent increase. Expenses increased \$37.4 million or 5.1 percent resulting in total expense of \$772.3 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	\$ 683,959	\$ 51,041	\$ 3,949	\$ 14,526	\$ 1,039	\$ 17,795	\$ 772,309
Revenues	718,879	78,170	6,323	21,339	1,330	19,874	845,915
Change in net position	\$ 34,920	\$ 27,129	\$ 2,374	\$ 6,813	\$ 291	\$ 2,079	\$ 73,606

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.

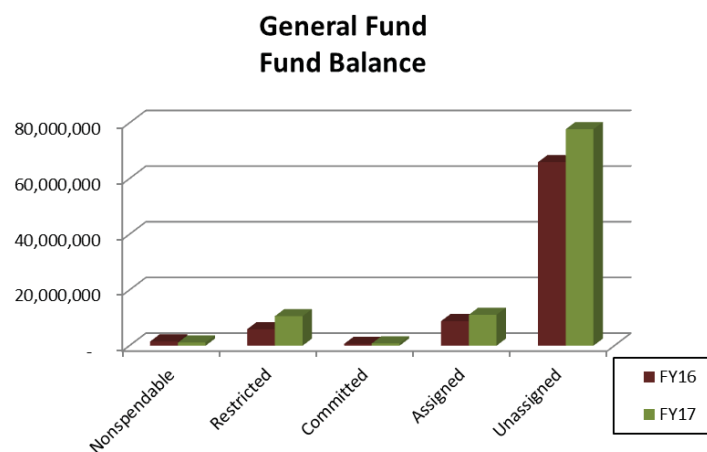
Governmental Funds

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 \$184.8 million at the end of the fiscal year. Of this amount 42.1 percent or \$77.8 million, is available for spending at the City's discretion (unassigned fund balance). Total fund balance is made up of the following:

- \$5.9 million is in non-spendable form such as inventories and notes receivable.
- \$81.3 million is restricted for particular purposes due to restrictions placed by grants, bond covenants, other governments or by City ordinance.
- \$7.2 million is committed for specific purposes based on City resolutions.
- \$12.7 million is assigned for particular purposes such as under control of boards or designated purpose by management.
- \$77.8 million is unassigned for General Fund discretionary use.

General Fund: This is the chief operating fund of the City. Total fund balance of the General Fund increased by 22.4 percent or \$18.6 million to \$101.4 million during the fiscal year. Unassigned fund balance increased \$11.8 million or 18.0 percent to \$77.8 million. During fiscal year 2017 there was a \$4.7 million planned use of fund balance for pay-as-you-go capital and economic development incentives.



As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Unassigned fund balance represents approximately 31.3 percent of total General Fund expenditures and transfers out, while total fund balance represents 40.9 percent.

Revenues - Total revenues increased \$11.9 million or 4.7 percent, from the prior year. Approximately \$7 million is from a PILOT settlement and incremental sales taxes in the Tourist Development Zone (TDZ). All major revenue sources are discussed as follows.

- Tax revenue is \$7.3 million or 4.9 percent higher than in the prior year. Property tax, along with payments in lieu of tax (PILOT), increased \$6.3 million or 4.8 percent over last year. \$3.7 million of the growth is in property taxes and \$2.6 million in PILOT revenue. The increase in PILOT revenue is almost entirely from a one-time settlement of \$3.3 million.
- Licenses and permits are up \$141,000 or 2.1 percent. Building related permits increased \$383,400 or 13.3 percent highlighting the health of the local economy. The economic development fee imposed as part of all new PILOT agreements was moved to the Industrial Development Board in 2017 resulting in a 100.0 percent or \$147,900 decrease in 2017.
- Intergovernmental revenues increased \$4.1 million or 4.9 percent over the prior year. This is primarily from receipt of TDZ incremental sales tax of \$3.3 million state share and \$1.0 million local option. State shared sales tax is up \$410,400 or 3.0 percent while the local option sales tax decreased \$467,900 or 1.0 percent. The local option was offset by the increase in the TDZ zone already mentioned. Overall increases in sales tax is an indicator of the health of the local economy. These increases in sales tax are offset by a \$264,600 or 7.5 percent decrease in state shared income tax which is being phased out.
- Charges for services increased 1.0 percent or \$42,400. The major changes include a \$256,000 or 23.5 percent decrease in court fees as fewer citations were issued resulting from the police department redirecting resources to core services of preventing and solving crimes. This decrease was offset by a reduction in bad debt of \$256,400 or 115.3 percent due to an unusually large amount of Chattanooga Opportunity Fund loan write-offs in the prior year.
- Fines, forfeitures and penalties decreased \$470,000 or 18.5 percent. The reduction includes \$168,600 or 25.0 percent in city court fines and \$298,900 or 17.5 percent in automated traffic enforcement. State law is imposing limits on this type of enforcement.
- Investment income increased \$504,000 or 26.7 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.
- Major changes in the \$276,200 or 5.2 percent increase in miscellaneous income include a \$209,500 increase in indirect costs recouped from other funds and \$138,700 in damage settlements primarily from reimbursement for costs associated with cleaning up a gas spill.

Expenditures - Total expenditures increased \$11.3 million or 5.5 percent, from the previous year. Major changes during fiscal year 2017 are discussed below.

- Employee Compensation increased by \$3.0 million or 2.4 percent. Civilian personnel earning less than \$50,000 received a lump sum increase of \$1,000 while all other civilians received a 2.0 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 costs. The General Pension contribution increase was \$858,100 or 18.4 percent and the Fire and Police Pension contribution increase was \$934,600 or 7.7 percent. The General Pension lowered the assumed rate of return from 7.50 to 7.25.
- Operations costs increased by \$8.3 million or 10.5 percent. The largest increases include: IT costs \$1.8 or 156.2 percent, on-the job injuries (OJI) \$1.2 million or 62.1 percent and \$1.3 million or 855.2 percent for fire protective gear and body worn cameras. IT began hosting the ERP system and using managed services during fiscal year 2017. There was a single heart and lung OJI that resulted in this increase.

Transfers - Total transfers out decreased \$4.6 million primarily due to a decrease in general fund dollars for capital in the amount of \$7.6 million and a \$2.3 million increase for debt service.

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 \$55.7 million in fund balance, a decrease of \$5.9 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 \$15.5 million of bonds, premium, and capital leases; transfers in of \$10.7 million, including \$8.1 million from General Fund, \$1.4 million from Hotel Motel Tax, \$0.7 million from Narcotics Program, and \$0.4 million from Community Development; and \$1.2 million of revenue primarily from intergovernmental and contributions.

Current year expenditures of \$33.4 million include \$3.4 million of economic development projects, \$7.7 million for new radio equipment and IT upgrades, \$5.5 million for street, sidewalk, bridge and tunnel projects, \$5.3 million for ball fields, parks and family centers and \$7.8 million for safety building improvements and equipment.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As the City completed the fiscal year its proprietary funds, which include both enterprise funds and an internal service fund, have combined net position of \$822.7 million. Net investment in capital assets is \$669.2 million, with an additional \$76.1 million restricted for future use, leaving \$77.4 million available to meet on-going obligations.

Enterprise Funds - Total net position of the enterprise funds is \$781.5 million, an increase of \$75.5 million or 10.7 percent. Details for each fund are presented below:

- **Electric Power Board** – The largest enterprise fund is EPB, which has both an electric and a fiber optic division. Total net position increased \$35.3 million or 10.6 percent to \$369.5 million, mainly due to decreases of \$30.6 million in bonds outstanding and other debt and an increase in utility plant of \$18.5 million, offset by a reduction in cash of \$10.9 million. Operating revenues are up \$32.8 million or 4.8 percent. A closer examination reveals that electric sales increased \$17.1 million or 3.2 percent while fiber optic sales increased by \$13.8 million or 11.3 percent due to the continued success of the residential service offerings. Combined operating expenses, which includes tax equivalents and depreciation, remain even to prior year.
- **Interceptor Sewer System** – Net position of the Interceptor Sewer System increased \$28.0 million or 9.2 percent, to \$332.8 million. Operating revenues rose \$7.4 million or 10.4 percent while operating expenses increased by \$4.5 million or 10.2 percent. Unrestricted net position (available to finance on-going operations) decreased \$16.5 million or 29.7 percent to \$39.1 million. An additional \$54.0 million is restricted for future capital spending, an increase of \$19.7 million due to increased commitments for consent decree projects. Capital net position increased \$18.3 million or 8.3 percent, due to capitalization of \$37.7 million offset by \$19.7 million in changes in related debt and accumulated depreciation.
- **Solid Waste** – The City of Chattanooga operates a municipal solid waste landfill established to comply with the Environmental Protection Agency (EPA) mandate establishing closure and post closure requirements. The fund has a net position of \$6.5 million. To date the City has accrued liabilities of \$5.2 million for closure and post closure care costs with adequate investments earmarked to cover these costs.
- **Water Quality Management** – The Water Quality Fund, established to comply with EPA guidelines, now has \$69.4 million in net position, an increase of \$6.9 million or 11.0 percent from last year. Net investment in capital is \$39.7 million, leaving the amount available to fund day-to-day operations (unrestricted net position) at \$19.9 million. Unrestricted net position decreased 40.9 percent, \$13.7 million as a result of increased spending and commitments for water quality infrastructure.
- **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. The fund has \$1.2 million in net position of which approximately \$1.0 million is restricted for replacement of system infrastructure.
- **Chattanooga Downtown Redevelopment Corporation** – The Chattanooga Downtown Redevelopment Corporation (CDRC) has a net position of \$2.1 million, an increase of \$2.5 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. Net position for this fund decreased \$0.3 million or 0.8 percent. This decrease is primarily comprised of \$2.4 million of healthcare costs over premiums and \$2.7 million increase in fleet program reserves for future vehicle purchases.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget

The City's budget ordinance provides 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 \$13.8 million or 5.5 percent. All revenue categories with the exception of charges for service exceeded expectations. All major revenue categories are addressed below.

- Total tax revenue for the year was higher than budget by \$7.9 million or 5.3 percent. Property taxes, inclusive of payments in lieu of tax, exceeded budget by \$5.7 million or 4.4 percent; this includes a \$3.3 million PILOT settlement that was not included in the revenue estimate. The remaining amount is primarily gross receipts tax of \$873,000, corporate excise tax of \$613,000 and beer taxes of \$582,000, all exceeding budget estimates.
- Licenses and permits are \$1.4 million or 25.5 percent above budget primarily from building related permits.
- Intergovernmental revenue is \$2.5 million or 2.9 percent more than budget, primarily due to sales tax, including the tourism development zone. Local option sales tax is \$0.3 million or 0.5 percent over budget while state shared sales tax exceeds budget by \$3.7 million or 27.4 percent. These were offset by a SAFER grant budgeted for two years with only the revenue for the first year.
- Charges for services are \$104,000 over budget or 2.6 percent primarily from special programs and library revenues being \$194,000 over budget, offset by golf revenues being \$125,000 under budget.
- Fines and forfeitures are \$83,000 below estimates. This is primarily due to lower than expected collections for automated traffic program, which is partially being phased out due to a new state law.
- Miscellaneous revenue is \$2.0 million or 26.9 percent above budget primarily due to investment income of \$1.7 million.

Expenditures were less than budget by \$9.5 million or 4.2 percent. All departments were under budget. Employee compensation, which is budgeted at 100 percent of budgeted positions, is \$10.21 million or 7.4 percent below budget due to vacancies. Operations are over budget by \$750,000 or 0.9 percent.

Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the City had a \$2.6 billion net investment in capital assets, an increase of \$54.0 million or 2.2 percent. This investment includes land, buildings, utility system improvements, machinery and equipment, park facilities and infrastructure. Net investment in capital assets for governmental funds decreased \$1.7 million or 0.1 percent while business-type net investment in capital assets increased by \$55.7 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

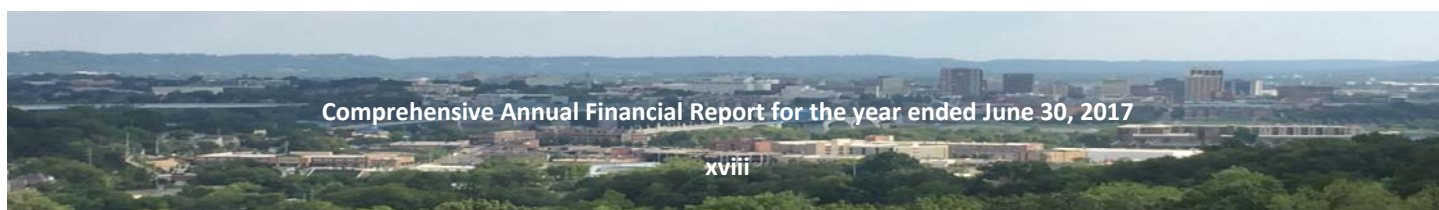
(net of depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Non-depreciable:						
Land & Easements	\$ 1,068,656	\$ 1,063,694	\$ 21,460	\$ 20,749	\$1,090,116	\$ 1,084,443
Construction in progress	69,048	84,911	113,351	91,471	\$ 182,399	\$ 176,382
Depreciable:						
Buildings & Improvements	103,851	104,574	83,385	81,559	\$ 187,236	\$ 186,133
Vehicles & Machinery	36,885	28,934	81,744	90,008	\$ 118,629	\$ 118,942
Infrastructure	206,681	204,715	765,470	725,901	\$ 972,151	\$ 930,616
Total	\$ 1,485,121	\$ 1,486,828	\$1,065,410	1,009,688	\$2,550,531	\$ 2,496,516

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

- Construction-in-progress (CIP) additions for governmental activities include \$3.5 million for paving/sidewalks/road improvements, \$3.0 million for repairs/maintenance to bridges, \$1.1 million of waterfront improvements, \$0.9 million for a new fire station, \$1.6 million in park improvements, and \$0.9 million for technology. \$28.5 million of CIP projects were capitalized for governmental activities. 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.
- The infrastructure decrease in governmental activities is primarily due to depreciation of roads, \$24.8 million, which offset the \$26.8 million of CIP infrastructure that was capitalized. Business-type activities infrastructure assets increased primarily from a \$23.4 million addition to the electric system, \$4.0 million increase in the fiber optic system and \$18.1 million in sewer infrastructure. The net increase was partially offset by depreciation.
- The City of Chattanooga has opted to use depreciation rather than the maintenance method to report infrastructure assets. During the current fiscal year governmental activities recognized depreciation expense of \$24.8 million while business-type activities recognized depreciation expense of \$17.6 million.

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



Debt Administration

At June 30 the City had \$702.4 million in long-term debt outstanding. This is a \$16.3 million decrease or 2.3 percent, from last year. Detail is provided in the table and narrative that follows.

The City of Chattanooga maintains a “AAA” rating from Standard & Poor’s and “AA+” from Fitch Inc. for general obligation debt. The City Charter limits the amount of net general obligation debt to 10 percent of the assessed value of all taxable property within its corporate limits. The City’s general obligation debt, net of self-supporting debt, is \$167.7 million; this is 32.1 percent of its current limit of \$522.6 million. As of year-end, EPB had \$266.5 million in revenue bond debt outstanding compared to \$276.1 million last year; these bonds are rated “AA+” by Standard & Poor’s and Fitch. CDRC had \$96.1 million in revenue bonds outstanding compared to \$100.9 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	
	2017	2016	2017	2016	2017	2016
General obligation bonds (backed by the City)	\$ 181,621	\$ 189,225	\$ 29,189	\$ 36,935	\$ 210,810	\$ 226,160
Revenue bonds (backed by specific revenues)	-	-	362,550	377,000	362,550	377,000
Notes payable and other	18,866	22,937	104,171	92,505	123,037	115,442
Capital leases	6,027	113	-	-	6,027	113
Total	\$ 206,514	\$ 212,275	\$ 495,910	\$ 506,440	\$ 702,424	\$ 718,715

During the year the City issued the following new debt:

- The City issued \$8.2 million in new general obligation bonds; all related to governmental activities.
- \$15.4 million in general obligation bonds were issued to refund \$17.8 million. \$12.6 million were related to governmental activities while \$2.8 million were related to business-type activities.
- A new lease for regional communication equipment was entered into for \$6.0 million; the lease relates to governmental activities only.
- The Interceptor Sewer System drew down \$14.8 million from a state revolving fund loan for E.P.A. consent decree projects.
- A total of \$42.9 million in debt was retired during the fiscal year; \$35.7 million in bond principal payments were made with an additional \$7.3 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.



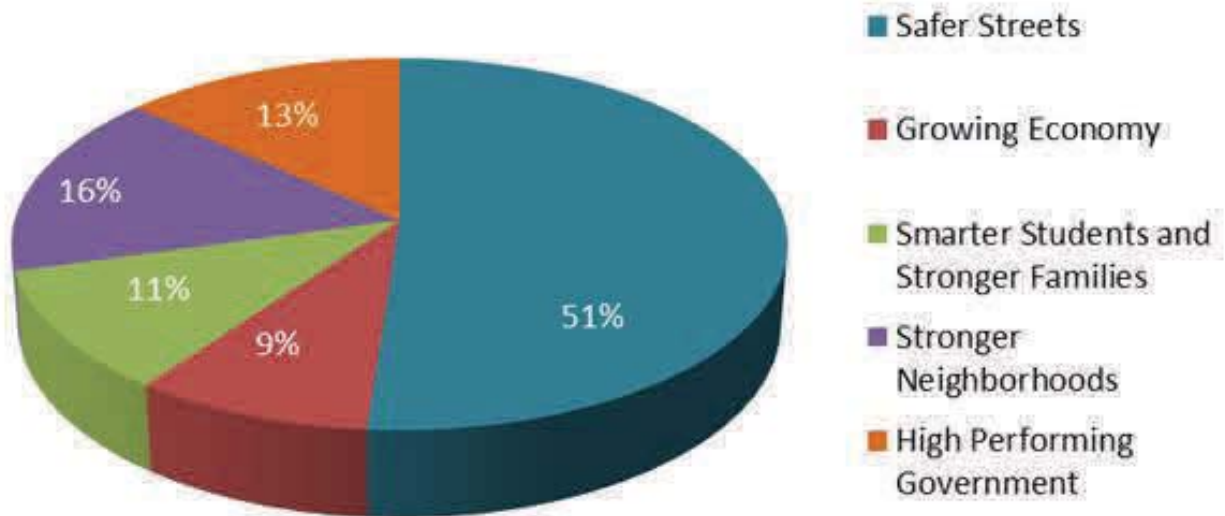
Economic Factors and Next Year's Budgets and Rates

The following factors were taken into account when adopting the budget for 2018:

- Anticipated revenues in the General Fund are \$271.9 million, up \$21.7 million or 8.7 percent from the 2017 budget. The City conservatively forecasts property tax at 95 percent of the tax levy. The fiscal year 2018 budget includes a 3 cent reduction in the property tax rate yet provides sufficient revenue to fund the priorities of residents and meet the City's financial obligations. This increase in revenue is largely due to increased assessments resulting from recent reappraisal of all properties in the City.
- Major revenue increases include property tax revenue of \$18.7 million or 14.3 percent and additional local tax revenue of \$2.2 million or 12.3 percent.
- Expenditures of \$274.7 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 \$14.3 million or 5.5 percent more in 2018, primarily because \$11.7 million increase to public safety or 23.4 percent.
- The City of Chattanooga employs a method called *Budgeting for Outcomes* for undesignated general funds (\$253,431,000). This approach ensures accountability, collaboration, and transparency throughout the entire budgetary process to reflect the priorities of our citizenry. Requests in the form of offers are prioritized by results areas and funded as revenue permits.
 - Safer Streets - The 2018 budget funds 36 offers totaling \$129,680,679 (51.2 percent) of the budget to build a safer Chattanooga. This provides funding for an additional 14 police officers to 500 total, an all-time high, providing a gun crime and rapid response units. Also included is funding to adjust pay brackets for all sworn personnel, beginning a three-phase plan for a second set of turn-out gear for firefighters, and maintaining critical support for ex-offender reentry and domestic survivor services at the Family Justice Center.
 - Growing Economy - 25 offers for a total of \$22,502,679 (8.9 percent) were funded for building a more prosperous Chattanooga. These offers include a brownfield coordinator to allow the city to make viable future developments from brownfield sites, establishing Chattanooga as a Kiva City for entrepreneurial borrowing, and creating an office to oversee workforce readiness.
 - Smarter Students, Stronger Families - \$26,916,704 (10.6 percent) of the budget provides funding for 34 offers that build a smarter, healthier Chattanooga. These dollars will focus on early learning to ensure every child is ready to enter kindergarten as well as ensuring students have access to literacy resources. New moms will have more resources to raise healthy babies and families are supported through effective youth and family development centers throughout Chattanooga.

- Stronger Neighborhoods - Received \$40,605,642 (16.0 percent) to fund 22 offers to build a more connected Chattanooga. We will continue our work to provide high quality affordable homes, recreation opportunities for residents, efficient and customer-focused services and increased access to transportation options.
- High Performing Government - Building a more effective Chattanooga means operating a high-performing, constituent-focused local government. 28 offers totaling \$33,725,296 (13.3 percent) ensure the long-term financial health of the City and funds all essential services.

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



CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 95,513,195	\$ 191,177,334	\$ 286,690,529	\$ 19,671,792
Investments	144,880,848	48,016,069	192,896,917	-
Receivables, net of allowance for uncollectible	175,373,747	98,082,907	273,456,654	3,126,350
Internal balances	(82,599,838)	82,599,838	-	-
Due from component units	150,864	-	150,864	-
Inventories	2,886,646	15,802,075	18,688,721	795,130
Prepaid items	20,164	8,718,059	8,738,223	1,506,903
Other assets	-	-	-	34,310
Restricted assets:				
Cash and cash equivalents	28,506,880	10,716,838	39,223,718	2,548,737
Investments	2,254,224	13,217,254	15,471,478	-
Endowment investments	4,732,290	-	4,732,290	-
Receivables	55,465	-	55,465	228,482
Other	-	22,859	22,859	-
Equity interest in joint venture	7,718,090	-	7,718,090	-
Land and other nondepreciable assets	1,137,703,522	134,811,062	1,272,514,584	12,226,377
Other capital assets, net of accumulated depreciation	347,417,097	930,599,335	1,278,016,432	126,874,117
Total assets	1,864,613,194	1,533,763,630	3,398,376,824	167,012,198
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	3,602,605	16,026,807	19,629,412	-
Deferred pension	91,839,050	19,936,946	111,775,996	4,031,553
Deferred OPEB	15,479,535	2,017,981	17,497,516	-
Total deferred outflows of resources	110,921,190	37,981,734	148,902,924	4,031,553
LIABILITIES				
Accounts payable and accrued liabilities	90,228,454	165,778,389	256,006,843	4,225,392
Customer deposits	-	19,711,000	19,711,000	-
Contracts payable	451,449	2,228,456	2,679,905	-
Unearned grants revenue	598,452	-	598,452	-
Other liabilities	-	9,147,000	9,147,000	16,166,244
Long-term liabilities:				
Due within one year	22,280,964	33,403,393	55,684,357	543,289
Due in more than one year	573,960,072	558,468,658	1,132,428,730	10,113,995
Total liabilities	687,519,391	788,736,896	1,476,256,287	31,048,920
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	132,657,494	-	132,657,494	90,411
Deferred pension	13,023,943	1,485,812	14,509,755	-
Total deferred inflows of resources	145,681,437	1,485,812	147,167,249	90,411
NET POSITION				
Net investment in capital assets	1,277,949,718	652,037,064	1,929,986,782	128,986,500
Restricted for:				
Capital projects	55,695,065	-	55,695,065	-
Debt service reserve	-	9,661,915	9,661,915	2,777,219
Renewal and replacement	-	66,459,463	66,459,463	-
Permanent endowments:				
Expendable	300,121	-	300,121	-
Nonexpendable	4,732,290	-	4,732,290	-
Unrestricted	(196,343,638)	53,364,214	(142,979,424)	8,140,701
Total net position	\$ 1,142,333,556	\$ 781,522,656	\$ 1,923,856,212	\$ 139,904,420

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

CITY OF CHATTANOOGA, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 74,480,648	\$ 14,166,467	\$ 3,146,755	\$ 1,098,994
Economic and community development	11,379,757	4,949,579	5,555,694	15,000
Public safety	116,346,808	960,516	1,490,621	316,636
Public works and transportation	64,442,601	536,615	7,861,417	7,330,603
Youth and family development	27,234,006	532,507	15,585,288	-
Interest on long-term debt	6,380,122	-	-	-
Total governmental activities	<u>300,263,942</u>	<u>21,145,684</u>	<u>33,639,775</u>	<u>8,761,233</u>
Business-type activities:				
Electric utility, including fiber optics	683,959,000	716,889,000	-	1,990,000
Sewer	51,040,686	78,169,727	-	-
Solid waste	3,948,930	6,322,756	-	-
Water quality management	14,525,893	21,239,224	-	100,000
Regional Communications	1,039,599	1,330,745	-	-
Downtown redevelopment	17,794,859	19,324,706	-	549,203
Total business-type activities	<u>772,308,967</u>	<u>843,276,158</u>	<u>-</u>	<u>2,639,203</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,072,572,909</u>	<u>\$ 864,421,842</u>	<u>\$ 33,639,775</u>	<u>\$ 11,400,436</u>
COMPONENT UNITS				
Airport authority	\$ 21,614,785	\$ 20,355,936	\$ -	\$ 2,345,326
Transportation authority	24,852,829	10,272,461	7,794,627	6,808,273
TOTAL COMPONENT UNITS	<u>\$ 46,467,614</u>	<u>\$ 30,628,397</u>	<u>\$ 7,794,627</u>	<u>\$ 9,153,599</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
- Gain on equity interest in joint venture
- Total general revenues and transfers
- Change in net position
 - Net position, beginning
 - Change in accounting principle
 - 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
\$ (56,068,432)	\$ -	\$ (56,068,432)	\$ -
(859,484)	-	(859,484)	-
(113,579,035)	-	(113,579,035)	-
(48,713,966)	-	(48,713,966)	-
(11,116,211)	-	(11,116,211)	-
(6,380,122)	-	(6,380,122)	-
<u>(236,717,250)</u>	<u>-</u>	<u>(236,717,250)</u>	<u>-</u>
-	34,920,000	34,920,000	-
-	27,129,041	27,129,041	-
-	2,373,826	2,373,826	-
-	6,813,331	6,813,331	-
-	291,146	291,146	-
-	2,079,050	2,079,050	-
-	<u>73,606,394</u>	<u>73,606,394</u>	<u>-</u>
<u>(236,717,250)</u>	<u>73,606,394</u>	<u>(163,110,856)</u>	<u>-</u>
-	-	-	1,086,477
-	-	-	22,532
-	-	-	<u>1,109,009</u>
134,943,202	-	134,943,202	-
8,737,791	-	8,737,791	-
7,030,339	-	7,030,339	-
5,958,597	-	5,958,597	-
4,498,990	-	4,498,990	-
750,707	-	750,707	-
57,822,887	-	57,822,887	-
13,930,783	-	13,930,783	-
2,643,174	-	2,643,174	-
4,344,062	-	4,344,062	-
4,182,548	-	4,182,548	-
2,992,787	1,898,682	4,891,469	33,783
-	-	-	2,785,136
831,846	-	831,846	-
229,028	-	229,028	-
<u>248,896,741</u>	<u>1,898,682</u>	<u>250,795,423</u>	<u>2,818,919</u>
12,179,491	75,505,076	87,684,567	3,927,928
1,204,376,829	718,763,276	1,923,140,105	135,976,492
<u>(74,222,764)</u>	<u>(12,745,696)</u>	<u>(86,968,460)</u>	<u>-</u>
<u>\$ 1,142,333,556</u>	<u>\$ 781,522,656</u>	<u>\$ 1,923,856,212</u>	<u>\$ 139,904,420</u>

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

CITY OF CHATTANOOGA, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2017

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 14,506,490	\$ 57,050,885	\$ 22,763,475	\$ 94,320,850
Investments	144,880,848	2,254,224	4,732,290	151,867,362
Receivables, net of allowance for uncollectibles:				
Property taxes	123,365,117	-	-	123,365,117
Other taxes	12,442,569	-	1,243,975	13,686,544
Notes	508,423	85,371	12,025,069	12,618,863
Other	1,632,968	59,712	67,600	1,760,280
Due from other funds	-	204,418	-	204,418
Due from other governments	19,486,836	374,712	3,529,624	23,391,172
Inventories	881,482	-	-	881,482
Prepaid items	4,000	-	16,164	20,164
	<u>\$ 317,708,733</u>	<u>\$ 60,029,322</u>	<u>\$ 44,378,197</u>	<u>\$ 422,116,252</u>
LIABILITIES				
Accounts payable and accrued liabilities:				
Accounts payable	\$ 64,058,853	\$ 3,430,830	\$ 1,393,063	\$ 68,882,746
Accrued payroll	7,269,894	-	693,224	7,963,118
Due to other funds	-	462,609	204,418	667,027
Due to other governments	2,657,212	-	268	2,657,480
Contracts payable	10,631	440,818	-	451,449
Unearned grants revenue	11,261	-	587,191	598,452
	<u>74,007,851</u>	<u>4,334,257</u>	<u>2,878,164</u>	<u>81,220,272</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	131,770,762	-	-	131,770,762
Unavailable revenue - other local taxes	2,377,858	-	604,167	2,982,025
Unavailable revenue - shared tax revenue	7,660,988	-	471,096	8,132,084
Unavailable revenue - CDBG loans	-	-	12,709,485	12,709,485
Unavailable revenue - other	485,383	-	-	485,383
	<u>142,294,991</u>	<u>-</u>	<u>13,784,748</u>	<u>156,079,739</u>
FUND BALANCES				
Nonspendable	1,131,569	-	4,748,454	5,880,023
Restricted	10,599,175	55,695,065	14,986,904	81,281,144
Committed	810,609	-	6,423,455	7,234,064
Assigned	11,105,986	-	1,556,472	12,662,458
Unassigned	77,758,552	-	-	77,758,552
	<u>101,405,891</u>	<u>55,695,065</u>	<u>27,715,285</u>	<u>184,816,241</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 317,708,733</u>	<u>\$ 60,029,322</u>	<u>\$ 44,378,197</u>	<u>\$ 422,116,252</u>

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

CITY OF CHATTANOOGA, TENNESSEE

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

June 30, 2017

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

Fund balances - total governmental funds \$ 184,816,241

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. 1,467,946,980

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. 23,422,245

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. 7,718,090

The internal service fund is used by management to charge the costs of fleet management and risk management activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position 41,183,346

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	\$ 91,839,050	
Deferred OPEB	<u>15,479,535</u>	107,318,585

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. (110,622,674)

The City's pollution remediation obligation is considered a long term obligation (154,267)

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

General pension	(51,861,019)	
Fire and police pension	<u>(189,178,685)</u>	(241,039,704)

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	(181,621,215)	
Add net deferred refunding, issue premiums and discounts	(12,565,148)	
Notes payable	(18,866,275)	
Capital leases	(6,027,412)	
Capital lease payable to CDRC - reported as internal balance	(82,599,838)	
Compensated absences	(21,277,360)	
Accrued interest payable	<u>(2,274,095)</u>	(325,231,343)

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

Deferred pension	<u>(13,023,943)</u>	(13,023,943)
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Net position of governmental activities	<u><u>\$ 1,142,333,556</u></u>
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CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 156,459,144	\$ -	\$ 6,984,506	\$ 163,443,650
Licenses and permits	6,984,927	-	584,154	7,569,081
Intergovernmental	87,479,926	542,601	25,354,027	113,376,554
Charges for services	4,110,133	-	448,138	4,558,271
Fines, forfeitures and penalties	2,075,169	-	42,432	2,117,601
Investment income	2,395,919	196,394	685,158	3,277,471
Contributions and donations	694,882	490,354	59,368	1,244,604
Sale of property	795,216	-	49,038	844,254
Miscellaneous	5,638,149	2,727	960,286	6,601,162
	<u>266,633,465</u>	<u>1,232,076</u>	<u>35,167,107</u>	<u>303,032,648</u>
Total revenues				
EXPENDITURES				
Current:				
General government	54,844,958	-	5,898,073	60,743,031
Finance and administration	5,217,730	-	-	5,217,730
Economic and community development	6,542,353	-	2,375,645	8,917,998
Public safety	103,253,476	-	312,652	103,566,128
Public works and transportation	35,491,052	-	3,716,498	39,207,550
Youth and family development	10,292,055	-	16,214,643	26,506,698
Capital outlay/capital assets	-	33,351,247	-	33,351,247
Debt service:				
Principal retirement	-	-	18,058,024	18,058,024
Interest and fiscal charges	-	-	7,500,115	7,500,115
	<u>215,641,624</u>	<u>33,351,247</u>	<u>54,075,650</u>	<u>303,068,521</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	50,991,841	(32,119,171)	(18,908,543)	(35,873)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	10,737,859	28,961,935	39,699,794
Transfers out	(32,429,443)	(178,558)	(7,091,793)	(39,699,794)
General obligation bonds issued	-	8,200,000	-	8,200,000
Refunding bonds issued	-	12,640,000	-	12,640,000
Premium on bonds issued	-	3,762,622	-	3,762,622
Capital leases	-	5,977,735	-	5,977,735
Payments to refunded bonds escrow agent	-	(14,898,565)	-	(14,898,565)
	<u>(32,429,443)</u>	<u>26,241,093</u>	<u>21,870,142</u>	<u>15,681,792</u>
Total other financing sources (uses)				
Net change in fund balances	18,562,398	(5,878,078)	2,961,599	15,645,919
FUND BALANCES, beginning	82,843,493	61,573,143	24,753,686	169,170,322
FUND BALANCES, ending	<u>\$ 101,405,891</u>	<u>\$ 55,695,065</u>	<u>\$ 27,715,285</u>	<u>\$ 184,816,241</u>

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

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

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 \$ 15,645,919

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. 22,218,998

Depreciation expense for governmental capital assets are included in the governmental activities. (34,786,453)

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. 11,160,434

The net effect of various transactions involving capital assets is to decrease net positions. (557,223)

The gain of equity interest in joint venture is reported in the statement of activities. This gain does not use current financial resources and is not reflected in the governmental funds. 229,028

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	\$ 18,058,024	
Payment of capital lease	4,039,430	
Bonds issued	(8,200,000)	
Premiums on bonds issued	(3,762,622)	
Refunding bonds issued	(12,640,000)	
Escrow payment	14,898,565	
Radio Lease	(5,977,735)	
Amortization	973,943	
Change in accrued interest payable	72,632	7,462,237

Net loss of the internal service fund are reported with governmental activities. (315,093)

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	677,545	
Change in pension expense	(11,362,256)	
Change in pollution remediation liability	1,160,805	
Change in OPEB liability	2,624,231	(6,899,675)

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	(1,978,681)	(1,978,681)
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Change in net position of governmental activities \$ 12,179,491

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

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 148,551,900	\$ 148,551,900	\$ 156,459,144	\$ 7,907,244
Licenses and permits	5,566,140	5,566,140	6,984,927	1,418,787
Intergovernmental	85,001,745	85,001,745	87,479,926	2,478,181
Charges for services	4,006,096	4,006,096	4,110,133	104,037
Fines, forfeitures and penalties	2,158,500	2,158,500	2,075,169	(83,331)
Investment income	600,000	600,000	2,395,919	1,795,919
Miscellaneous	6,902,634	6,902,634	7,128,247	225,613
Total revenues	252,787,015	252,787,015	266,633,465	13,846,450
EXPENDITURES				
General government	48,558,995	48,558,995	44,960,015	(3,598,980)
Executive	2,014,087	2,014,087	1,957,306	(56,781)
Finance and administration	5,622,950	5,622,950	5,217,730	(405,220)
General services	6,441,818	6,441,818	6,077,883	(363,935)
Human resources	2,031,781	2,031,781	1,849,753	(182,028)
Economic and community development	7,712,264	7,712,264	6,542,353	(1,169,911)
Police	65,407,537	65,407,537	64,563,502	(844,035)
Fire	40,711,994	40,711,994	38,689,974	(2,022,020)
Public works	28,078,398	28,078,398	27,668,368	(410,030)
Transportation	8,053,607	8,053,607	7,822,685	(230,922)
Youth and family development	10,468,770	10,468,770	10,292,055	(176,715)
Total expenditures	225,102,201	225,102,201	215,641,624	(9,460,577)
Excess of revenues over expenditures	27,684,814	27,684,814	50,991,841	23,307,027
OTHER FINANCING SOURCES (USES)				
Transfers out	(32,429,443)	(32,429,443)	(32,429,443)	-
Total other financing sources (uses)	(32,429,443)	(32,429,443)	(32,429,443)	-
Net change in fund balances	(4,744,629)	(4,744,629)	18,562,398	23,307,027
FUND BALANCES, beginning	82,843,493	82,843,493	82,843,493	-
FUND BALANCES, ending	\$ 78,098,864	\$ 78,098,864	\$ 101,405,891	\$ 23,307,027

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, 2017

	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
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 90,704,000	\$ 50,726,361	\$ 11,810,181	\$ 29,043,901	\$ 7,080,780	\$ 1,812,111	\$ 191,177,334	\$ 29,699,223
Investments	-	48,016,069	-	-	-	-	48,016,069	-
Receivables:								
Customer service	62,637,000	20,487,220	43,940	6,589,466	-	-	89,757,626	700,287
Other	-	609,104	636	13,253	842,280	1,472	1,466,745	-
Less allowance for doubtful accounts	(1,328,000)	(7,756,194)	(100)	(3,597,635)	(65,226)	-	(12,747,155)	-
Inventories	13,501,000	2,206,300	-	-	94,775	-	15,802,075	2,005,164
Due from other funds	-	-	-	-	-	-	-	462,609
Due from other governments	-	18,759,886	63,093	782,712	-	-	19,605,691	57,810
Prepaid items	8,481,000	-	-	-	236,059	1,000	8,718,059	-
Total current assets	173,995,000	133,048,746	11,917,750	32,831,697	8,188,668	1,814,583	361,796,444	32,925,093
Noncurrent Assets:								
Restricted Assets:								
Cash and cash equivalents	-	-	1,404,658	9,312,180	-	-	10,716,838	-
Investments	3,000,000	-	-	-	10,217,254	-	13,217,254	-
Investment in capital lease	-	-	-	-	82,599,838	-	82,599,838	-
Other	-	-	5,992	16,867	-	-	22,859	-
Total restricted assets	3,000,000	-	1,410,650	9,329,047	92,817,092	-	106,556,789	-
Capital Assets:								
Land	6,475,000	10,748,317	1,517,514	2,170,121	549,203	-	21,460,155	-
Construction in progress	10,410,000	87,074,324	262,827	15,603,756	-	-	113,350,907	173,403
Buildings	69,754,000	64,967,076	1,955,387	10,601,459	766,146	-	148,044,068	5,328,860
Equipment	108,435,000	40,057,894	4,521,940	2,221,768	6,255,223	24,850	161,516,675	3,541,348
Vehicles	-	3,118,040	1,216,676	2,685,153	23,465	-	7,043,334	33,743,607
Infrastructure	805,566,000	448,953,954	9,520,509	43,068,962	-	-	1,307,109,425	-
	1,000,640,000	654,919,605	18,994,853	76,351,219	7,594,037	24,850	1,758,524,564	42,787,218
Less accumulated depreciation	(354,599,000)	(305,044,166)	(9,651,573)	(20,175,341)	(3,642,223)	(1,864)	(693,114,167)	(25,613,577)
Net capital assets	646,041,000	349,875,439	9,343,280	56,175,878	3,951,814	22,986	1,065,410,397	17,173,641
Total assets	823,036,000	482,924,185	22,671,680	98,336,622	104,957,574	1,837,569	1,533,763,630	50,098,734
DEFERRED OUTFLOWS OF RESOURCES								
Deferred refunding	13,697,000	119,038	208,796	23,353	1,978,620	-	16,026,807	-
Deferred pension	12,421,000	3,884,339	404,978	3,036,095	-	190,534	19,936,946	-
Deferred OPEB	-	1,034,803	109,642	821,952	-	51,584	2,017,981	-
Total deferred outflows of resources	\$ 26,118,000	\$ 5,038,180	\$ 723,416	\$ 3,881,400	\$ 1,978,620	\$ 242,118	\$ 37,981,734	\$ -

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, 2017

	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	\$ 131,852,000	\$ 26,728,325	\$ 359,123	\$ 2,902,463	\$ 1,115,029	\$ 5,628	\$ 162,962,568	\$ 8,297,868
Accrued payroll	-	480,878	38,217	342,916	-	24,062	886,073	150,537
Other accrued liabilities	-	142,240	109,020	197,481	1,324,184	-	1,772,925	-
Due to other governments	-	-	-	-	156,825	-	156,825	2,612
Current maturities of long-term liabilities:								
Bonds payable	9,835,000	3,923,129	1,838,814	1,999,738	5,125,000	-	22,721,681	-
Notes payable	-	9,959,606	78,863	-	-	-	10,038,469	-
Compensated absences	185,000	76,233	7,189	60,112	-	6,000	334,534	35,292
Landfill postclosure costs	-	-	308,709	-	-	-	308,709	-
Contracts payable	-	1,765,351	11,699	451,404	-	-	2,228,454	-
Total current liabilities	<u>141,872,000</u>	<u>43,075,762</u>	<u>2,751,634</u>	<u>5,954,114</u>	<u>7,721,038</u>	<u>35,690</u>	<u>201,410,238</u>	<u>8,486,309</u>
Long-term liabilities:								
Bonds payable	286,148,000	2,468,056	7,355,295	14,504,468	97,140,657	-	407,616,476	-
Notes payable	-	93,913,545	218,468	-	-	-	94,132,013	-
Compensated absences	453,000	926,829	87,405	730,840	-	72,947	2,271,021	429,079
OPEB liability	8,896,000	7,395,117	783,543	5,874,312	-	368,641	23,317,613	-
Pension liability	13,415,000	6,606,754	688,814	5,164,002	-	324,074	26,198,644	-
Landfill postclosure costs	-	-	4,932,891	-	-	-	4,932,891	-
Customer deposits	19,711,000	-	-	-	-	-	19,711,000	-
Other noncurrent liabilities	9,147,000	-	-	-	-	-	9,147,000	-
Total long-term liabilities	<u>337,770,000</u>	<u>111,310,301</u>	<u>14,066,416</u>	<u>26,273,622</u>	<u>97,140,657</u>	<u>765,662</u>	<u>587,326,658</u>	<u>429,079</u>
Total liabilities	<u>479,642,000</u>	<u>154,386,063</u>	<u>16,818,050</u>	<u>32,227,736</u>	<u>104,861,695</u>	<u>801,352</u>	<u>788,736,896</u>	<u>8,915,388</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred pension	-	767,888	80,059	600,199	-	37,666	1,485,812	-
Total deferred inflows of resources	<u>-</u>	<u>767,888</u>	<u>80,059</u>	<u>600,199</u>	<u>-</u>	<u>37,666</u>	<u>1,485,812</u>	<u>-</u>
NET POSITION								
Net investment in capital assets	363,755,000	239,730,141	4,882,097	39,695,025	3,951,815	22,986	652,037,064	17,173,641
Restricted for renewal and replacement	-	53,974,847	2,641,490	9,842,950	-	176	66,459,463	-
Restricted for debt service	-	-	-	-	9,661,915	-	9,661,915	-
Unrestricted	5,757,000	39,103,426	(1,026,600)	19,852,112	(11,539,231)	1,217,507	53,364,214	24,009,705
Total net position	<u>\$ 369,512,000</u>	<u>\$ 332,808,414</u>	<u>\$ 6,496,987</u>	<u>\$ 69,390,087</u>	<u>\$ 2,074,499</u>	<u>\$ 1,240,669</u>	<u>\$ 781,522,656</u>	<u>\$ 41,183,346</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, 2017

	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
OPERATING REVENUES								
Charges for services:								
Electric	\$ 557,040,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 557,040,000	\$ -
Fiber optic	136,511,000	-	-	-	-	-	136,511,000	-
Sewer	-	76,998,075	-	-	-	-	76,998,075	-
Waste disposal	-	-	6,052,789	-	-	-	6,052,789	-
Water quality	-	-	-	21,208,462	-	-	21,208,462	-
Lease rental revenue	-	-	-	-	(684,410)	-	(684,410)	-
Conference center	-	-	-	-	14,598,889	-	14,598,889	-
Parking garage	-	-	-	-	1,066,165	-	1,066,165	-
Regional Communications Services	-	-	-	-	-	1,083,939	1,083,939	-
Other services	23,108,000	1,148,391	164,576	-	-	246,806	24,667,773	55,363,009
Other	-	968	32,494	17,757	4,344,062	-	4,395,281	3,726,872
Total operating revenues	716,659,000	78,147,434	6,249,859	21,226,219	19,324,706	1,330,745	842,937,963	59,089,881
OPERATING EXPENSES								
Power purchases	439,729,000	-	-	-	-	-	439,729,000	-
Other electric operations	68,309,000	-	-	-	-	-	68,309,000	-
Fiber optic operations	89,328,000	-	-	-	-	-	89,328,000	-
Sewer plant operations	-	37,599,467	-	-	-	-	37,599,467	-
Waste disposal operations	-	-	3,148,865	-	-	-	3,148,865	-
Water quality operations	-	-	-	12,645,344	-	-	12,645,344	-
Conference center operations	-	-	-	-	12,259,105	-	12,259,105	-
Parking garage operations	-	-	-	-	338,912	-	338,912	-
Regional Communication Services	-	-	-	-	-	1,038,356	1,038,356	-
Fleet operations	-	-	-	-	-	-	-	12,966,022
Liability insurance	-	-	-	-	-	-	-	1,659,250
Health services	-	-	-	-	-	-	-	40,719,773
Technology replacement	-	-	-	-	-	-	-	408,664
Depreciation	54,663,000	11,512,539	536,540	1,445,096	618,040	1,243	68,776,458	4,010,780
Other	12,925,000	-	-	-	293,093	-	13,218,093	-
Total operating expenses	664,954,000	49,112,006	3,685,405	14,090,440	13,509,150	1,039,599	746,390,600	59,764,489
OPERATING INCOME (LOSS)	51,705,000	29,035,428	2,564,454	7,135,779	5,815,556	291,146	96,547,363	(674,608)

(Continued on next page)

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

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	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
(Continued from previous page)								
NONOPERATING REVENUES (EXPENSES)								
Investment income	354,000	904,676	94,943	75,810	469,253	-	1,898,682	-
Interest expense	(9,970,000)	(1,928,680)	(242,105)	(429,335)	(4,285,709)	-	(16,855,829)	-
Tax equivalent	(7,045,000)	-	-	-	-	-	(7,045,000)	-
Other income	230,000	22,293	72,897	13,005	-	-	338,195	369,689
Other expense	(1,990,000)	-	(21,420)	(6,118)	-	-	(2,017,538)	(10,174)
Total nonoperating revenues (expenses)	(18,421,000)	(1,001,711)	(95,685)	(346,638)	(3,816,456)	-	(23,681,490)	359,515
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	33,284,000	28,033,717	2,468,769	6,789,141	1,999,100	291,146	72,865,873	(315,093)
Capital contributions	1,990,000	-	-	100,000	549,203	-	2,639,203	-
CHANGE IN NET POSITION	35,274,000	28,033,717	2,468,769	6,889,141	2,548,303	291,146	75,505,076	(315,093)
NET POSITION, beginning, as previously reported	334,238,000	311,310,438	4,720,706	67,692,611	(473,804)	1,275,325	718,763,276	41,498,439
CHANGE IN ACCOUNTING PRINCIPAL	-	(6,535,741)	(692,488)	(5,191,665)	-	(325,802)	(12,745,696)	-
NET POSITION, beginning, as restated	334,238,000	304,774,697	4,028,218	62,500,946	(473,804)	949,523	706,017,580	41,498,439
NET POSITION, ending	<u>\$ 369,512,000</u>	<u>\$ 332,808,414</u>	<u>\$ 6,496,987</u>	<u>\$ 69,390,087</u>	<u>\$ 2,074,499</u>	<u>\$ 1,240,669</u>	<u>\$ 781,522,656</u>	<u>\$ 41,183,346</u>

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

CITY OF CHATTANOOGA, TENNESSEE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Development	Regional Communications		Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	\$ 719,349,000	\$ 64,520,859	\$ 6,083,442	\$ 19,829,352	\$ 20,189,729	\$ 1,329,273	\$ 831,301,655	\$ 60,242,451
Receipts from operating grants	-	-	101,484	-	-	-	101,484	-
Payments to suppliers	(549,534,000)	(14,328,732)	(1,577,955)	(1,697,837)	(14,039,125)	(354,190)	(581,531,839)	(55,492,680)
Payments to employees	(49,630,000)	(9,743,815)	(1,966,566)	(7,892,313)	-	(529,298)	(69,761,992)	(3,615,400)
Payments in lieu of taxes	(19,417,000)	-	-	-	-	-	(19,417,000)	-
Net cash from operating activities	100,768,000	40,448,312	2,640,405	10,239,202	6,150,604	445,785	160,692,308	1,134,371
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Principal paid on capital debt	(9,560,000)	(6,677,020)	(1,866,508)	(1,891,278)	(4,890,000)	-	(24,884,806)	-
Payments made to escrow agent	-	-	(2,540,064)	(724,891)	-	-	(3,264,955)	-
Interest paid on capital debt	(12,164,000)	(1,703,961)	(321,457)	(662,050)	(4,656,569)	-	(19,508,037)	-
Line of credit	(19,252,000)	-	-	-	-	-	(19,252,000)	-
Proceeds from capital debt	-	14,814,570	2,155,000	615,000	4,039,430	-	21,624,000	-
Capital grants and contributions	1,990,000	-	-	100,000	-	-	2,090,000	-
Additions to capital assets	(75,028,000)	(37,742,720)	(130,066)	(12,055,622)	(760,165)	-	(125,716,573)	(4,233,887)
Proceeds from sale of capital assets	-	-	-	13,005	-	-	13,005	(33,422)
Premium on debt	-	-	408,417	116,555	-	-	524,972	-
Net cash flows used in capital and related financing activities	(114,014,000)	(31,309,131)	(2,294,678)	(14,489,281)	(6,267,304)	-	(168,374,394)	(4,267,309)
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of investments	(3,000,000)	(109,458,420)	(1,402,467)	(3,050,273)	(48,687,536)	-	(165,598,696)	-
Proceeds from sales and maturities of investments	5,000,000	-	2,152,467	-	-	-	7,152,467	-
Interest	377,000	92,340,783	90,022	62,585	48,495,324	-	145,389,381	-
Net cash flows from investing activities	2,377,000	(16,207,368)	840,022	1,565,586	277,041	-	(11,147,719)	-
Net increase (decrease) in cash and cash equivalents	(10,869,000)	(7,068,187)	1,185,749	(2,684,493)	160,341	445,785	(18,829,805)	(3,132,938)
Cash and cash equivalents, beginning of year	101,573,000	57,794,548	12,029,090	41,040,574	6,920,439	1,366,326	220,723,977	32,832,161
Cash and cash equivalents, end of year	\$ 90,704,000	\$ 50,726,361	\$ 13,214,839	\$ 38,356,081	\$ 7,080,780	\$ 1,812,111	\$ 201,894,172	\$ 29,699,223

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Major Funds							
	EPB	Interceptor Sewer System	Solid Waste	Water Quality Management	Downtown Development	Regional Communications		Total
(Continued from previous page)								
CLASSIFIED AS:								
Current assets	\$ 90,704,000	\$ 50,726,361	\$ 11,810,181	\$ 29,043,901	\$ 7,080,780	\$ 1,812,111	\$ 191,177,334	\$ 29,699,223
Restricted assets	-	-	1,404,658	9,312,180	-	-	10,716,838	-
	<u>\$ 90,704,000</u>	<u>\$ 50,726,361</u>	<u>\$ 13,214,839</u>	<u>\$ 38,356,081</u>	<u>\$ 7,080,780</u>	<u>\$ 1,812,111</u>	<u>\$ 201,894,172</u>	<u>\$ 29,699,223</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES								
OPERATING INCOME (LOSS)	\$ 51,705,000	\$ 29,035,428	\$ 2,564,454	\$ 7,135,779	\$ 5,815,556	\$ 291,146	\$ 96,547,363	\$ (674,608)
ADJUSTMENTS NOT AFFECTING CASH								
Depreciation and amortization	54,663,000	11,512,539	536,540	1,445,096	618,040	1,243	68,776,458	4,010,780
Amortization	990,000	-	-	-	-	-	990,000	-
Miscellaneous nonoperating expenses	209,000	-	-	-	-	-	209,000	-
Tax equivalents transferred to City	(7,045,000)	-	-	-	-	-	(7,045,000)	-
Provision for uncollectible accounts	-	2,426,689	-	1,837,243	21,252	-	4,285,184	-
(Increase) decrease in:								
Accounts receivable	2,117,000	(16,075,557)	(1,841)	(3,436,615)	843,771	(1,472)	(16,554,714)	576,549
Due from other governments	-	-	(63,092)	260,905	-	-	197,813	-
Inventory	(208,000)	(713,793)	-	-	5,770	-	(916,023)	(14,270)
Prepaid Items	524,000	-	-	-	-	-	524,000	-
Increase (decrease) in:								
Accounts payable	(1,444,000)	14,225,343	(8,153)	2,838,818	(811,578)	(4,600)	14,795,830	(3,189,095)
Accrued claims	-	-	-	-	(370,385)	-	(370,385)	-
Accrued liabilities	-	(398,580)	(396,075)	35,166	-	(3,651)	(763,140)	-
Claims liabilities	-	-	-	-	-	-	-	43,235
Other assets/liabilities	(1,061,000)	408,238	(319,215)	(2,244,957)	28,178	162,461	(3,026,295)	359,517
Net pension liability	343,000	-	236,732	2,336,632	-	-	2,916,364	-
OPEB	(25,000)	-	91,055	89,535	-	-	155,590	-
Compensated absences	-	28,005	-	(58,400)	-	658	(29,737)	22,263
Total adjustments	<u>49,063,000</u>	<u>11,412,884</u>	<u>75,951</u>	<u>3,103,423</u>	<u>335,048</u>	<u>154,639</u>	<u>64,144,945</u>	<u>1,808,979</u>
Net cash from operating activities	<u>\$ 100,768,000</u>	<u>\$ 40,448,312</u>	<u>\$ 2,640,405</u>	<u>\$ 10,239,202</u>	<u>\$ 6,150,604</u>	<u>\$ 445,785</u>	<u>\$ 160,692,308</u>	<u>\$ 1,134,371</u>

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, 2017

	Other Postemployment Benefits Trust Fund	Pension Trust Fund
	<u> </u>	<u> </u>
ASSETS		
Investments:		
Corporate bonds and notes	\$ -	\$ 18,458,984
Preferred securities	-	2,777,279
Corporate stocks	7,825,672	76,060,492
Foreign equity	3,585,161	6,474,589
Mutual funds - preferred securities	-	3,088,954
Mutual funds - equity	14,194,219	80,513,324
Mutual funds - fixed income	12,895,603	82,067,645
Real estate	4,176,597	39,261,435
Hedge funds	3,158,685	108,956,633
Other investments	-	75,111,538
Temporary investments	8,093,388	5,498,026
Receivables:		
Accrued income	11,798	170,254
Due from plan custodian	<u>1,032,491</u>	<u>-</u>
Total assets	<u>54,973,614</u>	<u>498,439,153</u>
LIABILITIES		
Accounts payable and accrued liabilities:		
Accrued payable	-	188,060
Due to plan custodian	<u>81,666</u>	<u>-</u>
Total liabilities	<u>81,666</u>	<u>188,060</u>
NET POSITION		
Held in trust for other postemployment benefits and net position restricted for pensions	<u>\$ 54,891,948</u>	<u>\$ 498,251,093</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	Other Postemployment Benefits Trust Fund	Pension Trust Fund
	<u>Fund</u>	<u>Fund</u>
ADDITIONS		
Contributions:		
Employer	\$ 13,403,639	\$ 22,717,329
Plan member	2,931,167	5,317,428
Other	-	151,146
	<u>16,334,806</u>	<u>28,185,903</u>
Investment income:		
Net appreciation (depreciation) in fair market value of investments	6,877,146	43,506,027
Interest	-	384,099
Dividends	498,420	4,573,133
	<u>7,375,566</u>	<u>48,463,259</u>
Less investment expense	<u>(61,801)</u>	<u>(868,602)</u>
Net investment income (loss)	<u>7,313,765</u>	<u>47,594,657</u>
Total additions	<u>23,648,571</u>	<u>75,780,560</u>
DEDUCTIONS		
Benefits paid to participants	10,272,291	49,286,666
Administrative expenses	41,992	901,139
	<u>10,314,283</u>	<u>50,187,805</u>
CHANGE IN NET POSITION	13,334,288	25,592,755
NET POSITION - beginning	<u>41,557,660</u>	<u>472,658,338</u>
NET POSITION - ending	<u>\$ 54,891,948</u>	<u>\$ 498,251,093</u>

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS**

June 30, 2017

	Chattanooga Metropolitan Airport Authority	CARTA	Total
ASSETS			
Cash and cash equivalents	\$ 18,003,841	\$ 1,667,951	\$ 19,671,792
Accounts receivable	1,117,079	2,009,271	3,126,350
Inventories	102,580	692,550	795,130
Prepaid items	887,453	619,450	1,506,903
Other postemployment benefit assets	-	34,310	34,310
Restricted assets:			
Cash and cash equivalents	2,548,737	-	2,548,737
Receivables	228,482	-	228,482
Land and other nondepreciable assets	8,700,132	3,526,245	12,226,377
Other capital assets, net of accumulated depreciation	107,055,707	19,818,410	126,874,117
Total assets	<u>138,644,011</u>	<u>28,368,187</u>	<u>167,012,198</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	1,378,064	2,653,489	4,031,553
Total deferred outflows of resources	<u>1,378,064</u>	<u>2,653,489</u>	<u>4,031,553</u>
LIABILITIES			
Accounts payable and accrued liabilities	2,105,562	2,119,830	4,225,392
Net pension obligation	2,541,413	13,478,020	16,019,433
Net OPEB obligation	146,811	-	146,811
Compensated absences payable	-	543,289	543,289
Notes payable	-	150,864	150,864
Revenue bonds payable	9,963,131	-	9,963,131
Total liabilities	<u>14,756,917</u>	<u>16,292,003</u>	<u>31,048,920</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	90,411	-	90,411
Total deferred inflows of resources	<u>90,411</u>	<u>-</u>	<u>90,411</u>
NET POSITION			
Net investment in capital assets	105,792,708	23,193,792	128,986,500
Restricted for debt service and construction	2,777,219	-	2,777,219
Unrestricted	16,604,820	(8,464,119)	8,140,701
Total net position	<u>\$ 125,174,747</u>	<u>\$ 14,729,673</u>	<u>\$ 139,904,420</u>

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

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS**

Year Ended June 30, 2017

	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Chattanooga Metropolitan Airport Authority	CARTA	Total
CHATTANOOGA METROPOLITAN AIRPORT AUTHORITY Airport operations	\$ 21,614,785	\$ 20,355,936	\$ -	\$ 2,345,326	\$ 1,086,477	\$ -	\$ 1,086,477
CARTA CARTA operations	24,852,829	10,272,461	7,794,627	6,808,273	-	22,532	22,532
Total component units	<u>\$ 46,467,614</u>	<u>\$ 30,628,397</u>	<u>\$ 7,794,627</u>	<u>\$ 9,153,599</u>	1,086,477	22,532	1,109,009
	General revenues:						
					28,213	5,570	33,783
					2,709,807	75,329	2,785,136
					<u>2,738,020</u>	<u>80,899</u>	<u>2,818,919</u>
					3,824,497	103,431	3,927,928
					<u>121,350,250</u>	<u>14,626,242</u>	<u>135,976,492</u>
					<u>\$ 125,174,747</u>	<u>\$ 14,729,673</u>	<u>\$ 139,904,420</u>

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



**CITY OF CHATTANOOGA, TENNESSEE NOTES TO
BASIC FINANCIAL STATEMENTS June 30, 2017**

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CITY OF CHATTANOOGA, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

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

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

The City reports the following blended component unit:

Chattanooga Downtown Redevelopment Corporation (CDRC) – 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 (TCA) 7-56; CARTA is responsible for the public transportation system. The City Council appoints ten members of the twelve-member board. CARTA has the authority to issue its own debt; the City finances the majority of CARTA's operating deficits. Separately issued financial statements can be obtained from:

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CARTA
1617 Wilcox Boulevard
Chattanooga, TN 37406

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

Basis of Presentation

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

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

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Budgetary Information

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

Internal Balances

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

Inventories and Prepaid Items

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

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Donated capital assets, donated works of art and similar items are reported at acquisition value rather than fair value.

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.

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

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and will not be recognized as inflow of resources (revenue) until that period. The City has 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. They are reported as deferred inflows on the governmental funds balance sheet and will be recognized as revenue next year. (3) Unavailable revenue relating to loans. (4) Certain amounts related to pensions must be deferred.

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

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and OPEB 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).

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

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

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

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

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues, Expenditures/Expenses

Program Revenues

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

Property Taxes

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

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

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

Indirect Costs

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

Compensated Absences

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

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

Proprietary Funds Operating and Non-operating Revenues and Expenses

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

Estimates

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

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New GASB Standards

During the year ended June 30, 2017, the City of Chattanooga opted to early implement Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which has an effective date of June 30, 2018. This implementation resulted in the change in accounting principles noted in the government-wide financial statements and the proprietary fund financial statements totaling \$86,968,460.

GASB Statement No. 80 *Blending Requirements for Certain Component Units* had no impact on the City of Chattanooga's component units.

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, 2017, 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	3.24	<u>\$ 144,880,848</u>
Primary Government – Business-Type Activities:		
Certificates of deposit classified as investments	2.88	\$ 51,016,069
U.S. Government agency securities	0.00	<u>10,217,254</u>
		<u>\$ 61,233,323</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+	\$ 34,242,050	\$ 34,242,050
Corporate Bonds – Federal Home Credit Bank	AA+	86,100,000	86,100,000
Corporate Bonds – Federal Home Loan Mortgage Corp.	AA+	2,500,000	2,500,000
Corporate Bonds – Federal National Mortgage Association	AA+	12,381,463	12,381,463
Corporate Bonds – Financial Corporation	AA+	<u>9,657,335</u>	<u>9,657,335</u>
		<u>\$144,880,848</u>	<u>\$144,880,848</u>

(Continued)

NOTE 2. CASH AND INVESTMENTS (Continued)

	S&P or Moody's Rating	Fair Value Measurements Using:	
		Fair Value	Level 1
Certificates of Deposit classified as investments	N/A	\$ 51,016,069	\$ 51,016,069
Corporate Bonds - Federal Home Loan Bank Discount Note	AA+	<u>10,217,254</u>	<u>10,217,254</u>
		<u>\$ 61,233,323</u>	<u>\$ 61,233,323</u>

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

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

Credit risk - The City's policies are designed to maximize investment earnings, while protecting the security of principal and providing adequate liquidity, in accordance with all applicable state laws.

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

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

	S&P or Moody's Rating	Fair Value Measurements Using:		
		Fair Value	Level 1	Level 2
Permanent Fund				
Mutual funds – equity	Not rated	\$ 2,774,319	\$ 2,774,319	\$ -
Mutual funds – fixed income	Not rated	1,266,059	1,266,059	-
Other investments	Not rated	592,858	-	592,858
Temporary investments	Not rated	<u>99,054</u>	<u>99,054</u>	<u>-</u>
		<u>\$ 4,732,290</u>	<u>\$ 4,139,432</u>	<u>\$ 592,858</u>

(Continued)

NOTE 2. CASH AND INVESTMENTS (Continued)

	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	BBB-	\$ 1,004,247	\$ 1,004,247	\$ -
Domestic corporate bonds	BB+	1,764,830	1,764,830	-
Domestic corporate bonds	BB-	854,795	854,795	-
Domestic corporate bonds	BB	1,715,022	1,715,022	-
Domestic corporate bonds	B+	177,438	177,438	-
Domestic corporate bonds	Not rated	435,503	435,503	-
Corporate stocks	Not rated	61,589,185	61,589,185	-
Mutual funds – equity	Not rated	16,074,722	16,074,722	-
Mutual funds – fixed income	Not rated	61,005,419	61,005,419	-
Hedge funds	Not rated	46,269,431	-	46,269,431
Private equity funds	Not rated	65,991,808	-	65,991,808
Other investments	Not rated	21,481,169	-	21,481,169
Temporary investments	Not rated	1,920,501	1,920,501	-
		<u>\$ 280,284,070</u>	<u>\$ 146,541,662</u>	<u>\$ 133,742,408</u>
Fire and Police Pension Fund				
Corporate bonds and notes	Not rated	\$ 12,507,149	\$ 12,507,149	\$ -
Preferred securities	Not rated	2,777,279	2,777,279	-
Corporate stocks	Not rated	14,471,307	14,471,307	-
Mutual funds – equity	Not rated	64,438,602	64,438,602	-
Mutual funds – fixed income	Not rated	21,062,226	21,062,226	-
Mutual funds – preferred securities	Not rated	3,088,954	3,088,954	-
Private equity securities	Not rated	9,119,730	-	9,119,730
Foreign equity	Not rated	6,474,589	-	6,474,589
Real estate	Not rated	17,780,266	-	17,780,266
Hedge funds	Not rated	62,687,202	-	62,687,202
Temporary investments	Not rated	3,577,525	3,577,525	-
		<u>\$ 217,984,829</u>	<u>\$ 121,923,042</u>	<u>\$ 96,061,787</u>
Other Postemployment Benefit Trust Fund				
Mutual funds – equity	Not rated	\$ 17,769,381	\$ 17,769,381	\$ -
Mutual funds – fixed income	Not rated	12,895,602	12,895,602	-
Corporate bonds and notes	Not rated	7,825,672	7,825,672	-
Real estate	Not rated	4,176,597	-	4,176,597
Hedge Funds	Not rated	3,158,685	-	3,158,685
Temporary investments	Not rated	8,093,388	8,093,388	-
		<u>\$ 53,919,325</u>	<u>\$ 46,584,043</u>	<u>\$ 7,335,282</u>

At June 30, 2017, the fair values of the City's investments in items classified as Level 3 on the fair value hierarchy totaling \$237,139,477 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	\$ 127,659,609	\$ -	\$ -	\$ -	\$ -	\$ 127,659,609
Accounts	12,442,569	-	1,243,975	-	-	13,686,544
Notes	508,423	85,371	12,881,881	-	-	13,475,675
Customer service	-	-	-	700,287	88,429,626	89,129,913
Other	1,632,968	59,712	67,600	-	1,466,745	3,227,025
Restricted	-	-	-	-	-	-
Intergovernmental	<u>19,486,836</u>	<u>374,712</u>	<u>3,529,624</u>	<u>57,810</u>	<u>19,605,691</u>	<u>43,054,673</u>
Gross receivables	161,730,405	519,795	17,723,080	758,810	109,502,062	290,233,439
Less:						
Allowance for uncollectibles	<u>(4,294,492)</u>	<u>-</u>	<u>(856,812)</u>	<u>-</u>	<u>(11,419,155)</u>	<u>(16,570,459)</u>
Net receivables	<u>\$ 157,435,913</u>	<u>\$ 519,795</u>	<u>\$ 16,866,268</u>	<u>\$ 758,097</u>	<u>\$ 98,082,907</u>	<u>\$ 273,662,980</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 \$4,294,492 is the weighted average percentage of prior year collections on delinquent taxes to the total delinquent taxes receivable at June 30, 2017.

Notes from CARTA

In 2009 CARTA, a component unit of the City, entered into an \$854,288 repayment agreement with the City for the costs of a downtown shuttle service and a parking garage on the North Shore. The loan agreements were for \$375,000 and \$479,288, respectively, to be repaid over 120 months with an interest rate of 4% per annum. The current balances are \$65,494 and \$85,371 respectively.

Community Development Loans

Notes receivable of \$12,881,881, as reported within other governmental funds, represent various loans made from community development funds received from HUD, including CDBG, HOME, and other special grants. These loans are provided to low income recipients for the purchase and repair of homes. Of this amount, \$31,767 represents forgivable loans and \$3,627,425 represents title transfer loans, which are payable only upon the transfer of title by the current loan recipient. The allowance for uncollectable loans is \$856,812.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
PRIMARY GOVERNMENT				
Governmental Activities:				
Non-depreciable assets:				
Land and land improvements	\$1,063,693,972	\$ 5,470,502	\$ 508,662	\$ 1,068,655,812
Construction in progress	<u>84,910,762</u>	<u>20,093,801</u>	<u>35,956,853</u>	<u>69,047,710</u>
Total non-depreciable assets	<u>1,148,604,734</u>	<u>25,564,303</u>	<u>36,465,515</u>	<u>1,137,703,522</u>
Depreciable assets:				
Buildings and improvements	230,041,154	6,044,132	-	236,085,277
Vehicles and machinery	151,754,383	15,128,022	6,714,129	160,168,276
Infrastructure	<u>714,589,218</u>	<u>26,859,129</u>	<u>46,332</u>	<u>741,402,015</u>
Total depreciable assets	<u>1,096,384,755</u>	<u>48,031,274</u>	<u>6,760,461</u>	<u>1,137,655,568</u>
Less accumulated depreciation for:				
Buildings and improvements	125,466,774	6,767,896	-	132,234,670
Vehicles and machinery	122,819,891	7,176,512	6,714,129	123,282,274
Infrastructure	<u>509,874,485</u>	<u>24,852,825</u>	<u>5,783</u>	<u>534,721,527</u>
Total accumulated depreciation	<u>758,161,150</u>	<u>38,797,233</u>	<u>6,719,912</u>	<u>790,238,471</u>
Depreciable assets, net	<u>338,223,605</u>	<u>9,234,041</u>	<u>40,549</u>	<u>347,417,097</u>
Governmental activities capital assets, net	<u>\$ 1,486,828,339</u>	<u>\$ 34,798,344</u>	<u>\$ 36,506,064</u>	<u>\$ 1,485,120,619</u>
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 20,748,824	\$ 712,331	\$ 1,000	\$ 21,460,155
Construction in progress	<u>91,470,877</u>	<u>46,450,569</u>	<u>24,570,539</u>	<u>113,350,907</u>
Total non-depreciable assets	<u>112,219,701</u>	<u>47,162,900</u>	<u>24,571,539</u>	<u>134,811,062</u>
Depreciable assets:				
Buildings and improvements	144,640,763	6,085,305	2,682,000	148,044,068
Vehicles and machinery	168,792,013	5,646,336	5,878,340	168,560,009
Sewer system	430,834,063	18,119,891	-	448,953,954
Solid waste system	9,520,509	-	-	9,520,509
Water quality management system	41,071,310	1,997,652	-	43,068,962
Electric system	685,064,000	39,952,000	19,045,000	705,971,000
Communication system	<u>88,114,000</u>	<u>30,107,000</u>	<u>18,626,000</u>	<u>99,595,000</u>
Total depreciable assets	<u>1,568,036,658</u>	<u>101,908,184</u>	<u>46,231,340</u>	<u>1,623,713,502</u>
Less accumulated depreciation for:				
Buildings and improvements	63,081,938	4,259,137	2,682,000	64,659,074
Vehicles and machinery	78,784,026	13,910,055	5,878,340	86,815,741
Sewer system	228,767,749	7,596,234	-	236,363,983
Solid waste system	2,679,508	317,351	-	2,996,859
Water quality management system	11,701,829	861,681	-	12,563,510
Electric system	237,028,000	25,854,000	19,045,000	243,837,000
Communication system	<u>48,526,000</u>	<u>15,978,000</u>	<u>18,626,000</u>	<u>45,878,000</u>
Total accumulated depreciation	<u>670,569,050</u>	<u>68,776,458</u>	<u>46,231,340</u>	<u>693,114,167</u>
Depreciable assets, net	<u>897,467,608</u>	<u>33,131,726</u>	<u>-</u>	<u>930,599,335</u>
Business-type activities capital assets, net	<u>\$ 1,009,687,309</u>	<u>\$ 80,294,626</u>	<u>\$ 24,571,539</u>	<u>\$ 1,065,410,397</u>

(Continued)

NOTE 4. CAPITAL ASSETS (Continued)

DISCRETELY-PRESENTED COMPONENT UNITS

Non-depreciable assets:

Land	\$ 11,438,289	\$ 347,130	\$ -	\$ 11,785,419
Construction in progress	<u>981,698</u>	<u>236,050</u>	<u>776,790</u>	<u>440,958</u>
Total non-depreciable assets	<u>12,419,987</u>	<u>583,180</u>	<u>776,790</u>	<u>12,226,377</u>

Depreciable assets:

Buildings and improvements	195,184,586	1,857,145	96,819	196,944,912
Vehicles and equipment	<u>66,435,361</u>	<u>3,640,940</u>	<u>6,254</u>	<u>70,070,047</u>
Total depreciable assets	<u>261,619,947</u>	<u>5,498,085</u>	<u>103,073</u>	<u>267,014,959</u>

Less accumulated depreciation	<u>133,496,818</u>	<u>10,544,997</u>	<u>103,072</u>	<u>143,938,743</u>
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Depreciable assets, net	<u>128,123,129</u>	<u>(5,046,912)</u>	<u>-</u>	<u>123,076,217</u>
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Component units capital assets, net	<u>\$ 140,543,116</u>	<u>\$ (4,463,732)</u>	<u>\$ 776,790</u>	<u>\$ 135,302,594</u>
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Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:

General Government	\$ 11,910,831
Public Safety	1,374,919
Economic Development	-
Public Works	24,323,407
Youth & Family Development	234,596
Transportation	<u>953,480</u>

Total	<u>\$ 38,797,233</u>
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Primary Government – Business-Type Activities:

Electric Utility	\$ 54,663,000
Sewer	11,512,539
Solid Waste	536,540
Water Quality Management	1,445,096
Tennessee Valley Regional Communications	1,243
Downtown Redevelopment	<u>618,040</u>

Total	<u>\$ 68,776,458</u>
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Discretely-Presented Component Units:

CARTA	\$ 3,229,653
Airport Authority	<u>7,315,344</u>

Total	<u>\$ 10,544,997</u>
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NOTE 5. LONG-TERM LIABILITIES

Governmental Activities

Debt related to governmental activities at June 30, 2017, 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, 2017</u>
General Obligations Refunding Bonds, Series 1998	\$ 7,292,600	5.25% - 5.50%	09/01/17	\$ 382,000
General Obligations Refunding Bonds, Series 2005 A	17,436,520	3.50% - 5.00%	09/01/19	1,859,276
Hotel-Motel Tax Refunding Bonds, Series 2005 A	6,469,987	3.50% - 5.00%	09/01/19	16,499
General Obligations Bonds, Series 2009	45,415,000	3.00% - 4.63%	11/01/20	9,080,000
General Obligations Bonds, Series 2010 A	6,725,000	2.00% - 4.00%	02/01/30	3,015,000
General Obligation Refunding Bonds, Series 2010 B	4,707,460	2.00% - 4.00%	02/01/30	3,087,017
Hotel-Motel Tax Refunding Bonds, Series 2010 B	29,557,540	2.00% - 4.00%	02/01/30	19,382,983
General Obligation Bonds, Series 2010 C	6,840,000	2.00% - 4.00%	02/01/30	4,430,000
General Obligation Bonds, Series 2011 A	26,495,000	2.00% - 4.00%	10/01/26	17,650,000
General Obligation Refunding Bonds, Series 2011 B	1,949,250	2.00% - 4.00%	10/01/27	1,949,250
Hotel-Motel Tax Refunding Bonds, Series 2011 B	15,595,750	2.00% - 4.00%	10/01/27	15,595,750
General Obligation Bonds, Series 2013	19,355,000	2.00% - 5.00%	10/01/28	15,765,000
Hotel-Motel Tax Pledge, Series 2013	7,420,000	2.00% - 5.00%	10/01/28	6,045,000
General Obligation Refunding Bonds, Series 2014 A	13,792,100	1.75% - 5.00%	11/01/26	13,792,100
Hotel-Motel Tax Refunding Bonds, Series 2014 A	3,961,340	1.75% - 5.00%	11/01/26	3,961,340
General Obligation Bonds, Series 2015 A	28,245,000	5.00%	09/01/30	26,360,000
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	7,655,000
General Obligation Refunding Bonds, Series 2017 B	<u>12,640,000</u>	3.00% - 5.00%	03/01/26	<u>12,640,000</u>
Total payable from Debt Service Fund	<u>\$ 281,052,547</u>			<u>\$ 181,621,215</u>

Notes and Loans Payable

Tennessee Municipal Bond Fund Loan (2003) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$6,000,000 for the purpose of paying for certain general government capital projects. The loan is being repaid over a 15-year period at variable rates through 2018. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2017, is \$495,000 of which \$449,430 is due from Governmental Activities and \$45,570 is due from Solid Waste Fund (a Business-type Activity).

Tennessee Municipal Bond Fund Loan (2004) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$25,000,000 for the purpose of paying for certain general government capital projects. The loan is being repaid over a 20-year period at variable rates through 2024. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2017, is \$10,650,868, of which \$10,399,107 is due from Governmental Activities and \$251,761 is due from Solid Waste Fund (a Business-type Activity).

Hennen Land Note - In December 2007, the City purchased the Narrow Bridge Property from Jenkins Road, LLC. The \$546,428 note is being repaid from parking revenue generated by Hennen's Restaurant employees and customers. The loan was repaid in full at June 30, 2017.

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, 2017 is \$2,136,000.

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, 2017 is \$5,881,738.

(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. The City's lease payment for the year ended June 30, 2017, was \$9,658,154, of which \$4,039,430 was a reduction of principal. The debt service reserve fund held by the fiscal agent at June 30, 2017 is \$9,661,905. The fiscal agent is required by the agreement to apply any interest on the debt service reserve fund toward the lease payments. The debt service reserve fund will be used to retire debt near the end of the lease.

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

Golf Course Capital Lease - In April 2013, the City entered into an equipment lease-purchase agreement to finance golf carts at the Brainerd and Brown Acres Golf Courses totaling \$301,493. The lease term is five years and provides for monthly payments which began April 1, 2013. The recorded liability under this capital lease at June 30, 2017 is \$49,677.

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, 2017 is \$5,977,735.

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

Business-type Activities

Debt related to business-type activities at June 30, 2017, consisted of the following:

Revenue and General Obligation Bonds

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

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

<u>Series</u>	<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2017</u>
Electric Power Board				
2008A Electric System Revenue Bonds	219,830,000	3.00% - 5.00%	09/01/17	6,575,000
2015A Electric System Refunding Revenue Bonds	218,855,000	2.88% - 5.00%	09/01/33	218,855,000
2008B Electric System Revenue Bonds	15,355,000	0.70% - 3.38%	09/01/25	15,185,000
2008C Electric System Revenue Bonds	25,880,000	4.00% - 5.00%	09/01/40	25,880,000

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

Series	Original Principal	Interest Rates	Final Maturity	Principal June 30, 2017
Interceptor Sewer System				
General Obligations Refunding Bonds, Series 1998	\$ 13,612,700	5.25% - 5.50%	09/01/17	\$ 1,493,000
General Obligations Refunding Bonds, Series 2005A	12,545,129	3.50% - 5.00%	09/01/17	2,302,679
General Obligations Refunding Bonds, Series 2014A	2,343,620	1.75% - 5.00%	11/01/26	2,343,620
Solid Waste Fund				
General Obligation Refunding Bonds, Series 2005A	9,877,293	3.50% - 5.00%	09/01/17	1,584,570
General Obligations Refunding Bonds, Series 2014A	4,674,278	1.75% - 5.00%	11/01/26	4,674,278
General Obligation Refunding Bonds, Series 2017B	2,155,000	3.00% - 5.00%	03/01/26	2,155,000
Water Quality Fund				
General Obligation Refunding Bonds, Series 2005A	6,046,071	3.50% - 5.00%	09/01/17	1,041,976
General Obligation Bonds, Series 2013	5,245,000	2.00% - 5.00%	10/01/28	4,625,000
General Obligations Refunding Bonds, Series 2014A	1,153,663	1.75% - 5.00%	11/01/26	1,153,663
General Obligation Bonds, Series 2015 A	8,100,000	5.00%	09/01/30	7,560,000
General Obligation Refunding Bonds, Series 2017B	615,000	3.00% - 5.00%	03/01/26	615,000
Chattanooga Downtown Redevelopment Corporation				
2007 Chatt Lease Rental Rev Ref Bonds	56,110,000	4.00% - 5.00%	10/01/30	48,555,000
2010 Chatt Lease Rental Rev Ref Bonds	<u>66,955,000</u>	3.00% - 5.00%	10/01/24	<u>47,500,000</u>
Total payable from Business-type Activities	<u>\$ 669,352,754</u>			<u>\$ 391,738,786</u>

Notes, Loans, and Line of Credit Payable

1998 Georgia Environmental Facilities Authority - Pursuant to a loan agreement with the Georgia State Revolving Loan Fund, the City of Chattanooga was authorized to incur indebtedness up to \$7,255,000 for the purpose of financing sewer expansion in Northwest Georgia. The 20 year loan is being repaid at 4% interest through 2019. The balance at June 30, 2017 to be paid from Interceptor Sewer Fund is \$807,395.

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, 2017 to be paid from Interceptor Sewer Fund is \$18,268,775.

Tennessee Municipal Bond Fund Loan (2003) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$6,000,000 for the purpose of paying for certain general government capital projects. The loan is being repaid over a 15-year period at variable rates through 2018. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2017, is \$495,000 of which \$449,430 is due from Governmental Activities and \$45,570 is due from Solid Waste Fund (a Business-type Activity).

Tennessee Municipal Bond Fund Loan (2004) - Pursuant to a loan agreement with the Tennessee Municipal Bond Fund, the City of Chattanooga was authorized to incur indebtedness up to \$25,000,000 for the purpose of paying for certain general government capital projects. The loan is being repaid over a 20-year period at variable rates through 2024. Interest rate changes are based on the short-term tax exempt rate that is remarketed and published weekly. The balance at June 30, 2017, is \$10,650,868, of which \$10,399,107 is due from Governmental Activities and \$251,761 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, 2017 to be paid from Interceptor Sewer Fund is \$9,971,611.

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, 2017 to be paid from Interceptor Sewer Fund is \$16,712,736.

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

EPB Video and Internet LOC - In December 2014, a revolving line of credit was secured for the retirement of a prior debt facility. This line of credit was secured by the revenue and other income of the Video and Internet system. The loan incurred monthly interest payments equal to 30-day LIBOR plus 0.95%; subject to a total 1.0% floor. The loan was fully repaid during FY17.

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, 2017 to be paid from Interceptor Sewer Fund is \$26,067,842.

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, 2017 to be paid from Interceptor Sewer Fund is \$30,254,860.

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, 2017 to be paid from Interceptor Sewer Fund is \$1,789,931.

Capitalized Interest

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

	<u>Total Interest</u>	<u>Capitalized Interest</u>	<u>Interest Expense</u>
Interceptor Sewer System	\$ 2,145,182	\$ 216,502	\$ 1,928,680
Water Quality Fund	485,374	56,039	429,335

Component Units

Component Units debt at June 30, 2017, 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, 2017</u>
Metropolitan Airport Authority				
Taxable Refunding Revenue Bonds, Series 2009	\$ 6,600,000	2.95%	04/01/19	\$ 3,546,112
Tax Exempt Revenue Bonds, Series 2014	5,086,077	2.67%	01/10/24	2,809,549
Taxable Revenue Bonds, Series 2014	<u>4,913,923</u>	4.03%	01/10/24	<u>3,607,470</u>
Total payable from Component Units	<u>\$ 16,600,000</u>			<u>\$ 9,963,131</u>

Capital Lease

Fuel Facility Capital Lease – Effective July 1, 2012, the Airport Authority entered into a \$186,643 leasing arrangement for a fuel facility which is classified as a capital lease. The lease agreement specified no rental payment for the first twelve months of the lease. The Authority has recorded lease expense on the straight-line method over the life of the lease and has accrued lease expense. The lease expired during the year ended June 30, 2017, and there are no remaining payments.

Refunding

During the fiscal year 2017 the City issued \$15,410,000 of general obligation bonds to refinance \$17,750,000 resulting in debt service savings of \$3,219,665 with net present value savings of \$2,867,734.

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

In prior years, the City refunded certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liabilities for the refunded bonds are not included in the City's financial statements. At June 30, 2017, the remaining liabilities for the bonds refunded were as follows:

<u>Year Refunded</u>	<u>Primary Government</u>
1998	\$ 3,705,000
2005	27,165,000
2007	66,280,000
2010	23,575,000
2011	52,290,000
2012	18,360,000
2014	26,745,001
2015	19,500,000
2017	17,750,000

Changes in Long-term Liabilities

Changes in long-term liabilities for the fiscal year ended June 30, 2017, were as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Primary Government					
GOVERNMENTAL ACTIVITIES					
General obligation serial bonds	\$ 189,224,880	\$ 20,840,000	\$ 28,443,665	\$ 181,621,215	\$ 15,213,319
Notes payable	22,937,045	-	4,070,770	18,866,275	4,090,717
Capital leases payable	113,267	5,977,735	63,590	6,027,412	1,245,224
Accrued pollution remediation costs	1,315,073	40,000	1,200,805	154,268	79,333
Accrued postemployment benefits	23,544,606	87,078,068	-	110,622,674	-
Accrued general pension costs	30,277,086	21,583,933	-	51,861,019	-
Accrued fire and police pension costs	163,621,947	25,556,742	-	189,178,689	-
Compensated absences	<u>22,428,820</u>	<u>15,074,118</u>	<u>15,761,207</u>	<u>21,741,731</u>	<u>1,652,371</u>
Total governmental activities	<u>\$ 453,462,724</u>	<u>\$176,150,596</u>	<u>\$ 50,762,918</u>	580,073,283	<u>\$ 22,280,964</u>
Original issue premiums and discounts				<u>16,167,753</u>	
				<u>\$ 596,241,036</u>	
BUSINESS-TYPE ACTIVITIES					
EPB:					
Revenue bonds	\$ 276,055,000	\$ -	\$ 9,560,000	\$ 266,495,000	\$ 9,835,000
Line of credit	19,230,000	-	19,230,000	-	-
Accrued postemployment benefits	8,921,000	-	25,000	8,896,000	-
Accrued pension costs	7,768,000	5,647,000	-	13,415,000	-
Compensated absences	<u>761,000</u>	<u>-</u>	<u>123,000</u>	<u>638,000</u>	<u>185,000</u>
	<u>312,735,000</u>	<u>5,647,000</u>	<u>28,938,000</u>	<u>289,444,000</u>	<u>9,760,000</u>
Interceptor Sewer System:					
General obligation serial bonds	9,744,488	-	3,605,189	6,139,299	3,923,129
Notes payable	92,130,411	14,814,570	3,071,831	103,873,150	9,959,606
Accrued postemployment benefits	-	7,395,117	-	7,395,117	-
Accrued general pension costs	3,376,049	3,230,705	-	6,606,754	-
Compensated absences	<u>975,057</u>	<u>1,033,361</u>	<u>1,005,356</u>	<u>1,003,062</u>	<u>76,233</u>
	<u>106,226,005</u>	<u>26,473,753</u>	<u>7,682,376</u>	<u>125,017,382</u>	<u>13,958,968</u>
Solid Waste Fund:					
General obligation serial bonds	10,528,717	2,155,000	4,269,869	8,413,848	1,838,814
Notes payable	373,970	-	76,639	297,331	78,863
Accrued landfill closure costs	5,772,798	-	531,198	5,241,600	308,709
Accrued postemployment benefits	-	783,543	-	783,543	-
Accrued general pension costs	452,082	236,732	-	688,814	-
Compensated absences	<u>154,300</u>	<u>52,021</u>	<u>111,727</u>	<u>94,594</u>	<u>7,189</u>
	<u>17,281,867</u>	<u>3,227,296</u>	<u>4,989,433</u>	<u>15,519,730</u>	<u>2,233,575</u>

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Water Quality Management Fund:					
General obligation serial bonds	16,661,916	615,000	2,641,277	14,635,639	1,999,738
Accrued postemployment benefits	-	5,874,312	-	5,874,312	-
Accrued general pension costs	2,827,370	2,336,632	-	5,164,002	-
Compensated absences	849,352	910,643	969,043	790,952	60,112
	<u>20,338,638</u>	<u>9,736,587</u>	<u>3,610,320</u>	<u>26,464,905</u>	<u>2,059,850</u>
Tennessee Valley Regional Communication Systems Fund:					
Accrued postemployment benefits	-	368,641	-	368,641	-
Accrued general pension costs	-	324,074	-	324,074	-
Compensated absences	78,289	62,591	61,933	78,947	6,000
	<u>78,289</u>	<u>755,306</u>	<u>61,933</u>	<u>771,662</u>	<u>6,000</u>
Chattanooga Downtown Redevelopment Corporation:					
Revenue bonds	<u>100,945,000</u>	-	<u>4,890,000</u>	<u>96,055,000</u>	<u>5,125,000</u>
Total business-type activities	<u>\$ 557,604,799</u>	<u>\$ 45,147,227</u>	<u>\$ 50,172,062</u>	553,272,679	<u>\$ 33,403,393</u>
Original issue premiums and discounts				<u>38,599,372</u>	
				<u>\$ 591,872,051</u>	
Discretely-Presented Component Units					
Airport Authority:					
Revenue bonds	\$ 10,688,651	\$ -	\$ 725,520	\$ 9,963,131	\$ 748,838
Capital lease payable	8,608	-	8,608	-	-
Accrued postemployment benefits	146,811	-	-	146,811	-
Accrued general pension costs	1,366,588	1,174,825	-	2,541,413	-
	<u>12,210,658</u>	<u>1,174,825</u>	<u>734,128</u>	<u>12,651,355</u>	<u>748,838</u>
CARTA:					
Notes payable	246,535	-	95,671	150,864	99,569
Accrued general pension costs	12,970,112	2,830,145	2,322,237	13,478,020	-
	<u>13,216,647</u>	<u>2,830,145</u>	<u>2,417,908</u>	<u>13,628,884</u>	<u>99,569</u>
Total component units	<u>\$ 25,427,305</u>	<u>\$ 4,004,970</u>	<u>\$ 3,152,036</u>	<u>\$ 25,180,770</u>	<u>\$ 848,407</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
2018	\$ 19,304,036	\$ 7,431,313	\$ 32,760,149	\$ 19,501,082
2019	19,597,473	6,731,688	27,927,274	18,452,324
2020	16,417,069	6,131,138	27,002,308	17,389,638
2021	16,061,087	5,608,404	27,180,474	16,334,688
2022	16,277,422	5,063,452	28,952,782	15,219,906
2023-2027	77,080,403	16,066,905	153,856,213	58,120,361
2028-2032	35,750,000	3,016,431	140,692,983	26,488,291
2033-2037	-	-	50,187,084	4,057,576
2038-2041	-	-	7,350,000	635,000
	<u>\$ 200,487,490</u>	<u>\$ 50,049,331</u>	<u>\$ 495,909,267</u>	<u>\$ 176,198,866</u>

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Continued)

<u>Year</u>	<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 848,407	\$ 322,936
2019	3,435,410	281,921
2020	308,916	198,389
2021	319,752	187,553
2022	330,981	176,324
2023-2026	<u>4,870,529</u>	<u>255,360</u>
	<u>\$ 10,113,995</u>	<u>\$ 1,422,483</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>
2018	\$ 1,245,224	\$ 926
2019	1,195,547	-
2020	1,195,547	-
2021	1,195,547	-
2022	<u>1,195,547</u>	<u>-</u>
	<u>\$ 6,027,412</u>	<u>\$ 926</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, 2017, the valuation date, consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	1,128
Inactive plan members entitled to but not yet receiving benefits	108
Active plan members	<u>1,403</u>
Total	<u>2,639</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)

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

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, 2017, the active member contribution rate was 2.0 percent of annual pay, and the City’s contribution rate was 16.57 percent of pay.

Plan Investments

Investment policy - The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the GPP Board of Trustees. It is the policy of the GPP Board of Trustees to pursue an investment strategy that provides sufficient return to meet its actuarial assumptions without undue investment risk. The following was the adopted asset allocation policy as of June 30, 2017:

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

Rate of return - For the year ended June 30, 2017, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 11.46 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, 2017 were as follows:

Total pension liability	\$ 352,796,136
Plan fiduciary net position	<u>(280,271,714)</u>
Net pension liability	<u>\$ 72,524,422</u>
Plan fiduciary net position as a percentage of the total pension liability	79.44%

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2017 using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.75 percent
Salary increases	4.0 - 5.0 percent
Investment rate of return	7.00 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 2000 combined mortality table set forward four years for males and set forward two years for females and using a Scale AA projection to 2025. Post-disability mortality rates were based on the RP 2000 disabled retiree mortality table set forward eight years for males and set forward nine years for females.

Actuarial assumptions used in the January 1, 2017 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 percent to 7.00 percent 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 are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as listed in the last actuarial experience study, dated January 7, 2014 are summarized as follows:

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

Discount rate - The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan members contribute 2 percent of pay and that the Board of Trustees adopts the actuarially determined contribution rate for the employer. Projected future benefit payments for all current plan members were projected through 2128.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the sensitivity of the net pension liability of the Plan to changes in the discount rate. Analysis is calculated using the discount rate of 7.00 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>
GPP net pension liability	\$ <u>112,166,375</u>	\$ <u>72,524,422</u>	\$ <u>38,875,598</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, 2017, the valuation date, consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	781
Inactive plan members entitled to but not yet receiving benefits	22
Active plan members	<u>832</u>
	<u>1,635</u>

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

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

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

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

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

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, 2017 valuation is 32.93% of projected payroll. The active member contribution rate was either 11 or 12 percent and will remain at that percent.

(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, 2017:

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

Rate of return - For the year ended June 30, 2017, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 10.59 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, 2017 were as follows:

Total pension liability	\$ 406,463,227
Plan fiduciary net position	<u>(217,979,379)</u>
Net pension liability	<u>\$ 188,483,848</u>
 Plan fiduciary net position as a percentage of the total pension liability	 53.63%

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.75 percent
Salary increases	2.75 percent plus service based merit increases
Investment rate of return	7.50 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 a modified version of scale MP-2014.

The actuarial assumptions used in the December 31, 2016 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.

(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, 2016 (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 equity	6.71%
International equity	7.71
Fixed income	2.11
Real estate	5.21
Hedge funds	3.91
Private equity	10.91
*Arithmetic mean	

Discount rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at their applicable contribution rates and that City contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the CFPPF, calculated using the discount rate of 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
CFPPF net pension liability	<u>\$ 237,149,607</u>	<u>\$ 188,483,848</u>	<u>\$ 147,838,196</u>

Combining Statements for Pension Trust Fund

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

Combining Statement of Pension Trust Net Position:

	<u>General Pension Plan</u>	<u>Fire and Police Pension Fund</u>	<u>Total</u>
ASSETS			
Receivables:			
Accrued income	<u>\$ 147,848</u>	<u>\$ 22,406</u>	<u>\$ 170,254</u>
Total receivables	<u>147,848</u>	<u>22,406</u>	<u>170,254</u>
Investments:			
Corporate bonds and notes	5,951,835	12,507,149	18,458,984
Preferred securities	-	2,777,279	2,777,279
Corporate stocks	61,589,185	14,471,307	76,060,492
Foreign equity	-	6,474,589	6,474,589
Mutual funds – preferred securities	-	3,088,954	3,088,954
Mutual funds – equity	16,074,722	64,438,602	80,513,324
Mutual funds – fixed income	61,589,185	21,062,226	82,067,645
Real estate	21,481,169	17,780,266	39,261,435
Hedge funds	46,269,431	62,687,202	108,956,633
Other investments	65,991,808	9,119,730	75,111,538
Temporary investments	<u>1,920,501</u>	<u>3,577,525</u>	<u>5,498,026</u>
Total investments	<u>280,284,070</u>	<u>217,984,829</u>	<u>498,268,899</u>
Total assets	<u>280,431,918</u>	<u>218,007,235</u>	<u>498,439,153</u>
LIABILITIES			
Accrued expenses	<u>160,204</u>	<u>27,856</u>	<u>188,060</u>
Total liabilities	<u>160,204</u>	<u>27,856</u>	<u>188,060</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 280,271,714</u>	<u>\$ 217,979,379</u>	<u>\$ 498,251,093</u>

(Continued)

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

Combining Statement of Changes in Plan Net Position:

ADDITIONS

Contributions:

Employer	\$ 9,717,412	\$ 12,999,917	\$ 22,717,329
Employee	1,179,685	4,137,743	5,317,428
Other	-	151,146	151,146
Total contributions	<u>10,897,097</u>	<u>17,288,806</u>	<u>28,185,903</u>

Investments income:

Net appreciation in fair value of investments	23,883,402	19,622,625	43,506,027
Interest	329,267	54,832	384,099
Dividends	<u>2,064,186</u>	<u>2,508,947</u>	<u>4,573,133</u>
	26,276,855	22,186,404	48,463,259
Less investment expense	<u>(532,382)</u>	<u>(336,220)</u>	<u>(868,602)</u>
Net investment income (loss)	<u>25,744,473</u>	<u>21,850,184</u>	<u>47,594,657</u>
Total additions	<u>36,641,570</u>	<u>39,138,990</u>	<u>75,780,560</u>

DEDUCTIONS

Benefits paid to participants	20,277,462	29,009,204	49,286,666
Administrative expenses	<u>158,790</u>	<u>742,349</u>	<u>901,139</u>
Total deductions	<u>20,436,252</u>	<u>29,751,553</u>	<u>50,187,805</u>

NET CHANGE	16,205,318	9,387,437	25,592,755
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NET POSITION RESTRICTED

FOR PENSIONS

Beginning of year	<u>264,066,396</u>	<u>208,591,942</u>	<u>472,658,338</u>
End of year	<u>\$ 280,271,714</u>	<u>\$ 217,979,379</u>	<u>\$ 498,251,093</u>

Other Postemployment Benefits Plan

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

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, 2016, the date of the valuation, consisted of the following:

Inactive members or their beneficiaries currently receiving benefits	1,316
Active members	<u>2,225</u>
Total	<u>3,541</u>

Benefits - All City employees who meet the conditions health coverage as well as conditions for retirement are eligible for benefits. Health coverage eligibility is age 62 with 10 years of consecutive service or 25 years of service regardless of age.

Retirement eligibility is different for general employees and sworn safety employees. General employees are eligible with 5 years of service and age 62, Rule of 80 or age 55. Sworn employees are eligible at age 55 with 10 years of service or any age with 25 years of service (or 30 years if hired after July 1, 2014).

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

(Continued)

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

Other Postemployment Benefits Plan

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 is currently contributing 13.90 percent of the total covered payroll of participants.

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, 2017:

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

Rate of return - For the year ended June 30, 2017, the annual money-weighted rate of return on OPEB investments, net of OPEB plan investment expense, was 12.86 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, 2017 were as follows:

Total OPEB liability	\$ 177,873,426
Plan fiduciary net position	<u>(54,891,948)</u>
City's net OPEB liability	<u>\$ 122,981,478</u>
Plan fiduciary net position as a percentage of the total OPEB liability	30.86%

Actuarial assumptions - The total OPEB liability was determined by an actuarial valuation as of January 1, 2016 using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	3.0 percent
Salary increases	1.5 to 5.0 percent, including inflation
Investment rate of return	7.5 percent compounded annually, net of investment expense, including inflation
Healthcare cost trend rates:	
Pre-Medicare eligible	7.00%
Medicare eligible	5.75%
Ultimate trend rates:	
Pre-Medicare eligible	5.00%
Medicare eligible	5.00%

(Continued)

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

Mortality rates for general retirees 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, 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. Mortality rates for sworn safety retirees were based on the RP 2014 Blue Collar Mortality fully generational using a modified MP-2014 projection scale and set forward three years for males and female for service retirements and beneficiaries of retired participants. The RP 2014 Disabled Mortality fully generational using a modified MP-2014 projection scale and set forward three years for both males and females is used for the period after disability retirement.

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

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

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

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

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

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

Discount rate - The discount rate used to measure the OPEB liability was 7.5 percent; the plan will be funded based on the actuarially determined contribution each year in the future. Based on these assumptions, the 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 Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Continued)

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

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

	<u>1% Decrease</u> <u>(6.5%)</u>	<u>Discount Rate</u> <u>(7.5%)</u>	<u>1% Increase</u> <u>(8.5%)</u>
Net OPEB liability	\$ 141,165,305	\$ 122,981,478	\$ 107,265,166

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. - The following presents the sensitivity of the net OPEB liability of the Plan to changes in healthcare cost trends. Analysis is calculated using the current healthcare cost trend rate and rates that are 1-percentage point lower (6.0 percent decreasing to 4.0% for pre-Medicare, 4.75% decreasing 4.00% for Medicare) or 1-percentage point higher (8.0 percent decreasing to 6.0% for pre-Medicare, 6.75% decreasing to 6.00% for Medicare) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost</u> <u>Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 103,612,393	\$ 122,981,478	\$ 145,807,569

January 1, 2016 is the actuarial valuation date upon which the total OPEB liability is based. The result was rolled forward using standard actuarial techniques to the measurement date. The roll forward calculation adds the normal cost (also called the service cost) for the first half of 2017, subtracts the actual benefits payments for the six month period and then applies the expected investment rate of return for the period. If applicable, actuarial gains and losses arising from benefit changes, the differences between estimates and actual experience, and changes in assumptions or other inputs are reconciled to the total OPEB liability as of the Measurement Date.

The procedure was used to determine the total OPEB liability as of June 30, 2017, as shown in the following:

Total OPEB Liability Roll Forward	
Total OPEB liability as of June 30, 2016	\$ 169,492,864
Actual benefit payment and refunds for July 1, 2016 – June 30, 2017	(7,341,124)
Interest on TOL	12,436,672
Service cost for the period July 1, 2016 – June 30, 2017 at the end of the period	<u>3,285,014</u>
Total OPEB liability rolled forward to June 30, 2017	<u>\$ 177,873,426</u>

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS

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

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

(Continued)

NOTE 7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT OBLIGATION (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 6/30/2015	\$ 745,032,943	\$ 536,793,098	\$ 208,239,845
Changes for the year:			
Service cost	14,929,749	-	14,929,749
Interest expense	55,341,908	-	55,341,908
Changes of benefit terms	-	-	-
Experience losses (gains)	1,617,467	-	1,617,467
Changes of assumptions	-	-	-
Contributions – city	-	26,759,106	(26,759,106)
Contributions – members	-	4,984,165	(4,984,165)
Net investment income	-	(5,599,903)	5,599,903
Benefits paid	(54,332,667)	(54,332,667)	-
Plan administrative expenses	-	(1,499,271)	1,499,271
Other	-	326,393	(326,393)
Net changes	<u>17,556,457</u>	<u>(29,362,177)</u>	<u>46,918,634</u>
Balances at 6/30/2016	<u>\$ 762,589,400</u>	<u>\$ 507,430,921</u>	<u>\$ 255,158,479</u>
	Component Units		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2015	\$ 37,581,911	\$ 23,163,075	\$ 14,418,836
Changes for the year:			
Service cost	1,066,664	-	1,066,664
Interest expense	2,709,581	-	2,709,581
Changes of benefit terms	-	-	-
Experience losses (gains)	155,445	-	155,445
Changes of assumptions	-	-	-
Contributions – city	-	1,543,857	(1,543,857)
Contributions – members	-	360,382	(360,382)
Net investment income	-	781,087	(781,087)
Benefits paid	(2,353,113)	(2,353,113)	-
Plan administrative expenses	-	(35,685)	35,685
Other	-	-	-
Net changes	<u>1,578,577</u>	<u>296,528</u>	<u>1,282,049</u>
Balances at 6/30/2016	<u>\$ 39,160,488</u>	<u>\$ 23,459,603</u>	<u>\$ 15,700,885</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	\$ 67,186,076	\$189,178,689	\$ 13,414,961	\$ 13,475,164	\$ 283,254,890
Deferred pension outflows					
Contributions	9,717,412	12,999,917	575,000	-	23,292,329
Change in assumptions	-	17,142,600	-	-	17,142,600
Difference between expected and actual experience	-	6,475,971	5,960,000	767,591	13,203,562
Net difference between projected and actual earnings on pension plan investments	<u>22,489,996</u>	<u>-</u>	<u>-</u>	<u>967,624</u>	<u>23,457,620</u>
	<u>32,207,408</u>	<u>36,618,488</u>	<u>6,535,000</u>	<u>1,735,215</u>	<u>77,096,111</u>
Deferred pension inflows					
Change in assumptions	2,742,079	-	-	-	2,742,079
Difference between expected and actual experience	206,415	-	-	-	206,415
Net difference between projected and actual earnings on pension plan investments	<u>4,860,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,860,391</u>
	<u>7,808,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,808,885</u>
Pension expense (income)	12,323,018	22,963,944	5,418,683	1,965,259	42,670,904

The following is a summary of each of these plans:

City of Chattanooga General Pension Plan

General Information

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

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

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

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

Employees covered by benefit terms - The following employees were covered by the benefit terms as of January 1, 2016, the valuation date:

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

(Continued)

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

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

Net Pension Liability

The City's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016, rolled-forward to June 30, 2017 using standard roll forward techniques.

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.0 percent
Salary increases	4.0 - 5.0 percent, including inflation
Investment rate of return	7.25 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, 2016 valuation were based on the results of an actuarial experience study, dated January 7, 2014. The investment rate of return was decreased from 7.50% to 7.25% as of January 1, 2016.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US large cap equity	38.0%	8.5%
US small cap equity	7.0	8.2
International equity	15.0	8.3
US core fixed income	10.0	1.0
US high yield fixed income	5.0	4.8
International fixed developed	5.0	1.7
Equity hedge funds	7.0	7.5
Diversified hedge funds	7.0	7.0
Private equity	3.0	15.0
Private real estate	3.0	8.0
	<u>100.0%</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 the current contribution rate of 2% of pay and that City contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2015	\$ 312,068,083	\$ 273,768,908	\$ 38,299,175
Changes for the year:			
Service cost	6,379,426	-	6,379,426
Interest expense	22,693,730	-	22,693,730
Changes of assumptions	8,345,787	-	8,345,787
Difference between expected and actual experience	735,472	-	735,472
Contributions - city	-	8,076,989	(8,076,989)
Contributions - members	-	1,158,835	(1,158,835)
Net investment income	-	193,190	193,190
Benefits paid	(18,970,026)	(18,970,026)	-
Plan administrative expenses	-	(161,500)	161,500
Net changes	<u>19,184,389</u>	<u>(9,702,512)</u>	<u>28,886,901</u>
Balances at 6/30/2016	<u>\$ 331,252,472</u>	<u>\$ 264,066,396</u>	<u>\$ 67,186,076</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 7.50% to 7.25%.

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:

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

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

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

For the year ended June 30, 2017, the City recognized pension expense of \$11,856,882 with an additional \$466,136 for the Airport Authority, a component unit of the City.

(Continued)

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

Deferred outflows of resources related to pensions are as follows:

	<u>Primary Government</u>	<u>Airport Authority</u>	<u>Total</u>
Deferred contributions	\$ 9,349,836	\$ 367,576	\$ 9,717,412
Net difference between projected and actual earnings on pension plan investments	21,639,279	850,717	22,489,996
Difference between expected and actual experience	568,350	22,344	590,694
Change of assumptions	<u>6,449,368</u>	<u>253,548</u>	<u>6,702,916</u>
Total deferred outflow of resources	<u>\$ 38,006,833</u>	<u>\$ 1,494,185</u>	<u>\$ 39,501,018</u>

Deferred inflows of resources related to pensions are as follows:

	<u>Primary Government</u>	<u>Airport Authority</u>	<u>Total</u>
Changes of assumptions	\$ 2,638,356	\$ 103,723	\$ 2,742,079
Difference between expected and actual experience	198,607	7,808	206,415
Net difference between projected and actual earnings on pension plan investments	<u>4,676,539</u>	<u>183,852</u>	<u>4,860,391</u>
Total deferred inflow of resources	<u>\$ 7,513,502</u>	<u>\$ 295,383</u>	<u>\$ 7,808,885</u>

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

Year ended June 30,	
2018	\$ (4,408,776)
2019	(4,408,777)
2020	(7,248,707)
2021	(5,765,447)
2022	<u>(143,014)</u>
	<u>\$ (21,974,721)</u>

Payable to the Pension Plan

At June 30, 2017, 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.

(Continued)

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

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

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

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

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

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

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

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

Employees covered by benefit terms – The following employees were covered by the benefit terms as of December 31, 2015, the valuation date:

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

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, 2016, the active member contribution rate was either 10 or 11 percent of payroll; the contribution will increase in 2017 to 11 or 12 percent and remain. The City's contribution rate was 29.97% of the total covered payroll of participants.

Net Pension Liability

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

(Continued)

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

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.75 percent
Salary increases	2.75 percent plus service based merit increases
Investment rate of return	7.75 percent, net of pension plan investment 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 a modified version of scale MP-2014. The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an experience study for the period January 1, 2010 through December 31, 2014 and based on changes to the retirement rate and COLA assumptions made in the conjunction with plan changes effective July 1, 2014.

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

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

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

Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at 6/30/2015	\$ 392,251,285	\$ 228,629,338	\$ 163,621,947
Changes for the year:			
Service cost	5,599,755	-	5,599,755
Interest expense	29,255,906	-	29,255,906
Difference between expected and actual experience	175,120	-	175,120
Change of assumptions	-	-	-
Contributions - city	-	11,987,641	(11,987,641)
Contributions - members	-	3,869,165	(3,869,165)
Net investment income	-	(5,439,852)	(5,439,852)
Benefits paid	(29,511,435)	(29,511,435)	-
Plan administrative expenses	-	(1,269,308)	1,269,308
Other	-	326,393	(326,393)
Net changes	<u>5,519,346</u>	<u>(20,037,396)</u>	<u>25,556,742</u>
Balances at 6/30/2016	<u>\$ 397,770,631</u>	<u>\$ 208,591,942</u>	<u>\$ 189,178,689</u>

(Continued)

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

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

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

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

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

For the year ended June 30, 2017, the City recognized \$22,963,944 in pension expense. Deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,475,971	\$ -
Change of assumptions	17,142,600	-
Deferred contributions	12,999,917	-
Net difference between projected and actual earnings on pension plan investments	<u>17,733,423</u>	<u>-</u>
Total	<u>\$ 54,351,911</u>	<u>\$ -</u>

Deferred outflows of resources totaling \$12,999,917 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,	
2018	\$ 8,234,789
2019	8,234,788
2020	11,732,915
2021	9,527,050
2022	3,597,435
Thereafter	<u>25,017</u>
	<u>\$ 41,351,994</u>

Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan.

(Continued)

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

Electric Power Board of Chattanooga Retirement Plan

General Information

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

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

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

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

Final monthly salary is the three-year average of base salary on the actual retirement date and the two previous August 1sts. The normal retirement date is the first day of the month coincident with the participant's 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, 2017:

Inactive plan members or beneficiaries currently receiving benefits	16
Inactive plan members entitled to but not yet receiving benefits	122
Active plan members	<u>512</u>
	<u>650</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, 2016, 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, 2016, 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, 2016 valuation were based on the results of an experience study for the period August 1, 2013 through July 31, 2015.

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 table below:

(Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	30-45%	6.5%
International equity	25-40	6.0
Fixed income	20-30	2.5
Real estate	0-10	5.5
Cash	0-10	0.0

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

	<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 6/30/2015	\$ 52,518,014	\$ 44,750,567	\$ 7,767,447
Changes for the year:			
Service cost	3,191,879	-	3,191,879
Interest expense	4,250,696	-	4,250,696
Difference between expected and actual experience	734,695	-	734,695
Changes in assumptions	4,049,739	-	4,049,739
Contributions – EPB	-	7,000,000	(7,000,000)
Net investment income	-	(345,933)	345,933
Benefits paid	(6,568,775)	(6,568,775)	-
Plan administrative expenses	-	(74,572)	74,572
Net changes	<u>5,658,234</u>	<u>10,720</u>	<u>5,647,514</u>
Balance at 6/30/2016	<u>\$ 58,176,248</u>	<u>\$ 44,761,287</u>	<u>\$ 13,414,961</u>

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.0 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:

	<u>1% Decrease</u> <u>(6.0%)</u>	<u>Current Discount Rate</u> <u>(7.0%)</u>	<u>1% Increase</u> <u>(8.0%)</u>
City's net pension liability	<u>\$ 22,664,983</u>	<u>\$ 13,414,961</u>	<u>\$ 5,736,695</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, 2017, EPB recognized \$5,400,000 in pension expense. Deferred outflows of resources related to pensions are as follows:

(Continued)

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

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 5,960,000
Deferred contributions	575,000
Change in assumption	3,810,000
Net difference between projected and actual earnings on pension plan investments	<u>2,076,000</u>
Total	<u>\$ 12,421,000</u>

Deferred outflows of resources totaling \$600,000 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,	
2018	\$ 910,627
2019	910,627
2020	1,517,053
2021	1,315,445
2022	644,440
Thereafter	<u>6,547,903</u>
	<u>\$ 11,846,095</u>

Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan.

Other Postemployment Benefits (City)

General Information

The City early implemented GASB 75 in 2017. The Chattanooga Metropolitan Airport Authority, which participates in the plan, will implement in 2018.

Plan Description - The City's OPEB plan provides postemployment benefits other than pensions for all permanent, full-time City employees and employees of the Chattanooga Metropolitan Airport Authority. 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.

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 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, 2016, the valuation date:

Inactive members or their beneficiaries currently receiving benefits	1,316
Active members	<u>2,225</u>
Total	<u>3,541</u>

(Continued)

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

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 is currently contributing 13.39 percent of the total covered payroll of participants.

Net OPEB Liability

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

Actuarial assumptions. The total OPEB liability in the January 1, 2016 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	7.50 % compounded annually, net of investment expense, and including inflation
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	2021

Mortality rates for general retirees 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, 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. Mortality rates for sworn safety retirees were based on the RP 2014 Blue Collar Mortality fully generational using a modified MP-2014 projection scale and set forward three years for males and female for service retirements and beneficiaries of retired participants. The RP 2014 Disabled Mortality fully generational using a modified MP-2014 projection scale and set forward three years for both males and females is used for the period after disability retirement.

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

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

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

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

Discount rate - The discount rate used to measure the OPEB liability was 7.5 percent. The plan will be funded based on the actuarially determined contribution each year in the future. Based on these assumptions, the 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 Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2015	\$ 166,054,919	\$ 40,069,642	\$ 125,985,277
Changes for the year:			
Service cost	3,078,078	-	3,078,078
Interest expense	12,016,977	-	12,016,977
Difference between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions – employer	-	12,917,243	(12,917,243)
Contributions – employee	-	2,739,171	(2,739,171)
Net investment income	-	(2,469,379)	2,469,379
Benefits paid	(11,657,111)	(11,657,111)	-
Plan administrative expenses	-	(41,906)	41,906
Net changes	<u>3,437,944</u>	<u>1,488,018</u>	<u>1,949,926</u>
Balance at 6/30/2016	<u>\$ 169,492,863</u>	<u>\$ 41,557,660</u>	<u>\$ 127,935,203</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 (6.50%) or 1-percentage point higher (8.50%) than the current discount rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Net OPEB liability	\$ 145,808,359	\$ 127,935,203	\$ 112,517,327

(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) or 1-percentage point higher (8.00% decreasing to 6.00% for pre-Medicare, 6.75% decreasing to 6.00% for Medicare) than the current healthcare cost trend rates:

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

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 7.

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

For the year ended June 30, 2017, the City recognized OPEB expense of \$10,134,465. At June 30, 2017, 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 contribution	\$ 13,100,761	\$ 302,878	\$ 13,403,639
Net difference between projected and actual earnings on plan investments	<u>4,396,755</u>	<u>101,649</u>	<u>4,498,404</u>
Total deferred outflow of resources	<u>\$ 17,497,516</u>	<u>\$ 404,527</u>	<u>\$ 17,902,043</u>

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

Year ended June 30,	
2018	\$ 1,124,601
2019	1,124,601
2020	1,124,601
2021	1,124,601
2022	-
	<u>\$ 4,498,404</u>

Payable to the OPEB Plan

At June 30, 2017, the City reported a payable of \$0 for the outstanding 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 (the Plan) provides health and life insurance benefits to plan members and is administered by an individual designated by EPB. Eligible retirees and their dependents may continue healthcare coverage through EPB, and retirees after July 1, 1994 received a lump sum death benefit from the Plan. The Plan assigns the authority to establish and amend benefit provisions to EPB. A stand-alone financial report is not issued for this plan.

Funding Policy

The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2017, EPB contributed approximately \$1.7 million (approximately 84 percent of total claims). Presently, EPB has the option of prefunding a “Voluntary Employees’ Beneficiary Association Trust” (VEBA) to pay post-employment benefit claims. During fiscal year 2017, EPB had no additional funding to the VEBA for post-employment benefit claims.

(Continued)

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

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 1,841
Interest on net OPEB obligation	580
Adjustment to annual required contribution	<u>(760)</u>
Annual OPEB cost	1,661
Contributions made	<u>(1,686)</u>
Change in net OPEB obligation	25
Net OPEB obligation - beginning of year	<u>8,921</u>
Net OPEB obligation - end of year	<u>\$ 8,896</u>

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

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Other Postemployment	6/30/17	\$ 1,661	102%	\$ 8,896
Benefits	6/30/16	1,743	98%	8,921
	6/30/15	1,565	130%	8,894

Funded Status and Funding Progress

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

Actuarial valuation date	July 1, 2016
Actuarial accrued liability (AAL)	\$ 25,037,066
Actuarial value of plan assets	<u>20,987,018</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,050,048</u>
Funded ratio (actuarial value of plan assets/AAL)	83.8%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 39,552,739
UAAL as a percentage of covered payroll	10.2%

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

Complete schedule funding progress may be found on page B-17.

(Continued)

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

Actuarial Methods and Assumptions

The annual required contribution for each plan is as follows:

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

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

City Deferred Compensation Plan

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

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

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

Asset balance at July 1, 2016	\$ 28,040,044
Deferrals of compensation	2,741,350
Earnings (losses)	2,849,356
Withdrawals	(1,505,823)
Administrative expenses	<u>(29,543)</u>
Asset balance at June 30, 2017	<u>\$ 32,095,384</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 \$1.4 million in fiscal year 2017. Employee contributions were approximately \$3.1 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, 2017, 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:

(Continued)

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

General Information

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

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

Employees covered by benefit terms – The following employees were covered by the benefit terms as of January 1, 2017, the valuation date, inclusive of both plans:

Inactive employees or beneficiaries currently receiving benefits	104
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>161</u>
	<u>272</u>

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

Net Pension Liability

The Authority's net pension liability was measured as of January 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Changes in Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 1/1/16	\$ 25,777,472	\$ 12,807,360	\$ 12,970,112
Changes for the year:			
Service cost	825,353	-	825,353
Interest expense	1,851,157	-	1,851,157
Experience losses/ (gains)	127,625	-	127,625
Contributions – CARTA	-	1,238,333	(1,228,333)
Contributions – members	-	316,547	(316,547)
Net investment income	-	773,779	(773,779)
Benefits paid	(1,635,544)	(1,635,544)	-
Plan administrative expenses	-	(29,576)	29,576
Other	-	-	-
Net changes	<u>1,168,591</u>	<u>663,539</u>	<u>505,052</u>
Balances at 1/1/17	<u>\$ 26,946,063</u>	<u>\$ 13,470,899</u>	<u>\$ 13,475,164</u>

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

	1% Decrease <u>(6.5% & 4.5%)</u>	Current Discount Rate <u>(7.5% & 5.5%)</u>	1% Increase <u>(8.5% & 6.5%)</u>
Authority’s net pension liability:			
Disability and Retirement Plan	\$ 16,187,227	\$ 13,191,844	\$ 10,679,034
Defined Benefit Plan	391,246	284,933	194,387

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

For the year ended June 30, 2017, the Authority recognized pension expense of \$1,965,259. 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	\$ 767,591	\$ -
Deferred contributions	-	-
Net difference between projected and actual earnings on pension plan investments	<u>967,624</u>	<u>-</u>
Total	<u>\$ 1,735,215</u>	<u>\$ -</u>

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

Year ended June 30,	
2017	\$ 495,672
2018	510,051
2019	460,305
2020	216,300
2021	49,602
Thereafter	<u>3,285</u>
	<u>\$ 1,735,215</u>

Other Postemployment Benefits of Component Units

Plan Description

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

Funding Policy

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

(Continued)

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

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2017, the annual OPEB cost is equal to the annual required contribution of \$32,105 as determined by actuarial valuations performed as of July 1, 2016, respectively.

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

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
Other Postemployment Benefits	6/30/17	\$ 33,930	36.6%	\$ (34,310)
	6/30/16	42,165	40.3%	(60,935)
	6/30/15	38,529	114.4%	(97,643)
	6/30/14	47,385	308.4%	(94,017)
	6/30/13	45,526	89.4%	4,843

Actuarial Methods and Assumptions

The annual required contribution for the plan is as follows:

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

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	Nonmajor Governmental Funds (Hotel/Motel)	\$ 204,419
Internal Service Fund	Capital Project Fund	<u>462,609</u>
		<u>\$ 667,027</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. 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, 2017, the minimum fund balance per policy is \$40.0 million. The current unrestricted fund balance is \$89.7 million.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances:				
Nonspendable				
Endowments	\$ -	\$ -	\$ 4,732,290	\$ 4,732,290
Inventory	881,481	-	-	881,481
Long-term notes receivable	246,088	-	-	246,088
Prepaid expenses	4,000	-	16,164	20,164
Restricted				
Law enforcement	67,393	-	1,174,118	1,241,511
Economic development	10,090,069	-	11,780	10,101,849
African-American Museum	83,592	-	-	83,592
Special programs	358,121	-	-	358,121
Capital projects	-	55,695,065	-	55,695,065
Library Endowment	-	-	300,121	300,121
Social services program	-	-	685,009	685,009
State street aid	-	-	4,450,523	4,450,523
Community development	-	-	1,722,304	1,722,304
Hotel-Motel tax revenue pledge	-	-	5,632,230	5,632,230
Regional Planning Agency	-	-	593,447	593,447
Air Pollution Control Bureau	-	-	417,372	417,372
Committed				
Law enforcement	262,301	-	-	262,301
Economic development	347,708	-	-	347,708
Free Public Library	117,008	-	-	117,008
African-American Museum	83,592	-	-	83,592
Regional Planning Agency	-	-	3,964,906	3,964,906
Air Pollution Control Bureau	-	-	626,058	626,058
Scenic Cities Beautiful Commission	-	-	54,095	54,095
Debt service	-	-	1,778,396	1,778,396
Assigned				
Public Library	1,723,781	-	-	1,723,781
Special programs	4,765,608	-	-	4,765,608
River Pier garage	-	-	1,315,448	1,315,448
Golf course	298,885	-	-	298,885
Other purposes	4,317,712	-	-	4,317,712
Unassigned	<u>77,758,552</u>	<u>-</u>	<u>-</u>	<u>77,758,552</u>
Total fund balances	<u>\$101,405,891</u>	<u>\$55,695,065</u>	<u>\$27,715,285</u>	<u>\$ 184,816,241</u>
Summary for Governmental Funds				
Balance Sheet:				
Nonspendable	\$ 1,131,569	\$ -	\$ 4,748,454	\$ 5,880,023
Restricted	10,599,175	55,695,065	14,986,904	81,281,144
Committed	810,609	-	6,423,455	7,234,064
Assigned	11,105,986	-	1,556,472	12,662,458
Unassigned	<u>77,758,552</u>	<u>-</u>	<u>-</u>	<u>77,758,552</u>
Total fund balances	<u>\$101,405,891</u>	<u>\$55,695,065</u>	<u>\$27,715,285</u>	<u>\$ 184,816,241</u>

NOTE 10. INTERFUND TRANSFERS

	Transfers In:		
	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers out:			
General Fund	\$ 8,060,191	\$ 24,369,252	\$ 32,429,443
Capital Projects Fund	-	178,558	178,558
Nonmajor Governmental Funds:			
Narcotics Program	700,187	-	700,187
Community Development	403,141	416,743	819,884
State Street Aid	224,340	-	224,340
Hotel/Motel Tax	<u>1,350,000</u>	<u>3,997,382</u>	<u>5,347,382</u>
Total	<u>\$ 10,737,859</u>	<u>\$ 28,961,935</u>	<u>\$ 39,699,794</u>

Transfers are used to: (1) move revenues from the General Fund, the Capital Projects Fund, the Community Development Fund, and the Hotel/Motel Tax Fund to the Debt Service Fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the Capital Projects Fund and the Debt Service Fund as required, (3) move unrestricted revenues from the General Fund to other funds for various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, (4) move unrestricted revenues from the General Fund to the Capital Projects Fund for ongoing projects. (5) move revenues from the Narcotics Program, Community Development Fund, State Street Aid, and Hotel/Motel Fund to Capital Projects Fund for going projects.

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 \$100,000 depending on the type of damage. As of June 30, 2017, 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, 2017, the Internal Service Fund liability consists of \$2,657,120 related to torts and \$3,978,606 related to medical benefits. Assets are sufficient in the fund to cover unpaid claims.

(Continued)

NOTE 11. RISK MANAGEMENT (Continued)

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

	<u>General Fund</u>	Internal <u>Service Fund</u>
Unpaid claims, June 30, 2015	\$ 298,607	\$ 8,029,205
Incurred claims, including IBNRs/reduction in estimated liabilities	2,270,285	28,307,820
Claim payments	<u>(2,206,596)</u>	<u>(28,853,307)</u>
Unpaid claims, June 30, 2016	362,296	7,483,718
Incurred claims, including IBNRs/reduction in estimated liabilities	3,578,190	27,678,820
Claim payments	<u>(3,384,182)</u>	<u>(28,834,737)</u>
Unpaid claims, June 30, 2017	<u>\$ 556,304</u>	<u>\$ 6,327,801</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.

Downtown Housing Development

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

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

(Continued)

NOTE 12. TAX ABATEMENTS (Continued)

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.

Information relevant to disclosure of these programs includes the following:

	<u>Number of New Abatements During the Fiscal Year</u>	<u>Number of Abatements as of End of the Fiscal Year</u>	<u>Number of Future Abatements Approved by Council</u>	<u>Amounts of Abatements During the Fiscal Year</u>
Downtown Housing Development Commercial and Industrial Development	-	6	3	\$ 54,729
	<u>1</u>	<u>33</u>	<u>2</u>	<u>9,376,318</u>
Total	<u>1</u>	<u>39</u>	<u>5</u>	<u>\$ 9,431,047</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, 2017 the City’s commitment with contractors was \$96,211,241.

Airport Debt

In May 2009, the City guaranteed the 10-year, \$6.6 million Taxable Revenue Refunding Bonds of the Chattanooga Metropolitan Airport Authority, a legally separate component unit of the City of Chattanooga, through an Airport Operation Service Contract. The bonds mature annually through April 1, 2019, with semiannual interest payments. In the event the Airport is unable to make payment, the City will be required to make that payment. The balance at June 30, 2017 is \$3,718,378. The Airport issued an additional \$10,000,000 in Taxable and Tax-Exempt bonds in 2014 which are not guaranteed by the City.

(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

Landfill Closure and Post Closure Care Costs

The Solid Waste Fund accounts for all aspects of solid waste disposal, including the city’s municipal landfill; operations include a current landfill as well as closure and post closure care costs of landfills closed in prior years. State and federal regulations require the City to place a final cover on all landfills after closure and perform certain maintenance and monitoring functions for 30 years thereafter. The City recognizes landfill closure and post closure care costs based on the amount of the landfill used during the year. The estimated liability is based on 15.2 percent of the City Landfill Area III capacity and 100 percent usage of the Summit Landfill and the City Landfill Area II. At the current yield of utilization rate, we expect the landfill to have a remaining life of 56 years.

Changes in the estimated liability for landfill closure and post closure care costs for the year ended June 30, 2017, are as follows:

Estimated liability, June 30, 2016	\$ 5,772,800
Expenses recognized	89,454
Costs incurred	<u>(531,198)</u>
Estimated liability, June 30, 2017	<u>\$ 5,331,055</u>
Due within one year	<u>\$ 308,709</u>

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

Consent Decree

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

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

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 part by a regulator;
- The City is named or has evidence that it will be named in a lawsuit to enforce a cleanup; or
- The City commences or legally obligates itself to conduct remediation activities.

(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

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 \$17,474 in pollution remediation obligation related activities. At June 30, 2017, the City had an outstanding pollution remediation cost of \$354,267 with an estimated \$200,000 in grant revenue to offset these costs leaving a net pollution remediation obligation of \$154,267.

Site investigation, planning, cleanup and site monitoring are typical remediation activities underway across the City. Montague Park, which is on the Tennessee Department of Environment and Conservation's (TDEC) site list, is an old landfill site. The park was closed in 2003 when methane gas leaks were found. After many years' remediation work done by both City and the local rugby club, this project was finally completed in 2017.

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

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 \$74,268 at the end of fiscal year 2017.

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, City will fund the remaining \$40,000 and complete the remediation around the September of 2019.

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.

(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

The Industrial Development Board currently has ten (10) outstanding bond issues, the original amounts of which were \$262,150,000. The Health, Educational and Housing Facility Board currently has thirty (30) bond issues, the original amount of which were \$623,025,727. 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-utilize areas in the City of Chattanooga and in other properties designated by City Council and the Hamilton County Commission. This program applies only to projects initiated by a private developer and supported by tax increment property tax revenues. It is a discretionary program and does not create or vest any rights in any person or entity.

As of June 30, 2017, the City has committed \$100,856.93 to the Industrial Development Board.

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.

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	\$ 162,637,000	\$11,957,000	\$ (599,000)	\$ 173,995,000
Investments	-	-	-	-
Capital assets	562,615,000	84,426,000	-	649,041,000
Deferred outflows of resources	<u>24,677,000</u>	<u>1,441,000</u>	<u>-</u>	<u>26,118,000</u>
Total assets and deferred outflows of resources	<u>749,929,000</u>	<u>99,824,000</u>	<u>(599,000)</u>	<u>849,154,000</u>
Liabilities and deferred inflows of resources:				
Current liabilities	128,337,000	14,134,000	(599,000)	141,872,000
Noncurrent liabilities	334,897,000	9,373,000	-	344,270,000
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>463,234,000</u>	<u>23,507,000</u>	<u>(599,000)</u>	<u>486,142,000</u>
Net position:				
Net investment in capital assets	277,329,000	86,426,000	-	363,755,000
Unrestricted	<u>9,366,000</u>	<u>(3,609,000)</u>	<u>-</u>	<u>5,757,000</u>
Total net position	<u>\$ 286,695,000</u>	<u>\$82,817,000</u>	<u>\$ -</u>	<u>\$ 369,512,000</u>

(Continued)

NOTE 14. SEGMENT INFORMATION (Continued)

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

	<u>Electric Division</u>	<u>Fiber Optics Division</u>	<u>Eliminations</u>	<u>Total</u>
Customer charges	\$ 582,337,000	\$ 150,148,000	\$ (14,921,000)	\$ 717,564,000
Depreciation expense	(38,687,000)	(15,976,000)	-	(54,663,000)
Other operating expense	<u>(520,410,000)</u>	<u>(105,707,000)</u>	<u>14,921,000</u>	<u>(611,196,000)</u>
Operating income	23,240,000	28,465,000	-	5,705,000
Nonoperating revenues (expenses):				
Investment earnings	354,000	-	-	354,000
Interest expense	(9,934,000)	(36,000)	-	(9,970,000)
Other nonoperating	209,000	21,000	-	230,000
Tax equivalent	<u>(6,466,000)</u>	<u>(579,000)</u>	<u>-</u>	<u>(7,045,000)</u>
Change in net position	<u>7,403,000</u>	<u>27,871,000</u>	<u>-</u>	<u>35,274,000</u>
Net position, beginning, as previously reported	<u>279,292,000</u>	<u>54,946,000</u>	<u>-</u>	<u>334,238,000</u>
Net position, end of year	<u>\$ 286,695,000</u>	<u>\$ 82,817,000</u>	<u>\$ -</u>	<u>\$ 369,512,000</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	57,709,000	43,059,000	-	100,768,000
Capital and related financing activities	(65,581,000)	(48,433,000)	-	(114,014,000)
Investing activities	<u>2,354,000</u>	<u>23,000</u>	<u>-</u>	<u>2,377,000</u>
Net increase (decrease)	(5,518,000)	(5,351,000)	-	(10,869,000)
Beginning cash and cash equivalents	<u>99,660,000</u>	<u>7,913,000</u>	<u>-</u>	<u>101,573,000</u>
Ending cash and cash equivalents	<u>\$ 88,142,000</u>	<u>\$ 2,562,000</u>	<u>\$ -</u>	<u>\$ 90,704,000</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	\$ 11,577,135
Multiplied by two-thirds	<u>x 2/3</u>
City's equity interest	<u>\$ 7,718,090</u>

NOTE 15. JOINT VENTURE (Continued)

Condensed financial information for Carter Street Corporation as of June 30, 2017, is as follows:

STATEMENT OF NET POSITION

Assets:	
Cash	\$ 2,211,808
Accounts receivable, net	349,464
Prepaid expenses	4,657
Inventories	67,336
Capital assets, net	<u>9,277,694</u>
Total assets	<u>\$ 11,910,959</u>
Liabilities:	
Accounts payable	\$ 95,547
Accrued expenses	178,543
Advanced deposits	<u>59,734</u>
Total liabilities	<u>333,824</u>
Net Position:	
Net investment in capital assets	9,277,694
Unrestricted	<u>2,299,441</u>
Total net position	<u>11,577,135</u>
Total liabilities and net position	<u>\$ 11,910,959</u>

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Total operating revenues	\$ 4,558,000
Total operating expenses	<u>4,636,535</u>
Loss from operations	(78,535)
Nonoperating revenues	250,000
Loss on disposal of capital assets	(2,923)
Capital contributions	<u>175,000</u>
Net increase	343,542
Net position, beginning of year	<u>11,233,593</u>
Net position, end of year	<u>\$ 11,577,135</u>

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



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
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 6,982,512	\$ 6,379,426	\$ 6,381,168	\$ 6,069,090
Interest	23,280,746	22,693,730	21,950,480	22,247,450
Differences between expected and actual experience	2,630,676	735,472	(333,439)	-
Changes of assumptions	8,927,192	8,345,787	-	(5,893,894)
Benefit payments, including refund of member contributions	(20,277,462)	(18,970,026)	(17,206,397)	(16,420,492)
Net change in total pension liability	<u>21,543,664</u>	<u>19,184,389</u>	<u>10,791,812</u>	<u>6,002,154</u>
Total pension liability - beginning	<u>331,252,472</u>	<u>312,068,083</u>	<u>301,276,271</u>	<u>295,274,117</u>
Total pension liability - ending (a)	<u>\$ 352,796,136</u>	<u>\$ 331,252,472</u>	<u>\$ 312,068,083</u>	<u>\$ 301,276,271</u>
Plan fiduciary net position				
Contributions - employer	\$ 9,717,412	\$ 8,076,989	\$ 7,925,195	\$ 7,751,909
Contributions - member	1,179,685	1,158,835	1,140,121	1,130,354
Net investment income	25,744,473	193,190	9,290,101	31,178,197
Benefit payments, including refund of member contributions	(20,277,462)	(18,970,026)	(17,206,397)	(16,420,492)
Administrative expense	(158,790)	(161,500)	(205,580)	(192,205)
Net change in plan fiduciary net position	<u>16,205,318</u>	<u>(9,702,512)</u>	<u>943,440</u>	<u>23,447,763</u>
Plan fiduciary net position - beginning	<u>264,066,396</u>	<u>273,768,908</u>	<u>272,825,468</u>	<u>249,377,705</u>
Plan fiduciary net position - ending (b)	<u>\$ 280,271,714</u>	<u>\$ 264,066,396</u>	<u>\$ 273,768,908</u>	<u>\$ 272,825,468</u>
Net pension liability - ending (a) - (b)	<u>\$ 72,524,422</u>	<u>\$ 67,186,076</u>	<u>\$ 38,299,175</u>	<u>\$ 28,450,803</u>
Plan fiduciary net position as a percentage of the total pension liability	79.44%	79.72%	87.73%	90.56%
Covered employee payroll	\$ 59,220,510	\$ 57,608,950	\$ 57,555,196	\$ 55,815,216
Net pension liability as a percentage of covered employee payroll	122.47%	116.62%	66.54%	50.97%

Notes to Schedule:

Benefit changes. None

Changes in actuarial assumptions and methods:

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
 Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 5,398,371	\$ 5,599,755	\$ 5,754,036	\$ 5,858,028
Interest	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	(8,657,838)	175,120	1,007,292	9,811,157
Changes of assumptions	10,839,776	-	23,999,640	-
Benefit payments, including refund of member contributions	(29,009,204)	(29,511,435)	(28,100,924)	(30,114,186)
Net change in total pension liability	<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>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>\$ 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	\$ 12,999,917	\$ 11,987,641	\$ 11,115,222	\$ 13,495,433
Contributions - member	4,137,743	3,869,165	3,528,823	3,199,093
Net investment income	21,850,184	(5,439,852)	6,760,919	33,750,882
Benefit payments, including refund of member contributions	(29,009,204)	(29,511,435)	(28,100,924)	(30,114,186)
Administrative expense	(742,349)	(1,269,308)	(889,162)	(608,924)
Other	151,146	326,393	162,076	167,314
Net change in plan fiduciary net position	<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>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>\$ 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>\$ 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	53.63%	52.44%	58.29%	65.10%
Covered employee payroll	\$ 38,432,299	\$ 38,954,094	\$ 39,282,422	\$ 36,187,624
Net pension liability as a percentage of covered employee payroll	490.43%	485.65%	416.53%	349.64%

Notes to Schedule:

Benefit changes: None.

Changes in assumptions: Since the last disclosure, the investment return assumption decreased from 7.75% to 7.50%. The administrative was increased from \$600,000 to \$850,000.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 9,550,286	\$ 8,120,912	\$ 7,771,920	\$ 7,717,400	\$ 7,806,000	\$ 7,203,000	\$ 6,302,882	\$ 3,779,597	\$ 3,600,000	\$ 3,502,000
Contributions in relation to the actuarially determined contribution	9,717,412	8,076,989	7,925,195	7,751,909	7,599,939	6,682,722	4,376,484	3,779,597	3,600,000	3,502,000
Contribution deficiency (excess)	<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>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 59,220,510	\$ 57,608,950	\$ 57,555,196	\$ 55,815,216	\$ 56,270,053	\$ 57,976,515	\$ 57,061,358	\$ 58,140,286	\$ 59,645,747	\$ 56,581,858
Contributions as a percentage of covered-employee payroll	16.41%	14.02%	13.77%	13.89%	13.51%	11.53%	7.67%	6.50%	6.04%	6.19%

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	27.8 years
Asset valuation method	10-year smoothed market with a 20% corridor
Inflation	3.0%
Salary increases	4.0-5.0%, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Cost of living adjustments	3.0%
Mortality	Pre-retirement and post-retirement: RP2000 Combined Mortality Table set forward four years for males and set forward two years for females and using a Scale AA projection to 2025. Post-retirement mortality: RP-2000 Disabled Mortality Table set forward eight years for males and set forward nine years for females.

CITY OF CHATTANOOGA, TENNESSEE

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 12,829,325	\$ 13,573,691	\$ 9,478,900	\$ 13,346,490	\$ 11,859,505	\$ 9,692,292	\$ 8,613,696	\$ 7,903,392	\$ 7,686,489	\$ 7,504,469
Contributions in relation to the actuarially determined contribution	12,999,917	11,987,641	11,115,222	13,495,433	12,258,360	10,542,423	9,004,655	7,522,018	8,390,161	8,291,088
Contribution deficiency (excess)	\$ (170,592)	\$ 1,586,050	\$ (1,636,322)	\$ (148,943)	\$ (398,855)	\$ (850,131)	\$ (390,959)	\$ 381,374	\$ (703,672)	\$ (786,619)
Covered employee payroll	\$ 38,954,094	\$ 39,282,422	\$ 36,187,624	\$ 37,215,933	\$ 37,288,914	\$ 34,940,022	\$ 34,573,261	\$ 34,715,838	\$ 33,237,063	\$ 31,983,375
Contributions as a percentage of covered-employee payroll	33.37%	30.52%	30.72%	36.26%	32.87%	30.17%	26.05%	21.67%	25.24%	25.92%

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	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	7.50%, net of pension plan investment expense, including inflation
Cost of living adjustments	1.50% (starting January 1 after third anniversary of retirement date)
Mortality	<i>Pre-retirement:</i> RP-2014 Blue Collar Employee Mortality Table, set forward two years, projected generationally with a modified versions of Scale MP-2014. <i>Healthy annuitant:</i> RP-2014 Blue Collar Healthy Annuitant Mortality Table, set forward three years, projected generationally with a modified version of Scale MP-2014. <i>Disabled annuitant:</i> RP-2014 Disabled Retiree Mortality Table, set forward three years, projected generationally with a modified version of Scale MP-2014.

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense				
General Plan	11.46%	-0.78%	2.93%	16.11%
Fire & Police Plan	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
Last 10 Fiscal Years**

	<u>2017</u>	<u>2016</u>
Total OPEB liability		
Service cost	\$ 3,285,014	\$ 3,078,078
Interest	12,436,672	12,016,977
Benefit payments, including refund of member contributions	(7,341,124)	(11,657,111)
Net change in total OPEB liability	<u>8,380,562</u>	<u>3,437,944</u>
Total OPEB liability - beginning	<u>169,492,863</u>	<u>166,054,919</u>
Total OPEB liability - ending (a)	<u><u>\$ 177,873,425</u></u>	<u><u>\$ 169,492,863</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 13,403,639	\$ 12,917,243
Contributions - member	-	2,739,171
Net investment income	7,313,765	(2,469,379)
Benefit payments, including refund of member contributions	(7,341,124)	(11,657,111)
Administrative expense	(41,992)	(41,906)
Net change in plan fiduciary net position	<u>13,334,288</u>	<u>1,488,018</u>
Plan fiduciary net position - beginning	<u>41,557,660</u>	<u>40,069,642</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 54,891,948</u></u>	<u><u>\$ 41,557,660</u></u>
Net OPEB liability - ending (a) - (b)	<u><u>\$ 122,981,477</u></u>	<u><u>\$ 127,935,203</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	30.86%	24.52%
Covered employee payroll	\$ 96,436,271	\$ 96,436,271
Net OPEB liability as a percentage of covered employee payroll	127.53%	132.66%

Benefit changes. None

Changes in actuarial assumptions and methods:

June 30, 2016 - The demographic assumptions for retirement, disability incidence, withdrawal, and salary increases for sworn safety personnel were changed to reflect the results of the experience study for the period ending 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
 Last 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 13,163,283	\$ 12,759,200	\$ 12,759,200	\$ 13,275,679	\$ 12,857,800	\$ 14,288,701	\$ 13,838,396	\$ 18,459,218	\$ 17,921,571	\$ 20,360,866
Contributions in relation to the actuarially determined contribution	13,403,639	12,917,243	15,754,457	15,071,389	12,857,800	14,288,701	13,838,396	10,423,688	7,876,951	10,839,827
Contribution deficiency (excess)	\$ (240,356)	\$ (158,043)	\$ (2,995,257)	\$ (1,795,710)	\$ -	\$ -	\$ -	\$ 8,035,530	\$ 10,044,620	\$ 9,521,039
Covered employee payroll	\$ 96,436,271	\$ 96,436,271	\$ 95,390,933	\$ 95,390,933	\$ 95,280,557	\$ 95,280,557	\$ 89,710,458	\$ 89,710,458	\$ 78,155,219	\$ 78,155,219
Contributions as a percentage of covered-employee payroll	13.90%	13.39%	16.52%	15.80%	13.49%	15.00%	15.43%	11.62%	10.08%	13.87%

Notes to Schedule:

Valuation date:

Valuations are performed every other year. The last valuation was January 1, 2016.

Methods and assumptions used to determine contribution rates:

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

CITY OF CHATTANOOGA, TENNESSEE

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

OPEB TRUST FUND

	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense		
OPEB	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
Last 10 Fiscal Years**

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

Notes to Schedule:

Benefit changes: None

Assumption changes: The assumed investment rate of return was lowered from 7.50% to 7.25% in 2016.

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 3,191,879	\$ 2,765,420	\$ 2,395,069
Interest	4,250,696	4,043,136	3,637,040
Differences between expected and actual experience	734,695	2,594,311	3,608,092
	4,049,739	-	-
Benefit payments, including refund of member contributions	(6,568,775)	(5,237,213)	(2,455,053)
Net change in total pension liability	<u>5,658,234</u>	<u>4,165,654</u>	<u>7,185,148</u>
Total pension liability - beginning	<u>48,352,360</u>	<u>48,352,360</u>	<u>41,167,212</u>
Total pension liability - ending (a)	<u>\$ 54,010,594</u>	<u>\$ 52,518,014</u>	<u>\$ 48,352,360</u>
Plan fiduciary net position			
Contributions - employer	\$ 7,000,000	\$ 5,700,000	\$ 3,630,048
Net investment income	(345,933)	2,142,992	5,735,092
Benefit payments, including refund of member contributions	(6,568,775)	(5,237,213)	(2,455,053)
Administrative expense	(74,572)	(73,572)	(86,522)
Net change in plan fiduciary net position	<u>10,720</u>	<u>2,532,207</u>	<u>6,823,565</u>
Plan fiduciary net position - beginning	<u>42,218,360</u>	<u>42,218,360</u>	<u>35,394,795</u>
Plan fiduciary net position - ending (b)	<u>\$ 42,229,080</u>	<u>\$ 44,750,567</u>	<u>\$ 42,218,360</u>
Net pension liability - ending (a) - (b)	<u>\$ 11,781,514</u>	<u>\$ 7,767,447</u>	<u>\$ 6,134,000</u>
Plan fiduciary net position as a percentage of the total pension liability	78.19%	85.21%	87.31%
Covered employee payroll	\$ 37,808,796	\$ 35,014,644	\$ 32,127,132
Net pensioin liability as a percentage of covered employee payroll	31.16%	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
Last 10 Fiscal Years**

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

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of 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	28 years
Asset valuation method	10-year smoothed market with a 20% corridor
Inflation	3.0%
Salary increases	4.0-5.0%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

CITY OF CHATTANOOGA, TENNESSEE

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

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

Notes to Schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed with level dollar phase-in
Remaining amortization period	23 years
Asset valuation method	10-year smoothed market with 20% corridor
Inflation	2.75%
Salary increases	1.50%-2.75%
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Cost of living adjustment	1.50%, (starting January 1 after third anniversary of retirement date)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CITY CONTRIBUTIONS

ELECTRIC POWER BOARD OF CHATTANOOGA RETIREMENT PLAN

Last 10 Calendar Years

	2016	2015	2014
Actuarially determined contribution	\$ 4,758,552	\$ 3,561,883	\$ 3,646,080
Contributions in relation to the actuarially determined contribution	4,500,000	3,700,000	3,630,048
Contribution deficiency (excess)	<u>\$ 258,552</u>	<u>\$ (138,117)</u>	<u>\$ 16,032</u>
Covered employee payroll	\$ 35,295,564	\$ 34,480,956	\$ 32,127,132
Contributions as a percentage of covered-employee payroll	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.

CITY OF CHATTANOOGA, TENNESSEE

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

Last 10 Fiscal Years

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

Notes to Schedule:

Benefit changes: None

Assumption changes: None

This schedule will be 10 years as information is available.

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF CITY CONTRIBUTIONS

OPEB PLAN

Last 10 Fiscal Years

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

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of 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%

CITY OF CHATTANOOGA, TENNESSEE

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

June 30, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
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ELECTRIC POWER BOARD OF CHATTANOOGA POST-EMPLOYMENT MEDICAL & DEATH BENEFIT PLAN

July 1, 2016	20,987,018	\$ 25,037,066	\$ 4,050,048	83.82%	\$ 39,552,739	10.2%
July 1, 2015	20,784,362	25,756,143	4,971,781	80.70%	37,644,000	13.2%
July 1, 2014	19,213,362	24,688,061	5,474,699	77.82%	36,556,164	15.0%
July 1, 2013	16,754,185	27,104,206	10,350,021	61.81%	34,440,516	30.1%
July 1, 2012	15,044,942	25,462,868	10,417,927	59.10%	32,044,908	32.5%
July 1, 2011	14,603,955	24,666,875	10,062,920	59.20%	29,998,416	33.5%
July 1, 2010	13,080,897	23,128,254	10,047,357	56.60%	28,267,080	35.5%

CITY OF CHATTANOOGA, TENNESSEE

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

June 30, 2017

Year ended June 30	Electric Power Board of Chattanooga Post-employment Medical & Death Benefit	
	Annual Required Contribution	Percentage Contributed
2017	\$ 1,661,329	102%
2016	1,742,038	99%
2015	1,565,322	130%
2014	2,039,255	85%
2013	1,999,130	95%
2012	1,888,329	93%

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

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

* Includes inflation rate of 3%



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

DEBT SERVICE FUND

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

PERMANENT FUND

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

CITY OF CHATTANOOGA, TENNESSEE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	Special Revenue					
	Downtown Development	Social Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax
ASSETS						
Cash and cash equivalents	\$ 11,780	\$ 138,530	\$ 2,111,483	\$ 4,111,496	\$ 2,277,371	\$ 5,208,554
Investments	-	-	-	-	-	-
Receivables, net of allowance for uncollectibles						
Other taxes	-	-	-	-	-	1,243,975
Notes	-	-	-	-	12,025,068	-
Other	-	20	175	-	2,790	1,388
Due from other governments:						
Federal	-	698,895	-	-	787,417	-
State of Tennessee	-	539,303	-	910,562	-	-
Prepaid items	-	-	-	-	16,164	-
Total assets	\$ 11,780	\$ 1,376,748	\$ 2,111,658	\$ 5,022,058	\$ 15,108,810	\$ 6,453,917
LIABILITIES						
Accounts payable and accrued liabilities:						
Accounts payable	-	268,169	937,540	28,917	52,207	13,102
Accrued payroll	-	421,748	-	71,522	23,013	-
Due to other funds	-	-	-	-	-	204,418
Due to other governments	-	268	-	-	-	-
Unearned grants revenue	-	1,554	-	-	585,637	-
Total liabilities	-	691,739	937,540	100,439	660,857	217,520
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - other local taxes	-	-	-	-	-	604,167
Unavailable revenue - shared tax revenue	-	-	-	471,096	-	-
Unavailable revenue - CDBG loans	-	-	-	-	12,709,485	-
Total deferred inflows of resources	-	-	-	471,096	12,709,485	604,167
FUND BALANCES						
Unassigned	11,780	685,009	1,174,118	4,450,523	1,738,468	5,632,230
Total fund balances	11,780	685,009	1,174,118	4,450,523	1,738,468	5,632,230
Total liabilities, deferred inflows of resources and fund balances	\$ 11,780	\$ 1,376,748	\$ 2,111,658	\$ 5,022,058	\$ 15,108,810	\$ 6,453,917

River Pier Garage	Special Revenue				Debt Service	Permanent	Total Nonmajor Funds
	Regional Planning Agency	Air Pollution Control Bureau	Scenic Cities Beautiful Commission	Total Special Revenue		Fund Library Endowment	
\$1,496,665	\$ 4,163,392	\$ 1,097,769	\$ 54,226	\$ 20,671,266	\$ 1,778,396	\$ 313,813	\$ 22,763,475
-	-	-	-	-	-	4,732,290	4,732,290
-	-	-	-	1,243,975	-	-	1,243,975
-	-	-	-	12,025,068	-	-	12,025,068
59,807	-	520	2,900	67,600	-	-	67,600
-	-	-	-	1,486,312	-	-	1,486,312
-	593,448	-	-	2,043,313	-	-	2,043,313
-	-	-	-	16,164	-	-	16,164
<u>\$1,556,472</u>	<u>\$ 4,756,840</u>	<u>\$ 1,098,289</u>	<u>\$ 57,126</u>	<u>\$ 37,553,698</u>	<u>\$ 1,778,396</u>	<u>\$ 5,046,103</u>	<u>\$ 44,378,197</u>
-	76,509	2,842	85	1,379,371	-	13,692	1,393,063
-	121,978	52,017	2,946	693,224	-	-	693,224
-	-	-	-	204,418	-	-	204,418
-	-	-	-	268	-	-	268
-	-	-	-	587,191	-	-	587,191
-	198,487	54,859	3,031	2,864,472	-	13,692	2,878,164
-	-	-	-	604,167	-	-	604,167
-	-	-	-	471,096	-	-	471,096
-	-	-	-	12,709,485	-	-	12,709,485
-	-	-	-	13,784,748	-	-	13,784,748
1,556,472	4,558,353	1,043,430	54,095	20,904,478	1,778,396	5,032,411	27,715,285
1,556,472	4,558,353	1,043,430	54,095	20,904,478	1,778,396	5,032,411	27,715,285
<u>\$1,556,472</u>	<u>\$ 4,756,840</u>	<u>\$ 1,098,289</u>	<u>\$ 57,126</u>	<u>\$ 37,553,698</u>	<u>\$ 1,778,396</u>	<u>\$ 5,046,103</u>	<u>\$ 44,378,197</u>

CITY OF CHATTANOOGA, TENNESSE

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

Year Ended June 30, 2017

	Special Revenue						
	Downtown Development	Social Services Program	Narcotics Program	State Street Aid	Community Development	Hotel/Motel Tax	River Pier Garage
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,984,506	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental:							
Federal	-	11,656,035	19,389	-	2,909,140	-	-
State	-	3,224,525	350	4,773,308	-	-	-
County	-	-	8,237	-	-	-	-
Other	-	-	-	-	-	-	-
Charges for services	-	30,436	-	-	(12,668)	-	430,370
Fines, forfeitures and penalties	-	-	42,432	-	-	-	-
Investment income	-	77	6,831	35,620	85,473	3,103	-
Contributions and donations	-	59,368	-	-	-	-	-
Sale of property	-	-	26,538	22,500	-	-	-
Miscellaneous	-	230	407,850	36	548,843	-	-
Total revenues	-	14,970,671	511,627	4,831,464	3,530,788	6,987,609	430,370
EXPENDITURES							
Current:							
General government:							
General government	-	1,000	-	-	-	168,738	189,346
Economic and community development	-	-	-	-	2,375,645	-	-
Public safety:							
Police	-	-	312,652	-	-	-	-
Public works and transportation:							
Public works	-	-	-	3,716,498	-	-	-
Youth and family development:							
Youth and family development	-	16,214,643	-	-	-	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	-	16,215,643	312,652	3,716,498	2,375,645	168,738	189,346
Excess (deficiency) of revenues over (under) expenditures	-	(1,244,972)	198,975	1,114,966	1,155,143	6,818,871	241,024
OTHER FINANCING SOURCES (USES)							
Transfers in	-	1,519,913	-	-	22,488	-	-
Transfers out	-	(331,246)	(700,187)	(224,340)	(866,040)	(5,347,381)	-
Total other financing sources (uses)	-	1,188,667	(700,187)	(224,340)	(843,552)	(5,347,381)	-
Net change in fund balances	-	(56,305)	(501,212)	890,626	311,591	1,471,490	241,024
FUND BALANCES, beginning	11,780	741,314	1,675,330	3,559,897	1,426,877	4,160,740	1,315,448
FUND BALANCES, ending	\$ 11,780	\$ 685,009	\$ 1,174,118	\$ 4,450,523	\$ 1,738,468	\$ 5,632,230	\$ 1,556,472

Regional Planning Agency	Special Revenue				Total Special Revenue	Debt Service	Permanent	Other Eliminations	Total Nonmajor Funds
	Air Pollution Control Bureau	Scenic Cities Beautiful Commission	Interfund Eliminations	Fund Library Endowment					
\$ -	\$ -	\$ -	\$ -	\$ 6,984,506	\$ -	\$ -	\$ -	\$ 6,984,506	
115,455	468,699	-	-	584,154	-	-	-	584,154	
-	718,305	-	-	15,302,869	-	-	-	15,302,869	
784,135	-	32,600	-	8,814,918	-	-	-	8,814,918	
752,472	188,548	-	-	949,257	-	-	-	949,257	
286,983	-	-	-	286,983	-	-	-	286,983	
-	-	-	-	448,138	-	-	-	448,138	
-	-	-	-	42,432	-	-	-	42,432	
-	-	-	-	131,104	-	554,054	-	685,158	
-	-	-	-	59,368	-	-	-	59,368	
-	-	-	-	49,038	-	-	-	49,038	
3,327	-	-	-	960,286	-	-	-	960,286	
<u>1,942,372</u>	<u>1,375,552</u>	<u>32,600</u>	<u>-</u>	<u>34,613,053</u>	<u>-</u>	<u>554,054</u>	<u>-</u>	<u>35,167,107</u>	
3,930,431	1,466,770	75,253	-	5,831,538	-	66,535	-	5,898,073	
-	-	-	-	2,375,645	-	-	-	2,375,645	
-	-	-	-	312,652	-	-	-	312,652	
-	-	-	-	3,716,498	-	-	-	3,716,498	
-	-	-	-	16,214,643	-	-	-	16,214,643	
-	-	-	-	-	18,058,024	-	-	18,058,024	
-	-	-	-	-	7,500,115	-	-	7,500,115	
<u>3,930,431</u>	<u>1,466,770</u>	<u>75,253</u>	<u>-</u>	<u>28,450,976</u>	<u>25,558,139</u>	<u>66,535</u>	<u>-</u>	<u>54,075,650</u>	
<u>(1,988,059)</u>	<u>(91,218)</u>	<u>(42,653)</u>	<u>-</u>	<u>6,162,077</u>	<u>(25,558,139)</u>	<u>487,519</u>	<u>-</u>	<u>(18,908,543)</u>	
2,595,718	1,061,574	-	(1,412,316)	3,787,377	25,174,558	-	-	28,961,935	
(244,161)	(790,754)	-	1,412,316	(7,091,793)	-	-	-	(7,091,793)	
<u>2,351,557</u>	<u>270,820</u>	<u>-</u>	<u>-</u>	<u>(3,304,416)</u>	<u>25,174,558</u>	<u>-</u>	<u>-</u>	<u>21,870,142</u>	
363,498	179,602	(42,653)	-	2,857,661	(383,581)	487,519	-	2,961,599	
4,194,855	863,828	96,748	-	18,046,817	2,161,977	4,544,892	-	24,753,686	
<u>\$ 4,558,353</u>	<u>\$ 1,043,430</u>	<u>\$ 54,095</u>	<u>\$ -</u>	<u>\$ 20,904,478</u>	<u>\$ 1,778,396</u>	<u>\$ 5,032,411</u>	<u>\$ -</u>	<u>\$ 27,715,285</u>	

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	Chattanooga Metropolitan Airport Authority	CARTA	Total
OPERATING REVENUES			
Charges for services	\$ 20,355,936	\$ 10,272,461	\$ 30,628,397
Total operating revenues	<u>20,355,936</u>	<u>10,272,461</u>	<u>30,628,397</u>
OPERATING EXPENSES			
Airport operations	13,960,038	-	13,960,038
CARTA operations	-	21,607,841	21,607,841
Management fees	-	-	-
Maintenance	-	-	-
Depreciation and amortization	7,315,344	3,229,653	10,544,997
Total operating expenses	<u>21,275,382</u>	<u>24,837,494</u>	<u>46,112,876</u>
OPERATING INCOME (LOSS)	<u>(919,446)</u>	<u>(14,565,033)</u>	<u>(15,484,479)</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	-	7,794,627	7,794,627
Investment income	28,213	5,570	33,783
Interest expense	(339,403)	(15,335)	(354,738)
Other income (expense)	5,055,133	75,329	5,130,462
Total nonoperating revenues (expenses)	<u>4,743,943</u>	<u>7,860,191</u>	<u>12,604,134</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	3,824,497	(6,704,842)	(2,880,345)
Capital contributions	-	6,808,273	6,808,273
CHANGE IN NET POSITION	3,824,497	103,431	3,927,928
NET POSITION, beginning	<u>121,350,250</u>	<u>14,626,242</u>	<u>135,976,492</u>
NET POSITION, ending	<u>\$ 125,174,747</u>	<u>\$ 14,729,673</u>	<u>\$ 139,904,420</u>

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS**

Year Ended June 30, 2017

	Chattanooga Metropolitan Airport Authority	CARTA	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 20,377,785	\$ 10,234,321	\$ 30,612,106
Payments to suppliers	(10,058,117)	(10,192,515)	(20,250,632)
Payments to employees	(3,179,214)	(13,501,620)	(16,680,834)
Net cash from operating activities	<u>7,140,454</u>	<u>(13,459,814)</u>	<u>(6,319,360)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental payments received	-	7,794,627	7,794,627
Net cash from noncapital financing activities	<u>-</u>	<u>7,794,627</u>	<u>7,794,627</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	(725,520)	(95,671)	(821,191)
Principal paid on capital lease	(8,608)	-	(8,608)
Interest paid on capital debt	(342,093)	(15,335)	(357,428)
Capital contributions	6,737,224	8,128,994	14,866,218
Net decrease in revolving line of credit	-	(400,000)	(400,000)
Additions to capital assets	(7,307,989)	(2,516,499)	(9,824,488)
Passenger/customer facility charges collected	2,762,393	-	2,762,393
Net cash flows from capital and related financing activities	<u>1,115,407</u>	<u>5,101,489</u>	<u>6,216,896</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of equipment	-	75,324	75,324
Interest on investments	28,213	5,570	33,783
Net cash flows from investing activities	<u>28,213</u>	<u>80,894</u>	<u>109,107</u>
Net increase (decrease) in cash and cash equivalents	8,284,074	(482,804)	7,801,270
Cash and cash equivalents, beginning of year	<u>12,268,504</u>	<u>2,150,755</u>	<u>14,419,259</u>
Cash and cash equivalents, end of year	<u>\$ 20,552,578</u>	<u>\$ 1,667,951</u>	<u>\$ 22,220,529</u>
CLASSIFIED AS:			
Current assets	\$ 18,003,841	\$ 1,667,951	\$ 19,671,792
Restricted assets	2,548,737	-	2,548,737
	<u>\$ 20,552,578</u>	<u>\$ 1,667,951</u>	<u>\$ 22,220,529</u>

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

**COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS**

Year Ended June 30, 2017

	Chattanooga Metropolitan Airport Authority	CARTA	Total
(Continued from previous page)			
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
OPERATING INCOME (LOSS)	\$ (919,446)	\$ (14,565,033)	\$ (15,484,479)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Depreciation and amortization	7,315,344	3,229,653	10,544,997
Net general pension expense (benefit)	150,760	-	150,760
Bad debt expense	7,973	-	7,973
Change in operating assets and liabilities:	-		
Trade receivables, net	9,321	(50,010)	(40,689)
Inventory	12,998	(50,957)	(37,959)
Prepaid items	25,084	21,809	46,893
Other assets	-	26,625	26,625
Accounts payable and accrued liabilities	525,892	(2,040,478)	(1,514,586)
Unearned revenue	12,528	-	12,528
Deferred pension items	-	(31,423)	(31,423)
TOTAL ADJUSTMENTS	8,059,900	1,105,219	9,165,119
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 7,140,454</u>	<u>\$ (13,459,814)</u>	<u>\$ (6,319,360)</u>
SIGNIFICANT NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Additions to property and equipment included in contracts payable	<u>\$ (722,112)</u>	<u>\$ -</u>	<u>\$ (722,112)</u>



CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 118,373,000	\$ 118,373,000	\$ 121,056,382	\$ 2,683,382
Payments in lieu of tax:				
PILOT CHA	140,900	140,900	150,743	9,843
PILOT TVA	1,996,000	1,996,000	1,934,875	(61,125)
PILOT JCT	2,280	2,280	-	(2,280)
PILOT Good Neighbors	2,800	2,800	2,808	8
PILOT Dev Corp O Knob	480	480	480	-
PILOT Chattem	65,359	65,359	65,359	-
PILOT The Bread Factory	9,100	9,100	7,337	(1,763)
PILOT UnumProvident Corporation	21,062	21,062	31,062	10,000
PILOT South Market LLC	1,762	1,762	-	(1,762)
PILOT Frazier Partners	6,434	6,434	7,960	1,526
PILOT Invista	18,960	18,960	18,728	(232)
PILOT Wm Wrigley Jr Co	27,500	27,500	29,301	1,801
PILOT Astec Industries	23,600	23,600	-	(23,600)
PILOT Blue Cross Blue Shield	909,261	909,261	905,756	(3,505)
PILOT Heatec, Inc	14,676	14,676	16,061	1,385
PILOT Roadtec	19,984	19,984	18,970	(1,014)
PILOT MK LLC	2,030	2,030	-	(2,030)
PILOT Jamigan Road-EMJ Corp	46,933	46,933	46,933	-
PILOT Southern Champion Tray	6,340	6,340	44,246	37,906
PILOT Alstom Power Inc.	235,000	235,000	3,327,222	3,092,222
PILOT Gestamp Chattanooga, LLC	200,000	200,000	198,183	(1,817)
PILOT Scannell- FedEx, Inc	-	-	92,214	92,214
PILOT Westinghouse Electric Co.	80,000	80,000	92,163	12,163
PILOT Chit Chatt Properties	672	672	-	(672)
PILOT EPB	6,837,416	6,837,416	6,837,416	-
PILOT Coca Cola	47,713	47,713	-	(47,713)
PILOT American Plastic 2	11,359	11,359	28,845	17,486
PILOT Plastic Omnium Auto Exteriors LLC	171,100	171,100	-	(171,100)
PILOT UTC Two LLC	10,150	10,150	10,148	(2)
PILOT UTC Three LLC	5,790	5,790	5,790	-
PILOT Rock Tenn Retail Solutions	15,000	15,000	-	(15,000)
PILOT Choo Choo Partners	14,818	14,818	-	(14,818)
Interest and penalty on taxes				
Current year	181,000	181,000	217,000	36,000
Prior years	1,196,000	1,196,000	1,250,030	54,030
Collection fees on delinquent taxes	250,000	250,000	277,704	27,704
Total property taxes	130,944,479	130,944,479	136,673,716	5,729,237
Other local taxes:				
Franchise taxes	4,568,400	4,568,400	4,521,065	(47,335)
Liquor taxes	2,510,000	2,510,000	2,667,404	157,404
Beer taxes	5,400,000	5,400,000	5,981,553	581,553
Local litigation tax city court	2,821	2,821	2,852	31
Gross receipts tax	4,991,200	4,991,200	5,864,699	873,499
Corporate excise tax - intangible property	135,000	135,000	747,855	612,855
Total other taxes	17,607,421	17,607,421	19,785,428	2,178,007
Total taxes	148,551,900	148,551,900	156,459,144	7,907,244

(Continue 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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Licenses, fees and permits:				
Licenses:				
Wrecker Business License	4,600	4,600	5,500	900
Liquor by Drink License	143,000	143,000	151,730	8,730
Liquor by Drink Int & Pen	2,000	2,000	3,825	1,825
Transient Vendor License	-	-	2,450	2,450
Motor Vehicle License	410,000	410,000	418,770	8,770
Original Business License Fee	21,000	21,000	23,325	2,325
Special Gathering Permit	-	-	30	30
Over & Under Business License	-	-	90	90
Permits:				
Building Permits	1,300,000	1,300,000	1,893,282	593,282
Electrical Permits	300,000	300,000	425,493	125,493
Plumbing Fixtures Connection Permits	175,000	175,000	243,975	68,975
Street Cut-in Permits	250,000	250,000	416,112	166,112
Mechanical Code Permits	170,000	170,000	278,460	108,460
Hotel Permits	5,000	5,000	4,500	(500)
Gas Permits	35,000	35,000	49,021	14,021
Sign Permits	130,000	130,000	149,492	19,492
Taxicab Driver Permits	8,000	8,000	6,560	(1,440)
Temporary Use Permits	4,100	4,100	4,400	300
Going Out of Business Permits	-	-	100	100
Traffic Eng Special Events Permits	9,500	9,500	12,150	2,650
Fortwood Parking Permits	4,500	4,500	-	(4,500)
Push Cart Permits	-	-	275	275
Mobile Food Unit	-	-	650	650
Tree Ordinance Permit	-	-	1,900	1,900
Fees:				
Business License Issuance Fees	46,800	46,800	59,787	12,987
Plumbing Examiners Fees	60,000	60,000	46,430	(13,570)
Electrical Examiners Fees	180,000	180,000	181,580	1,580
Gas Examiners Fees	50,000	50,000	46,900	(3,100)
Beer Permit Application Fees	100,000	100,000	129,200	29,200
Mechanical Exam Fees	20,000	20,000	20,280	280
Permit Issuance Fees	46,000	46,000	58,104	12,104
Exhibitors Fees	-	-	696	696
Subdivision Review & Inspection Fees	20,000	20,000	25,335	5,335
Adult Entertain Application Fees	10,800	10,800	10,100	(700)
Zoning Letter Fees	13,000	13,000	17,025	4,025
Variance Request Fees	8,000	8,000	8,200	200
Certificate of Occupancy Fees	22,000	22,000	27,195	5,195
Sewer Verification Letter Fees	300	300	225	(75)
Code Compliance Letter Fees	1,500	1,500	2,000	500
Modular Home Site Investigation Fees	-	-	50	50
Plan Checking Fees	210,000	210,000	369,227	159,227
Phased Construction Plan Review Fees	69,000	69,000	12,857	(56,143)
Construction Board of Appeals Fees	-	-	1,550	1,550
Sign Board of Appeals Fees	1,100	1,100	1,000	(100)
Dead Animal Pickup at Vet Fees	1,500	1,500	-	(1,500)
Historic Zone Construction Fee	-	-	150	150

(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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Hardship-Appropriateness Construction Fee	-	-	300	300
Northshore Design Appeal Fee	500	500	500	-
Northshore-Downtown Plan Review Fee	500	500	-	(500)
Fire Permits City Code 16-29	150,000	150,000	250,048	100,048
Fire Re-Inspection of Business & Hotels	-	-	100	100
Parking Lot Fee	6,600	6,600	46,848	40,248
Wine in Grocery Store	-	-	200	200
Designated revenue:				
Parking meters and other fees	1,576,840	1,576,840	1,576,950	110
Total licenses, fees & permits	5,566,140	5,566,140	6,984,927	1,418,787
Intergovernmental:				
State funds:				
State Operations Funds Training Supplement F&P	535,800	535,800	496,200	(39,600)
State Shared Ops Maintenance of Streets	226,000	226,000	251,244	25,244
State Shared City Alloc State Sales Tax	13,500,000	13,500,000	13,901,450	401,450
State Shared City Alloc State Income Tax	3,750,000	3,750,000	3,268,174	(481,826)
State Shared City Alloc State Beer Tax	81,000	81,000	80,960	(40)
State Shared Mixed Drink Tax	2,700,000	2,700,000	3,066,428	366,428
State Shared Telecommunications Sales Tax	15,000	15,000	18,416	3,416
State Shared Alcoholic Beverage Tax	171,000	171,000	139,533	(31,467)
State Shared Gas Inspection Fees	340,000	340,000	338,876	(1,124)
State Shared Commission Gross Receipts	420,000	420,000	538,334	118,334
County funds:				
Ham Co Oper Ross's Landing	1,477,000	1,477,000	1,336,566	(140,434)
Ham Co Local Option Sales Tax	46,000,000	46,000,000	45,012,508	(987,493)
Other intergovernmental	-	-	98,448	98,448
Designated revenue:				
Ham Co Local Option Sales Tax (Economic Dev)	12,621,406	12,621,406	12,827,045	205,640
State Shared TDZ Sales Tax	-	-	3,294,273	3,294,273
Ham Co Local Option Sales Tax TDZ	-	-	1,049,789	1,049,789
Other	3,164,539	3,164,539	1,761,682	(1,402,857)
Total intergovernmental revenues	85,001,745	85,001,745	87,479,926	2,478,181
Charges for services				
Court charges:				
Court Cost Current	208,600	208,600	187,097	(21,503)
Court Commissions	4,600	4,600	6,097	1,497
Court Clerk's Fee Current	700,000	700,000	612,535	(87,465)
Court Service of Process Current	-	-	110	110
Court Processing of Release Forms	13,500	13,500	15,439	1,939
Court Administrative Cost	600	600	371	(229)
Court Current State Cost	1,000	1,000	1,305	305
Court Translation Service Fee	-	-	9,643	9,643

(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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Facility charges:				
Facility Rents	-	-	5,305	5,305
Property Rental Revenue	135,300	135,300	151,312	16,012
Ballfield Income	60,000	60,000	46,400	(13,600)
Skateboard Park Fees	25,000	25,000	32,866	7,866
Carousel Ridership	100,000	100,000	130,906	30,906
Walker Pavilion Rent	15,000	15,000	24,870	9,870
Heritage Park House Rent	28,700	28,700	24,140	(4,560)
Renaissance Park Rent	-	-	1,425	1,425
Greenway Facility Rent	11,900	11,900	12,454	554
Fitness Center Fees	40,000	40,000	33,783	(6,217)
Dock Rental	22,000	22,000	32,523	10,523
Ross' Landing Rent	50,000	50,000	73,590	23,590
Champion's Club Fees	36,000	36,000	37,226	1,226
Recreation Center Rental	47,300	47,300	50,710	3,410
Carousel Room Rental	11,000	11,000	15,210	4,210
Coolidge Park Rental	12,300	12,300	12,975	675
Walnut Street Bridge Rental	1,000	1,000	1,700	700
Program charges:				
Program Fees	-	-	5,415	5,415
Park Event Fees	8,000	8,000	6,926	(1,075)
Kidz Kamp Fees	-	-	7,430	7,430
Sports Program Fees	4,900	4,900	3,600	(1,300)
Non-Traditional Program Fees	2,300	2,300	1,877	(423)
OutVenture Fees	19,000	19,000	24,055	5,055
Therapeutic Fees	1,600	1,600	1,274	(326)
Swimming Pool Fees	125,000	125,000	108,445	(16,555)
Arts & Culture Fees	900	900	903	3
Counter sales:				
Police Report Fees	35,000	35,000	14,208	(20,792)
Credit Card Processing Fee	56,600	56,600	85,938	29,338
Concessions	65,300	65,300	62,113	(3,187)
Other charges:				
Financial Service EPB	7,200	7,200	7,200	-
Fire & Ambulance Service Fees	-	-	4	4
General Pension Admin Cost	45,000	45,000	45,000	-
Returned Check Fee	3,000	3,000	3,500	500
Waste Container Purchases	10,000	10,000	7,855	(2,145)
Non Profit Request Fee	-	-	2,250	2,250
Revenue adjustments:				
Over & Under	-	-	362	362
Designated revenue:	2,098,496	2,098,496	2,201,786	103,291
Total charges for services	4,006,096	4,006,096	4,110,133	104,037

(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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Fines, forfeitures and penalties				
City court fines	457,000	457,000	505,252	48,252
Criminal court fines	117,000	117,000	125,599	8,599
Traffic court fines	39,500	39,500	52,842	13,342
Air pollution penalties	-	-	295	295
Blighted property fines	35,000	35,000	-	(35,000)
Designated revenue	1,510,000	1,510,000	1,391,181	(118,818)
Total fines and forfeitures	2,158,500	2,158,500	2,075,169	(83,330)
Miscellaneous:				
Investment income	600,000	600,000	2,301,637	1,701,639
Sale of property	328,000	328,000	795,216	467,216
Donations	-	-	3,220	3,220
Settlements	30,000	30,000	154,042	124,042
Departmental billings	4,746,400	4,746,400	4,747,751	1,351
Miscellaneous revenue	257,500	257,500	519,737	262,237
Designated revenue:				
Investment income	-	-	94,281	94,281
Donations	1,176,845	1,176,845	691,662	(485,182)
Miscellaneous revenue	363,889	363,889	216,620	(147,270)
Total miscellaneous revenue	7,502,634	7,502,634	9,524,166	2,021,534
Total revenues	252,787,015	252,787,015	266,633,465	13,846,453
EXPENDITURES				
General government:				
City Council	786,996	786,996	710,053	(76,943)
City Judges	931,150	931,150	909,214	(21,936)
City Attorney	1,607,724	1,607,724	1,474,042	(133,683)
Records Retention Management	46,800	46,800	-	(46,800)
Internal Audit	660,010	660,010	628,406	(31,604)
Information Services:				
Information Services	7,172,265	7,172,265	6,211,930	(960,335)
Telecommunication Bill Clearing	34,443	34,443	-	(34,443)
Purchasing	823,206	823,206	685,300	(137,906)
311 Call Center	693,746	693,746	610,976	(82,770)
External Appropriations:				
Allied Arts Council Fund, Inc.	275,000	275,000	275,000	-
Carter Street Corporation	200,000	200,000	200,000	-
Chatt Neighborhood Enterprise	705,000	705,000	662,520	(42,480)
WTCI-TV Channel 45	75,000	75,000	75,000	-
Tennessee River Park	1,231,222	1,231,222	1,143,630	(87,592)
Children's Advocacy Center	60,000	60,000	60,000	-

(Continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Community Foundation Scholarships	106,300	106,300	106,300	-
Chatt Area Urban League	125,000	125,000	125,000	-
Bessie Smith Cultural Center	60,000	60,000	60,000	-
Enterprise Center	200,000	200,000	200,000	-
Enterprise South Nature Park	835,273	835,273	509,760	(325,512)
Friends of Moccasin Bend Natl Park	30,000	30,000	30,000	-
ESIP Security Services	70,414	70,414	54,834	(15,581)
Homeless Coalition	70,000	70,000	70,000	-
Partnership Rape Crisis	65,000	65,000	65,000	-
Children's Home - Chamblis Shelter	350,000	350,000	350,000	-
Fortwood Center	57,000	57,000	57,000	-
Joe Johnson Mental Health	60,000	60,000	60,000	-
Speech & Hearing Center	67,700	67,700	67,700	-
Orange Grove	105,188	105,188	105,188	-
Signal Center	75,000	75,000	75,000	-
Interfaith Homeless Network	161,000	161,000	64,400	(96,600)
AIM Center, Inc	60,000	60,000	60,000	-
Bethlehem Center	45,000	45,000	45,000	-
Hope for the Inner City	60,000	60,000	60,000	-
Girls, Inc.	30,000	30,000	30,000	-
Greater Chattanooga Sports & Events	225,000	225,000	225,000	-
Chattanooga Zoo	25,000	25,000	25,000	-
Chattanooga Room in the Inn	25,000	25,000	25,000	-
LaPaz Chattanooga	50,000	50,000	50,000	-
Green Spaces	15,000	15,000	15,000	-
Chattanooga Goodwill Industries	10,000	10,000	10,000	-
Grassroots Midtown	10,000	10,000	10,000	-
Habitat for Humanity of Greater Chattanooga	50,000	50,000	50,000	-
United Way of Greater Chattanooga	35,000	35,000	35,000	-
TechTown Foundation	40,000	40,000	40,000	-
Component Unit Appropriations:				
CARTA Subsidy	5,146,850	5,146,850	5,049,676	(97,174)
Election Expense	225,000	225,000	194,614	(30,386)
City Code Revision	8,686	8,686	7,080	(1,606)
Unemployment Insurance	50,000	50,000	32,350	(17,650)
Contingency Fund	982,509	982,509	300,744	(681,765)
Renewal & Replacement	464,905	464,905	350,745	(114,160)
Audits, Dues & Surveys	305,820	305,820	105,820	(200,000)
Intergovernmental Relations	285,523	285,523	303,466	17,943
City Water Quality Mgmt Fees	458,000	458,000	432,230	(25,770)
Liability Insurance Premiums	1,000,000	1,000,000	1,966,580	966,580
Education Per TCA 57-4-306	1,250,000	1,250,000	1,538,018	288,018
ESIP Administration	-	-	1,776	1,776

(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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Tuition Assistance Program	20,000	20,000	12,418	(7,582)
Designated expenditures:				
General government programs:				
CARTA Parking Meters	1,576,840	1,576,840	1,576,840	-
Automated Traffic Enforcement	1,535,000	1,535,000	1,107,939	(427,061)
Public Library	6,451,989	6,451,989	6,250,123	(201,866)
Economic Development	10,377,436	10,377,436	9,403,343	(974,092)
Total general government	48,558,995	48,558,995	44,960,015	(3,598,980)
Executive Office of the Mayor:				
Executive Office Admin	1,432,674	1,432,674	1,426,677	(5,997)
Multicultural Affairs	366,442	366,442	361,964	(4,478)
Designated expenditures:				
Go Fest	-	-	6,659	6,659
Violent Gang & Gun Crime Reduction Program	99,471	99,471	99,471	-
STOP 2018 Chattanooga Family Justice Center	65,000	65,000	20,555	(44,445)
Chattanooga FJC VOCA Grant	50,500	50,500	41,980	(8,520)
Total executive office	2,014,087	2,014,087	1,957,306	(56,781)
Finance and administration:				
Finance Office	3,542,995	3,542,995	3,311,793	(231,202)
Office of the City Treasurer	908,804	908,804	830,303	(78,501)
City Court Clerk's Office	1,171,151	1,171,151	1,078,634	(92,518)
Designated expenditures:				
Municipal Billing and Collection	-	-	836,618	836,618
Municipal Billing and Collection - Offset	-	-	(839,618)	(839,618)
Total finance and administration	5,622,950	5,622,950	5,217,730	(405,221)
General services:				
General Services Administration	665,334	665,334	710,966	45,632
Building Maintenance	2,066,753	2,066,753	1,961,890	(104,862)
Real Estate	17,667	17,667	37,733	20,065
Farmer's Market	14,600	14,600	3,000	(11,600)
Zoo	675,000	675,000	675,000	-
Civic Facilities	750,000	750,000	750,000	-
Designated expenditures:				
Heritage Hall & Museum	147,584	147,584	114,609	(32,975)
DRC Building Operations	469,300	469,300	154,298	(315,002)
Brainerd Golf Course	819,661	819,661	821,739	2,078
Brown Acres Golf Course	815,919	815,919	848,648	32,729
Total general services	6,441,818	6,441,818	6,077,883	(363,935)

(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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Human resources:				
Human Resource Administration	1,495,368	1,495,368	1,322,787	(172,581)
Insurance Officer and Programs	536,413	536,413	526,966	(9,447)
Total human resources	<u>2,031,781</u>	<u>2,031,781</u>	<u>1,849,753</u>	<u>(182,028)</u>
Economic and community development:				
Neighborhood Services Administration	1,136,445	1,136,445	942,463	(193,981)
Codes & Community Services	1,937,254	1,937,254	1,693,842	(243,413)
Outdoor Chattanooga	539,872	539,872	463,007	(76,865)
Economic & Community Development Initiatives	119,500	119,500	119,500	-
Public Art Initiative	185,578	185,578	118,294	(67,284)
Land Development Office	2,788,454	2,788,454	2,681,921	(106,533)
Designated expenditures:				
Neighborhood Partners Projects & Initiatives	-	-	14,136	14,136
Special Projects	125,000	125,000	100,000	(25,000)
Public Art Initiative	880,161	880,161	409,190	(470,971)
Total economic and community development	<u>7,712,264</u>	<u>7,712,264</u>	<u>6,542,353</u>	<u>(1,169,911)</u>
Police:				
Police Administration	4,946,484	4,946,484	2,294,156	(2,652,328)
Uniform Services	27,317,121	27,317,121	27,279,750	(37,372)
Investigative Services	11,220,622	11,220,622	10,101,563	(1,119,059)
Support Services	21,641,757	21,641,757	24,441,522	2,799,766
Designated expenditures:				
Reduction of Part 1 Offenses	-	-	15,687	15,687
Police Special Programs	-	-	70,376	70,376
Law Enforcement Planning	138,816	138,816	236,433	97,617
Other Police Grants	142,737	142,737	124,015	(18,722)
Total police	<u>65,407,537</u>	<u>65,407,537</u>	<u>64,563,502</u>	<u>(844,035)</u>
Fire:				
Fire Administration	489,584	489,584	571,083	81,499
Station Operations	35,198,651	35,198,651	34,573,326	(625,325)
Safety, Training and Tactical Services	3,183,403	3,183,403	3,070,438	(112,965)
Designated expenditures:				
Fire Programs and Grants	1,840,356	1,840,356	475,127	(1,365,229)
Total fire	<u>40,711,994</u>	<u>40,711,994</u>	<u>38,689,974</u>	<u>(2,022,020)</u>
Public works:				
Public Works Administration	1,594,133	1,594,133	964,488	(629,645)
City Engineer's Office	1,467,798	1,467,798	1,464,769	(3,029)
Field Surveyors	239,231	239,231	265,860	26,629

(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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Utilities	184,260	184,260	185,497	1,237
Solid Waste Disposal	6,210,401	6,210,401	6,210,401	-
City-wide Services Administration	1,301,885	1,301,885	1,247,735	(54,150)
Emergency	598,983	598,983	626,629	27,646
Street Cleaning	7,413	7,413	677,483	670,071
Central Business District	324,630	324,630	347,629	22,999
Street Cleaning Crews	640,167	640,167	411,787	(228,380)
Mowing Tractors/Leaf Collection	1,060,769	1,060,769	639,333	(421,436)
Street Sweeping	530,104	530,104	615,119	85,015
Waste Pickup	7,354,449	7,354,449	7,786,262	431,813
Municipal Forestry	851,232	851,232	806,743	(44,489)
Storm Stations	78,853	78,853	166,400	87,547
Park Management	2,256,846	2,256,846	2,268,179	11,333
Hamilton County Shared Parks Maintenance	3,361,919	3,361,919	2,807,472	(554,448)
Designated expenditures:				
Public Works Programs	15,325	15,325	176,582	161,257
Total public works	<u>28,078,398</u>	<u>28,078,398</u>	<u>27,668,368</u>	<u>(410,030)</u>
Transportation:				
Transportation Administration	1,508,237	1,508,237	1,344,596	(163,641)
Traffic Engineering Administration	910,466	910,466	829,631	(80,835)
Street Lighting	3,094,928	3,094,928	3,134,054	39,127
Traffic Operations	2,249,618	2,249,618	2,229,382	(20,237)
Designated expenditures:				
Transportation Programs	290,358	290,358	285,022	(5,336)
Total transportation	<u>8,053,607</u>	<u>8,053,607</u>	<u>7,822,685</u>	<u>(230,922)</u>
Youth and family development:				
Youth & Family Development Administration	516,122	516,122	436,131	(79,991)
Recreation Administration	1,675,964	1,675,964	1,782,614	106,653
Youth Development	65,973	65,973	49,395	(16,578)
Kidz Kamp	197,647	197,647	349,175	151,528
Sports Programs	520,206	520,206	481,604	(38,602)
Aquatics Programs	216,602	216,602	236,462	19,860
Therapeutic Programs	163,294	163,294	159,795	(3,499)
Fitness Center	238,827	238,827	273,023	34,196
Youth Dev - CAPS	286,954	286,954	224,955	(61,999)
Youth Dev - Education	289,861	289,861	280,633	(9,228)
Youth Dev - Career Development	143,954	143,954	77,894	(66,060)
Skatepark	42,952	42,952	63,007	20,055
Champion's Club	326,513	326,513	353,230	26,717
Summit of Softball	461,790	461,790	407,535	(54,255)

(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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
(Continued from previous page)				
Recreation Centers	3,859,846	3,859,846	3,696,061	(163,785)
North River Center Programs	101,315	101,315	105,365	4,050
Eastgate Center Programs	202,216	202,216	210,129	7,913
Heritage House Programs	72,670	72,670	90,637	17,967
Cultural Arts Programs	-	-	42	42
Designated expenditures:				
Recreation Special Programs	-	-	2,232	2,232
Senior & Youth Programming	1,086,064	1,086,064	1,012,136	(73,931)
Total youth and family development	<u>10,468,770</u>	<u>10,468,770</u>	<u>10,292,055</u>	<u>(176,715)</u>
Total expenditures	<u>225,102,201</u>	<u>225,102,201</u>	<u>215,641,624</u>	<u>(9,460,578)</u>
Excess of revenues over expenditures	<u>27,684,814</u>	<u>27,684,814</u>	<u>50,991,841</u>	<u>23,307,031</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(32,429,443)</u>	<u>(32,429,443)</u>	<u>(32,429,443)</u>	<u>-</u>
Total other financing sources (uses)	<u>(32,429,443)</u>	<u>(32,429,443)</u>	<u>(32,429,443)</u>	<u>-</u>
Net change in fund balances	(4,744,629)	(4,744,629)	18,562,398	23,307,031
FUND BALANCES, beginning	<u>82,843,493</u>	<u>82,843,493</u>	<u>82,843,493</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 78,098,864</u>	<u>\$ 78,098,864</u>	<u>\$ 101,405,891</u>	<u>\$ 23,307,031</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

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

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 13,148,183	\$ 13,148,183	\$ 11,656,035	\$ (1,492,148)
State of Tennessee funds	3,717,963	3,717,963	3,224,525	(493,438)
United Way	-	-	522	522
Project Warm Neighbors	13,600	13,600	22,286	8,686
Day care fees	25,000	25,000	24,386	(614)
Donations	1,600	1,600	36,560	34,960
Investment income	-	-	77	77
Miscellaneous	500	500	6,280	5,780
Total revenues	16,906,846	16,906,846	14,970,671	(1,936,175)
EXPENDITURES				
Administration	943,184	943,184	927,568	(15,616)
Headstart program	12,894,456	12,894,456	11,435,774	(1,458,682)
Day care	432,600	432,600	251,514	(181,086)
Food program	94,772	94,772	73,537	(21,235)
Foster grandparent program	495,770	495,770	486,788	(8,982)
Low-income energy assistance	2,336,481	2,336,481	2,232,518	(103,963)
Community services block grant	812,810	812,810	647,773	(165,037)
Emergency food and shelter	22,750	22,750	21,646	(1,104)
Other programs	40,120	40,120	46,741	6,621
Capital outlay	306,018	306,018	91,784	(214,234)
Total expenditures	18,378,960	18,378,960	16,215,643	(2,163,317)
Excess (deficiency) of revenues over (under) expenditures	<u>(1,472,114)</u>	<u>(1,472,114)</u>	<u>(1,244,972)</u>	<u>227,142</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,445,230</u>	<u>1,445,230</u>	<u>1,188,667</u>	<u>(256,563)</u>
Total other financing sources (uses)	1,445,230	1,445,230	1,188,667	(256,563)
Net change in fund balances	(26,884)	(26,884)	(56,305)	(29,421)
FUND BALANCES, beginning	<u>741,314</u>	<u>741,314</u>	<u>741,314</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 714,430</u>	<u>\$ 714,430</u>	<u>\$ 685,009</u>	<u>\$ (29,421)</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ -	\$ -	\$ 19,389	\$ 19,389
State of Tennessee funds	-	-	350	350
Confiscations	250,000	250,000	402,461	152,461
Investment income	-	-	6,831	6,831
Miscellaneous	60,000	60,000	82,596	22,596
Total revenues	310,000	310,000	511,627	201,627
EXPENDITURES				
Narcotics program	310,000	310,000	276,278	(33,722)
Capital outlay	-	-	36,374	36,374
Total expenditures	310,000	310,000	312,652	2,652
Excess (deficiency) of revenues over (under) expenditures	-	-	198,975	198,975
OTHER FINANCING SOURCES (USES)				
Transfers out	(700,187)	(700,187)	(700,187)	-
Total other financing sources (uses)	(700,187)	(700,187)	(700,187)	-
Net change in fund balances	(700,187)	(700,187)	(501,212)	198,975
FUND BALANCES, beginning	1,675,330	1,675,330	1,675,330	-
FUND BALANCES, ending	\$ 975,143	\$ 975,143	\$ 1,174,118	\$ 198,975

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 4,530,478	\$ 4,530,478	\$ 4,773,308	\$ 242,830
Investment Income	-	-	35,620	35,620
Miscellaneous	154	154	22,536	22,382
Total revenues	4,530,632	4,530,632	4,831,464	300,832
EXPENDITURES				
Salaries and wages	1,727,748	1,727,748	1,490,017	(237,731)
Fringe benefits	1,043,078	1,043,078	792,072	(251,006)
Purchased services	112,491	112,491	167,025	54,534
Vehicle operations	956,672	956,672	612,967	(343,705)
Materials and supplies	694,904	694,904	392,803	(302,101)
Other expense	55	55	5,444	5,389
Capital outlay	6,053	6,053	256,170	250,117
Total expenditures	4,541,001	4,541,001	3,716,498	(824,503)
Excess (deficiency) of revenues over (under) expenditures	(10,369)	(10,369)	1,114,966	1,125,335
OTHER FINANCING SOURCES (USES)				
Transfers out	(224,340)	(224,340)	(224,340)	-
Total other financing sources (uses)	(224,340)	(224,340)	(224,340)	-
Net change in fund balances	(234,709)	(234,709)	890,626	1,125,335
FUND BALANCES, beginning	3,559,897	3,559,897	3,559,897	-
FUND BALANCES, ending	<u>\$ 3,325,188</u>	<u>\$ 3,325,188</u>	<u>\$ 4,450,523</u>	<u>\$ 1,125,335</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 2,502,902	\$ 2,502,902	\$ 2,909,140	\$ 406,238
Investment income	-	-	85,473	85,473
Miscellaneous	280,243	280,243	536,175	255,932
Total revenues	2,783,145	2,783,145	3,530,788	747,643
EXPENDITURES				
Administration	355,875	355,875	445,062	89,187
Community development programs	793,498	793,498	690,685	(102,813)
Home investment programs	1,077,368	1,077,368	1,368,902	291,534
Emergency shelter programs	148,904	148,904	116,648	(32,256)
Other programs	-	-	(245,652)	(245,652)
Total expenditures	2,375,645	2,375,645	2,375,645	-
Excess (deficiency) of revenues over (under) expenditures	407,500	407,500	1,155,143	747,643
OTHER FINANCING SOURCES (USES)				
Transfers out	(843,552)	(843,552)	(843,552)	-
Total other financing sources (uses)	(843,552)	(843,552)	(843,552)	-
Net change in fund balances	(436,052)	(436,052)	311,591	747,643
FUND BALANCES, beginning	1,426,877	1,426,877	1,426,877	-
FUND BALANCES, ending	\$ 990,825	\$ 990,825	\$ 1,738,468	\$ 747,643

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Hotel/Motel tax	\$ 6,700,000	\$ 6,700,000	\$ 6,984,506	\$ 284,506
Investment income	-	-	3,103	3,103
Total revenues	<u>6,700,000</u>	<u>6,700,000</u>	<u>6,987,609</u>	<u>287,609</u>
EXPENDITURES				
Contracted services	<u>165,000</u>	<u>165,000</u>	<u>168,738</u>	<u>3,738</u>
Total expenditures	<u>165,000</u>	<u>165,000</u>	<u>168,738</u>	<u>3,738</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,535,000</u>	<u>6,535,000</u>	<u>6,818,871</u>	<u>283,871</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(6,535,000)</u>	<u>(6,535,000)</u>	<u>(5,347,381)</u>	<u>1,187,619</u>
Total other financing sources (uses)	<u>(6,535,000)</u>	<u>(6,535,000)</u>	<u>(5,347,381)</u>	<u>1,187,619</u>
Net change in fund balances	-	-	1,471,490	1,471,490
FUND BALANCES, beginning	<u>4,160,740</u>	<u>4,160,740</u>	<u>4,160,740</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 4,160,740</u>	<u>\$ 4,160,740</u>	<u>\$ 5,632,230</u>	<u>\$ 1,471,490</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Parking garage income	\$ 250,000	\$ 250,000	\$ 430,370	\$ 180,370
Total revenues	250,000	250,000	430,370	180,370
EXPENDITURES				
Contracted services	250,000	250,000	189,346	(60,654)
Total expenditures	250,000	250,000	189,346	(60,654)
Excess (deficiency) of revenues over (under) expenditures	-	-	241,024	241,024
Net change in fund balances	-	-	241,024	241,024
FUND BALANCES, beginning	1,315,448	1,315,448	1,315,448	-
FUND BALANCES, ending	\$ 1,315,448	\$ 1,315,448	\$ 1,556,472	\$ 241,024

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 925,937	\$ 925,937	\$ 784,135	\$ (141,802)
Hamilton County funds	752,472	752,472	752,472	-
Other intergovernmental	377,752	377,752	286,983	(90,769)
Miscellaneous	92,000	92,000	118,782	26,782
Total revenues	2,148,161	2,148,161	1,942,372	(205,789)
EXPENDITURES				
Administration	4,414,719	4,414,719	2,596,813	(1,817,906)
Transportation planning	1,489,759	1,489,759	1,234,707	(255,052)
Other program	-	-	92,373	92,373
Capital outlay	33,133	33,133	6,538	(26,595)
Total expenditures	5,937,611	5,937,611	3,930,431	(2,007,180)
Excess (deficiency) of revenues over (under) expenditures	(3,789,450)	(3,789,450)	(1,988,059)	1,801,391
OTHER FINANCING SOURCES (USES)				
Transfers in	2,412,362	2,412,362	2,351,557	(60,805)
Total other financing sources (uses)	2,412,362	2,412,362	2,351,557	(60,805)
Net change in fund balances	(1,377,088)	(1,377,088)	363,498	1,740,586
FUND BALANCES, beginning	4,194,855	4,194,855	4,194,855	-
FUND BALANCES, ending	\$ 2,817,767	\$ 2,817,767	\$ 4,558,353	\$ 1,740,586

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 717,114	\$ 717,114	\$ 718,305	\$ 1,191
Hamilton County funds	203,548	203,548	188,548	(15,000)
Permits	550,800	550,800	468,699	(82,101)
Total revenues	<u>1,471,462</u>	<u>1,471,462</u>	<u>1,375,552</u>	<u>(95,910)</u>
EXPENDITURES				
Operations	1,438,567	1,438,567	1,326,252	(112,315)
Special programs	-	-	21,353	21,353
Capital outlay	-	91,014	119,165	28,151
Total expenditures	<u>1,438,567</u>	<u>1,529,581</u>	<u>1,466,770</u>	<u>(62,811)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,895</u>	<u>(58,119)</u>	<u>(91,218)</u>	<u>(33,099)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>35,331</u>	<u>35,331</u>	<u>270,820</u>	<u>235,489</u>
Total other financing sources (uses)	<u>35,331</u>	<u>35,331</u>	<u>270,820</u>	<u>235,489</u>
Net change in fund balances	68,226	(22,788)	179,602	202,390
FUND BALANCES, beginning	<u>863,828</u>	<u>863,828</u>	<u>863,828</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 932,054</u>	<u>\$ 841,040</u>	<u>\$ 1,043,430</u>	<u>\$ 202,390</u>

CITY OF CHATTANOOGA, TENNESSEE

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

Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
State of Tennessee funds	\$ 32,600	\$ 32,600	\$ 32,600	\$ -
Total revenues	32,600	32,600	32,600	-
EXPENDITURES				
Operations	72,345	72,345	75,219	2,874
Capital outlay	-	-	34	34
Total expenditures	72,345	72,345	75,253	2,908
Excess (deficiency) of revenues over (under) expenditures	(39,745)	(39,745)	(42,653)	(2,908)
Net change in fund balances	(39,745)	(39,745)	(42,653)	(2,908)
FUND BALANCES, beginning	96,748	96,748	96,748	-
FUND BALANCES, ending	\$ 57,003	\$ 57,003	\$ 54,095	\$ (2,908)

CITY OF CHATTANOOGA, TENNESSEE

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Hamilton County funds	\$ 455,013	\$ 455,013	\$ -	\$ (455,013)
Total revenues	455,013	455,013	-	(455,013)
EXPENDITURES				
Principal retirement	18,061,834	18,061,834	18,058,024	(3,810)
Interest	7,977,893	7,977,893	7,426,697	(551,196)
Fiscal charges	110,877	110,877	73,417	(37,460)
Total expenditures	26,150,604	26,150,604	25,558,138	(592,466)
Excess (deficiency) of revenues over (under) expenditures	(25,695,591)	(25,695,591)	(25,558,138)	137,453
OTHER FINANCING SOURCES (USES)				
Transfers in	25,045,514	25,045,514	25,174,557	129,043
Total other financing sources (uses)	25,045,514	25,045,514	25,174,557	129,043
Net change in fund balances	(650,077)	(650,077)	(383,581)	266,496
FUND BALANCES, beginning	2,161,977	2,161,977	2,161,977	-
FUND BALANCES, ending	\$ 1,511,900	\$ 1,511,900	\$ 1,778,396	\$ 266,496



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, 2017

	Interest Rate		
	%	Maturity Date	Amount
GOVERNMENTAL FUNDS			
General fund			
FHLMC	1.670	3/27/2018	2,500,000
Federal Home Loan Bank	1.125	4/25/2018	5,000,000
Fed Natl Mortgage Assn.	1.125	1/4/2019	3,988,280
Fed Natl Mortgage Assn.	1.250	2/22/2019	2,995,920
Federal Home Loan Bank	1.350	3/20/2019	6,996,500
Federal Home Loan Bank	1.250	3/27/2019	5,000,000
Financing Corporation	1.400	4/5/2019	9,657,335
Federal Home Loan Bank	1.390	9/13/2019	3,997,500
Federal Home Loan Bank	1.374	9/13/2019	2,500,000
Fed Natl Mortgage Assn.	1.750	10/9/2019	5,397,263
Federal Farm Credit Bank	1.240	10/22/2019	4,998,050
Federal Farm Credit Bank	1.160	11/1/2019	4,250,000
Federal Farm Credit Bank	1.400	2/24/2020	11,335,000
Federal Farm Credit Bank	1.400	2/24/2020	10,515,000
Federal Farm Credit Bank	1.240	4/6/2020	30,000,000
Federal Home Loan Bank	1.250	5/18/2020	5,750,000
Federal Farm Credit Bank	1.360	11/9/2020	30,000,000
			<u>144,880,848</u>
Capital projects			
Fed Natl Mortgage Assn.	1.450	8/28/2019	2,254,224
			<u>2,254,224</u>
Total governmental fund investments excluding permanent funds			<u><u>\$ 147,135,071</u></u>
ENTERPRISE FUNDS			
Interceptor Sewer Fund			
Federal Home Loan Bank	1.750	12/14/2018	10,089,900
Fed Natl Mortgage Assn.	1.500	6/28/2019	8,002,000
Federal Farm Credit Bank	1.256	1/13/2020	10,224,169
Fed Natl Mortgage Assn.	1.750	1/28/2020	10,000,000
Federal Farm Credit Bank	1.360	11/9/2020	4,700,000
Federal Farm Credit Bank	1.740	11/25/2020	5,000,000
			<u>48,016,069</u>
Chattanooga Downtown Redevelopment Corporation			
Federal Home Loan Bank Discount Note	0.00%	8/30/2017	10,217,254
			<u>10,217,254</u>
Electric Power Board			
Federal National Mortgage Agency	N/A	N/A	3,000,000
			<u>3,000,000</u>
Total enterprise fund investments			<u><u>\$ 61,233,323</u></u>

CITY OF CHATTANOOGA, TENNESSEE

COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE

Year Ended June 30, 2017

TAX YEAR (1)	Property Taxes Receivable Balance 6/30/2016	Property Tax Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance 6/30/2016	Allowance for Uncollectibles	Net Receivable Balance 6/30/2017
2017	\$ -	\$ -	\$ 117,045,993	\$ -	\$ -	\$ 117,045,993	\$ -	\$ 117,045,993
2016	-	120,665,972	-	413,850	116,366,570	4,713,252	612,723	4,100,529
2015	5,738,923	-	-	(929,862)	2,872,087	1,936,974	503,613	1,433,361
2014	2,320,980	-	-	(213,551)	930,368	1,177,061	517,907	659,154
2013	1,332,617	-	-	(21,752)	750,821	560,044	459,236	100,808
2012	631,018	-	-	(12,524)	113,052	505,442	480,170	25,272
2011	497,282	-	-	(10,612)	51,025	435,645	435,645	-
2010	435,982	-	-	(5,924)	14,336	415,722	415,722	-
2009	319,345	-	-	(281)	6,450	312,614	312,614	-
2008	322,126	-	-	(1,104)	8,921	312,101	312,101	-
2007	245,337	-	-	470	1,046	244,761	244,761	-
	<u>\$ 11,843,610</u>	<u>\$ 120,665,972</u>	<u>\$ 117,045,993</u>	<u>\$ (781,290)</u>	<u>\$ 121,114,676</u>	<u>\$ 127,659,609</u>	<u>\$ 4,294,492</u>	<u>\$ 123,365,117</u>

Note:

- (1) All years prior to 2014 have been turned over to the Clerk and Master for collection.
- (2) Accrual of the anticipated current year levy is required by GASB Statement No. 33. The accrual is recorded net of the allowance for uncollectible amounts.

CITY OF CHATTANOOGA

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
2018	\$ 20,549,260	\$ 7,432,239	\$ 27,981,499
2019	20,793,020	6,731,688	27,524,708
2020	17,612,616	6,131,138	23,743,754
2021	17,256,634	5,608,404	22,865,038
2022	17,472,969	5,063,452	22,536,421
2023	16,361,310	4,509,044	20,870,354
2024	16,743,771	3,886,582	20,630,353
2025	15,150,762	3,273,122	18,423,884
2026	15,480,490	2,627,165	18,107,655
2027	13,344,070	1,770,992	15,115,062
2028	10,880,000	1,280,456	12,160,456
2029	10,940,000	930,225	11,870,225
2030	7,185,000	558,700	7,743,700
2031	6,745,000	247,050	6,992,050
	<u>206,514,902</u>	<u>50,050,257</u>	<u>256,565,159</u>
BUSINESS-TYPE ACTIVITIES			
2018	32,760,149	19,501,082	52,261,231
2019	27,927,274	18,452,324	46,379,598
2020	27,002,308	17,389,638	44,391,946
2021	27,180,474	16,334,688	43,515,162
2022	28,952,782	15,219,906	44,172,688
2023	29,932,559	14,110,430	44,042,989
2024	30,973,721	12,968,708	43,942,429
2025	31,668,524	11,723,064	43,391,588
2026	30,483,271	10,464,517	40,947,788
2027	30,798,138	8,853,642	39,651,780
2028	27,799,692	7,850,933	35,650,625
2029	29,245,664	6,582,253	35,827,917
2030	30,202,872	5,334,070	35,536,942
2031	31,406,352	3,866,915	35,273,267
2032	22,038,403	2,854,120	24,892,523
2033	22,814,256	1,821,518	24,635,774
2034	22,292,654	830,909	23,123,563
2035	1,910,174	562,482	2,472,656
2036	1,545,000	461,625	2,006,625
2037	1,625,000	381,042	2,006,042
2038	1,705,000	296,458	2,001,458
2039	1,790,000	207,667	1,997,667
2040	1,880,000	114,417	1,994,417
2041	1,975,000	16,458	1,991,458
	<u>495,909,267</u>	<u>176,198,866</u>	<u>672,108,133</u>
Total primary government indebtedness	<u>\$ 702,424,169</u>	<u>\$ 226,249,123</u>	<u>\$ 928,673,292</u>

CITY OF CHATTANOOGA

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
COMPONENT UNITS			
2018	848,407	321,936	1,170,343
2019	3,435,410	281,921	3,717,331
2020	308,916	198,389	507,305
2021	319,752	187,553	507,305
2022	330,981	176,324	507,305
2023	342,622	164,683	507,305
2024	4,527,907	90,677	4,618,584
	<u>4,527,907</u>	<u>90,677</u>	<u>4,618,584</u>
Total component units indebtedness	<u>\$ 10,113,995</u>	<u>\$ 1,421,483</u>	<u>\$ 11,535,478</u>

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2017

	Outstanding June 30, 2016	Interest Paid FY2017	Issued FY2017	Retired FY2017	Refunded FY2017	Outstanding June 30, 2017	Maturing FY 2018	Interest Payable FY 2018
GOVERNMENTAL ACTIVITIES:								
Serial Bonds:								
Tax Supported								
1998 Public Improvement Refunding	\$ 743,600	\$ 29,547	\$ -	\$ 361,600	\$ -	\$ 382,000	\$ 382,000	\$ 10,027
2005A Municipal Public Improvement Refunding	3,618,703	143,106	-	1,759,427	-	1,859,276	1,859,276	48,510
2006A Municipal Public Improvement	1,036,638	20,735	-	1,036,638	-	-	-	-
2007A Municipal Public Refunding	14,520,000	345,391	-	-	14,520,000	-	-	-
2009 Series A General Obligation	11,350,000	368,875	-	2,270,000	-	9,080,000	2,270,000	297,938
2010 Series A GO Bond	3,350,000	119,763	-	335,000	-	3,015,000	335,000	110,550
2010 Series B Refunding GO bonds	3,331,560	127,958	-	244,543	-	3,087,017	258,969	120,621
2010 Series C Recovery Zone Bonds	4,775,000	166,625	-	345,000	-	4,430,000	345,000	156,275
2011 Series A General Obligation	19,420,000	586,900	-	1,770,000	-	17,650,000	1,765,000	555,975
2011 Series B Refunding GO bonds	1,949,250	73,407	-	-	-	1,949,250	126,099	71,515
2013 Series General Improvement Bond	17,080,000	665,119	-	1,315,000	-	15,765,000	1,315,000	599,369
2014 Municipal Public Improvement Refunding	13,792,100	499,360	-	-	-	13,792,100	750,137	492,796
2015 Series A GO Bond	28,245,000	1,308,575	-	1,885,000	-	26,360,000	1,885,000	1,214,325
2015 Series B Refunding GO bonds	18,955,000	707,350	-	-	-	18,955,000	-	707,350
2017 Series A GO Bond	-	41,000	8,200,000	545,000	-	7,655,000	550,000	382,750
2017 Series B Refunding GO Bond	-	63,200	12,640,000	-	-	12,640,000	-	707,350
Total Tax Supported Bonds	142,166,851	5,266,911	20,840,000	11,867,208	14,520,000	136,619,643	11,841,481	5,475,351
Self Supported								
2005A Hotel-Motel Tax Pledge Refunding	32,499	151,391	-	16,000	-	16,499	16,499	67,818
2010 Series B Refunding Hotel Motel Tax Pledge	20,918,440	803,430	-	1,535,457	-	19,382,983	1,626,031	757,366
2011 Series B Refunding Hotel Motel Tax Pledge	15,595,750	587,318	-	-	-	15,595,750	1,008,901	572,185
2013 Series Hotel-Motel Tax Pledge	6,550,000	255,056	-	505,000	-	6,045,000	505,000	229,807
2014 Hotel Motel Refunding	3,961,340	143,395	-	-	-	3,961,340	215,407	141,510
Total Self Supported Bonds	47,058,029	1,940,590	-	2,056,457	-	45,001,572	3,371,838	1,768,686
Total Serial Bonds	189,224,880	7,207,501	20,840,000	13,923,665	14,520,000	181,621,215	15,213,319	7,244,037
Notes Payable:								
Tax Supported								
2003 TML Bond Fund	884,326	7,024	-	434,896	-	449,430	449,430	3,700
2004 TML Bond Fund	11,739,572	96,682	-	1,340,465	-	10,399,107	1,375,707	85,619
2008 Hennen Land Note	29,829	-	-	29,829	-	-	-	-
2014 Hamilton County	7,842,318	-	-	1,960,580	-	5,881,738	1,960,580	-
Total Tax Supported Notes Payable	20,496,045	103,706	-	3,765,770	-	16,730,275	3,785,717	89,319
Self Supported								
2008 HUD Section 108 Loan Program	2,441,000	111,743	-	305,000	-	2,136,000	305,000	97,957
Total Self Supported Notes Payable	2,441,000	111,743	-	305,000	-	2,136,000	305,000	97,957
Total Notes Payable	22,937,045	215,449	-	4,070,770	-	18,866,275	4,090,717	187,276

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2017

(continued from previous page)

	Outstanding June 30, 2016	Interest Paid FY2017	Issued FY2017	Retired FY2017	Refunded FY2017	Outstanding June 30, 2017	Maturing FY 2018	Interest Payable FY 2018
GOVERNMENTAL ACTIVITIES: (continued)								
Capital leases payable:								
Self Supported								
2013 Golf Course Capital Lease	\$ 113,267	\$ 3,748	\$ -	\$ 63,590	\$ -	\$ 49,677	\$ 49,677	\$ 926
2016 Regional Communication Capital Lease	-	-	5,977,735	-	-	5,977,735	1,195,547	-
Total Self Supported Capital Leases Payable	<u>113,267</u>	<u>3,748</u>	<u>5,977,735</u>	<u>63,590</u>	<u>-</u>	<u>6,027,412</u>	<u>1,245,224</u>	<u>926</u>
Total governmental activities	<u>212,275,192</u>	<u>7,426,698</u>	<u>26,817,735</u>	<u>18,058,025</u>	<u>14,520,000</u>	<u>206,514,902</u>	<u>20,549,260</u>	<u>7,432,239</u>
BUSINESS TYPE ACTIVITIES:								
Interceptor Sewer System:								
Serial Bonds:								
1998 Sewer & Sewage Facilities Refunding	2,906,400	115,484	-	1,413,400	-	1,493,000	1,493,000	39,191
2005A Municipal Public Improvement Refunding	4,494,468	89,574	-	2,191,789	-	2,302,679	2,302,679	30,364
2014 Municipal Public Improvement Refunding	2,343,620	84,842	-	-	-	2,343,620	127,450	83,727
Total serial bonds	<u>9,744,488</u>	<u>289,900</u>	<u>-</u>	<u>3,605,189</u>	<u>-</u>	<u>6,139,299</u>	<u>3,923,129</u>	<u>153,282</u>
Notes payable:								
1998 State of Georgia Revolving Loan	1,276,726	44,087	-	469,331	-	807,395	488,387	25,031
2003-168 State Revolving Loan	20,309,147	577,500	-	2,040,372	-	18,268,775	2,102,014	515,856
2007-204 State Revolving Loan	10,533,739	286,740	-	562,128	-	9,971,611	578,016	270,852
2011-289 State Revolving Loan	16,174,136	326,843	538,600	-	-	16,712,736	683,550	328,220
2012-307 State Revolving Loan	23,552,954	281,217	2,514,888	-	-	26,067,842	1,480,536	372,864
2013-318 State Revolving Loan	20,283,709	400,067	9,971,151	-	-	30,254,860	2,837,172	1,093,908
2016-357 State Revolving Loan	-	9,075	1,789,931	-	-	1,789,931	1,789,931	23,090
Total notes payable	<u>92,130,411</u>	<u>1,925,529</u>	<u>14,814,570</u>	<u>3,071,831</u>	<u>-</u>	<u>103,873,150</u>	<u>9,959,606</u>	<u>2,629,821</u>
Total Interceptor Sewer System	<u>101,874,899</u>	<u>2,215,429</u>	<u>14,814,570</u>	<u>6,677,020</u>	<u>-</u>	<u>110,012,449</u>	<u>13,882,735</u>	<u>2,783,103</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2017

(continued from previous page)

	Outstanding June 30, 2016	Interest Paid FY2017	Issued FY2017	Retired FY2017	Refunded FY2017	Outstanding June 30, 2017	Maturing FY 2018	Interest Payable FY 2018
BUSINESS TYPE ACTIVITIES: (continued)								
Solid Waste Fund:								
Serial Bonds:								
2005A Municipal Public Improvement Refunding	\$ 3,091,077	\$ 73,694	\$ -	\$ 1,506,507	\$ -	\$ 1,584,570	\$ 1,584,570	\$ 24,981
2006A Municipal Public Improvement	283,362	5,665	-	283,362	-	-	-	-
2007A Municipal Public Improvement Refunding	2,480,000	58,995	-	-	2,480,000	-	-	-
2014 Municipal Public Improvement Refunding	4,674,278	169,248	-	-	-	4,674,278	254,243	167,023
2017 Seried B Refundng GO Bond	-	10,775	2,155,000	-	-	2,155,000	-	107,750
Total serial bonds	10,528,717	318,377	2,155,000	1,789,869	2,480,000	8,413,848	1,838,813	299,754
Notes payable:								
2003 TML Bond Fund	89,674	747	-	44,104	-	45,570	45,570	375
2004 TML Bond Fund	284,296	2,333	-	32,535	-	251,761	33,293	2,073
Total Notes Payable	373,970	3,080	-	76,639	-	297,331	78,863	2,448
Total Solid Waste & Sanitation Fund	10,902,687	321,457	2,155,000	1,866,508	2,480,000	8,711,179	1,917,676	302,202
Water Quality Fund								
Serial Bonds:								
2005A Municipal Public Improvement Refunding	2,033,253	44,110	-	991,277	-	1,041,976	1,041,976	14,952
2007A Municipal Public Improvement Refunding	750,000	17,841	-	-	750,000	-	-	-
2013 Water Quality Bonds	4,625,000	179,944	-	360,000	-	4,265,000	355,000	162,069
2014 Municipal Public Improvement Refunding	1,153,663	41,780	-	-	-	1,153,663	62,762	41,231
2015 Series A GO Bond	8,100,000	375,300	-	540,000	-	7,560,000	540,000	348,300
2017 Seried B Refundng GO Bond	-	3,075	615,000	-	-	615,000	-	30,750
Total serial bonds	16,661,916	662,050	615,000	1,891,277	750,000	14,635,639	1,999,738	597,302
Total Water Quality Fund	16,661,916	662,050	615,000	1,891,277	750,000	14,635,639	1,999,738	597,302
Total Business-Type Activities	129,439,502	3,198,936	17,584,570	10,434,805	3,230,000	133,359,267	17,800,149	3,682,607
TOTAL GENERAL OBLIGATION DEBT	341,714,694	10,625,634	44,402,305	28,492,830	17,750,000	339,874,169	38,349,409	11,114,846

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

ANALYSIS OF GENERAL OBLIGATION DEBT

June 30, 2017

(continued from previous page)

	Outstanding June 30, 2016	Interest Paid FY2017	Issued FY2017	Retired FY2017	Refunded FY2017	Outstanding June 30, 2017	Maturing FY 2018	Interest Payable FY 2018
Electric Power Board								
Revenue Bonds:								
2006A Electric System Revenue Bonds	1,400,000	28,875	-	1,400,000	-	-	-	-
2006B Electric System Refunding Revenue Bonds	1,715,000	35,372	-	1,715,000	-	-	-	-
2008A Electric System Revenue Bonds	12,850,000	405,688	-	6,275,000	-	6,575,000	6,575,000	49,313
2015A Electric System Refunding Revenue Bonds	218,855,000	9,782,781	-	-	-	218,855,000	1,370,000	9,737,115
2015B Electric System Revenue Bonds	15,355,000	366,248	-	170,000	-	15,185,000	1,890,000	348,328
2015C Electric System Revenue Bonds	25,880,000	1,276,500	-	-	-	25,880,000	-	1,276,500
Total Revenue Bonds	<u>276,055,000</u>	<u>11,895,464</u>	<u>-</u>	<u>9,560,000</u>	<u>-</u>	<u>266,495,000</u>	<u>9,835,000</u>	<u>11,411,256</u>
Total Electric Power Board	<u>276,055,000</u>	<u>11,895,464</u>	<u>-</u>	<u>9,560,000</u>	<u>-</u>	<u>266,495,000</u>	<u>9,835,000</u>	<u>11,411,256</u>
Chattanooga Downtown Redevelopment Corporation:								
Revenue Bonds:								
2007 Chattanooga Lease Rental Rev Ref Bonds	48,655,000	2,330,700	-	100,000	-	48,555,000	105,000	2,326,600
2010 Chattanooga Lease Rental Rev Ref Bonds	52,290,000	2,325,869	-	4,790,000	-	47,500,000	5,020,000	2,080,619
Total Chattanooga Downtown Redevelopment Corp.	<u>100,945,000</u>	<u>4,656,569</u>	<u>-</u>	<u>4,890,000</u>	<u>-</u>	<u>96,055,000</u>	<u>5,125,000</u>	<u>4,407,219</u>
Total Primary Government	<u>\$ 718,714,694</u>	<u>\$ 27,177,667</u>	<u>\$ 44,402,305</u>	<u>\$ 42,942,830</u>	<u>\$ 17,750,000</u>	<u>\$ 702,424,169</u>	<u>\$ 53,309,409</u>	<u>\$ 26,933,321</u>
COMPONENT UNITS								
Metropolitan Airport Authority:								
Revenue Bonds:								
2009 Refunding	\$ 3,993,010	\$ 113,339	\$ -	\$ 446,898	\$ -	\$ 3,546,112	\$ 460,460	\$ 99,787
2014 Tax Exempt	2,940,923	77,989	-	131,374	-	2,809,549	134,981	74,388
2014 Taxable	3,754,718	150,971	-	147,248	-	3,607,470	153,397	144,539
Total Revenue Bonds	<u>10,688,651</u>	<u>342,299</u>	<u>-</u>	<u>725,520</u>	<u>-</u>	<u>9,963,131</u>	<u>748,838</u>	<u>318,714</u>
Capital leases payable:								
2012 Fuel Facility Capital Lease	8,608	58	-	8,608	-	-	-	-
Total Metropolitan Airport Authority	<u>10,697,259</u>	<u>342,357</u>	<u>-</u>	<u>734,128</u>	<u>-</u>	<u>9,963,131</u>	<u>748,838</u>	<u>318,714</u>
CARTA								
Note Payable:								
Republic Parking System, Inc.	246,535	8,120	-	95,671	-	150,864	99,569	4,222
Total CARTA	<u>246,535</u>	<u>8,120</u>	<u>-</u>	<u>95,671</u>	<u>-</u>	<u>150,864</u>	<u>99,569</u>	<u>4,222</u>
Total Component Units	<u>\$ 10,943,794</u>	<u>\$ 350,477</u>	<u>\$ -</u>	<u>\$ 829,799</u>	<u>\$ -</u>	<u>\$ 10,113,995</u>	<u>\$ 848,407</u>	<u>\$ 322,936</u>

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2017

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2018	1998 Municipal Public Improvement Refunding	5.250%	382,000	10,027	392,027
			<u>382,000</u>	<u>10,027</u>	<u>392,027</u>
2018	2003 Note Payable - Tenn Municipal Bond Fund	0.823%	449,430	3,700	453,130
			<u>449,430</u>	<u>3,700</u>	<u>453,130</u>
2018	2004 Note Payable - Tennessee Municipal	0.823%	1,375,707	85,619	1,461,326
2019	Bond Fund	0.823%	1,412,809	74,293	1,487,102
2020		0.823%	1,450,887	62,661	1,513,548
2021		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%	1,571,737	12,941	1,584,678
			<u>10,399,107</u>	<u>350,552</u>	<u>10,749,659</u>
2018	2005A Hotel-Motel Tax Refunding	5.00%	16,499	67,818	84,317
			<u>16,499</u>	<u>67,818</u>	<u>84,317</u>
2018	2005 Series A Refunding	5.00%	1,859,276	48,510	1,907,786
			<u>1,859,276</u>	<u>48,510</u>	<u>1,907,786</u>
2018	2008 Section 108 HUD Loan	4.00%	305,000	97,957	402,957
2019		4.00%	305,000	83,957	388,957
2020		4.00%	305,000	69,485	374,485
2021		4.00%	305,000	54,494	359,494
2022		4.00%	305,000	39,229	344,229
2023		4.00%	305,000	23,705	328,705
2024		4.00%	306,000	7,941	313,941
			<u>2,136,000</u>	<u>376,768</u>	<u>2,512,768</u>
2018	2009 Series A General Obligation	3.25%	2,270,000	297,938	2,567,938
2019		3.50%	2,270,000	221,325	2,491,325
2020		4.00%	2,270,000	136,200	2,406,200
2021		4.00%	2,270,000	45,400	2,315,400
			<u>9,080,000</u>	<u>700,863</u>	<u>9,780,863</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2017

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2018	2010 A Series General Obligation	3.00%	335,000	110,550	445,550
2019		3.25%	335,000	100,500	435,500
2020		3.25%	335,000	89,612	424,612
2021		3.50%	335,000	78,725	413,725
2022		4.00%	-	67,000	67,000
2023		4.00%	-	67,000	67,000
2024		4.00%	-	67,000	67,000
2025		4.00%	-	67,000	67,000
2026		4.00%	335,000	67,000	402,000
2027		4.00%	335,000	53,600	388,600
2028		4.00%	335,000	40,200	375,200
2029		4.00%	335,000	26,800	361,800
2030		4.00%	335,000	13,400	348,400
			<u>3,015,000</u>	<u>848,387</u>	<u>3,863,387</u>
2018	2010 Series B Refunding Hotel Motel	3.00%	1,626,031	757,366	2,383,397
2019		3.00%	133,705	708,585	842,290
2020		3.25%	138,019	704,240	842,259
2021		3.50%	2,005,582	699,409	2,704,991
2022		4.00%	2,139,288	619,186	2,758,474
2023		4.00%	2,277,306	533,614	2,810,920
2024		4.00%	90,575	442,522	533,097
2025		4.00%	90,575	438,899	529,474
2026		4.00%	94,888	435,276	530,164
2027		4.00%	99,201	431,481	530,682
2028		4.00%	103,514	427,512	531,026
2029		4.00%	3,334,011	423,372	3,757,383
2030		4.00%	3,523,787	290,012	3,813,799
2031	4.00%	3,726,501	149,060	3,875,561	
			<u>19,382,983</u>	<u>7,060,534</u>	<u>26,443,517</u>
2018	2010 Series B Refunding General Obligation	2.75%	258,969	120,621	379,590
2019		3.00%	21,295	112,852	134,147
2020		3.00%	21,981	112,160	134,141
2021		3.25%	319,418	111,391	430,809
2022		3.50%	340,712	98,615	439,327
2023		4.00%	362,694	84,986	447,680
2024		4.00%	14,425	70,478	84,903
2025		4.00%	14,425	69,901	84,326
2026		4.00%	15,112	69,324	84,436
2027		4.00%	15,799	68,719	84,518
2028		4.00%	16,486	68,087	84,573
2029		4.00%	530,989	67,428	598,417
2030		4.00%	561,213	46,188	607,401
2031	4.00%	593,499	23,740	617,239	
			<u>3,087,017</u>	<u>1,124,490</u>	<u>4,211,507</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2017

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2018	2010 Series C Recovery Zone	3.00%	345,000	156,275	501,275
2019		3.00%	345,000	145,925	490,925
2020		3.00%	340,000	135,575	475,575
2021		2.00%	340,000	125,375	465,375
2022		3.13%	340,000	115,175	455,175
2023		3.25%	340,000	104,550	444,550
2024		3.50%	340,000	93,500	433,500
2025		4.00%	340,000	81,600	421,600
2026		4.00%	340,000	68,000	408,000
2027		4.00%	340,000	54,400	394,400
2028		4.00%	340,000	40,800	380,800
2029		4.00%	340,000	27,200	367,200
2030		4.00%	340,000	13,600	353,600
			<u>4,430,000</u>	<u>1,161,975</u>	<u>5,591,975</u>
2018	2011 Series A General Obligation	2.00%	1,765,000	555,975	2,320,975
2019		3.00%	1,765,000	511,850	2,276,850
2020		3.00%	1,765,000	458,900	2,223,900
2021		4.00%	1,765,000	397,125	2,162,125
2022		4.00%	1,765,000	326,525	2,091,525
2023		2.50%	1,765,000	269,162	2,034,162
2024		3.00%	1,765,000	220,625	1,985,625
2025		3.00%	1,765,000	167,675	1,932,675
2026		4.00%	1,765,000	105,900	1,870,900
2027		4.00%	1,765,000	35,300	1,800,300
				<u>17,650,000</u>	<u>3,049,037</u>
2018	2011 Series B Refunding Hotel Motel	3.00%	1,008,901	572,185	1,581,086
2019		2.00%	22,223	556,829	579,052
2020		2.00%	22,223	556,385	578,608
2021		2.25%	26,667	555,862	582,529
2022		2.50%	26,667	555,229	581,896
2023		2.63%	26,667	554,546	581,213
2024		4.00%	2,555,587	503,084	3,058,671
2025		4.00%	2,715,590	397,661	3,113,251
2026		4.00%	2,888,925	285,570	3,174,495
2027		4.00%	3,062,260	166,547	3,228,807
2028		3.25%	3,240,040	52,651	3,292,691
			<u>15,595,750</u>	<u>4,756,549</u>	<u>20,352,299</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2017

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2018	2011 Series B Refunding General Obligation	3.00%	126,099	71,515	197,614
2019		2.00%	2,777	69,596	72,373
2020		2.00%	2,777	69,540	72,317
2021		2.25%	3,333	69,475	72,808
2022		2.50%	3,333	69,396	72,729
2023		2.63%	3,333	69,310	72,643
2024		4.00%	319,413	62,879	382,292
2025		4.00%	339,410	49,702	389,112
2026		4.00%	361,075	35,692	396,767
2027		4.00%	382,740	20,816	403,556
2028		3.25%	404,960	6,581	411,541
			<u>1,949,250</u>	<u>594,502</u>	<u>2,543,752</u>
2018	2013 Golf Course Capital Lease	4.60%	49,677	926	50,603
			<u>49,677</u>	<u>926</u>	<u>50,603</u>
2018	2013 General Improvement Bond	5.00%	1,315,000	599,369	1,914,369
2019		2.00%	1,315,000	553,344	1,868,344
2020		5.00%	1,315,000	507,319	1,822,319
2021		5.00%	1,315,000	441,569	1,756,569
2022		5.00%	1,315,000	375,819	1,690,819
2023		5.00%	1,315,000	310,068	1,625,068
2024		3.00%	1,315,000	257,468	1,572,468
2025		3.00%	1,315,000	218,018	1,533,018
2026		3.13%	1,315,000	177,747	1,492,747
2027		4.00%	1,310,000	131,000	1,441,000
2028		4.00%	1,310,000	78,600	1,388,600
2029		4.00%	1,310,000	26,200	1,336,200
			<u>15,765,000</u>	<u>3,676,521</u>	<u>19,441,521</u>
2018	2013 Hotel-Motel Tax	5.00%	505,000	229,807	734,807
2019		2.00%	505,000	212,131	717,131
2020		5.00%	505,000	194,456	699,456
2021		5.00%	505,000	169,206	674,206
2022		5.00%	505,000	143,956	648,956
2023		5.00%	505,000	118,706	623,706
2024		3.00%	505,000	98,506	603,506
2025		3.00%	505,000	83,355	588,355
2026		3.13%	505,000	67,890	572,890
2027		4.00%	500,000	50,000	550,000
2028		4.00%	500,000	30,000	530,000
2029	4.00%	500,000	10,000	510,000	
			<u>6,045,000</u>	<u>1,408,013</u>	<u>7,453,013</u>
2018	2014 Hamilton County Dept. of Education	0.00%	1,960,580	-	1,960,580
2019		0.00%	1,960,579	-	1,960,579
2020		0.00%	1,960,579	-	1,960,579
			<u>5,881,738</u>	<u>-</u>	<u>5,881,738</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2017

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2018	2014 Refunding Hotel Motel Tax Pledge	1.75%	215,407	141,510	356,917
2019		4.00%	1,510,144	109,422	1,619,566
2020		5.00%	792,119	59,417	851,536
2021		3.00%	214,644	36,394	251,038
2022		2.00%	211,588	31,058	242,646
2023		2.25%	207,769	26,605	234,374
2024		3.00%	205,477	21,186	226,663
2025		3.00%	203,186	15,056	218,242
2026		3.00%	200,894	8,994	209,888
2027		3.00%	200,112	2,990	203,102
			<u>3,961,340</u>	<u>452,632</u>	<u>4,413,972</u>
2018	2014 General Obligation Refunding	1.75%	750,137	492,796	1,242,933
2019		4.00%	5,258,941	381,054	5,639,995
2020		5.00%	2,758,484	206,913	2,965,397
2021		3.00%	747,477	126,739	874,216
2022		2.00%	736,837	108,158	844,995
2023		2.25%	723,537	92,650	816,187
2024		3.00%	715,557	73,777	789,334
2025		3.00%	707,576	52,430	760,006
2026		3.00%	699,596	31,322	730,918
2027		3.00%	693,958	10,414	704,372
			<u>13,792,100</u>	<u>1,576,253</u>	<u>15,368,353</u>
2018	2015 A Series GO Bond	5.00%	1,885,000	1,214,325	3,099,325
2019		5.00%	1,885,000	1,120,075	3,005,075
2020		5.00%	1,885,000	1,025,825	2,910,825
2021		5.00%	1,885,000	931,575	2,816,575
2022		5.00%	1,885,000	865,600	2,750,600
2023		5.00%	1,885,000	799,625	2,684,625
2024		5.00%	1,885,000	705,375	2,590,375
2025		5.00%	1,885,000	611,125	2,496,125
2026		5.00%	1,880,000	517,000	2,397,000
2027		5.00%	1,880,000	423,000	2,303,000
2028		5.00%	1,880,000	329,000	2,209,000
2029		5.00%	1,880,000	235,000	2,115,000
2030		5.00%	1,880,000	141,000	2,021,000
2031		5.00%	1,880,000	47,000	1,927,000
			<u>26,360,000</u>	<u>8,965,525</u>	<u>35,325,525</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2017

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2018	2015 B Series GO Bond Refunding	3.00%	-	707,350	707,350
2019		3.00%	-	707,350	707,350
2020		3.00%	-	707,350	707,350
2021		3.00%	-	707,350	707,350
2022		3.00%	2,580,000	668,650	3,248,650
2023		3.00%	2,550,000	591,700	3,141,700
2024		3.00%	2,520,000	515,650	3,035,650
2025		5.00%	2,515,000	414,975	2,929,975
2026		5.00%	2,205,000	296,975	2,501,975
2027		5.00%	2,215,000	186,475	2,401,475
2028	3.00%	2,205,000	98,025	2,303,025	
2029	3.00%	2,165,000	32,475	2,197,475	
			<u>18,955,000</u>	<u>5,634,325</u>	<u>24,589,325</u>
2018	2016 Regional Communication Capital Lease	0.00%	1,195,547	-	1,195,547
2019		0.00%	1,195,547	-	1,195,547
2020		0.00%	1,195,547	-	1,195,547
2021		0.00%	1,195,547	-	1,195,547
2022		0.00%	1,195,547	-	1,195,547
			<u>5,977,735</u>	<u>-</u>	<u>5,977,735</u>
2018	2017A Series GO Bond	5.00%	550,000	382,750	932,750
2019		5.00%	550,000	355,250	905,250
2020		5.00%	550,000	327,750	877,750
2021		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>7,655,000</u>	<u>2,865,000</u>	<u>10,520,000</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2017

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DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2018	2017A Series GO Bond Refunding	3.00%	-	707,350	707,350
2019		3.00%	-	707,350	707,350
2020		3.00%	-	707,350	707,350
2021		3.00%	1,985,000	707,350	2,692,350
2022		3.00%	2,045,000	668,650	2,713,650
2023		3.00%	1,980,000	591,700	2,571,700
2024		3.00%	2,090,000	515,650	2,605,650
2025		3.00%	2,210,000	414,975	2,624,975
2026		3.00%	2,330,000	296,975	2,626,975
			<u>12,640,000</u>	<u>5,317,350</u>	<u>17,957,350</u>
	Total direct indebtedness		<u>206,514,902</u>	<u>50,050,257</u>	<u>256,565,159</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2017

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2018	1998 Municipal Public Improvement Refunding	5.25%	1,493,000	39,191	1,532,191
			<u>1,493,000</u>	<u>39,191</u>	<u>1,532,191</u>
2018	1998 Georgia Environmental Facilities Authority	4.00%	488,387	25,031	513,418
2019		4.00%	319,008	5,803	324,811
			<u>807,395</u>	<u>30,834</u>	<u>838,229</u>
2018	2003 State Revolving Loan	2.98%	2,102,014	515,856	2,617,870
2019		2.98%	2,165,817	452,052	2,617,869
2020		2.98%	2,230,938	386,940	2,617,878
2021		2.98%	2,298,336	319,536	2,617,872
2022		2.98%	2,367,768	250,104	2,617,872
2023		2.98%	2,439,300	178,572	2,617,872
2024		2.98%	2,512,992	104,880	2,617,872
2025		2.98%	2,151,610	26,541	2,178,151
			<u>18,268,775</u>	<u>2,234,481</u>	<u>20,503,256</u>
2018	2005 Series A Refunding	5.00%	2,302,679	30,364	2,333,043
			<u>2,302,679</u>	<u>30,364</u>	<u>2,333,043</u>
2018	2007 State Revolving Loan	2.79%	578,016	270,852	848,868
2019		2.79%	594,348	254,520	848,868
2020		2.79%	611,148	237,720	848,868
2021		2.79%	628,416	220,452	848,868
2022		2.79%	646,176	202,692	848,868
2023		2.79%	664,428	184,440	848,868
2024		2.79%	683,208	165,660	848,868
2025		2.79%	702,516	146,352	848,868
2026		2.79%	722,376	126,492	848,868
2027		2.79%	742,788	106,080	848,868
2028		2.79%	763,776	85,092	848,868
2029		2.79%	785,364	63,504	848,868
2030		2.79%	807,552	41,316	848,868
2031		2.79%	830,376	18,492	848,868
2032		2.79%	211,123	1,001	212,124
			<u>9,971,611</u>	<u>2,124,665</u>	<u>12,096,276</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2017

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2018	2011 State Revolving Loan	2.00%	683,550	328,220	1,011,770
2019		2.00%	835,428	378,696	1,214,124
2020		2.00%	852,288	361,836	1,214,124
2021		2.00%	869,496	344,628	1,214,124
2022		2.00%	887,040	327,084	1,214,124
2023		2.00%	904,944	309,180	1,214,124
2024		2.00%	923,208	290,916	1,214,124
2025		2.00%	941,844	272,280	1,214,124
2026		2.00%	960,852	253,272	1,214,124
2027		2.00%	980,244	233,880	1,214,124
2028		2.00%	1,000,032	214,092	1,214,124
2029		2.00%	1,020,216	193,908	1,214,124
2030		2.00%	1,040,808	173,316	1,214,124
2031		2.00%	1,061,820	152,304	1,214,124
2032		2.00%	1,083,252	130,872	1,214,124
2033		2.00%	1,105,116	109,008	1,214,124
2034		2.00%	1,127,424	86,700	1,214,124
2035	2.00%	435,174	24,190	459,364	
			<u>16,712,736</u>	<u>4,184,382</u>	<u>20,897,118</u>
2018	2012-307 State Revolving Loan	1.15%	1,480,536	372,864	1,853,400
2019		1.15%	1,497,648	355,752	1,853,400
2020		1.15%	1,514,964	338,436	1,853,400
2021		1.15%	1,532,484	320,916	1,853,400
2022		1.15%	1,550,196	303,204	1,853,400
2023		1.15%	1,568,124	285,276	1,853,400
2024		1.15%	1,586,244	267,156	1,853,400
2025		1.15%	1,604,580	248,820	1,853,400
2026		1.15%	1,623,132	230,268	1,853,400
2027		1.15%	1,641,900	211,500	1,853,400
2028		1.15%	1,660,884	192,516	1,853,400
2029		1.15%	1,680,084	173,316	1,853,400
2030		1.15%	1,699,512	153,888	1,853,400
2031	1.15%	1,719,156	134,244	1,853,400	
2032	1.15%	1,739,028	114,372	1,853,400	
2033	1.15%	1,759,140	94,260	1,853,400	
2034	1.15%	210,230	2,418	212,648	
			<u>26,067,842</u>	<u>3,799,206</u>	<u>29,867,048</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2017

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INTERCEPTOR SEWER SYSTEM

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2018	2013-318 State Revolving Loan	1.67%	2,837,172	1,093,908	3,931,080
2019		1.67%	2,884,920	1,046,160	3,931,080
2020		1.67%	2,933,460	997,620	3,931,080
2021		1.67%	2,982,828	948,252	3,931,080
2022		1.67%	3,033,024	898,056	3,931,080
2023		1.67%	3,084,072	847,008	3,931,080
2024		1.67%	3,135,972	795,108	3,931,080
2025		1.67%	3,188,736	742,344	3,931,080
2026		1.67%	3,242,400	688,680	3,931,080
2027		1.67%	2,932,276	48,969	2,981,245
			<u>30,254,860</u>	<u>8,106,105</u>	<u>38,360,965</u>
2018	2014 General Obligation Refunding	4.00%	127,450	83,727	211,177
2019		5.00%	893,504	64,742	958,246
2020		3.00%	468,672	35,155	503,827
2021		2.00%	126,998	21,533	148,531
2022		2.25%	125,190	18,376	143,566
2023		3.00%	122,930	15,742	138,672
2024		3.00%	121,574	12,535	134,109
2025		3.00%	120,219	8,908	129,127
2026		3.00%	118,863	5,322	124,185
2027		3.00%	118,220	1,769	119,989
			<u>2,343,620</u>	<u>267,809</u>	<u>2,611,429</u>
2018	2016-357 SRF loan	1.29%	1,789,931	23,090	1,813,021
			<u>1,789,931</u>	<u>23,090</u>	<u>1,813,021</u>
	Total Interceptor Sewer System indebtedness		<u>110,012,449</u>	<u>20,840,127</u>	<u>130,852,576</u>

SOLID WASTE FUND

2018	2003 Note Payable - Tenn Municipal Bond Fund	0.823%	45,570	375	45,945
			<u>45,570</u>	<u>375</u>	<u>45,945</u>
2018	2004 Note Payable - Tennessee Municipal Bond Fund	0.823%	33,293	2,073	35,366
2019		0.823%	34,191	1,799	35,990
2020		0.823%	35,113	1,517	36,630
2021		0.823%	36,034	1,228	37,262
2022		0.823%	37,003	931	37,934
2023		0.823%	37,996	627	38,623
2024		0.823%	38,131	314	38,445
			<u>251,761</u>	<u>8,489</u>	<u>260,250</u>
2018	2005 Series A Refunding	5.00%	1,584,570	24,981	1,609,551
			<u>1,584,570</u>	<u>24,981</u>	<u>1,609,551</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2017

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SOLID WASTE FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2018	2014 General Obligation Refunding	1.75%	254,243	167,023	421,266
2019		4.00%	1,782,408	129,150	1,911,558
2020		5.00%	934,930	70,129	1,005,059
2021		3.00%	253,342	42,955	296,297
2022		2.00%	249,736	36,658	286,394
2023		2.25%	245,228	31,402	276,630
2024		3.00%	242,523	25,005	267,528
2025		3.00%	239,818	17,770	257,588
2026		3.00%	237,114	10,616	247,730
2027		3.00%	234,936	3,529	238,465
			<u>4,674,278</u>	<u>534,237</u>	<u>5,208,515</u>
2018	2017B Series GO Bond Refunding	3.00%	-	107,750	107,750
2019		3.00%	-	107,750	107,750
2020		3.00%	-	107,750	107,750
2021		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>710,250</u>
	Total Solid Waste Fund indebtedness		<u>8,711,179</u>	<u>1,278,332</u>	<u>9,989,511</u>

WATER QUALITY FUND

2018	2005 Series A Refunding	5.000%	1,041,976	14,952	1,056,928
			<u>1,041,976</u>	<u>14,952</u>	<u>1,056,928</u>
2018	2013 General Obligation	5.000%	355,000	162,069	517,069
2019		2.000%	360,000	149,594	509,594
2020		5.000%	355,000	137,119	492,119
2021		5.000%	355,000	119,369	474,369
2022		5.000%	355,000	101,619	456,619
2023		5.000%	355,000	83,869	438,869
2024		3.000%	355,000	69,668	424,668
2025		3.000%	355,000	59,017	414,017
2026		3.125%	355,000	48,147	403,147
2027		4.000%	355,000	35,500	390,500
2028		4.000%	355,000	21,300	376,300
2029		4.000%	355,000	7,100	362,100
			<u>4,265,000</u>	<u>994,371</u>	<u>5,259,371</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2017

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WATER QUALITY FUND

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2018	2014 General Obligation Refunding	4.00%	62,762	41,231	103,993
2019		5.00%	440,002	31,882	471,884
2020		3.00%	230,795	17,312	248,107
2021		2.00%	62,540	10,604	73,144
2022		2.25%	61,649	9,049	70,698
2023		3.00%	60,537	7,752	68,289
2024		3.00%	59,869	6,173	66,042
2025		3.00%	59,201	4,387	63,588
2026		3.00%	58,534	2,621	61,155
2027		3.00%	57,774	871	58,645
			<u>1,153,663</u>	<u>131,882</u>	<u>1,285,545</u>
2018	2015A General Obligation	5.00%	540,000	348,300	888,300
2019		5.00%	540,000	321,300	861,300
2020		5.00%	540,000	294,300	834,300
2021		5.00%	540,000	267,300	807,300
2022		5.00%	540,000	248,400	788,400
2023		5.00%	540,000	229,500	769,500
2024		5.00%	540,000	202,500	742,500
2025		5.00%	540,000	175,500	715,500
2026		5.00%	540,000	148,500	688,500
2027		5.00%	540,000	121,500	661,500
2028		5.00%	540,000	94,500	634,500
2029		5.00%	540,000	67,500	607,500
2030		5.00%	540,000	40,500	580,500
2031	5.00%	540,000	13,500	553,500	
			<u>7,560,000</u>	<u>2,573,100</u>	<u>10,133,100</u>
2018	2017B Series GO Bond Refunding	3.00%	-	30,750	30,750
2019		3.00%	-	30,750	30,750
2020		3.00%	-	30,750	30,750
2021		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>203,250</u>	<u>818,250</u>
Total Water Quality Fund indebtedness			<u>14,635,639</u>	<u>3,917,555</u>	<u>18,553,194</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2017

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ELECTRIC POWER BOARD

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2018	2008 A Electric System Revenue Bonds	4.50%	6,575,000	49,313	6,624,313
			<u>6,575,000</u>	<u>49,313</u>	<u>6,624,313</u>
2018	2015 A Electric System Refunding Revenue Bond	4.000%	1,370,000	9,737,115	11,107,115
2019		5.000%	8,380,000	9,378,815	17,758,815
2020		5.000%	8,880,000	8,938,981	17,818,981
2021		5.000%	9,410,000	8,472,898	17,882,898
2022		5.000%	9,970,000	7,979,065	17,949,065
2023		5.000%	10,545,000	7,456,606	18,001,606
2024		5.000%	11,160,000	6,903,731	18,063,731
2025		5.000%	11,810,000	6,318,648	18,128,648
2026		5.000%	12,485,000	5,700,023	18,185,023
2027		2.880%	14,735,000	5,242,955	19,977,955
2028		3.000%	15,160,000	4,793,350	19,953,350
2029		5.000%	15,610,000	4,067,133	19,677,133
2030		4.000%	16,395,000	3,390,550	19,785,550
2031		4.000%	17,050,000	2,712,917	19,762,917
2032		5.000%	17,730,000	1,860,500	19,590,500
2033		5.000%	18,615,000	937,125	19,552,125
2034		4.000%	19,550,000	130,333	19,680,333
			<u>218,855,000</u>	<u>94,020,745</u>	<u>312,875,745</u>
2018	2015 B Electric System Revenue Bonds	1.100%	1,890,000	348,328	2,238,328
2019		1.550%	1,825,000	321,290	2,146,290
2020		2.050%	1,765,000	286,423	2,051,423
2021		2.300%	1,720,000	247,426	1,967,426
2022		2.600%	1,675,000	204,541	1,879,541
2023		2.900%	1,635,000	157,770	1,792,770
2024		3.050%	1,595,000	109,328	1,704,328
2025		3.200%	1,560,000	59,620	1,619,620
2026		3.380%	1,520,000	8,550	1,528,550
			<u>15,185,000</u>	<u>1,743,276</u>	<u>16,928,276</u>

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2017

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ELECTRIC POWER BOARD

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2018	2015 C Electric System Revenue Bonds	5.000%	-	1,276,500	1,276,500
2019		5.000%	-	1,276,500	1,276,500
2020		5.000%	-	1,276,500	1,276,500
2021		5.000%	-	1,276,500	1,276,500
2022		5.000%	795,000	1,243,375	2,038,375
2023		4.000%	835,000	1,208,917	2,043,917
2024		5.000%	870,000	1,167,100	2,037,100
2025		4.000%	915,000	1,129,350	2,044,350
2026		5.000%	950,000	1,083,667	2,033,667
2027		5.000%	995,000	1,034,292	2,029,292
2028		5.000%	1,045,000	982,458	2,027,458
2029		5.000%	1,100,000	927,917	2,027,917
2030		5.000%	1,155,000	870,625	2,025,625
2031		5.000%	1,210,000	610,583	1,820,583
2032		5.000%	1,275,000	747,375	2,022,375
2033		5.000%	1,335,000	681,125	2,016,125
2034		5.000%	1,405,000	611,458	2,016,458
2035		5.000%	1,475,000	538,292	2,013,292
2036		5.000%	1,545,000	461,625	2,006,625
2037		5.000%	1,625,000	381,042	2,006,042
2038		5.000%	1,705,000	296,458	2,001,458
2039		5.000%	1,790,000	207,667	1,997,667
2040		5.000%	1,880,000	114,417	1,994,417
2041		5.000%	1,975,000	16,458	1,991,458
			<u>25,880,000</u>	<u>19,420,201</u>	<u>45,300,201</u>
	Total Electric Power Board indebtedness		<u>266,495,000</u>	<u>115,233,535</u>	<u>381,728,535</u>

CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

2018	2007 Lease Rental Revenue Refunding	4.000%	105,000	2,326,600	2,431,600
2019		4.000%	105,000	2,322,400	2,427,400
2020		4.125%	110,000	2,318,031	2,428,031
2021		4.200%	115,000	2,313,348	2,428,348
2022		4.250%	120,000	2,308,383	2,428,383
2023		4.250%	125,000	2,303,176	2,428,176
2024		4.300%	130,000	2,297,725	2,427,725
2025		4.300%	135,000	2,292,027	2,427,027
2026		4.375%	7,155,000	2,132,609	9,287,609
2027		4.375%	7,465,000	1,812,797	9,277,797
2028		5.000%	7,275,000	1,467,625	8,742,625
2029		5.000%	8,155,000	1,081,875	9,236,875
2030		5.000%	8,565,000	663,875	9,228,875
2031		5.000%	8,995,000	224,875	9,219,875
			<u>48,555,000</u>	<u>25,865,346</u>	<u>74,420,346</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF BONDS, NOTES AND CAPITAL LEASES PAYABLE

June 30, 2017

(continued from previous page)

CHATTANOOGA DOWNTOWN REDEVELOPMENT CORPORATION

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2018	2010 IDB Revenue Refunding	5.000%	5,020,000	2,080,619	7,100,619
2019		5.000%	5,270,000	1,823,369	7,093,369
2020		5.000%	5,540,000	1,553,119	7,093,119
2021		5.000%	5,815,000	1,269,243	7,084,243
2022		5.000%	6,090,000	971,619	7,061,619
2023		3.250%	6,340,000	716,343	7,056,343
2024		5.000%	6,565,000	478,159	7,043,159
2025		5.000%	6,860,000	171,500	7,031,500
				<u>47,500,000</u>	<u>9,063,971</u>
	Total Chattanooga Downtown Redevelopment Corporation indebtedness		<u>96,055,000</u>	<u>34,929,317</u>	<u>130,984,317</u>
	Total Primary Government		<u>\$ 702,424,169</u>	<u>\$ 226,249,123</u>	<u>\$ 928,673,292</u>

METROPOLITAN AIRPORT AUTHORITY

2018	2009 Refunding Revenue Bonds	2.950%	460,460	99,787	560,247
2019		2.950%	3,085,652	72,479	3,158,131
				<u>3,546,112</u>	<u>172,266</u>
2018	2014 Tax Exempt Revenue Bonds	2.670%	134,981	74,388	209,369
2019		2.670%	138,680	70,689	209,369
2020		2.670%	142,481	66,888	209,369
2021		2.670%	146,387	62,982	209,369
2022		2.670%	150,399	58,970	209,369
2023		2.670%	154,521	54,848	209,369
2024		2.670%	1,942,100	30,196	1,972,296
				<u>2,809,549</u>	<u>418,961</u>
2018	2014 Taxable Revenue Bonds	4.030%	153,397	144,539	297,936
2019		4.030%	159,783	138,153	297,936
2020		4.030%	166,435	131,501	297,936
2021		4.030%	173,365	124,571	297,936
2022		4.030%	180,582	117,354	297,936
2023		4.030%	188,101	109,835	297,936
2024		4.030%	2,585,807	60,481	2,646,288
				<u>3,607,470</u>	<u>826,434</u>
	Total Airport Authority indebtedness		<u>9,963,131</u>	<u>1,417,661</u>	<u>11,380,792</u>

CARTA

2018	Notes Payable	4.000%	99,569	4,222	103,791
2019		4.000%	51,295	600	51,895
	Total CARTA indebtedness		<u>150,864</u>	<u>4,822</u>	<u>155,686</u>
	Total component unit indebtedness		<u>\$ 10,113,995</u>	<u>\$ 1,422,483</u>	<u>\$ 11,536,478</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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities:										
General government	\$ 74,480,647	\$ 68,405,139	\$ 68,922,709	\$ 70,744,329	\$ 68,097,422	\$ 64,751,775	\$ 63,957,991	\$ 73,098,750	\$ 88,028,404	\$ 75,282,935
Economic & community development	11,379,757	18,390,875	25,728,093	6,785,001	-	-	-	-	-	-
Public safety	116,346,808	104,952,395	82,128,786	38,174,721	90,260,439	91,995,943	84,765,514	76,368,786	70,745,129	72,595,048
Public works	-	-	-	-	61,278,623	69,321,709	66,493,039	61,734,669	61,147,976	55,935,906
Public works & transportation	64,442,601	63,429,352	66,224,659	64,730,037	-	-	-	-	-	-
Youth & family development	27,234,006	26,048,987	23,455,413	21,716,619	-	-	-	-	-	-
Parks and recreation	-	-	-	-	22,884,259	22,807,242	24,010,501	20,271,088	17,223,313	17,370,233
Social services	-	-	-	-	17,513,922	19,329,779	20,924,562	23,531,828	20,440,264	19,072,003
Interest on long-term debt	6,380,122	6,854,540	6,904,505	6,819,652	6,763,002	7,087,446	7,126,810	7,237,128	6,693,847	6,902,290
Total governmental activities expenses	<u>300,263,941</u>	<u>288,081,288</u>	<u>273,364,165</u>	<u>208,970,359</u>	<u>266,797,667</u>	<u>275,293,894</u>	<u>267,278,417</u>	<u>262,242,249</u>	<u>264,278,933</u>	<u>247,158,415</u>
Business-type activities:										
Electric utility	683,959,000	653,115,000	655,053,000	639,502,000	630,133,000	640,200,589	633,506,721	539,720,000	542,811,000	472,115,000
Sewer	51,040,686	46,229,974	48,140,754	48,359,508	51,882,717	50,173,707	47,790,192	44,686,829	40,311,413	37,859,312
Solid waste	3,948,930	4,145,986	4,126,419	4,392,822	6,457,957	5,108,430	5,037,895	4,753,430	4,373,161	4,973,585
Water quality management	14,525,893	13,688,806	13,151,961	13,175,781	12,868,856	12,386,648	10,003,657	8,385,351	5,638,936	5,058,524
Housing management	-	-	-	-	602,886	1,028,404	1,105,718	1,042,569	941,834	1,003,096
Downtown redevelopment	17,794,859	16,759,306	16,760,841	16,049,380	16,196,291	-	-	-	-	-
Regional communication	1,039,599	931,065	-	-	-	-	-	-	-	-
Total business-type activities expenses	<u>772,308,967</u>	<u>734,870,137</u>	<u>737,232,975</u>	<u>721,479,491</u>	<u>718,141,707</u>	<u>708,897,778</u>	<u>697,444,183</u>	<u>598,588,179</u>	<u>594,076,344</u>	<u>521,009,517</u>
Total primary government expenses	<u>1,072,572,908</u>	<u>1,022,951,425</u>	<u>1,010,597,140</u>	<u>930,449,850</u>	<u>984,939,374</u>	<u>984,191,672</u>	<u>964,722,600</u>	<u>860,830,428</u>	<u>858,355,277</u>	<u>768,167,932</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	14,166,467	14,530,075	16,177,423	15,401,345	11,696,397	11,045,632	10,434,649	11,523,433	12,239,326	11,592,555
Economic & community development	4,949,579	4,130,813	3,645,519	3,537,586	-	-	-	-	-	-
Public safety	960,516	878,733	934,476	820,316	1,854,727	654,680	880,936	977,577	630,281	807,649
Public works	-	-	-	-	3,195,233	3,314,133	2,652,857	2,443,705	1,893,443	2,523,650
Public works & transportation	536,615	524,452	581,137	501,462	-	-	-	-	-	-
Youth & family development	532,507	553,403	559,531	599,463	-	-	-	-	-	-
Parks and recreation	-	-	-	-	3,649,255	3,728,321	3,815,671	4,212,077	4,069,218	4,132,026
Social services	-	-	-	-	344,385	746,120	646,768	834,020	700,179	1,203,478
Operating grants and contributions	33,639,774	30,519,758	36,065,180	28,078,849	38,425,404	38,545,589	45,528,069	43,695,157	39,564,910	26,253,573
Capital grants and contributions	8,761,232	28,317,766	1,556,749	215,908	1,472,538	2,253,589	7,860,181	10,605,215	11,012,496	29,021,776
Total governmental activities program revenues	<u>63,546,690</u>	<u>79,455,000</u>	<u>59,520,015</u>	<u>49,154,929</u>	<u>60,637,939</u>	<u>60,288,064</u>	<u>71,819,131</u>	<u>74,291,184</u>	<u>70,109,853</u>	<u>75,534,707</u>
Business-type activities:										
Charges for services:										
Electric utility	716,889,000	684,060,000	671,251,000	654,818,000	625,486,000	618,552,000	589,475,000	504,599,000	544,635,000	484,458,000
Sewer	78,169,727	70,770,332	64,055,861	63,155,547	52,708,135	52,051,115	48,702,486	45,761,756	43,749,143	42,473,352
Solid waste	6,322,756	6,981,881	7,314,318	7,085,846	6,343,124	6,317,708	6,597,533	6,389,727	6,871,844	5,171,586
Water quality management	21,239,224	19,526,288	19,945,571	19,100,534	17,245,533	16,123,965	14,292,397	13,480,137	5,796,188	5,627,095
Housing management	-	-	-	-	2,667,646	882,897	839,126	816,476	807,058	751,350
Downtown redevelopment	19,324,706	18,882,874	18,659,042	17,038,504	17,706,905	-	-	-	-	-
Regional communication	1,330,745	1,306,785	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	100,819	19,983,313	2,398,436	191,575	189,973
Capital grants and contributions	2,639,203	985,000	739,109	1,833,500	19,983,000	39,217,000	41,117,000	29,595,440	2,462,551	1,668,000
Total business-type activities program revenues	<u>845,915,361</u>	<u>802,513,160</u>	<u>781,964,901</u>	<u>763,031,931</u>	<u>742,140,343</u>	<u>733,245,504</u>	<u>721,006,855</u>	<u>603,040,972</u>	<u>604,513,359</u>	<u>540,339,356</u>
Total primary government program revenues	<u>909,462,051</u>	<u>881,968,160</u>	<u>841,484,916</u>	<u>812,186,860</u>	<u>802,778,282</u>	<u>793,533,568</u>	<u>792,825,986</u>	<u>677,332,156</u>	<u>674,623,212</u>	<u>615,874,063</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE

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

(continued from previous page)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net (expense)/revenue:										
Governmental activities	\$ (236,717,250)	\$ (208,626,288)	\$ (213,844,150)	\$ (159,815,430)	\$ (206,159,728)	\$ (215,005,830)	\$ (195,459,286)	\$ (187,951,065)	\$ (194,169,080)	\$ (171,623,708)
Business-type activities	73,606,394	67,643,023	44,731,926	41,552,440	23,998,636	24,347,726	23,562,672	4,452,793	10,437,015	19,329,839
Total primary government net expense	<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>	<u>(183,498,272)</u>	<u>(183,732,065)</u>	<u>(152,293,869)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	134,943,202	130,902,972	127,519,982	125,641,150	129,150,158	133,455,222	112,953,898	96,982,279	94,274,504	91,847,883
Liquor and beer taxes	8,737,791	8,997,261	7,606,018	8,186,392	7,606,723	7,614,837	7,352,383	7,062,700	7,394,591	6,951,057
Gross receipts tax	5,958,597	5,882,100	4,899,150	4,797,634	4,231,661	4,276,496	4,437,883	3,790,913	3,905,913	3,931,405
Franchise tax	4,498,990	4,382,373	4,725,955	4,221,364	4,115,338	2,915,030	2,119,546	2,248,279	2,210,697	2,507,204
Hotel-motel tax	7,030,339	6,589,452	5,995,649	5,364,901	5,004,320	5,001,504	4,746,845	4,058,621	3,893,990	4,067,597
Other taxes	750,707	222,074	134,509	162,765	69,598	83,017	43,520	227,546	2,578,385	2,605,700
Unrestricted investment earnings	2,992,787	1,753,046	954,972	1,331,773	1,069,002	873,653	1,344,715	1,118,163	1,420,375	4,104,441
Grants not allocated to specific programs	82,923,454	79,585,292	75,505,288	70,667,626	70,563,200	66,731,113	53,070,739	52,777,032	49,988,522	53,466,222
Gain on sale of capital assets	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	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	22,679	-	3,312,122
Change in equity interest	-	-	-	-	-	-	-	(196,534)	(457,589)	(439,341)
Endowment contributions	-	-	-	105	-	4,554	-	-	-	19,306
Transfers	-	50,952	-	-	1,363,048	6,344,311	5,917,771	4,089,754	3,061,998	4,321,107
Special Item- Transfer of Land to VW	-	-	-	-	-	-	-	-	(8,916,345)	-
Total governmental activities	<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>	<u>172,181,432</u>	<u>159,355,041</u>	<u>176,694,703</u>
Business-type activities:										
Unrestricted investment earnings	1,898,682	1,815,617	1,186,019	990,099	1,055,895	804,118	1,463,002	3,632,413	8,991,904	5,249,845
Miscellaneous	-	-	-	-	388,268	147,914	-	16,427	808,000	816,803
Transfers	-	(50,952)	-	-	(1,363,048)	(6,344,311)	(5,917,771)	(4,089,754)	(3,061,998)	(4,321,107)
Loss on disposal of capital assets	-	-	-	-	(4,150,506)	-	-	-	-	-
Extra ordinary - tornado damage	-	-	-	-	-	-	(28,000,000)	-	-	-
Total business-type activities	<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>	<u>(440,914)</u>	<u>6,737,906</u>	<u>1,745,541</u>
Total primary government	<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>	<u>171,740,518</u>	<u>166,092,947</u>	<u>178,440,244</u>
Change in Net Position										
Governmental activities	12,179,491	30,575,323	15,022,732	60,820,976	17,904,001 ⁽³⁾	12,664,192	(3,292,342)	(15,769,633) ⁽²⁾	(34,814,039) ⁽¹⁾	5,070,995
Business-type activities	75,505,076	69,407,688	45,917,945	42,542,539	19,929,245	18,955,447	(8,892,097)	4,011,879	17,174,921	21,075,380
Total primary government	<u>\$ 87,684,567</u> ⁽⁵⁾	<u>\$ 99,983,011</u>	<u>\$ 60,940,677</u>	<u>\$ 103,363,515</u> ⁽⁴⁾	<u>\$ 37,833,246</u>	<u>\$ 31,619,639</u>	<u>\$ (12,184,439)</u>	<u>\$ (11,757,754)</u>	<u>\$ (17,639,118)</u>	<u>\$ 26,146,375</u>

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

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

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

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

⁽⁵⁾ 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			
	2017	2016	2015	2014
Governmental activities				
Net investment in capital assets	\$ 1,277,949,718	\$ 1,272,353,698	\$ 1,275,429,168	\$ 1,204,844,784
Restricted	60,727,476	66,118,034	47,791,629	47,931,872
Unrestricted	(196,343,638) ⁽⁵⁾	(134,094,903)	(149,419,291)	(93,997,882) ⁽⁴⁾
Total governmental activities net position	<u>1,142,333,556</u>	<u>1,204,376,829</u>	<u>1,173,801,506</u>	<u>1,158,778,774</u>
Business-type activities				
Net investment in capital assets	652,037,064	590,844,184	603,011,447	573,918,419
Restricted	76,121,378	49,238,536	69,421,422	46,644,598
Unrestricted ⁽¹⁾	53,364,214 ⁽⁵⁾	78,680,556	(23,077,281)	(13,959,374) ⁽⁴⁾
Total business-type activities net position	<u>781,522,656</u>	<u>718,763,276</u>	<u>649,355,588</u>	<u>606,603,643</u>
Primary government				
Net investment in capital assets	1,929,986,782	1,863,197,882	1,878,440,615	1,778,763,203
Restricted	136,848,854	115,356,570	117,213,051	94,576,470
Unrestricted	(142,979,424) ⁽⁵⁾	(55,414,347)	(172,496,572)	(107,957,256) ⁽⁴⁾
Total primary government net position	<u>\$ 1,923,856,212</u>	<u>\$ 1,923,140,105</u>	<u>\$ 1,823,157,094</u>	<u>\$ 1,765,382,417</u>

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

⁽²⁾ In 2008 significant investment was made in the EPB utility plant reallocating net position between invested in capital and unrestricted.

⁽³⁾ In 2011 EPB suffered \$28,000,000 in extraordinary losses from the worst years of tornadoes in recent history.

⁽⁴⁾ In 2014, City implemented GASB 67 and 68.

⁽⁵⁾ In 2017, City implemented GASB 74 and 75.

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 1,212,457,120	\$ 1,203,907,660	\$ 1,231,353,280	\$ 1,259,985,302	\$ 1,259,405,543	\$ 1,276,307,361
28,150,164	41,687,490	27,167,455	13,118,922	24,162,165	12,295,632
92,237,845	89,243,312	63,653,535	52,362,388	57,668,537	87,447,291
<u>1,332,845,129</u>	<u>1,334,838,462</u>	<u>1,322,174,270</u>	<u>1,325,466,612</u>	<u>1,341,236,245</u>	<u>1,376,050,284</u>
537,001,543	527,583,854	568,185,846	533,433,835	559,872,034	563,418,374
45,014,643	30,684,020	18,097,653	22,728,886	24,501,372	27,476,571
(10,293,881)	3,519,144	(43,451,928)	(4,439,053)	(36,661,617)	(60,528,077)
<u>571,722,305</u>	<u>561,787,018</u> ⁽³⁾	<u>542,831,571</u>	<u>551,723,668</u>	<u>547,711,789</u>	<u>530,366,868</u> ⁽²⁾
1,749,458,663	1,731,491,514	1,799,539,126	1,793,419,137	1,819,277,577	1,839,725,735
73,164,807	72,371,510	45,265,108	35,847,808	48,663,537	39,772,203
81,943,964	92,762,456	20,201,607	47,923,335	21,006,920	26,919,214
<u>\$ 1,904,567,434</u>	<u>\$ 1,896,625,480</u>	<u>\$ 1,865,005,841</u>	<u>\$ 1,877,190,280</u>	<u>\$ 1,888,948,034</u>	<u>\$ 1,906,417,152</u>

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	
2008	\$ 91,847,883	\$ 1,860,774	\$ 5,090,283	\$ 3,931,405	\$ 2,507,204	\$ 4,067,597	\$ 2,605,700	\$ 111,910,846
2009	94,274,504	1,957,072	5,437,519	3,905,913	2,210,697	3,893,990	2,578,385	114,258,080
2010	96,982,279 ⁽²⁾	1,973,682	5,089,018	3,790,913	2,248,279	4,058,621	227,546 ⁽²⁾	114,370,338
2011	112,953,898 ⁽³⁾	1,964,432	5,387,951	4,437,883	2,119,546	4,746,845	43,520	131,654,075
2012	133,455,222	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	161,919,626

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

⁽²⁾ Beginning FY2010 change in unearned revenue is included in property tax instead of other taxes.

⁽³⁾ 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									
	2017	2016	2015	2014	2013	2012	2011	2010 ⁽¹⁾	2009	2008
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,617,430	\$ 3,535,673
Unreserved:										
Designated	-	-	-	-	-	-	-	-	3,608,909	7,812,678
Undesignated	-	-	-	-	-	-	-	-	31,520,660	40,746,518
Nonspendable	1,131,569	1,521,502	1,783,514	2,482,752	2,852,473	4,377,659	4,286,374	1,780,661	-	-
Restricted	10,599,175	5,924,050	5,449,595	6,213,426	7,567,786	7,502,063	6,658,785	7,455,576	-	-
Committed	810,609	645,036	795,692	689,137	733,927	967,538	898,772	1,184,148	-	-
Assigned	11,105,986	8,830,766	6,293,667	5,100,983	3,111,037	4,686,118	4,572,721	993,642	-	-
Unassigned	77,758,552	65,922,139	55,113,696	64,225,680	55,580,376	45,470,014	33,863,477	28,415,466	-	-
Total general fund ⁽²⁾	101,405,891	82,843,493	69,436,164	78,711,978	69,845,599	63,003,392	50,280,129	39,829,493	43,746,999	52,094,869
All other governmental funds										
Reserved	-	-	-	-	-	-	-	-	36,659,112	22,488,664
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	8,454,135	10,913,021
Debt service fund	-	-	-	-	-	-	-	-	8,375,003	7,032,956
Permanent funds	-	-	-	-	-	-	-	-	36,705	52,324
Nonspendable	4,748,454	4,814,493	5,623,182	5,857,179	5,587,435	5,418,717	5,669,095	5,695,501	-	-
Restricted	70,681,969	73,783,314	52,110,734	51,548,075	32,077,331	43,422,413	30,890,348	43,983,628	-	-
Committed	6,423,455	6,413,573	8,656,519	9,227,214	5,466,410	3,456,211	7,063,311	6,559,175	-	-
Assigned	1,556,472	1,315,448	1,107,806	827,293	953,975	604,092	338,988	205,049	-	-
Unassigned	-	-	-	-	-	-	-	(777,863)	-	-
Total all other governmental funds	83,410,350	86,326,828	67,498,241	67,459,761	44,085,151	52,901,433	43,961,742	55,665,490	53,524,955	40,486,965
Total governmental funds	\$ 184,816,241	\$ 169,170,321	\$ 136,934,405	\$ 146,171,739	\$ 113,930,750	\$ 115,904,825	\$ 94,241,871	\$ 95,494,983	\$ 97,271,954	\$ 92,581,834

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

	Fiscal Year			
	2017	2016	2015	2014
Revenues				
Taxes	\$ 163,443,650	\$ 155,799,808	\$ 151,630,655	\$ 147,420,648
Licenses and permits	7,569,081	7,352,468	6,519,237	6,384,410
Intergovernmental	113,376,554	109,583,823	104,921,960	96,926,638
Charges for services	4,558,271	4,491,755	5,596,920	6,017,985
Fines, forfeitures and penalties	2,117,601	2,599,585	2,721,488	2,051,888
Investment income	3,277,471	1,972,171	1,111,693	1,581,549
Contributions and donations	1,244,604	1,609,166	982,639	782,545
Miscellaneous	7,445,416	6,651,589	8,144,924	6,236,014
Total revenues	<u>303,032,648</u>	<u>290,060,365</u>	<u>281,629,516</u>	<u>267,401,677</u>
Expenditures				
General government	65,960,761	63,105,668	64,148,350	61,432,644
Economic & community development	8,917,998	8,633,354	8,617,777	6,896,838
Public safety	103,566,128	96,260,548	93,447,712	93,249,612
Public works	-	-	-	-
Public works & transportation	39,207,550	37,834,604	37,822,758	38,201,294
Youth & family development	26,506,698	25,772,920	23,744,490	21,738,673
Parks and recreation, education, arts & culture	-	-	-	-
Social Services	-	-	-	-
Capital outlay	33,351,247	35,147,388	35,186,418	22,598,368
Debt service:				
Principal	18,058,024	17,164,347	19,324,913	12,970,806
Interest	7,500,114	7,426,116	7,421,843	7,030,200
Total expenditures	<u>303,068,520</u>	<u>291,344,945</u>	<u>289,714,261</u>	<u>264,118,435</u>
Excess of revenues over (under) expenditures	(35,872)	(1,284,580)	(8,084,745)	3,283,242
Other financing sources (uses)				
Transfers in	39,699,793	44,454,692	59,632,771	38,834,687
Transfers out	(39,699,794)	(44,403,738)	(61,032,771)	(39,321,328)
Refunding bonds issued	12,640,000	-	17,753,440	-
Bonds issued	8,200,000	47,200,000	-	26,775,000
Premium on bonds issued	3,762,622	7,684,371	1,735,417	2,369,489
Payments to refunded bond escrow agent	(14,898,565)	(21,414,829)	(19,324,578)	-
Notes issued	-	-	83,132	-
Capital leases	5,977,735	-	-	-
Total other financing sources (uses)	<u>15,681,791</u>	<u>33,520,496</u>	<u>(1,152,589)</u>	<u>28,657,848</u>
Net change in fund balances	<u>\$ 15,645,919</u>	<u>\$ 32,235,916</u>	<u>\$ (9,237,334)</u>	<u>\$ 31,941,090</u>
Debt service as a percentage of non-capital expenditures	9.10%	9.12%	9.69%	8.24%

		Fiscal Year									
		2013	2012	2011	2010	2009	2008				
\$	144,654,630	\$	135,223,433	\$	133,486,033	\$	114,584,911	\$	111,959,239	\$	109,552,362
	5,830,254		5,738,751		5,176,412		5,368,232		4,435,320		4,633,755
	107,416,967		103,679,076		100,441,019		97,317,492		95,014,416		83,610,126
	6,333,801		6,045,639		5,602,433		6,182,979		5,302,861		5,227,764
	1,422,556		2,148,952		2,705,952		3,256,983		2,835,260		2,493,879
	1,185,179		1,170,671		1,476,502		1,350,106		1,777,344		4,536,219
	218,028		839,599		1,208,813		754,226		589,914		2,568,829
	6,340,451		5,730,827		4,813,272		5,953,361		5,970,884		8,531,832
	<u>273,401,866</u>		<u>260,576,948</u>		<u>254,910,436</u>		<u>234,768,290</u>		<u>227,885,238</u>		<u>221,154,766</u>
	64,000,423		57,347,682		54,344,907		68,917,674		69,935,803		65,152,105
	-		-		-		-		-		-
	92,123,889		90,486,931		83,338,295		71,310,426		72,616,829		72,660,880
	40,854,938		39,283,330		39,260,630		31,601,596		37,185,999		35,209,087
	-		-		-		-		-		-
	-		-		-		-		-		-
	19,872,077		19,459,895		18,003,988		16,979,064		16,809,777		16,617,304
	16,515,906		19,123,591		20,977,875		22,890,301		17,712,991		3,288,257
	18,236,057		24,674,873		24,601,428		23,446,614		42,528,781		24,352,978
	13,037,072		11,846,305		13,007,185		12,532,082		9,591,682		10,839,021
	7,178,691		7,683,913		7,211,011		7,979,170		6,333,051		7,007,893
	<u>271,819,053</u>		<u>269,906,520</u>		<u>260,745,319</u>		<u>255,656,927</u>		<u>272,714,913</u>		<u>235,127,525</u>
	1,582,813		(9,329,572)		(5,834,883)		(20,888,637)		(44,829,675)		(13,972,759)
	31,557,514		33,930,297		33,896,437		31,587,851		31,750,605		40,995,521
	(35,544,306)		(31,650,986)		(29,444,666)		(27,567,851)		(28,969,931)		(41,141,279)
	-		-		-		14,219,204		-		-
	-		44,115,201		-		34,265,000		46,056,885		-
	-		3,172,754		-		730,718		682,236		-
	-		(18,574,740)		-		(34,123,256)		-		-
	128,416		-		130,000		-		-		8,445,635
	301,493		-		-		-		-		-
	<u>(3,556,883)</u>		<u>30,992,526</u>		<u>4,581,771</u>		<u>19,111,666</u>		<u>49,519,795</u>		<u>8,299,877</u>
\$	<u>(1,974,070)</u>	\$	<u>21,662,954</u>	\$	<u>(1,253,112)</u>	\$	<u>(1,776,971)</u>	\$	<u>4,690,120</u>	\$	<u>(5,672,882)</u>
	8.08%		7.82%		8.56%		9.00%		6.59%		8.37%

CITY OF CHATTANOOGA, TENNESSEE

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

Fiscal Year Ended June 30	Assessed Value					Original Total Taxable Value ⁽¹⁾⁽²⁾	Direct Tax Rate	Estimated Actual Taxable Value ⁽¹⁾	Assessed Value as a Percentage of Actual Value
	Real Property ⁽³⁾			Personalty	Public Utilities				
	Residential Property	Commercial Property	Multi-Use Property						
2008	\$ 1,421,354,257	\$ 1,910,417,410	\$ 48,320,830	\$ 456,098,873	\$ 212,569,505	\$ 4,048,760,875	2.202	\$ 12,906,102,564	31.37%
2009	1,452,977,142	1,968,057,920	50,987,075	509,493,519	222,152,961	4,203,668,617	2.202	13,293,431,306	31.62%
2010	1,732,687,931	2,296,650,350	56,261,925	522,397,863	237,696,428	4,845,694,497	1.939	15,307,270,881	31.66%
2011	1,767,475,281	2,277,144,490	52,744,350	499,813,408	211,611,981	4,808,789,510	2.309	15,187,143,683	31.66%
2012	1,782,714,560	2,256,432,695	53,283,085	509,661,044	218,734,193	4,820,825,577	2.309	15,239,117,325	31.63%
2013	1,795,943,110	2,261,110,225	58,632,465	538,856,958	219,981,451	4,874,524,209	2.309	15,498,290,496	31.45%
2014	1,784,295,979	2,348,871,997	74,573,687	531,222,301	216,285,095	4,955,249,059	2.309	15,679,940,525	31.60%
2015	1,840,532,560	2,374,091,013	70,770,559	532,072,812	227,140,466	5,044,607,410	2.309	16,071,141,262	31.39%
2016	1,865,936,950	2,418,840,319	68,275,406	531,204,313	226,768,904	5,111,025,892	2.309	16,253,882,118	31.44%
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%

Source: City Treasurer

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

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

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

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

Fiscal Year Ended June 30	City of Chattanooga Tax Rate	Hamilton County				Total Direct & Overlapping Rates ⁽¹⁾
		General Fund Tax Rate	School Fund Tax Rate	Road Fund Tax Rate	Total Tax Rate	
2008	2.2020	1.5759	1.5655	0.0126	3.1540	5.3560
2009	2.2020	1.3816	1.3726	0.0110	2.7652	4.9672
2010	1.9390	1.3816	1.3726	0.0110	2.7652	4.7042
2011	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2012	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2013	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2014	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2015	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2016	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742
2017	2.3090	1.3816	1.3726	0.0110	2.7652	5.0742

Source: www.hamiltontn.gov/trustee/

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

CITY OF CHATTANOOGA, TENNESSEE

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer ⁽¹⁾	2017			2008		
	Taxable ⁽²⁾ Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
	Value		Value	Value		
Electric Power Board (2)	\$305,091,950	1	4.65%	\$157,529,299	1	3.89%
CBL & Associates	89,507,084	2	1.36%	61,814,667	2	1.53%
Tennessee Valley Authority (Computer Center)	83,797,100	3	1.28%	39,200,680	5	0.97%
BlueCross BlueShield	52,080,989	4	0.79%	32,771,073	7	0.81%
Tennessee-American Water Co.	51,195,293	5	0.78%	42,557,330	4	1.05%
AT&T (BellSouth)	44,707,681	6	0.68%	45,360,488	3	1.12%
JDK Real Estate (Kenco Group)	32,551,137	7	0.50%	26,786,416	8	0.66%
WALMART	31,936,863	8	0.49%	25,757,813	9	0.64%
Unum/Provident	30,528,122	9	0.46%	35,113,793	6	0.87%
AGL resources - Chatt. Gas Co.	25,212,891	10	0.38%	25,737,143	10	0.64%
Totals	<u>\$ 746,609,110</u>		<u>11.37%</u>	<u>\$ 492,628,702</u>		<u>12.18%</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
2008	\$ 89,153,730	\$ 63,822	\$ 89,217,552	\$ 85,019,277	95.3%	\$ 3,987,489	\$ 89,006,766	99.8%
2009	91,760,952	(259,193)	91,501,759	87,144,122	95.2%	4,095,299	91,239,421	99.7%
2010	93,958,030	(1,208,571)	92,749,459	88,615,281	95.5%	3,604,744	92,220,025	99.4%
2011	111,034,964	(270,003)	110,764,961	104,399,752	94.3%	5,746,078	110,145,830	99.4%
2012	111,312,877	(517,344)	110,795,533	104,608,676	94.4%	5,528,155	110,136,831	99.4%
2013	112,552,779	(598,059)	111,954,720	105,385,912	94.1%	5,873,455	111,259,367	99.4%
2014	114,416,715	(635,072)	113,781,643	107,610,482	94.6%	5,107,159	112,717,641	99.1%
2015	116,480,000	(55,663)	116,424,337	110,399,359	94.8%	5,630,683	116,030,042	99.7%
2016	118,013,601	(111,894)	117,901,707	112,528,120	95.4%	904,756	113,432,876	96.2%
2017	120,665,972	(118,369)	120,547,603	116,366,570	96.5%	-	116,366,570	96.5%

⁽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
2007	735	\$ 489,134,625	(2) 1,652	\$ 184,475,058	\$ 5,004,087,050	\$ 5,685,416,370	\$ 580,059,970
2008	471	244,137,277	715	108,132,239	5,163,673,852	5,811,908,568	620,270,613
2009	1,057	381,383,099	(3) 791	84,885,364	6,008,895,400	6,930,739,450	626,311,137
2010	1151	185,443,140	745	81,002,976	5,951,110,800	7,069,893,350	500,090,912
2011	1444	322,226,474	661	69,817,203	5,908,284,300	7,130,854,966	501,109,262
2012	1228	526,589,240	1,155	92,540,434	5,946,058,500	7,183,769,166	572,274,272
2013	619	309,615,547	1,319	118,773,260	6,296,210,200	7,123,787,316	563,981,000
2014	743	354,627,089	1,313	167,484,483	6,462,411,280	7,248,274,500	587,014,861
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

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

⁽¹⁾ Latest information available for the calendar year.

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

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

CITY OF CHATTANOOGA, TENNESSEE

GENERAL FUND INTERGOVERNMENTAL REVENUE

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>County-Wide Sales Tax</u>	<u>City Allocation State Sales Tax</u>	<u>County-Wide Designated Sales Tax</u>	<u>City Allocation State Income Tax</u>	<u>Mixed Drink Tax</u>	<u>Other Revenue</u>	<u>Total</u>
2008	\$ 26,604,258	\$ 11,185,750	\$ 10,767,083	\$ 4,909,130	\$ 1,818,211	\$ 5,856,223	\$ 61,140,655
2009	25,710,248	10,254,407	10,394,686	3,629,181	1,763,451	17,780,474 ⁽¹⁾	69,532,447
2010	25,116,025	9,904,220	10,182,243	2,578,926	1,888,061	13,749,395 ⁽²⁾	63,418,870
2011	26,462,886	10,357,166	10,652,849	2,714,695	1,942,779	10,987,506 ⁽³⁾	63,117,881
2012	38,054,892 ⁽⁴⁾	11,313,906	11,365,043	2,651,353	2,095,770	10,421,921	75,902,885
2013	40,007,670	11,544,670	11,405,092	4,199,313	2,229,008	10,323,819	79,709,572
2014	39,781,604	11,948,621	11,340,990	3,744,628	2,402,905 ⁽⁵⁾	6,293,761	75,512,509
2015	42,428,955	12,624,796	12,093,914	4,137,843	2,601,751	4,923,476	78,810,735
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

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

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

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

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

⁽⁵⁾ In fiscal year 2014, the City started remitting 50% of this revenue to the Department of Education.

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
2008	145,941	8.14	19,450	9.06	3,438	6.99	141	9.97	168,970	7.59
2009	147,301	9.55	19,326	10.53	3,414	8.39	139	11.35	170,180	9.01
2010	147,532	8.67	19,226	9.77	3,379	7.54	141	10.45	170,278	8.17
2011	148,033	9.56	19,157	10.69	3,524	8.32	138	11.37	170,852	9.00
2012	148,788	10.15	19,365	11.31	3,443	8.53	138	11.85	171,734	9.34
2013	149,875	10.19	20,079	11.36	3,387	8.67	143	12.06	173,484	9.47
2014	150,901	10.16	20,482	11.33	3,137	8.55	142	12.14	174,662	9.42
2015	152,503	10.22	20,910	11.39	3,127	8.58	142	12.01	176,682	9.46
2016	154,273	10.59	21,082	11.94	3,178	8.52	144	11.70	178,677	9.58
2017	155,745	10.93	21,500	12.30	3,199	8.55	145	12.07	180,589	9.77

Source: EPB Financial Reports

Note: Number of customers and rate are the average for the year.

CITY OF CHATTANOOGA, TENNESSEE

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Total		Total Excluding	
	General Obligation	Notes 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⁾
	2008	\$ 130,843,479	\$ 32,593,423	\$ 112,603,776	\$ 289,660,000	\$ 96,051,522	\$ 44,406,947		\$ 171,298	\$ 706,330,445	12.58%	4,158
2009	169,652,698	30,654,836	109,822,026	288,060,000	83,302,301	52,607,497	147,723	734,247,081	12.90%	4,297	7.84%	2,611
2010	176,064,209	31,266,117	106,531,819	285,390,000	72,480,791	50,197,546	122,705	722,053,187	12.11%	4,214	7.33%	2,548
2011	165,968,711	28,547,881	103,678,615	282,680,000	62,441,288	66,590,772	96,119	710,003,386	12.13%	4,234	7.30%	2,549
2012	182,677,809	25,814,209	100,625,098	279,930,000	54,342,190	66,140,734	67,834	709,597,874	12.04%	4,171	7.29%	2,525
2013	177,238,092	23,950,371	287,958 ⁽²⁾	406,889,598 ⁽²⁾	47,709,242	57,542,512	37,701	713,655,474	11.55%	4,167	4.97%	1,791
2014	194,931,457	33,678,384	232,290	395,635,613	45,186,500	52,400,294	5,562	722,070,100	11.19%	4,165	5.06%	1,883
2015	182,335,696	26,990,086	174,098	383,215,627	36,956,413	61,741,959	-	691,413,879	10.56%	3,988	4.71%	1,778
2016 ⁽³⁾	203,311,219	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 ⁽³⁾	197,788,968	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

⁽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
LAST TEN FISCAL YEARS

Fiscal Year	Primary Government ⁽¹⁾			Less: Debt Supported by Designated Revenue Streams Other Than Property Taxes					
	GO	Notes and Capital	Total	Hotel-Motel	CDRC	Fannie Mae	HUD Sec.	Republic	
	Bonds	Leases		Debt	Capital Lease	Loan	Capital Lease	108 Notes	Parking Loan
2008	\$ 226,895,000	\$ 189,775,445	\$ 416,670,445	\$ 53,638,980	\$ 111,411,938	\$ -	\$ -	\$ 4,576,000	\$ -
2009	252,955,000	193,232,084	446,187,084	52,768,980	108,937,617	-	284,251	4,576,000	-
2010	248,545,000	188,118,187	436,663,187	53,455,510	106,308,081	-	223,738	4,271,000	-
2011	228,409,999	198,913,388	427,323,387	52,163,815	103,518,327	-	160,288	3,966,000	-
2012	237,019,999	192,647,875	429,667,874	49,324,122	100,531,340	-	93,758	3,661,000	-
2013	224,947,334	81,818,542 ⁽³⁾	306,765,876	47,091,427	- ⁽⁴⁾	-	287,958	3,356,000	-
2014	240,117,957	86,316,530	326,434,487	52,423,496	-	-	232,290	3,051,000	-
2015	219,292,110	88,906,143	308,198,253	49,785,663	-	-	174,098	2,746,000	-
2016	243,061,968	115,554,693	358,616,661	47,058,029	-	-	113,267	2,441,000	-
2017	229,878,469	129,064,168	358,942,637	45,001,572	-	-	6,027,412	2,136,000	-

⁽¹⁾ Primary Government includes premiums and discounts

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

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

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

800 MHz Capital Lease	Sewer Debt	Solid Waste Debt	Water Quality Debt	EPB Debt	Less: Debt Service Fund Balance	Total Reduction	Debt Supported by Property Tax Total	% Estimated Actual Taxable Value of Property ⁽²⁾	Per Capita ⁽³⁾
\$ 1,191,838	\$ 98,154,112	\$ 27,345,475	\$ 13,835,180	\$ 1,295,000	\$ 8,925,003	\$ 320,373,526	\$ 96,296,919	0.75%	567
600,159	98,468,501	24,813,108	12,189,914	586,000	8,925,003	312,149,532	134,037,552	1.01%	784
-	90,181,577	22,160,064	10,459,401	-	4,870,365	291,929,736	144,733,451	0.95%	845
-	82,208,790	19,377,489	8,634,900	18,907,000	4,954,374	293,890,983	133,432,404	0.88%	796
-	73,329,345	17,838,771	7,657,642	21,725,000	652,699	274,813,677	154,854,197	1.02%	910
-	70,632,816	16,811,099	6,984,540	10,861,000	2,476,637	158,501,477	148,264,399	0.96%	866
-	66,235,357	14,913,893	11,666,106	4,777,000	5,020,752	158,319,894	168,114,593	1.07%	970
-	74,920,453	13,300,710	10,477,209	-	3,446,011	154,850,144	153,348,109	0.95%	885
-	102,232,212	11,426,361	18,596,557	-	2,161,977	184,029,403	174,587,258	1.07%	989
-	110,264,335	9,491,440	16,504,207	-	1,778,396	191,203,362	167,739,275	1.01%	945

CITY OF CHATTANOOGA, TENNESSEE

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2017

<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	\$ 218,472,140	57.9559%	\$ 126,617,473
Other debt:			
Hamilton County Notes Payable	55,029,915	57.9559%	<u>31,893,077</u>
Subtotal, overlapping debt ⁽¹⁾			158,510,550
City of Chattanooga debt related to governmental activities ⁽³⁾			<u>206,514,902</u>
Total direct and overlapping debt			<u><u>\$ 365,025,452</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			
	2017	2016	2015	2014
Debt limit ⁽¹⁾	\$ 522,577,906	\$ 511,102,589	\$ 504,460,741	\$ 495,524,906
Total net debt applicable to limit ⁽²⁾	167,739,275	174,587,258	153,348,109	168,114,593
Legal debt margin	<u>\$ 354,838,631</u>	<u>\$ 336,515,331</u>	<u>\$ 351,112,632</u>	<u>\$ 327,410,313</u>
Total net debt applicable to the limit as a percentage of debt limit	32.10%	34.16%	30.40%	33.93%

Legal Debt Margin Calculation by Fiscal Year				
Assessed value	\$ 5,225,779,059	\$ 5,111,025,892	\$ 5,044,607,410	\$ 4,955,249,059
Debt limit (10% of total assessed value)	522,577,906	511,102,589	504,460,741	495,524,906
Debt applicable to limit:				
General obligation bonds	169,517,671	176,749,235	156,794,120	173,135,345
Less: amount set aside for repayment of general obligation debt	(1,778,396)	(2,161,977)	(3,446,011)	(5,020,752)
Total net debt applicable to limit	<u>167,739,275</u>	<u>174,587,258</u>	<u>153,348,109</u>	<u>168,114,593</u>
Legal debt margin	<u>\$ 354,838,631</u>	<u>\$ 336,515,331</u>	<u>\$ 351,112,632</u>	<u>\$ 327,410,313</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					
2013	2012	2011	2010	2009	2008
\$ 487,452,421	\$ 482,082,558	\$ 480,878,951	\$ 484,569,450	\$ 416,716,328	\$ 404,876,088
148,264,399	154,854,197	133,432,404	144,733,451	134,037,552	96,296,919
<u>\$ 339,188,022</u>	<u>\$ 327,228,361</u>	<u>\$ 347,446,547</u>	<u>\$ 339,835,999</u>	<u>\$ 282,678,776</u>	<u>\$ 308,579,169</u>
30.42%	32.12%	27.75%	29.87%	32.17%	23.78%

Legal Debt Margin Calculation by Fiscal Year					
\$ 4,874,524,209	\$ 4,820,825,577	\$ 4,808,789,510	\$ 4,845,694,497	\$ 4,167,163,278	\$ 4,048,760,875
487,452,421	482,082,558	480,878,951	484,569,450	416,716,328	404,876,088
150,741,036	155,506,895	138,386,776	149,603,816	142,962,554	105,221,922
(2,476,637)	(652,700)	(4,954,374)	(4,870,365)	(8,925,003)	(8,925,003)
<u>148,264,399</u>	<u>154,854,195</u>	<u>133,432,402</u>	<u>144,733,451</u>	<u>134,037,551</u>	<u>96,296,919</u>
<u>\$ 339,188,022</u>	<u>\$ 327,228,363</u>	<u>\$ 347,446,549</u>	<u>\$ 339,835,999</u>	<u>\$ 282,678,777</u>	<u>\$ 308,579,169</u>

CITY OF CHATTANOOGA, TENNESSEE

HISTORICAL DEBT RATIOS

June 30, 2017

	Fiscal Year			
	2017	2016	2015	2014
Estimated population	177,571	176,588	173,366	173,366
Appraised property valuation	\$ 16,617,822,120	\$ 16,253,882,118	\$ 15,484,126,401	\$ 15,754,641,402
Assessed property valuation	5,225,896,880	5,111,025,892	5,044,607,410	4,955,249,059
Gross indebtedness ⁽¹⁾	435,929,169	442,659,694	404,376,144	422,909,531
Less: Self-supporting indebtedness ⁽²⁾	282,579,251	279,996,798	255,342,366	257,073,903
Debt Service Fund	1,778,396	2,161,977	3,446,011	5,020,752
Net direct indebtedness	151,571,522	160,500,919	145,587,767	160,814,876
Plus: Estimated net overlapping indebtedness	158,510,550	170,209,506	164,152,697	146,010,497
Net direct and overlapping indebtedness	\$ 310,082,072	\$ 330,710,425	\$ 309,740,464	\$ 306,825,373
Gross debt per capita	\$ 2,454.96	\$ 2,506.74	\$ 2,332.50	\$ 2,439.40
Net direct debt per capita	853.58	908.90	839.77	927.60
Net direct and overlapping debt per capita	1,746.24	1,872.78	1,786.63	1,769.81
Gross debt to appraised valuation	2.62%	2.72%	2.61%	2.68%
Net direct debt to appraised valuation	0.91%	0.99%	0.94%	1.02%
Net direct debt and overlapping debt to appraised valuation	1.87%	2.03%	2.00%	1.95%
Gross debt to assessed valuation	8.34%	8.66%	8.02%	8.53%
Net direct debt to assessed valuation	2.90%	3.14%	2.89%	3.25%
Net direct and overlapping debt to assessed valuation	5.93%	6.47%	6.14%	6.19%

⁽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

2013	2012	2011	2010	2009	2008
171,279	170,136	167,674	171,349	170,880	169,884
\$ 15,498,290,496	\$ 15,239,117,325	\$ 15,187,143,683	\$ 15,307,270,881	\$ 13,294,163,310	\$ 12,906,102,564
4,874,524,209	4,820,825,577	4,808,789,510	4,845,694,497	4,167,163,278	4,048,760,875
403,192,541	407,942,874	408,416,390	436,663,186	445,601,083	415,375,442
257,949,312	252,435,979	270,029,615	287,059,370	302,638,530	310,153,520
2,476,637	652,700	4,954,374	4,870,365	8,925,003	8,925,003
142,766,592	154,854,195	133,432,401	144,733,451	134,037,550	96,296,919
158,657,256	152,555,047	148,698,012	154,968,909	149,048,842	136,287,686
\$ 301,423,848	\$ 307,409,242	\$ 282,130,413	\$ 299,702,360	\$ 283,086,392	\$ 232,584,605
\$ 2,354.01	\$ 2,397.75	\$ 2,435.78	\$ 2,548.38	\$ 2,607.68	\$ 2,445.05
833.53	910.18	795.78	844.67	784.40	566.84
1,759.84	1,806.84	1,682.61	1,749.08	1,656.64	1,369.08
2.60%	2.68%	2.69%	2.85%	3.35%	3.22%
0.92%	1.02%	0.88%	0.95%	1.01%	0.75%
1.94%	2.02%	1.86%	1.96%	2.13%	1.80%
8.27%	8.46%	8.49%	9.01%	10.69%	10.26%
2.93%	3.21%	2.77%	2.99%	3.22%	2.38%
6.18%	6.38%	5.87%	6.18%	6.79%	5.74%

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	
2008	\$ 472,983,000	\$ 429,161,000	\$ 43,822,000	\$ 1,600,000	\$ 3,019,000	9.5
2009	537,696,000	489,623,000	48,073,000	1,600,000	2,946,000	10.6
2010	491,501,000	445,493,000	46,008,000	2,670,000	2,853,000	8.3
2011	552,527,000	518,728,000	33,799,000	2,710,000	8,118,000	3.1
2012	562,569,000	498,384,000	64,185,000	2,750,000	13,377,000	4.0
2013	555,051,000	486,769,000	68,282,000	2,965,000	13,256,000	4.2
2014	566,989,000	501,006,000	65,983,000	6,000,000	13,084,756	3.5
2015	567,528,000	500,078,000	67,450,000	7,040,000	12,832,000	3.4
2016	564,280,000	487,101,000	77,179,000	12,371,000	8,075,000	3.8
2017	582,900,000	507,571,000	75,329,000	11,895,000	9,560,000	3.5

Source: Electric Power Board, Electric Division

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

Fiscal Year Ended June 30	CDRC Lease Rental Revenue Bonds					Times Coverage
	Total Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service ⁽³⁾		
				Principal	Interest	
2008	13,245,809	6,095	13,239,714	2,700,000	6,440,809	1.4
2009	11,511,201	8,975	11,502,226	2,910,000	6,460,806	1.2
2010	14,014,621	10,830	14,003,791	3,050,000	6,312,556	1.5
2011	12,413,941	2,915	12,411,026	3,205,000	5,937,867	1.4
2012	13,469,678	6,890	13,462,788	4,060,000	5,527,719	1.4
2013	13,182,618	6,890	13,175,728	4,240,000	5,336,719	1.4
2014	13,153,265	9,065	13,144,200	4,395,000	5,168,194	1.4
2015	13,467,751	6,890	13,460,861	4,520,000	5,033,569	1.4
2016	15,070,640	8,115	15,062,525	4,675,000	4,871,819	1.6
2017	19,501,990	20,038	19,481,952	4,890,000	4,656,569	2.0

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

<u>Fiscal Year</u>	<u>Personal Income⁽⁴⁾</u>	<u>Population⁽¹⁾</u>	<u>Per Capita Income⁽⁴⁾</u>	<u>Median Age⁽²⁾</u>	<u>Education Level In Years of Formal Schooling⁽²⁾</u>	<u>School Enrollment⁽²⁾</u>	<u>Unemployment Rate⁽³⁾</u>
2008	5,614,836,084	169,884	33,051	38.9	15.3% 4yr. Degree	39,106	6.1%
2009	5,690,816,640	170,880	33,303	39.2	17.0% 4yr. Degree	39,247	9.1%
2010	5,960,203,616	171,349	34,784	39.7	16.5% 4yr. Degree	41,072	9.3%
2011	5,852,325,622	167,674	34,903	39.3	16.5% 4yr. Degree	41,913	9.1%
2012	5,892,149,952	170,136	34,632	39.0	23.3% 4yr. Degree	42,236	8.2%
2013	6,177,348,414	171,279	36,066	40.0	23.0% 4yr. Degree	41,214	8.5%
2014	6,454,069,448	173,366	37,228	39.8	22.9% 4yr. Degree	43,691	7.1%
2015	6,546,300,160	173,366	37,760	39.8	23.0% 4yr. Degree	45,531	6.2%
2016	6,932,844,880	176,588	39,260	39.5	23.0% 4yr. Degree	43,797	5.1%
2017	7,061,998,670	177,571	39,770	40.1	15.3% 4yr. Degree	44,414	4.3%

⁽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	2017 (1)			2008 (2)		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
BlueCross BlueShield of Tennessee	5,970	1	3.36%	4,801	1	3.05%
Hamilton County Department of Education	4,548	2	2.56%	4,296	2	2.73%
Erlanger Health System	4,451	3	2.51%	3,621	3	2.30%
Tennessee Valley Authority	3,519	4	1.98%	3,500	5	2.22%
Volkswagen Chattanooga	3,100	5	1.75%	-	-	0.00%
McKee Foods Corporation	2,900	6	1.63%	3,200	6	2.03%
Unum	2,800	7	1.58%	2,800	7	1.78%
CHI Memorial	2,516	8	1.42%	3,609	4	2.29%
Amazon.com.dedc LLC	2,289	9	1.29%	-	-	0.00%
City of Chattanooga	2,279	10	1.28%	2,317	9	1.47%
Maytag Cleveland Cooking Products	-	-	0.00%	2,500	8	1.59%
CIGNA Healthcare	-	-	0.00%	1,850	10	1.18%
Total	34,372		19.36%	32,494		20.64%

Sources: (1) Chattanooga Area Chamber of Commerce Business Information Center;
(2) City of Chattanooga Comprehensive Annual Financial Report for the year ended June 30, 2008

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government	367	368	373	359 ⁽²⁾	301	300	301	291	279	277
Public Safety										
Police										
Sworn	486	486	486	486	475	475	481	475	472	472
Civilian	119	115	115	103	129	129	123	130	139 ⁽¹⁾	213
Fire										
Sworn	429	429	429	429	429	414	412	400	400	400
Civilian	16	16	17	17	17	17	17	17	17	17
Public Works	281	284	286	307	337	337	338	409	326	331
Economic & Community Development	95	85	86	80	35	35	35	29	36	36
Youth & Family Development	424	423	426	412 ⁽³⁾	-	-	-	-	-	-
Parks & Recreation	-	-	-	- ⁽³⁾	230	230	237	236	230	229
Education, Arts and Culture	-	-	-	- ⁽³⁾	28	27	27	26	27	26
Social Services	-	-	-	- ⁽³⁾	307	305	286	293	249	289
Transportation	60	60	58	47 ⁽⁴⁾	-	-	-	-	-	-
Interceptor Sewer System	177	161	147	147	143	139	137	136	135	132
Solid Waste/Sanitation	20	20	20	20	19	19	16	16	17	14
Water Quality	152	152	151	141	138	138	137	59	55	47
EPB	597	552	545	547	521	499	453	435	398	389
Totals	<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>	<u>2,952</u>	<u>2,780</u>	<u>2,872</u>

Source: City Budget office Position Summary.

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

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

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

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

CITY OF CHATTANOOGA, TENNESSEE

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

Function	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
311 Service Requests Created	156,370	137,005	154,546	156,724	135,664	110,247	135,692	114,711	66,443	72,663
% of Current Tax Levy Collected	96.4	95.4	94.8	94.0	94	94	94	94	95	95.4
Police										
Crimes Committed ⁽¹⁾	23,556	21,619	12,622	12,902	12,869	12,037	12,158	14,385	14,577	14,219
Moving/Parking Violations ⁽²⁾	22,534	39,326	47,425	40,727	51,674	102,067	105,470	166,438	105,069	64,928
Citizen Complaints	42	n/a	20	64	66	44	47	56	47	35
Fire										
Emergency Calls	19,429	17,311	16,356	15,926	15,858	16,161	16,363	12,473	12,889	11,849
Inspections	5,093	8,103	5,078	3,263	3,551	4,298	4,750	5,466	7,769	5,978
Public Works										
Sidewalks Repaired (sq.ft.)	174,901	65,050	18,473	66,056	5,938	13,344	12,359	8,186	848	80
Streets Paved (sq.ft.)	1,467,417	2,024,985	1,384,359	389,500	1,966,402	1,706,200	1,132,286	615,038	790,988	520,896
Parks, Recreation, Arts & Culture										
Chattanooga Zoo-Attendance	252,629	232,123	183,173	152,561	151,699	177,723	210,966	253,115	231,225	174,093
Recreation Centers-Attendance	536,199	791,138	510,599	600,805	833,674	630,178	630,178	550,496	588,927	567,444
Social Services										
Children Immunized		954	918	1,078	946	1,223	888	1,014	869	897
Households Assisted	5,542	6,247	8,192	9,636	7,184	10,905	6,334	8,473	6,280	4,950
Interceptor Sewer System										
% of Consent Decree Requirements Met	100%	100%	100%	100%	n/a					
% of Capacity, Management, Operations and Maintenance goals met	95%	100%	100%	100%	100%					
# of Full NPDES Compliance Days at the MBWWTP	364	352	363	356	337	337	355	346	355	359
Solid Waste/Sanitation										
NPDES Landfill Violations	-	-	-	-	-	4	2	4	4	4
Violation Notices to Industry	-	-	37	-	50	26	48	40	44	59
Areas of Concern ⁽³⁾	5									
Water Quality										
311 Service Requests Created	1,238	1,576	1,440	1,650	2,229	1,632	1,727	3,206	1,764	1,798
311 Service Requests Unresolved	38	126	116	95	55	58	89	388	69	52

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.

⁽³⁾ New for FY17

CITY OF CHATTANOOGA, TENNESSEE

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

Function	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
City Fleet	1737	1737	1739	1734	1,734	1,854	1,769	1,774	1,773	1,769
Properties Returned to Tax Rolls	80	100	111	57	138	65	47	24	21	26
Police										
Stations	4	4	4	4	4	3	3	3	3	3
Patrol Units	586	586	588	580	551	555	450	450	450	450
Fire										
Stations	20	19	19	19	18	18	18	18	17	17
Ladder Trucks/Fire Engines/Combos (1)	27	27	27	27	27	25	25	25	24	24
Public Works										
Miles of Paved Streets	1200	1160	1160	1160	1,151	1,151	1,151	1,151	1,159	1,159
Signalized Intersections	339	336	330	327	332	320	320	321	318	315
Garbage Trucks	26	25	25	25	25	21	21	18	23	21
Knuckleboom Trucks	27	22	22	22	22	19	23	20	20	21
Interceptor Sewer System										
Miles of Sewer	1263	1263	1263	1263	1254	1254	1254	1254	1,255	1,239
Pump Stations	82	82	71	71	70	70	70	70	70	67
Parks, Recreation, Arts & Culture										
Parks	82	80	79	74	70	51	51	51	51	50
Recreation Centers	15	15	15	15	17	16	16	16	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.
2007	265.1	253.9	11.2	4.2	4.8	4.8
2008	265.1	246.6	18.5	5.7	6.4	7.1
2009	252.3	228.5	23.8	9.4	9.8	9.7
2010	260.3	238.6	21.7	8.3	8.3	9.1
2011	262.9	243.8	19.1	7.3	8.1	8.3
2012	264.4	245.5	18.9	7.1	7.8	7.9
2013	262.5	240.7	21.8	8.3	8.5	7.6
2014	246.5	232.0	14.5	5.9	6.1	5.6
2015	254.2	241.1	13.1	5.1	5.3	5.3
2016	261.4	248.5	12.9	4.9	4.9	5.1

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	
2008	\$ 26,604,258	\$ 10,767,083	\$ 37,371,341	\$ -	\$ -	\$ 4,067,154	\$ 11,185,750	\$ 4,909,130	
2009	25,710,248	10,394,686	36,104,934	-	-	3,893,990	10,254,407	3,629,181	
2010	25,116,025	10,182,243	35,298,268	1,809,794	549,755	4,058,621	9,904,220	2,578,926	
2011	26,462,886	10,652,849	37,115,735	-	-	4,746,845	10,357,166	2,714,695	
2012	38,054,892	11,365,043	49,419,935	308,833	-	5,001,504	11,313,906	2,651,353	
2013	40,007,670	11,405,092	51,412,762	-	-	4,970,247	11,544,670	4,199,313	
2014	39,781,604	11,340,990	51,122,594	-	-	5,352,640	11,948,621	3,744,628	
2015	42,428,955	12,093,914	54,522,869	-	-	5,916,859	12,624,797	4,137,843	
2016	45,479,387	12,961,844	58,441,231	-	-	6,668,896	13,491,087	3,532,771	
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	

⁽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

	2018	2019	2020	2021	2022	Total
Bonds						
General Fund	\$ 6,450,000	\$ 11,200,400	\$ 11,408,643	\$ 10,948,500	\$ 10,314,000	\$ 50,321,543
ISS (SRF Enterprise)	36,500,000	39,000,000	34,000,000	41,500,000	44,000,000	195,000,000
Water Quality (Enterprise)	4,269,000	-	-	-	-	4,269,000
Total Bonds	47,219,000	50,200,400	45,408,643	52,448,500	54,314,000	249,590,543
Cash/Reserves						
General Fund	14,938,569	8,300,384	7,562,158	5,004,710	5,528,157	41,333,978
Econ. Dev. Fund	1,140,000	2,219,219	3,022,000	1,378,000	1,500,000	9,259,219
Hotel-Motel Fund	4,700,000	2,000,000	-	-	-	6,700,000
Fleet Fund	6,000,000	5,000,000	5,000,000	5,000,000	5,000,000	26,000,000
State Street Aid	975,148	1,075,000	700,000	1,000,000	-	3,750,148
Narcotics/Federal Forfeit Funds	250,000	213,225	156,725	-	83,600	703,550
Solid Waste	1,750,000	-	-	-	-	1,750,000
Water Quality	6,343,000	4,889,000	5,655,000	1,050,000	1,200,000	19,137,000
Interceptor Sewer	30,900,000	9,550,000	17,200,000	11,700,000	4,200,000	73,550,000
Total Cash/Reserves	66,996,717	33,246,828	39,295,883	25,132,710	17,511,757	182,183,895
External Sources						
Private Grants/Donations	2,115,000	1,000,000	-	300,000	1,000,000	4,415,000
Hamilton County	153,500	-	-	-	-	153,500
State of Tennessee	-	1,050,000	-	-	-	1,050,000
Community Development Block Grant	187,940	200,000	200,000	200,000	200,000	987,940
Federal	10,414,037	10,145,977	8,574,573	4,050,000	1,600,000	34,784,587
Total External Sources	12,870,477	12,395,977	8,774,573	4,550,000	2,800,000	41,391,027
Total All Sources	\$ 127,086,194	\$ 95,843,205	\$ 93,479,099	\$ 82,131,210	\$ 74,625,757	\$ 473,165,465

Source: City of Chattanooga Capital Planner



CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2017

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Unearned Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Unearned Grant Revenue
U.S. DEPARTMENT OF AGRICULTURE							
Passed Through Tennessee Department of Agriculture:							
Emergency Food Assistance Program (Admin Costs)	10.568	54382	\$ (2,973)	\$ 2,973	\$ -	\$ -	\$ -
Total Emergency Food Assistance Program			(2,973)	2,973	-	-	-
Passed Through Tennessee Department of Human Services:							
2016 CHS Child Care Program	10.558	N/A	(2,061)	2,061	-	-	-
2017 CHS Child Care Program	10.558	N/A	-	9,352	9,487	-	(135)
2016 Child and Adult Food Program	10.558	3-47-56136-00-6	(20,382)	2,589	-	17,793	-
2017 Child and Adult Food Program	10.558	3-47-60076-00-9	-	46,333	56,002	-	(9,669)
2016 Child and Adult Food Program	93.600	3-47-55915-00-8	(7,557)	7,557	-	-	-
2017 Child and Adult Food Program	93.600	3-47-55915-00-8	-	231,385	269,090	-	(37,704)
Total Child and Adult Food Program			(30,000)	299,276	334,578	17,793	(47,508)
Total U. S. Department of Agriculture			(32,973)	302,249	334,578	17,793	(47,508)
U.S. DEPARTMENT OF COMMERCE							
Economic Development Administration Sewer System Upgrade	11.300	04-79-06577	-	123,256	123,256	-	-
Total U. S. Department of Commerce			-	123,256	123,256	-	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-47-0001	(52,153)	80,464	28,311	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-47-0001	(146,116)	574,712	856,983	-	(428,387)
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-47-0001	-	805,653	830,841	-	(25,188)
Community Development Block Grants/Entitlement Grants-Program Inco	--	N/A	-	215,708	215,708	-	-
Total Community Development Block Grants/Entitlement Grants			(198,269)	1,676,538	1,931,843	-	(453,575)
Shelter Plus Care	14.238	TN0010L4J001407	(67,188)	80,594	13,406	-	-
Total Shelter Plus Care			(67,188)	80,594	13,406	-	-
THDA ESG Stage	14.231	E-14-MC-47-0003	(14,892)	14,892	-	-	-
THDA ESG Stage	14.231	E-15-MC-47-0003	(47,414)	110,076	71,596	-	(8,934)
THDA ESG Stage	14.231	E-16-MC-47-0003	-	-	91,207	-	(91,207)
Total Emergency Solutions Grant			(62,306)	124,968	162,803	-	(100,141)

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CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2017

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Unearned Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Unearned Grant Revenue
(continued from previous page)							
HOME Investment Partnerships Program	14.239	M-13-MC-47-0200	-				
HOME Investment Partnerships Program	14.239	M-(13-16)-MC-47-0200	(108,487)	1,125,282	711,204	-	305,591
HOME Investment Partnerships Program - Program Income	14.239	N/A	139,476	518,222	657,698	-	-
Total HOME Investment Partnerships Program			<u>30,989</u>	<u>1,643,505</u>	<u>1,368,902</u>	<u>-</u>	<u>305,591</u>
Total U. S. Department of Housing and Urban Development			<u>(296,774)</u>	<u>3,525,605</u>	<u>3,476,954</u>	<u>-</u>	<u>(248,125)</u>
U.S. DEPARTMENT OF JUSTICE							
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0975	(800)	40,534	39,735	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-1123	(10,291)	24,421	63,667	-	(49,537)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-1042	(38,727)	49,620	12,714	-	(1,821)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0917	-	81,910	120,318	-	(38,409)
ELERV Grant Program	16.582	2014-VF-GX-K011	(31,796)	31,796	70,857	-	(70,857)
Body-Worn Cameras	16.835	2016-BC-BX-K067	-	-	297,992	-	(297,992)
Hamilton County Family Justice Center	16.738	22560	(11,521)	11,521	-	-	-
Hamilton County Family Justice Center	16.588	26780	(6,382)	23,286	18,773	-	(1,868)
Hamilton County Family Justice Center	16.609	2013-GP-BX-0012	(687)	70,127	99,471	-	(30,031)
Hamilton County Family Justice Center	16.575	28887	-	36,096	41,565	-	(5,469)
Total U. S. Department of Justice			<u>(100,204)</u>	<u>369,311</u>	<u>765,091</u>	<u>-</u>	<u>(495,984)</u>
U.S. DEPARTMENT OF TRANSPORTATION							
Passed Through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	AEOPLPLN160004	(85,673)	165,225	100,083	-	(20,532)
Highway Planning and Construction	20.205	N/A	-	120,460	176,327	-	(55,867)
Total GA Highway Planning and Construction			<u>(85,673)</u>	<u>285,685</u>	<u>276,411</u>	<u>-</u>	<u>(76,399)</u>
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	Z14MPO002	(260,823)	432,810	542,983	-	(370,996)
Governor's Highway Safety Grant	20.607	Z16GHSO60	(41,353)	51,774	10,421	-	-
Governor's Highway Safety Grant	20.607	Z17THS124	-	-	42,737	-	(42,737)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F0-095	(160,505)	183,452	83,668	-	(60,721)
TDOT - HWY 58 Imp Pedestrian and Bike Facilities	20.205	33LPLM-F3-037	(309,952)	309,952	-	-	-
TDOT - SR27 Pedestrian and Bicycle Facilities	20.205	33LPLM-F3-038	(163,894)	163,894	-	-	-

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CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2017

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)							
TDOT - Safe Routes to School	20.205	33LPLM-F3-147	(28,269)	28,251	-	18	-
TDOT - Goodwin Rd Extension	20.205	33LPLM-F3-174	-	166	166	-	-
TDOT - St. Elmo Riverwalk Extension	20.205	33LPLM-F3-143	-	-	36,884	-	(36,884)
TDOT - Chattanooga Regional ITS - Phase 2	20.205	33LPLM-F3-139	-	-	39,837	-	(39,837)
Total TN Highway Planning and Construction			<u>(964,796)</u>	<u>1,170,299</u>	<u>756,695</u>	<u>18</u>	<u>(551,174)</u>
Federal Transit Metropolitan Planning Grant	20.505	GG-15-43720-00	(51,304)	62,630	11,326	-	-
Federal Transit Metropolitan Planning Grant	20.505	Z16-PLAN04-00	-	60,826	138,429	-	(77,603)
Federal Transit Metropolitan Planning Grant	20.505	GG-17-53596-00	-	-	7,730	-	(7,730)
City of Chattanooga Rail Transit Implementation Plan	20.933	TN-79-1000	(203,641)	285,622	81,981	-	-
Total Federal Transit Administration			<u>(254,945)</u>	<u>409,078</u>	<u>239,466</u>	<u>-</u>	<u>(85,333)</u>
Total U. S. Department of Transportation			<u>(1,305,414)</u>	<u>1,865,063</u>	<u>1,272,572</u>	<u>18</u>	<u>(712,906)</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed Through Tennessee Libraries and Archives							
General Library Services	45.310	30504-00217-01	-	48,700	48,700	-	-
2017 Growing Readers State Grant	45.310	30504-01117-02	-	8,700	8,700	-	-
Total Institute of Museum and Library Services			<u>-</u>	<u>57,400</u>	<u>57,400</u>	<u>-</u>	<u>-</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Air Pollution Control Program	66.001	00408415	-	588,305	588,305	-	-
Surveys, Studies, Investigations and Special Purpose Grants	66.034	96497415	-	130,000	130,000	-	-
Total U.S. Environmental Protection Agency			<u>-</u>	<u>718,305</u>	<u>718,305</u>	<u>-</u>	<u>-</u>
Passed Through Tennessee Department of Environment And Conservation:							
Clean Water State Revolving Loan Program (SRF 2013-318)	66.458	SRF 2013-318	-	3,000,000	3,000,000	-	-
Total Revolving Loan Program			<u>-</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>
Total U. S. Environmental Protection Agency			<u>-</u>	<u>3,718,305</u>	<u>3,718,305</u>	<u>-</u>	<u>-</u>

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2017

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)							
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Emergency Food and Shelter National Board Program	97.024	768200-001	-	22,750	21,646	-	1,104
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2015-FH-00483	-	260,539	452,459	-	(191,920)
Total Federal Emergency Management Agency			-	283,289	474,105	-	(190,816)
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Head Start	93.600	04CH010085-01-00	(421,378)	430,487	9,109	-	-
Head Start	93.600	04CH010085-02-02	-	8,433,088	8,896,267	-	(463,179)
Early Head Start-Child Care Partnership Grant	93.600	04HP0041/01	(221,050)	670,261	449,211	-	-
Early Head Start-Child Care Partnership Grant	93.600	04HP0041-02-01	-	1,695,258	1,871,942	-	(176,684)
Total Head Start			(642,428)	11,229,094	11,226,530	-	(639,863)
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance	93.568	LIHEAP-16-04	(198,005)	211,119	13,114	-	-
Low-Income Home Energy Assistance	93.568	LIHEAP-17-05	-	1,877,494	2,220,651	-	(343,157)
Total Low-Income Home Energy Assistance			(198,005)	2,088,613	2,233,765	-	(343,157)
Community Services Block Grant	93.569	Z 16-49104	(107,558)	107,558	-	-	-
Community Services Block Grant	93.569	Z 17-49104	-	500,618	649,256	-	(148,638)
Total Community Services Block Grant			(107,558)	608,176	649,256	-	(148,638)
YFD After School Care Food Program	10.558	03-47-30140-00-8	(36,118)	90,907	43,528	-	11,261
YFD Summer Food Service Program	10.559	35-0014	(117,179)	233,701	116,522	-	-
YFD After School Care Food Program	10.558	03-47-30140-00-8	-	146,387	176,286	-	(29,899)
YFD Summer Food Service Program	10.559	35-0014	-	8,837	105,300	-	(96,463)
Total YFD Food Service Program			(153,297)	324,609	160,050	-	(115,101)
Total U. S. Department of Health and Human Services			(1,101,288)	14,250,491	14,269,600	-	(1,246,759)
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES							
Foster Grandparents Program	94.011	13SFSTN003	(36,527)	36,527	-	-	-
Foster Grandparents Program	94.011	16SFSTN001	-	348,829	407,860	-	(59,031)
Total Corporation for National and Community Services			(36,527)	385,356	407,860	-	(59,031)
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			(2,873,180)	24,880,324	24,899,721	17,811	(3,001,129)

(continued on next page)

**CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2017**

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)							
STATE AWARDS							
Tennessee Commission on Aging & Disability							
Southeast Tennessee Development District	N/A	42185	3,433	-	3,433	-	-
Southeast Tennessee Development District	N/A	42185		42,581	45,051	-	(2,470)
Tennessee Department of Environment & Conservation							
Household Hazardous Waste	N/A	49147	-	25,370	88,463	-	(63,093)
Clean Water State Revolving Loan Program (SRF 2011-289)	66.458	SRF 2011-289	-	538,600	538,600	-	-
Clean Water State Revolving Loan Program (SRF 2012-307)	66.458	SRF 2012-307	-	2,514,888	2,514,888	-	-
Clean Water State Revolving Loan Program (SRF 2013-318)	66.458	SRF 2013-318	-	6,971,151	6,971,151	-	-
Clean Water State Revolving Loan Program (SRF 2016-357)	66.458	SRF 2016-357	-	1,789,931	1,789,931	-	-
Total Tennessee Department of Environment & Conservation			-	11,839,940	11,903,033	-	(63,093)
Tennessee Department of Finance & Administration							
THDA Entitlement - CNE Project		Program Income	503,568	112,543	30,475	-	585,637
Tennessee Emergency Management Agency - Disaster relief							
TEMA	97.036	EMAC-4219-CCTFD	-	7,053	7,053	-	-
TEMA Fires 2016	97.036	FEMA DR-4293-TN	-	28,872	28,872	-	-
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT			507,001	12,030,990	12,017,917	-	520,074
TOTAL EXPENDITURE OF FEDERAL AND STATE AWARDS - PRIMARY GOVERNMENT			\$ (2,366,179)	\$ 36,911,314	\$ 36,917,637	\$ 17,811	\$ (2,481,055)

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

June 30, 2017

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Program Income

Cash receipts for the Community Development Block Grant (CFDA 14.218) and HOME Investment Partnerships Program (CFDA 14.239) include program income of \$246,183 and \$657,698, respectively.

Note 3. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$ 494,176
Shelter Plus Care	14.238	13,406
THDA ESG Stage	14.231	96,385
Home Investment Partnerships Program	14.239	1,053,730



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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2017. Our report includes a reference to other auditors who audited the financial statements of EPB, Chattanooga Metropolitan Airport Authority, and Chattanooga Area Regional Transit Authority, as described in our report on the City of Chattanooga's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee
December 19, 2017

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, 2017. 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, 2017. 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, 2017.

Report on Internal Control over Compliance

Management of the City of Chattanooga, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Chattanooga, Tennessee
December 19, 2017

*Henderson Hutcherson
& McCullough, PLLC*

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

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
66.458	Environmental Protection Agency Clean Water State Revolving Loan Program
93.568	U.S. Department of Health and Human Services Low Income Home Energy Assistance
66.001	Environmental Protection Agency Air Pollution Control Program

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

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

\$ 756,159

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, 2016

None reported



City of Chattanooga

Department of Finance and Administration

City Hall

101 East 11th Street

Chattanooga, Tennessee 37402

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