



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Hamilton County Tennessee

for year ended June 30, 2009



Events like the Head of the Hooch draw thousands of attendees and competitors to Chattanooga's Riverfront. The event has become the second-largest rowing regatta in the nation with an estimated economic impact of more than \$4 million.



Comprehensive Annual Financial Report • HAMILTON COUNTY • Tennessee
for the year ended June 30, 2009

prepared by the Finance Division
Louis S. Wright, Administrator
Albert C. Kiser, Assistant Administrator



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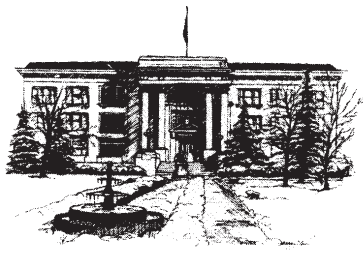
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HAMILTON COUNTY
OFFICE OF THE COUNTY MAYOR
208 Courthouse
Chattanooga, Tennessee 37402

TO THE COUNTY BOARD OF COMMISSIONERS AND CITIZENS OF HAMILTON COUNTY

January 22, 2010

The responsibility as your Hamilton County Mayor to provide services in a fiscally responsible manner was a bit more difficult this year due to the troubled economy. We met the challenge in a variety of ways enabling us to continue the quality of life Hamilton County residents have come to expect as they live, work and play in our county.

Our future is hinged to our economic development and the future remains bright. The Volkswagen plant continues to take shape; officials there have acknowledged that ongoing construction allows for plant expansion after the plant begins producing 150,000 vehicles a year in 2011. Volkswagen has committed to a supplier park within Enterprise South that will house up to 15 companies. Our first Volkswagen supplier, Gestamp is building their factory at Enterprise South. Alstom and Westinghouse's multimillion dollar commitment to our community diversifies our manufacturing base and puts us in the spotlight of our nation's growing nuclear power efforts.

My commitment to education remains strong. We opened two schools this year in Hixson and East Hamilton County. Construction is now underway for a new East Ridge Elementary school. We must provide a highly skilled trainable workforce to our new and existing businesses. The relationships we have forged with UTC, Chattanooga State and the Hamilton County School System remain strong. Reading is the key element in learning and parental involvement is a must. As I often say, "Parents need to know what little Johnny doesn't know." Our Hamilton County parents must get involved in their children's education. I greatly appreciate the way the public has taken to heart the message of our Read 20 initiative; read to children 20 minutes every day.

Our Center for Entrepreneurial Growth continues to provide assistance to businesses allowing them to grow and succeed. I believe the center will play an invaluable role in making today's promising entrepreneur, tomorrow's successful business owner.

The federal government's American Recovery and Reinvestment Act of 2009 has brought more than \$5 million dollars to Hamilton County. This money is dedicated to health, energy, roads, our railroad authority and the sheriff's department.

The Waste Water Treatment Authority's Private Lateral Service Program is designed to put local plumbers to work while meeting state concerns about excess storm and ground water that enters the sewer system.

This year I had the honor of accepting an award from the Robert Wood Johnson Foundation on behalf of our efforts to create a healthier culture in Hamilton County. The 2009 Leadership for Healthy Communities Award cited the Health



Claude Ramsey
County Mayor

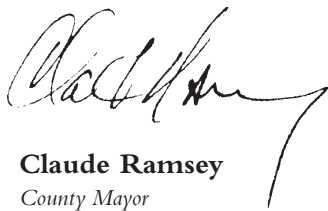
Visit www.hamiltontn.gov

Department's various Step ONE efforts to lead the battle in fighting obesity. The award also noted our efforts to create walkable neighborhoods, a variety of transportation choices and our ongoing efforts to extend the Tennessee Riverpark. I'm proud of the way our award winning Health Department has worked to keep the community up to date with the H1N1 Flu status, the availability and the distribution of the vaccine.

Our Hamilton County Prescription Discount Card continues to save our residents money on prescription costs. By year's end, consumer savings should reach \$5 million. Our Hamilton Shines program continues to work with young residents to teach them at an early age respect for our environment and the harmful and costly nature of litter.

I thank you for the privilege of serving as your mayor. While these are trying times, I have taken the steps necessary to ride out our troubled economic waters and bring continued prosperity to our community. Thank you for your confidence and trust in my stewardship of Hamilton County.

Sincerely,



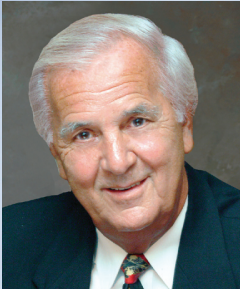
Claude Ramsey
County Mayor

Visit www.hamiltontn.gov



A view of Downtown Chattanooga and the surrounding river valley from the Sky Bridge at Rock City.

BOARD OF COMMISSIONERS for fiscal year ending June 30, 2009



Curtis D. Adams
Commissioner



Larry Henry
Commissioner



Gregory Beck
Commissioner



Bill Hullander
Commissioner



John Brooks
Commissioner



Warren Mackey
Chairman, Pro Tempore



Richard Casavant
Commissioner



Fred Skillern
Commissioner



Jim Coppinger
Chairman



HAMILTON COUNTY, TENNESSEE

LOUIS S. WRIGHT

Administrator of Finance

January 22, 2010

TO THE CITIZENS, COUNTY MAYOR AND COUNTY BOARD OF COMMISSIONERS

I am pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Hamilton County, Tennessee for the fiscal year ended June 30, 2009. This report was prepared in accordance with generally accepted accounting principles (GAAP) by the Finance Division of Hamilton County. Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material aspects. It is presented in a manner designed to fairly set forth the financial activity of the various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

This report is prepared under the accounting model for governments as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Using this approach, the reader can view program costs compared to program revenues for the government as a whole.

The State of Tennessee requires an annual audit of the County's financial records. An independent firm of certified public accountants, Joseph Decosimo and Company, PLLC, has audited the County's financial statements in

accordance with this requirement. The independent firm is responsible to the County Board of Commissioners and is under contract to the State Comptroller of the Treasury. The independent auditor concluded, based upon the audit, that the County's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP and thus rendered an unqualified opinion. The report of independent accountants is presented in the financial section of this report.

This report contains the traditional County funds, the Constitutional Officers of the County and the County's discretely presented component units: the Hamilton County Department of Education, the Hamilton County "911" Emergency Communication District, the Water and Wastewater Treatment Authority, and the Hamilton County Railroad Authority. These agencies are included based on criteria established by GASB.

GAAP requires that management provide a narrative introduction, overview and analysis in the form of Management's Discussion and Analysis (MD&A) to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found beginning on page iii of the Financial Section.

PROFILE OF HAMILTON COUNTY, TENNESSEE

Hamilton County is located in the southeast region of the State of Tennessee with the City of Chattanooga as its largest city. It is approximately 120 miles southwest of Knoxville, Tennessee, 360 miles east of Memphis, Tennessee, and 120 miles southeast of Nashville, Tennessee, which is the State capital.

The County was incorporated on October 25, 1819, by the Tennessee State Legislature. It operates under a County Commission/County Mayor form of government. The County Mayor, the chief fiscal officer of the County, is elected at large to a four-year term as are the Sheriff, Criminal Court Clerk, Juvenile Court Clerk, Register of Deeds, Clerk of Circuit Court, County Clerk, Juvenile Court Judge, Assessor of Property and Trustee. The District Attorney General, District Public Defender and all Hamilton County judges are elected at large for eight-year terms. The County's nine-member Board of Commissioners is elected by districts to four-year terms. The Department of Education, a component unit, is comprised of a nine-member board that is elected by districts to four-year terms that are staggered so no more than five are elected in an election year.

The County provides its citizens a range of services that includes, but is not limited to, police, ambulance, sanitation and solid waste, health and social services, culture and recreation, highways and streets, planning, courts, jails and general administrative services. Other services are provided by organizations which have their own board of directors and include Water and Wastewater Treatment Authority, Hamilton County "911" Emergency Communication District, Hamilton County Department of Education, and Hamilton County Railroad Authority.

Even though the Hamilton County Department of Education is a separate entity from Hamilton County, it constitutes a major portion of the funding requirement for the County. With a school system of 5,392 employees and a student population of 40,107, the Department of Education operating budget for fiscal year 2009 was \$360,983,354. Hamilton County financed 47.9%, or \$172,836,244 of this operating budget through local property taxes, sales tax collections and use of fund balance. State and federal appropriations and grants provided \$169,083,228, charges for services provided \$11,834,700 and miscellaneous items provided \$7,229,182.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

LOCAL ECONOMIC OUTLOOK

In a period of economic uncertainty, Hamilton County remains strong and healthy. Unemployment is slightly below the national average, and continues to remain below the state average with more new jobs on the horizon. Continued development of the riverfront and downtown is a positive mark for the local economy, as well as the aggressive development and promotion of the Enterprise South Industrial Park which is home to a manufacturing site of Volkswagen Group of America. The plant is scheduled to begin producing cars in 2011.

Hamilton County's year-end fund balances continue to remain healthy. Our strong reserves allow us to manage any unexpected shortfalls in revenues.

FUND BALANCE

The County has consistently maintained a reserve in the General Fund equivalent to at least three month's expenditures and will continue to do so.

Ten year analysis of the growth in fund balance (expressed in thousands)

	General Fund	Special Revenue Funds	Debt Service Fund
2000	\$ 45,938	\$ 11,623*	\$ 1,438
2001	57,536	7,286*	2,725
2002	55,315	8,897	1,685
2003	53,605	9,251	832
2004	52,619	8,338	1,277
2005	49,714	6,709	1,343
2006	55,363	8,440	1,421
2007	58,334	8,542	1,653
2008	77,102	8,638	240
2009	84,070	7,626	227

* Fiscal year does not include Children's Service and Economic Crimes



BlueCross BlueShield of Tennessee's new \$299 million campus, with 950,000 square feet of office space, is seeking LEED® certification for the design, construction and operation of high-performance green buildings. The insurer employs more than 4,500.

MANAGEMENT’S GOALS AND OBJECTIVES

Management’s goals and objectives are to continue to provide infrastructure for future growth and sound fiscal management of county resources while maintaining the quality of life enjoyed here in Hamilton County.

SCHOOLS

Hamilton County has embarked on an aggressive capital plan to build new schools and to bring many older ones into the twenty-first century. In the last ten years, Hamilton County has provided funding for the completion of seventeen new schools (one with private funding) and major renovation of eighteen existing structures for a total cost of over \$272 million.

RIVERWALK

The Riverwalk includes Ross’s Landing Park, Coolidge Park and Renaissance Park which are visited by more than 3 million people annually. More than \$150 million in public and private funds were used for design and construction.

ENTERPRISE SOUTH INDUSTRIAL PARK

In July 2008, Volkswagen Group of America selected Enterprise South Industrial Park as its newest manufacturing site, committing to invest \$1 billion in a state-of-the-art automotive manufacturing facility for production of a car specially designed for the North American market. This project will bring 2,000 new direct jobs as well as an estimated 10,000 supplier-related jobs to the region.

Certified by the Tennessee Valley Authority in 2005 as Tennessee’s first automotive megasite, Enterprise South’s status as the region’s premier industrial park was affirmed by the Volkswagen decision. Site improvements valued at nearly \$200 million are in progress, and construction of the 1.9 million square foot manufacturing facility is well underway. Volkswagen will occupy 1,350 acres at the site and plans to produce 150,000 vehicles annually beginning in 2011. Long-range plans for the company include a potential expansion involving an additional 1,200 acres at Enterprise South.

Multimodal transportation access is a key asset for Enterprise South. The park is served by two interstate highway interchanges, has dual rail capacity provided by CSX and Norfolk Southern, and is located less than five miles from

Chattanooga Metropolitan Airport. Its industrial-grade water, sewer, natural gas, and electrical infrastructure have minimized the need for major upgrades.

Another draw was its environmental assets. A significant amenity and natural buffer for the industrial park is Enterprise South Nature Park, comprised of 2,800 acres deeded to the County and City through the Federal Lands to Parks Program. Grant funds are aiding development of a visitor’s center and network of walking, hiking, biking, and horse-back riding trails throughout the park.

In “The Road to Chattanooga,” the Volkswagen Group of America website notes that “like many other cities with an industrial past, changing times once threatened to leave Chattanooga in rust and decline. But unlike some other cities facing the same fate, Chattanooga’s leadership and citizens chose to restore, reinvest and reinvent.” Enterprise South Industrial Park is the result of just this sort of visionary community investment.

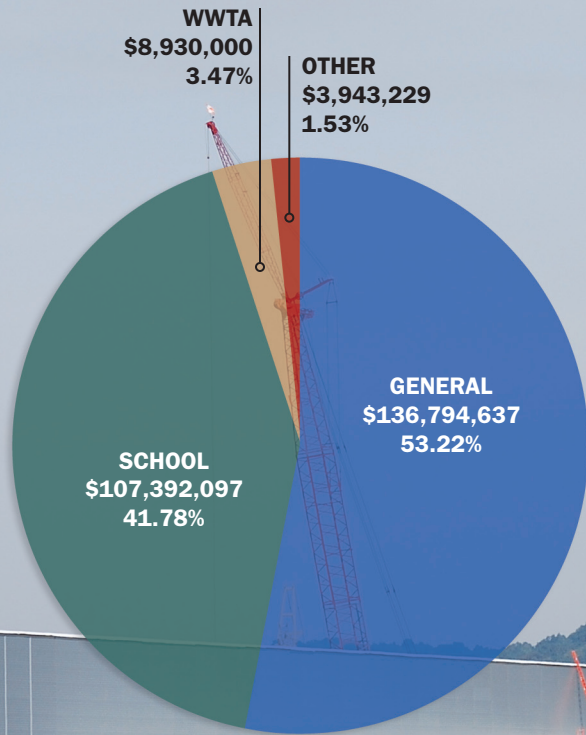
CAPITAL OUTLAY

Expenditures for items such as computers, vehicles, minor renovations and furniture are funded each year in the County’s annual operating budget. This allows minor capital expenditures to be funded from current available funds instead of bond issues.

Ratio of General Bonded Debt Outstanding

Fiscal Year Ended June 30	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2000	\$ 135,890,000	0.93%	\$ 443
2001	173,680,000	1.15%	564
2002	154,960,000	0.88%	502
2003	139,070,000	0.77%	450
2004	162,040,000	0.89%	524
2005	143,380,000	0.77%	463
2006	125,510,000	0.57%	404
2007	107,730,000	0.45%	344
2008	188,260,000	0.79%	570
2009	200,110,000	0.84%	620

HAMILTON COUNTY TOTAL DEBT AS OF JUNE 30, 2009 \$257,059,963



By late summer 2009, the VW plant site at Enterprise South had approximately 800 people working on raising the 1.9 million square foot manufacturing facility. The \$1 billion plant is slated to start producing cars in early 2011.



Hamilton County has played a major role in developing and maintaining the Tennessee Riverpark and Riverwalk. When completed, it will stretch more than 16 miles from Moccasin Bend National Park through Downtown Chattanooga to the Chickamauga Dam.

FINANCIAL INFORMATION

ACCOUNTING SYSTEM AND INTERNAL CONTROL

The County's accounting system is organized on a "fund" basis. Each fund or account group is a distinct self-balancing accounting entity. The County's day-to-day accounting records are maintained on a cash basis. For financial reporting purposes, the accounting records are converted to the modified and full accrual basis for all applicable funds. On the modified accrual basis, revenues are recognized when measurable and available, and expenditures are recognized when goods or services are received. On the accrual basis, revenues are recognized when earned; expenses are recognized when incurred. Additional information concerning the various funds utilized by Hamilton County can be found in the Notes to Basic Financial Statements – Note A.

In developing the County's accounting system, much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgements by management. In conjunction with the system of internal control, Hamilton County has an independent internal audit department, which reviews operations as a service to management. This internal audit division is independent of the executive branch.

BUDGET CONTROLS

The Board of Commissioners adopted the 2009 annual budget for the County in June 2008. A formal budget is employed as a management control device. The budgets are prepared on a basis consistent with GAAP except that encumbrances are treated as budgeted expenditures when the commitment to purchase has occurred. All unencumbered and unexpended appropriations lapse at year-end. The level at which expenditures may not legally exceed appropriations is the division level.

Constitutional officers, departments and agencies requesting funding by the Board of Commissioners must submit their budget requests during May of each year at public hearings. The County Mayor submits a proposed budget to the Board of Commissioners for their approval prior to June 30. After the budget is formally adopted, any changes within a division that do not require additional resources must be approved by the County Mayor; the Commission must approve all other changes. Budget to actual comparisons are presented in this CAFR for each individual fund for which an annual budget has been adopted. For the General Fund and the major governmental funds, these comparisons are included in the basic financial statement section. The nonmajor special revenue and debt service funds budget to actual comparisons are included in the combining and individual statements and schedules section of this report. Hamilton County follows the laws of Tennessee regarding the control, adoption and amendment of the budget during each fiscal year. Hamilton County's budget practices not only comply with all state statutes but are more stringent due to our formal budget policy.

CASH MANAGEMENT POLICIES AND PRACTICES

The County pools its cash in order to maximize earnings. Idle monies are invested, with the earnings allocated daily based on each fund's current equity in the pool. Certain capital project funds do not pool their cash with general government but maintain separate investment accounts for arbitrage purposes.

During fiscal year 2009, the County's cash resources were primarily invested in the State of Tennessee Local Government Investment Pool. The County did not invest in any derivatives or similar debt and investment instruments. The interest rates received by the County for the fiscal year ranged from 0.67% to 2.22% and yielded \$1,841,224 of interest income.

The Hamilton County Board of Commissioners has adopted an investment policy, which sets as its goal the maximizing of investment earnings, while at the same time protecting the security of the principle and maintaining liquidity to meet the cash requirements. The policy sets

forth the allowable types of investments as well as the individuals responsible for making those investments. The policy also calls for quarterly reports, which are provided to the County Mayor, the County Board of Commissioners, and the County Auditor.

Associated with any investment activity, there is a risk that a governmental entity will be unable to fully realize its investments. Based on this risk, GASB has taken the position that a governmental entity should disclose information concerning its investments and deposits that will enable its constituents to better assess the associated risks. This information for Hamilton County has been provided based on criteria established by GASB as described in the Notes to Basic Financial Statements – Note D.

Enterprise South Industrial Park continues to be developed. Per agreement with Volkswagen Group of America, site improvements estimated at over \$305 million are to be made at no cost to Volkswagen. The County is responsible for approximately \$30 million of the site improvements. The remaining costs are paid for by the County and the City of Chattanooga and are reimbursed by various funding sources. The outflow of cash for the improvement projects has resulted in a decrease in investment earnings in fiscal year 2009. However, cash requirements continue to be met with the issuance of \$23.5 million of taxable bond anticipation notes to finance the Volkswagen-related expenditures and \$31.5 million in tax exempt bonds for the remaining expenditures.

GROUP INSURANCE

Each full-time employee is eligible for group medical and life insurance on the first day of the month following thirty days of employment. The County offers two self-insured group medical plans through BlueCross BlueShield of Tennessee (BCBST): a Co-pay PPO Plan and a Coinsurance PPO plan.

In an effort to control escalating health insurance costs, the Co-pay PPO plan was closed to new employees as of September 6, 2006. New hires were offered the Coinsurance PPO plan which operates on the basis of a deductible rather than a co-pay for medical services. Consequently, the Coinsurance PPO plan has a less costly premium. To further control costs, County employees enrolled in the Co-Pay PPO plan began paying 10% of the healthcare premium charged by BCBST to the County in January 2007. The percentage of premiums paid by County employees increases by 1% at the beginning of each fiscal year until the employee's share reaches 15%. The increase scheduled for fiscal year 2009 did not occur due to economic factors that prevented County employees from receiving an annual increase in pay. Currently, the employees participating in the Co-pay PPO plan pay 12% of the premium charged by BCBST.

The County continues to provide \$20,000 of group term life insurance and \$20,000 of accidental death & dismemberment insurance at no cost to each full-time employee.



AWARDS AND ACKNOWLEDGEMENTS

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Hamilton County, Tennessee for its Comprehensive Annual Financial Report for the year ended June 30, 2008. Hamilton County has received this award for twenty-eight consecutive years.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Hamilton County
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



M. L. R.
President

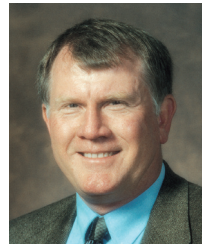
William R. Egan

In order to be awarded a Certificate of Achievement, a governmental 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.

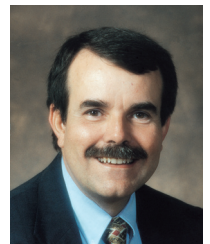
The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are currently submitting it to GFOA to determine its eligibility for another certificate.

GFOA also presented a Distinguished Budget Presentation Award to the County for its Comprehensive Annual Budget Report (CABR) for the fiscal year beginning July 1, 2008. This is the seventh consecutive year Hamilton County

received this award for the CABR. In order to be awarded a Distinguished Budget Presentation Award, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Budget Report, which must conform to program standards and satisfy both generally accepted accounting principles and applicable legal requirements. Like the Certificate of Achievement for Financial Reporting, this award is valid for a period of one year only. We believe our CABR for the fiscal year beginning July 1, 2009 continues to conform to program requirements, and we have submitted it to GFOA to determine its eligibility for another award.



LOUIS S. WRIGHT
Administrator of Finance



ALBERT C. KISER
Assistant Administrator of Finance

ACKNOWLEDGEMENTS

I would like to thank the entire staff of the Finance Division, the County Auditor's Office and the independent auditors for their cooperation and dedication in the preparation of this report. I would also like to express my gratitude for the support we have received from the County Mayor and the County Board of Commissioners in conducting the financial operations of the County in a sound and progressive manner.

Respectfully submitted,

Louis S. Wright

Louis S. Wright
Administrator of Finance



HAMILTON COUNTY

GENERAL GOVERNMENT OFFICIALS

(as of June 30, 2009)

Claude T. Ramsey, *County Mayor*
Jeannine Alday, *Chief of Staff*
Rebecca R. Hunter, *Director of Human Resources*
Dan Saieed, *Director of Development*

Board of Commissioners

Curtis D. Adams
Gregory Beck
John Brooks
Richard Casavant
Jim Coppinger, *Chairman*
Larry L. Henry
Bill Hullander
Warren Mackey, *Chairman, Pro Tempore*
Fred Skillern

Legislative

Carolyn Collins, *Administrator*

Constitutional Officers

S. Lee Akers, *Clerk & Master*
Suzanne Bailey, *Juvenile Court Judge*
Bill Bennett, *Assessor of Property*
Bill Cox, *District Attorney*
James Hammond, *Sheriff*
Ardena Garth, *District Public Defender*
Pam Hurst, *Register of Deeds*
Claude P. Knowles, Jr., *Registrar-at-Large, Election Commission*
Dr. Frank King, *Medical Examiner*
William F. Knowles, *County Clerk*
Paula Thompson, *Circuit Court Clerk*
Carl E. Levi, *Trustee*
Ron Swafford, *Juvenile Court Clerk*
Gwen Tidwell, *Criminal Court Clerk*

Division & Department Heads

AUDITING

Bill W. McGriff, *County Auditor*

FINANCE

Louis S. Wright, *Administrator*
Albert C. Kiser, *Assistant Administrator of Finance*
T. Kenneth Blankenship, *Director of Purchasing
and Contract Management*
Brian D. Turner, *Director of Information Technology Services
and Director of Geographic Information Systems*
Katherine K. Walker, *Director of Accounting*

HEALTH SERVICES

Becky Barnes, *Administrator*
Tammy M. Burke, *Director of Clinical Services*
Tom Rucci, *Director of Case Management Services*
Bonnie Deakins, *Director of Environmental Health*
Marti Smith, *Director of Administrative Services*
Bill Ulmer, *Director of Community Health Services*

HUMAN SERVICES

Scott Schoolfield, *Administrator*
Don Allen, *Director of Emergency Services*
Judi Byrd, *Director of Social Services*
Worth Lillard, *Director of Maintenance*
Barbara Payne, *Director of Corrections*
Ron Priddy, *Director of Recreation*

LEGAL

Rheubin M. Taylor, *County Attorney*

PUBLIC WORKS

Dan Wade, *Administrator*
Harold Austin, *Director of Highway Department*
Cleveland Grimes, *Executive Director of WWTA*
Todd Leamon, *Chief Engineer, Director of Engineering*
Pat Payne, *Director of Building Inspection*

CITIZENS

COUNTY BOARD OF COMMISSIONERS
209-7200

LEGISLATIVE STAFF
209-7200
MEDICAL EXAMINER
493-5175

APPOINTED BOARDS
AUDITING
209-6200
LEGAL
209-6150

COUNTY MAYOR
209-6100

MAYORAL STAFF
209-6100

CHIEF OF STAFF
209-6180

HUMAN RESOURCES
209-6120

EQUAL EMPLOYMENT OPPORTUNITY
209-6144

DEVELOPMENT
209-6810

HEALTH SERVICES DIVISION
209-8000
ENVIRONMENTAL HEALTH 209-8110
CLINICAL SERVICES 209-8218
ADMINISTRATIVE SERVICES 209-8010
CASE MANAGEMENT SERVICES 209-8155
COMMUNITY HEALTH SERVICES 209-8088

HUMAN SERVICES DIVISION
209-6800
EMERGENCY MANAGEMENT 209-6900
RECREATION 842-0177
MAINTENANCE 209-7700
CORRECTIONS 209-6880
SOCIAL SERVICES 209-6833

FINANCE DIVISION
209-6330
ACCOUNTING 209-6330
PURCHASING 209-6350
FINANCIAL MANAGEMENT 209-6370
INFORMATION TECHNOLOGY SERVICES 209-6250
GEOGRAPHIC INFO SYSTEMS 209-7760

PUBLIC WORKS DIVISION
209-7800
HIGHWAY 855-6100
ENGINEERING 209-7810
BUILDING INSPECTION 209-7860

CONSTITUTIONAL OFFICES

- ASSESSOR — 209-7300
- CHANCERY COURT CHANCELLORS — 209-7380
- CLERK AND MASTER — 209-6600
- CIRCUIT COURT JUDGES — 209-6700
- CIRCUIT COURT CLERK — 209-6700
- COUNTY CLERK — 209-6500
- CRIMINAL COURT JUDGES — 209-7500
- CRIMINAL COURT CLERK — 209-7500
- DISTRICT ATTORNEY — 209-7400
- ELECTION COMMISSION — 493-5100
- JUVENILE COURT JUDGE — 209-5100
- JUVENILE COURT CLERK — 209-5250
- PUBLIC DEFENDER — 634-6374
- REGISTER — 209-6560
- SESSIONS COURT JUDGES — 209-7660
- SHERIFF — 209-7000
- TRUSTEE — 209-7270



In March 2009, The Delta Queen docked at Coolidge Park. The historic wooden paddleboat opened as a restaurant, hotel and lounge. It has become a favorite place to view the fireworks that end Riverbend, as well as other entertainments on the river.

**REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

To the Honorable Mayor and the Board of Commissioners
Hamilton County, Tennessee

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamilton County, Tennessee, (the County) as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the discretely presented component units of the County as of and for the year ended June 30, 2009, as displayed in the County's basic financial statements, except as described in the last two sentences of this paragraph. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hamilton County "911" Emergency Communications District, which represent 4 percent and 3 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hamilton County "911" Emergency Communications District in the discretely presented component units, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

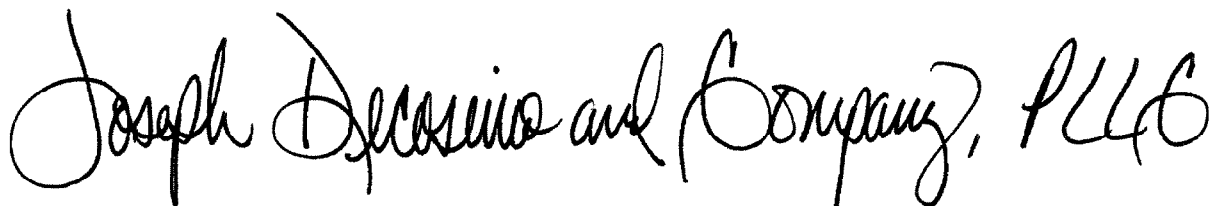
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamilton County, Tennessee, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the sheriff fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, 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 on each of the discretely presented component units, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2010, on our consideration of the County'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages iii through xvi of the Financial Section and the required supplementary information on pages B-1 through B-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal and state awards on pages G-1 through G-5 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the debt service fund (presented on pages C-1 through C-18), combining and individual fund financial statements of the Board of Education (a discretely presented component unit) (pages D-1 through D-9), and financial schedules (pages E-1 through E-16) are presented for purposes of additional analysis and are also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the debt service fund, combining and individual fund financial statement of the Board of Education (a discretely presented component unit), financial schedules and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section (pages 1 through 15) and statistical tables (pages F-1 through F-22) are presented for purposes of additional analysis and are not a required part of the financial statements of the County. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Joseph Decasino and Company, PLLC". The signature is written in a cursive, flowing style.

Chattanooga, Tennessee
January 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The discussion and analysis of Hamilton County's financial performance provides an overall review of the County's financial activities for the year ended June 30, 2009. It is designed to:

- (a) assist the reader in focusing on significant financial issues,
- (b) provide an overview of the County's financial activities,
- (c) identify changes in the County's financial position,
- (d) identify any material deviations from the original financial plan, and
- (e) identify individual fund issues or concerns.

This discussion and analysis is an integral part of the financial statements as a whole.

FINANCIAL HIGHLIGHTS

- The government-wide assets of Hamilton County at the close of fiscal year 2009 were \$612,248,037.
- Revenues for governmental funds increased \$54,612,648 or 23.3% over last year.
- Expenditures for governmental funds increased \$62,705,497 or 20.9% over last year.
- Capital project expenditures were \$115,191,911 with \$74,696,689 spent for general government projects.
- Total debt at June 30, 2009 for the County was \$257,059,963, of which \$107,392,097 was for the Hamilton County Department of Education for capital improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's basic financial statements contain three components:

- (1) government-wide financial statements,
- (2) fund financial statements, and
- (3) notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements. Management's Discussion and Analysis provides a comparative analysis of the County's financial position.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

In the government-wide financial statements, the Statement of Net Assets and Statement of Activities provide the reader with a broad overview of the County's financial position.

The Statement of Net Assets combines and consolidates all the County's current financial resources with capital assets and long-term obligations. The end result is net assets, which are segregated into three components:

- (1) investment in capital assets, net of related debt,
- (2) restricted net assets, and
- (3) unrestricted net assets.

Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Hamilton County is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during fiscal year 2009. Program revenues, which directly offset costs of specific functions, are allocated to those functions, resulting in the net expenses for governmental activities. General revenues, such as taxes, fines and interest earnings, offset the remaining costs resulting in the annual increase or decrease in net assets. This statement is intended to summarize the user's analysis of the net cost of various governmental services that are supported by general revenues.

Governmental activities include general government, public safety, highways and streets, health, social services, and culture and recreation. Currently, Hamilton County has no business-type activities. In addition, the government-wide financial statements include the following legally separate component units: the Hamilton County Department of Education, the Water & Wastewater Treatment Authority, Hamilton County "911" Emergency Communication, and Hamilton County Railroad Authority.

The government-wide financial statements can be found on pages A-1 to A-3 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the major funds, which include the General, Sheriff, Debt Service and Capital Projects funds. Data from the other governmental funds, Constitutional Officers, Governmental Law Library, Hotel/Motel, Statewide Meth Grant, Children's Services and Economic Crimes, is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual budget for the General and Debt Service funds and certain Special Revenue funds. A budgetary comparison statement has been provided for these funds to demonstrate budgetary compliance. The basic governmental fund financial statements can be found on pages A-4 to A-11 of this report.

PROPRIETARY FUNDS

There are two types of proprietary funds – enterprise funds and internal service funds. An internal service fund is the only type of proprietary fund the County maintains. An internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses that fund to account for its self-insurance and risk management programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.



Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Individual fund data for the Internal Service fund is provided on pages A-12 to A-14 of this report.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is similar to proprietary funds. The basic fiduciary fund financial statements can be found on pages A-15 to A-16 of this report.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages A-20 to A-48 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents required and other supplementary information. Required supplementary information includes the funding progress and employer contributions for the Public Employee Retirement Systems. Other supplementary information includes detailed budgetary information for the General Fund, combining statements

for the nonmajor governmental funds, combining statement of changes in assets and liabilities for the Constitutional Officers Agency Funds, combining statements for the Hamilton County Department of Education and various financial and statistical tables. Combining and individual fund schedules can be found on pages C-6 to D-9; the various financial and statistical tables can be found on pages E-1 to F-26.



GOVERNMENT-WIDE FINANCIAL ANALYSIS

HAMILTON COUNTY, TENNESSEE NET ASSETS

	Governmental Activities	
	2009	2008
ASSETS		
Current and Other Assets	\$ 303,602,765	\$ 289,166,731
Capital Assets	308,645,272	310,743,657
TOTAL ASSETS	612,248,037	599,910,388
LIABILITIES		
Long-term Liabilities	232,874,221	248,055,973
Other Liabilities	173,483,339	125,435,007
TOTAL LIABILITIES	406,357,560	373,490,980
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	250,836,816	245,443,716
Restricted	26,820,351	39,198,251
Unrestricted	(71,766,690)	(58,222,559)
TOTAL NET ASSETS	\$ 205,890,477	\$ 226,419,408

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$205,890,477 at the close of the fiscal year ended June 30, 2009.

Net assets are comprised of three elements:

- (1) Investment in capital assets (e.g., land, buildings, infrastructures and equipment), less any related outstanding debt;
- (2) Restricted assets held for future capital improvements, debt repayment and other restrictions as prescribed by law; and
- (3) Unrestricted assets. The long-term liabilities of \$232,874,221 include \$107,392,097 of debt for assets contributed to the Hamilton County Department of Education, a component unit, which results in negative unrestricted net assets.



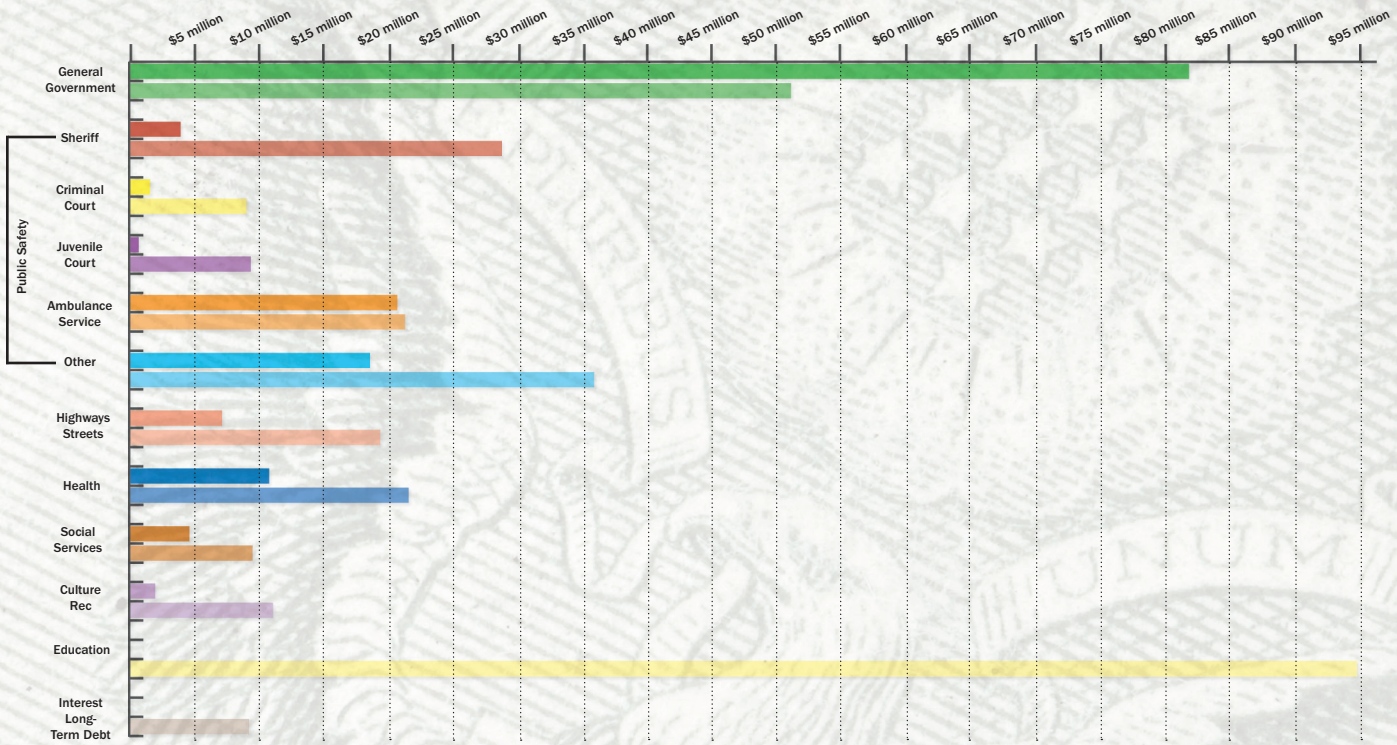
**HAMILTON COUNTY, TENNESSEE
CHANGES IN NET ASSETS**

	Governmental Activities	
	2009	2008
REVENUES		
Program Revenues		
Charges for Services	\$ 54,780,616	\$ 52,526,596
Operating Grants and Contributions	27,141,888	28,400,517
Capital Grants and Contributions	68,688,249	8,033,704
	<u>150,610,753</u>	<u>88,960,817</u>
General Revenues		
Property Taxes	122,782,141	118,523,153
Other Taxes	22,984,720	23,567,191
Other	1,841,224	5,757,035
	<u>147,608,085</u>	<u>147,847,379</u>
TOTAL REVENUES	<u>298,218,838</u>	<u>236,808,196</u>
EXPENSES		
General Government	50,151,407	42,045,548
Public Safety	98,819,979	85,183,179
Highways and Streets	18,635,187	15,801,736
Health	22,234,163	21,746,737
Social Services	9,048,831	8,357,336
Culture and Recreation	10,953,584	10,369,561
Education	94,734,470	17,923,690
Interest on Long-Term Debt	8,127,516	7,437,956
	<u>312,705,137</u>	<u>208,865,743</u>
Increase (Decrease) in Net Assets before Special Item	(14,486,299)	27,942,453
Special Item – Loss on donation of land	(6,042,632)	—
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (20,528,931)</u>	<u>\$ 27,942,453</u>

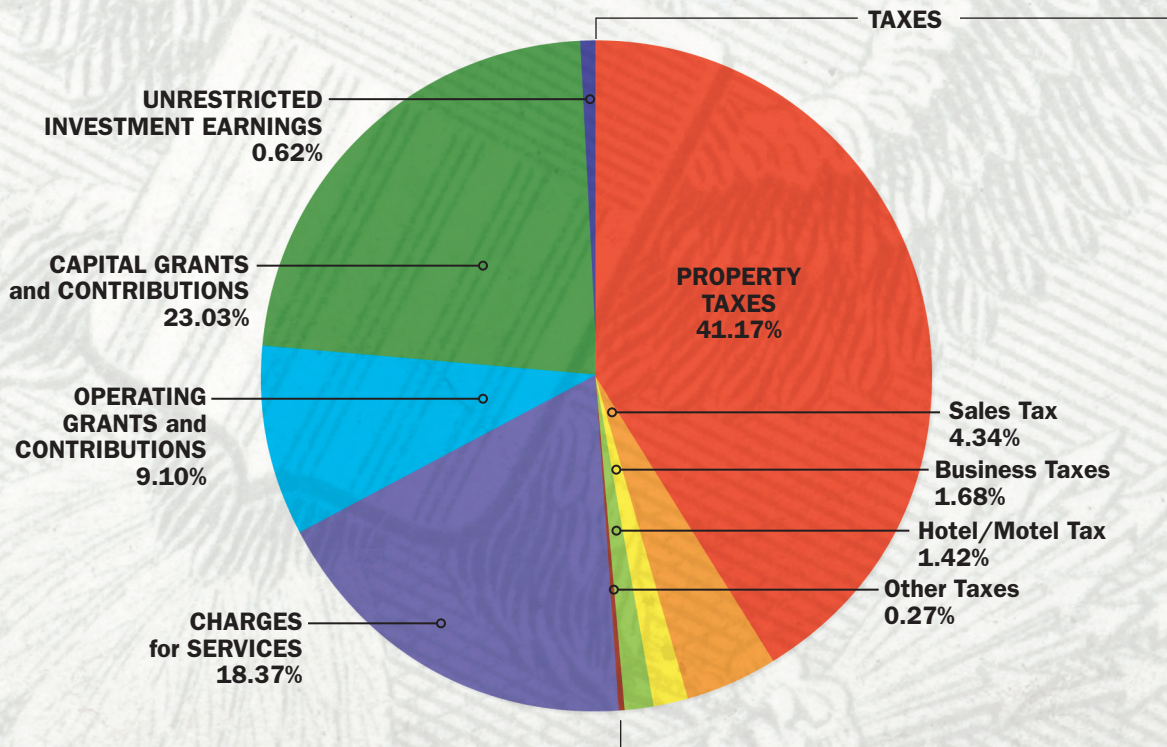
The change in the County's net assets was a decrease of \$20,528,931 during the current fiscal year. Key factors that resulted in this net decrease include:

- Capital grants and contributions increased \$60,654,545 due to funds received for site improvements to the Enterprise South Industrial Park in preparation for the Volkswagen Group of America's manufacturing facility. Expenses relating to this increase in program revenues are capitalized in the Statement of Net Assets.
- Education expenses increased \$76,810,780 with the conveyance of two new schools to the Department of Education.
- Land that was valued at \$6,042,632 was donated to the Volkswagen Group of America and is reported as a special item.
- Public Safety expenses increased \$13,636,526. A large part of this increase is due to the unification of "911" Emergency Communication District that brought multiple districts together to increase efficiency in dispatching efforts.

EXPENSES AND PROGRAM REVENUES



REVENUES BY SOURCE



EXPENSES AND PROGRAM REVENUES

for fiscal year ending June 30, 2009

	REVENUES	EXPENSES
General Government	\$ 80,273,217	\$ 50,151,407
Public Safety		
Sheriff	3,984,654	28,107,384
Criminal Court	2,206,055	4,108,437
Juvenile Court	507,980	8,701,955
Ambulance Services	20,584,282	21,720,861
Other	17,948,400	36,181,342
Highways and Streets	7,028,186	18,635,187
Health	10,766,658	22,234,163
Social Services	4,587,521	9,048,831
Culture and Recreation	1,899,925	10,953,584
Education	823,875	94,734,470
Interest on long-term debt	-	8,127,516
TOTAL	\$ 150,610,753	\$ 312,705,137

REVENUES BY SOURCE

for fiscal year ending June 30, 2009

	2009	PERCENTAGE	2008	PERCENTAGE
Taxes				
Property Taxes	\$ 122,782,141	41.17%	\$ 118,523,153	50.05%
Sales Tax	12,940,031	4.34%	13,361,357	5.64%
Business Taxes	4,992,580	1.68%	4,980,398	2.10%
Hotel/Motel Tax	4,235,794	1.42%	4,492,971	1.90%
Other taxes	816,315	0.27%	732,465	0.31%
Charges for Services	54,780,616	18.37%	52,526,596	22.18%
Operating Grants and Contributions	27,141,888	9.10%	28,400,517	12.00%
Capital Grants and Contributions	68,688,249	23.03%	8,033,704	3.39%
Unrestricted Investment Earnings	1,841,224	0.62%	5,757,035	2.43%
TOTAL	\$ 298,218,838	100.00%	\$ 236,808,196	100.00%

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2009, the County's governmental funds reported combined ending fund balances of \$87,526,958, a decrease of \$41,351,243. The unreserved portion of fund balance was \$67,206,607. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed:

- 1) to liquidate contracts and purchase orders of the prior period \$15,973,100;
- 2) for inventories, prepaid items and notes advances \$1,550,413; and
- 3) to cover other legal requirements \$2,796,838.

The General, Sheriff, Debt Service and Capital Projects funds are reported as major funds.

The General Fund is the chief operating fund of the County. At the end of fiscal year 2009, unreserved fund balance of the General Fund was \$81,829,708, while the total fund balance was \$84,069,755. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 55.8% of the total General Fund expenditures, while total fund balance represents 57.4% of that same amount.

The unreserved fund balance of the County's General Fund increased by \$7,078,131 during the current fiscal year. The major reason for that change is largely attributed to property taxes. Property taxes increased by \$4,258,988 or 3.6% due to growth in the tax base and new development.

The Debt Service fund has a total fund balance of \$227,025, a decrease of \$13,315 or 5.5%. With the move of most inter-governmental revenues and the debt tax levy to the General Fund to better comply with federal arbitrage regulations,

it is expected that the change in debt service fund balance will remain relatively flat as the remaining intergovernmental revenues and charges for services grew only 2.5%. In addition, funds are transferred to the Debt Service fund as needed. Therefore, as debt payments increased, transfers into the fund also increased.

Capital Projects has a fund balance deficit of \$4,395,503. This decrease is a result of short-term financing through the issuance of commercial paper. The County participates in a commercial paper program to fund certain project obligations until long-term debt financing is issued. The commercial paper is reflected as a liability rather than revenue in the Capital Projects fund. Consequently, as spending and commitments for project obligations occur, fund balance declines. The revenue will be recognized when the long-term debt replaces the short-term debt.

Commitments for school construction have decreased due to the completion or near completion of new school buildings. Economic development commitments have increased largely due to the site improvements and infrastructure related to Enterprise South Industrial Park and the Volkswagen Group of America manufacturing facility.

The Sheriff's fund balance of \$2,604,401 decreased \$260,268 from the prior year. The decrease was largely due to a 57.3% decrease in investment earnings due to lower interest rates. In addition, the Sheriff department ceased to facilitate juror summons in January 2009, which resulted in a 34.2% decline in charges for services. Expenditures rose slightly with an increase of \$748,165 or 2.8%.

PROPRIETARY FUNDS

The County's Proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The County's Proprietary fund is used to account for the self-insurance programs. The County is self-insured for health, unemployment compensation, on-the-job injury claims, property and liability claims and losses due to liabilities arising under the laws of the state and federal governments. The cost for these programs is funded through premiums paid by the departments and agencies of Hamilton County Government. Unrestricted net assets for the Proprietary Fund at the end of the fiscal year amounted to \$19,686,001.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the General Fund's original budget and final amended budget was \$6,145,662 and can be summarized as follows:

- Budget amendments not expended from the prior fiscal year, carried over into the current fiscal year accounted for \$3,060,240 of the increase.
- New grants from various state and federal agencies accounted for \$1,180,181 of the increase.
- Adjustments to operating budgets or new appropriations accounted for a \$1,905,241 increase.

Actual revenues were less than budgeted revenues by \$4.6 million. This difference is largely due to a shortfall of intergovernmental revenues of \$1.8 million and a shortfall of charges for services of \$1.6. Investment earnings also fell short of budget due to lower interest rates and fewer funds available for investing as a result of expenditures made for site improvements at Enterprise South.

Expenditures were less than budget estimates by \$10.6 million. With the favorable variance of actual expenditures to budget, \$6.9 million was added to fund balance while the General Fund was originally budgeted to add \$2.2 million.



Signal Mountain Middle High School opened in the fall of 2008 and includes grades 6 through 12. The sprawling campus is home to more than 1,003 students including 533 middle school and 470 high school students.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The County's investment in capital assets as of June 30, 2009 amounts to \$308,645,272 (net of accumulated depreciation of \$198,148,106). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress. The County invested \$6,509,725 in capital assets for the current fiscal year. Additional information on the County's capital assets can be found in the Notes to Basic Financial Statements – Note J.

Major capital asset events during the current fiscal year included the following:

- Infrastructure construction at Enterprise South
- School construction and renovations

CAPITAL ASSET ACTIVITY FOR THE YEAR ENDED JUNE 30, 2009

NET OF DEPRECIATION

	Beginning Balance	Additions	Retirements/ Depreciation	Ending Balance
Land	\$ 67,488,713	\$ 1,890	\$ (6,483,830)	\$ 61,006,773
Construction in Progress	126,308,749	103,120,854	(108,911,504)	120,518,099
Buildings	48,267,600	17,757,414	(2,694,681)	63,330,333
Improvements other than buildings	15,132,018	256,968	(1,101,695)	14,287,291
Machinery and equipment	9,109,148	3,755,647	(4,182,459)	8,682,336
Infrastructure	44,437,429	–	(3,616,989)	40,820,440
	<u>\$ 310,743,657</u>	<u>\$ 124,892,773</u>	<u>\$ (126,991,158)</u>	<u>\$ 308,645,272</u>





EAST HAMILTON
SCHOOL

Located on Ooltewah Ringgold Road at the edge of the East Brainerd community, East Hamilton School opened its doors on August 12, 2009. 1,576 students are enrolled.

LONG-TERM DEBT

At the end of fiscal year 2009, the County had general obligation bonds outstanding of \$200,110,000, notes payable and other debt of \$10,389,963 and short term obligations of \$46,560,000. Of this debt \$107,392,097 was issued for Hamilton County Department of Education capital improvements program, \$23,500,000 was issued in taxable Bond Anticipation Notes for Enterprise South Industrial Park and \$23,060,000 was outstanding in the County's Commercial Paper program. The County issued general obligation bonds, Series 2009, in the amount of \$31,500,000 during the current fiscal year. Additional information on the County's debt can be found in the Notes to Basic Financial Statements – Note N.

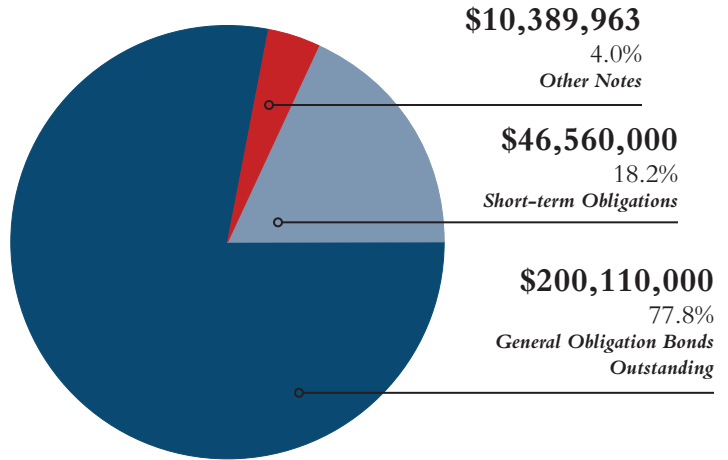
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following factors were considered in preparing the County's budget for fiscal year 2010:

- Property taxes increased over the prior year's budget. County General's projected revenue is estimated to grow 1.73%.
- Local sales taxes have been estimated to decrease by 4.83% for the General Fund.
- In 2001, Hamilton County initiated a performance-based pay plan in order to reward outstanding performance, foster quality services and improve employee morale. Funding was not available to fully implement this year's pay for performance plan; however, in an effort to remain competitive in our recruiting efforts, funds were budgeted to bring employee salaries, which were determined to be below market as a result of the salary survey, to the minimum of the new pay range. This year's phase of the plan will cost \$414,000.
- The cost of health insurance for Hamilton County General Government increased by \$1,476,061 this fiscal year.
- As a result of an actuarial valuation, \$1.6 million has been appropriated in the 2010 budget to fund the estimated annual required contribution for Hamilton County General Government's other post employment benefits.

General Long-Term Debt

<i>General Obligation Bonds Outstanding</i>	\$ 200,110,000	77.8%
<i>Other Notes</i>	10,389,963	4.0%
<i>Short-term obligations</i>	46,560,000	18.2%
	<u>257,059,963</u>	100%
<i>Less: Unreserved Debt Service Fund Balance</i>	(227,025)	
	<u><u>\$ 256,832,938</u></u>	



- The Department of Education, a discretely presented component unit of Hamilton County with an approved budget of \$358,995,245, represents 57.2% of the total County budget. The total increase of \$11,054,979 is fully revenue supported. Property tax is estimated, by the Department of Education for budget year 2010, to be approximately 4.14% over the prior budget year. Local sales tax is estimated to decrease by 2.07%.
- As a result of an estimated shortfall in revenue due to the overall economic environment and a projected growth in normal operating expenses, the School District needed to reduce its operating expenses. With 80% of all funds being spent on personnel, the District closely aligned its staffing levels with the state's basic education fund plan. As a result of this action, the District eliminated 218 positions in its fiscal year 2010 budget.



Main Street's burgeoning arts district has continued to bring new businesses, restaurants and residential options to the area. Here, Alleia's, an Italian restaurant that opened early in 2009, is seen through the frame of Enzo's Tumpkin by Verina Baxter.

REQUESTS FOR INFORMATION

This financial report is designed to present users with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the Finance Administrator, 123 East Seventh Street, Chattanooga, TN 37402.

Additional financial information can be found on our web-site <http://www.hamiltontn.gov>.

Two discretely presented component units, "911" Emergency Communication and the Water & Wastewater Treatment Authority have separately issued financial reports that can be obtained from: Hamilton County "911" Emergency Communication District, 3404 Amnicola Highway, Chattanooga, TN 37406; Water & Wastewater Treatment Authority, P.O. Box 8856, Chattanooga, TN 37414.

The restoration of the Firefighter's Memorial Fountain, which borders the northeast corner of the Hamilton County Courthouse, was completed in April 2009. The fountain was restored by Robinson Iron in Alexander City, Alabama.

STATEMENT OF NET ASSETS

HAMILTON COUNTY, TENNESSEE

June 30, 2009

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and cash equivalents	\$ 7,769,966	\$ 31,006,737
Certificates of deposit	-	8,393,013
Investments	131,034,170	33,074,702
Receivables, net of allowance for uncollectibles	143,272,176	137,391,546
Receivables, restricted	-	123,007
Due from component units	18,424,570	-
Inventories	1,429,992	682,071
Restricted cash	-	2,804,964
Prepaid items	332,742	2,326,514
Net pension asset	1,339,149	-
Land and other nondepreciable assets	181,524,872	19,401,560
Other capital assets, net of accumulated depreciation	127,120,400	337,460,882
Total assets	<u>612,248,037</u>	<u>572,664,996</u>
LIABILITIES		
Accounts payable and accrued expenses	25,199,084	37,224,769
Due to primary government	-	18,424,570
Unearned revenue	101,724,255	111,613,935
Short term obligations	46,560,000	-
Premium on notes payable	75,435	-
Long-term liabilities:		
Due within one year	26,145,500	9,860,996
Due in more than one year	206,653,286	25,265,867
Total liabilities	<u>406,357,560</u>	<u>202,390,137</u>
NET ASSETS		
Invested in capital assets, net of related debt	250,836,816	325,753,697
Restricted for:		
Capital projects	15,227,043	-
Litigants and beneficiaries	712,924	-
State statutes	2,083,914	369,607
Extracurricular activities	-	2,804,964
Debt service	6,500,000	-
Other purposes	2,296,470	269,270
Unrestricted	<u>(71,766,690)</u>	<u>41,077,321</u>
Total net assets	<u>\$ 205,890,477</u>	<u>\$ 370,274,859</u>

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

STATEMENT OF ACTIVITIES

HAMILTON COUNTY, TENNESSEE

Year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
Government activities:			
General government	\$ 50,151,407	\$ 15,611,825	\$ 3,767,113
Public safety:			
Sheriff	28,107,384	1,194,102	2,790,552
Criminal Court	4,108,437	2,206,055	-
Juvenile Court	8,701,955	507,980	-
Ambulance Services	21,720,861	20,584,282	-
Other	36,181,342	4,837,997	6,610,403
Highways and streets	18,635,187	2,346,478	4,211,613
Health	22,234,163	2,369,463	8,397,195
Social services	9,048,831	4,519,884	67,637
Culture and recreation	10,953,584	602,550	1,297,375
Education	94,734,470	-	-
Interest on long-term debt	8,127,516	-	-
TOTAL PRIMARY GOVERNMENT	\$ 312,705,137	\$ 54,780,616	\$ 27,141,888
Component units:			
Education	\$ 380,745,739	\$ 23,332,834	\$ 48,768,960
Emergency communications	8,489,808	4,107,037	1,393,793
Water and wastewater treatment	9,090,433	8,751,545	-
Railroad authority	370,605	131,063	65,203
TOTAL COMPONENT UNITS	\$ 398,696,585	\$ 36,322,479	\$ 50,227,956

General revenues:
 Property taxes
 Sales taxes
 Business taxes
 Hotel/Motel taxes
 Other taxes
 Grants and contributions not restricted to specific programs
 Unrestricted investment earnings
 Special item - loss on donation of land

Total general revenues and special item

Change in net assets
 Net assets, beginning

Net assets, ending

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

	Net (Expense) Revenues and Changes in Net Assets	
	Primary Government Governmental Activities	Components Units
Capital Grants and Contributions		
\$ 60,894,279	\$ 30,121,810	
-	(24,122,730)	
-	(1,902,382)	
-	(8,193,975)	
-	(1,136,579)	
6,500,000	(18,232,942)	
470,095	(11,607,001)	
-	(11,467,505)	
-	(4,461,310)	
-	(9,053,659)	
823,875	(93,910,595)	
-	(8,127,516)	
<u>\$ 68,688,249</u>	<u>(162,094,384)</u>	
\$ 94,190,173		\$ (214,453,772)
2,605,135		(383,843)
6,160,974		5,822,086
<u>173,781</u>		<u>(558)</u>
<u>\$ 103,130,063</u>		<u>(209,016,087)</u>
	122,782,141	118,352,442
	12,940,031	55,505,019
	4,992,580	-
	4,235,794	-
	816,315	-
	-	115,770,603
	1,841,224	620,751
	<u>(6,042,632)</u>	<u>-</u>
	<u>141,565,453</u>	<u>290,248,815</u>
	(20,528,931)	81,232,728
	<u>226,419,408</u>	<u>289,042,131</u>
	<u>\$ 205,890,477</u>	<u>\$ 370,274,859</u>

**BALANCE SHEET
GOVERNMENTAL FUNDS**

**HAMILTON COUNTY, TENNESSEE
June 30, 2009**

	General	Sheriff	Debt Service
ASSETS			
Cash and cash equivalents	\$ 1,933,863	\$ 71,920	\$ 579
Investments	63,143,549	3,088,432	199,738
Receivables, net of allowance for uncollectibles	129,703,874	443,589	51,914
Due from other funds	8,727,168	-	-
Due from component units	2,306,083	84,612	6,500,000
Inventories	1,429,992	-	-
Prepaid items	120,421	-	-
	<u>207,364,950</u>	<u>3,688,553</u>	<u>6,752,231</u>
Total assets	<u>\$ 207,364,950</u>	<u>\$ 3,688,553</u>	<u>\$ 6,752,231</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,436,238	\$ 137,092	\$ 25,206
Accrued items and other	9,881,065	877,588	-
Intergovernmental payables	516,256	-	-
Due to other funds	45,683	69,472	-
Short term obligations	-	-	-
Premium on notes payable	-	-	-
Unearned revenues:			
Uncollected property taxes	108,675,327	-	-
Other	740,626	-	6,500,000
	<u>123,295,195</u>	<u>1,084,152</u>	<u>6,525,206</u>
Total liabilities	<u>123,295,195</u>	<u>1,084,152</u>	<u>6,525,206</u>
Fund balances:			
Reserved for:			
Encumbrances	689,634	56,423	-
Inventories	1,429,992	-	-
Prepaid items	120,421	-	-
Litigants and beneficiaries	-	-	-
Restricted activities	-	719,306	-
Unreserved, reported in:			
General fund	81,829,708	-	-
Sheriff	-	1,828,672	-
Debt service	-	-	227,025
Capital projects fund	-	-	-
Special revenue funds	-	-	-
	<u>84,069,755</u>	<u>2,604,401</u>	<u>227,025</u>
Total fund balances	<u>84,069,755</u>	<u>2,604,401</u>	<u>227,025</u>
Total liabilities and fund balances	<u>\$ 207,364,950</u>	<u>\$ 3,688,553</u>	<u>\$ 6,752,231</u>

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

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 174,144	\$ 5,490,305	\$ 7,670,811
41,499,884	1,667,567	109,599,170
11,650,455	686,453	142,536,285
-	45,409	8,772,577
-	-	8,890,695
-	-	1,429,992
-	-	120,421
<u>\$ 53,324,483</u>	<u>\$ 7,889,734</u>	<u>\$ 279,019,951</u>
\$ 2,866,859	\$ -	\$ 6,465,395
-	2,344,581	13,103,234
59,143	-	575,399
8,133,549	523,873	8,772,577
46,560,000	-	46,560,000
75,435	-	75,435
-	-	108,675,327
25,000	-	7,265,626
<u>57,719,986</u>	<u>2,868,454</u>	<u>191,492,993</u>
15,227,043	-	15,973,100
-	-	1,429,992
-	-	120,421
-	712,924	712,924
-	1,364,608	2,083,914
-	-	81,829,708
-	-	1,828,672
-	-	227,025
(19,622,546)	-	(19,622,546)
-	2,943,748	2,943,748
<u>(4,395,503)</u>	<u>5,021,280</u>	<u>87,526,958</u>
<u>\$ 53,324,483</u>	<u>\$ 7,889,734</u>	<u>\$ 279,019,951</u>



RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

HAMILTON COUNTY, TENNESSEE

June 30, 2009

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

Fund balances - total governmental funds		\$ 87,526,958
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		308,645,272
Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		14,216,698
Internal service funds are used by management to charge the costs of self-insurance programs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		19,686,001
The County-administered pension plans have been funded in excess of annual required contributions, creating a net pension asset. This asset is not a currently available financial resource and is not reported in the funds.		1,339,149
Long-term assets receivable from a component unit are not due until the related long-term liability is due and payable		9,533,875
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets. This item consists of the following:		
General obligation bonds	\$200,110,000	
Add: original issue premiums	6,996,505	
Notes payable & other debt	10,389,963	
Landfill post closure costs	230,000	
Compensated absences	15,072,318	
Accrued interest payable	<u>2,258,690</u>	
		<u>(235,057,476)</u>
Net assets of governmental activities		<u>\$ 205,890,477</u>

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

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

**HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009**

	<u>General</u>	<u>Sheriff</u>	<u>Debt Service</u>
REVENUES			
Taxes	\$ 140,023,367	\$ -	\$ 1,099
Licenses and permits	481,224	-	-
Intergovernmental	23,500,920	2,790,552	823,967
Charges for services	29,326,416	67,991	541,358
Fines, forfeitures and penalties	1,090,153	616,193	-
Investment earnings	850,568	72,911	8,311
Miscellaneous	2,731,388	509,918	-
	<u>198,004,036</u>	<u>4,057,565</u>	<u>1,374,735</u>
EXPENDITURES			
Current:			
General government	36,884,361	-	-
Public safety:			
Sheriff	-	27,233,714	-
Criminal Court	1,202,577	-	-
Juvenile Court	6,293,930	-	-
Ambulance Services	21,292,132	-	-
Other	27,650,125	-	-
Highways and streets	12,922,294	-	-
Health	22,054,237	-	-
Social services	5,586,296	-	-
Culture and recreation	9,312,831	-	-
Debt service:			
Principal	-	-	46,909,239
Interest and fiscal charges	-	-	8,722,581
Capital outlay:			
General government	3,320,247	-	-
Education	-	-	-
	<u>146,519,030</u>	<u>27,233,714</u>	<u>55,631,820</u>
Excess (deficiency) of revenues over (under) expenditures	<u>51,485,006</u>	<u>(23,176,149)</u>	<u>(54,257,085)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	8,569,307	22,915,881	54,243,770
Transfers out	(53,127,489)	-	-
Sale of capital assets	41,099	-	-
Issuance of bonds	-	-	-
Premium from bonds	-	-	-
	<u>(44,517,083)</u>	<u>22,915,881</u>	<u>54,243,770</u>
Net change in fund balances	6,967,923	(260,268)	(13,315)
Fund balances, beginning	<u>77,101,832</u>	<u>2,864,669</u>	<u>240,340</u>
Fund balances, ending	<u>\$ 84,069,755</u>	<u>\$ 2,604,401</u>	<u>\$ 227,025</u>

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

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 4,251,963	\$ 144,276,429
-	-	481,224
59,801,482	1,320,511	88,237,432
254,469	18,709,557	48,899,791
-	36,862	1,743,208
398,542	129,983	1,460,315
<u>360,174</u>	<u>54,913</u>	<u>3,656,393</u>
<u>60,814,667</u>	<u>24,503,789</u>	<u>288,754,792</u>
-	8,336,477	45,220,838
-	-	27,233,714
-	2,607,033	3,809,610
-	2,176,274	8,470,204
-	-	21,292,132
-	1,331,465	28,981,590
-	-	12,922,294
-	-	22,054,237
-	3,439,517	9,025,813
-	-	9,312,831
-	-	46,909,239
-	-	8,722,581
74,696,689	-	78,016,936
<u>40,495,222</u>	<u>-</u>	<u>40,495,222</u>
<u>115,191,911</u>	<u>17,890,766</u>	<u>362,467,241</u>
<u>(54,377,244)</u>	<u>6,613,023</u>	<u>(73,712,449)</u>
2,452	1,525,715	87,257,125
(25,239,014)	(8,890,622)	(87,257,125)
129,698	-	170,797
31,500,000	-	31,500,000
<u>690,409</u>	<u>-</u>	<u>690,409</u>
<u>7,083,545</u>	<u>(7,364,907)</u>	<u>32,361,206</u>
(47,293,699)	(751,884)	(41,351,243)
<u>42,898,196</u>	<u>5,773,164</u>	<u>128,878,201</u>
<u>\$ (4,395,503)</u>	<u>\$ 5,021,280</u>	<u>\$ 87,526,958</u>



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

HAMILTON COUNTY, TENNESSEE

Year ended June 30, 2009

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

Net change in fund balances - total governmental funds	\$ (41,351,243)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net assets	123,508,994
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities	(10,208,946)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums and deferred amount on refundings when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amount is the net effect of these differences in the treatment on long-term debt and related items.	15,568,240
The net revenues of internal service funds are reported with governmental activities	624,688
The net effect of various transactions involving capital assets is to decrease net assets	(14,621,331)
The net effect of capital asset transactions involving the Hamilton County Department of Education is to decrease net assets.	(94,734,470)
The net effect of the transaction involving capital assets related to the special item-loss on donation of land to the Volkswagen Group of America, Inc is to decrease net assets	(6,042,632)
The net effect of the change in the net pension asset is included in the governmental activities in the statement of activities	(88,072)
Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds	(1,642,608)
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds	8,458,449
Change in net assets of governmental activities	\$ (20,528,931)

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

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

**HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 139,815,952	\$ 139,815,952	\$ 140,023,367	\$ 207,415
Licenses and permits	939,000	939,000	481,224	(457,776)
Intergovernmental revenues	21,603,613	25,293,223	23,500,920	(1,792,303)
Charges for services	15,139,623	15,265,469	13,637,185	(1,628,284)
Fines, forfeitures and penalties	1,093,950	1,093,950	1,090,153	(3,797)
Investment earnings	1,650,000	1,650,000	850,568	(799,432)
Miscellaneous	<u>2,659,492</u>	<u>2,851,419</u>	<u>2,731,388</u>	<u>(120,031)</u>
Total revenues	<u>182,901,630</u>	<u>186,909,013</u>	<u>182,314,805</u>	<u>(4,594,208)</u>
EXPENDITURES				
Current:				
General government	37,997,584	39,333,554	36,816,230	2,517,324
Public safety	40,703,131	44,066,803	40,765,757	3,301,046
Highways and streets	13,668,823	13,668,823	12,925,073	743,750
Health	23,518,171	23,840,130	22,107,267	1,732,863
Social services	6,107,537	6,147,537	5,594,925	552,612
Culture and recreation	9,705,111	9,709,366	9,337,319	372,047
Capital outlay	<u>3,672,503</u>	<u>4,752,309</u>	<u>3,280,922</u>	<u>1,471,387</u>
Total expenditures	<u>135,372,860</u>	<u>141,518,522</u>	<u>130,827,493</u>	<u>10,691,029</u>
Excess of revenues over expenditures	<u>47,528,770</u>	<u>45,390,491</u>	<u>51,487,312</u>	<u>6,096,821</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,467,543	9,594,543	8,569,307	(1,025,236)
Transfers out	(54,790,257)	(54,790,257)	(53,127,489)	1,662,768
Sale of capital assets	<u>-</u>	<u>-</u>	<u>41,099</u>	<u>41,099</u>
Total other financing sources (uses)	<u>(45,322,714)</u>	<u>(45,195,714)</u>	<u>(44,517,083)</u>	<u>678,631</u>
Net change in fund balance	2,206,056	194,777	6,970,229	6,775,452
Fund balance allocation	<u>(2,206,056)</u>	<u>(194,777)</u>	<u>-</u>	<u>194,777</u>
	<u>\$ -</u>	<u>\$ -</u>	6,970,229	<u>\$ 6,970,229</u>
Add encumbrances at end of year			689,634	
Less encumbrances at beginning of year			<u>(691,940)</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			6,967,923	
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			<u>77,101,832</u>	
Fund balance at end of year--(GAAP Modified Accrual Basis)			<u>\$ 84,069,755</u>	

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SHERIFF FUND**

**HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009**

	Budget Original	Budget Final	Actual (Non - GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 2,654,189	\$ 3,083,866	\$ 2,790,552	\$ (293,314)
Charges for current services	75,200	75,200	67,991	(7,209)
Fines, forfeitures and penalties	634,500	634,500	616,193	(18,307)
Investment earnings	200,740	200,740	72,911	(127,829)
Miscellaneous	<u>689,000</u>	<u>689,000</u>	<u>509,918</u>	<u>(179,082)</u>
Total revenues	<u>4,253,629</u>	<u>4,683,306</u>	<u>4,057,565</u>	<u>(625,741)</u>
EXPENDITURES				
Current:				
Public safety:				
Administration	2,452,770	2,452,770	2,659,955	(207,185)
Patrol	7,733,027	7,962,926	7,970,584	(7,658)
Jail	10,650,739	10,667,457	9,996,981	670,476
Process and court servers	721,634	721,634	721,664	(30)
Communications	1,592,374	1,592,374	1,063,025	529,349
Major crimes	1,588,180	1,588,180	1,454,119	134,061
Fugitive warrant	1,890,384	1,890,384	1,867,925	22,459
Special operations	913,661	913,661	956,044	(42,383)
Inmate commissary	-	-	257,359	(257,359)
Governor's Hwy Safety Grant	79,513	262,570	131,954	130,616
BOJ Bullerproff Vest Grant	32,352	32,352	22,341	10,011
IV-D civil process	183,438	183,438	182,960	478
Community Enhancement Grant	<u>-</u>	<u>5,029</u>	<u>197</u>	<u>4,832</u>
Total budgetary expenditures	<u>27,838,072</u>	<u>28,272,775</u>	<u>27,285,108</u>	<u>987,667</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	(23,584,443)	(23,589,469)	(23,227,543)	361,926
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>22,915,881</u>	<u>22,915,881</u>	<u>22,915,881</u>	<u>-</u>
Net change in fund balance	(668,562)	(673,588)	(311,662)	361,926
Fund balance allocation	<u>668,562</u>	<u>673,588</u>	<u>-</u>	<u>(673,588)</u>
	<u>\$ -</u>	<u>\$ -</u>	(311,662)	<u>\$ (311,662)</u>
Add encumbrances at end of year			56,423	
Less encumbrances at beginning of year			<u>(5,029)</u>	
Net change in fund balance--(GAAP)			(260,268)	
Fund balance at beginning of year--(GAAP)			<u>2,864,669</u>	
Fund balance at end of year--(GAAP)			<u>\$ 2,604,401</u>	

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUND**

**HAMILTON COUNTY, TENNESSEE
June 30, 2009**

	<u>Governmental Activities - Internal Service Fund</u>
CURRENT ASSETS	
Cash	\$ 99,155
Investments	21,435,000
Receivable	735,891
Prepaid Insurance	<u>212,321</u>
Total current assets	<u>22,482,367</u>
CURRENT LIABILITIES	
Accounts payable	5,752
Accrued claims	<u>2,790,614</u>
Total current liabilities	<u>2,796,366</u>
NET ASSETS	
Unrestricted	<u><u>\$ 19,686,001</u></u>

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS
PROPRIETARY FUND**

**HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009**

	Governmental Activities - Internal Service Fund
	<u> </u>
OPERATING REVENUES	
Charges for services	\$ 19,651,426
Other	<u>658,479</u>
Total operating revenues	<u>20,309,905</u>
OPERATING EXPENSES	
Unemployment compensation	54,288
Claims and premiums	19,088,573
Administration	<u>923,265</u>
Total operating expenses	<u>20,066,126</u>
Operating income (loss)	243,779
NONOPERATING REVENUES	
Investment earnings	<u>380,909</u>
Change in net assets	624,688
Net assets, beginning	<u>19,061,313</u>
Net assets, ending	<u><u>\$ 19,686,001</u></u>

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



**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

**HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009**

	Governmental Activities - Internal Service Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from (paid for) insurance premiums	\$ 20,321,772
Cash paid for unemployment compensation	(54,288)
Cash paid for claims and premiums	(19,704,582)
Cash paid for administration	<u>(923,265)</u>
Net cash used in operating activities	<u>(360,363)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(21,435,000)
Proceeds from sale of investments	21,421,530
Interest on investments	<u>380,909</u>
Net cash provided by investing activities	<u>367,439</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,076
BEGINNING CASH AND CASH EQUIVALENTS	<u>92,079</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 99,155</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating income (loss)	<u>\$ 243,779</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Change in receivable	11,989
Change in accounts payable	(7,922)
Change in accrued claims	(626,523)
Change in prepaid insurance	<u>18,314</u>
Total adjustments	<u>(604,142)</u>
Net cash used by operating activities	<u><u>\$ (360,363)</u></u>

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

**HAMILTON COUNTY, TENNESSEE
June 30, 2009**

	Pension Trust Funds	Constitutional Officers Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 84,595	\$ 8,861,699
Certificates of deposit	49,672	11,023,327
Investments, at fair value:		
Mutual funds	1,297,323	189,434
Domestic equity securities	813,950	-
Foreign securities	<u>78,302</u>	<u>-</u>
Total investments	<u>2,189,575</u>	<u>189,434</u>
Receivables:		
Interest	760	-
Accounts	<u>1,350</u>	<u>61,274</u>
Total assets	<u>2,325,952</u>	<u>20,135,734</u>
LIABILITIES		
Accrued items and other	448	13,363,667
Intergovernmental payables	<u>-</u>	<u>6,772,067</u>
Total liabilities	<u>448</u>	<u>20,135,734</u>
NET ASSETS		
Assets held in trust for pension benefits	<u><u>\$ 2,325,504</u></u>	<u><u>\$ -</u></u>

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

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

**HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009**

	Pension Trust Funds
	<u> </u>
ADDITIONS	
Contributions:	
Employer	\$ 16,500
Plan members	<u>75,258</u>
Total contributions	<u>91,758</u>
Investment earnings:	
Net change in fair value of investments	(187,321)
Interest	<u>29,487</u>
Net investment income	<u>(157,834)</u>
Total additions	<u>(66,076)</u>
DEDUCTIONS	
Benefits	218,448
Administrative expense	<u>20,521</u>
Total deductions	<u>238,969</u>
Change in net assets	(305,045)
Net assets, beginning	<u>2,630,549</u>
Net assets, ending	<u><u>\$ 2,325,504</u></u>

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



**STATEMENT OF NET ASSETS
COMPONENT UNITS**

HAMILTON COUNTY, TENNESSEE

June 30, 2009

	Hamilton County Department of Education	"911" Emergency Communication	Water & Wastewater Treatment Authority	Railroad Authority	Total
ASSETS					
Cash and cash equivalents	\$ 25,689,166	\$ 2,068,131	\$ 3,204,640	\$ 44,800	\$ 31,006,737
Certificates of deposit	390,098	8,002,915	-	-	8,393,013
Investments	28,417,790	4,656,912	-	-	33,074,702
Receivables, net of allowance for uncollectible	132,920,086	3,526,076	942,735	2,649	137,391,546
Receivables, restricted	-	-	123,007	-	123,007
Inventories	407,667	-	274,404	-	682,071
Restricted cash	2,804,964	-	-	-	2,804,964
Prepaid items	2,169,736	-	156,778	-	2,326,514
Land and other nondepreciable assets	16,201,777	-	3,199,783	-	19,401,560
Capital assets, net of accumulated depreciation	<u>244,607,705</u>	<u>4,850,762</u>	<u>87,998,015</u>	<u>4,400</u>	<u>337,460,882</u>
Total assets	<u>453,608,989</u>	<u>23,104,796</u>	<u>95,899,362</u>	<u>51,849</u>	<u>572,664,996</u>
LIABILITIES					
Accounts payable and other current liabilities	33,273,224	2,702,602	1,246,269	2,674	37,224,769
Due to primary government	1,132,902	1,928,116	15,363,552	-	18,424,570
Unearned revenue	111,613,935	-	-	-	111,613,935
Noncurrent liabilities:					
Due within one year	2,443,532	-	7,417,464	-	9,860,996
Due in more than one year	<u>16,784,586</u>	<u>-</u>	<u>8,481,281</u>	<u>-</u>	<u>25,265,867</u>
Total liabilities	<u>165,248,179</u>	<u>4,630,718</u>	<u>32,508,566</u>	<u>2,674</u>	<u>202,390,137</u>
NET ASSETS					
Invested in capital assets, net of related debt	260,809,482	4,850,762	60,089,053	4,400	325,753,697
Restricted for:					
State statute	369,607	-	-	-	369,607
Extracurricular activities	2,804,964	-	-	-	2,804,964
Other purposes	-	-	269,270	-	269,270
Unrestricted	<u>24,376,757</u>	<u>13,623,316</u>	<u>3,032,473</u>	<u>44,775</u>	<u>41,077,321</u>
Total net assets	<u>\$288,360,810</u>	<u>\$ 18,474,078</u>	<u>\$63,390,796</u>	<u>\$ 49,175</u>	<u>\$370,274,859</u>

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

**STATEMENT OF ACTIVITIES
COMPONENT UNITS**

HAMILTON COUNTY, TENNESSEE

Year ended June 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
HAMILTON COUNTY DEPARTMENT OF EDUCATION				
Regular instruction	\$ 174,747,120	\$ 1,016,437	\$ 14,651,915	\$ 50,157,945
Exceptional instruction	38,862,294	-	7,271,363	11,059,777
Vocational instruction	10,053,178	-	745,279	2,874,957
Support : #				
Pupils 0	12,229,822	-	1,995,957	3,586,287
Instructional staff	22,047,439	296,030	8,923,319	-
Board of education	5,664,751	-	-	-
Administration	28,360,999	-	344,958	7,875,735
Business and fiscal services	2,821,520	-	-	-
Human resources	1,207,215	-	-	-
Plant operation and maintenance	30,349,796	-	166,766	8,828,077
Pupil transportation	13,771,328	-	570,785	3,983,096
Central and other	2,682,332	-	400	-
Operation of noninstructional services:				
Community services	3,207,550	3,003,763	118,826	920,033
Early childhood education	3,555,569	-	3,425,791	-
Extracurricular	14,136,235	13,080,520	-	-
Child Nutrition	17,048,591	5,936,084	10,553,601	4,904,266
TOTAL DEPARTMENT OF EDUCATION	380,745,739	23,332,834	48,768,960	94,190,173
"911" EMERGENCY COMMUNICATIONS				
Emergency communications operations	8,489,808	4,107,037	1,393,793	2,605,135
WATER & WASTEWATER TREATMENT AUTHORITY				
Water and wastewater treatment operations	9,090,433	8,751,545	-	6,160,974
RAILROAD AUTHORITY				
Railroad authority operations	370,605	131,063	65,203	173,781
TOTAL COMPONENT UNITS	\$ 398,696,585	\$ 36,322,479	\$ 50,227,956	\$103,130,063

General revenues:

Property taxes

Sales taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Total general revenues

Change in net assets

Prior period adjustments

Net assets, beginning

Net assets, ending

Net (Expense) Revenue and
Changes in Net Assets

Hamilton County Department of Education	"911" Emergency Communication	Water & Wastewater Treatment Authority	Railroad Authority	Total
\$ (108,920,823)				\$ (108,920,823)
(20,531,154)				(20,531,154)
(6,432,942)				(6,432,942)
		132,920,086		
(6,647,578)		-		(6,647,578)
(12,828,090)				(12,828,090)
(5,664,751)				(5,664,751)
(20,140,306)				(20,140,306)
(2,821,520)				(2,821,520)
(1,207,215)				(1,207,215)
(21,354,953)				(21,354,953)
(9,217,447)				(9,217,447)
(2,681,932)				(2,681,932)
835,072				835,072
(129,778)				(129,778)
(1,055,715)				(1,055,715)
<u>4,345,360</u>				<u>4,345,360</u>
<u>(214,453,772)</u>				
	\$ (383,843)			(383,843)
		\$ 5,822,086		5,822,086
			\$ (558)	(558)
				<u>(209,016,087)</u>
118,352,442	-	-	-	118,352,442
55,505,019	-	-	-	55,505,019
115,770,603	-	-	-	115,770,603
<u>580,539</u>	-	<u>40,212</u>	-	<u>620,751</u>
<u>290,208,603</u>	-	<u>40,212</u>	-	<u>290,248,815</u>
75,754,831	(383,843)	5,862,298	(558)	81,232,728
<u>212,605,979</u>	<u>18,857,921</u>	<u>57,528,498</u>	<u>49,733</u>	<u>289,042,131</u>
<u>\$ 288,360,810</u>	<u>\$ 18,474,078</u>	<u>\$ 63,390,796</u>	<u>\$ 49,175</u>	<u>\$ 370,274,859</u>



NOTES TO BASIC FINANCIAL STATEMENTS

HAMILTON COUNTY, TENNESSEE

June 30, 2009

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NOTES TO BASIC FINANCIAL STATEMENTS

HAMILTON COUNTY, TENNESSEE JUNE 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hamilton County, Tennessee (the County) was incorporated October 25, 1819, by the Tennessee State Legislature and operates under a legislative body – County Mayor form of government. The present form of government was established in 1978 by constitutional amendment.

The financial statements of the County have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

(1) REPORTING ENTITY

In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the County may be financially accountable and, as such, should be included within the County’s financial statements. The County (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the County. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. The component units of the primary government (the County) are all discretely presented.

Discretely Presented Component Units

Hamilton County Department of Education – The Hamilton County Department of Education provides public education for grades kindergarten through twelve. The nine-member board is currently comprised of elected members who appoint the superintendent. The Hamilton County Commission levies taxes for the operations of the school system and issues debt for all significant capital projects, thus making the Department of Education fiscally dependent on the primary government. The financial activities also include the operations of a centralized cafeteria system, school activity funds, capital projects, and an internal service fund. Additional information may be obtained from: Hamilton County Department of Education, 6703 Bonny Oaks Drive, Bldg. 200-1, Chattanooga, TN 37421.

Emergency Communication District Board (911) – The “911” Emergency Communication Board was approved by resolution of the Hamilton County Board of Commissioners after the passage of Chapter 867 of the 1984 Tennessee Public Acts which authorized Emergency Communications Districts. The nine-member board is appointed by the County Mayor, is approved by the Hamilton County Board of Commissioners, and is legally separate from Hamilton County. The Board of Commissioners must approve any bonds or indebtedness of the district. Complete financial statements may be obtained from: Hamilton County “911” Emergency Communication District, 2402 Amnicola Highway, Chattanooga, TN 37406.

Hamilton County Water & Wastewater Treatment Authority – The Water and Wastewater Treatment Authority (the Authority) was organized under the Water and Wastewater Treatment Authority Act of the State of Tennessee. The Authority began operations on July 1, 1994, for the purpose of providing wastewater treatment service to residents of unincorporated areas of Hamilton County, Tennessee. The five-member board is appointed by the Hamilton County Board of Commissioners from recommendations of the County Mayor and is legally separate. The Authority’s Board has final decision-making authority for the entity. The County Board of Commissioners does not approve the Authority’s budget, but they do finance debt for the Authority’s capital projects. Complete financial statements may be obtained from: Water & Wastewater Treatment Authority, P.O. Box 8856, Chattanooga, TN 37414.

Hamilton County Railroad Authority – The Railroad Authority (the Authority) was organized under the Railroad Authority Act of the State of Tennessee. The Authority was established on February 20, 2002 for the purpose of improving rail service in Hamilton County. The five-member Board consists of the County Mayor, City of Chattanooga Mayor, one member elected by the Board of County Commissioners, one member elected by the Chattanooga City Council, and the President and CEO of Chattanooga Area Chamber of Commerce. The Authority’s Board has final decision-making authority for the entity. The Board of Commissioners must approve any bonds or indebtedness of the Authority. Additional information may be obtained from: Hamilton County Railroad Authority, 625 Walnut St., Room 220, Chattanooga, TN 37402.

(2) **JOINT VENTURES**

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The County participates in the following joint venture:

Carter Street Corporation – The Carter Street Corporation manages the Trade Center and parking garage that were financed by Industrial Development Bonds. Further information, along with condensed financial information, can be found in Note R – Joint Venture.

Related Organizations – The following related organizations are excluded from the financial reporting entity because the County’s accountability for these organizations does not extend beyond making the appointments. Audited financial statements are available from the respective organizations.

Soddy-Daisy/Falling Water Utility District – This utility district is different from the other utility districts of Hamilton County because of the size of the area that it covers. Tennessee Code Annotated, Section 7-82-307(r)(1) & (2) provides for the appointment of seven members of which three members are recommended by the utility commission and the remaining four are appointed by the County Mayor. No other utility district within Hamilton County has a seven-member board. After the board appointments, neither a financial benefit nor a burden to the citizens of Hamilton County arises.

Industrial Development Board of the County of Hamilton – The Industrial Development Board of the County of Hamilton (the Corporation) is a corporation formed for the purpose of promoting and developing commercial, industrial, and manufacturing enterprise and encouraging employment within the boundaries of Hamilton County. The County Board of Commissioners appoints the eleven-member board. The Corporation is authorized and empowered to issue industrial development revenue bonds that do not constitute an indebtedness of Hamilton County, the State of Tennessee, or any political subdivision thereof. The County assumes no responsibility for the day-to-day operating expenses of the Corporation. Fees charged to applicants for funding finance such expenses.

Chattanooga-Hamilton County Hospital Authority – The County Mayor appoints, subject to the approval of the County Board of Commissioners, four members of the eleven-member Hospital Authority Board. The County is committed to fund a minimum of \$3,000,000 annually for indigent patient care to the Authority. The Authority has the ability to issue its own debt, which is not an obligation of the County, and primarily patient revenues finance its operations.

(3) BASIC FINANCIAL STATEMENTS-GASB STATEMENT NO. 34

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements, focusing on either the County as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. At June 30, 2009, the County has no business-type activities in the primary government. In the government-wide Statement of Net Assets, the governmental activities (a) are presented on a consolidated basis in a single column and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, highways and streets, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. Program revenues include revenues from fines and forfeitures, licenses and permits fees, service assessments, and charges for services. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is designed to view the County as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period. Emphasis here is on the major governmental funds. Non-major governmental funds (by category) are summarized into a single column.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the County's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statement. Operating revenues and expenses are the result of providing services to the principal user of the internal service. Any revenues or expenses that are not the result of providing those services are classified as nonoperating. Since the principal users of the internal services are the County's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level and interfund transactions are eliminated. To the extent possible, the costs of these services are reflected in the appropriate functional activity (public safety, highways and streets, etc.).

The County's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to finance activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The focus of the GASB Statement No. 34 model is on the County as a whole and the fund financial statements. The focus of the fund financial statements is on the major individual government funds as well as the fiduciary funds (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

(4) BASIS OF PRESENTATION

The financial transactions of the County are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

The GASB Statement No. 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements and detailed in the combining section.

The County reports the following major funds and other fund types:

a) Major Funds:

General Fund – The General Fund is used to account for all revenues and expenditures applicable to the general operations of county government that are not properly accounted for in another fund. All general operating revenues that are not restricted or designated as to their use by outside sources are recorded in the General Fund. Revenues are derived primarily from taxes and intergovernmental revenues.

Sheriff Fund – The Sheriff Fund is used to account for all revenues and expenditures applicable to the operations of the Hamilton County Sheriff, an independently elected officer of Hamilton County. Revenues to fund the Sheriff's operations are primarily generated from appropriations by the Hamilton County General Fund, intergovernmental charges for maintaining State or Federal prisoners in the County Jail, and charges for services provided.

Debt Service Fund – 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 Primary Government's governmental activities.

Capital Projects Fund – The Capital Projects Fund is used to account for resources designated to construct or acquire capital assets and major improvements. Revenues are derived primarily from the issuance of long-term liabilities, intergovernmental revenues, grants, and earnings on investments.

b) Other Fund Types:

Special Revenue Funds – 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.

Internal Service Funds – The Internal Service Fund accounts for the County's self-insurance programs. The County is self-insured for unemployment compensation, on-the-job injury claims, property and liability claims, and losses due to liabilities arising under the laws of the state and federal governments. The costs for these programs are funded through premiums paid by the departments and agencies of the County.

Pension Trust Funds – The Pension Trust Funds account for assets held by the County as trustee. These funds are accounted for in the same manner as business enterprises providing similar services. Certain county employees hired prior to July 1, 1977, all current and future county commissioners, and certain county teachers who were employed prior to July 1, 1945 are covered by the Pension Trust Funds.

Agency Funds – Agency Funds are used to account for fiduciary assets held by the County in a custodial capacity as an agent on behalf of individuals and other government entities. The County's agency fund is used to account for various deposits, bail bonds, performance bonds, and pension trust funds.

c) Non-Current Governmental Assets/Liabilities:

GASB Statement No. 34 eliminated the presentation of Account Groups but provides for these records to be maintained and incorporates the information into the governmental activities column in the government-wide Statement of Net Assets.

(5) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements and the Proprietary and Fiduciary Fund Financial Statements are presented on the accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on the modified accrual basis.

Accrual – Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual – All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Major revenue sources susceptible to accrual include: grants, interest, sales and use taxes, hotel/motel taxes, property taxes, and intergovernmental revenues. In general, other revenues are recognized when cash is received.

The County defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements to be sixty days.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. The recipient should, under most circumstances, report resources transmitted before the eligibility requirements are met as advances by the provider and as deferred revenue.

(6) BUDGET POLICY AND BUDGETARY DATA

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

On or around June 1, the County Mayor submits to the Hamilton County Board of Commissioners a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted which allow for taxpayer comments.

Prior to July 1, the Board of Commissioners legally enacts a balanced budget through passage of a resolution.

The County Mayor is authorized to transfer budgeted amounts within divisions within any fund; however, any revisions that alter the total expenditures of any fund or transfer funds between divisions must be approved by the Board of Commissioners.

A legally enacted budget is employed as a management control device during the year for the following governmental funds: General Fund, certain special revenue funds (Sheriff and Juvenile Court Clerk) and the Debt Service Fund. Formal budgetary integration is not employed for the remaining Constitutional Officers due to the ability of management to closely monitor and control the transactions in the funds. The remaining special revenue funds are unbudgeted because effective control is maintained through the appropriation of revenues by the General Fund and through management's observation of the limited transactions of these funds.

The budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase. In addition, certain amounts included in the Debt Service Fund are not included in the budgetary amounts. Budgetary comparisons presented in the report are on this budgetary basis and do not include financial information of individual funds, which do not have budgets. Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of the fiscal year.

Encumbrances against budgeted appropriations are recorded during the year upon execution of purchase orders, contracts, or other appropriate documents. Amounts shown as encumbrances at June 30, 2008, reflect material expenditures for goods and services that had not been received or completed at that date. These items are recorded as reservations of fund balances and provide authority for the carryover of appropriations to the subsequent year in order to complete these transactions. Encumbrances are utilized in the General Fund, certain special revenue funds, the Capital Projects Fund, and the General Purpose School Fund, a component unit.

The various departments within the County are organized by function into separate divisions. The level at which expenditures may not legally exceed appropriations is the division level. All budget amounts included in these financial statements and the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

(7) ASSETS, LIABILITIES, AND FUND EQUITY

a) Cash and Cash Equivalents

The County considers cash and cash equivalents to include cash on hand, amounts due from banks, and interest-bearing deposits at various financial institutions.

b) Investments

Investments are stated at fair value, except for interest-earning investment contracts that have a remaining maturity of one year or less at the time of purchase and investments in the state investment pool, which is a 2a7-like pool. The fair value of the County's position in the state investment pool is the same as the value of the pool shares. The state investment pool is managed by the Treasurer of the State of Tennessee under the oversight of the Tennessee Comptroller's Office.

Any change in the value of investments recorded at fair value is included in investment earnings. Fair value is based on quoted market prices. Investments held in the County's investment pool accrue interest on a daily basis. The interest is allocated daily to the participating funds on a percentage of equity basis.

c) Receivables

Receivables were recorded in the Governmental, Proprietary, Fiduciary, and Component Unit Funds. Where appropriate, receivables are shown net of an allowance for uncollectible accounts.

d) Inventories and Prepaid Items

Inventories are valued at cost, which approximates market value using the first-in, first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The costs are recorded as expenditures at the time individual inventory items are used (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

e) Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. The County maintains infrastructure asset records consistent with other capital assets. The County’s threshold for additions to capital assets is \$5,000 in the primary government and \$5,000 for the Department of Education. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

	<u>Useful Life</u>
Buildings	20 – 50 years
Improvements Other Than Buildings	20 – 50 years
Machinery and Equipment	5 – 20 years
Public Domain Infrastructure	10 – 50 years

GASB Statement No. 34 requires the reporting and depreciation of infrastructure expenditures. Beginning in the implementation year (July 1, 2001) new infrastructure expenditures have been capitalized and depreciated. Following the implementation of GASB No. 34, the County continued to expand and refine its capital assets. Effective July 1, 2003, the County recorded the infrastructure assets at estimated or actual historical cost, net of accumulated depreciation. Historically, the financial statements have not reflected this asset or the depreciation expense for the systematic allocation of its consumption. Infrastructure assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

f) Fund Balance

Reserved fund balance indicates that portion of fund equity that has been legally segregated for specific purposes. Designated fund balance indicates that portion of fund equity for which the County has made tentative plans.

g) Pension Plans

Substantially all County employees are eligible to participate in retirement benefit plans established by either the County or the State of Tennessee.

(8) REVENUES, EXPENDITURES, AND EXPENSES

Substantially all governmental fund revenues are accrued. Expenditures are recognized when the related fund liability is incurred, except for the following instances permitted by generally accepted accounting principles:

- General obligation long-term debt principal and interest are reported only when due.
- Inventory costs are reported in the period when inventory items are consumed rather than in the period purchased.

a) Property Taxes

Property taxes levied by the County are assessed by the Assessor of Property and collected by the Trustee, both of whom are elected officials of the County. Property tax revenues are recognized when they become measurable and available. "Available" means due or past due and receivable within the current period and collected no longer than 60 days after the close of the current period. Uncollected amounts not considered available are recorded as deferred revenues. Hamilton County has unlimited ability to levy ad valorem taxes.

The property tax calendar applicable to the current fiscal year is as follows:

Lien date	January 1, 2008
Levy date	October 1, 2008
Tax bills mailed	October 1, 2008
Delinquency date	March 1, 2009
Tax sale – 2005 delinquent property taxes	June 2009

b) Grant Revenue

The County, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts if any) when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the County before the eligibility requirements are met are reported as deferred revenues.

Some grants and contributions consist of capital assets or resources that are restricted for capital purposes – to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the County.

c) Investment Income

Investment income from pooled cash and investments is allocated monthly based on the percentage of a fund's average daily equity in pooled cash and investments to the total average daily-pooled equity in pooled cash and investments.

d) Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reflected as transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. Such transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund. Transactions that would be treated as revenues or expenditures if they involve organizations external to the County are treated as revenues in the receiving fund and expenditures in the disbursing fund.

Amounts owed to one fund or component unit by another are reported as due to/due from other funds or component units. Amounts reported in the fund financial statements as due to/due from other funds are eliminated in the governmental activities column of the government-wide Statement of Net Assets.

e) Payments Between the County and Component Units

Resource flows (except those that affect the statement of net assets/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions – that is, as revenues and expenses. Payments from component units consist of debt service payments from "911" Emergency Communication for equipment purchased by the County.

f) Indirect Costs

Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

g) Estimates

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

h) Vacation Pay and Sick Leave

County employees are paid for vacation and absence due to sickness by prescribed formula based on length of service. The liability for unpaid leave earned by employees, which may be used in subsequent years or paid upon termination or retirement, is recorded in the government-wide financial statements. The non-current portion of the liability for employees of governmental funds is a reconciling item between the fund and government-wide financial statements.

i) Subsequent Events

For the year ended June 30, 2009, the County has valued subsequent events for potential recognition and disclosure through January 22, 2010, the date of financial statement issuance.

(9) NET ASSETS

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets (net of related debt) – is intended to reflect the portion of net assets that are associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted Net Assets – represent net assets that have third party (statutory, bond covenant or granting agency) limitations on their use. The County's policy is generally to use restricted net assets first, as appropriate opportunities arise.

Unrestricted Net Assets – represent unrestricted net assets. While management may have categorized and segmented portions for various purposes, the County has the unrestricted authority to revisit or alter these managerial decisions.

NOTE B – SPECIAL ITEM – LOSS ON DONATION OF LAND

During the fiscal year ended June 30, 2009, Volkswagen Group of America, Inc. (VW) announced its decision to build an automotive production facility in Chattanooga, Tennessee. The announcement was the culmination of years of extensive economic development efforts by the project team, led by:

- Tennessee Governor Phil Bredesen
- Commissioner Matt Kisber, Tennessee Department of Economic and Community Development
- Commissioner Reagan Farr, Tennessee Department of Revenue
- Hamilton County, Tennessee Mayor Claude Ramsey
- City of Chattanooga Mayor Ron Littlefield
- U.S. Senator Bob Corker
- U.S. Senator Lamar Alexander
- U.S. Congressman Zach Wamp
- Vice President of Economic Development Trevor Hamilton, Chattanooga Chamber of Commerce

The VW facility, scheduled to begin production early in 2011, is expected to contribute to the economic expansion of Hamilton County and the surrounding region for years to come. The VW facility is under construction at the date these financial statements are issued.

The State of Tennessee, Hamilton County and City of Chattanooga governments, as part of the previously established Industrial Development Board of the County of Hamilton joint venture, are all working together to support the development of the estimated one billion dollar VW facility. As part of the agreement with Volkswagen Group of America, a fully prepared project site estimated to cost over \$305,000,000 is being provided at no cost to the Company. Included in this agreement was land that was jointly owned by the County and the City of Chattanooga.

The County believes the transaction is a significant item, subject to management's control, that meets one, but not both of the criteria for identifying extraordinary items. The criteria used for determining an extraordinary item are: 1) unusual in nature, and 2) infrequent in occurrence. Although the transaction is unusual in nature for a government, the County believes it is not unreasonable to expect a similar transaction sometime in the future. The County has recorded a \$6,042,632 special item loss on donation of land to account for this transaction.

Hamilton County's share of the cost of the project site (approximately \$30,000,000) is being funded by a combination of \$23,500,000 of taxable bonds (currently bond anticipation notes) and tax exempt bonds for the remainder.

NOTE C – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

The County incurred no material violations of finance related legal and contractual provisions.

Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2009, the County had no material excess of expenditures over appropriations in individual funds.

Net Assets/Fund Balance Deficit

At June 30, 2009, the County has a deficit of \$71,766,690 in unrestricted net assets in the government-wide statement of net assets for governmental activities. This deficit results from the specific reporting requirements of the GASB Statement No. 34 reporting model. The County's government-wide financial statements include the liability for all general obligation bonds. Historically, significant portions of the County's general obligation bonds are issued to acquire, construct, and develop facilities for the Department of Education. These facilities are not recorded as capital assets of the County's governmental activities but are recorded as capital assets of the Department of Education, which is a discretely presented component unit. During the year ending June 30, 2009, the County conveyed \$94,734,470 in capital assets for buildings to the Department of Education. At June 30, 2009, the County's long-term liabilities include general obligation bonds of \$161,719,837 issued for the Department of Education capital projects.

Due to the nature of capital projects, funding may not be received until after commitments have been fulfilled. Therefore, the capital projects fund may reflect a deficit in unrestricted fund balance. At June 30, 2009, the County had a deficit of \$19,622,546 in unrestricted fund balance in the capital projects fund. The capital projects fund also had a total fund deficit of \$4,395,503 at the end of June 30, 2009.

NOTE D – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Custodial credit risk relating to deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2009, all deposits were insured or collateralized, as required by Government policy.

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of six months or less from the date of acquisition.

Investments

At June 30, 2009, investments of the primary government (except for Pension Trust Funds) and component units consist of the following:

	Weighted Average Maturity (Years)	Fair Value
Primary Government – Governmental Activities:		
U.S. Government agency securities	1.90	\$ 4,660,886
Investment in local investment pool	0.00	96,097,720
Investment in state investment pool	0.00	30,260,564
Cash balances classified as investments	0.00	<u>15,000</u>
Total	0.07	<u>\$ 131,034,170</u>
Primary Government – Agency Funds:		
U.S. Government agency securities	1.90	\$ 8,986
Investment in local investment pool	0.00	<u>180,448</u>
Total	0.09	<u>\$ 189,434</u>
Component Units:		
U.S. Government agency securities	1.90	\$ 1,330,129
Investment in local investment pool	0.00	31,674,995
Investment in state investment pool	0.00	1,170
Cash Balances classified as investments	0.00	<u>68,408</u>
Total	0.02	<u>\$ 33,074,702</u>

Interest rate risk – Interest rate risk is the risk that the fair value of an investment will be adversely affected by changes in interest rates. As a means of limiting the County’s exposure to fair value losses arising from rising interest rates, the County purchases investments with maturities of two years or less as required by state law. The County’s investment policy limits exposure to interest rate risk by requiring sufficient liquidity in the investment portfolio by limiting the weighted average maturity of its investment portfolio to less than one year and holding all investments to maturity using the “ladder” method of investing to meet cash flow needs. The County’s investment portfolio did not experience any significant fluctuations in fair value during the year.

Custodial credit risk – The County’s policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions 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 County’s agent in the County’s name, or by the Federal Reserve Banks acting as third party agents. The statutes also authorize the types of investments in which the County can participate. The portfolio manager may invest in any instruments which are in accordance with applicable laws, including but not limited to the following: certificates of deposit and savings accounts in banks and savings and loan institutions; Tennessee Valley Authority Bonds; bonds, notes, or treasury bills of the United States; Federal Land Bank bonds; Federal Home Loan Bank notes and bonds; Federal National Mortgage Association notes and debentures, banks for cooperative debentures, or any of its other agencies, or obligations guaranteed as to principal and interest by the United States; the pooled investment fund of the State of Tennessee; or repurchase agreements.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County’s adopted investment policy is designed to maximize investment earnings while protecting the security of principal and providing adequate liquidity. State law requires that the County not have investment longer than two years and all investment to be secured by either the State Collateral Pool Board or the participating bank. At June 30, 2009, the County-held investments in U.S. Government agency securities include Federal Home Loan Bank and Federal National Mortgage Association bonds, which were rated AAA by Moody’s Investor Service. The County also invests in the state investment pool, which is a 2a7-like pool. The state investment pool is not rated.

Pension Trust funds – The County’s Pension Trust funds have no investments in any one issuer that represent 5 percent or more of plan net assets. The Pension Trust funds are managed with long-term objectives that include maximizing total investment earnings. State statutes and County policies allow the Pension Trust funds a broader range of investments than other County investments. The credit risk of investments of the Pension Trust funds is summarized as follows:

	Moody’s Rating	Fair Value
Domestic equity securities	A+	\$ 157,391
Domestic equity securities	A+	61,675
Domestic equity securities	A-	85,120
Domestic equity securities	B+	246,687
Domestic equity securities	B+	109,452
Domestic equity securities	B-	42,780
Domestic equity securities	C	10,779
Domestic equity securities	Not rated	100,066
Mutual Funds	Not rated	1,297,323
Foreign equity securities	Not rated	59,514
Foreign equity securities	B	<u>18,788</u>
		<u>\$2,189,575</u>

NOTE E – RECEIVABLES

Receivables at June 30, 2009, consist of the following:

Funds	Property Taxes	Patients	Accounts	Inter-Governmental	Allowance for Uncollectibles	Net
Primary Government:						
General	\$119,071,167	\$5,524,649	\$2,613,697	\$ 10,211,202	\$(7,716,841)	\$129,703,874
Sheriff	-	-	55,160	388,429	-	443,589
Debt service	-	-	51,914	-	-	51,914
Capital projects	-	-	506,197	11,144,258	-	11,650,455
Internal service	-	-	735,891	-	-	735,891
Nonmajor	-	-	478,613	207,840	-	686,453
	<u>\$119,071,167</u>	<u>\$5,524,649</u>	<u>\$4,441,472</u>	<u>\$21,951,729</u>	<u>\$(7,716,841)</u>	<u>\$143,272,176</u>
Component Units:						
Governmental	\$122,355,567	\$ -	\$5,412,195	\$14,700,661	\$(5,979,998)	\$136,488,425
Proprietary	-	-	903,121	-	-	903,121
	<u>\$122,355,567</u>	<u>\$ -</u>	<u>\$6,315,316</u>	<u>\$14,700,661</u>	<u>\$(5,979,998)</u>	<u>\$137,391,546</u>

Property tax receivables include uncollected taxes from the past seven years’ levies plus the anticipated levy for the current calendar year. Taxes uncollected after that time are written off, and the property is ultimately sold through a back tax property sale. The allowance for uncollectible tax is the weighted average percentage of prior year collections on delinquent taxes to the total delinquent taxes receivable at June 30, 2009.

Patient accounts receivable represent uncollected revenues for services rendered. Ambulance patient accounts that are uncollected after 120 days are considered doubtful and ultimately written off as uncollectible. All other accounts are considered doubtful after a reasonable effort has been made to collect.

NOTE F – SOLID WASTE DISPOSAL POST CLOSURE CARE COSTS

The County utilizes the General Fund to account for post closure care costs of the Hamilton County Birchwood Landfill Area 1 and the TVA Model Landfill. The County completed closure of both Area 1 and the TVA Model Landfill in 2001. In accordance with state and federal regulations, the County is required to perform certain maintenance and monitoring functions for thirty years after closure. The estimated liability for post closure care costs of \$230,000 at June 30, 2009, is based on the use of 100% of capacity of both landfill areas. The estimated total current cost of the post closure care of \$230,000 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired at June 30, 2009. However, the actual cost 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 will be covered by appropriations in the General Fund.

NOTE G – COMMITMENTS AND CONTINGENCIES

The County is a party to various legal proceedings. At the date of these financial statements, the County cannot estimate its liability, if any, from losses that may result from certain proceedings. In the opinion of management and the County attorneys, the potential adverse impact of these proceedings would not be material to the combined financial statements of the County.

The County 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 agency for expenditures disallowed under the terms of the grant. County management is not aware of any potential losses from such disallowance and believes that reimbursements, if any, would not be material.

The County has entered into various construction commitments. Such contracts include contracts for improvements to schools, industrial parks, jails, and other facilities related to general government capital projects. Several of these contracts were in progress but not completed as of June 30, 2009. The total contractual commitments outstanding as of June 30, 2009, aggregated approximately \$52,021,238. The County has sufficient funds available to cover these commitments.

NOTE H – CONDUIT DEBT OBLIGATION

From time to time, Hamilton County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial commercial facilities deemed to be in the public interest and Single Family Mortgage Revenue Bonds to provide assistance to potential homeowners pursuant to the Tennessee Home Mortgage Finance Act. 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 or homeowner served by the bond issuance. Neither Hamilton County, 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.

As of June 30, 2009, there were a total of 63 series outstanding (60 series of Industrial Revenue Bonds and 3 series of Mortgage Revenue Bonds). The aggregate principal amount payable for 6 Industrial Revenue Bond series issued after July 1, 1995, was \$4,668,288.

The aggregate principal amount for the remaining series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$234,756,196.

NOTE I – CONSTITUTIONAL OFFICERS

Certain operating expenditures of the Constitutional Officers for the year ended June 30, 2009, which are budgeted and included within the General Fund, are summarized as follows:

	Compensation and Fringe <u>Benefits</u>	Purchased <u>Services</u>	Capital <u>Outlay</u>	<u>Total</u>
Circuit Court Clerk	\$799,387	\$ 268,365	\$ 7,464	\$ 1,075,216
Clerk and Master	553,787	165,440	159,678	878,905
County Clerk	1,297,513	326,085	10,804	1,634,402
Criminal Court Clerk	1,078,278	119,756	16,487	1,214,521
Juvenile Court Clerk	-	-	11,218	11,218
Register	320,340	67,886	5,706	393,932
Sheriff	-	-	549,312	549,312
Trustee	260,728	93,287	1,186	355,201
Election Commission	1,416,677	363,050	1,360	1,781,087
Assessor of Property	<u>3,178,350</u>	<u>470,257</u>	<u>54,531</u>	<u>3,703,138</u>
	<u>\$ 8,905,060</u>	<u>\$1,874,126</u>	<u>\$817,746</u>	<u>\$11,596,932</u>

NOTE J – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, is as follows:

Primary Government

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 67,488,713	\$ 1,890	\$ (6,483,830)	\$ 61,006,773
Construction in progress	<u>126,308,749</u>	<u>103,120,854</u>	<u>(108,911,504)</u>	<u>120,518,099</u>
Total non-depreciable assets	<u>193,797,462</u>	<u>103,122,744</u>	<u>(115,395,334)</u>	<u>181,524,872</u>
Depreciable Assets:				
Buildings	98,908,513	17,757,414	-	116,665,927
Improvements other than buildings	22,698,409	256,968	-	22,956,377
Machinery and equipment	39,982,635	2,371,868	(1,386,878)	40,967,625
Infrastructure	<u>144,679,577</u>	<u>-</u>	<u>-</u>	<u>144,679,577</u>
Total depreciable assets	<u>306,269,134</u>	<u>20,386,250</u>	<u>(1,386,878)</u>	<u>325,268,506</u>
Less Accumulated Depreciation for:				
Buildings	(50,640,913)	(2,694,681)	-	(53,335,594)
Improvements other than buildings	(7,566,391)	(1,101,695)	-	(8,668,086)
Machinery and equipment	(30,873,487)	(2,795,581)	1,383,779	(32,285,289)
Infrastructure	<u>(100,242,148)</u>	<u>(3,616,989)</u>	<u>-</u>	<u>(103,859,137)</u>
Total accumulated depreciation	<u>(189,322,939)</u>	<u>(10,208,946)</u>	<u>1,383,779</u>	<u>(198,148,106)</u>
Depreciable Assets, net	<u>116,946,195</u>	<u>10,177,304</u>	<u>(3,099)</u>	<u>127,120,400</u>
Governmental activities capital assets, net	<u>\$310,743,657</u>	<u>\$113,300,048</u>	<u>\$(115,398,433)</u>	<u>\$308,645,272</u>

Discretely Presented Component Units

	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets:				
Land	\$ 16,045,077	\$ 156,700	\$ -	\$ 16,201,777
Construction in progress	<u>2,760,330</u>	<u>439,453</u>	<u>-</u>	<u>3,199,783</u>
Total non-depreciable assets	<u>18,805,407</u>	<u>596,153</u>	<u>-</u>	<u>19,401,560</u>
Depreciable Assets:				
Buildings	318,722,454	95,995,507	-	414,717,961
Improvements other than buildings	23,179,383	197,706	-	23,377,089
Machinery and equipment	28,503,399	2,239,535	(755,915)	29,987,019
Utility plant	<u>97,605,007</u>	<u>6,881,931</u>	<u>-</u>	<u>104,486,938</u>
Total depreciable assets	<u>468,010,243</u>	<u>105,314,679</u>	<u>(755,915)</u>	<u>572,569,007</u>
Less Accumulated Depreciation for:				
Buildings	(173,767,502)	(7,842,330)	-	(181,609,832)
Improvements other than buildings	(17,243,954)	(322,888)	-	(17,566,842)
Machinery and equipment	(17,452,400)	(2,210,380)	590,045	(19,072,735)
Utility plant	<u>(14,063,738)</u>	<u>(2,794,978)</u>	<u>-</u>	<u>(16,858,716)</u>
Total accumulated depreciation	<u>(222,527,594)</u>	<u>(13,170,576)</u>	<u>590,045</u>	<u>(235,108,125)</u>
Depreciable Assets, net	<u>245,482,649</u>	<u>92,144,103</u>	<u>(165,870)</u>	<u>337,460,882</u>
Component units capital assets, net	<u>\$264,288,056</u>	<u>\$92,740,256</u>	<u>\$(165,870)</u>	<u>\$356,862,442</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:

Ambulance	\$ 435,244
Criminal Court	293,715
General Government	1,732,676
Health	280,031
Highway	4,193,764
Juvenile Court	144,586
Public Safety	860,037
Recreation	1,218,834
Sheriff	1,032,143
Social Services	<u>17,916</u>
Total	<u>\$ 10,208,946</u>

Discretely Presented Component Units:

Department of Education	\$ 9,127,799
Water & Wastewater Treatment Authority	2,942,911
"911" Emergency Communications	<u>1,099,866</u>
Total	<u>\$ 13,170,576</u>

NOTE K – EMPLOYEE RETIREMENT SYSTEMS

Hamilton County provides retirement benefits through five pension plans. The majority of employees participate in two retirement plans provided by the Tennessee Consolidated Retirement System (TCRS). One of the TCRS plans is the Political Subdivision Pension Plan (PSPP), an agent, multiple-employer, defined benefit plan which is available for all County employees except teachers. The other TCRS plan, the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), is available to teachers of the Hamilton County School system. It is a cost sharing, multiple-employer, defined benefit pension plan in which most teachers participate.

The remaining employees who are eligible for retirement benefits participate in three single-employer, defined benefit pension plans (Employees' Retirement Plan, Commissioners' Retirement Plan, and Teachers' Retirement Plan). The County acts as Trustee for these plans.

The following is a summary of each of these plans:

Tennessee Consolidated Retirement Systems

(1) Political Subdivision Pension Plan (PSPP)

Plan Description:

Employees of Hamilton County are members of the Political Subdivision Pension Plan (PSPP), an agent, multiple-employer, defined benefit pension plan administered by the TCRS. TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with thirty years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Hamilton County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us/tcrs/PS/.

Funding Policy:

Hamilton County adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5 percent of annual covered payroll.

Hamilton County is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009, was 15.01% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hamilton County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost:

For the year ending June 30, 2009, Hamilton County’s annual pension cost of \$15,063,655 to TCRS was equal to Hamilton County’s required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent per year compounded annually; (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries); (c) projected 3.5 percent annual increase in the social security wage base; and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hamilton County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was ten years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$15,063,655	100.00%	\$ -
6/30/08	14,475,166	100.00%	-
6/30/07	13,421,822	100.00%	-

(2) State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP)

Plan Description:

The Hamilton County Schools contribute to the SETHEEPP, a cost sharing, multiple-employer defined benefit pension plan administered by the TCRS. TCRS provides retirement as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member’s highest five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with thirty years of service. A reduced benefit is available to vested members who are at least age 55 or have twenty-five years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at 3 percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy:

Most teachers are required by state statute to contribute 5 percent of salary to the plan. The employer contribution rate for Hamilton County Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2009 was 6.42% of annual covered payroll. The employer contribution requirement for Hamilton County Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the year ending June 30, 2009, 2008, and 2007 were \$10,344,519, \$9,702,404, and \$9,229,280, respectively, equal to the required contribution for each year.

Hamilton County Administered Plans

Significant Accounting Policies:

Basis of Accounting

The financial statements of the Employees', Commissioners', and Teachers' Retirement Funds are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized when due, and the County has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value. There are no investments in any one organization that represent 5 percent or more of plan net assets.

Actuarial Assumptions and Estimates

The actuarial calculations are based on the benefits provided under the terms of the plans in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are always subject to continual revisions as results are compared to past expectations and new estimates are made about the future. The actuarial methods used and calculations determined reflect a long term perspective as the techniques used are designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of the related assets.

Plan Description and Provisions:

(1) Employees' Pension Plan

The County maintains a closed, single-employer defined benefit pension plan for employees who elected to continue in this plan when it closed to new enrollment in 1977.

The plan is designed for each participant to contribute 6.4 percent of the first \$800 of monthly salary toward the cost of the plan; in practice, the County contributes these amounts on behalf of the participants. A participant whose service terminates prior to eligibility for normal retirement (and who is not disabled) is entitled only to a return of the employee contribution made by him or on his behalf.

The normal retirement benefit is 50 percent of the employee's final average earnings, where final average earnings are based on the four-year period of service, which yields the highest arithmetic average of basic salary not in excess of \$800 per month. For employees hired prior to April 15, 1969, normal retirement date is the earlier of (1) completion of twenty-four years of credited service or (2) completion of twenty years of credited service and attainment of age 55. For employees hired thereafter, normal retirement date is the attainment of age 65 and completion of twenty-four years of credited service. In the event of total and permanent disability, participants

who are not yet eligible for normal retirement benefits can receive a percentage of their final average earnings, based on their years of credited service at the time of disability. Benefit provisions are established and amended by the Private Acts of Tennessee.

(2) Commissioners' Pension Plan

The County maintains a single-employer defined benefit plan for County Commissioners in which each Commissioner can elect to participate. Those who elect to participate are not required to contribute to the plan. Contributions previously made were refunded to plan participants. Credit for prior service can be purchased. There are no limits on the time at which a Commissioner (or former Commissioner with at least five years of service) can elect to purchase such credit. Each participant accrues a monthly benefit of 2.5% of five-year average pay per year of credit service, payable upon retirement at or after age 55. Accrued benefits are vested after five years of service. Benefit provisions are established and amended by the Private Acts of Tennessee.

(3) Teachers' Pension Plan

The County maintains a closed, single-employer defined benefit plan for a group of teachers who are receiving as annuities amounts arising from the refund of their contributions to an earlier plan. Although these annuity payments could be discontinued at any time, they have been extended throughout the lifetime of the remaining plan participants. The amount of the monthly pension benefit received by each participant has been previously determined.

	<u>Employees' Pension Plan</u>	<u>Commissioners' Pension Plan</u>	<u>Teachers' Pension Plan</u>
Retirees and beneficiaries receiving benefits	30	10	9
Vested terminated employees	0	2	0
Active employees:			
Fully vested	0	5	0
Non vested	0	4	0
Actuarial valuation date	June 30, 2009	June 30, 2009	June 30, 2009

Funding Policy and Other Information:

Hamilton County contributes to each plan at an actuarially determined rate. Administrative costs are financed through contributions and investment earnings. The annual required contributions, actual contributions, and other pertinent information for each plan for the year ending June 30, 2009 are shown in the following table:

	<u>County Administered Retirement Plans</u>		
	<u>Employees'</u>	<u>Commissioners'</u>	<u>Teachers'</u>
Contribution authorization:	Private Acts of TN	Private Acts of TN	Pension Board
How contributions are determined:	Actuarially	Actuarially	Actuarially
Required contribution rate:			
Active employees	6.4%	N/A	N/A
Employer	-	Actuarially Determined	-
Other contributing entities	N/A	N/A	-
Actual contributions:			
Employees	-	-	-
Employer	-	\$ 75,258	-
Other contributing entities	N/A	N/A	\$ 16,500
Date of last actuarial valuation	June 30, 2009	June 30, 2009	June 30, 2009
Actuarial valuation date for current contributions	June 30, 2009	June 30, 2009	June 30, 2009
Actual assumptions:			
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Method for actuarial value of assets	Market Value	Market Value	Market Value
Inflation rate	N/A	N/A	N/A
Investment return	7.5%	6.0%	5.0%
Projected salary increases	N/A	4.0%	N/A
Amortization:			
Method	Level Dollar	Level Dollar	Level Dollar
Period	30 years open	5-10 years open	30 years open

Annual Pension Cost:

For the year ended June 30, 2009, no employer contributions were made for the Employees' and Teachers' Pension Plans. Contributions to the Commissioners' Pension Plan and Teachers' Pension Plan totaled \$96,558.

The County's annual pension cost and net pension obligation (asset) related to the General Pension Plans for the current year were as follows:

	<u>Employees'</u> <u>Pension Plan</u>	<u>Commissioners'</u> <u>Pension Plan</u>	<u>Teachers'</u> <u>Pension Plan</u>
Annual required contribution	\$ -	\$ 52,431	\$ 605
Interest on net pension obligation (asset)	(22,817)	(8,164)	(49,346)
Adjustment to annual required contribution	<u>44,323</u>	<u>18,487</u>	<u>127,811</u>
Annual pension cost	21,506	62,754	79,070
Contributions made	<u>-</u>	<u>(75,258)</u>	<u>-</u>
Increase in net pension obligation (asset)	21,506	(12,504)	79,070
Net pension obligation (asset) at beginning of year	<u>(304,233)</u>	<u>(136,065)</u>	<u>(986,923)</u>
Net pension obligation (asset) at end of year	\$ <u>(282,727)</u>	\$ <u>(148,569)</u>	\$ <u>(907,853)</u>

Trend Information:

	<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u> <u>(Asset)</u>
Employees' Plan:	6/30/09	\$21,506	0.0%	\$ (282,727)
	6/30/08	23,141	0.0%	(304,233)
	6/30/07	24,901	0.0%	(327,374)
Commissioners' Plan:	6/30/09	62,754	119.9%	(148,569)
	6/30/08	61,727	121.9%	(136,065)
	6/30/07	57,514	130.9%	(122,534)
Teachers' Plan:	6/30/09	79,070	0.0%	(907,853)
	6/30/08	85,900	0.0%	(986,923)
	6/30/07	92,662	78.2%	(1,072,823)

Schedule of Funding Progress

(Dollar amounts in thousands)

Hamilton County Administered Plans

Actuarial Valuation Date (<u>entry age normal</u>)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio a/b	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
Employees' Retirement						
06/30/09	\$ 1,787	\$ 873	\$ (914) **	204.7%	\$ -	N/A
06/30/07	2,256	1,083	(1,173) **	208.4%	\$ -	N/A
06/30/05	2,380	1,249	(1,131) **	190.5%	\$ -	N/A
Commissioners' Retirement						
06/30/09	\$ 482	\$ 702	\$ 220	68.6%	\$ 196	112.3%
06/30/07	414	652	238	63.5%	192	124.2%
06/30/05	330	614	284	53.8%	166	170.5%
Teachers' Retirement						
06/30/09	\$ 57	\$ 64	\$ 7	89.6%	\$ -	N/A
06/30/07	95	100	5	95.2%	\$ -	N/A
06/30/05	151	151	-	100.0%	\$ -	N/A

**Considered a "funding excess"

Financial Reports:

The Hamilton County 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 plans' financial statements are as follows:

COMBINING STATEMENT OF PLAN NET ASSETS

	Employees' <u>Pension</u>	Commissioners ' <u>Pension</u>	Teachers' <u>Pension</u>	Total Pension Trust <u>Funds</u>
ASSETS				
Cash	\$ (97,704)	\$ 176,001	\$ 6,298	\$ 84,595
Certificate of Deposit	-	-	49,672	49,672
Investments, at fair value				
Mutual Funds	991,475	305,848	-	1,297,323
Domestic Corporate Bonds	813,950	-	-	813,950
Foreign Securities	<u>78,302</u>	<u>-</u>	<u>-</u>	<u>78,302</u>
Total investments	<u>1,883,727</u>	<u>305,848</u>	<u>-</u>	<u>2,189,575</u>
Due from others	-	-	1,350	1,350
Interest receivable	<u>741</u>	<u>-</u>	<u>19</u>	<u>760</u>
Total Receivables	<u>741</u>	<u>-</u>	<u>1,369</u>	<u>2,110</u>
Total Assets	<u>1,786,764</u>	<u>481,849</u>	<u>57,339</u>	<u>2,325,952</u>
LIABILITIES:				
Accrued Items & Other	<u>-</u>	<u>-</u>	<u>448</u>	<u>448</u>
NET ASSETS				
Held in trust for pension benefits	<u>\$ 1,786,764</u>	<u>\$ 481,849</u>	<u>\$ 56,891</u>	<u>\$ 2,325,504</u>

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS

	Employees' <u>Pension</u>	Commissioners' <u>Pension</u>	Teachers <u>Pension</u>	Total Pension Trust <u>Funds</u>
ADDITIONS				
Contributions				
Employer	\$ -	\$ 75,258	\$ -	\$ 75,258
Members	<u>-</u>	<u>-</u>	<u>16,500</u>	<u>16,500</u>
Total contributions	<u>-</u>	<u>75,258</u>	<u>16,500</u>	<u>91,758</u>
Investment earnings:				
Net increase (decrease) in fair value of investments	(187,321)	-	-	(187,321)
Interest	<u>25,435</u>	<u>3,024</u>	<u>1,028</u>	<u>29,487</u>
Net investment income (loss)	<u>(161,886)</u>	<u>3,024</u>	<u>1,028</u>	<u>(157,834)</u>
Total additions	<u>(161,886)</u>	<u>78,282</u>	<u>17,528</u>	<u>(66,076)</u>
DEDUCTIONS				
Benefits	138,819	46,330	33,299	218,448
Consulting Fees	1,795	1,795	1,795	5,385
Miscellaneous expense	-	-	250	250
Administrative expense	<u>14,886</u>	<u>-</u>	<u>-</u>	<u>14,886</u>
Total deductions	<u>155,500</u>	<u>48,125</u>	<u>35,344</u>	<u>238,969</u>
Change in net assets	(317,386)	30,157	(17,816)	(305,045)
Net assets, beginning	<u>2,104,150</u>	<u>451,692</u>	<u>74,707</u>	<u>2,630,549</u>
Net assets, ending	<u>\$ 1,786,764</u>	<u>\$ 481,849</u>	<u>\$ 56,891</u>	<u>\$ 2,325,504</u>

NOTE L – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Effective July 1, 2007, the County adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement addresses how governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits.

(1) Plan Description:

Primary Government

In addition to providing pension benefits, the County provides a portion of the health care benefits for certain retired employees under a single-employer defined benefit healthcare plan. Employees who have retired under one of the County's retirement plans and who are ineligible for Medicare can elect to continue their health care coverage until they become eligible for Medicare. A stand-alone financial report is not issued.

Department of Education

In addition to providing pension benefits, the Department provides a portion of the health care and dental benefits for certain retired employees under a single-employer defined benefit healthcare plan. Employees who have retired under one of the Department's retirement plans and who are ineligible for Medicare can elect to continue

their health care and dental coverage until they become eligible for Medicare. A stand-alone financial report is not issued.

(2) Funding Policy:

Primary Government

The County is reimbursed by the retirees using a formula based on date of retirement, years of service, and the County's computed cost for active employees. During the fiscal year ended June 30, 2008, the County contributed \$757,416 for these health care benefits for 106 retirees. It is the County's intention to establish a trust for funding the annual required contribution as described below.

Department of Education

The Department is reimbursed by the retirees using a formula based on date of retirement, years of service, and the Department's computed cost for active employees. During the fiscal year ended June 30, 2008, the Department contributed \$4,137,736 for these health care benefits for 577 retirees. The Department of Education will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the Department will not fund the remaining portion of the annual required contribution.

(3) Annual OPEB Cost and Net OPEB Obligation:

The County's annual OPEB cost (expense) 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 over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year, the amounts contributed to the Plans, and changes in the County's net OPEB obligation.

	Primary Government	Department of Education	Total
Annual required contribution	\$ 2,854,987	\$ 9,524,258	\$ 12,379,245
Interest on net OPEB obligation	136,844	132,371	269,215
Adjustment to annual required contribution	<u>(84,974)</u>	<u>(128,959)</u>	<u>(213,933)</u>
Annual OPEB cost (expense)	2,906,857	9,527,670	12,434,527
Contributions made	<u>(1,365,283)</u>	<u>(5,841,892)</u>	<u>(7,207,175)</u>
Increase (decrease) in net OPEB obligation	1,541,574	3,685,778	5,227,352
Net OPEB obligation beginning of year	<u>1,824,584</u>	<u>3,309,264</u>	<u>5,133,848</u>
Net OPEB obligation end of year	\$ <u>3,366,158</u>	\$ <u>6,995,042</u>	\$ <u>10,361,200</u>
Percentage of annual OPEB cost contributed	<u>46.97%</u>	<u>61.32%</u>	<u>57.96%</u>

(4) Funded Status and Funding Progress

Primary Government

As of June 30, 2009, the most recent actuarial valuation date, the County employees post retirement medical insurance benefits plan was 0% funded. The actuarial accrued liability for benefits was \$24,048,037, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$24,048,037. The covered payroll (annual payroll of active employees covered by the plan) was \$69,679,245, and the ratio of the UAAL to the covered payroll was 34.51%. The primary government is in the process of establishing a trust and will fund the annual required contribution. For the year ended June 30, 2009, a budgeted expenditure of \$1,766,158 was included in the General Fund.

Department of Education

As of June 30, 2009, the most recent actuarial valuation date, the Department of Education employees post retirement medical and dental insurance benefits plan was 0% funded. The actuarial accrued liability for benefits was \$96,886,461, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$96,886,461. The covered payroll (annual payroll of active employees covered by the plan) was \$169,692,000, and the ratio of the UAAL to the covered payroll was 56.51%. The Department of Education will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the Department will not fund the remaining portion of the annual required contribution.

(5) Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plans and the annual required contributions of the County and Plan members are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

(6) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plans (the Plans as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and Plan members at 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 the long-term perspective of the calculations.

In the June 30, 2009 valuations for both Plans, the entry age actuarial cost method was used. The actuarial assumptions included a 0% rate of return because the County has not begun funding the Plans. Other key assumptions are as follows:

	Primary Government	Department of Education
Annual medical costs, first year	11%	11%
Future annual increases - medical	5% over a 12-year period	5% over a 12-year period
Dental	N/A	Capped at \$1,000/year
UAAL amortization period	30 years	30 years

NOTE M – SHORT TERM OBLIGATIONS

Hamilton County issued \$23,500,000 in General Obligation Bond Anticipation Notes (BAN’s) on March 10, 2009. The proceeds of the BAN’s are to be used for various capital projects associated with the development of the Enterprise South Industrial park for the new Volkswagen manufacturing plant. Based on the projected use of the proceeds, Hamilton County’s bond counsel has determined that the interest earned by the note holders will be treated as taxable interest income for federal income tax purposes. The BAN’s have an interest rate of 2.25% and mature on March 1, 2010. The notes carry a premium of \$75,435.

In August 2006, the Board of Commissioners approved a resolution authorizing the issuance of short term financing in the form of Commercial Paper with the aggregate principal amount not to exceed \$125,000,000. Commercial Paper debt is authorized by the state statute for Bond Anticipation Notes (BAN’s) but varies from BAN’s in that interest is paid monthly. Under the terms of the Commercial Paper agreements, all commercial Paper reaching maturity is refinanced through the issuance of replacement short-term Commercial Paper debt. Hamilton County issued \$23,060,000 in short-term financing in the form of Commercial Paper during the year ended June 30, 2009.

A summary of the short-term financing transactions for the year ended June 30, 2009 follows:

<u>Fund/Issue</u>	<u>Outstanding 7/1/08</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 6/30/09</u>
Capital Projects				
Bond Anticipation Notes	\$ -	\$23,500,000	\$ -	\$23,500,000
Commercial Paper	\$ -	\$23,060,000	\$ -	\$23,060,000
Total	\$ -	\$46,560,000	\$ -	\$46,560,000

NOTE N – LONG-TERM LIABILITIES

Long-term liabilities, which consist of serially maturing general obligation bonds, compensated absences, and certain notes to be repaid by the County, are summarized in the following sections:

General Obligation Bonds – Hamilton County 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 County. These bonds are generally issued as 15- to 30- year serial bonds with the 15-year term being prevalent for the last few years. General obligation bonds are summarized by issue as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Amount Due Within One Year</u>
General Improvement, Series 1998-A	4.55%	1,065,263	1,065,263
School, Series 1998-A	4.55%	199,737	199,737
General Improvement, Series 1998-B	4.4 – 5.10%	5,150,000	220,000
General Improvement, Series 2000	5.0%	600,283	600,283
School, Series 2000	5.0%	2,934,717	2,934,717
General Improvement, Series 2002	4.0%	596,250	596,250
School, Series 2002	4.0%	1,788,750	1,788,750
General Improvement, Series 2004	4.125 – 5.00%	12,666,668	1,266,668
School, Series 2004	4.125 – 5.00%	7,333,332	733,332
General Improvement, Series 2008-A	3.5 – 5.00%	30,798,866	2,199,433
School, Series 2008-A	3.5 – 5.0%	59,731,134	4,265,567
General Improvement, Series 2008-B	3.25 – 5.00%	8,317,907	825,803
School, Series 2008-B	3.25 – 5.0%	28,497,093	2,829,197
Water & Wastewater Treatment Authority, Series 2004	4.0 – 5.00%	8,930,000	220,000
General Improvement, Series 2009	3.0 – 4.375%	25,500,000	1,598,811
School, Series 2009	3.0 – 4.375%	<u>6,000,000</u>	<u>376,189</u>
Total payable from the Debt Service Fund		<u>\$200,110,000</u>	<u>\$21,720,000</u>

In March 2009, the County issued general obligation bonds, Series 2009 in the amount of \$31,500,000 for the purpose of funding capital projects for the Department of Education in the amount of \$6,000,000 and for general government projects in the amount of \$25,500,000. The Series 2009 bonds were issued at a premium of \$690,409, which is being amortized over the life of the bonds, which is fifteen years.

Note Payable and Other Debt – The County entered into a Loan Agreement (the “Agreement”) with the Public Building Authority of the County of Montgomery, Tennessee (the “Authority”) on February 2, 1996. This Agreement reserved funds for the County in the amount of \$9,500,000 (the “Loan”) from the proceeds of the Authority’s Adjustable Rate Pooled Financing Revenue Bonds (Tennessee County Loan Pool), Series 1995. The County is obligated under the Agreement to repay the Loan in installments consisting of (i) principal repayments payable annually for a 15-year term in certain amounts and on certain dates as specified in the Agreement and (ii) interest and certain expenses calculated and billed at the rate or rates and on the date or dates as specified in the Agreement. The Loan is a direct general obligation of the County and as

such, the full faith, credit, and taxing power of the County are irrevocably pledged for its payment. The County has withdrawn \$9,500,000 of the Funds reserved to fund certain public work projects and the incidental and necessary expenses related thereto. At June 30, 2009, the balance due per the Agreement was \$1,747,400, of which \$850,300 is due within one year.

The County entered into another Loan Agreement (the "Agreement") with the Public Building Authority of the County of Montgomery, Tennessee (the "Authority") on February 17, 1999. This Agreement reserves funds for the County in the amount of \$9,000,000 (the "Loan") from the proceeds of the Authority's adjustable Rate Pooled Financing Revenue Bonds (Tennessee County Loan Pool), Series 1997. The County is obligated under the Agreement to repay the Loan in installments consisting of (i) principal repayments payable annually for a 14-year term in certain amounts and on certain dates as specified in the Agreement, and (ii) interest and certain expenses calculated and billed at the rate or rates and on the date or dates as specified in the Agreement. The Loan is a direct general obligation of the County and as such, the full faith, credit, and taxing power of the County are irrevocably pledged for its payment. As of June 30, 2008, the County has withdrawn \$8,998,350 of the Funds reserved to fund certain public works projects and the incidental and necessary expenses related thereto. At June 30, 2009, the balance due per the Agreement was \$3,792,000, of which \$700,000 is due within one year.

The County has entered into an Agreement with the City of Chattanooga to fund a portion of the municipalities' debt obligations. This Agreement includes obligations for the University of Tennessee at Chattanooga Stadium project, the Memorial Auditorium project, and the Bessie Smith Hall project. This Agreement represents direct general obligations of the County and as such, the full faith, credit, and taxing power of the County are irrevocably pledged for these payments. As of June 30, 2009, the County's remaining obligations to the City of Chattanooga total \$2,792,500, of which \$347,500 is due within one year.

The County has a long-term Agreement with the Corrections Corporation of America ("CCA") for the management of the Hamilton County Penal Farm. This Agreement requires the County to make annual payments through 2013. The County's obligation under this Agreement is a direct general obligation of the County and as such, the full faith, credit, and taxing power of the County are irrevocably pledged for its payment. At June 30, 2009, the County's remaining obligation for this Agreement was \$1,150,729, of which \$267,005 is due within one year.

The County entered into a Loan Agreement (the "Agreement") with the Tennessee State School Bond Authority (the "Authority"), pursuant to TCA Sections 49-3-1202 et seq. as amended (the "Act") December 20, 2003. This Agreement reserves funds for the County in the amount of \$1,365,000 (the Loan) from the proceeds of the Authority's Qualified Zone Academy Bonds (the "Bonds"), Series 2003. The County is obligated under the Agreement to repay the Loan in installments consisting of principal and administrative expenses payable annually for a 15-year term in certain amounts and on certain dates as specified in the Agreement. The Loan is a direct general obligation of the County and as such, the full faith, credit and taxing power of the County are irrevocably pledged for its repayment. For the purpose of providing funds to finance the cost of the Projects, including the payment of legal and fiscal cost incident to the issuance and sale of the Bonds and the Loan Agreement and making and receiving the loan from the Authority, the Hamilton County Department of Education, on behalf of the County, shall make annual payments of principal in amounts equal to approximately level debt service payable in the years 2004 through 2018. The loan shall not bear interest. As of June 30, 2009, the County has withdrawn \$1,361,000 of the funds reserved. At June 30, 2009, the County's remaining obligation was \$907,334, of which \$90,733 is due within one year.

Annual Debt Service Requirements to Maturity for General Obligation Bonds and Notes Payable and Other Debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
General Obligation Bonds:		
2010	21,720,000	8,364,957
2011	19,465,000	7,550,032
2012	19,490,000	6,641,495
2013	15,870,000	5,846,595
2014	15,830,000	5,184,551
2015-2019	62,480,000	17,675,940
2020-2024	40,045,000	5,854,336
2025-2029	2,560,000	928,005
2030-2034	<u>2,650,000</u>	<u>381,299</u>
	<u>\$ 200,110,000</u>	<u>\$ 58,427,210</u>

Notes Payable and Other Debt:		
2010	2,255,538	625,322
2011	2,345,338	111,923
2012	1,500,469	91,834
2013	1,548,238	70,670
2014	1,414,211	49,291
2015-2019	<u>1,326,169</u>	<u>39,390</u>
	<u>\$ 10,389,963</u>	<u>\$ 988,430</u>

Changes in Long-term Liabilities – During the year ended June 30, 2009, the following changes occurred in long-term liabilities:

	Balance <u>July 1</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30</u>	Due Within <u>One Year</u>
Primary Government-Governmental Activities					
General obligation bonds	\$188,260,000	\$31,500,000	\$ 19,650,000	\$200,110,000	\$21,720,000
Notes payable and other debt	37,649,202	-	27,259,239	10,389,963	2,255,538
Landfill post closure costs	240,000	-	10,000	230,000	10,000
Compensated absences	<u>14,751,265</u>	<u>4,859,384</u>	<u>4,538,331</u>	<u>15,072,318</u>	<u>2,159,962</u>
	240,900,467	36,359,384	51,457,570	225,802,281	<u>\$26,145,500</u>
Net deferred premium	<u>7,155,506</u>	<u>690,409</u>	<u>849,410</u>	<u>6,996,505</u>	
	<u>\$248,055,973</u>	<u>\$ 37,049,793</u>	<u>\$ 52,306,980</u>	<u>\$232,798,786</u>	

Component Units:

Note payable and other debt	\$ 16,474,919	\$ 7,177,266	\$ 869,553	\$ 22,782,632	\$ 7,417,464
Compensated absences	<u>11,874,484</u>	<u>2,730,485</u>	<u>2,371,893</u>	<u>12,233,076</u>	<u>2,443,532</u>
	28,349,403	9,907,751	3,241,446	35,015,708	<u>\$ 9,860,996</u>
Net deferred premium	<u>120,666</u>	-	<u>9,511</u>	<u>111,155</u>	
	<u>\$ 28,470,069</u>	<u>\$9,907,751</u>	<u>\$3,250,957</u>	<u>\$ 35,126,863</u>	

Debt service requirements for general obligation bonds, notes payable and other debt are met by the General Fund, Hotel/Motel Fund, and intergovernmental funds received directly by the Debt Service Fund. Compensated absences are liquidated by the General Fund and Special Revenue Funds.

Total additions in Long-term Liabilities of Governmental Activities above are different than total proceeds from bonds and notes in the accompanying financial statements. The differences are due to original issue discounts and premiums on bonds, the accrual of construction draws on certain projects in the Capital Projects Fund and compensated absences earned during the year.

Total reductions in Long-term Liabilities for Governmental Activities above exceed principal retirement expenditures in the Debt Service Fund by the amount of landfill post-closure care costs paid from the General Fund and compensated absences used during the year.

NOTE O – DEFEASED DEBT

In prior years, the County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in a trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the county's government-wide financial statements. As of June 30, 2009, the amount of defeased debt outstanding amounted to \$36,860,000.

NOTE P – INTERFUND RECEIVABLES AND PAYABLES

During the course of normal operations, the County has numerous transactions between funds. Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Interfund receivables/payables are transactions reimbursing a fund for expenditures made for the benefit of another fund. Such transactions are recorded as expenditures and an interfund payable in the receiving fund. Such transactions are recorded as an interfund receivable in the disbursing fund. On the governmental funds balance sheet, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivables/payables." These amounts are eliminated on the statement of net assets.

<u>Receivable Primary Government</u>	<u>Payable Primary Government</u>	<u>Amount</u>
General Fund	Capital Projects	\$ 8,133,549
General Fund	Nonmajor Governmental Funds	517,543
General Fund	Sheriff	69,472
General Fund	Nonmajor Governmental Funds	6,330
Nonmajor Governmental Funds	General Fund	45,683
		<u>\$ 8,772,577</u>
<u>Receivable Primary Government</u>	<u>Payable Component Units</u>	<u>Amount</u>
Debt Service	Water & Wastewater Authority	\$ 15,210,000
Debt Service	General Purpose School	823,875
Sheriff	General Purpose School	84,612
General Fund	Water & Wastewater Authority	153,552
General Fund	“911” Emergency Communication	1,928,116
General Fund	General Purpose School	208,509
General Fund	Centralized Cafeteria	15,906
		<u>\$ 18,424,570</u>

NOTE Q – INTERFUND TRANSFERS

Transfers within the County are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. Interfund transfers are transactions between funds transferring funds out of one fund to support the operations of another fund.

<u>Transfers in Primary Government</u>	<u>Transfers Out Primary Government</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 8,569,307
Debt Service	General Fund	28,683,441
Debt Service	Nonmajor Governmental	321,315
Debt Service	Capital Projects	25,239,014
Sheriff	General Fund	22,915,881
Capital Projects	General Fund	2,452
Nonmajor Governmental Funds	General Fund	1,525,715
		<u>\$87,257,125</u>

NOTE R – JOINT VENTURE

The Carter Street Corporation is a nonprofit corporation that was organized by the City of Chattanooga, Tennessee, and Hamilton County, Tennessee. The Corporation serves as the coordinating body for the development, operation, and management of the Chattanooga/Hamilton County Convention and Trade Center and parking garage and is lessor of the adjoining hotel. Of the five-member board, two members are appointed by the County Mayor and two members are appointed by the Mayor of Chattanooga. The appointment of the fifth member, who serves as chairman, is agreed on by the County Mayor and the Mayor of Chattanooga.

The City and the County funded the original construction of the Chattanooga/Hamilton County Convention and Trade Center and parking garage through Lease Rental Revenue Bonds, which has been repaid. In accordance with the lease agreement, the County has a one-third equity interest in the Corporation.

Complete financial statements may be obtained from: Carter Street Corporation, Chattanooga Hamilton County Convention & Trade Center, 1 Carter Plaza, Chattanooga, TN 37401.

Condensed financial information for the Carter Street Corporation as of June 30, 2009, is as follows:

ASSETS	
Cash	\$ 617,326
Accounts receivable	249,749
Inventories	2,400
Parking	62,797
Prepaid expenses	75,102
Premises and equipment	11,164,547
Other assets	<u>9,700</u>
Total assets	<u>\$ 12,181,621</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable and accrued items	\$ 227,905
Advance deposits	63,219
Notes Payable	<u>41,380</u>
Total liabilities	<u>332,504</u>
NET ASSETS	
Invested in capital assets, Net of related debt	11,112,107
Unrestricted	<u>737,010</u>
Total net assets	<u>11,849,117</u>
Total liabilities and net assets	<u>\$ 12,181,621</u>
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS:	
Total operating revenues	\$ 6,068,561
Total operating expenses	<u>7,073,708</u>
Loss from operations	(1,005,147)
Non-operating revenues	320,143
Non-operating expenses	<u>1,379</u>
Net income	(683,625)
Net assets at July 1, 2008	<u>12,535,500</u>
Net assets at June 30, 2009	<u>\$ 11,849,117</u>

NOTE S – RISK MANAGEMENT

Hamilton County has various exposures to loss as a result of its operations and service delivery, including liability, errors and omissions, on-the-job injuries, unemployment compensation and property damage (for various risk of loss associated with its property). The County maintains an Internal Service Fund to finance these various exposures to loss. The County utilizes a third-party claims administrator to establish and monitor case reserves and adjust claims associated with its self-insurance program. In addition, the County has an independent actuary review its funding on an annual basis.

The County is self-funded for liability, on-the-job injuries, errors and omissions, unemployment compensation and the first \$25,000 per incident on property and boiler/machinery claims. The County has an excess liability policy with limits of \$1,000,000 per occurrence and a \$600,000 retention covering liability claims outside of the County's tort limits, and non-tort claims such as employment-related liability, medical malpractice, benefits and law enforcement liability. The County has a liability policy to cover election polling booth locations with a \$1,000 deductible and a \$1,000,000 per occurrence and aggregate limit. In addition, the County carries a \$1,000,000 excess auto liability policy for out-of-state travel. The County also has a jointly owned Pollution Legal Liability Policy with the City of Chattanooga, which covers specified acreage at the Enterprise South Industrial Park identified for development with limits of \$35,000,000 and a \$500,000 deductible with a term of up to 15 years, which commenced on January 8, 2003. There were no significant reductions in insurance coverage from the prior year, nor did the amount of settlements exceed insurance coverage for each of the past three fiscal years.

Hamilton County Department of Education, a component unit, maintains a separate Internal Service Fund for providing risk management services, which include handling property claims, auto and general liability claims, and injuries to employees. All risk is retained for auto and general liability claims, injuries to employees, the first \$1,000 per incident on boiler/machinery claims, and the first \$10,000 per incident on property claims.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated and periodically re-evaluated, taking into consideration the effect of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. Changes in the balances of claims liabilities during the year are as follows:

	<u>Total Primary Government</u>	<u>Total Component Units</u>
Unpaid claims, June 30, 2007	\$ 855,785	\$ 4,391,484
Incurred claims	9,120,111	28,593,629
Claims payments	<u>(6,558,759)</u>	<u>(28,344,912)</u>
Unpaid claims, June 30, 2008	3,417,137	4,640,201
Incurred claims	18,973,108	28,273,211
Claims payments	<u>(19,599,631)</u>	<u>(29,742,909)</u>
Unpaid claims, June 30, 2009	<u>\$ 2,790,614</u>	<u>\$ 3,170,503</u>

At June 30, 2009, the Hamilton County Internal Service Fund has net assets of \$19,686,001, and the Department of Education Internal Service Fund has net assets of \$12,570,484. These net assets balances are designated for future catastrophic losses.

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2009**

Schedule of Funding Progress

(Dollar amounts in thousands)

Tennessee Consolidated Retirement System

Actuarial Valuation Date (frozen initial liability)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Political Subdivision Pension Plan (PSPP)						
07/01/07	\$ 275,318	\$ 316,473	\$ 41,155	87.00%	\$ 88,047	46.74%
07/01/05	237,545	247,301	9,756	96.06%	84,860	11.50%
07/01/03	214,239	224,946	10,707	95.24%	84,989	12.60%

Hamilton County Administered Plans

Actuarial Valuation Date (entry age normal)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Employees' Retirement						
06/30/09	\$ 1,787	\$ 873	\$ (914) **	204.7%	\$ -	N/A
06/30/07	2,256	1,083	(1,173) **	208.4%	-	N/A
06/30/05	2,380	1,249	(1,131) **	190.5%	-	N/A
Commissioners' Retirement						
06/30/09	\$ 482	\$ 702	\$ 220	68.6%	\$ 196	112.3%
06/30/07	414	652	238	63.5%	192	124.2%
06/30/05	330	614	284	53.8%	166	170.5%
Teachers' Retirement						
06/30/09	\$ 57	\$ 64	\$ 7	89.6%	\$ -	N/A
06/30/07	95	100	5	95.2%	-	N/A
06/30/05	151	151	-	100.0%	-	N/A

** Considered a "funding excess"

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2009**

Schedule of Employer Contributions

Tennessee Consolidated Retirement System

Year Ended June 30	PSP		SETHEPP	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2009	\$ 15,063,655	100.0%	\$ 10,344,519	100.0%
2008	14,475,166	100.0%	9,702,404	100.0%
2007	13,421,822	100.0%	9,229,280	100.0%

Hamilton County Administered Plans

Year Ended June 30	Employees' Retirement		Commissioners' Retirement		Teachers' Retirement	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2009	\$ -	0.0%	\$ 52,431	143.5%	\$ 605	0.0%
2008	-	0.0%	52,431	143.5%	605	0.0%
2007	-	0.0%	49,563	151.8%	-	N/A
2006	-	0.0%	30,454	247.1%	-	N/A
2005	-	0.0%	27,317	219.6%	928	900.1%

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2009**

Schedule of Funding Progress for Other Postemployment Benefits

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
Primary Government						
06/30/09	\$ -	\$ 24,048	\$ 24,048	0.0%	\$ 69,679	35.51%
06/30/07	-	23,226	23,226	0.0%	56,451	41.14%
Department of Education						
06/30/09	\$ -	\$ 96,886	\$ 96,886	0.0%	\$ 171,436	56.51%
06/30/07	-	75,988	75,988	0.0%	169,692	44.78%

NOTE TO SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

HAMILTON COUNTY, TENNESSEE
June 30, 2009

PUBLIC EMPLOYEE RETIREMENT SYSTEMS

Actuarial Information of the County Administered Plans

The annual required contribution for each of these plans was determined using the entry age normal funding method. The actuarial value of assets was determined at market value and the unfunded actuarial accrued liability is being amortized as a level dollar amount over a 30-year period commencing on the valuation date for the Employees' Retirement and Teachers' Retirement Plans. For the Commissioners' Retirement Plan, the actuarial value of assets is being amortized as a level dollar amount for a 5 to 10-year period commencing on the valuation date. The assumption with respect to investment return was 7.5% for the Employees' Retirement Plan, 5.0% for the Teachers' Retirement Plan and 6.0% for the Commissioners' Retirement Plan. No explicit assumptions were made with regard to inflation. Salary increases were not considered for the Employees' and Teachers' Retirement Plans because the benefits are either capped or not based upon salary. The assumption with respect to salary increases was 4.0% for the Commissioners' Retirement Plan.

OTHER POST EMPLOYMENT BENEFITS

Actuarial Information of the County Employees Post Retirement Medical Insurance Benefits

The annual required contribution was determined by using the entry age normal funding method and a discount rate of 7.5%. The actuarial value of the unfunded actuarial accrued liability is being amortized as a level dollar amount over a 30-year period commencing on the valuation date.

Actuarial Information of the Department of Education Post Retirement Medical and Dental Insurance Benefits

The annual required contribution was determined using the entry age normal funding method and a discount rate of 5.45%. The actuarial value of the unfunded actuarial accrued liability is being amortized as a level dollar amount over a 30-year period commencing on the valuation date.

GENERAL FUND

The General Fund accounts for all sources and uses of financial resources applicable to the general operations of county government, which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to use are recorded in the General Fund. Revenues are derived primarily from taxes and intergovernmental revenues.

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND DETAIL**

**HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property taxes	\$ 120,917,766	\$ 120,917,766	\$ 122,315,689	\$ 1,397,923
Local sales tax	13,832,136	13,832,136	12,940,032	(892,104)
Business taxes	4,315,782	4,315,782	3,967,500	(348,282)
Wholesale beer tax	<u>750,268</u>	<u>750,268</u>	<u>800,146</u>	<u>49,878</u>
Total taxes	<u>139,815,952</u>	<u>139,815,952</u>	<u>140,023,367</u>	<u>207,415</u>
Licenses and permits	<u>939,000</u>	<u>939,000</u>	<u>481,224</u>	<u>(457,776)</u>
Intergovernmental revenues:				
State of Tennessee	16,887,243	19,267,860	18,090,069	(1,177,791)
United States Government	2,581,603	3,725,719	3,353,260	(372,459)
Cities	<u>2,134,767</u>	<u>2,299,644</u>	<u>2,057,591</u>	<u>(242,053)</u>
Total intergovernmental revenues	<u>21,603,613</u>	<u>25,293,223</u>	<u>23,500,920</u>	<u>(1,792,303)</u>
Charges for services:				
Health department	3,222,200	3,222,200	2,250,246	(971,954)
Other	<u>11,917,423</u>	<u>12,043,269</u>	<u>11,386,939</u>	<u>(656,330)</u>
Total charges for services	<u>15,139,623</u>	<u>15,265,469</u>	<u>13,637,185</u>	<u>(1,628,284)</u>
Fines, forfeitures and penalties	<u>1,093,950</u>	<u>1,093,950</u>	<u>1,090,153</u>	<u>(3,797)</u>
Investment earnings	<u>1,650,000</u>	<u>1,650,000</u>	<u>850,568</u>	<u>(799,432)</u>
Miscellaneous	<u>2,659,492</u>	<u>2,851,419</u>	<u>2,731,388</u>	<u>(120,031)</u>
Total revenues	<u>182,901,630</u>	<u>186,909,013</u>	<u>182,314,805</u>	<u>(4,594,208)</u>
EXPENDITURES				
Current:				
General government:				
County Clerk	1,800,614	1,800,614	1,623,598	177,016
Register	551,683	551,683	533,814	17,869
County Trustee	379,622	379,622	354,015	25,607
Assessor of Property	3,737,989	3,737,989	3,757,907	(19,918)
District Attorney General	971,681	971,681	838,166	133,515
Election Commission	1,801,398	1,801,398	1,781,087	20,311
Board of Equalization	5,000	5,000	2,750	2,250
Soil Conservation	110,991	110,991	110,894	97
Agricultural Department	236,410	236,410	216,780	19,630
County-City Planning Commission	990,007	990,007	990,007	-

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

HAMILTON COUNTY, TENNESSEE

Year ended June 30, 2009

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
General government--(continued):				
Regional Council of				
Government & SETTDD	\$ 67,581	\$ 67,581	\$ 67,581	\$ -
CARTA	105,200	105,200	105,200	-
Economic Development	640,000	640,000	640,000	-
Representative-General Assembly	10,500	10,500	7,588	2,912
Utilities	1,869,204	1,869,204	1,982,983	(113,779)
County Board of Commissioners	675,848	731,968	641,771	90,197
County Mayor	650,878	650,878	632,237	18,641
County Auditor	2,479,285	2,261,995	2,067,367	194,628
Chief of Staff	373,564	373,564	365,546	8,018
Chief Reading Officer	298,048	298,048	263,883	34,165
County Attorney	823,854	991,354	900,454	90,900
Emp Assistance Program	25,720	25,720	25,523	197
Human Resources	761,016	761,016	738,716	22,300
Insurance	165,000	165,000	125,910	39,090
Employee Benefits	2,417,559	2,417,559	1,897,851	519,708
Trustee's Commission	2,950,400	2,950,400	2,805,113	145,287
External Audits	245,000	245,000	219,327	25,673
TSCA Dues	9,937	9,937	9,937	-
NACO Dues	6,419	6,419	6,419	-
Equal Employment Opportunity	57,000	57,000	51,487	5,513
Finance Administrator	241,988	241,988	239,004	2,984
Accounting	2,001,750	2,086,435	1,951,083	135,352
Financial Management	410,708	410,708	398,129	12,579
Information Technology Services	3,055,022	3,055,022	2,938,374	116,648
Purchasing	384,954	384,954	382,727	2,227
Geographic Information System	695,863	1,117,018	836,434	280,584
Custodial Services	1,862,704	1,862,704	1,656,597	206,107
Real Property	347,608	347,608	316,952	30,656
Recycling	195,866	195,866	183,917	11,949
Human Services Administrator	207,441	207,441	206,295	1,146
Development Services	471,515	1,296,348	1,151,387	144,961
Maintenance	2,675,168	2,674,135	2,604,268	69,867
Railroad Authority	129,589	129,589	130,535	(946)
Summer Youth Development	100,000	100,000	56,617	43,383
Total general government	<u>37,997,584</u>	<u>39,333,554</u>	<u>36,816,230</u>	<u>2,517,324</u>

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
Public safety:				
Drug Court	\$ -	\$ 1,243,096	\$ 452,303	\$ 790,793
Medical Examiner	926,958	926,958	941,826	(14,868)
Criminal Court Clerk	1,358,492	1,358,492	1,193,377	165,115
Public Defender	489,209	489,209	454,540	34,669
General Sessions Court	1,199,367	1,199,367	1,199,030	337
Juries	230,000	230,000	184,566	45,434
Court Judges	464,177	464,177	458,731	5,446
Judicial Commission Magistrates	385,184	385,184	372,306	12,878
Juvenile Crime Prosecution	-	-	-	-
Juvenile Court	6,755,924	6,755,924	6,354,121	401,803
Forest Fire Prevention	4,000	4,000	4,000	-
Humane Education Society	395,255	395,255	395,255	-
Certified Cost Reimbursement	975,600	975,600	639,728	335,872
Building Inspection	890,942	890,942	840,798	50,144
Emergency Services	2,489,547	4,614,683	2,715,798	1,898,885
Community Corrections Program	14,805,606	14,806,639	13,973,201	833,438
Litter Grant	469,277	469,277	503,866	(34,589)
911 Emergency Communications	2,698	2,698	843,464	(840,766)
Community Gun Violence Grant	-	-	-	-
Security Services	794,400	793,807	731,177	62,630
Volunteer Emergency Services	185,189	185,189	185,605	(416)
Ambulance Services	7,881,306	7,876,306	8,322,065	(445,759)
Total public safety	<u>40,703,131</u>	<u>44,066,803</u>	<u>40,765,757</u>	<u>3,301,046</u>
Highways and streets:				
Public Works Administrator	214,574	214,574	209,443	5,131
Engineering Services	4,009,352	4,009,352	3,453,381	555,971
Highway	9,444,897	9,444,897	9,262,249	182,648
Total highways and streets	<u>13,668,823</u>	<u>13,668,823</u>	<u>12,925,073</u>	<u>743,750</u>
Health:				
Air Pollution Control	188,548	188,548	188,548	-
Baroness Erlanger Hospital	3,000,000	3,000,000	3,000,000	-
Health Department	20,329,623	20,651,582	18,918,719	1,732,863
Total health	<u>23,518,171</u>	<u>23,840,130</u>	<u>22,107,267</u>	<u>1,732,863</u>

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
Social services:				
Clerk and Master	\$ 756,715	\$ 756,715	\$ 728,260	\$ 28,455
Circuit Court Clerk	1,081,343	1,081,343	1,074,016	7,327
Title XX	460,951	460,951	422,136	38,815
Alexian Senior Neighbors	10,300	10,300	10,300	-
Urban League	50,000	50,000	50,000	-
Emergency Support Programs	225,822	245,822	243,511	2,311
Chattanooga Endeavors	17,510	17,510	17,510	-
Chattanooga Homeless Coalition	13,905	13,905	13,905	-
Children's Services	<u>3,490,991</u>	<u>3,510,991</u>	<u>3,035,287</u>	<u>475,704</u>
Total social services	<u>6,107,537</u>	<u>6,147,537</u>	<u>5,594,925</u>	<u>552,612</u>
Culture and recreation:				
Bethlehem Sports Academy	15,000	15,000	15,000	-
Public Library	2,640,000	2,640,000	2,640,000	-
City Beautiful Commission	22,888	22,888	22,888	-
Allied Arts	150,000	150,000	150,000	-
Friends of Moccassin Bend	-	-	-	-
WTCI Public Television	30,000	30,000	30,000	-
Regional History Museum	28,000	28,000	28,000	-
Bessie Smith Museum	64,000	64,000	64,000	-
Heritage Hall	57,019	71,273	71,273	-
Parks and Recreation Department	<u>6,698,204</u>	<u>6,688,205</u>	<u>6,316,158</u>	<u>372,047</u>
Total culture and recreation	<u>9,705,111</u>	<u>9,709,366</u>	<u>9,337,319</u>	<u>372,047</u>
Capital outlay	<u>3,672,503</u>	<u>4,752,309</u>	<u>3,280,922</u>	<u>1,471,387</u>
Total budgetary expenditures	<u>135,372,860</u>	<u>141,518,522</u>	<u>130,827,493</u>	<u>10,691,029</u>
Excess of revenues over expenditures	<u>47,528,770</u>	<u>45,390,491</u>	<u>51,487,312</u>	<u>6,096,821</u>

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 9,467,543	\$ 9,594,543	\$ 8,569,307	\$ (1,025,236)
Transfers out	(54,790,257)	(54,790,257)	(53,127,489)	1,662,768
Sale of capital	<u>-</u>	<u>-</u>	<u>41,099</u>	<u>41,099</u>
Total other financing sources (uses)	<u>(45,322,714)</u>	<u>(45,195,714)</u>	<u>(44,517,083)</u>	<u>678,631</u>
Net change in fund balance	2,206,056	194,777	6,970,229	6,775,452
Fund balance allocation	<u>(2,206,056)</u>	<u>497,163</u>	<u>-</u>	<u>(497,163)</u>
	<u>\$ -</u>	<u>\$ 691,940</u>	6,970,229	<u>\$ 6,278,289</u>
Add encumbrances at end of year			689,634	
Less encumbrances at beginning of year			<u>(691,940)</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			6,967,923	
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			<u>77,101,832</u>	
Fund balance at end of year--(GAAP Modified Accrual Basis)			<u>\$ 84,069,755</u>	

EXPLANATION OF DIFFERENCES:

REVENUES

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 182,314,805
Component unit accounting services	2,719,163
Ambulance services bad debt	4,606,601
Ambulance services contractual allowance	<u>8,363,467</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 198,004,036</u>

EXPENDITURES

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 130,827,493
Adjustment for encumbrances	2,306
Component unit payroll	2,719,163
Ambulance services bad debt	4,606,601
Ambulance services contractual allowance	<u>8,363,467</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 146,519,030</u>

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These are operating funds which are restricted as to use by the federal or state governments and special purpose funds established by the County Board of Commissioners.

Constitutional Officers Funds account for revenues and expenditures associated with the administrative function of the Constitutional Officers.

Governmental Law Library Fund accounts for revenues and expenditures associated with maintaining a law library for attorneys practicing in state and county courts.

Hotel/Motel Fund accounts for revenues and expenditures associated with the County's Hotel/Motel room tax.

Nursing Home Fund accounts for the residual activities of the Hamilton County Nursing Home that are the County's responsibilities after the sale of the Nursing Home.

Children's Services Fund accounts for money received for the benefit of the children of Hamilton County.

Economic Crimes Fund accounts for revenues and expenditures of the bad check restitution program established by the Tennessee Legislature.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

**HAMILTON COUNTY, TENNESSEE
June 30, 2009**

	Special Revenue Funds	
	Constitutional Officers	Governmental Law Library
ASSETS		
Cash and equivalents	\$ 5,142,155	\$ 862
Investments	301,108	88,944
Receivables:		
Accounts	78,411	-
Intergovernmental	127,465	1,131
Due from other funds	40,240	-
Total assets	\$ 5,689,379	\$ 90,937
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accrued items and other	\$ 1,504,586	\$ -
Due to other funds	351	-
Total liabilities	1,504,937	-
Fund Balances:		
Reserved for restricted activities	1,331,631	-
Reserved for litigants and beneficiaries	-	-
Unreserved:		
Undesignated	2,852,811	90,937
Total fund balances	4,184,442	90,937
Total liabilities and fund balances	\$ 5,689,379	\$ 90,937

<u>Hotel/ Motel</u>	<u>Statewide Meth Grant</u>	<u>Children's Services</u>	<u>Economic Crimes</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 344,159	\$ -	\$ 500	\$ 2,629	\$ 5,490,305
-	-	1,229,967	47,548	1,667,567
399,661	541	-	-	478,613
-	79,244	-	-	207,840
-	<u>5,169</u>	-	-	<u>45,409</u>
<u>\$ 743,820</u>	<u>\$ 84,954</u>	<u>\$ 1,230,467</u>	<u>\$ 50,177</u>	<u>\$ 7,889,734</u>
\$ 743,820	\$ 78,675	\$ -	\$ 17,500	\$ 2,344,581
-	<u>5,979</u>	<u>517,543</u>	-	<u>523,873</u>
<u>743,820</u>	<u>84,654</u>	<u>517,543</u>	<u>17,500</u>	<u>2,868,454</u>
-	300	-	32,677	1,364,608
-	-	712,924	-	712,924
-	-	-	-	<u>2,943,748</u>
-	<u>300</u>	<u>712,924</u>	<u>32,677</u>	<u>5,021,280</u>
<u>\$ 743,820</u>	<u>\$ 84,954</u>	<u>\$ 1,230,467</u>	<u>\$ 50,177</u>	<u>\$ 7,889,734</u>

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

**HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009**

	Special Revenue Funds	
	Constitutional Officers	Governmental Law Library
REVENUES		
Taxes	\$ -	\$ 16,169
Intergovernmental	-	-
Charges for services	18,709,557	-
Fines, forfeitures and penalties	-	-
Investment earnings	99,060	1,463
Miscellaneous	50,123	-
Total revenues	18,858,740	17,632
EXPENDITURES		
Current:		
General government	4,416,423	-
Public safety:		
Criminal Court	2,607,033	-
Juvenile Court	2,176,274	-
Other	-	6,644
Social services	3,363,173	-
Total expenditures	12,562,903	6,644
Excess (deficiency) of revenues over (under) expenditures	6,295,837	10,988
OTHER FINANCING SOURCES (USES)		
Transfers in	1,525,715	-
Transfers out	(8,051,764)	-
Total other financing sources (uses)	(6,526,049)	-
Net change in fund balances	(230,212)	10,988
Fund balances (deficit) at beginning of year	4,414,654	79,949
Fund balances (deficit) at end of year	\$ 4,184,442	\$ 90,937

<u>Hotel/ Motel</u>	<u>Statewide Meth Grant</u>	<u>Children's Services</u>	<u>Economic Crimes</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 4,235,794	\$ -	\$ -	\$ -	\$ 4,251,963
-	1,320,511	-	-	1,320,511
-	-	-	-	18,709,557
-	-	-	36,862	36,862
5,575	-	22,833	1,052	129,983
-	<u>4,310</u>	-	<u>480</u>	<u>54,913</u>
<u>4,241,369</u>	<u>1,324,821</u>	<u>22,833</u>	<u>38,394</u>	<u>24,503,789</u>
3,920,054	-	-	-	8,336,477
-	-	-	-	2,607,033
-	-	-	-	2,176,274
-	1,324,821	-	-	1,331,465
-	-	<u>49</u>	<u>76,295</u>	<u>3,439,517</u>
<u>3,920,054</u>	<u>1,324,821</u>	<u>49</u>	<u>76,295</u>	<u>17,890,766</u>
<u>321,315</u>	-	<u>22,784</u>	<u>(37,901)</u>	<u>6,613,023</u>
-	-	-	-	1,525,715
<u>(321,315)</u>	-	<u>(517,543)</u>	-	<u>(8,890,622)</u>
<u>(321,315)</u>	-	<u>(517,543)</u>	-	<u>(7,364,907)</u>
-	-	(494,759)	(37,901)	(751,884)
-	<u>300</u>	<u>1,207,683</u>	<u>70,578</u>	<u>5,773,164</u>
<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 712,924</u>	<u>\$ 32,677</u>	<u>\$ 5,021,280</u>

**COMBINING BALANCE SHEET
CONSTITUTIONAL OFFICERS NONMAJOR GOVERNMENTAL FUNDS**

HAMILTON COUNTY, TENNESSEE

June 30, 2009

	Circuit Court Clerk	Clerk and Master	County Clerk
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 590,790	\$ 1,096,564	\$ 348,391
Investments	-	-	-
Receivables:			
Accounts	1,414	-	9,653
Intergovernmental	-	-	-
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 592,204</u>	<u>\$ 1,096,564</u>	<u>\$ 358,044</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued items and other	\$ 50,993	\$ 33,035	\$ 115,281
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>50,993</u>	<u>33,035</u>	<u>115,281</u>
Fund Balances:			
Reserved for restricted activities	-	-	1,848
Unreserved:			
Undesignated	<u>541,211</u>	<u>1,063,529</u>	<u>240,915</u>
Total fund balances	<u>541,211</u>	<u>1,063,529</u>	<u>242,763</u>
Total liabilities and fund balances	<u>\$ 592,204</u>	<u>\$ 1,096,564</u>	<u>\$ 358,044</u>

Criminal Court Clerk	Juvenile Court Clerk	Register	Trustee	Total Constitutional Officers
\$ 2,364,327	\$ -	\$ 300,149	\$ 441,934	\$ 5,142,155
-	301,108	-	-	301,108
62,278	5,066	-	-	78,411
100,099	27,366	-	-	127,465
<u>40,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,240</u>
<u>\$ 2,566,944</u>	<u>\$ 333,540</u>	<u>\$ 300,149</u>	<u>\$ 441,934</u>	<u>\$ 5,689,379</u>
\$ 1,173,897	\$ 83,139	\$ 23,088	\$ 25,153	\$ 1,504,586
-	351	-	-	351
<u>1,173,897</u>	<u>83,490</u>	<u>23,088</u>	<u>25,153</u>	<u>1,504,937</u>
1,329,783	-	-	-	1,331,631
<u>63,264</u>	<u>250,050</u>	<u>277,061</u>	<u>416,781</u>	<u>2,852,811</u>
<u>1,393,047</u>	<u>250,050</u>	<u>277,061</u>	<u>416,781</u>	<u>4,184,442</u>
<u>\$ 2,566,944</u>	<u>\$ 333,540</u>	<u>\$ 300,149</u>	<u>\$ 441,934</u>	<u>\$ 5,689,379</u>

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

**HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009**

	Circuit Court Clerk	Clerk and Master	County Clerk
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Charges for services	\$ 2,014,173	\$ 2,428,574	\$ 2,952,179
Investment earnings	15,257	20,140	20,528
Miscellaneous	<u> -</u>	<u> -</u>	<u> 46,080</u>
Total revenues	<u> 2,029,430</u>	<u> 2,448,714</u>	<u> 3,018,787</u>
EXPENDITURES			
Current:			
General government	-	-	2,929,806
Public safety:			
Criminal Court	-	-	-
Juvenile Court	-	-	-
Social services	<u> 1,939,279</u>	<u> 1,423,894</u>	<u> -</u>
Total expenditures	<u> 1,939,279</u>	<u> 1,423,894</u>	<u> 2,929,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u> 90,151</u>	<u> 1,024,820</u>	<u> 88,981</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u> (111,070)</u>	<u> (753,686)</u>	<u> (89,000)</u>
Total other financing sources (uses)	<u> (111,070)</u>	<u> (753,686)</u>	<u> (89,000)</u>
Net change in fund balances	(20,919)	271,134	(19)
Fund balances at beginning of year	<u> 562,130</u>	<u> 792,395</u>	<u> 242,782</u>
Fund balances at end of year	<u><u> \$ 541,211</u></u>	<u><u> \$ 1,063,529</u></u>	<u><u> \$ 242,763</u></u>

Criminal Court Clerk	Juvenile Court Clerk	Register	Trustee	Total Constitutional Officers
\$ 2,206,055	\$ 503,937	\$ 1,937,254	\$ 6,667,385	\$ 18,709,557
20,625	6,029	5,786	10,695	99,060
-	4,043	-	-	50,123
<u>2,226,680</u>	<u>514,009</u>	<u>1,943,040</u>	<u>6,678,080</u>	<u>18,858,740</u>
-	-	701,776	784,841	4,416,423
2,607,033	-	-	-	2,607,033
-	2,176,274	-	-	2,176,274
-	-	-	-	3,363,173
<u>2,607,033</u>	<u>2,176,274</u>	<u>701,776</u>	<u>784,841</u>	<u>12,562,903</u>
<u>(380,353)</u>	<u>(1,662,265)</u>	<u>1,241,264</u>	<u>5,893,239</u>	<u>6,295,837</u>
-	1,525,715	-	-	1,525,715
-	-	(1,292,676)	(5,805,332)	(8,051,764)
-	<u>1,525,715</u>	<u>(1,292,676)</u>	<u>(5,805,332)</u>	<u>(6,526,049)</u>
(380,353)	(136,550)	(51,412)	87,907	(230,212)
<u>1,773,400</u>	<u>386,600</u>	<u>328,473</u>	<u>328,874</u>	<u>4,414,654</u>
<u>\$ 1,393,047</u>	<u>\$ 250,050</u>	<u>\$ 277,061</u>	<u>\$ 416,781</u>	<u>\$ 4,184,442</u>



FIDUCIARY FUNDS

AGENCY FUNDS

These funds are used to account for assets held by the County in a custodial capacity as an agent on behalf of individuals and other government entities.

Constitutional Officers Funds account for various deposits, bail bonds and performance bonds held by the Constitutional Officers.

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CONSTITUTIONAL OFFICERS AGENCY FUNDS**

HAMILTON COUNTY, TENNESSEE

Year ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
CIRCUIT COURT CLERK				
Cash	\$ 1,037,033	\$ 8,516,652	\$ 8,453,620	\$ 1,100,065
Certificates of deposit	<u>3,523,693</u>	<u>1,249,536</u>	<u>1,743,460</u>	<u>3,029,769</u>
Total assets	<u>\$ 4,560,726</u>	<u>\$ 9,766,188</u>	<u>\$ 10,197,080</u>	<u>\$ 4,129,834</u>
Accrued items and other	\$ 4,441,949	\$ 8,164,530	\$ 8,608,625	\$ 3,997,854
Intergovernmental payables	<u>118,777</u>	<u>1,601,658</u>	<u>1,588,455</u>	<u>131,980</u>
Total liabilities	<u>\$ 4,560,726</u>	<u>\$ 9,766,188</u>	<u>\$ 10,197,080</u>	<u>\$ 4,129,834</u>
CLERK AND MASTER				
Cash	\$ 1,749,134	\$ 13,307,692	\$ 12,895,251	\$ 2,161,575
Certificates of deposit	<u>7,126,551</u>	<u>3,321,972</u>	<u>3,359,275</u>	<u>7,089,248</u>
Total assets	<u>\$ 8,875,685</u>	<u>\$ 16,629,664</u>	<u>\$ 16,254,526</u>	<u>\$ 9,250,823</u>
Accrued items and other	\$ 8,275,791	\$ 5,729,051	\$ 6,018,421	\$ 7,986,421
Intergovernmental payables	<u>599,894</u>	<u>10,900,613</u>	<u>10,236,105</u>	<u>1,264,402</u>
Total liabilities	<u>\$ 8,875,685</u>	<u>\$ 16,629,664</u>	<u>\$ 16,254,526</u>	<u>\$ 9,250,823</u>
COUNTY CLERK				
Cash	\$ 2,903,649	\$ 27,609,634	\$ 26,557,724	\$ 3,955,559
Accounts receivable	<u>16,173</u>	<u>67,914</u>	<u>79,790</u>	<u>4,297</u>
Total assets	<u>\$ 2,919,822</u>	<u>\$ 27,677,548</u>	<u>\$ 26,637,514</u>	<u>\$ 3,959,856</u>
Accrued items and other	\$ 108,885	\$ 752,995	\$ 728,194	\$ 133,686
Intergovernmental payables	<u>2,810,937</u>	<u>26,924,553</u>	<u>25,909,320</u>	<u>3,826,170</u>
Total liabilities	<u>\$ 2,919,822</u>	<u>\$ 27,677,548</u>	<u>\$ 26,637,514</u>	<u>\$ 3,959,856</u>

(continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES--(continued)
CONSTITUTIONAL OFFICERS AGENCY FUNDS

HAMILTON COUNTY, TENNESSEE

Year ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
CRIMINAL COURT CLERK				
Cash	\$ 204,777	\$ 3,916,027	\$ 4,046,592	\$ 74,212
Accounts receivable	<u>79,726</u>	<u>-</u>	<u>27,270</u>	<u>52,456</u>
Total assets	<u>\$ 284,503</u>	<u>\$ 3,916,027</u>	<u>\$ 4,073,862</u>	<u>\$ 126,668</u>
Accrued items and other	\$ 284,503	\$ 608,027	\$ 765,862	\$ 126,668
Intergovernmental payables	<u>-</u>	<u>3,308,000</u>	<u>3,308,000</u>	<u>-</u>
Total liabilities	<u>\$ 284,503</u>	<u>\$ 3,916,027</u>	<u>\$ 4,073,862</u>	<u>\$ 126,668</u>
JUVENILE COURT CLERK				
Cash	\$ 6,256	\$ 611,366	\$ 602,535	\$ 15,087
Certificates of deposit	898,805	134,892	129,387	904,310
Investments	<u>24,010</u>	<u>12,979</u>	<u>-</u>	<u>36,989</u>
Total assets	<u>\$ 929,071</u>	<u>\$ 759,237</u>	<u>\$ 731,922</u>	<u>\$ 956,386</u>
Accrued items and other	\$ 929,071	\$ 759,237	\$ 731,922	\$ 956,386
Total liabilities	<u>\$ 929,071</u>	<u>\$ 759,237</u>	<u>\$ 731,922</u>	<u>\$ 956,386</u>
REGISTER				
Cash	\$ 719,824	\$ 7,863,879	\$ 7,886,807	\$ 696,896
Accounts receivable	<u>3,937</u>	<u>35,116</u>	<u>34,532</u>	<u>4,521</u>
Total assets	<u>\$ 723,761</u>	<u>\$ 7,898,995</u>	<u>\$ 7,921,339</u>	<u>\$ 701,417</u>
Intergovernmental payables	\$ 723,761	\$ 7,898,995	\$ 7,921,339	\$ 701,417
Total liabilities	<u>\$ 723,761</u>	<u>\$ 7,898,995</u>	<u>\$ 7,921,339</u>	<u>\$ 701,417</u>

(continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES--(continued)
CONSTITUTIONAL OFFICERS AGENCY FUNDS

HAMILTON COUNTY, TENNESSEE

Year ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
SHERIFF				
Cash	\$ 14,188	\$ 1,045,118	\$ 1,049,099	\$ 10,207
Investments	215,422	-	62,977	152,445
Total assets	\$ 229,610	\$ 1,045,118	\$ 1,112,076	\$ 162,652
Accrued items and other	\$ 229,610	\$ 1,045,118	\$ 1,112,076	\$ 162,652
Total liabilities	\$ 229,610	\$ 1,045,118	\$ 1,112,076	\$ 162,652
TRUSTEE				
Cash	\$ 698,486	\$ 17,375,450	\$ 17,225,838	\$ 848,098
Total assets	\$ 698,486	\$ 17,375,450	\$ 17,225,838	\$ 848,098
Intergovernmental payables	\$ 698,486	\$ 17,375,450	\$ 17,225,838	\$ 848,098
Total liabilities	\$ 698,486	\$ 17,375,450	\$ 17,225,838	\$ 848,098
TOTAL CONSTITUTIONAL OFFICERS AGENCY FUNDS				
Cash	\$ 7,333,347	\$ 80,245,818	\$ 78,717,466	\$ 8,861,699
Certificates of deposit	11,549,049	4,706,400	5,232,122	11,023,327
Investments	239,432	12,979	62,977	189,434
Accounts receivable	99,836	103,030	141,592	61,274
Total assets	\$ 19,221,664	\$ 85,068,227	\$ 84,154,157	\$ 20,135,734
Accrued items and other	\$ 14,269,809	\$ 17,058,958	\$ 17,965,100	\$ 13,363,667
Intergovernmental payables	4,951,855	68,009,269	66,189,057	6,772,067
Total liabilities	\$ 19,221,664	\$ 85,068,227	\$ 84,154,157	\$ 20,135,734



**BUDGETARY COMPARISON SCHEDULE
 CONSTITUTIONAL OFFICERS NONMAJOR GOVERNMENTAL FUND**

**HAMILTON COUNTY, TENNESSEE
 Year ended June 30, 2009**

	Juvenile Court Clerk			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual (Non-GAAP Basis)	
	Original	Final		
REVENUES				
Charges for current services	\$ 669,000	\$ 669,000	\$ 503,937	\$ (165,063)
Investment earnings	15,000	15,000	6,029	(8,971)
Miscellaneous	3,000	3,000	4,043	1,043
Total revenues	<u>687,000</u>	<u>687,000</u>	<u>514,009</u>	<u>(172,991)</u>
EXPENDITURES				
Current:				
Public safety:				
Juvenile Court	1,332,442	1,332,442	1,298,834	33,608
Social Services:				
Child support	<u>880,273</u>	<u>880,273</u>	<u>877,440</u>	<u>2,833</u>
Total budgetary expenditures	<u>2,212,715</u>	<u>2,212,715</u>	<u>2,176,274</u>	<u>36,441</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	(1,525,715)	(1,525,715)	(1,662,265)	(136,550)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,525,715</u>	<u>1,525,715</u>	<u>1,525,715</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(136,550)	<u>\$ (136,550)</u>
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			<u>386,600</u>	
Fund balances at end of year--(GAAP Modified Accrual Basis)			<u>\$ 250,050</u>	

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

**HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009**

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ -	\$ -	\$ 1,099	\$ 1,099
Intergovernmental	-	-	823,967	823,967
Charges for current services	480,000	480,000	541,358	61,358
Investment earnings	<u>50,000</u>	<u>50,000</u>	<u>8,311</u>	<u>(41,689)</u>
Total revenues	<u>530,000</u>	<u>530,000</u>	<u>1,374,735</u>	<u>844,735</u>
EXPENDITURES				
Debt Service:				
Principal retirement	21,728,505	21,728,505	21,728,505	-
Interest and fiscal charges	<u>10,295,439</u>	<u>10,295,439</u>	<u>8,664,301</u>	<u>1,631,138</u>
Total budgetary expenditures	<u>32,023,944</u>	<u>32,023,944</u>	<u>30,392,806</u>	<u>1,631,138</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	<u>(31,493,944)</u>	<u>(31,493,944)</u>	<u>(29,018,071)</u>	<u>2,475,873</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>30,348,661</u>	<u>30,348,661</u>	<u>29,004,756</u>	<u>(1,343,905)</u>
Total other financing sources (uses)	<u>30,348,661</u>	<u>30,348,661</u>	<u>29,004,756</u>	<u>(1,343,905)</u>
Net change in fund balance	(1,145,283)	(1,145,283)	(13,315)	3,819,778
Fund balance allocation	<u>1,145,283</u>	<u>1,145,283</u>	-	<u>(1,145,283)</u>
	<u>\$ -</u>	<u>\$ -</u>	(13,315)	<u>\$ 2,674,495</u>
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			<u>240,340</u>	
Fund balances at end of year--(GAAP Modified Accrual Basis)			<u>\$ 227,025</u>	



DISCRETELY PRESENTED COMPONENT UNIT HAMILTON COUNTY BOARD OF EDUCATION

Discretely presented component units are entities that are legally separate from the County, but the County is considered to be financially accountable for these entities. The Hamilton County Board of Education provides public education for grades Kindergarten through twelve.

GOVERNMENTAL FUND TYPES

General Purpose School Fund accounts for the operations of the school system, including instructional programs, administration, transportation, and other educational expenditures for the individual schools.

Centralized Cafeteria Fund accounts for the food service operations at the schools.

School Activity Fund accounts for extra curricular activities of the student bodies of the schools. The school principals and activity sponsors direct these activities.

Education Capital Projects Fund accounts for resources designated for major improvements to capital assets in the school system.

PROPRIETARY FUND TYPES

Hamilton County Board of Education Internal Service Fund accounts for the Hamilton County Board of Education self-insurance programs. The Board of Education is self-insured for on-the-job injury claims, non-tort liability claims, unemployment compensation, health insurance, and the dental reimbursement program.

**COMBINING BALANCE SHEET
HAMILTON COUNTY DEPARTMENT OF EDUCATION GOVERNMENTAL FUNDS**

**HAMILTON COUNTY, TENNESSEE
June 30, 2009**

	General Purpose School	Centralized Cafeteria	School Activity	Education Capital Projects	Total Department of Education Governmental Funds
ASSETS					
Cash	\$ 14,630,932	\$ 3,481,170	\$ 2,359,302	\$ 1,857,246	\$ 22,328,650
Certificates of deposit	-	-	390,098	-	390,098
Investments	22,861,410	308,348	-	2,190,689	25,360,447
Receivables (net of allowances for uncollectibles):					
Property taxes	116,375,569	-	-	-	116,375,569
Accounts	912,666	-	30,718	-	943,384
Intergovernmental	14,670,728	27,284	-	-	14,698,012
Due from other DOE funds	1,966,715	-	-	672,306	2,639,021
Inventories	54,481	338,833	14,353	-	407,667
Restricted Cash	-	-	2,804,964	-	2,804,964
Total assets	\$ 171,472,501	\$ 4,155,635	\$ 5,599,435	\$ 4,720,241	\$ 185,947,812
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,777,834	\$ 1,320	\$ 82,247	\$ 99,524	\$ 3,960,925
Accrued items and other	25,031,002	162,724	-	46,434	25,240,160
Due to other DOE funds	7,838,144	1,940,065	-	12,719	9,790,928
Due to primary government	278,621	30,406	-	-	309,027
Deferred revenues:					
Uncollected property taxes	111,613,935	-	-	-	111,613,935
Other	632,779	-	-	-	632,779
Total current liabilities	149,172,315	2,134,515	82,247	158,677	151,547,754
Fund Balances:					
Reserved for encumbrances	4,985,237	505,821	-	1,494,474	6,985,532
Reserved for inventories	54,481	338,833	14,353	-	407,667
Reserved by state statute	369,607	-	-	-	369,607
Reserved for restricted activities	-	-	2,804,964	-	2,804,964
Unreserved:					
Designated for specific purposes	3,801,592	-	-	-	3,801,592
Undesignated	13,089,269	1,176,466	2,697,871	3,067,090	20,030,696
Total fund balances	22,300,186	2,021,120	5,517,188	4,561,564	34,400,058
Total liabilities and fund balances	\$ 171,472,501	\$ 4,155,635	\$ 5,599,435	\$ 4,720,241	\$ 185,947,812

**RECONCILIATION OF THE BALANCE SHEET OF DEPARTMENT OF EDUCATION
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

HAMILTON COUNTY, TENNESSEE

June 30, 2009

Differences in amounts reported for the Department of Education in the statement of net assets
on page A-17:

Fund balances - total Department of Education governmental funds \$ 34,400,058

Amounts reported for the Department of Education in the statement of net
assets are different because:

Capital assets used in the Department of Education's governmental
activities are not financial resources and, therefore, are not
reported in the funds. 260,809,482

Certain revenues will be collected after year-end but are not available
soon enough to pay for the current period's expenditures and
therefore are deferred in the funds. 632,779

Internal service funds are used by management to charge the costs of
self-insurance programs to individual funds. The assets and
liabilities of the internal service funds are included in the
Department of Education in the statement of net assets. 12,570,484

Long-term payable to primary government are not due until the related
long term liability is due and payable. (823,875)

Long-term liabilities, consisting of accumulated leave and other long-term
debt, are not due and payable in the current period and therefore are not
(19,228,118)

Net ass reported in the funds. \$ 288,360,810

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
HAMILTON COUNTY DEPARTMENT OF EDUCATION GOVERNMENTAL FUNDS**

**HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009**

	General Purpose School	Centralized Cafeteria	School Activity	Education Capital Projects	Total Department of Education Governmental Funds
REVENUES					
Taxes	\$ 173,857,461	\$ -	\$ -	\$ -	\$ 173,857,461
Intergovernmental	149,280,751	10,551,852	-	-	159,832,603
Charges for services	4,360,042	5,936,084	14,039,238	-	24,335,364
Investment earnings	500,358	25,388	-	21,343	547,089
Miscellaneous	<u>6,689,327</u>	<u>1,749</u>	<u>-</u>	<u>-</u>	<u>6,691,076</u>
 Total revenues	 <u>334,687,939</u>	 <u>16,515,073</u>	 <u>14,039,238</u>	 <u>21,343</u>	 <u>365,263,593</u>
EXPENDITURES					
Current:					
Education	337,957,493	16,512,068	14,160,962	4,190,616	372,821,139
Capital outlay	<u>129,979</u>	<u>276,026</u>	<u>-</u>	<u>-</u>	<u>406,005</u>
 Total expenditures	 <u>338,087,472</u>	 <u>16,788,094</u>	 <u>14,160,962</u>	 <u>4,190,616</u>	 <u>373,227,144</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,399,533)</u>	<u>(273,021)</u>	<u>(121,724)</u>	<u>(4,169,273)</u>	<u>(7,963,551)</u>
OTHER FINANCING SOURCES (USES)					
Transfers between DOE funds	<u>(4,109,184)</u>	<u>-</u>	<u>-</u>	<u>4,109,184</u>	<u>-</u>
 Net change in fund balances	 (7,508,717)	 (273,021)	 (121,724)	 (60,089)	 (7,963,551)
 Fund balances, beginning	 <u>29,808,903</u>	 <u>2,294,141</u>	 <u>5,638,912</u>	 <u>4,621,653</u>	 <u>42,363,609</u>
 Fund balances, ending	 <u>\$ 22,300,186</u>	 <u>\$ 2,021,120</u>	 <u>\$ 5,517,188</u>	 <u>\$ 4,561,564</u>	 <u>\$ 34,400,058</u>

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

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009

Differences in amounts reported for governmental activities in the statement of activities
on pages A-18 and A-19:

Net change in fund balances - total Department of Education governmental funds	\$ (7,963,551)
Amounts reported for the Department of Education in the statement of activities are different because:	
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities	(9,127,799)
The net effect of various transactions involving capital assets is to increase net assets	2,980,753
The net effect of capital asset transactions involving Hamilton County is to increase net assets.	94,734,470
Other post employment benefits will not be funded therefore the expense is not recognized in the funds	(6,995,042)
The net revenues of internal service funds are reported with governmental activities	670,349
Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds	1,543,914
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds	<u>(88,263)</u>
Change in net assets of governmental activities	<u>\$ 75,754,831</u>

**BUDGETARY COMPARISON SCHEDULE
HAMILTON COUNTY DEPARTMENT OF EDUCATION GOVERNMENTAL FUNDS
GENERAL PURPOSE SCHOOL AND CENTRALIZED CAFETERIA**

**HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 115,248,924	\$ 115,248,924	\$ 118,352,443	\$ 3,103,519
Local sales tax	<u>57,587,320</u>	<u>57,587,320</u>	<u>55,505,018</u>	<u>(2,082,302)</u>
Total taxes	<u>172,836,244</u>	<u>172,836,244</u>	<u>173,857,461</u>	<u>1,021,217</u>
Intergovernmental revenues:				
State of Tennessee:				
Education	117,884,215	119,150,688	117,970,090	(1,180,598)
Food service	180,000	180,000	178,568	(1,432)
Federal funds received from State of Tennessee and other sources:				
Education	29,390,503	39,802,540	31,310,661	(8,491,879)
Food service	<u>9,950,000</u>	<u>9,950,000</u>	<u>10,373,284</u>	<u>423,284</u>
Total intergovernmental revenues	<u>157,404,718</u>	<u>169,083,228</u>	<u>159,832,603</u>	<u>(9,250,625)</u>
Charges for services:				
Education	3,912,000	3,912,000	4,360,042	448,042
Food service	<u>7,922,700</u>	<u>7,922,700</u>	<u>5,936,084</u>	<u>(1,986,616)</u>
Total charges for current services	<u>11,834,700</u>	<u>11,834,700</u>	<u>10,296,126</u>	<u>(1,538,574)</u>
Investment earnings:				
Education	1,400,000	1,400,000	500,358	(899,642)
Food service	<u>120,050</u>	<u>120,050</u>	<u>25,388</u>	<u>(94,662)</u>
Total investment earnings	<u>1,520,050</u>	<u>1,520,050</u>	<u>525,746</u>	<u>(994,304)</u>
Miscellaneous:				
Education	4,344,554	5,709,132	6,689,327	980,195
Food service	<u>-</u>	<u>-</u>	<u>1,749</u>	<u>1,749</u>
Total miscellaneous	<u>4,344,554</u>	<u>5,709,132</u>	<u>6,691,076</u>	<u>981,944</u>
Total revenues	<u>347,940,266</u>	<u>360,983,354</u>	<u>351,203,012</u>	<u>(9,780,342)</u>

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
HAMILTON COUNTY DEPARTMENT OF EDUCATION GOVERNMENTAL FUNDS
GENERAL PURPOSE SCHOOL AND CENTRALIZED CAFETERIA

HAMILTON COUNTY, TENNESSEE

Year ended June 30, 2009

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current:				
Education:				
Regular instruction program	\$ 148,889,505	\$ 151,941,086	\$ 151,759,691	\$ 181,395
Special education program	30,356,608	30,410,191	30,309,292	100,899
Vocational education program	8,584,885	8,932,698	8,934,225	(1,527)
Attendance	1,395,677	1,399,956	1,330,483	69,473
Health services	2,490,415	2,484,529	2,340,877	143,652
Other student support	5,834,199	6,770,027	6,736,090	33,937
Regular instruction support	8,601,731	9,662,179	9,527,120	135,059
Special education support	2,934,810	3,083,636	3,075,949	7,687
Vocational education support	250,183	253,680	246,531	7,149
Board of education	5,475,958	5,658,339	5,565,053	93,286
Office of superintendent	1,088,001	1,103,086	1,097,916	5,170
Office of principal	21,946,107	24,870,333	24,761,012	109,321
Fiscal services	2,787,962	2,854,188	2,837,136	17,052
Human resources	1,226,904	1,266,528	1,266,528	-
Operation of plant	23,940,308	22,890,081	22,688,282	201,799
Maintenance of plant	7,536,426	7,313,907	7,201,408	112,499
Transportation	12,626,839	12,822,359	12,738,825	83,534
Central and other	2,713,049	2,864,995	2,745,273	119,722
Community services	2,810,352	2,709,424	2,527,467	181,957
Early childhood	2,605,951	2,637,786	2,572,928	64,858
Federal programs	28,443,856	39,569,680	32,115,450	7,454,230
Other self funded projects	3,000,290	4,947,139	4,837,255	109,884
Education debt service	97,500	97,500	97,500	-
Food service	17,333,650	17,333,650	16,544,889	788,761
Total education	342,971,166	363,876,977	353,857,180	10,019,797
Capital outlay:				
Education	130,000	130,000	129,979	21
Food service	839,100	839,100	534,297	304,803
Total budgetary expenditures	343,940,266	364,846,077	354,521,456	10,324,621
OTHER FINANCING USES				
Transfers to other BOE funds	(4,000,000)	(4,109,184)	(4,109,184)	-
Net change in fund balance	-	(7,971,907)	(7,427,628)	544,279
Fund balance allocation	-	7,971,907	-	(7,971,907)
	\$ -	\$ -	(7,427,628)	\$ (7,427,628)
Add encumbrances at end of year			5,491,058	
Less encumbrances at beginning of year			(5,845,168)	
Excess of nonbudgeted revenues and other financing sources over over nonbudgeted expenditures and other financing uses (School Activity and Education Capital Projects)			(181,813)	
Net change in fund balance--(GAAP Modified Accrual Basis)			(7,963,551)	
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			42,363,609	
Fund balances at end of year--(GAAP Modified Accrual Basis)			\$ 34,400,058	

**STATEMENT OF NET ASSETS
HAMILTON COUNTY DEPARTMENT OF EDUCATION
INTERNAL SERVICE FUND**

**HAMILTON COUNTY, TENNESSEE
June 30, 2009**

	Department of Education Internal Service Fund
CURRENT ASSETS	
Cash	\$ 3,360,516
Investments	3,057,343
Receivables	903,121
Due from other DOE funds	7,175,484
Prepaid items	<u>2,169,736</u>
Total current assets	<u>16,666,200</u>
CURRENT LIABILITIES	
Accounts payable	901,636
Accrued claims	3,170,503
Due to other DOE funds	<u>23,577</u>
Total current liabilities	<u>4,095,716</u>
NET ASSETS	
Unrestricted	<u><u>\$ 12,570,484</u></u>

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS
HAMILTON COUNTY DEPARTMENT OF EDUCATION
INTERNAL SERVICE FUND**

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009

	Department of Education Internal Service Fund
OPERATING REVENUES	
Charges for services	\$ 50,183,314
Other	208,135
Total operating revenues	50,391,449
OPERATING EXPENSES	
Unemployment compensation	180,274
Claims and premiums	49,574,276
Total operating expenses	49,754,550
Operating loss	636,899
NONOPERATING REVENUES	
Investment earnings	33,450
Change in net assets	670,349
Net assets, beginning	11,900,135
Net assets, ending	\$ 12,570,484

**STATEMENT OF CASH FLOWS
HAMILTON COUNTY DEPARTMENT OF EDUCATION
INTERNAL SERVICE FUND**

**HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2009**

	Department of Education Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from insurance premiums	\$ 52,540,004
Cash paid for unemployment compensation	(180,274)
Cash paid for claims and premiums	<u>(50,431,979)</u>
Net cash used by operating activities	<u>1,927,751</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(3,009,102)
Interest on investments	<u>33,450</u>
Net cash provided by investing activities	<u>(2,975,652)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,047,901)
BEGINNING CASH AND CASH EQUIVALENTS	<u>4,408,417</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 3,360,516</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	<u>\$ 636,899</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Change in accounts receivable	(151,771)
Change in due from other funds	2,323,463
Change in prepaid items	450,815
Change in accounts payable	114,466
Change in accrued claims	(1,469,698)
Change in due to other funds	<u>23,577</u>
Total adjustments	<u>1,290,852</u>
Net cash used by operating activities	<u>\$ 1,927,751</u>

SCHEDULE OF PROPERTY TAXES RECEIVABLE

HAMILTON COUNTY, TENNESSEE

June 30, 2009

Year of Levy	Property Taxes Receivable	Allowance For Estimated Uncollectibles	Net Amount
2009 *	\$ 219,377,746	\$ 9,292,095	\$ 210,085,651
2008	16,116,106	536,939	15,579,167
2007	3,534,099	686,322	2,847,777
2006	1,266,362	357,114	909,248
2005	273,649	255,456	18,193
2004	309,321	264,594	44,727
2003	290,481	290,481	-
2002	258,970	258,970	-
	<u>\$ 241,426,734</u>	<u>\$ 11,941,971</u>	<u>\$ 229,484,763</u>

DISTRIBUTION TO PRIMARY GOVERNMENT

County General	<u>\$ 119,071,167</u>	<u>\$ 5,961,973</u>	<u>\$ 113,109,194</u>
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DISTRIBUTION TO COMPONENT UNIT

General Purpose			
School	<u>122,355,567</u>	<u>5,979,998</u>	<u>116,375,569</u>
	<u>\$ 241,426,734</u>	<u>\$ 11,941,971</u>	<u>\$ 229,484,763</u>

* Accrual of the anticipated current year levy is required by GASB Statement No. 33.

SCHEDULE OF CERTIFICATES OF DEPOSIT BY FUND

HAMILTON COUNTY, TENNESSEE

June 30, 2009

	Maturity Date	Interest Rate	Amount
PRIMARY GOVERNMENT:			
PENSION TRUST FUND	09/01/09	0.50%	\$ 49,672
AGENCY FUNDS			
Constitutional Officers:			
Circuit Court Clerk	Various	Various	3,029,769
Clerk and Master	Various	Various	7,089,248
Juvenile Court Clerk	Various	Various	904,310
Total primary government			11,072,999
COMPONENT UNITS:			
GOVERNMENTAL FUNDS			
School Activity:			
First Tennessee	Various	Various	54,192
SunTrust Bank	Various	Various	85,485
Cornerstone Community Bank	Various	Various	38,179
Community National Bank	5/21/2010	2.010%	26,885
Chattanooga Area Schools Federal Credit Union	Various	Various	185,357
			390,098
PROPRIETARY FUNDS			
"911" Emergency Communication:			
First Volunteer Bank	N/A	Variable	2,620,514
First Volunteer Bank	09/26/09	2.32%	576,109
First Volunteer Bank	12/26/09	1.88%	487,901
First Volunteer Bank	11/06/09	2.27%	905,960
First Tennessee	08/17/09	1.55%	1,812,078
SunTrust Bank	03/01/10	1.98%	968,318
Regions Bank	09/22/09	2.02%	535,824
Regions Bank	09/14/09	1.01%	96,211
			8,002,915
Total component units			8,393,013
Total			\$ 19,466,012

SCHEDULE OF INVESTMENTS BY FUND

HAMILTON COUNTY, TENNESSEE

June 30, 2009

	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>FACE VALUE</u>	<u>BOOK VALUE</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	\$ 63,128,549	\$ 63,128,549
Certificate of Deposit Classified as Investments	08/23/09	2.70%	15,000	15,000
SHERIFF				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	3,088,432	3,088,432
DEBT SERVICE				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	199,738	199,738
CAPITAL PROJECTS				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	8,738,920	8,738,920
State of Tennessee Local Government Investment Pool	N/A	Monthly Weighted Average	30,260,564	30,260,564
Regions Investment Pool	N/A	Monthly Weighted Average	2,500,400	2,500,400
OTHER GOVERNMENTAL FUNDS				
Juvenile Court Clerk:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	301,108	301,108
Governmental Law Library:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	88,944	88,944

(continued)

SCHEDULE OF INVESTMENTS BY FUND--(continued)

HAMILTON COUNTY, TENNESSEE

June 30, 2009

	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>FACE VALUE</u>	<u>BOOK VALUE</u>
OTHER GOVERNMENTAL FUNDS--(continued)				
Children's Services:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	\$ 1,229,967	\$ 1,229,967
Economic Crimes:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	47,548	47,548
INTERNAL SERVICE				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	21,435,000	<u>21,435,000</u>
Total Primary Government Funds				<u>131,034,170</u>
PENSION TRUST FUND				
Mutual Funds	Various	Various	1,297,323	1,297,323
Domestic Equity Securities	Various	Various	813,950	813,950
Foreign Equity Securities	Various	Various	78,302	78,302
AGENCY FUNDS				
Constitutional Officers:				
Juvenile Court Clerk:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	36,989	36,989
Sheriff:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	152,445	<u>152,445</u>
Total Fiduciary Funds				<u>2,379,009</u>

(continued)

SCHEDULE OF INVESTMENTS BY FUND--(continued)

HAMILTON COUNTY, TENNESSEE

June 30, 2009

	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>FACE VALUE</u>	<u>BOOK VALUE</u>
COMPONENT UNITS				
GOVERNMENTAL FUNDS				
General Purpose School:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	\$ 22,793,002	\$ 22,793,002
Certificate of Deposit Classified as Investments	04/21/10	1.80%	68,408	68,408
Centralized Cafeteria:				
State of Tennessee Local Government Investment Pool	N/A	Monthly Weighted Average	1,171	1,171
Regions Investment Pool	N/A	Monthly Weighted Average	307,177	307,177
BOE Internal Service:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	3,057,343	3,057,343
BOE Education Capital Projects:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	2,190,689	2,190,689
ENTERPRISE FUNDS				
"911" Emergency Communication:				
State of Tennessee Local Government Investment Pool	N/A	Monthly Weighted Average	4,656,912	<u>4,656,912</u>
Total Component Units				<u>33,074,702</u>
Total Investments				<u>\$ 166,487,881</u>

**SCHEDULE OF BONDS, CERTIFICATES AND NOTES PAYABLE,
AND OTHER DEBT**

**HAMILTON COUNTY, TENNESSEE
June 30, 2009**

NAME OF ISSUE	INTEREST		DATE OF ISSUE
	RATES	DATES	
BONDS PAYABLE			
General Improvement	4.550	8-1/2-1	03/01/98
School	4.550	8-1/2-1	03/01/98
General Improvement	4.600	8-1/2-1	03/01/98
	4.650		
	4.750		
	4.875		
	5.000		
	5.000		
	5.000		
	5.100		
	5.100		
	5.100		
	5.100		
	5.100		
	5.100		
	5.100		
	5.100		
	5.100		
General Improvement	5.000	11-1/5-1	11/01/00
School	5.000	11-1/5-1	11/01/00
General Improvement	4.000	10-1/4-1	10/15/02
School	4.000	10-1/4-1	10/15/02
General Improvement	5.000	1-1/7-1	02/10/04
	4.000		
	4.125		
School	5.000	1-1/7-1	02/10/04
	4.000		
	4.125		

(continued)

FUTURE MATURITY SCHEDULE	PRINCIPAL AMOUNT		
	ISSUED	RETIRED	OUTSTANDING
1,065,263, 08/01/2009	\$ 1,065,263	\$ -	\$ 1,065,263
199,737, 08/01/2009	199,737	-	199,737
220,000, 08/01/2009	220,000	-	220,000
225,000, 08/01/2010	225,000	-	225,000
235,000, 08/01/2011	235,000	-	235,000
250,000, 08/01/2012	250,000	-	250,000
265,000, 08/01/2013	265,000	-	265,000
275,000, 08/01/2014	275,000	-	275,000
290,000, 08/01/2015	290,000	-	290,000
305,000, 08/01/2016	305,000	-	305,000
320,000, 08/01/2017	320,000	-	320,000
335,000, 08/01/2018	335,000	-	335,000
355,000, 08/01/2019	355,000	-	355,000
370,000, 08/01/2020	370,000	-	370,000
395,000, 08/01/2021	395,000	-	395,000
415,000, 08/01/2022	415,000	-	415,000
435,000, 08/01/2023	435,000	-	435,000
460,625, 08/01/2024	460,000	-	460,000
600,283, a year, 11/01/2002-2009	4,802,264	4,201,981	600,283
2,934,717, a year, 11/01/2002-2009	23,477,736	20,543,019	2,934,717
596,250, 10/1/2009	596,250	-	596,250
1,788,750, 10/1/2009	1,788,750	-	1,788,750
1,266,666 a year, 1/1/2009-2010	2,533,332	1,266,666	1,266,666
1,266,667 a year, 1/1/2011-2018	10,133,336	-	10,133,336
1,266,666, 1/1/2019	1,266,666	-	1,266,666
733,334 a year, 1/1/2009-2010	1,466,668	733,334	733,334
733,333 a year, 1/1/2011-2018	5,866,664	-	5,866,664
733,334, 1/1/2019	733,334	-	733,334

**SCHEDULE OF BONDS, CERTIFICATES AND NOTES PAYABLE,
AND OTHER DEBT--(continued)**

**HAMILTON COUNTY, TENNESSEE
June 30, 2009**

NAME OF ISSUE	INTEREST		DATE OF ISSUE
	RATES	DATES	
BONDS PAYABLE--(continued)			
Water & Wastewater Treatment Authority	5.000	1-1/7-1	02/10/04
	4.000		
	4.000		
	4.000		
	4.000		
	4.000		
	4.000		
	4.000		
	4.000		
	4.125		
	4.500		
	4.500		
	4.500		
	4.500		
	4.500		
	4.600		
	4.600		
	4.600		
	4.600		
	4.650		
4.650			
4.650			
4.650			
4.650			
4.650			
General Improvement	4.000	3-1/9-1	04/08/08
	5.000		
	3.500		
	3.750		
	5.000		
	4.250		
	4.375		
School	4.000	3-1/9-1	04/08/08
	5.000		
	3.500		
	3.750		
	5.000		
	4.250		
	4.375		

(continued)

FUTURE MATURITY SCHEDULE	PRINCIPAL AMOUNT		
	ISSUED	RETIRED	OUTSTANDING
220,000, 1/1/2010	\$ 220,000	\$ -	\$ 220,000
220,000, 1/1/2011	220,000	-	220,000
230,000, 1/1/2012	230,000	-	230,000
235,000, 1/1/2013	235,000	-	235,000
245,000, 1/1/2014	245,000	-	245,000
255,000 a year, 1/1/2015-2016	510,000	-	510,000
270,000, 1/1/2017	270,000	-	270,000
280,000, 1/1/2018	280,000	-	280,000
290,000, 1/1/2019	290,000	-	290,000
310,000, 1/1/2020	310,000	-	310,000
320,000, 1/1/2021	320,000	-	320,000
335,000, 1/1/2022	335,000	-	335,000
350,000, 1/1/2023	350,000	-	350,000
365,000, 1/1/2024	365,000	-	365,000
380,000, 1/1/2025	380,000	-	380,000
400,000, 1/1/2026	400,000	-	400,000
420,000, 1/1/2027	420,000	-	420,000
440,000, 1/1/2028	440,000	-	440,000
460,000, 1/1/2029	460,000	-	460,000
480,000, 1/1/2030	480,000	-	480,000
505,000, 1/1/2031	505,000	-	505,000
530,000, 1/1/2032	530,000	-	530,000
555,000, 1/1/2033	555,000	-	555,000
580,000, 1/1/2034	580,000	-	580,000
2,199,433, 3/1/2010	2,199,433	-	2,199,433
2,201,134 a year, 3/1/2011-2014	8,804,536	-	8,804,536
2,199,433, 3/1/2015	2,199,433	-	2,199,433
2,199,433, 3/1/2016	2,199,433	-	2,199,433
2,199,433 a year, 3/1/2017-2020	8,797,732	-	8,797,732
2,199,433 a year, 3/1/2021-2022	4,398,866	-	4,398,866
2,199,433, 3/1/2023	2,199,433	-	2,199,433
4,265,567, 3/1/2010	4,265,567	-	4,265,567
4,268,866 a year, 3/1/2011-2014	17,075,464	-	17,075,464
4,265,567, 3/1/2015	4,265,567	-	4,265,567
4,265,567, 3/1/2016	4,265,567	-	4,265,567
4,265,567 a year, 3/1/2017-2020	17,062,268	-	17,062,268
4,265,567 a year, 3/1/2021-2022	8,531,134	-	8,531,134
4,265,567, 3/1/2023	4,265,567	-	4,265,567

**SCHEDULE OF BONDS, CERTIFICATES AND NOTES PAYABLE,
AND OTHER DEBT--(continued)**

**HAMILTON COUNTY, TENNESSEE
June 30, 2009**

NAME OF ISSUE	INTEREST		DATE OF ISSUE
	RATES	DATES	
BONDS PAYABLE--(continued)			
General Improvement	4.000	11-1/5-1	04/08/08
	5.000		
	5.000		
	4.000		
	3.250		
	3.250		
	4.000		
School	4.000	11-1/5-1	04/08/08
	5.000		
	5.000		
	4.000		
	3.250		
	3.250		
	4.000		
General Improvement	3.000	3-01/9-1	03/10/09
	3.000		
	3.500		
	4.000		
	3.500		
	4.000		
	4.000		
	4.125		
	4.375		
School	3.000	3-01/9-1	03/10/09
	3.000		
	3.500		
	4.000		
	3.500		
	4.000		
	4.000		
	4.125		
	4.375		

(continued)

FUTURE MATURITY SCHEDULE	PRINCIPAL AMOUNT		
	ISSUED	RETIRED	OUTSTANDING
825,803, 11/1/2009	\$ 825,803	\$ -	\$ 825,803
1,906,917, 11/1/2010	1,906,917	-	1,906,917
1,908,046, 11/1/2011	1,908,046	-	1,908,046
1,085,632, 11/1/2012	1,085,632	-	1,085,632
1,070,946, 11/1/2013	1,070,946	-	1,070,946
767,060, 11/1/2014	767,060	-	767,060
753,503, 11/1/2015	753,503	-	753,503
2,829,197, 11/1/2009	2,829,197	-	2,829,197
6,533,083, 11/1/2010	6,533,083	-	6,533,083
6,536,954, 11/1/2011	6,536,954	-	6,536,954
3,719,368, 11/1/2012	3,719,368	-	3,719,368
3,669,054, 11/1/2013	3,669,054	-	3,669,054
2,627,940, 11/1/2014	2,627,940	-	2,627,940
2,581,497, 11/1/2015	2,581,497	-	2,581,497
1,598,810, 03/01/2010	1,598,811	-	1,598,811
1,366,476 a year, 03/01/2011-2014	6,832,380	-	6,832,380
1,708,095, 03/01/2015	1,708,095	-	1,708,095
1,708,095 a year, 03/01/2016-2017	3,416,190	-	3,416,190
1,708,095, 03/01/2018	1,708,095	-	1,708,095
1,708,095 a year, 03/01/2019-2021	5,124,285	-	5,124,285
1,704,048, 03/01/2022	1,704,048	-	1,704,048
1,704,048, 03/01/2023	1,704,048	-	1,704,048
1,704,048, 03/01/2024	1,704,048	-	1,704,048
376,190, 03/01/2010	376,189	-	376,189
321,524 a year, 03/01/2011-2014	1,607,620	-	1,607,620
401,905, 03/01/2015	401,905	-	401,905
401,905 a year, 03/01/2016-2017	803,810	-	803,810
401,905, 03/01/2018	401,905	-	401,905
401,905 a year, 03/01/2019-2021	1,205,715	-	1,205,715
400,952, 03/01/2022	400,952	-	400,952
400,952, 03/01/2023	400,952	-	400,952
400,952, 03/01/2024	400,952	-	400,952
			200,110,000

**SCHEDULE OF BONDS, CERTIFICATES AND NOTES PAYABLE,
AND OTHER DEBT--(continued)**

HAMILTON COUNTY, TENNESSEE

June 30, 2009

<u>NAME OF ISSUE</u>	<u>INTEREST</u>		<u>DATE OF ISSUE</u>
	<u>RATES</u>	<u>DATES</u>	
TENNESSEE COUNTY LOAN POOL			
Notes, Series 1996	Variable	Monthly	Various
Notes, Series 1999	Variable	Monthly	Various
Qualified Zone Academy Bonds, Series 2003	None	-	Various

(continued)

<u>FUTURE MATURITY SCHEDULE</u>	<u>PRINCIPAL AMOUNT</u>		
	<u>ISSUED</u>	<u>RETIRED</u>	<u>OUTSTANDING</u>
850,300, 05/25/2010	\$ 850,300	\$ -	\$ 850,300
897,100, 05/25/2011	897,100	-	<u>897,100</u>
			<u>1,747,400</u>
700,000, 05/25/2010	700,000	-	700,000
728,000, 05/25/2011	728,000	-	728,000
757,000, 05/25/2012	757,000	-	757,000
788,000, 05/25/2013	788,000	-	788,000
819,000, 05/25/2014	819,000	-	<u>819,000</u>
			<u>3,792,000</u>
90,733, 12/23/2004-2018	1,361,000	453,666	<u>907,334</u>

**SCHEDULE OF BONDS, CERTIFICATES AND NOTES PAYABLE,
AND OTHER DEBT--(continued)**

**HAMILTON COUNTY, TENNESSEE
June 30, 2009**

NAME OF ISSUE	INTEREST		DATE OF ISSUE
	RATES	DATES	
OTHER DEBT OBLIGATIONS			
Agreement between the County & City of Chattanooga regarding Finley Stadium	5.000	9-1/3-1	3/1/2002
	5.380		
	5.380		
	5.380		
	5.000		
	4.380		
	4.500		
Agreement between the County & Corrections Corporation of America	Variable	Monthly	11/1/1998
SHORT TERM OBLIGATIONS			
Commercial Paper	Variable	Monthly	Various
Bond Anticipation Notes	Variable	Monthly	Various

*Under the terms of the Commercial Paper agreements, all Commercial Paper reaching maturity is refinanced through the issuance of replacement short-term Commercial Paper debt.

<u>FUTURE MATURITY SCHEDULE</u>	<u>PRINCIPAL AMOUNT</u>		
	<u>ISSUED</u>	<u>RETIRED</u>	<u>OUTSTANDING</u>
347,500, 9/1/2009	\$ 347,500	\$ -	\$ 347,500
362,500, 9/1/2010	362,500	-	362,500
385,000, 9/1/2011	385,000	-	385,000
402,500, 9/1/2012	402,500	-	402,500
422,500, 9/1/2013	422,500	-	422,500
427,500, 9/1/2014	427,500	-	427,500
445,000, 9/1/2015	445,000	-	<u>445,000</u>
			<u>2,792,500</u>
267,005, 12/7/2009	267,005	-	267,005
267,005, 12/7/2010	267,005	-	267,005
267,736, 12/7/2011	267,736	-	267,736
267,005, 12/7/2012	267,005	-	267,005
81,978, 12/7/2013	81,978	-	<u>81,978</u>
			<u>1,150,729</u>
			<u>210,499,963</u>
23,060,000*	23,060,000	-	<u>23,060,000</u>
23,500,000*	23,500,000	-	<u>23,500,000</u>
			<u>\$ 257,059,963</u>

DEBT SERVICE REQUIREMENTS TO MATURITY

HAMILTON COUNTY, TENNESSEE

June 30, 2009

Year Ended June 30	Combined Totals	GENERAL OBLIGATION BONDS		
		Bond Principal	Interest	Total
2010	\$ 79,030,848	\$ 21,720,000	\$ 8,364,957	\$ 30,084,957
2011	29,472,293	19,465,000	7,550,032	27,015,032
2012	27,723,798	19,490,000	6,641,495	26,131,495
2013	23,335,503	15,870,000	5,846,595	21,716,595
2014	22,478,053	15,830,000	5,184,551	21,014,551
2015	19,609,867	14,500,000	4,562,257	19,062,257
2016	19,036,685	14,455,000	4,035,939	18,490,939
2017	14,777,907	11,150,000	3,537,174	14,687,174
2018	14,288,519	11,175,000	3,022,786	14,197,786
2019	13,808,521	11,200,000	2,517,784	13,717,784
2020	11,238,076	9,240,000	1,998,076	11,238,076
2021	10,822,989	9,265,000	1,557,989	10,822,989
2022	10,464,919	9,300,000	1,164,919	10,464,919
2023	10,105,226	9,335,000	770,226	10,105,226
2024	3,268,126	2,905,000	363,126	3,268,126
2025	1,071,785	840,000	231,785	1,071,785
2026	602,575	400,000	202,575	602,575
2027	604,175	420,000	184,175	604,175
2028	604,855	440,000	164,855	604,855
2029	604,615	460,000	144,615	604,615
2030	603,225	480,000	123,225	603,225
2031	605,905	505,000	100,905	605,905
2032	607,422	530,000	77,422	607,422
2033	607,777	555,000	52,777	607,777
2034	606,970	580,000	26,970	606,970
	<u>\$ 315,980,634</u>	<u>\$ 200,110,000</u>	<u>\$ 58,427,210</u>	<u>\$ 258,537,210</u>

