

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

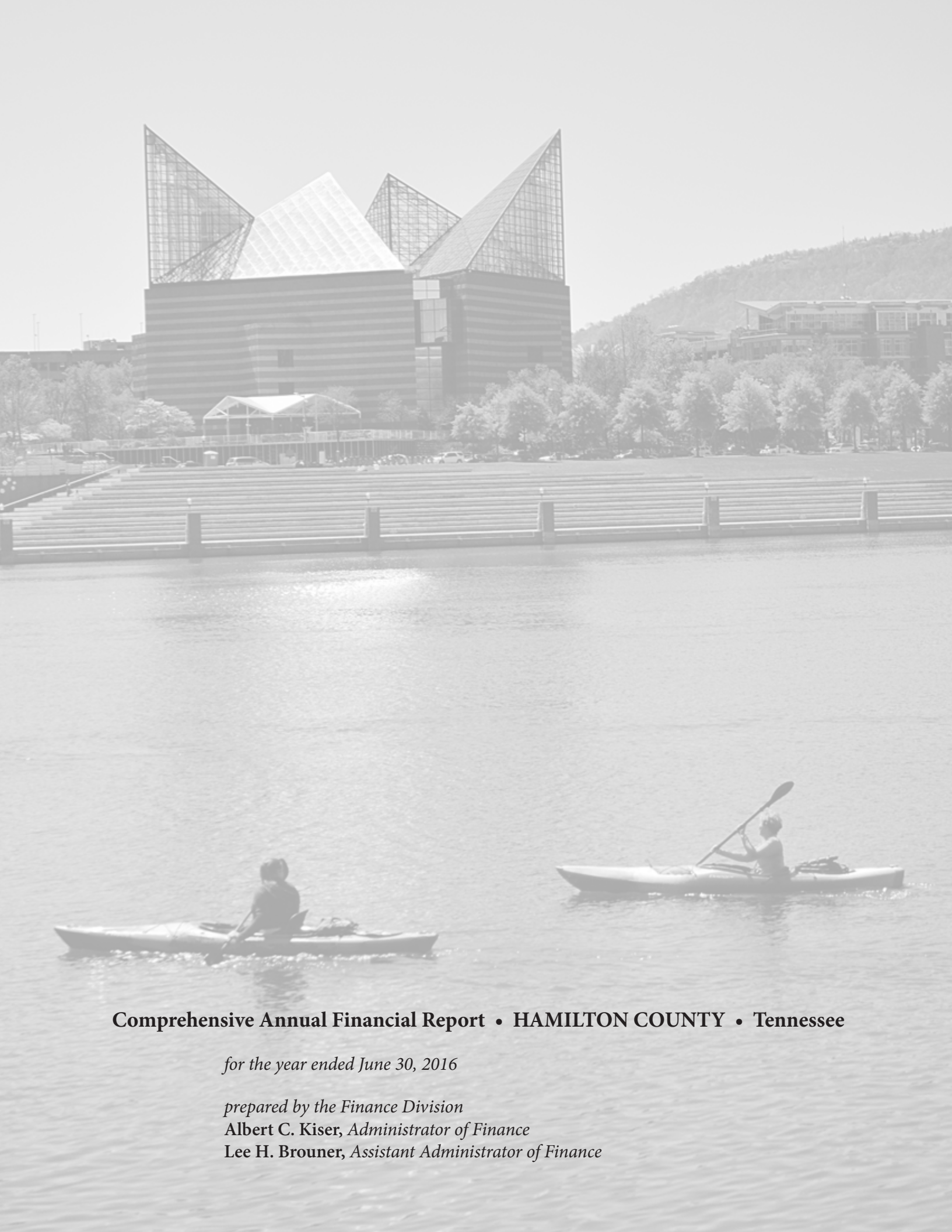
# Hamilton County Tennessee

*for year ended June 30, 2016*









**Comprehensive Annual Financial Report • HAMILTON COUNTY • Tennessee**

*for the year ended June 30, 2016*

*prepared by the Finance Division*

*Albert C. Kiser, Administrator of Finance*

*Lee H. Brouner, Assistant Administrator of Finance*





# TABLE OF CONTENTS

## 2016 Comprehensive Annual Financial Report - Hamilton County, Tennessee

### INTRODUCTORY SECTION

Letter from County Mayor Jim Coppinger	1
Board of Commissioners	5
Finance Administrator's Letter of Transmittal	7
Certificate of Achievement for Excellence in Financial Reporting	17
General Government Officials and Organization Chart	18 – 19

### FINANCIAL SECTION

Independent Auditors' Report	i – iii
Management's Discussion and Analysis	iv

#### Basic Financial Statements

##### Government-Wide Financial Statements

Statement of Net Position	A - 1
Statement of Activities	A - 2

##### Governmental Fund Financial Statements

Balance Sheet – Governmental Funds	A - 4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	A - 6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	A - 7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A - 9
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	A - 10

##### Proprietary Fund Financial Statements

Statement of Net Position – Proprietary Fund	A - 11
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	A - 12
Statement of Cash Flows – Proprietary Fund	A - 13

##### Fiduciary Fund Financial Statements

Statement of Fiduciary Net Position – Fiduciary Funds	A - 14
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	A - 15

##### Component Unit Financial Statements

Statement of Net Position – Component Units	A - 16
Statement of Activities – Component Units	A - 17

##### Notes to Basic Financial Statements

A - 19

#### Required Supplementary Information (unaudited)

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios – Hamilton County Legacy Plan	B - 1
Schedule of Proportionate Share of the Net Pension Liability (Asset) and Related Ratios – Teacher Legacy Pension Plan	B - 2
Schedule of Proportionate Share of the Net Pension Liability (Asset) and Related Ratios – Teacher Retirement Plan	B - 3
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios – Teachers' Plan	B - 4
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios – Employees' Plan	B - 5
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios – Commissioners' Plan	B - 6
Schedule of Employer Contributions – Public Employees' Retirement Systems	B - 7
Schedule of Employer Contributions – Employees' Plan and Commissioners' Plan	B - 8
Schedule of Employer Contributions – Teachers' Plan	B - 9
Schedule of Pension Investment Returns	B - 10
Schedule of Funding Progress – Other Postemployment Benefits	B - 11
Notes to Schedules of Required Supplementary Information	B - 12

# TABLE OF CONTENTS

## 2016 Comprehensive Annual Financial Report - Hamilton County, Tennessee

### FINANCIAL SECTION — continued

#### Other Supplementary Information

##### Budgetary Comparison Schedules

General Fund	C - 1
Debt Service Fund	C - 6
Nonmajor Governmental Fund	C - 7

##### Combining Financial Schedules

###### Governmental Funds

Combining Balance Sheet – Nonmajor Governmental Funds	C - 8
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	C - 10
Combining Balance Sheet – Constitutional Officers Nonmajor Governmental Funds	C - 12
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Constitutional Officers Nonmajor Governmental Funds	C - 14

###### Fiduciary Funds

Combining Statement of Changes in Assets and Liabilities – Constitutional Officers Agency Funds	C - 16
---	--------

##### Discretely Presented Component Unit – Hamilton County Department of Education

Combining Balance Sheet – Hamilton County Department of Education Governmental Funds	D - 1
Reconciliation of the Balance Sheet of Hamilton County Department of Education Governmental Funds to the Statement of Net Position	D - 2
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Hamilton County Department of Education Governmental Funds	D - 3
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Hamilton County Department of Education Governmental Funds to the Statement of Activities	D - 4
Budgetary Comparison Schedule – Hamilton County Department of Education Governmental Funds	D - 5
Statement of Net Position – Hamilton County Department of Education Internal Service Fund	D - 7
Statement of Revenues, Expenses and Changes in Fund Net Position – Hamilton County Department of Education Internal Service Fund	D - 8
Statement of Cash Flows – Hamilton County Department of Education Internal Service Fund	D - 9
Statement of Fiduciary Assets and Liabilities – Hamilton County Department of Education Agency Fund	D - 10
Statement of Changes in Assets and Liabilities – Hamilton County Department of Education Agency Fund	D - 11

##### Financial Schedules

Schedule of Property Taxes Receivable	E - 1
Schedule of Certificates of Deposit by Fund	E - 2
Schedule of Investments by Fund	E - 3
Schedule of Bonds, Notes Payable, and Other Debt	E - 6
Debt Service Requirements to Maturity	E - 12

### STATISTICAL SECTION (unaudited)

Schedule I – Net Position by Component	F - 1
Schedule II – Changes in Net Position	F - 3
Schedule III – Fund Balances, Governmental Funds	F - 5
Schedule IV – Changes in Fund Balance, Governmental Funds	F - 7
Schedule V – Assessed Value and Estimated Actual Value of Taxable Property	F - 9
Schedule VI – Direct and Overlapping Property Tax Rates	F - 11
Schedule VII – Principal Property Taxpayers	F - 13
Schedule VIII – Property Tax Levies and Collections	F - 15
Schedule IX – Ratios of Outstanding Debt by Type	F - 16



# TABLE OF CONTENTS

## *2016 Comprehensive Annual Financial Report - Hamilton County, Tennessee*

### **STATISTICAL SECTION (unaudited) — continued**

Schedule X – Ratios of General Bonded Debt Outstanding	F - 17
Schedule XI – Direct and Overlapping Governmental Activities Debt	F - 18
Schedule XII – Demographic and Economic Statistics	F - 19
Schedule XIII – Principal Employers	F - 20
Schedule XIV – Full-time Equivalent County Government Employees by Function/Program	F - 21
Schedule XV – Operating Indicators by Function/Program	F - 22
Schedule XVI – Capital Asset Statistics by Function/Program	F - 24
Schedule XVII – Salaries and Surety Bonds of Principal Officers	F - 26

### **SINGLE AUDIT SECTION**

Schedule of Expenditures of Federal and State Awards	G - 1
Notes to Schedule of Expenditures of Federal and State Awards	G - 6
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	G - 7
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Circular A-133	G - 9
Schedule of Findings and Questioned Costs	G - 11







# HAMILTON COUNTY, TENNESSEE

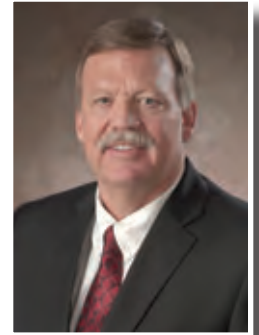
OFFICE OF THE COUNTY MAYOR

**JIM M. COPPINGER**

March 8, 2017

To the County Board of Commissioners  
And Citizens of Hamilton County

As Hamilton County's Mayor, supported by my staff, we continue to embrace my fiscally conservative government philosophy. Our financial team once again successfully maintained our AAA bond rating with three top rating agencies: Standard and Poor's, Moody's and Fitch. Due to our outstanding bond rating, we can borrow money at lower interest rates. This is important to taxpayers because it allows us to do additional initiatives with your tax dollars.



I firmly believe the government's money is the people's money and we are extremely careful in spending your tax dollars. This belief has allowed us to spend \$138 million in school construction projects during my mayoral tenure. We have continued our daily economic development efforts that have brought in tens of millions of dollars to Hamilton County. Plus, we have continued the services you have come to expect that make Hamilton County one of the best places in the United States to live, work and play.

We take great pride in our economic development efforts over the past five years. Since January 2011, we have created 13,381 jobs and brought over \$1.7 billion in investments into Hamilton County. There is no doubt in my mind that people across the globe continue to look at Hamilton County as one of the best places to create or invest in a business.

Companies such as TAG Manufacturing, Chattanooga Seating Systems, FedEx Ground, Miller Industries and others have all expanded over the last year. Volkswagen's expansion effort continues on schedule and will result in an additional 1,500 jobs this fiscal year as VW launches its mid-sized SUV in early 2017. Small businesses continue to be the backbone of our success; ninety-three percent of our businesses employ less than 50 people.

One of Hamilton County's great business success stories is our Business Development Center. The concept is simple. We create an environment where entrepreneurs can build their businesses so that they can grow and bloom into successful companies. There are currently 50 startup companies in the BDC, employing around 250 people. Forty percent are technology-based companies. Furthermore, 54 percent of the companies in the BDC are minority or women-owned. This is a significant increase from the 38 percent we reported last year. This number speaks volumes about the diversity of Hamilton County. More than 550 companies have left the BDC and entered the mainstream business world. Five years later, 92 percent of those companies continue to be in business.

As mentioned earlier, we have invested \$138 million in school construction projects. We dedicated the newly opened \$32.4 million Middle Valley Elementary School in September. Additionally, construction is ongoing on our \$12 million addition to Sale Creek Middle/High School. We are in the process of designing and then bidding on the \$5 million addition to Nolan Elementary and the \$5 million Wolftever Elementary School addition. We have completed construction on an additional roadway entrance into Daisy Elementary.

**TO THE COUNTY BOARD OF COMMISSIONERS  
AND CITIZENS OF HAMILTON COUNTY**

*- continued from page one*

Our commitment to advanced education and critical thinking is unwavering with our support of not only the STEM School (Science, Technology, Engineering and Math) but also the “Pathways to Prosperity” initiative. Pathways provides students the opportunity to choose an educational pathway to success. Pathways promotes a path for post-secondary student education, leading to potential certificates to participate in advanced manufacturing or IT jobs. This is a key element to creating a workforce for our 21st century job goals.

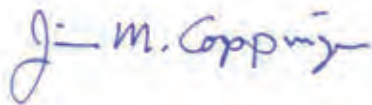
We have continued our commitment to our local volunteer fire departments with three construction projects. New facilities have been completed in the Tri-Community and Sale Creek communities, as well as an addition to the existing Dallas Bay Volunteer Fire Department. We are currently in the process of closing on a land purchase for a new fire hall for Waldens Ridge Emergency Service and an architect is expected to be selected by year’s end.

We have made all of these commitments without a tax increase. Our conservative fiscal approach has allowed us to continue to present balanced budgets throughout my tenure as mayor without ever having a conversation about increasing your taxes. We strongly believe it is important to have a low property tax for future residential and commercial investment. We will always work to promote growth to create revenue.

Our initiatives to improve the quality of life for all of our citizens continue. The Read 20 program, a public-private partnership designed to have young children reading at third grade level, has given away 974,896 books, worth over 11.6 million dollars. All grade school children, whether they attend public or private schools, now use the Public Library free of charge. Our Hamilton County Discount Prescription Card Program has been used over 436,000 times and saved our citizens \$13 million since it began in February 2007. The Hamilton County Parks and Recreation Department continues to host about 150,000 visitors annually at our Enterprise South Nature Park, and the Chester Frost Park campgrounds hosted over 75,000 campers during the last 12 months.

My commitment since I took office is to work every day to make Hamilton County a better place for you to work and live. This commitment continues daily, and our work to create the opportunity for every citizen to succeed and prosper is continuing. My promise to you over the past five years has been to make Hamilton County the standard for other communities to view and emulate. My pledge to you is that we will continue to enhance public education, create jobs and new businesses while expanding existing Hamilton County businesses.

Sincerely,

A handwritten signature in blue ink that reads "Jim M. Coppinger". The signature is written in a cursive style with a horizontal line under the name.

**Jim M. Coppinger**  
*County Mayor*











**BOARD OF COMMISSIONERS - As of June 30, 2016**



**Chester Bankston**  
District 9  
*Chairman*



**Gregory Beck**  
District 5  
*Commissioner*



**Tim Boyd**  
District 8  
*Commissioner*



**Randy Fairbanks**  
District 1  
*Chairman, Pro Tempore*



**James A. (Jim) Fields**  
District 2  
*Commissioner*



**Joe Graham**  
District 6  
*Commissioner*



**Marty Haynes**  
District 3  
*Commissioner*



**Warren Mackey**  
District 4  
*Commissioner*



**Sabrena Smedley**  
District 7  
*Commissioner*



Imagination is more important  
than knowledge."  
-Albert Einstein





**HAMILTON COUNTY, TENNESSEE**

**ALBERT C. KISER**

*Administrator of Finance*

March 8, 2017

**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, 2016. This report was prepared in accordance with generally accepted accounting principles (GAAP) by the Finance Division of Hamilton County.

The County assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe that the financial information, as presented in this CAFR, is accurate in all material respects. This financial information 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.

The State of Tennessee requires an annual audit of the County's financial records. An independent firm of certified public accountants, Mauldin & Jenkins, LLC, 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 with the State Comptroller of the Treasury. The independent auditor concluded, based on the audit, that the County's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP and thus rendered an unmodified opinion. The report of independent auditors 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 Hamilton County Water & Wastewater Treatment Authority, and the Hamilton County Railroad Authority. These agencies are included based on criteria established by the Governmental Accounting Standards Board (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 iv of the Financial Section.



## PROFILE OF HAMILTON COUNTY, TENNESSEE

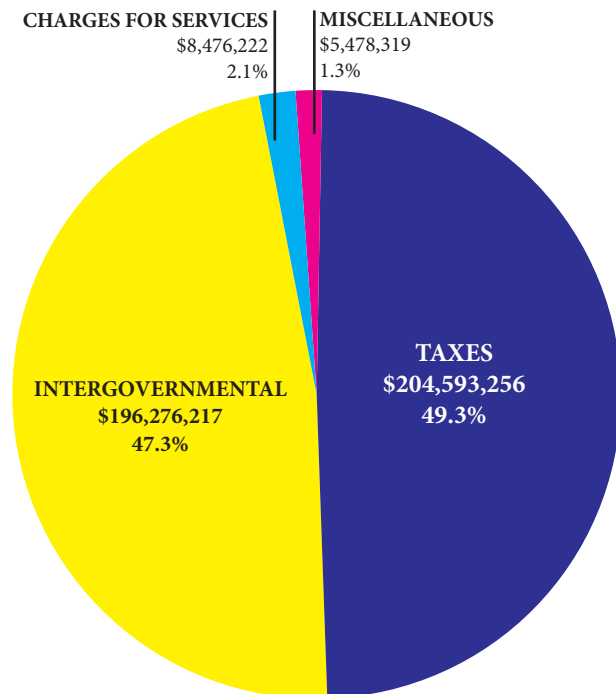
Hamilton County is located in the southeast region of the State of Tennessee, with the City of Chattanooga as its largest city. It is approximately 120 miles southwest of Knoxville, Tennessee; 360 miles east of Memphis, Tennessee; 120 miles southeast of Nashville, Tennessee, which is the State capital;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

The County was incorporated on October 25, 1819, by the Thirteenth Tennessee General Assembly meeting at Murfreesboro. 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 Assessor of Property, Circuit Court Clerk, County Clerk, Criminal Court Clerk, Juvenile Court Clerk, Register of Deeds, Sheriff 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 district to four-year terms. The Department of Education, a component unit, is managed by a nine-member board that is elected by district to four-year terms that are staggered so that no more than five are elected in any election year.

The County provides its citizens with 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 the Hamilton County Department of Education, Hamilton County Water & Wastewater Treatment Authority, Hamilton County "911" Emergency Communication District, and Hamilton County Railroad Authority.

Even though the Hamilton County Department of Education (HCDE) is a separate legal entity from Hamilton County government, it constitutes a major portion of the funding requirements for the County. The HCDE has 6,307 employees and serves a total student population of 43,105. The total HCDE operating budget for fiscal year 2016 was \$414.8 million. Hamilton County provided funding for 49.3%, or \$204.6 million of this operating budget through property taxes, sales taxes, and use of fund balance. State and federal appropriations and grants provided \$196.2 million; charges for services provided \$8.5 million; and investments and miscellaneous items provided \$5.5 million.

## HAMILTON COUNTY DEPARTMENT OF EDUCATION REVENUE BUDGET BY SOURCE FOR FISCAL YEAR ENDING JUNE 30, 2016



The Board of Commissioners adopted the fiscal year 2016 annual budget for the County in June 2015. 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 January of each year. The County Mayor publicly submits a budget to the Board of Commissioners for 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. 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.

## LOCAL ECONOMIC OUTLOOK

The economy for Hamilton County remains steady, strong and healthy. According to the Tennessee Department of Labor, the unemployment rate for Hamilton County as of June 30, 2016 was 4.9%, as compared to the state's rate of 4.1% and the national rate of 4.9%. With the County's continued emphasis on economic development, there are plenty of opportunities for employment growth on the horizon. Continued development of the riverfront, downtown, and promotion of the Enterprise South Industrial Park are all positive marks for the local economy.

## ENTERPRISE SOUTH INDUSTRIAL PARK

Enterprise South Industrial Park continues to be developed and used in recruiting new and expanded businesses to Hamilton County. The Park's two largest employers are both relatively new to the Hamilton County area: Volkswagen Group of America and Amazon.com, Inc. Volkswagen arrived in Hamilton County in 2008, originally invested \$1 billion to build its manufacturing plant, and is in the final stages of completion of a \$600 million addition to the plant. Volkswagen has scheduled release of its new seven-passenger Atlas SUV vehicle for early 2017, and anticipates an increase in its number of employees at its Chattanooga plant from approximately 2,200 in 2015 to 3,400 in early 2017. The number of employees working at ancillary suppliers and associated businesses supporting Volkswagen is planned to increase from 10,000 in 2015 to 17,700 in early 2017 across the State of Tennessee.

Amazon.com, Inc. opened a major distribution and fulfillment center at Enterprise South in 2010 at a cost of \$91 million. The center currently employs 3,312 people.

Enterprise South Industrial Park currently is home to 17 companies and more than 7,000 jobs in Hamilton County. Gestamp North America's current expansion will increase employment by 175 and increase the size of the building to just over 600,000 square feet. Additionally, Gestamp is constructing a new 180,000 square foot facility that will employ an additional 200. Gestamp plans to double this new facility within three years.

TAG Manufacturing currently employees 300 in a 200,000 square foot building plus an adjacent office building. TAG's future includes plans to expand their presence in the Enterprise South Industrial Park to accommodate new business.

## THE RIVERWALK

The Tennessee Riverwalk is an 8-12 foot wide paved, landscaped and lighted scenic urban greenway anchored along the southern bank of the Tennessee River. The latest 3.5 mile segment extends the 10 mile route from Chickamauga Dam to the heart of the downtown business and tourism district to Lookout Mountain and the hundreds of miles of trails extending into Alabama and Georgia. This new 3.5 mile section opened for public use in late summer 2016. The Riverwalk is an acknowledged catalyst for billions of dollars of downtown redevelopment and a connector for neighborhoods and business districts. Planners are already working on the next phase which will continue from the Wheland Foundry Trailhead (which is at the end of the newest section) down south Broad Street to the Incline in St. Elmo.

## FUND BALANCE

Hamilton County's year-end balances continue to remain healthy. Our strong reserves allow us to manage any unexpected shortfalls in revenues. The County has consistently maintained a reserve in the General Fund equivalent to at least three months of expenditures and will continue to do so.

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

	General Fund	Special Revenue Funds	Debt Service Fund
2007	\$58,334	\$8,542	\$1,653
2008	77,102	8,638	240
2009	84,070	7,626	227
2010	87,920	6,936	298
2011	95,967	6,024	237
2012	104,431	5,363	387
2013	111,169	6,034	358
2014	111,433	4,566	923
2015	91,394	3,536	1,330
2016	92,395	4,119	1,849







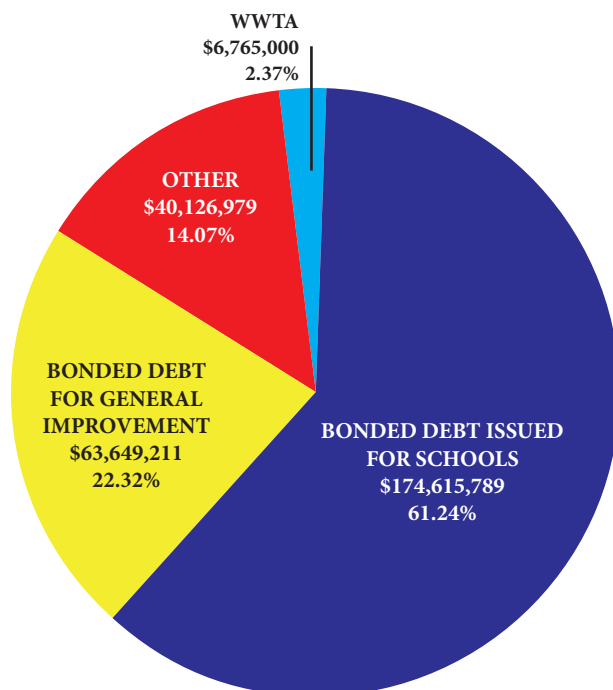
## LONG-TERM FINANCIAL PLANNING

As a result of sound financial management practices, Hamilton County has been able to continue providing the same high level of services to its citizens without a tax increase for the eighth consecutive year. Long-term financial planning includes both operations and capital needs. The Mayor and Commission work closely together in a timely and thorough budgeting process to map out an operational plan for each upcoming year.

The County's capital needs are addressed annually in its operating budget and long-term through its five-year capital plan. Short-term capital needs such as vehicles, computers, office equipment, etc., are funded through the annual operating budget.

The County's long-term capital needs are financed using a short-term revolving line of credit agreement coupled with fifteen-year general obligation bonded debt. The revolving line of credit agreement enables the County to start its long-term capital projects sooner, and its rapid, fifteen-year debt amortization keeps the County's total debt load at a manageable level. This rapid amortization results in principal retirement of approximately fifty percent (50%) within five years and eighty-three percent (83%) within ten years.

### HAMILTON COUNTY TOTAL DEBT AS OF JUNE 30, 2016 \$285,156,979



## Ratio of General Bonded Debt Outstanding

Fiscal Year Ended June 30	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2007	\$107,730,000	0.46%	\$344
2008	188,260,000	0.78%	570
2009	200,110,000	0.71%	601
2010	206,960,000	0.73%	614
2011	185,550,000	0.65%	551
2012	223,705,000	0.78%	656
2013	263,545,000	0.91%	763
2014	238,300,000	0.81%	683
2015	272,965,000	0.92%	777
2016	245,030,000	0.81%	692

## RELEVANT FINANCIAL POLICIES

Hamilton County consistently maintains a low debt burden. This has been accomplished through sound, conservative debt management practices. In 2012, the County revised its debt policy in order to establish and codify its objectives and practices. The policy's goal is to assist all concerned parties in understanding the County's debt management approach and to promote transparency for our citizens, investors and all other interested parties.

The County consistently maintains a strong unassigned fund balance in the general fund which exceeds its reserve policy of twenty-five percent (25%) of its operating budget. This minimizes the negative effect of any unanticipated expenditures and/or loss of any major revenue source.

## MAJOR INITIATIVES

Hamilton County's commitment to its mission of meeting the needs of people where they live, work and play guides our plans for the future and directs us toward delivering quality services to our citizens.

## PLANNED GROWTH STRATEGIES

Hamilton County Government has established a team consisting of elected officials, business leaders, civic and community organizations and involved citizens to create and implement a strategic plan to manage the expected population growth of our area resulting





from recent economic developments. This regional plan will ensure balanced growth, promote economic development, and protect and enhance the quality of life for all. Specific areas addressed include housing, transportation, land use, environmental, energy, green space and infrastructure.

## ECONOMIC DEVELOPMENT

Our economic development initiative reflects our goal of a viable and sustainable economic future for our community. We believe this is vital for those who live here and for those who are considering relocating to Hamilton County.

**Enterprise South Industrial Park** – In June 2014, Volkswagen announced that it was embarking on a major expansion of its automobile manufacturing plant in Hamilton County. The expansion is proceeding as expected, resulting in a capital investment of \$600 million and creating 2,000 new and well-paying VW jobs. Hamilton County, along with the City of Chattanooga and the State of Tennessee, spent a significant amount of time and capital in working with Volkswagen to make this major economic expansion a reality.

**Job Growth outside of Enterprise South** - Eleven company expansions and four relocations brought over 4,800 new jobs and \$820 million in investment to Hamilton County in 2015. While the majority were sparked by the Volkswagen expansions and associated growth in supplier companies, other notable projects include:

- Remington Industries expansion will create 89 new jobs with an investment of \$4 million in Hamilton County's Mountain View Industrial Park.
- Yanfeng Automotive Interiors will invest \$55 million and create 325 new jobs at their plant in the Bonnyshire Industrial Park.
- Miller Industries announced a \$13 million expansion that will create 59 new jobs.
- FedEx is constructing a new ground delivery operation at I-75 and Volkswagen Drive. This project represents a \$30 million investment.
- West Star Aviation built an aircraft maintenance and repair facility on-site at the Chattanooga Metropolitan Airport. West Star will invest \$22.5 million and expects to hire 250 workers.

- McKee Foods announced a \$102 million expansion for new office space and baking equipment that will create 50 new jobs.
- VaynerMedia is an advertising agency that expects to create 75 new jobs.

**Business Development Center** – The Hamilton County Business Development Center (BDC) is a 125,000 square-foot facility that has been renovated into a highly successful business incubator. The BDC offers start-up businesses office or manufacturing space at highly competitive lease rates for up to 3 years. Each year the incubator graduates 20-25 companies into the market. The program recently celebrated its 27th anniversary and graduated its 540th business into the local economy. The BDC has achieved national recognition for its success and is among the top six percent of the nation's business incubators.

## PUBLIC EDUCATION IMPROVEMENT

The Hamilton County Department of Education has an independently elected board tasked with operating the K-12 public school system in the County. Hamilton County is a primary funding source for the school system, with approximately 50 percent of the County property tax levy directed toward the school system.

The County also assists the school system through the issuance of debt and general obligation bonds to build, renovate and expand the school facilities. Since the turn of the century, the County has built 17 new schools and expended over \$395 million toward modernizing and upgrading the County school buildings and grounds. The 2017 approved capital plan includes \$28.4 million for construction of one replacement elementary school and the renovation and/or expansion of three County schools from the County's revolving line of credit agreement.

## QUALITY OF LIFE ISSUES

Hamilton County citizens and visitors are able to enjoy one of the finest naturally beautiful environments in the Southeast. The County's surrounding mountains, state and national forests, as well as its rivers and streams have afforded this area its reputation as a leading destination for outdoor activities.





- **Enterprise South Nature Park** – The Park is located on 2,800 wooded acres adjacent to the Enterprise South Industrial Park. It offers miles of walking paths, bicycle paths and off-road biking trails. The County expects to open the first public equestrian trails at the park in Spring 2017.
- **Step ONE** – This county-wide initiative addresses the problem of obesity in our community by promoting physical fitness, nutrition, and healthy lifestyles. This effort is guided by the County Mayor and the Hamilton County Regional Health Council.
- **IRIS Project** – Increasing the Rate of Infant Survival (IRIS) works to initiate new, creative and innovative programs that have a positive impact on Infant Mortality Rates, which are thought to be one of the best predictors of a community's overall health status.
- **Chester Frost Park** – Located on 198 acres on the shores of Lake Chickamauga, Chester Frost Park has long been a favorite destination for those who enjoy camping, fishing, swimming and other outdoor activities. Chester Frost Park hosts numerous fishing tournaments and the annual County Fair. County leaders are exploring a number of opportunities to increase the economic and social potential of the park.







## 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, 2015. Hamilton County has received this award for 35 consecutive years.

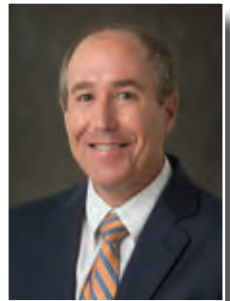
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable 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 ended June 2016. This is the 14th 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 ending June 2017 continues to conform to program requirements, and we have submitted it to GFOA to determine its eligibility for another award.



**Albert C. Kiser**  
*Administrator of Finance*



**Lee H. Brouner**  
*Assistant Administrator of Finance*



### ACKNOWLEDGMENTS

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,



**Albert C. Kiser, CPA, CGFM**  
*Administrator of Finance*



**HAMILTON COUNTY  
GENERAL GOVERNMENT OFFICIALS**

*(as of June 30, 2016)*

Jim Coppinger, *County Mayor*  
Mike Compton, *Chief of Staff*  
Dan Saieed, *Director of Development*

**Board of Commissioners**

Chester Bankston, *Chairman*  
Gregory Beck  
Tim Boyd  
Randy Fairbanks, *Chairman Pro Tempore*  
James A. Fields  
Joe Graham  
Marty Haynes  
Warren Mackey  
Sabrena Smedley

**Legislative**

Patricia Moore, *Legislative Administrator*

**Constitutional Officers**

Kerry Steelman, *Administrator of Elections*  
Bill Bennett, *Assessor of Property*  
Larry Henry, *Circuit Court Clerk*  
Robin Miller, *Clerk & Master*  
William F. Knowles, *County Clerk*  
Vince Dean, *Criminal Court Clerk*  
Neal Pinkston, *District Attorney*  
Steve Smith, *District Public Defender*  
Gary Behler, *Juvenile Court Clerk*  
Robert D. Philyaw, *Juvenile Court Judge*  
Dr. James Metcalfe, *Medical Examiner*  
Pam Hurst, *Register of Deeds*  
Jim Hammond, *Sheriff*  
Bill Hullander, *Trustee*

**Division & Department Heads**

**AUDITING**

Bill W. McGriff, *County Auditor*

**FINANCE**

Albert C. Kiser, *Administrator*  
Lee H. Brouner, *Assistant Administrator of Finance*  
Gail Roppo, *Director of Purchasing and Contract Management*  
Bart McKinney, *Director of Information Technology*

**GENERAL SERVICES**

Donald L. Norris, *Administrator*  
Tony Reavley, *Director of Emergency Services*  
Barbara Payne, *Director of Corrections*  
Tom Lamb, *Director of Recreation*  
Ken Wilkerson, *Director of Emergency Medical Services*

**HEALTH SERVICES**

Becky Barnes, *Administrator*  
Tammy M. Burke, *Director of Clinical Services*  
Diana Kreider, *Director of Case Management Services*  
Bonnie Deakins, *Director of Environmental Health*  
Nettie Gerstle, *Director of Administrative Services*  
Bill Ulmer, *Director of Community Health Services*

**HUMAN RESOURCES**

Alecia Poe, *Administrator*  
Sandra Ellis, *Director of Human Resources*

**LEGAL**

Rheubin M. Taylor, *County Attorney*

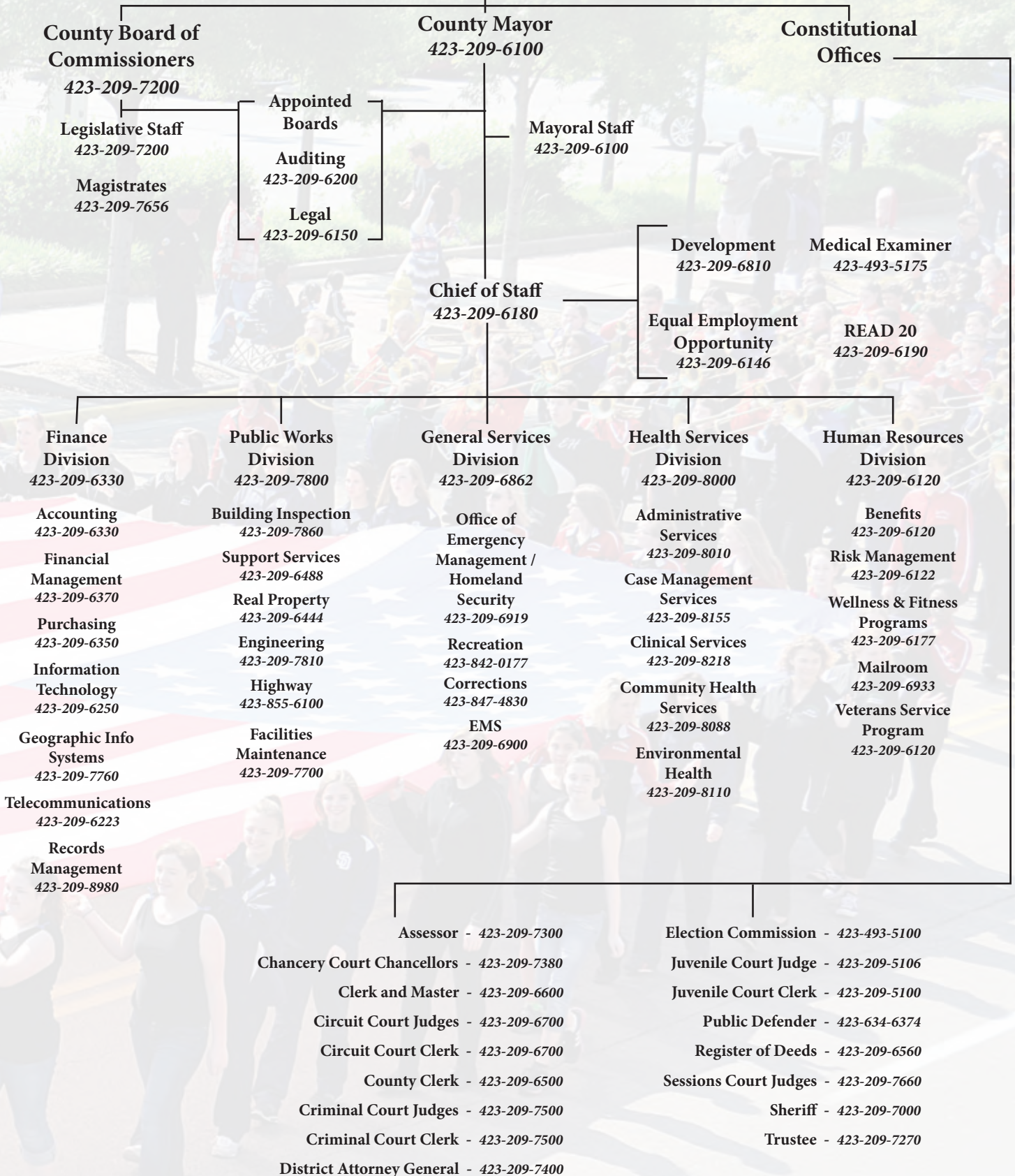
**PUBLIC WORKS**

Todd Leamon, *Administrator and County Engineer*  
Ben Wilson, *Director of Highway Department*  
John Agan, *Director of Engineering and Facilities Maintenance*  
Randy Parnell, *Director of Building Inspection*





# CITIZENS











## INDEPENDENT AUDITORS' REPORT

---

**To the County Commission  
of Hamilton County, Tennessee  
Chattanooga, Tennessee**

### **Report on the Financial Statements**

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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hamilton County "911" Emergency Communications District, which represents 3 percent, 4 percent, and 3 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hamilton County "911" Emergency Communications District, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

---

***Auditor's Responsibility (continued)***

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

***Opinions***

In our opinion, based on our audit and the report of the 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages IV through XX), schedules of required supplementary information – (on pages B-1 through B-12) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



---

*Other Information*

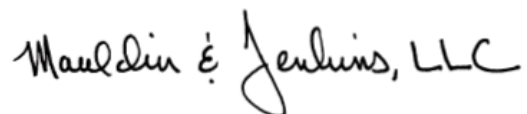
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hamilton County, Tennessee’s basic financial statements. The combining and individual fund financial statements for the governmental funds, fiduciary funds, and discretely presented component unit – Hamilton County Board of Education, the budgetary comparison schedules, the financial schedules, and introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements for the governmental funds, fiduciary funds, and discretely presented component unit – Hamilton County Board of Education, the budgetary comparison schedules, the financial schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2017, on our consideration of Hamilton County, Tennessee’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County’s internal control over financial reporting and compliance.



Chattanooga, Tennessee  
March 8, 2017

# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016. 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

### Government-wide Financial Statements

- The government-wide assets and deferred outflows of resources of Hamilton County at the close of fiscal year 2016 were \$675.4 million.
- Government-wide revenues totaled \$240.9 million, an increase of \$13.7 million (5.7%) from the prior year.
- Government-wide expenses were \$233.6 million, an increase of \$7.3 million (3.1%) from the prior year.
- Total bonded debt at June 30, 2016 for the County was \$245.0 million, of which \$174.6 million (71.3%) was assigned to the Hamilton County Department of Education for capital additions and improvements.
- The County drew \$40 million in December 2015 from its revolving credit agreement to provide funding for certain school construction and general government projects. This draw will be repaid in 2017.

### Fund Financial Statements

- Revenues for governmental funds increased \$13.7 million, or 6.0% from last year.
- Expenditures for governmental funds decreased \$6.5 million, or 2.1% from last year.
- Capital project expenditures were \$71.7 million with \$36.6 million spent for school construction projects.
- Operating transfers from the General Fund decreased by \$20.1 million (33.9%) from the prior year. This was the direct result of the

one-time transfer in the previous year of \$26.25 million from the General Fund to the Capital Projects Fund in conjunction with the major expansion of the Volkswagen plant.

## 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. The other supplementary information includes detailed budget to actual comparisons of the General Fund and other budgeted County funds; combining statements for nonmajor governmental funds; statements of account activity in fiduciary agency funds; and combining financial statements for the County's largest discretely presented component unit, the Hamilton County Department of Education.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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


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

- (1) Net investment in capital assets,
- (2) Restricted net position, and
- (3) Unrestricted net position.

The County's net position at the end of fiscal year 2016 of \$157.5 million increased \$7.3 million (4.6%) from the balance at the prior year end.

The Statement of Activities presents information showing how the government's net position changed during fiscal year 2016. 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 position. This statement is intended to summarize 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. Hamilton County has no business-type activities.

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.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

## 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 several 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, Debt Service and Capital Projects funds. Data from the other governmental funds, Constitutional Officers, Governmental Law Library, Hotel/Motel 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-10 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-11 to A-13 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 statements because the resources of those funds are not available to support the County's own programs. The basic fiduciary fund financial statements can be found on pages A-14 and A-15 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-19 to A-61 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-8 to D-11; the various financial and statistical tables can be found on pages E-1 to F-26.



# GOVERNMENT-WIDE FINANCIAL ANALYSIS

## NET POSITION HAMILTON COUNTY, TENNESSEE

	Governmental Activities	
	2016	2015
<b>ASSETS</b>		
Current and Other Assets	\$ 332,181,404	\$ 341,749,858
Capital Assets	308,643,243	283,452,163
<b>TOTAL ASSETS</b>	<b>640,824,647</b>	<b>625,202,021</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension contributions	29,923,483	14,423,401
Deferred loss on refunding	4,683,625	5,318,202
	<u>34,607,108</u>	<u>19,741,603</u>
<b>LIABILITIES</b>		
Long-term Liabilities	339,887,190	322,887,347
Other Liabilities	37,705,854	31,415,136
<b>TOTAL LIABILITIES</b>	<b>377,593,044</b>	<b>354,302,483</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned property tax revenue	114,572,416	112,226,286
Deferred inflows from pensions	25,759,591	28,205,944
	<u>140,332,007</u>	<u>140,432,230</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	243,547,592	244,360,829
Restricted	-	-
Unrestricted	(86,040,888)	(94,151,918)
<b>TOTAL NET POSITION</b>	<b>\$ 157,506,704</b>	<b>\$ 150,208,911</b>

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial health. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$157.5 million at the close of the fiscal year ended June 30, 2016.

Net position is comprised of three elements:

- (1) Net investment in capital assets (e.g., land, buildings, infrastructure and equipment);
- (2) Restricted net position held for restrictions as prescribed by law; and
- (3) Unrestricted net position. The long-term liabilities of \$339.9 million include \$174.6 million of debt for assets contributed to the Hamilton County Department of Education, a component unit, which results in negative unrestricted net position.



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

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>REVENUES</b>		
Program Revenues		
Charges for Services	\$ 44,944,954	\$ 43,452,431
Operating Grants and Contributions	28,271,264	28,079,517
Capital Grants and Contributions	14,573,339	6,678,478
Total Program Revenues	<u>87,789,557</u>	<u>78,210,426</u>
General Revenues		
Property Taxes	133,609,320	131,896,902
Other Taxes	18,784,131	16,458,733
Other	683,047	662,270
Total General Revenues	<u>153,076,498</u>	<u>149,017,905</u>
<b>TOTAL REVENUES</b>	<u>240,866,055</u>	<u>227,228,331</u>
<b>EXPENSES</b>		
General Government	66,599,969	61,957,402
Public Safety	84,940,578	81,100,994
Highways and Streets	11,666,094	12,396,414
Health	21,983,102	21,133,493
Social Services	6,914,723	6,274,516
Culture and Recreation	8,898,519	7,921,387
Education	24,300,782	28,300,691
Interest on Long-Term Debt	8,264,495	7,232,360
<b>TOTAL EXPENSES</b>	<u>233,568,262</u>	<u>226,317,257</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 7,297,793</u>	<u>\$ 911,074</u>
<b>Beginning Net Position</b>	<u>150,208,911</u>	<u>149,297,837</u>
<b>Ending Net Position</b>	<u>\$ 157,506,704</u>	<u>\$ 150,208,911</u>

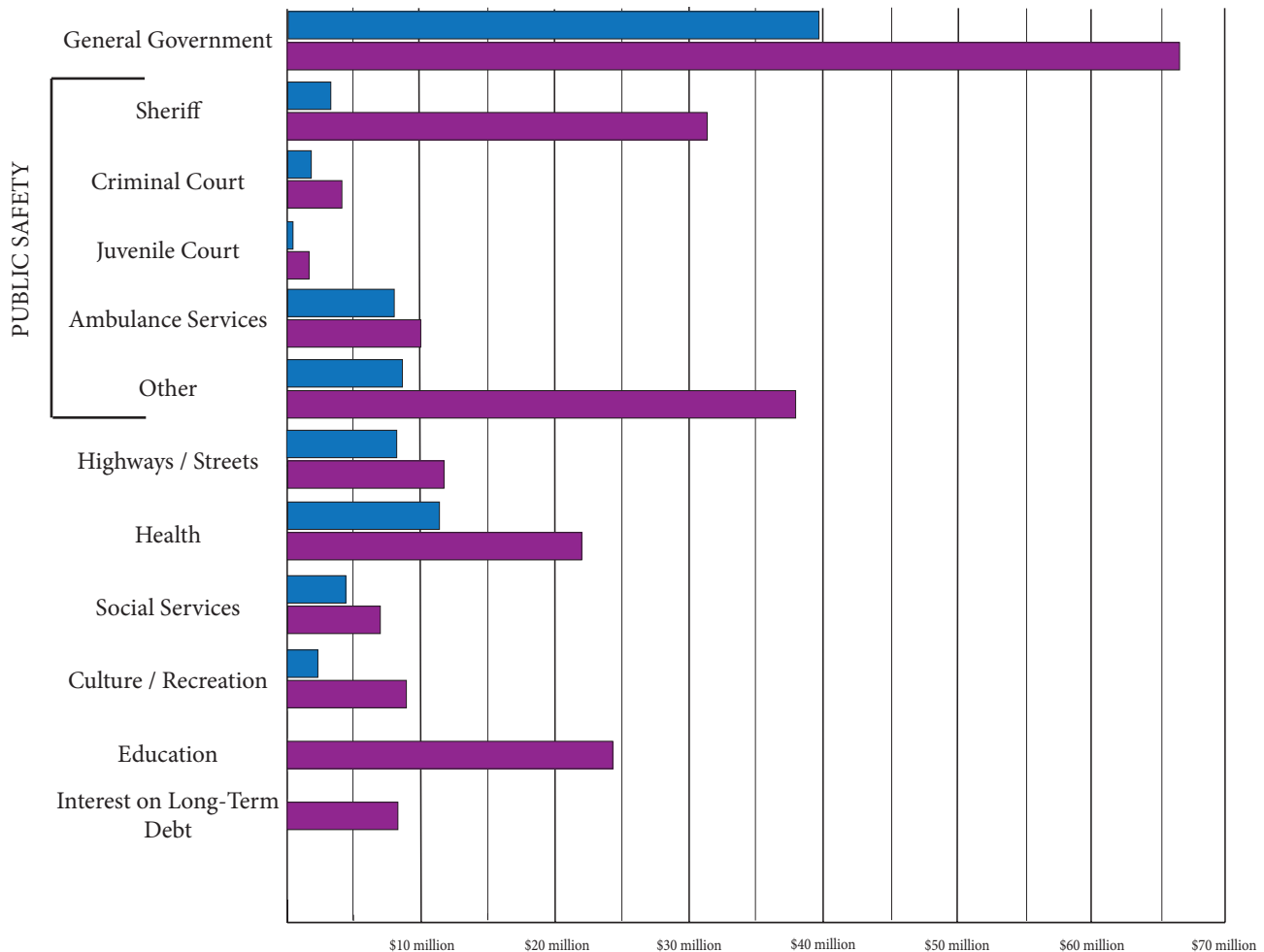
The County's net position increased by \$7.3 million during the current fiscal year. Total expenses for FY 2016 increased by \$7.3 million in large part due to additional expenditures of the general government and public safety. These additional expenditures were offset by an increase in total revenues of \$13.6 million in part from increased funding from grants.

# GOVERNMENT-WIDE FINANCIAL ANALYSIS - *continued*

## EXPENSES AND PROGRAM REVENUES

for fiscal year ending June 30, 2016

	PROGRAM REVENUES	EXPENSES
General Government	\$ 39,609,571	\$ 66,599,969
Public Safety		
Sheriff	3,220,790	31,342,346
Criminal Court	1,759,490	4,048,753
Juvenile Court	436,100	1,633,352
Ambulance Services	7,956,293	9,966,416
Other	8,601,680	37,949,711
Highways and Streets	8,214,156	11,666,094
Health	11,328,142	21,983,102
Social Services	4,373,514	6,914,723
Culture and Recreation	2,289,821	8,898,519
Education	-	24,300,782
Interest on long-term debt	-	8,264,495
<b>TOTAL</b>	<b>\$ 87,789,557</b>	<b>\$ 233,568,262</b>

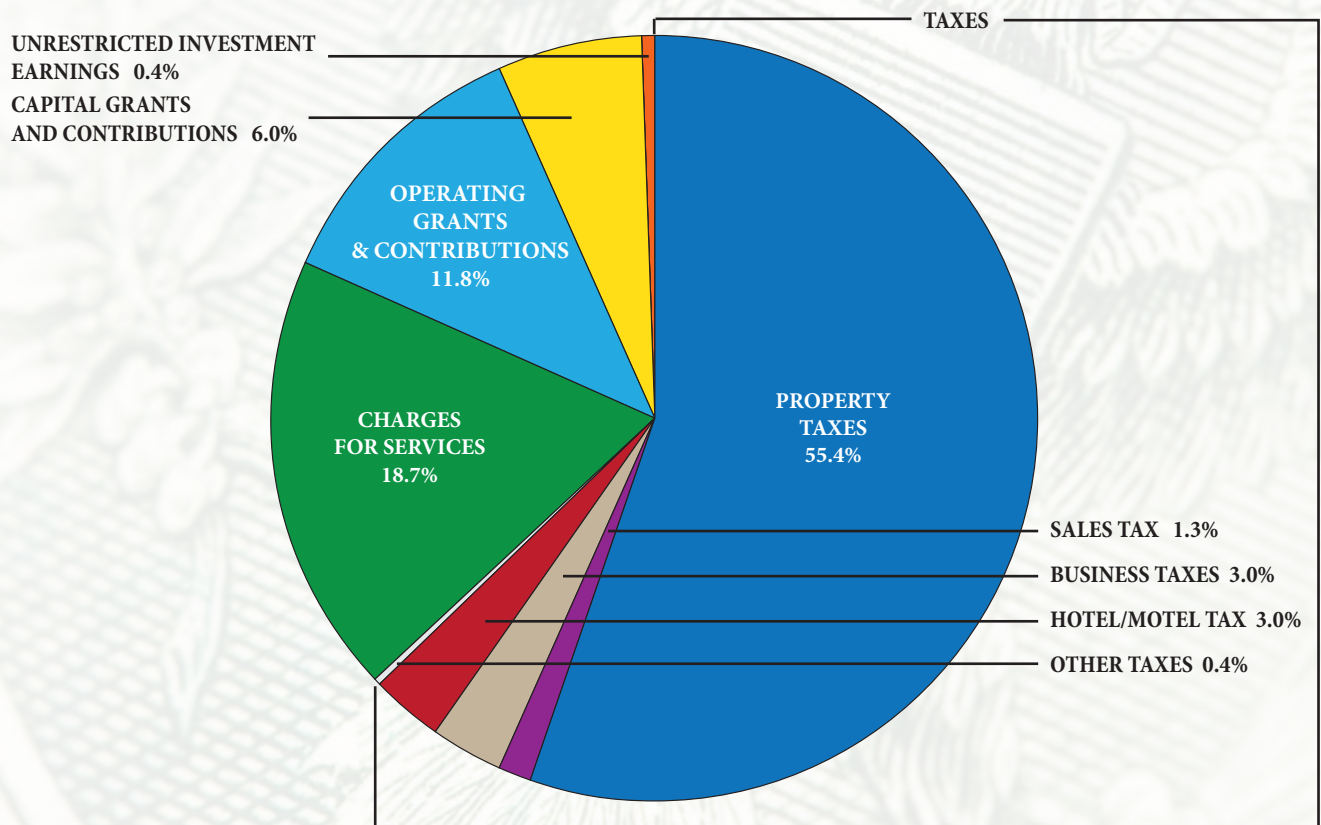




**REVENUES BY SOURCE**  
*for fiscal year ending June 30, 2016*

	2016	PERCENTAGE	2015	PERCENTAGE
<b>Taxes</b>				
Property Taxes	\$ 133,609,320	55.4%	\$ 131,896,902	58.1%
Sales Tax	3,221,704	1.3%	2,710,878	1.2%
Business Taxes	7,227,282	3.0%	6,273,817	2.8%
Hotel/Motel Taxes	7,304,030	3.0%	6,498,427	2.9%
Other Taxes	1,031,115	0.4%	975,611	0.4%
Charges for Services	44,944,954	18.7%	43,452,431	19.1%
Operating Grants and Contributions	28,271,264	11.8%	28,079,517	12.4%
Capital Grants and Contributions	14,573,339	6.0%	6,678,478	2.9%
Gain/(loss) on joint venture	(9,262)	0.0%	11,842	0.0%
Unrestricted Investment Earnings	899,950	0.4%	551,529	0.2%
Gain/(loss) on disposal of property	(207,641)	0.0%	98,899	0.0%
<b>TOTAL</b>	<b>\$ 240,866,055</b>	<b>100%</b>	<b>\$ 227,228,331</b>	<b>100%</b>

Capital Grants and Contributions increased by \$7.9 million. This is a product of the County's efforts to actively search for and obtain new and additional federal and state grants. Property tax revenues grew \$1.7 million over 2015. The growth was the result of continued efforts to promote economic development in the County to grow the tax base and generate additional tax revenue without an increase in the County's property tax rate.









# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

and total fund balance to total fund expenditures. Unassigned fund balance represents 50.9% of the total General Fund expenditures, while total fund balance represents 54.4% of that same amount.

### 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, unassigned 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 2016, the County's governmental funds reported combined ending fund balances of \$144.6 million, a decrease of \$17.6 million. This decrease in fund balance can be isolated to the Capital Projects Fund, which decreased \$19.7 million from the FY 2015 balance.

The fund balance of the governmental funds consists of a restricted portion of \$3.9 million, an assigned portion of \$27.8 million, and an unassigned portion of \$86.3 million. The remainder of fund balance is not available for new spending and is split into committed and nonspendable. Committed is \$25.2 million to liquidate contracts and purchase orders. Nonspendable is \$1.4 million for inventories and prepaid items.

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

The General Fund is the chief operating fund of the County. The total fund balance at June 30, 2016, was \$92.4 million, consisting primarily of a nonspendable portion of \$1.4 million; assigned fund balance of \$4.6 million; and an unassigned fund balance of \$86.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance



The unassigned fund balance of the County's General Fund increased by \$1.5 million during the current fiscal year. The major reason for that increase is attributed to an increase in revenue of \$4.8 million. The increase in revenue was largely from charges for services and an increase in tax revenue due to economic development in the County. General Fund expenses increased \$1.5 million primarily due to increased expenses for health related costs and increased expenditures for the Sheriff.

The Debt Service fund has a total fund balance of \$1.8 million, an increase of \$0.5 million. Funds are transferred from the General Fund to the Debt Service fund as needed.

The Capital Projects Fund is used to account for revenues and expenditures for large capital projects. The majority of the funding for these capital projects is derived from draws from the County's line of credit agreement and issuances of general obligation bonds.

The fund balance of the Capital Projects Fund decreased by \$19.7 million from the balance at June 30, 2015, and closed the current year with a balance of \$46.3 million. This decrease was the direct result of the completion of several significant capital projects in 2016, including completion of the Middle Valley Elementary School (\$24.2 million); major additions/renovations at Sale Creek Middle/High School, Wolftever Elementary and Nolan Elementary (totaling \$8.0 million); completion of three construction projects for volunteer fire departments (Dallas Bay Volunteer Fire Department, Sale Creek Volunteer Fire Department and the Tri-Community

# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS - *continued*

Volunteer Fire Department totaling \$8.3 million); and completion of the latest phase of the Riverwalk (\$6.7 million).

The fund balance of the Capital Projects Fund includes outstanding commitments at year-end of \$25.0 million. Of the commitments, \$20.2 million is committed for school construction projects; \$2.7 million is for recreation projects; and \$2.0 million is for general government improvements and economic development.

### PROPRIETARY FUNDS

The County's Proprietary fund is used to account for the County's self-insurance programs. The County is self-insured for health, unemployment compensation, on-the-job injury claims, property, automobile 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 position for the Proprietary Fund at the end of the fiscal year amounted to \$18.3 million.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The County Commission approved and adopted its 2016 annual operating budget in June 2015. The original General Fund operating budget was balanced with a \$914,529 use of fund balance.

The County Commission approved a total of \$4.0 million in amendments to General Fund operating expenditures during fiscal year 2016 and total amendments of \$3.2 million to the General Fund revenue budget. The amendments to the General Fund revenue and expenditure budgets were primarily for:

- Increases to budgets for grant-related items not expended during the prior fiscal year, carried over into the current fiscal year; and
- New grants received from various state and federal agencies.

Hamilton County's year-end fund balances continue to remain healthy. The County has consistently maintained a reserve in the General Fund equivalent to at least three months of expenditures and will continue to do so.

Actual revenues were less than budgeted revenues by \$5.0 million (2.6%). This variance is largely due to a shortfall of intergovernmental revenues of \$2.1 million, a shortfall of taxes of \$1.7 million, and a shortfall of charges for services of \$1.8 million.

Total expenditures were less than budgeted expenditures by \$9.4 million (5.6%). A large part of this favorable variance resulted from conservative spending by the General Government, Health Department, Public Safety, and Highways and Streets. A detailed Budgetary Comparison Schedule for the General Fund is presented on pages C-1 through C-5 of this report.









# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

The County's investment in capital assets as of June 30, 2016, amounts to \$308.6 million (net of accumulated depreciation of \$266.8 million). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, intangibles and construction in progress. The County transferred \$26.1 million in assets to the Department of Education. For the year, the County's investment in capital assets increased by \$25.2 million or 8.9%. Additional information on the County's capital assets can be found in the Notes to the Basic Financial Statements – Note I.

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

- School construction and renovations - \$38.4 million
- TN Riverpark Downtown Segment Phase I & II - \$6.7 million
- Sale Creek Volunteer Fire Department - \$3.8 million
- Tri-Community Volunteer Fire Department - \$2.3 million
- Dallas Bay Volunteer Fire Department - \$2.2 million
- Purchase of 45 new vehicles - \$1.0 million

---

### CAPITAL ASSET ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2016

#### NET OF DEPRECIATION

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Land	\$ 72,609,845	\$ 254,881	\$ (97,341)	\$ 72,767,385
Construction in progress	36,717,070	56,012,579	(27,492,274)	65,237,375
Buildings	141,996,433	690,223	(670,096)	142,016,560
Improvements other than buildings	26,523,476	-	-	26,523,476
Machinery and equipment	43,891,001	4,703,869	(3,212,137)	45,382,733
Infrastructure	210,556,081	6,006,450	-	216,562,531
Intangibles	6,640,664	417,204	(106,097)	6,951,771
Depreciation	(255,482,407)	(13,675,436)	2,359,255	(266,798,588)
	<b>\$ 283,452,163</b>	<b>\$ 54,409,770</b>	<b>\$ (29,218,690)</b>	<b>\$ 308,643,243</b>





# MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

## LONG-TERM DEBT

At the end of fiscal year 2016, the County had general obligation bonds outstanding of \$245.0 million, and notes payable and other debt of \$40.1 million. Of the bonded debt, \$174.6 million was issued for Hamilton County Department of Education capital improvements program.

Additional information on the County’s debt can be found in the Notes to Basic Financial Statements – Note L.

Hamilton County is in a strong position financially and our future is bright due to the sound management practices that have enabled the County to maintain solid fund balances and reserves. One measure of an entity’s financial strength is the level of its fund balances. The County has consistently maintained a General Fund balance equivalent to at least three months of expenditures, which places us in an excellent position to adequately address most fiscal emergencies. Our Fund Balance Policy recommends that the fund balance be no less than 25.0% of the planned operating expenses.

The County’s excellent bond ratings (AAA by Standard and Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service) are further evidence of its financial strength. These ratings indicate that the County’s bonds are considered to be very high investment quality, which translates to lower interest rates and corresponding lower interest payments. Having solid conservative financial policies and strong financial reserves are principal reasons for these ratings.

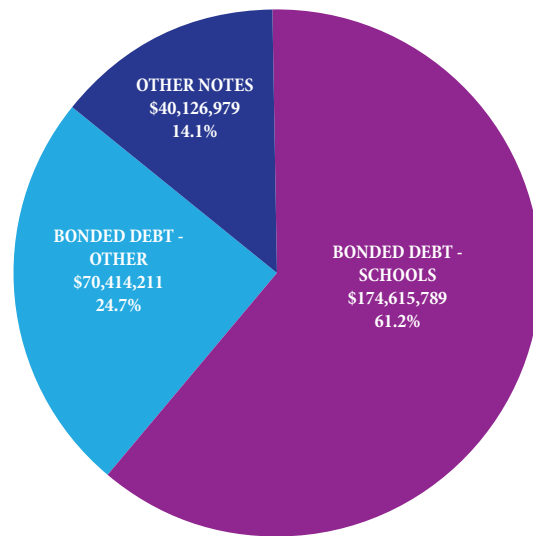
## ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The following factors were considered in preparing the County’s budget for fiscal year 2017:

- The County’s property tax rate has remained constant with no tax increases since fiscal year 2008. The County Assessor completed the County’s latest four-year cyclical reappraisal in fiscal year 2014, and the next reappraisal is scheduled for completion in fiscal year 2018. Property tax revenues for fiscal year 2017 are budgeted to increase by 2.5% over the prior year.
- Intergovernmental revenues account for 33.0% of the County’s total revenue. The intergovernmental revenues consist primarily

## General Long-Term Debt

General Obligation Bonds Outstanding	\$ 245,030,000	85.9%
Other Notes	40,126,979	14.1%
	<u>285,156,979</u>	
Less: Unreserved Debt Service Fund Balance	(1,849,392)	
Net General Long-Term Debt	<u>\$ 283,307,587</u>	



of funding received from the State of Tennessee and from the Federal government. Eighty-eight percent of the intergovernmental revenues are received by the Department of Education with the remainder going to the General Fund. Intergovernmental revenues are projected to grow 3.3% in fiscal year 2017.

- Transfers-in from other funds include various interfund transfers, including excess fees paid to the General Fund from various constitutional offices; appropriation from the General Fund to the Debt Service Fund to cover scheduled principal and interest payments due in fiscal year 2017; and transfers in from the Capital Projects Fund to cover FY 2017 capital outlay expenditures. Total revenues from transfers decreased by \$3.3 million (6.1%) from the FY 2016 budget primarily due to a decrease in the appropriation from the General Fund to the Debt Service Fund.
- The General Government (all departments other than the HCDE) granted employees an across-the-board pay raise of 2.5% (with a minimum raise of \$1,250 for employees earning less than



\$50,000), and HCDE employees received a step increase, raises of 2.0%, and a \$250 bonus. Total expenses for salaries increased over the prior year by \$11.0 million (3.6%).

- Total costs budgeted for employee benefits increased from the FY 2016 budget by \$8.0 million (6.1%). County General Government costs increased primarily in the health insurance area, with health insurance costs increasing \$5.5 million. Employee benefit costs increased an additional \$250,000 as a result of the adoption of the new supplemental retirement plan (Bridge Plan) for qualifying law enforcement personnel effective August 1, 2016.
- Expenditures for Debt Service principal and interest payments decreased significantly (\$4.4 million - 11.2%) from the prior year. The County issues debt as needed to finance its capital projects. In addition, the County has a revolving Line of Credit Agreement through U.S. Bank through which it is authorized to borrow funds on a short-term basis (tax anticipation notes with a term of two years) to assist with its capital needs. The County is scheduled to repay \$24.4 million of debt principal in FY 2017, which is less than the principal due in FY 2016.
- The Hamilton County Department of Education (HCDE), a discretely presented component unit of Hamilton County, adopted a fiscal year 2017 budget of \$417.7 million (61.0% of the total budget for Hamilton County).

- HCDE's combined budget growth is 3.0% over fiscal year 2016. Basic Education Program (BEP) funding increased by \$11.2 million (8.1%) and is calculated by the State based on multiple parameters; however, one of the main components is student enrollment. In fiscal year 2017, the school district is projecting an increase in student enrollment of approximately 350 students. Another contributing factor for FY 2017 is the State increase in the BEP instructional salary component by 5.6%. The BEP formula is used by the State to calculate K-12 funds for public schools in Tennessee.
- Increases in the expenditure budgets of HCDE were attributable primarily to school-based personnel. These included a 2.0% salary increase and a \$250 bonus. Salary step increases are calculated annually based on years of service in accordance with the contract with the educational association. Instructional positions were added this year due to the projected growth in student enrollment, increased support for students with limited English proficiency, and additional intensive support for literacy programs. With over 80% of School District funds being spent on personnel, the District closely aligns its staffing levels with the State's Basic Education Program and class size mandates.







## 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 information, contact the Finance Administrator, McDaniel Building, 455 North Highland Park Avenue, Chattanooga, TN 37404.

Additional financial information can be found on our web site [www.hamiltontn.gov](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 and Wastewater Treatment Authority, P.O. Box 8856, Chattanooga, TN 37414.



**STATEMENT OF NET POSITION**  
**HAMILTON COUNTY, TENNESSEE**  
**June 30, 2016**

	Primary Government Governmental Activities	Component Units
<b>ASSETS</b>		
Cash and cash equivalents	\$ 84,630,353	\$ 59,735,819
Certificates of deposit	-	9,648,071
Investments	80,585,035	73,770,422
Receivables, net of allowance for uncollectibles	151,247,181	164,478,314
Receivables, restricted	-	417,979
Due from component units	896,400	-
Due from primary government	-	149,075
Inventories	1,675,224	573,023
Restricted cash	-	6,779,249
Prepaid items	195,669	667,657
Advance to component units, net of allowance for uncollectibles	7,077,504	-
Net pension asset	1,539,291	1,263,702
Net OPEB asset	590,216	-
Investment in joint venture	3,744,531	-
Land and other nondepreciable assets	138,004,760	27,475,734
Other capital assets, net of accumulated depreciation	170,638,483	423,197,680
Total assets	<u>640,824,647</u>	<u>768,156,725</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	4,683,625	-
Deferred outflows from pensions	29,923,483	50,621,228
Total deferred outflows of resources	<u>34,607,108</u>	<u>50,621,228</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	37,556,779	33,653,475
Due to primary government	-	896,400
Due to component units	149,075	-
Long-term liabilities:		
Due within one year	27,378,493	10,871,694
Due in more than one year	300,168,080	51,567,931
Net pension liability	12,340,617	1,717,724
Advance from primary government	-	13,391,979
Total liabilities	<u>377,593,044</u>	<u>112,099,203</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned property tax revenue	114,572,416	129,839,126
Deferred inflows from pensions	25,759,591	71,282,646
Difference from bond refunding	-	188,432
Total deferred inflows of resources	<u>140,332,007</u>	<u>201,310,204</u>
<b>NET POSITION</b>		
Net investment in capital assets	243,547,592	424,025,301
Restricted for:		
Centralized cafeteria	-	4,401,974
Net pension asset	-	1,063,754
WATA PSLP program	-	7,749,591
Unrestricted	(86,040,888)	68,127,926
Total net position	<u>\$ 157,506,704</u>	<u>\$ 505,368,546</u>

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

**STATEMENT OF ACTIVITIES**

**HAMILTON COUNTY, TENNESSEE**

**Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>PRIMARY GOVERNMENT</b>			
Government activities:			
General government	\$ 66,599,969	\$ 20,749,436	\$ 4,286,796
Public safety:			
Sheriff	31,342,346	550,006	2,670,784
Criminal Court	4,048,753	1,759,490	
Juvenile Court	1,633,352	436,100	-
Ambulance Services	9,966,416	7,956,293	-
Other	37,949,711	3,182,933	5,418,747
Highways and streets	11,666,094	2,966,389	5,247,767
Health	21,983,102	2,311,092	9,017,050
Social services	6,914,723	4,373,514	-
Culture and recreation	8,898,519	659,701	1,630,120
Education	24,300,782	-	-
Interest on long-term debt	8,264,495	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 233,568,262</b>	<b>\$ 44,944,954</b>	<b>\$ 28,271,264</b>
<b>COMPONENT UNITS</b>			
Department of Education	\$ 397,626,438	\$ 8,453,419	\$ 50,975,052
"911" Emergency Communications	12,213,915	-	5,331,309
Water and Wastewater Treatment Authority	13,964,889	18,984,199	-
Railroad Authority	142,406	134,056	-
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 423,947,648</b>	<b>\$ 27,571,674</b>	<b>\$ 56,306,361</b>
General revenues:			
Property taxes			
Sales taxes			
Business taxes			
Hotel/Motel taxes			
Other taxes			
Gain (loss) on joint venture			
Unrestricted investment earnings			
Grants and contributions not restricted to specific programs			
Gain (loss) on disposal of property			
Total general revenues			
Change in net position			
Net position, beginning			
Net position, ending			

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



	Net (Expenses) Revenues and Changes in Net Position	
	Primary Government Governmental Activities	Components Units
Capital Grants and Contributions		
\$ 14,573,339	\$ (26,990,398)	
-	(28,121,556)	
-	(2,289,263)	
-	(1,197,252)	
-	(2,010,123)	
-	(29,348,031)	
-	(3,451,938)	
-	(10,654,960)	
-	(2,541,209)	
-	(6,608,698)	
-	(24,300,782)	
-	(8,264,495)	
<u>\$ 14,573,339</u>	<u>(145,778,705)</u>	
\$ 25,865,624		\$ (312,332,343)
7,193,345		310,739
1,246,920		6,266,230
-		<u>(8,350)</u>
<u>\$ 34,305,889</u>		<u>(305,763,724)</u>
	133,609,320	134,250,540
	3,221,704	70,038,765
	7,227,282	-
	7,304,030	-
	1,031,115	-
	(9,262)	-
	899,950	695,153
	-	146,984,619
	<u>(207,641)</u>	<u>-</u>
	<u>153,076,498</u>	<u>351,969,077</u>
	7,297,793	46,205,353
	<u>150,208,911</u>	<u>459,163,193</u>
	<u>\$ 157,506,704</u>	<u>\$ 505,368,546</u>

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2016**

	<u>General</u>	<u>Debt Service</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 28,812,788	\$ 555,435
Investments	55,707,778	1,234,700
Receivables, net of allowance for uncollectible	140,724,949	59,257
Due from other funds	4,400,949	-
Due from component units	896,400	-
Inventories	1,274,163	-
Prepaid items	<u>116,470</u>	<u>-</u>
Total assets	<u>\$ 231,933,497</u>	<u>\$ 1,849,392</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 3,377,842	\$ -
Accrued items and other	11,323,389	-
Intergovernmental payables	411,709	-
Due to other funds	2,578,291	-
Due to component units	<u>-</u>	<u>-</u>
Total liabilities	<u>17,691,231</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned property taxes	120,791,278	-
Other unearned revenues	<u>1,055,701</u>	<u>-</u>
Total deferred inflows of resources	<u>121,846,979</u>	<u>-</u>
<b>FUND BALANCES</b>		
Nonspendable for inventories	1,274,163	-
Nonspendable for prepaid items	116,470	-
Restricted for general government	-	-
Restricted for public safety	14,461	-
Restricted for social services	-	-
Committed for public safety	-	-
Committed for capital projects	-	-
Assigned for general government	2,455,570	-
Assigned for public safety	2,019,778	-
Assigned for debt service	-	1,849,392
Assigned for highways and streets	36,195	-
Assigned for health	129,033	-
Assigned for culture and recreation	3,850	-
Assigned for capital projects	-	-
Unassigned	<u>86,345,767</u>	<u>-</u>
Total fund balances	<u>92,395,287</u>	<u>1,849,392</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 231,933,497</u>	<u>\$ 1,849,392</u>

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



Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 44,675,957	\$ 4,762,858	\$ 78,807,038
10,693,178	569,305	68,204,961
8,907,165	1,552,983	151,244,354
-	330,765	4,731,714
-	-	896,400
-	-	1,274,163
-	-	116,470
<u>\$ 64,276,300</u>	<u>\$ 7,215,911</u>	<u>\$ 305,275,100</u>
\$ 14,529,222	\$ -	\$ 17,907,064
-	1,921,081	13,244,470
89,661	-	501,370
3,225,319	1,175,523	6,979,133
149,075	-	149,075
<u>17,993,277</u>	<u>3,096,604</u>	<u>38,781,112</u>
-	-	120,791,278
-	-	1,055,701
-	-	121,846,979
-	-	1,274,163
-	-	116,470
-	1,988,030	1,988,030
-	1,017,524	1,031,985
-	891,364	891,364
-	222,389	222,389
24,951,780	-	24,951,780
-	-	2,455,570
-	-	2,019,778
-	-	1,849,392
-	-	36,195
-	-	129,033
-	-	3,850
21,331,243	-	21,331,243
-	-	86,345,767
<u>46,283,023</u>	<u>4,119,307</u>	<u>144,647,009</u>
<u>\$ 64,276,300</u>	<u>\$ 7,215,911</u>	<u>\$ 305,275,100</u>





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

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2016**

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

Fund balances - total governmental funds \$ 144,647,009

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 308,643,243

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. 7,274,931

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 position. 18,252,803

The County OPEB trust fund has been funded in excess of annual required contributions, creating a net OPEB asset. This asset is not a currently available financial resource and is not reported in the funds. 590,216

Long-term assets receivable from a component unit are not due until the related long-term liability is due and payable. 7,077,504

The County entered into a joint venture with the City of Chattanooga and the Carter Street Corporation for the development and management of the Convention and Visitor's Trade Center. This asset is not a currently available financial resource and is not reported in the funds. 3,744,531

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 position. This item consists of the following:

General obligation bonds	\$ 245,030,000	
Original issue premiums	26,759,635	
Notes payable & other debt	40,126,979	
Deferred loss on refunding	(4,683,625)	
Net pension asset	(1,539,291)	
Net pension liability	12,340,617	
Deferred outflows from pension contributions	(14,771,925)	
Deferred outflows from differences in pension investment earnings	(15,151,558)	
Deferred inflows from pensions	25,759,591	
Landfill post closure costs	160,000	
Compensated absences	15,469,959	
Accrued interest payable	<u>3,223,151</u>	
		<u>(332,723,533)</u>

Net position of governmental activities \$ 157,506,704

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, 2016**

	General	Debt Service	
<b>REVENUES</b>			
Taxes	\$ 146,495,442	\$ -	
Licenses and permits	841,036	-	
Intergovernmental	26,819,472	691,337	
Charges for services	14,215,771	566,773	
Fines, forfeitures and penalties	1,740,183	-	
Investment earnings	464,184	9,538	
Miscellaneous	4,984,510	58,879	
	<u>195,560,598</u>	<u>1,326,527</u>	
Total revenues			
<b>EXPENDITURES</b>			
Current:			
General government	38,637,151	-	
Public safety:			
Sheriff	32,085,112	-	
Criminal Court	1,445,141	-	
Juvenile Court	1,467,125	-	
Ambulance Services	9,829,870	-	
Other	38,946,046	-	
Highways and streets	10,968,407	-	
Health	22,688,745	-	
Social services	3,052,727	-	
Culture and recreation	7,343,145	-	
Debt service:			
Principal	-	28,477,143	
Interest and fiscal charges	-	11,176,478	
Capital outlay:			
General government	3,300,085	-	
Education	-	-	
	<u>169,763,554</u>	<u>39,653,621</u>	
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>25,797,044</u>	<u>(38,327,094)</u>	
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	14,312,025	38,846,132	
Transfers out	(39,146,132)	-	
Sale of capital assets	38,288	-	
Proceeds from issuance of bonds	-	-	
	<u>(24,795,819)</u>	<u>38,846,132</u>	
Total other financing sources (uses)			
Net change in fund balances	1,001,225	519,038	
Fund balances, beginning	<u>91,394,062</u>	<u>1,330,354</u>	
Fund balances, ending	<u>\$ 92,395,287</u>	<u>\$ 1,849,392</u>	

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



Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 7,317,752	\$ 153,813,194
-	-	841,036
12,928,658	143,820	40,583,287
263,320	22,019,424	37,065,288
-	93,146	1,833,329
263,050	37,210	773,982
<u>1,644,681</u>	<u>161,912</u>	<u>6,849,982</u>
<u>15,099,709</u>	<u>29,773,264</u>	<u>241,760,098</u>
-	11,884,809	50,521,960
-	239,880	32,324,992
-	2,671,417	4,116,558
-	-	1,467,125
-	-	9,829,870
-	19,729	38,965,775
-	-	10,968,407
-	-	22,688,745
-	3,529,204	6,581,931
-	-	7,343,145
-	-	28,477,143
-	-	11,176,478
35,101,567	-	38,401,652
<u>36,577,612</u>	<u>-</u>	<u>36,577,612</u>
<u>71,679,179</u>	<u>18,345,039</u>	<u>299,441,393</u>
<u>(56,579,470)</u>	<u>11,428,225</u>	<u>(57,681,295)</u>
-	300,000	53,458,157
(3,166,777)	(11,145,248)	(53,458,157)
37,600	-	75,888
<u>40,000,000</u>	<u>-</u>	<u>40,000,000</u>
<u>36,870,823</u>	<u>(10,845,248)</u>	<u>40,075,888</u>
(19,708,647)	582,977	(17,605,407)
<u>65,991,670</u>	<u>3,536,330</u>	<u>162,252,416</u>
<u>\$ 46,283,023</u>	<u>\$ 4,119,307</u>	<u>\$ 144,647,009</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, 2016**

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

Net change in fund balances - total governmental funds	\$ (17,605,407)
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 position.	65,300,159
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(13,675,436)
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 position. Also, governmental funds report the effect of premiums and deferred amount on refunding 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.	(9,499,909)
The net revenues of internal service funds are reported with governmental activities.	(1,795,466)
The net effect of various transactions involving capital assets is to decrease net position.	(375,133)
The net effect of capital asset transactions involving the Hamilton County Department of Education is to decrease net position.	(26,058,510)
The net effect of the change in the net OPEB obligation is included in the governmental activities in the statement of activities.	80,475
The net effect of the change in the net pension liability is included in the governmental activities in the statement of activities.	11,299,955
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.	(363,673)
The net effect of the change in the Carter Street joint venture is included in the governmental activities in the statement of activities.	<u>(9,262)</u>
Change in net position of governmental activities	<u>\$ 7,297,793</u>

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





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

**HAMILTON COUNTY, TENNESSEE**

**Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 148,238,450	\$ 148,238,450	\$ 146,495,442	\$ (1,743,008)
Licenses and permits	886,300	886,300	841,036	(45,264)
Intergovernmental revenues	25,894,238	28,950,339	26,819,472	(2,130,867)
Charges for services	15,959,611	16,017,011	14,215,771	(1,801,240)
Fines, forfeitures and penalties	1,891,650	1,891,650	1,740,183	(151,467)
Investment earnings	578,827	578,827	464,184	(114,643)
Miscellaneous	4,005,239	4,044,753	4,984,510	939,757
Total revenues	<u>197,454,315</u>	<u>200,607,330</u>	<u>195,560,598</u>	<u>(5,046,732)</u>
<b>EXPENDITURES</b>				
Current:				
General government	41,416,583	41,787,705	38,792,150	2,995,555
Public safety	83,844,025	85,660,439	84,636,413	1,024,026
Highways and streets	12,312,395	12,328,553	10,988,444	1,340,109
Health	23,807,635	24,991,515	22,674,691	2,316,824
Social services	2,179,778	2,179,778	2,156,622	23,156
Culture and recreation	8,053,897	8,065,987	7,334,904	731,083
Capital outlay	<u>3,613,903</u>	<u>4,241,086</u>	<u>3,252,109</u>	<u>988,977</u>
Total expenditures	<u>175,228,216</u>	<u>179,255,063</u>	<u>169,835,333</u>	<u>9,419,730</u>
Excess of revenues over expenditures	<u>22,226,099</u>	<u>21,352,267</u>	<u>25,725,265</u>	<u>4,372,998</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	14,685,603	14,685,603	14,312,025	(373,578)
Transfers out	(37,866,231)	(38,166,231)	(39,146,132)	(979,901)
Sale of capital assets	40,000	40,000	38,288	(1,712)
Total other financing sources (uses)	<u>(23,140,628)</u>	<u>(23,440,628)</u>	<u>(24,795,819)</u>	<u>(1,355,191)</u>
Net change in fund balance	(914,529)	(2,088,361)	929,446	<u>\$ 3,017,807</u>
Fund balance allocation	<u>914,529</u>	<u>2,088,361</u>		
	<u>\$ -</u>	<u>\$ -</u>		
Add encumbrances at end of year			832,192	
Less encumbrances at beginning of year			<u>(760,413)</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			1,001,225	
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			<u>91,394,062</u>	
Fund balance at end of year--(GAAP Modified Accrual Basis)			<u>\$ 92,395,287</u>	

**STATEMENT OF NET POSITION  
PROPRIETARY FUND**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2016**

	Governmental Activities - Internal Service Fund
<b>ASSETS</b>	
Cash	\$ 5,823,315
Investments	12,380,074
Receivables	2,827
Due from other funds	2,247,528
Inventory	401,061
Prepaid insurance	79,199
Prepaid items	<u>-</u>
Total current assets	<u>20,934,004</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	20,291
Due to other funds	109
Unearned revenue	368
Accrued claims	<u>2,371,465</u>
Total current liabilities	<u>2,392,233</u>
Noncurrent liabilities:	
Accrued claims	<u>288,968</u>
<b>NET POSITION</b>	
Unrestricted	<u>\$ 18,252,803</u>

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



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

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2016**

	Governmental Activities - Internal Service Fund
	<u>                    </u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 33,566,264
Other	<u>1,306,921</u>
Total operating revenues	<u>34,873,185</u>
<b>OPERATING EXPENSES</b>	
Unemployment compensation	28,358
Claims and premiums	30,062,755
Pharmacy	5,338,436
Clinic	662,106
Administration	<u>702,964</u>
Total operating expenses	<u>36,794,619</u>
Operating income (loss)	(1,921,434)
<b>NONOPERATING REVENUES</b>	
Investment earnings	<u>125,968</u>
Change in net position	(1,795,466)
Net position, beginning	<u>20,048,269</u>
Net position, ending	<u>\$ 18,252,803</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, 2016**

	Governmental Activities - Internal Service Fund
	<u>Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from insurance premiums	\$ 26,625,163
Cash received from unemployment compensation	614,077
Cash paid for claims and premiums	(30,019,048)
Cash paid for administration	(702,964)
Cash paid for clinic	(657,690)
Cash received for pharmacy	<u>89,340</u>
Net cash provided by (used in) operating activities	<u>(4,051,122)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(12,380,074)
Proceeds from sale of investments	18,772,808
Interest on investments	<u>125,968</u>
Net cash provided by (used in) investing activities	<u>6,518,702</u>
Net change in cash and cash equivalents	2,467,580
Beginning cash and cash equivalents	<u>3,355,735</u>
Ending cash and cash equivalents	<u>\$ 5,823,315</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	
Operating income (loss)	<u>\$ (1,921,434)</u>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	
Change in receivables	7,353
Change in due from other funds	(2,241,201)
Change in inventory	102,659
Change in prepaid	36,867
Change in accounts payable	(131,904)
Change in due to other funds	(4,849)
Change in deferred revenue	-
Change in accrued claims	<u>101,387</u>
Total adjustments	<u>(2,129,688)</u>
Net cash provided by (used in) operating activities	<u>\$ (4,051,122)</u>

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

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2016**

	OPEB Trust Fund	Pension Trust Funds	Constitutional Officers Agency Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash	\$ 2,491	\$ 149,597	\$ 12,677,962
Certificates of deposit	-	-	8,190,647
Investments	-	-	389,037
Investments, at fair value:			
US Gov. Securities	870,729	148,998	-
Municipal Bonds	602,810	128,827	-
Mutual Funds	10,759,951	1,458,968	-
Domestic Equity Securities	2,303,483	145,708	-
Domestic Corporate Bonds	2,106,916	413,925	-
Foreign Bonds / Notes	158,201	31,640	-
Foreign Equity Securities	<u>1,218,939</u>	<u>92,985</u>	<u>-</u>
Total investments	<u>18,021,029</u>	<u>2,421,051</u>	<u>-</u>
Receivables:			
Interest	38,893	7,340	-
Accounts	<u>-</u>	<u>-</u>	<u>211,170</u>
Total assets	<u>18,062,413</u>	<u>2,577,988</u>	<u>21,468,816</u>
<b>LIABILITIES</b>			
Accrued items and other	-	-	15,236,460
Intergovernmental payables	<u>-</u>	<u>-</u>	<u>6,232,356</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>21,468,816</u>
<b>NET POSITION</b>			
Assets held in trust for benefits	<u>\$ 18,062,413</u>	<u>\$ 2,577,988</u>	<u>\$ -</u>

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



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

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2016**

	OPEB Trust Fund	Pension Trust Funds
	<u>                    </u>	<u>                    </u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 1,600,000	\$ 46,320
Other	<u>                    -</u>	<u>                    3,588</u>
Total contributions	<u>                    1,600,000</u>	<u>                    49,908</u>
Investment earnings:		
Net change in fair value of investments	(221,116)	(30,875)
Interest	<u>                    577,994</u>	<u>                    80,904</u>
Net investment income	<u>                    356,878</u>	<u>                    50,029</u>
Total additions	<u>                    1,956,878</u>	<u>                    99,937</u>
<b>DEDUCTIONS</b>		
Benefits	-	133,107
Miscellaneous expense	15,253	-
Administrative expense	<u>                    89,811</u>	<u>                    22,558</u>
Total deductions	<u>                    105,064</u>	<u>                    155,665</u>
Change in net position	1,851,814	(55,728)
Net position, beginning	<u>                    16,210,599</u>	<u>                    2,633,716</u>
Net position, ending	<u>                    \$ 18,062,413</u>	<u>                    \$ 2,577,988</u>

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





**STATEMENT OF NET POSITION  
COMPONENT UNITS**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2016**

	Hamilton County Department of Education	"911" Emergency Communications District	Water & Wastewater Treatment Authority (WWTA)	Railroad Authority	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 48,232,011	\$ 908,157	\$ 10,550,391	\$ 45,260	\$ 59,735,819
Certificates of deposit	56,869	9,591,202	-	-	9,648,071
Investments	73,695,928	74,494	-	-	73,770,422
Receivables, net of allowance for uncollectible	161,803,502	197,191	2,477,621	-	164,478,314
Receivables, restricted	-	-	417,979	-	417,979
Due from primary government	149,075	-	-	-	149,075
Net pension asset	199,948	1,063,754	-	-	1,263,702
Inventories	483,681	-	89,342	-	573,023
Restricted cash	-	-	6,779,249	-	6,779,249
Prepaid items	113,975	-	553,682	-	667,657
Land and other nondepreciable assets	20,121,792	1,140,631	6,213,311	-	27,475,734
Capital assets, net of accumulated depreciation	<u>325,928,843</u>	<u>6,944,746</u>	<u>90,323,541</u>	<u>550</u>	<u>423,197,680</u>
Total assets	<u>630,785,624</u>	<u>19,920,175</u>	<u>117,405,116</u>	<u>45,810</u>	<u>768,156,725</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows from pensions	<u>50,070,573</u>	<u>550,655</u>	<u>-</u>	<u>-</u>	<u>50,621,228</u>
Total deferred outflows of resources	<u>50,070,573</u>	<u>550,655</u>	<u>-</u>	<u>-</u>	<u>50,621,228</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	31,636,283	625,545	1,391,647	-	33,653,475
Due to primary government	21,902	658,184	216,314	-	896,400
Noncurrent liabilities:					
Due within one year	9,853,744	-	1,017,950	-	10,871,694
Due in more than one year	39,391,200	-	12,176,731	-	51,567,931
Net pension liability	1,717,724	-	-	-	1,717,724
Advance from primary government	<u>126,979</u>	<u>-</u>	<u>13,265,000</u>	<u>-</u>	<u>13,391,979</u>
Total liabilities	<u>82,747,832</u>	<u>1,283,729</u>	<u>28,067,642</u>	<u>-</u>	<u>112,099,203</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unearned property tax revenue	129,839,126	-	-	-	129,839,126
Difference from bond refunding	-	-	188,432	-	188,432
Deferred inflows from pensions	<u>70,709,592</u>	<u>573,054</u>	<u>-</u>	<u>-</u>	<u>71,282,646</u>
Total deferred inflows of resources	<u>200,548,718</u>	<u>573,054</u>	<u>188,432</u>	<u>-</u>	<u>201,310,204</u>
<b>NET POSITION</b>					
Net investment in capital assets	346,050,635	8,085,377	69,888,739	550	424,025,301
Restricted for:					
Centralized cafeteria	4,401,974	-	-	-	4,401,974
Net pension asset	-	1,063,754	-	-	1,063,754
WWTA PSLP program	-	-	7,749,591	-	7,749,591
Unrestricted	<u>47,107,038</u>	<u>9,464,916</u>	<u>11,510,712</u>	<u>45,260</u>	<u>68,127,926</u>
Total net position	<u>\$ 397,559,647</u>	<u>\$ 18,614,047</u>	<u>\$ 89,149,042</u>	<u>\$ 45,810</u>	<u>\$ 505,368,546</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, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>HAMILTON COUNTY DEPARTMENT OF EDUCATION</b>				
Regular instruction	\$ 197,739,287	\$ 904,738	\$ 9,218,564	\$ 12,851,130
Exceptional instruction	41,165,911	663,280	6,869,829	2,672,494
Vocational instruction	8,855,452	-	436,099	575,654
Support services:				
Pupil services	14,734,848	-	2,359,616	955,966
Instructional staff	23,453,674	-	10,795,697	1,505,229
Board of education	6,058,285	-	-	393,254
Administration	25,883,736	-	-	1,686,003
Business and fiscal services	2,729,212	-	-	174,410
Human resources	1,225,133	-	-	77,265
Plant operation and maintenance	32,185,507	-	-	2,154,856
Pupil transportation	14,892,309	-	336,911	966,208
Central and other	2,534,519	-	-	158,993
Operation of noninstructional services:				
Community services	3,532,020	3,354,018	583,215	228,164
Early childhood education	2,972,896	-	2,978,929	192,432
Child Nutrition	19,663,649	3,531,383	17,396,192	1,273,566
<b>TOTAL DEPARTMENT OF EDUCATION</b>	<b>397,626,438</b>	<b>8,453,419</b>	<b>50,975,052</b>	<b>25,865,624</b>
<b>"911" EMERGENCY COMMUNICATIONS DISTRICT</b>				
Emergency communications operations	12,213,915	-	5,331,309	7,193,345
<b>WATER &amp; WASTEWATER TREATMENT AUTHORITY</b>				
Water and wastewater treatment operations	13,964,889	18,984,199	-	1,246,920
<b>RAILROAD AUTHORITY</b>				
Railroad authority operations	142,406	134,056	-	-
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 423,947,648</b>	<b>\$ 27,571,674</b>	<b>\$ 56,306,361</b>	<b>\$ 34,305,889</b>

General revenues:  
Property taxes  
Sales taxes  
Grants and contributions not restricted to specific programs  
Unrestricted investment earnings  
Total general revenues  
Change in net position  
Net position, beginning  
Net position, ending

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



Net (Expenses) Revenues and  
Changes in Net Position

Hamilton County Department of Education	"911" Emergency Communication	Water & Wastewater Treatment Authority	Railroad Authority	Total
\$ (174,764,855)				\$ (174,764,855)
(30,960,308)				(30,960,308)
(7,843,699)				(7,843,699)
(11,419,266)				(11,419,266)
(11,152,748)				(11,152,748)
(5,665,031)				(5,665,031)
(24,197,733)				(24,197,733)
(2,554,802)				(2,554,802)
(1,147,868)				(1,147,868)
(30,030,651)				(30,030,651)
(13,589,190)				(13,589,190)
(2,375,526)				(2,375,526)
633,377				633,377
198,465				198,465
<u>2,537,492</u>				<u>2,537,492</u>
<u>(312,332,343)</u>				
	\$ 310,739			310,739
		\$ 6,266,230		6,266,230
			\$ (8,350)	(8,350)
				<u>(305,763,724)</u>
134,250,540	-	-	-	134,250,540
70,038,765	-	-	-	70,038,765
146,984,619	-	-	-	146,984,619
615,355	53,497	26,301	-	695,153
<u>351,889,279</u>	<u>53,497</u>	<u>26,301</u>	<u>-</u>	<u>351,969,077</u>
39,556,936	364,236	6,292,531	(8,350)	46,205,353
<u>358,002,711</u>	<u>18,249,811</u>	<u>82,856,511</u>	<u>54,160</u>	<u>459,163,193</u>
<u>\$ 397,559,647</u>	<u>\$ 18,614,047</u>	<u>\$ 89,149,042</u>	<u>\$ 45,810</u>	<u>\$ 505,368,546</u>





## NOTES TO BASIC FINANCIAL STATEMENTS

### HAMILTON COUNTY, TENNESSEE

June 30, 2016

	<u>Page</u>
Note A - Summary of Significant Accounting Policies	A - 19
Note B - Stewardship, Compliance and Accountability	A - 28
Note C - Cash, Cash Equivalents and Investments	A - 28
Note D - Receivables	A - 31
Note E - Solid Waste Disposal Post Closure Care Costs	A - 31
Note F - Commitments and Contingencies	A - 31
Note G - Conduit Debt Obligation	A - 32
Note H - Constitutional Officers	A - 32
Note I - Capital Assets	A - 33
Note J - Employee Retirement Systems	A - 34
Note K - Other Postemployment Benefits (OPEB)	A - 53
Note L - Long-Term Liabilities	A - 56
Note M - Defeased Debt	A - 58
Note N - Interfund Receivables and Payables	A - 58
Note O - Interfund Transfers	A - 59
Note P - Joint Venture	A - 59
Note Q - Risk Management	A - 60

## NOTES TO BASIC FINANCIAL STATEMENTS

HAMILTON COUNTY, TENNESSEE  
JUNE 30, 2016

### 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 accounting principles generally accepted in the United States (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for governmental accounting and financial reporting. The County has implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

#### (1) REPORTING ENTITY

In evaluating the County as a reporting entity, management has addressed all potential component units. Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organizations; or (2) the County is legally entitled to or can otherwise access the organization's resources; or (3) the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the County is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the County in that the County approves the budget, levies their taxes or issues their debt.

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 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 Hamilton County 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, 3074 Hickory Valley Road, 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, 3404 Amnicola Highway, Chattanooga, TN 37406.

**Hamilton County Water & Wastewater Treatment Authority** – The Water & Wastewater Treatment Authority (the Authority) was organized under the Water & 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 board is a twelve-member board with five individuals appointed by the Hamilton County Board of Commissioners from recommendations of the County Mayor. The remaining board members are appointed by each municipality of the unincorporated areas. It is legally separate from Hamilton County. The Authority's Board has final decision-making authority for the entity. The County Board of Commissioners does not approve the Authority's budget. 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, 117 East Seventh Street, 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 P – 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.

**North West 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. 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 \$1,500,000 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**

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, 2016, the County has no business-type activities in the primary government. In the government-wide Statement of Net Position, 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 and deferred resources of inflows and outflows.

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.

Major individual governmental funds 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. Activities accounted for in the Internal Service Funds include: (1) accounting for the payment of workers' compensation and general liability claims; (2) payment of retiree and employee medical claims, life insurance and other payroll related expenses, and unemployment claims; (3) the employee pharmacy; and (4) the employee medical clinic. 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 are presented in the fund financial statements by type (trust 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 government-wide financial statements is on the County as a whole. 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 comprises its assets, deferred resources of outflows, liabilities, deferred resources of inflows, fund balance/net position, revenues and expenditures/expenses. 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.

**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 account for revenue sources that are legally restricted or committed to expenditure for specific purposes, such as grant programs, certain fines and forfeitures, and law enforcement services.

**Internal Service Funds** – The Internal Service Fund accounts for the County's self-insurance programs. The County is self-insured for employee medical claims, 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 county commissioners, and certain county teachers who were employed prior to July 1, 1945, are covered by the Pension Trust Funds.

**OPEB Trust Fund** – OPEB Trust Fund is used to report the County's "Other Postemployment Benefits". The fund accounts for resources held in trust for a defined benefit postemployment health and medical care plan for County retirees and their dependents. This fund is accounted for in the same manner as business enterprises providing similar services.

**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.

## **(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 six months for intergovernmental revenues and sixty days for property taxes and other revenues.

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.

**(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 funding 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, Hotel Motel Fund and Debt Service Fund. Formal budgetary integration is not employed for 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. 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, 2016, reflect expenditures for goods and services that had not been received or completed at that date. These items are recorded as commitments 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, the Capital Projects Fund, and the General Purpose School Fund, a component unit.

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Primary Government			
Committed for capital projects	\$ -	\$ 24,951,780	\$ 24,951,780
Assigned for general government	601,001	-	601,001
Assigned for public safety	62,113	-	62,113
Assigned for highways and streets	36,195	-	36,195
Assigned for health	129,033	-	129,033
Assigned for culture and recreation	<u>3,850</u>	<u>-</u>	<u>3,850</u>
	<u>\$ 832,192</u>	<u>\$ 24,951,780</u>	<u>\$ 25,783,972</u>

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).

The General Fund of the County is organized into ten separate divisions by function (Constitutional Offices, Supported Agencies, Unassigned, Finance, Public Works, General Services, Human Resources, Health, Sheriff and Juvenile Court Clerk) and it is at that level that expenditures may not legally exceed appropriations. Funds that have a legally adopted budget may not exceed appropriations.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Non-GAAP Basis)</u>	<u>Variance with Final Budget Positive/(Negative)</u>
General Fund				
Constitutional Offices	\$ 25,106,494	\$ 25,555,147	\$ 24,535,954	\$ 1,019,193
Supported Agencies	4,411,639	4,423,028	4,416,414	6,614
Unassigned	69,449,399	70,617,738	69,015,597	1,602,141
Finance	7,326,953	7,416,600	6,620,274	796,326
Public Works	17,065,050	17,084,022	15,506,718	1,577,304
General Services	32,654,382	33,102,285	32,286,183	816,102
Human Resources	1,273,776	1,298,777	1,208,620	90,157
Health	22,119,087	23,302,963	20,986,143	2,316,820
Sheriff	31,198,414	32,131,481	32,042,332	89,149
Juvenile Court Clerk	2,489,253	2,489,253	2,363,230	126,023
Total General Fund	<u>213,094,447</u>	<u>217,421,294</u>	<u>208,981,465</u>	<u>8,439,829</u>
Debt Service	<u>39,662,378</u>	<u>39,662,378</u>	<u>39,653,621</u>	<u>8,757</u>
Hotel Motel	<u>6,500,000</u>	<u>6,500,000</u>	<u>7,304,727</u>	<u>(804,727)</u>
Primary Government	<u>\$ 259,256,825</u>	<u>\$ 263,583,672</u>	<u>\$ 255,939,813</u>	<u>\$ 7,643,859</u>

A separately issued budgetary report is available and can be obtained from Hamilton County Finance Division, 455 North Highland Park Avenue, Chattanooga, Tennessee 37404.

**(7) ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE**

**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.

**c) Receivables**

Receivables are 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
Intangibles	5 years

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. Infrastructure assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

**f) Fund Balance**

The County adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions*, in fiscal year 2011. In the governmental fund financial statements, the fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are (a) not in spendable form, or (b) legally or contractually required to be maintained intact (e.g., endowments). The fund balance considered “nonspendable” includes items not expected to be converted to cash (e.g., inventories and prepaid items), as well as long-term receivables and the County’s investment in its joint venture described in Note P. The County does not have any nonspendable fund balance that is legally or contractually required to be maintained intact.

Restricted fund balance includes amounts that are restricted for the following purposes noted in this paragraph. These amounts result from constraints placed on the use of resources (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. State statutes mandate that certain funds collected are restricted for their specific purposes. Purposes that are controlled by state statute are fees collected for automation, certain funds received for public safety, and certain funds received for the Department of Education centralized cafeteria that are intended for a special segment of the school population and not intended to benefit the student body as a whole. Other funds that are restricted are the fees collected from rate payers to finance the private service lateral program (PSLP) of the Water and Wastewater Treatment Authority.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by legally binding contracts approved by resolution. These items are commitments that exceed the \$15,000 threshold set forth by the Hamilton County Purchasing Rules and Regulations. Items committed may only be modified or rescinded by resolution passed by the County Commission.

Assigned fund balance consists of amounts constrained by the County’s intent to be used for specific purposes, but are neither restricted nor committed. For reporting purposes, assignments may fall into two categories: assigned for specific purposes or assigned for encumbrances that fall below the \$15,000 threshold as set forth by the Hamilton County Purchasing Rules and Regulations. Items assigned as encumbrances may be assigned, modified or rescinded by the County Mayor or his designee, as set forth in the Hamilton County Purchasing Rules and Regulations.



Unassigned fund balance is the residual balance in the general fund (i.e., fund balance that is not either nonspendable, not restricted, committed, or assigned.)

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted amounts are expended first, and then unrestricted funds are used. Generally, when expenditures are incurred utilizing unrestricted funds, unassigned amounts are expended first, then assigned amounts, then committed amounts.

#### **g) Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The County has an item that qualifies as a deferred outflow of resources relating to the refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County reports unearned property taxes and various receivables for revenue which do not meet the availability criteria in governmental funds as deferred inflows of resources.

#### **h) Pension Plans**

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Hamilton County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Hamilton County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

The County has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the County's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period.

### **(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 inflows of resources. 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, 2015
Levy date	October 1, 2015
Tax bills mailed	October 1, 2015
Delinquency date	March 1, 2016
Tax sale – 2012 delinquent property taxes	June 2, 2016

**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 inflows of resources.

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 reported in the fund financial statements as transfers in/out from other funds are eliminated in the governmental activities column of the government-wide Statement of Activities.

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 Position.

**e) Payments Between the County and Component Units**

Resource flows (except those that affect the statement of net position/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 Water and Wastewater Treatment Authority for bonds issued in the County’s name.

**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) Compensated Absences**

County employees earn compensation for absences by a prescribed formula based on their length of service. Compensation for absences is accumulated every pay period and has a cap of 1,680 hours for employees hired before January 1, 2013. Employees hired after that date may only accumulate up to 800 hours. During the year, the compensation earned may be used for either vacation or absence due to illness. At year end, the liability for compensation for absences earned but not paid to employees is accrued in the government-wide financial statements by function. Upon termination or retirement, employees are paid for the balance accrued in their compensated absences bank.

**(9) NET POSITION**

The government-wide financial statements utilize a net position presentation and are displayed in three components.

**Net Investment in Capital Assets** – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted Net Position** – consists of net position with third party (statutory, bond covenant or granting agency) limitations on their use. The County’s policy is generally to use restricted net position first, as appropriate opportunities arise.

**Unrestricted Net Position** – all other net position that does not meet the definition of restricted or net investment in capital assets.

**NOTE B – 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, 2016, the County had no material excess of expenditures over appropriations in individual funds.

**Net Position/Fund Balance Deficit**

At June 30, 2016, the County has a deficit of \$86,040,888 in unrestricted net position in the government-wide statement of net position for governmental activities. 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, 2016, the County conveyed \$26,058,510 in capital assets to the Department of Education. At June 30, 2016, the County’s long-term liabilities include general obligation bonds of \$174,615,789 issued for the Department of Education capital projects and notes payable of \$126,979 for capital expenditures.

**NOTE C – 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, 2016, 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 interest-bearing deposits at various financial institutions.

### Investments

At June 30, 2016, investments of the primary government (except for Pension Trust Funds and OPEB Trust Fund) and component units consist of the following:

	Weighted Average <u>Maturity (Days)</u>	Fair <u>Value</u>
<b>Primary Government – Governmental Activities:</b>		
Investment in local investment pool	205	\$ 80,570,035
Certificates of Deposit	62	<u>15,000</u>
Total		<u>\$ 80,585,035</u>
<b>Primary Government – Agency Funds:</b>		
Investment in local investment pool	205	\$ 389,037
Total		<u>\$ 389,037</u>
<b>Component Units:</b>		
Investment in local investment pool	205	\$ 73,695,928
Investment in state investment pool	1	74,494
Certificates of Deposit	304	<u>9,648,071</u>
Total		<u>\$ 83,418,493</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 practices further reduce exposure to interest rate risk by maintaining a weighted average maturity in its investment portfolio of one year or less through the use of the "ladder" method of investing and by holding all investments to maturity. 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 investments longer than two years and all investments to be secured by either the State Collateral Pool Board or the participating bank.

**Pension Trust Funds and Other Post Employment Benefits Trust Fund** – The County's Pension Trust Funds and Other Post Employment Benefits (OPEB) Trust Fund are managed with long-term objectives that include maximizing total investment earnings. State statutes and County policies allow these funds a broader range of investment options than other County investment portfolios. The County's Pension Trust Funds and OPEB Trust Fund have no investments in any one issuer that represent 5 percent or more of plan net position. The credit risk of investments of these funds is summarized as follows:

Pension Trust Funds:

	<u>Moody's Rating</u>	<u>Fair Value</u>	<u>Interest Rate</u>
U.S. Treasury Note	Aaa	\$ 66,844	0.625-3.125%
Agency Securities – FFCB	Aaa	40,117	2.050-2.670%
Agency Securities – FHLB	Aaa	5,019	1.000%
Agency Securities – FHLMC	Aaa	10,592	2.375%
Agency Securities – FNMA	Aaa	26,426	2.625-5.375%
Municipal Bonds	A1	28,153	4.122%
Municipal Bonds	A2	36,898	2.942%
Municipal Bonds	Aa1	38,058	3.450-3.512%
Municipal Bonds	Aa3	25,718	2.201%
Domestic Corporate Bonds	A1	39,361	2.200-5.500%
Domestic Corporate Bonds	A2	64,921	2.150-5.300%
Domestic Corporate Bonds	A3	64,941	2.650-6.000%
Domestic Corporate Bonds	Aa1	15,399	2.000%
Domestic Corporate Bonds	Aa2	10,485	3.125%
Domestic Corporate Bonds	Aa3	20,831	1.750-3.150%
Domestic Corporate Bonds	Aaa	15,795	2.726-3.125%
Domestic Corporate Bonds	Baa1	103,084	2.875-6.400%
Domestic Corporate Bonds	Baa2	32,242	2.450-4.250%
Domestic Corporate Bonds	Baa3	46,866	3.150-6.500%
Foreign Bonds / Notes	A2	10,435	3.125%
Foreign Bonds / Notes	Aa2	10,892	4.300%
Foreign Bonds / Notes	Baa3	10,313	3.000%
Mutual Funds	Not rated	1,458,968	Various
Domestic Equity Securities	Not rated	145,708	Various
Foreign Equity Securities	Not rated	92,985	Various
		<u>\$ 2,421,051</u>	

OPEB Trust Fund:

	<u>Moody's Rating</u>	<u>Fair Value</u>	<u>Interest Rate</u>
U.S. Treasury Note	Aaa	\$ 431,543	0.625-3.125 %
Agency Securities – FFCB	Aaa	150,389	2.050-2.670%
Agency Securities – FHLB	Aaa	75,292	1.000%
Agency Securities – FHLMC	Aaa	105,915	2.375%
Agency Securities – FNMA	Aaa	107,590	2.625%
Municipal Bonds	A1	118,247	3.270-4.122%
Municipal Bonds	A2	52,711	2.942%
Municipal Bonds	Aa1	210,512	2.197-5.552%
Municipal Bonds	Aa2	77,219	1.796-2.300%
Municipal Bonds	Aa3	97,192	2.201-5.295%
Municipal Bonds	Aaa	46,929	2.820%
Domestic Corporate Bonds	A1	229,582	2.200-5.500%
Domestic Corporate Bonds	A2	345,385	2.150-5.300%
Domestic Corporate Bonds	A3	346,561	2.875-6.500%
Domestic Corporate Bonds	Aa1	51,328	2.000%
Domestic Corporate Bonds	Aa2	62,912	3.125%
Domestic Corporate Bonds	Aa3	104,158	1.750-3.150%
Domestic Corporate Bonds	Aaa	116,192	2.726-3.120%
Domestic Corporate Bonds	Baa1	500,294	2.875-6.400%
Domestic Corporate Bonds	Baa2	157,467	2.450-4.250%
Domestic Corporate Bonds	Baa3	193,037	3.150-6.500%
Foreign Bonds / Notes	A2	52,177	3.125%
Foreign Bonds / Notes	Aa2	54,458	4.300%
Foreign Bonds / Notes	Baa3	51,566	3.000%
Mutual Funds	Not rated	10,759,951	Various
Domestic Equity Securities	Not rated	2,303,483	Various
Foreign Equity Securities	Not rated	1,218,939	Various
		<u>\$18,021,029</u>	

**NOTE D – RECEIVABLES**

Receivables at June 30, 2016, consist of the following:

<u>Funds</u>	<u>Property Taxes</u>	<u>Patients</u>	<u>Accounts</u>	<u>Inter-Governmental</u>	<u>Allowance for Uncollectible</u>	<u>Net</u>
Primary Government:						
General	\$135,580,873	\$15,463,658	\$1,620,053	\$ 7,645,308	\$(19,584,943)	\$140,724,949
Debt service	-	-	59,257	-	-	59,257
Capital projects	-	-	5,500,000	3,407,165	-	8,907,165
Nonmajor	-	-	1,282,325	270,658	-	1,552,983
Internal service	-	-	2,827	-	-	2,827
	<u>\$135,580,873</u>	<u>\$15,463,658</u>	<u>\$8,464,462</u>	<u>\$11,323,131</u>	<u>\$(19,584,943)</u>	<u>\$151,247,181</u>
Component Units:						
Governmental	\$151,050,463	\$ -	\$1,371,083	\$17,692,595	\$ (8,113,448)	\$162,000,693
Proprietary	-	-	2,895,600	-	-	2,895,600
	<u>\$151,050,463</u>	<u>\$ -</u>	<u>\$4,266,683</u>	<u>\$17,692,595</u>	<u>\$ (8,113,448)</u>	<u>\$164,896,293</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, 2016.

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 E – 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 \$160,000 at June 30, 2016, is based on the use of 100% of capacity of both landfill areas. The estimated total current cost of the post closure care of \$160,000 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, 2016. 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 F – 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, and other facilities related to general government capital projects. Several of these contracts were in progress but not completed as of June 30, 2016. The total contractual commitments outstanding as of June 30, 2016, aggregated approximately \$24,677,342. These commitments are reported in the governmental-wide statements. The County has sufficient funds available to cover these commitments.



Hamilton County Water & Wastewater Treatment Authority (the Authority), a discretely presented component unit, is currently defending a court case that seeks to declare the \$8 monthly fee charged for the Private Service Lateral Program (PSLP) funding as unlawful. Further, the case seeks to certify a class action suit on behalf of all customers of the Authority. The Authority is contesting the lawsuit vigorously, but no outcome is certain. Should the courts rule against the Authority, the Authority may be required to refund approximately \$15 million in fees. In addition, if the Authority receives an unfavorable ruling, the Authority will require an increase in the variable rate in order to fund the PSLP as the program is necessary to comply with the Clean Water Act.

**NOTE G – 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, 2016, there is one Industrial Revenue Bond outstanding. The aggregate principal amount payable for the Industrial Revenue Bond series issued at June 30, 2016, is \$18,451,355.

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 H – CONSTITUTIONAL OFFICERS**

Certain operating expenditures of the Constitutional Officers for the year ended June 30, 2016, 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	\$ 939,698	\$ 295,016	\$ 2,564	\$ 1,237,278
Clerk and Master	716,025	150,892	2,428	869,345
County Clerk	1,495,664	421,803	559	1,918,026
Criminal Court Clerk	1,250,120	118,113	3,448	1,371,681
Juvenile Court Clerk	2,274,325	81,956	6,949	2,363,230
Register	386,492	58,224	995	445,711
Sheriff	27,546,667	4,488,962	1,735,767	33,771,396
Trustee	387,892	305,044	132	693,068
Election Commission	1,159,864	256,559	17,531	1,433,954
Assessor of Property	3,047,906	281,125	55,044	3,384,075
	<u>\$ 39,204,653</u>	<u>\$ 6,457,694</u>	<u>\$1,825,417</u>	<u>\$ 47,487,764</u>

## NOTE I – CAPITAL ASSETS

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

### Primary Government

	<u>Beginning Balance</u>	<u>Current Year Additions</u>	<u>Current Year Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 72,609,845	\$ 254,881	\$ (97,341)	\$ 72,767,385
Construction in progress	<u>36,717,070</u>	<u>56,012,579</u>	<u>(27,492,274)</u>	<u>65,237,375</u>
Total non-depreciable assets	<u>109,326,915</u>	<u>56,267,460</u>	<u>(27,589,615)</u>	<u>138,004,760</u>
Depreciable Assets:				
Buildings	141,996,433	690,223	(670,096)	142,016,560
Improvements other than buildings	26,523,476	-	-	26,523,476
Machinery and equipment	43,891,001	4,703,869	(3,212,137)	45,382,733
Infrastructure	210,556,081	6,006,450	-	216,562,531
Intangibles	<u>6,640,664</u>	<u>417,204</u>	<u>(106,097)</u>	<u>6,951,771</u>
Total depreciable assets	<u>429,607,655</u>	<u>11,817,746</u>	<u>(3,988,330)</u>	<u>437,437,071</u>
Less Accumulated Depreciation for:				
Buildings	(68,449,441)	(3,033,100)	545,513	(70,937,028)
Improvements other than buildings	(16,027,355)	(2,452,642)	-	(18,479,997)
Machinery and equipment	(35,303,477)	(2,457,110)	1,740,106	(36,020,481)
Infrastructure	(131,771,552)	(5,338,982)	-	(137,110,534)
Intangibles	<u>(3,930,582)</u>	<u>(393,602)</u>	<u>73,636</u>	<u>(4,250,548)</u>
Total accumulated depreciation	<u>(255,482,407)</u>	<u>(13,675,436)</u>	<u>2,359,255</u>	<u>(266,798,588)</u>
Depreciable Assets, net	<u>174,125,248</u>	<u>(1,857,690)</u>	<u>(1,629,075)</u>	<u>170,638,483</u>
Governmental activities capital assets, net	<u>\$ 283,452,163</u>	<u>\$ 54,409,770</u>	<u>\$(29,218,690)</u>	<u>\$ 308,643,243</u>

### Discretely Presented Component Units

	<u>Beginning Balance</u>	<u>Current Year Additions</u>	<u>Current Year Retirements</u>	<u>Ending Balance</u>
Non-Depreciable Assets:				
Land	\$ 20,121,792	\$ -	\$ -	\$ 20,121,792
Construction in progress	3,595,192	4,686,422	(927,672)	7,353,942
Other non-depreciable assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-depreciable assets	<u>23,716,984</u>	<u>4,686,422</u>	<u>(927,672)</u>	<u>27,475,734</u>
Depreciable Assets:				
Buildings	529,554,120	26,076,462	(2,073,747)	553,556,835
Improvements other than buildings	23,177,301	249,490	-	23,426,791
Machinery and equipment	35,969,115	1,528,004	(1,602,357)	35,894,762
Utility plant	<u>125,250,712</u>	<u>2,604,489</u>	<u>-</u>	<u>127,855,201</u>
Total depreciable assets	<u>713,951,248</u>	<u>30,458,445</u>	<u>(3,676,104)</u>	<u>740,733,589</u>
Less Accumulated Depreciation for:				
Buildings	(225,841,503)	(11,098,252)	172,561	(236,767,194)
Improvements other than buildings	(17,812,609)	(382,072)	-	(18,194,681)
Machinery and equipment	(23,424,208)	(2,044,203)	1,506,327	(23,962,084)
Utility plant	<u>(35,199,205)</u>	<u>(3,412,745)</u>	<u>-</u>	<u>(38,611,950)</u>
Total accumulated depreciation	<u>(302,277,525)</u>	<u>(16,937,272)</u>	<u>1,678,888</u>	<u>(317,535,909)</u>
Depreciable Assets, net	<u>411,673,723</u>	<u>13,521,173</u>	<u>(1,997,216)</u>	<u>423,197,680</u>
Component units capital assets, net	<u>\$ 435,390,707</u>	<u>\$ 18,207,595</u>	<u>\$(2,924,888)</u>	<u>\$ 450,673,414</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:	
Ambulance Services	\$ 624,694
Criminal Court	35,109
General Government	3,005,509
Health	252,521
Highway and Streets	5,452,889
Juvenile Court	202,807
Other Public Safety	983,665
Culture and Recreation	2,355,719
Sheriff	54,481
Social Services	<u>708,042</u>
Total	<u>\$ 13,675,436</u>
Discretely Presented Component Units:	
Department of Education	\$ 12,325,562
Water & Wastewater Treatment Authority	3,667,075
“911” Emergency Communications	944,085
Railroad Authority	<u>550</u>
Total	<u>\$ 16,937,272</u>

Hamilton County donated \$26,058,510 assets transferred from construction in progress to the Department of Education, a component unit of Hamilton County.

#### **NOTE J – EMPLOYEE RETIREMENT SYSTEMS**

Hamilton County provides retirement benefits through seven pension plans. The majority of employees participate in one of four retirement plans provided by the Tennessee Consolidated Retirement System (TCRS). One of the TCRS plans is the Political Subdivision Pension Plan (PSPP), now referred to as the Hamilton County Legacy Plan, an agent, multiple-employer, defined benefit plan which is available for all County employees except teachers employed before September 30, 2015. This plan closed to new membership September 30, 2015, but will continue providing benefits to existing members and retirees. Beginning October 1, 2015, all newly hired County employees except teachers can participate in the Hamilton County Hybrid Plan. The Hamilton County Hybrid Plan is an agent, multiple-employer, combination of a defined benefit plan and a defined contribution plan. The other two TCRS plans are the Teacher Legacy Pension Plan and the Teacher Retirement Plan which are available to teachers of the Hamilton County School System. Teachers with membership in TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

The remaining employees who are eligible for retirement benefits participate in one of 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 System**

##### **(1) HAMILTON COUNTY LEGACY PLAN**

###### **Plan Description**

Employees of Hamilton County, including certain employees of the Hamilton County Department of Education, are members of the Hamilton County Legacy Plan, an agent, multiple-employer, defined benefit pension plan administered by the TCRS. The Hamilton County Legacy Plan closed to new membership on



September 30, 2015, but will continue providing benefits to existing members and retirees. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. TCRS provides retirement benefits as well as death and disability benefits. 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 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.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

### **Funding Policy**

Hamilton County adopted a noncontributory retirement plan for its employees on July 1, 1981, 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, 2016, was 14.33% of annual covered payroll. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2016, employer contributions for the County were \$14,683,048. By law, employer contributions are required to be paid. The TCRS may intercept the County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

The required contribution was determined as part of the June 30, 2015 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 7.50 percent per year compounded annually; (b) projected 3.0 percent annual rate of inflation; (c) projected salary increases of 4.25 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries); (d) projected 3.5 percent annual increase in the Social Security wage base; and (e) projected post retirement increases of 2.5 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 ten-year period. Hamilton County's amortization method is level dollar on a closed basis. The remaining amortization period at July 1, 2013 was seven years.

### **Investment Rate of Return**

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market

projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	Long-Term Expected Real Rate of <u>Return</u>	Target <u>Allocations</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.50 percent based on a blending of the three techniques described above.

#### **Net Pension Liability (Asset)**

The County's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability as of June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

#### **Summary of Key Actuarial Assumptions**

Reporting Date	June 30, 2016
Measurement Date	June 30, 2015
Actuarial Valuation Date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Asset valuation method	Fair market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.50 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent, if provided

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

**Employees Covered by Benefit Terms at June 30, 2015**

Inactive employees or beneficiaries currently receiving benefits	2,239
Inactive employees entitled to but not yet receiving benefits	2,374
Active employees	<u>2,674</u>
Total	<u>7,287</u>

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Schedule of Changes in Net Pension Liability (Asset)**

	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at June 30, 2014	\$ 436,152,489	\$ 430,654,137	\$ 5,498,352
Service cost	7,976,094	-	7,976,094
Interest	32,589,903	-	32,589,903
Differences between expected and actual experience	(5,829,667)	-	(5,829,667)
Contributions-employer	-	14,991,472	(14,991,472)
Contributions-employee	-	8,026	(8,026)
Net Investment income	-	13,197,032	(13,197,032)
Benefit payments, including refunds of employee contributions	(19,193,091)	(19,193,091)	-
Administrative expense	-	(141,919)	141,919
Net Changes	<u>\$ 15,543,239</u>	<u>\$ 8,861,520</u>	<u>\$ 6,681,719</u>
Balance at June 30, 2015	<u>\$ 451,695,728</u>	<u>\$ 439,515,657</u>	<u>\$ 12,180,071</u>

**Sensitivity of Net Pension Liability (Asset) to Changes in the Discount Rate**

The following represents the net pension liability (asset) calculated using the stated discount rate, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability (Asset)	\$ 68,690,850	\$ 12,180,071	\$(35,151,524)



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

	<u>Pension Expense/(Income)</u>
Service Cost	\$ 7,976,094
Interest	32,589,903
Contributions-employees	(8,026)
Projected investment income	(32,136,479)
Recognition of experience (gain)/loss	(1,471,029)
Recognition of investment (gain)/loss	(2,938,967)
Administrative expense	141,919
Pension Expense/(Income)	<u>\$ 4,153,415</u>

For the year ended June 30, 2016, the recognized pension expense (income) is \$4,153,415. At June 30, 2016, deferred outflows of resources and deferred inflows of resources related to pensions are from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,579,022
Changes of assumptions	-	-
Net difference between projected and actual earnings of pension plan investments	15,151,558	20,180,569
Contributions subsequent to the measurement date of June 30, 2015	<u>14,683,048</u>	<u>(not applicable)</u>
Total	<u>\$ 29,834,606</u>	<u>\$ 25,759,591</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2015,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year ended June 30:

2017	\$ (4,409,996)
2018	(4,409,996)
2019	(4,409,996)
2020	2,621,955
2021	-
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**Payable to the Pension Plan**

At June 30, 2016, the County reported a payable of \$1,222,236 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

(2) **HAMILTON COUNTY HYBRID PLAN**

**Summary of Significant Accounting Policies**

*Pensions.* For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Hamilton County Hybrid Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Hamilton County Hybrid Plan. Investments are reported at fair value.

**General Information About the Pension Plan**

*Plan description.* Employees with membership in the Tennessee Consolidated Retirement System (TCRS) before September 30, 2015, of Hamilton County are provided with pensions through the Hamilton County Legacy Pension Plan administered by the TCRS. The Hamilton County Legacy Pension Plan is closed to new membership. Employees with membership in the TCRS after October 1, 2015, are provided with pensions through a legally separate plan referred to as the Hamilton County Hybrid Plan, an agent, multiple-employer defined benefit pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Hamilton County Hybrid Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Hamilton County Hybrid Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Hamilton County Hybrid Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the County if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016 to the Hamilton County Hybrid Plan were \$48,832, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension liabilities.* Since the measurement date is June 30, 2015, which is prior to the October 1, 2015, inception of the Hamilton County Hybrid Plan, there is not a net pension liability to report at June 30, 2016.

*Pension Expense.* Since the measurement date is June 30, 2015, Hamilton County did not recognize a pension expense at June 30, 2016.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2016, Hamilton County reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Hamilton County’s contributions subsequent to the measurement date of June 30, 2015	\$ 48,832	\$ (not applicable)

Hamilton County’s employer contributions of \$48,832 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2017.

**Payable to the Pension Plan**

At June 30, 2016, Hamilton County reported a payable of \$13,060 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

**(3) TEACHER LEGACY PENSION PLAN**

**Summary of Significant Accounting Policies**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Legacy Pension Plan. Investments are reported at fair value.

**General Information about the Pension Plan**

*Plan description.* Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Hamilton County Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing, multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-



service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Hamilton County Schools for the year ended June 30, 2016 to the Teacher Legacy Pension Plan were \$14,517,682, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension liabilities (assets).* At June 30, 2016, the Hamilton County Schools reported a liability of \$1,717,724 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Hamilton County Schools' proportion of the net pension liability was based on Hamilton County Schools' share of contributions to the pension plan relative to the contributions of all LEAs. At the measurement date of June 30, 2015, Hamilton County Schools' proportion was 4.193311 percent. The proportion measured as of June 30, 2014, was 4.361741 percent.

*Negative Pension expense.* For the year ended June 30, 2016, Hamilton County Schools recognized a pension expense of \$1,395,028.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2016, Hamilton County Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,378,545	\$ 26,736,623
Net difference between projected and actual earnings on pension plan investments	31,016,711	42,106,874
Changes in proportion of Net Pension liability (Asset)	2,076,830	1,801,016
LEA's contributions subsequent to the measurement date of June 30, 2015	<u>14,517,682</u>	<u>(not applicable)</u>
Total	<u>\$ 48,989,768</u>	<u>\$ 70,644,513</u>

Hamilton County Schools employer contributions of \$14,517,682, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (11,297,900)
2018	(11,297,900)
2019	(11,297,900)
2020	2,737,725
2021	(5,016,452)
Thereafter	-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.50 percent, net of pension plan investment expenses, including inflation
Cost of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012, actuarial experience study and included an adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.50 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and

inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate.* The following presents Hamilton County Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50 percent, as well as what Hamilton County Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Hamilton County Schools' proportionate share of the net pension liability (asset)	\$ 117,108,613	\$ 1,717,724	\$ (93,812,325)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**Payable to the Pension Plan**

At June 30, 2016, Hamilton County Schools reported a payable of \$1,648,946 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

**(4) TEACHER RETIREMENT PLAN**

**Summary of Significant Accounting Policies**

*Pensions.* For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan. Investments are reported at fair value.

**General Information About the Pension Plan**

*Plan description.* Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Hamilton County Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing, multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a cost sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of



July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016, to the Teacher Retirement Plan were \$1,064,642, which is 4.00 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension liabilities (assets).* At June 30, 2016, Hamilton County Schools reported an asset of \$199,948 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Hamilton County Schools' proportion of the net pension asset was based on Hamilton County Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, Hamilton County Schools' proportion was 4.970172 percent.

*Pension Expense.* For the year ended June 30, 2016, Hamilton County Schools recognized pension expense of \$262,037.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2015, Hamilton County Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 65,079
Net difference between projected and actual earnings on pension plan investments	16,163	-
LEA's contributions subsequent to the measurement date of June 30, 2015	<u>1,064,642</u>	<u>(not applicable)</u>
Total	<u>\$ 1,080,805</u>	<u>\$ 65,079</u>

Hamilton County Schools' employer contributions of \$1,064,642, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (1,383)
2018	(1,383)
2019	(1,383)
2020	(1,383)
2021	(5,423)
Thereafter	(37,961)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

*Actuarial assumptions.* The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.50 percent, net of pension plan investment expenses, including inflation
Cost of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012, actuarial experience study and included an adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 20, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.50 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate.* The following presents Hamilton County Schools’ proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50 percent, as well as what Hamilton County Schools’ proportionate share of the net pension liability (asset) would be if it were calculated using a rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease ( <u>6.50%</u> )	Current Discount Rate ( <u>7.50%</u> )	1% Increase ( <u>8.50%</u> )
Hamilton County Schools’ proportionate share of the net pension liability (asset)	\$ 35,456	\$ (199,948)	\$ (372,596)

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

**Payable to the Pension Plan**

At June 30, 2016, Hamilton County Schools reported a payable of \$128,073 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

**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 position.

**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 either the County or each participant to contribute 6.4 percent of the first \$800 of monthly salary toward the cost of the plan. 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. 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.

## **Employees Covered by Benefit Terms**

	<u>Employees' Pension Plan</u>	<u>Commissioners' Pension Plan</u>	<u>Teachers' Pension Plan</u>
Retirees and beneficiaries receiving benefits	18	13	2
Vested terminated employees	-	4	-
Active employees:			
Fully vested	-	6	-
Non vested	-	3	-
Actuarial valuation date	June 30, 2016	June 30, 2016	June 30, 2016
Measurement date	June 30, 2015	June 30, 2015	June 30, 2015

## Investment Policy

The Pension Board (the “Board”) establishes (and may amend) the pension plan’s policy regarding asset allocation. Plan assets are managed with a long-term objective of achieving a fully funded status for the benefit provided through the plan. The Board’s asset allocation policy as of June 30, 2016, is shown below:

<u>Asset Class</u>	<u>Employees’ Plan Target Allocation</u>	<u>Commissioners’ Plan Target Allocation</u>
Equity	-	40.00%
Domestic Equity	31.00%	-
International Equity	9.00%	-
Fixed Income	50.00%	50.00%
Real Estate (REITs)	2.50%	-
Commodities	2.50%	-
Other	5.00%	10.00%
	<u>100.00%</u>	<u>100.00%</u>

The Teachers’ Plan only maintains Certificates of Deposit.

## Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using the Black-Litterman Methodology. The Black-Litterman uses market implied (CAPM) returns as neutral starting points for estimating the set of expected returns, and then allows the practitioner to tilt the portfolio in the direction of his or her views. The practitioner can control how strongly a particular view influences portfolio weights, in accordance with the degree of confidence with which he or she holds the view. The Black-Litterman Model largely mitigates the problems of input-sensitivity and estimation error maximization that result in unintuitive, highly concentrated portfolios. Best estimates of forward-looking rates of return for each major asset class included in the pension plan’s target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Cash Equivalents	2.17%	U.S. Short Gov	2.39%
T-Notes/CDs	2.17%	U.S. Intermediate Government	2.76%
Fixed Annuities	2.23%	U.S. Long Government	3.87%
U.S. Large Cap Value	8.34%	U.S. Mortgage Backed Securities	2.98%
U.S. Large Cap Growth	7.71%	U.S. Intermediate Credit	3.55%
U.S. Large Cap Blend	8.02%	Int’l Fixed Income (Hedged)	2.60%
U.S. Mid Cap Value	9.04%	U.S. High Yield	5.11%
U.S. Mid Cap Growth	8.49%	Municipal Bond	2.96%
U.S. Mid Cap Blend	8.77%	TIPS	3.85%
U.S. Small Cap Value	8.77%	Emerging Markets Debt	6.45%
U.S. Small Cap Growth	8.56%	Alt Strategies	3.49%
U.S. Small Cap Blend	8.66%	REITs	9.18%
Int’l Developed Large/Mid Cap Value	9.27%	Commodities	6.09%
Int’l Developed Large/Mid Cap Growth	8.30%	Balanced Funds	6.12%
Int’l Developed Small Cap Core	9.08%	Private Equity	10.58%
Emerging Markets Value	10.88%	MLPs	5.28%
Emerging Markets Growth	10.00%	Preferred Securities	4.84%
U.S. Aggregate Fixed Income	3.27%		

**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, 2016, are shown in the following table:

	<u>County Administered Retirement Plans</u>		
	<u>Employees'</u> Private Acts of TN Actuarially	<u>Commissioners'</u> Private Acts of TN Actuarially	<u>Teachers'</u> Pension Board Actuarially
Contribution authorization:			
How contributions are determined:			
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	-	\$45,908	\$412
Other contributing entities	N/A	N/A	\$3,588
Date of last actuarial valuation	June 30, 2016	June 30, 2016	June 30, 2016
Actuarial valuation date for current contributions	June 30, 2016	June 30, 2016	June 30, 2016
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	7.50%	6.00%	5.00%
Projected salary increases	N/A	4.0%	N/A
Amortization:			
Method	Level Dollar	Level Dollar	Level Dollar
Period	10 years open	10 years open	10 years open

All the Hamilton County Administered Plans follow the same Mortality Rates Schedule below. The Commissioners' Plan has no pre-retirement mortality rates and the table below applies to post-retirement only.

<u>Mortality Rates</u>	<u>AGE</u> <u>(Sample value per 1,000 lives)</u>			
	<u>60</u>	<u>70</u>	<u>80</u>	<u>90</u>
2015 IRS Combined Static Mortality Table				
Male	0.46%	1.57%	5.16%	16.79%
Female	0.45%	1.47%	3.93%	12.33%

**Future Mortality Improvement:**

The mortality tables above utilizes Scale AA to project improvement to 15 years beyond the valuation date for retired participants and 7 years beyond the valuation date for active participants.



**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate:**

	<u>Discount Rate</u>	<u>Net Pension Liability</u>
<u>Teachers' Plan</u>		
Net Pension Liability, 1% Decrease	4.00%	\$ 3,538
Net Pension Liability, Current Rate	5.00%	\$ 3,256
Net Pension Liability, 1% Increase	6.00%	\$ 2,990
<u>Employees' Plan</u>		
Net Pension Liability, 1% Decrease	6.50%	\$ (1,517,306)
Net Pension Liability, Current Rate	7.50%	\$ (1,539,291)
Net Pension Liability, 1% Increase	8.50%	\$ (1,559,321)
<u>Commissioners' Plan</u>		
Net Pension Liability, 1% Decrease	5.00%	\$ 211,632
Net Pension Liability, Current Rate	6.00%	\$ 157,290
Net Pension Liability, 1% Increase	7.00%	\$ 109,201

**Contributions**

For the year ended June 30, 2016, no employer contributions were made for the Employees' Pension Plan. Employer contributions to the Commissioners' Pension Plan totaled \$45,908 and \$412 to the Teachers' Pension Plan.

**Components of Net Pension Liability (Asset)**

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

	<u>June 30, 2016</u>		
	<u>Teachers' Plan</u>	<u>Employees' Plan</u>	<u>Commissioners' Plan</u>
Total Pension Liability (Asset)	\$ 10,742	\$ 459,960	\$ 784,269
Plan Fiduciary Net Position	<u>(7,486)</u>	<u>(1,999,251)</u>	<u>(626,979)</u>
Net Pension Liability (Asset)	<u>\$ 3,256</u>	<u>\$ (1,539,291)</u>	<u>\$ 157,290</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	(69.69%)	434.66%	79.94%

## Changes in Net Pension Liability (Asset)

### Employees' Retirement

<i>Changes in Net Pension Liability (Asset)</i>	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at 6/30/2014	\$ 526,921	\$ 2,038,540	\$ (1,511,619)
Changes for the Year:			
Interest Expense	36,314	-	36,314
Experience losses (gains)	(17,798)	-	(17,798)
Net Investment Income	-	60,128	(60,128)
Benefits paid	(85,477)	(85,477)	-
Plan administrative expenses	-	(13,940)	13,940
Net Changes	<u>(66,961)</u>	<u>(39,289)</u>	<u>(27,672)</u>
Balances at 6/30/2015	\$ <u>459,960</u>	\$ <u>1,999,251</u>	\$ <u>(1,539,291)</u>

### Commissioners' Retirement

<i>Changes in Net Pension Liability (Asset)</i>	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at 6/30/2014	\$ 776,134	\$ 625,057	\$ 151,077
Changes for the Year:			
Service Cost	27,680	-	27,680
Interest Expense	46,656	-	46,656
Experience losses (gains)	(13,771)	-	(13,771)
Contributions – Employer	-	55,000	(55,000)
Net Investment Income	-	3,327	(3,327)
Benefits paid	(52,430)	(52,430)	-
Plan administrative expenses	-	(3,975)	3,975
Net Changes	<u>8,135</u>	<u>1,922</u>	<u>6,213</u>
Balances at 6/30/2015	\$ <u>784,269</u>	\$ <u>626,979</u>	\$ <u>157,290</u>

### Teachers' Retirement

<i>Changes in Net Pension Liability (Asset)</i>	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at 6/30/2014	\$ 15,201	\$ (1,835)	\$ 17,036
Changes for the Year:			
Interest Expense	670	-	670
Experience losses (gains)	(1,517)	-	(1,517)
Changes in assumptions	-	-	-
Contributions – Employer	-	12,931	(12,931)
Net Investment Income	-	2	(2)
Benefits paid	<u>(3,612)</u>	<u>(3,612)</u>	<u>-</u>
Net Changes	<u>(4,459)</u>	<u>9,321</u>	<u>(13,780)</u>
Balances at 6/30/2015	\$ <u>10,742</u>	\$ <u>7,486</u>	\$ <u>3,256</u>

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

For the fiscal year ended June 30, 2016, the Teachers' Retirement recognized pension expense (income) will be \$(934), the Commissioners' Retirement recognized pension expense will be \$31,533, and the Employees' Retirement recognized pension expense (income) will be \$(116,087). This determination is based on a measurement date of June 30, 2015.

As of June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources in relation to pensions from the following sources:

	Teachers' Retirement		Commissioners' Retirement		Employees' Retirement	
	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources
Investment losses (gains)	\$ 190	\$ -	\$ 20,190	\$ -	\$ 19,665	\$ -

Contributions subsequent to the measurement date totaling \$412 for the Teachers' Retirement, \$45,908 for the Commissioners' Retirement, and \$0 for the Employees' Retirement were reported as deferred outflows of resources related to pensions and will be recognized as a reduction on the net pension liability in the year ending June 30, 2017. Amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30:	Teachers' Retirement	Commissioners' Retirement	Employees' Retirement
2017	\$ 54	\$ 4,454	\$ 619
2018	54	4,454	619
2019	55	4,456	621
2020	27	6,826	17,806
2021	-	-	-
Thereafter	-	-	-

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:

	Employees' Pension	Commissioners' Pension	Teachers' Pension	Pension Trust Funds
<b>ASSETS</b>				
Cash	\$ 78,736	\$ 66,573	\$ 4,288	\$ 149,597
Investments, at fair value:				
US Gov. Securities	148,998	-	-	148,998
Municipal Bonds	128,827	-	-	128,827
Mutual Funds	909,280	549,688	-	1,458,968
Domestic Equity Securities	145,708	-	-	145,708
Domestic Corporate Bonds	413,925	-	-	413,925
Foreign Bonds/Notes	31,640	-	-	31,640
Foreign Equity Securities	92,985	-	-	92,985
Total investments	<u>1,871,363</u>	<u>549,688</u>	<u>-</u>	<u>2,421,051</u>
Receivables:				
Interest	<u>6,694</u>	<u>646</u>	<u>-</u>	<u>7,340</u>
Total Assets	<u>1,956,793</u>	<u>616,907</u>	<u>4,288</u>	<u>2,577,988</u>
<b>LIABILITIES</b>				
Accrued Items & Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Assets held in trust for pension benefits	<u>\$ 1,956,793</u>	<u>\$ 616,907</u>	<u>\$ 4,288</u>	<u>\$ 2,577,988</u>



	Employees' Pension	Commissioners' Pension	Teachers' Pension	Pension Trust Funds
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ -	\$ 45,908	\$ 412	\$ 46,320
Other	-	-	3,588	3,588
Total contributions	-	45,908	4,000	49,908
Investments earnings:				
Net change in fair value of investments	(9,585)	(21,290)	-	(30,875)
Interest	59,612	21,290	2	80,904
Net investment income	50,027	-	2	50,029
Total additions	50,027	45,908	4,002	99,937
<b>DEDUCTIONS</b>				
Benefits	75,681	50,226	7,200	133,107
Administrative expense	16,804	5,754	-	22,558
Total deductions	92,485	55,980	7,200	155,665
Change in net position	(42,458)	(10,072)	(3,198)	(55,728)
Net position, beginning	1,999,251	626,979	7,486	2,633,716
Net position, ending	\$ 1,956,793	\$ 616,907	\$ 4,288	\$ 2,577,988

#### **NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

##### **(1) PLAN DESCRIPTION:**

###### **Primary Government**

In addition to providing pension benefits, the County provides OPEB benefits (health care) for certain retired employees through 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 under this plan until they become eligible for Medicare. Benefits are established and amended by the County Commission. A stand-alone financial report is not issued.

###### **Department of Education (Department)**

In addition to providing pension benefits, the Department, a discretely presented component unit, provides a portion of its OPEB benefits (health care and dental) for certain retired employees through 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. Benefits are established and amended by the Hamilton County School Board. A stand-alone financial report is not issued.

##### **(2) FUNDING POLICY:**

###### **Primary Government**

In fiscal year 2011, the County established an Other Postemployment Benefits Trust (OPEB Trust) which is used to partially pre-fund benefits. The County's General Fund contributes to the OPEB Trust to pre-fund benefits. Only the prefunded portion of the OPEB cost is included in the OPEB Trust. The pay-as-you-go component is funded and accounted for in the County's Governmental Activities - Internal Service Fund. Eligible retirees pay a premium using a formula based on date of retirement, years of service, and the County's computed cost for active employees. During fiscal year 2016, the County and retirees contributed \$1,165,004 and \$52,887 respectively to the internal service fund for health care benefits for 126 retirees. Funding is established and amended by the County Commission, and no planned increases were approved for fiscal year 2016.

**Department of Education (Department)**

Eligible retirees pay a premium using a formula based on date of retirement, years of service, and the Department's computed cost for active employees. During fiscal year 2016, the Department contributed \$7,182,936 for these health care benefits for 558 retirees. The Department will make contributions to its Department of Education - Internal Service Fund in amounts sufficient to cover the pay-as-you-go component plus administrative costs. The Department has no plans at this time to fund the remaining portion of the annual required contributions. Funding is established and amended by the Hamilton County School Board, and no planned increases were approved for fiscal year 2016.

**(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.

Annual OPEB Cost and Net OPEB Obligation:

	Primary Government	Department of Education	Total
Net OPEB Obligation – July 1, 2015	\$ (509,741)	\$ 25,305,503	\$ 22,795,762
Annual required contribution	3,472,817	10,903,284	14,376,101
Interest on net OPEB obligation	(33,133)	1,012,220	979,087
Adjustment to annual required contribution	10,465	(1,097,791)	(1,087,326)
Annual OPEB cost (expense)	<u>3,450,149</u>	<u>10,817,713</u>	<u>14,267,862</u>
Expected payout for Retiree Benefits	(1,930,624)	(7,182,936)	(9,113,560)
Current Year Contribution to Trust	<u>(1,600,000)</u>	<u>-</u>	<u>(1,600,000)</u>
Contribution made	(3,530,624)	(7,182,936)	(10,713,560)
Increase (decrease) in net OPEB obligation	<u>(80,475)</u>	<u>3,634,777</u>	<u>3,554,302</u>
Net OPEB obligation – June 30, 2016	<u>\$ (590,216)</u>	<u>\$ 28,940,280</u>	<u>\$ 28,350,064</u>
% of annual OPEB cost contributed to trust	46.4%	0%	11.2%
% of annual OPEB cost to total contribution	102.3%	66.4%	75.1%

	Year Ended <u>June 30</u>	Annual OPEB <u>Cost</u>	Total <u>Contributions</u>	Percentage <u>Contributed</u>	Net OPEB Obligation <u>End of Year</u>
Primary Government	2016	\$ 3,450,149	\$ 3,530,624	102.3%	\$ (590,216)
	2015	3,101,527	3,181,064	102.6%	(509,741)
	2014	2,984,678	3,037,331	101.8%	(430,204)
Dept. of Education	2016	\$ 10,817,713	\$ 7,182,936	66.4%	\$ 28,940,280
	2015	10,282,264	6,681,801	65.0%	25,305,503
	2014	12,051,748	7,749,540	64.3%	21,705,040

**(4) FUNDED STATUS AND FUNDING PROGRESS:**

**Primary Government**

As of July 1, 2015, the most recent actuarial valuation date, the County employees' post-employment medical insurance benefits plan was 41.1% funded. The actuarial accrued liability for benefits was \$39,369,301 and the actuarial value of assets was \$16,185,260, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,184,041. The covered payroll (annual payroll of active employees covered by the plan) was \$83,633,082 and the ratio of the UAAL to the covered payroll was 27.7%. For the year ended June 30, 2016, \$1,600,000 was contributed to the OPEB Trust, and an additional \$1,600,000 has been budgeted for fiscal year ended June 30, 2017.

**Department of Education (Department)**

As of July 1, 2015, the most recent actuarial valuation date, the Department's employees' post-retirement medical and dental insurance benefits plan was 0% funded. The actuarial accrued liability for benefits was \$99,905,898, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$99,905,898. The covered payroll (annual payroll of active employees covered by the plan) was \$187,701,584, and the ratio of the UAAL to the covered payroll was 53.2%. The Department will make payments in amounts sufficient to cover annual benefits paid and administrative costs but has no plans at this time to fund the remaining portion of the annual required contributions.

**(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.

**Primary Government**

The actuarial valuation method used is the entry age normal actuarial cost method in which the actuarial value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. Projected salary increases are based on 3% per year. Ninety-five percent (95%) of future eligible retirees are assumed to elect medical coverage upon retirement. The actuarial value of plan assets is developed by adjusting expected assets on the valuation date toward market value of assets by an amount equal to one-third of the difference between expected and market asset values. The resulting actuarial value shall not exceed 120% of the market value, or be less than 80% of the market value.

**Department of Education (Department)**

The actuarial valuation method used is the entry age normal actuarial cost method in which the actuarial value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. Projected salary increases are based on 3% per year. Ninety-five percent (95%) of future eligible retirees are assumed to elect medical coverage upon retirement. Seventy percent (70%) of participants currently on leave of absence are assumed to return to retirement eligibility.



The Schedule of Funding Progress for both plans is presented as required supplementary information following the notes to the financial statements.

Other key assumptions are as follows:

	<u>Primary Government</u>	<u>Department of Education</u>
Healthcare Cost Trend		
Annual medical costs increase, first year	9%	7.5%
Future annual increases - medical	5% over a 8-year period	5% over a 5-year period
Dental	N/A	Capped at \$1,000/year
UAAL Amortization Period	30 years closed	30 years closed
Investment Return	6.5%	4.0%
Inflation Rate	2.5%	2.5%
Projected Salary Increase	3.0%	3.0%
Post-Employment Benefit Increases	None	None

#### NOTE L – 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. Proceeds from the issuance of general obligation bonds are used to finance construction of new school facilities, major repair or replacement of school facilities, and certain public work projects and the incidental and necessary expenses related thereto. 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-B	5.10%	\$ 3,390,000	\$ 305,000
General Improvement, Series 2009	3.50-4.00%	1,190,040	595,020
School, Series 2009	3.50-4.00%	3,029,960	1,514,980
General Improvement, Series 2010-A	3.00-4.00%	7,475,000	-
General Improvement, Series 2010-B	4.00-4.25%	6,440,000	1,610,000
General Improvement, Series 2010-C	3.50-5.00%	3,010,000	330,000
General Improvement, Series 2011-A	3.25-5.00%	6,274,751	727,644
School, Series 2011-A	3.25-5.00%	23,605,249	2,737,356
General Improvement, Series 2011-B	3.00-5.00%	10,200,833	1,483,667
School, Series 2011-B	5.00%	1,989,167	656,333
General Improvement, Series 2013-A	2.00-4.00%	8,047,471	670,623
School, Series 2013-A	2.00-4.00%	40,432,529	3,369,377
General Improvement, Series 2013-B	3.00-4.00%	6,512,316	950,611
School, Series 2013-B	3.00-4.00%	37,297,684	5,444,389
General Improvement, Series 2015-A	5.00%	10,679,200	762,800
School, Series 2015-A	5.00%	45,320,800	3,237,200
General Improvement, Series 2015-B	2.00-5.00%	7,194,600	-
School, Series 2015-B	2.00-5.00%	22,940,400	-
Total payable from the Debt Service Fund		<u>\$ 245,030,000</u>	<u>\$ 24,395,000</u>

**Notes Payable and Other Debt** – In September 2013, the Board of Commissioners approved a resolution authorizing the issuance of bond anticipation notes in the form of Revolving Loans in an aggregate principal amount not to exceed \$90,000,000. Under the terms of the Revolving Loan agreement, the principal balance for each revolving loan shall be due within a two-year period and shall bear interest at a variable rate based on certain published prime rates (either the LIBOR index rate or the SIFMA index rate). In November 2015, at the request of Hamilton County, the aggregate principal amount of the revolving credit agreement was reduced from \$90,000,000 to \$55,000,000. In addition to interest on outstanding loans, the County will pay a fee to the issuing bank equal to 0.325% of all issued loans and 0.265% of the unutilized portion of the agreement. Hamilton County requested and received a revolving loan of \$40,000,000 during the year ended June 30, 2016.

The County has entered into an Agreement with the City of Chattanooga to fund a portion of the municipality’s debt obligations. 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, 2016, the County has fulfilled its obligation on the Agreement.

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 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 2017. The loan shall not bear interest. As of June 30, 2016, the County has withdrawn \$1,361,000 of the funds reserved. At June 30, 2016, the County’s remaining obligation was \$126,979, 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:		
2017	\$ 24,395,000	\$ 10,099,011
2018	24,575,000	9,025,074
2019	24,595,000	7,951,561
2020	22,920,000	6,900,254
2021-2025	102,690,000	20,017,229
2026-2030	45,485,000	4,546,414
2031	370,000	13,875
	<u>\$ 245,030,000</u>	<u>\$ 58,553,418</u>
Notes Payable and Other Debt:		
2017	\$ 90,733	\$ -
2018	40,036,246	-
	<u>\$ 40,126,979</u>	<u>\$ -</u>

Changes in Long-term Liabilities – During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Primary Government:					
Government Activities:					
General Obligation Bonds	\$ 272,965,000	\$ -	\$ 27,935,000	\$ 245,030,000	\$ 24,395,000
Notes payable and other debt	669,043	40,000,000	542,064	40,126,979	90,733
OPEB Obligation	-	3,472,817	3,472,817	-	-
Landfill post closure costs	170,000	-	10,000	160,000	10,000
Compensated absences	15,010,437	6,682,853	6,223,331	15,469,959	2,882,760
	<u>288,814,480</u>	<u>50,155,670</u>	<u>38,183,212</u>	<u>300,786,938</u>	<u>\$ 27,378,493</u>
Net deferred premium	29,918,021	-	3,158,386	26,759,635	
	<u>\$ 318,732,501</u>	<u>\$ 50,155,670</u>	<u>\$ 41,341,598</u>	<u>\$ 327,546,573</u>	
	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Component Units:					
Notes payable and other debt	\$ 19,741,861	\$ 3,234,528	\$ 925,086	\$ 22,051,303	\$ 1,017,950
OPEB Obligation	25,305,503	10,817,713	7,182,936	28,940,280	7,567,601
Compensated absences	10,826,184	875,064	256,112	11,445,136	2,286,143
	<u>55,873,548</u>	<u>14,927,305</u>	<u>8,364,134</u>	<u>62,436,719</u>	<u>\$ 10,871,694</u>
Net deferred premium	7,265	-	4,359	2,906	
	<u>\$ 55,880,813</u>	<u>\$ 14,927,305</u>	<u>\$ 8,368,493</u>	<u>\$ 62,439,625</u>	

Debt service requirements for general obligation bonds, notes payable and other debt are met by the General Fund and intergovernmental revenues received directly by the Debt Service Fund. OPEB obligations and landfill post closure costs are being liquidated by the General Fund and 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, OPEB obligations 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, OPEB funding accrued in the General Fund and transferred to the trust fund, and compensated absences used during the year.

**NOTE M – 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, 2016, the County’s balance of the defeased debt outstanding was \$90,195,000.

**NOTE N – 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 position.

<u>Receivable Primary Government</u>	<u>Payable Primary Government</u>	<u>Amount</u>
General Fund	Nonmajor Government Fund	\$ 1,175,523
General Fund	Capital Projects	3,225,319
General Fund	Internal Service	109
Internal Service Funds	General Fund	2,247,528
Nonmajor Governmental Fund	General Fund	330,765
		<u>\$ 6,979,244</u>

<u>Receivable Primary Government</u>	<u>Payable Component Units</u>	<u>Amount</u>
General Fund	“911” Emergency Communication	\$ 658,184
General Fund	Water/Wastewater Treatment	216,314
General Fund	Department of Education	21,902
		<u>\$ 896,400</u>

<u>Receivable Component Units</u>	<u>Payable Primary Government</u>	<u>Amount</u>
Department of Education	Capital Projects	\$ 149,075

**NOTE O – 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	Capital Projects	\$ 3,166,777
General Fund	Nonmajor Governmental Funds	11,145,248
Debt Service	General Fund	38,846,132
Nonmajor Government Funds	General Fund	300,000
		<u>\$ 53,458,157</u>

**NOTE P – 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 have 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, 2016, is as follows:

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

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION:

Total operating revenues	\$ 3,717,554
Total operating expenses	(3,568,805)
Less depreciation and amortization	<u>(676,473)</u>
Loss from operations	(527,724)
Non-operating revenues	500,000
Non-operating expenses	<u>(62)</u>
Net loss	(27,786)
Net position at July 1, 2015	<u>11,261,379</u>
Net position at June 30, 2016	<u>\$11,233,593</u>

**NOTE Q – 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 equipment claims. The County has an umbrella liability policy with limits of \$1,000,000 per occurrence/\$2,000,000 aggregate and a \$700,000 retention covering liability claims outside of the County's tort limits, and non-tort claims such as employment-related liability, healthcare and social services liability, benefits, law enforcement liability and automobile liability. The County has a liability policy to cover election polling booth locations with a \$1,000,000 per occurrence and aggregate limit. 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 discretely presented 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, 2014	\$ 2,488,671	\$ 7,625,297
Incurred claims	31,958,040	54,921,421
Claims payments	<u>(31,887,666)</u>	<u>(54,670,860)</u>
Unpaid claims, June 30, 2015	2,559,045	7,875,858
Incurred claims	35,800,979	55,993,899
Claims payments	<u>(35,699,591)</u>	<u>(55,010,230)</u>
Unpaid claims, June 30, 2016	<u>\$ 2,660,433</u>	<u>\$ 8,859,528</u>

On July 1, 2010, the Department of Education began self-insuring the HMO portion of employee medical claims in addition to the PPO claims which were already self-insured.

At June 30, 2016, the Hamilton County Internal Service Fund has net position of \$18,252,803, and the Department of Education Internal Service Fund has net position of \$36,442,465. These net position balances are designated for future catastrophic losses.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
HAMILTON COUNTY LEGACY PLAN**

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2016**

Tennessee Consolidated Retirement System

	<u>2015 *</u>	<u>2014</u>
<b>Total Pension Liability (Asset)</b>		
Service Cost (normal cost adjusted to end of year)	\$ 7,976,094	\$ 7,739,359
Interest	32,589,903	31,157,770
Changes in benefit terms	-	-
Differences between expected and actual experience	(5,829,667)	(1,525,480)
Changes of assumptions	-	-
Benefit Payments/Refunds	<u>(19,193,091)</u>	<u>(17,833,455)</u>
<b>Net Change in Total Pension Liability (Asset)</b>	15,543,239	19,538,194
<b>Total Pension Liability (Asset) - beginning</b>	<u>436,152,489</u>	<u>416,614,295</u>
<b>Total Pension Liability (Asset) - ending (a)</b>	<u>\$ 451,695,728</u>	<u>\$ 436,152,489</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 14,991,472	\$ 14,573,540
Contributions - employee	8,026	65,443
Net investment income	13,197,032	61,448,985
Benefit Payments/Refunds	(19,193,091)	(17,833,455)
Administrative expenses	(141,919)	(120,676)
Other	<u>-</u>	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	8,861,520	58,133,837
<b>Plan Fiduciary Net Position - beginning</b>	<u>430,654,137</u>	<u>372,520,300</u>
<b>Plan Fiduciary Net Position - ending (b)</b>	<u>\$ 439,515,657</u>	<u>\$ 430,654,137</u>
<b>Net Pension Liability (Asset) - ending (a) - (b)</b>	<u>\$ 12,180,071</u>	<u>\$ 5,498,352</u>
<b>Plan Fiduciary Net Position as a % of the Total Pension Liability (Asset)</b>	97.30%	98.74%
<b>Covered-employee payroll</b>	\$ 104,614,990	\$ 103,506,102
<b>Net Pension Liability (Asset) as a % of covered-employee payroll</b>	11.64%	5.31%

\* for fiscal year ending June 30, 2016 (year shown is measurement date)

Note: This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
AND RELATED RATIOS  
TEACHER LEGACY PENSION PLAN**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2016**

Tennessee Consolidated Retirement System

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	4.193311%	4.361741%
Proportionate share of the net pension liability (asset)	\$ 1,717,724	\$ (708,763)
Covered-employee payroll	\$ 156,976,681	\$ 171,197,958
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.094254%	-0.414002%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.81%	100.08%

Note: The amounts presented were determined as of June 30 of the prior fiscal year.

Note: This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.



**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
AND RELATED RATIOS  
TEACHER RETIREMENT PLAN**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2016**

Tennessee Consolidated Retirement System

	<u>2016</u>
Proportion of the net pension liability (asset)	4.970172%
Proportionate share of the net pension liability (asset)	\$ (199,948)
Covered-employee payroll	\$ 10,326,594
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-1.94%
Plan fiduciary net position as a percentage of the total pension liability (asset)	127.46%

Note: The Teachers' Retirement Plan began 7/1/2014.

Note: The amounts presented were determined as of June 30 of the prior fiscal year.

Note: This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
TEACHERS' PLAN**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2016**

Hamilton County Administered Plans

<u>Teachers' Plan</u>	<u>2016 *</u>	<u>2015 *</u>	<u>2014 *</u>
<b>Total Pension Liability (Asset)</b>			
Service Cost (normal cost adjusted to end of year)	\$ -	\$ -	\$ -
Interest	447	670	816
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(1,517)	-
Changes of assumptions	-	-	-
Benefit Payments/Refunds	(3,612)	(3,612)	(3,812)
<b>Net Change in Total Pension Liability (Asset)</b>	<b>(3,165)</b>	<b>(4,459)</b>	<b>(2,996)</b>
<b>Total Pension Liability (Asset) - beginning</b>	<b>10,742</b>	<b>15,201</b>	<b>18,197</b>
<b>Total Pension Liability (Asset) - ending (a)</b>	<b>\$ 7,577</b>	<b>\$ 10,742</b>	<b>\$ 15,201</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 412	\$ 12,931	\$ -
Contributions - employee	-	-	-
Net investment income	2	2	3
Benefit Payments/Refunds	(3,612)	(3,612)	(3,812)
Administrative expenses	-	-	(5,206)
Other	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(3,198)</b>	<b>9,321</b>	<b>(9,015)</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>7,486</b>	<b>(1,835)</b>	<b>7,180</b>
<b>Plan Fiduciary Net Position - ending (b)</b>	<b>\$ 4,288</b>	<b>\$ 7,486</b>	<b>\$ (1,835)</b>
<b>Net Pension Liability (Asset) - ending (a) - (b)</b>	<b>\$ 3,289</b>	<b>\$ 3,256</b>	<b>\$ 17,036</b>
<b>Plan Fiduciary Net Position as a % of the Total Pension Liability (Asset)</b>	<b>56.6%</b>	<b>69.7%</b>	<b>-12.1%</b>
<b>Covered-employee payroll</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Pension Liability (Asset) as a % of covered-employee payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

\* Dates are the fiscal year of plan, not measurement date.

Note: This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
EMPLOYEES' PLAN**

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2016**

Hamilton County Administered Plans

	<u>2016 *</u>	<u>2015 *</u>	<u>2014 *</u>
<b>Total Pension Liability (Asset)</b>			
Service Cost (normal cost adjusted to end of year)	\$ -	\$ -	\$ -
Interest	31,659	36,314	40,175
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(17,798)	-
Changes of assumptions	-	-	-
Benefit Payments/Refunds	<u>(75,680)</u>	<u>(85,477)</u>	<u>(96,114)</u>
<b>Net Change in Total Pension Liability (Asset)</b>	(44,021)	(66,961)	(55,939)
<b>Total Pension Liability (Asset) - beginning</b>	<u>459,960</u>	<u>526,921</u>	<u>582,860</u>
<b>Total Pension Liability (Asset) - ending (a)</b>	<u>\$ 415,939</u>	<u>\$ 459,960</u>	<u>\$ 526,921</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ -	\$ -	\$ -
Contributions - employee	-	-	-
Net investment income	50,026	60,128	226,056
Benefit Payments/Refunds	(75,680)	(85,477)	(96,114)
Administrative expenses	(16,804)	(13,940)	(15,390)
Other	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	(42,458)	(39,289)	114,552
<b>Plan Fiduciary Net Position - beginning</b>	<u>1,999,251</u>	<u>2,038,540</u>	<u>1,923,988</u>
<b>Plan Fiduciary Net Position - ending (b)</b>	<u>\$ 1,956,793</u>	<u>\$ 1,999,251</u>	<u>\$ 2,038,540</u>
<b>Net Pension Liability (Asset) - ending (a) - (b)</b>	<u>\$ (1,540,854)</u>	<u>\$ (1,539,291)</u>	<u>\$ (1,511,619)</u>
<b>Plan Fiduciary Net Position as a % of the Total Pension Liability (Asset)</b>	470.5%	434.7%	386.9%
<b>Covered-employee payroll</b>	\$ -	\$ -	\$ -
<b>Net Pension Liability (Asset) as a % of covered-employee payroll</b>	N/A	N/A	N/A

\* Dates are the fiscal year of plan, not measurement date.

Note: This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
COMMISSIONERS' PLAN**

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2016**

Hamilton County Administered Plans

	<u>2016 *</u>	<u>2015 *</u>	<u>2014 *</u>
<b>Total Pension Liability (Asset)</b>			
Service Cost (normal cost adjusted to end of year)	\$ 24,410	\$ 27,680	\$ 26,615
Interest	47,014	46,656	45,430
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(13,771)	-
Changes of assumptions	-	-	-
Benefit Payments/Refunds	<u>(50,227)</u>	<u>(52,430)</u>	<u>(52,129)</u>
<b>Net Change in Total Pension Liability (Asset)</b>	21,197	8,135	19,916
<b>Total Pension Liability (Asset) - beginning</b>	<u>784,269</u>	<u>776,134</u>	<u>756,218</u>
<b>Total Pension Liability (Asset) - ending (a)</b>	<u>\$ 805,466</u>	<u>\$ 784,269</u>	<u>\$ 776,134</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 45,908	\$ 55,000	\$ 65,888
Contributions - employee	-	-	-
Net investment income	1	3,327	46,376
Benefit Payments/Refunds	(50,227)	(52,430)	(52,129)
Administrative expenses	(5,754)	(3,975)	(6,814)
Other	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(10,072)</u>	<u>1,922</u>	<u>53,321</u>
<b>Plan Fiduciary Net Position - beginning</b>	<u>626,979</u>	<u>625,057</u>	<u>571,736</u>
<b>Plan Fiduciary Net Position - ending (b)</b>	<u>\$ 616,907</u>	<u>\$ 626,979</u>	<u>\$ 625,057</u>
<b>Net Pension Liability (Asset) - ending (a) - (b)</b>	<u>\$ 188,559</u>	<u>\$ 157,290</u>	<u>\$ 151,077</u>
<b>Plan Fiduciary Net Position as a % of the Total Pension Liability (Asset)</b>	76.6%	79.9%	80.5%
<b>Covered-employee payroll</b>	\$ 200,070	\$ 186,705	\$ 186,705
<b>Net Pension Liability (Asset) as a % of covered-employee payroll</b>	94.2%	84.2%	80.9%

\* Dates are the fiscal year of plan, not measurement date.

Note: This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.



**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT SYSTEMS**

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2016**

Tennessee Consolidated Retirement System

Year Ended June 30	Hamilton County Legacy Plan				
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
	2016	\$ 14,683,048	\$ 14,683,048	\$ -	\$ 105,764,830
2015	\$ 14,991,472	\$ 14,991,472	\$ -	\$ 104,614,990	14.33%
2014	\$ 14,573,540	\$ 14,573,540	\$ -	\$ 103,506,102	14.08%

Year Ended June 30	Hamilton County Hybrid Plan*				
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
	2016	\$ 48,832	\$ 48,832	\$ -	\$ 1,220,807

Year Ended June 30	Teachers' Legacy Plan				
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
	2016	\$ 14,517,682	\$ 14,517,682	\$ -	\$ 160,593,823
2015	\$ 14,190,695	\$ 14,190,695	\$ -	\$ 156,976,681	9.04%
2014	\$ 15,202,379	\$ 15,202,379	\$ -	\$ 171,197,958	8.88%

Year Ended June 30	Teachers' Retirement Plan**				
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
	2016	\$ 1,064,642	\$ 1,064,642	\$ -	\$ 26,616,062
2015	\$ 258,165	\$ 413,068	\$ (154,903)	\$ 10,326,594	4.00%

\*Note: The Hamilton County Hybrid Plan began 10/1/2015.

\*\*Note: The Teachers' Retirement Plan began 7/1/2014.

Note: This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
EMPLOYEES' PLAN AND COMMISSIONERS' PLAN**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2016**

Hamilton County Administered Plans

Year Ended June 30	Employees' Retirement				
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2016	\$ -	\$ -	\$ -	\$ -	N/A
2015	-	-	-	N/A	N/A
2014	-	-	-	-	N/A
2013	-	-	-	N/A	N/A
2012	-	-	-	-	N/A
2011	-	-	-	N/A	N/A
2010	-	-	-	-	N/A
2009	-	-	-	N/A	N/A
2008	-	-	-	-	N/A
2007	-	-	-	N/A	N/A

Year Ended June 30	Commissioners' Retirement				
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2016	\$ 45,908	\$ 45,908	\$ -	\$ 200,070	22.9%
2015	51,769	55,000	(3,231)	186,705	29.5%
2014	51,769	65,888	(14,119)	186,705	35.3%
2013	50,074	67,418	(17,344)	186,705	36.1%
2012	50,074	67,418	(17,344)	N/A	N/A
2011	47,000	67,418	(20,418)	186,705	36.1%
2010	47,700	75,258	(27,558)	N/A	N/A
2009	52,431	75,258	(22,827)	196,236	38.4%
2008	52,431	75,258	(22,827)	N/A	N/A
2007	49,563	75,258	(25,695)	191,733	39.3%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEACHERS' PLAN**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2016**

Hamilton County Administered Plans

Year Ended June 30	Teachers' Retirement				
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2016	\$ 412	\$ 412	\$ -	\$ -	N/A
2015	5,447	12,931	(7,484)	-	N/A
2014	1,393	-	1,393	-	N/A
2013	2,075	-	2,075	-	N/A
2012	2,075	-	2,075	N/A	N/A
2011	938	-	938	-	N/A
2010	938	-	938	N/A	N/A
2009	605	-	605	-	N/A
2008	605	-	605	N/A	N/A
2007	-	-	-	-	N/A

**SCHEDULE OF PENSION INVESTMENT RETURNS  
HAMILTON COUNTY ADMINISTERED PLANS**

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2016**

	<u>2016</u>	<u>2015</u>
<b><u>Teachers' Plan</u></b>		
Annual money-weighted rate of return, net of investment expenses for the County's Teacher's Pension Plan	3.01%	0.03%
<b><u>Employees' Plan</u></b>		
Annual money-weighted rate of return, net of investment expenses for the County's Employees' Pension Plan	2.97%	2.32%
<b><u>Commissioners' Plan</u></b>		
Annual money-weighted rate of return, net of investment expenses for the County's Commissioners' Pension Plan	1.70%	-0.10%

Note: This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.



**SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2016**

<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>
<b>Primary Government</b>						
07/01/15	\$ 16,185,260	\$ 39,369,301	\$ 23,184,041	41.1%	\$ 83,633,082	27.7%
07/01/14	13,292,356	36,287,563	22,995,207	36.6%	81,197,167	28.3%
07/01/13	10,956,074	34,001,560	23,045,486	32.2%	78,832,201	29.2%
07/01/12	8,772,754	31,796,250	23,023,496	27.6%	76,586,117	30.1%
07/01/11	6,846,734	34,175,128	27,328,394	20.0%	71,164,995	38.4%
<b>Department of Education</b>						
07/01/15	\$ -	\$ 99,905,898	\$ 99,905,898	0.0%	\$ 187,701,584	53.2%
07/01/14	-	97,250,917	97,250,917	0.0%	182,234,548	53.4%
07/01/13	-	111,727,631	111,727,631	0.0%	177,652,632	62.9%
07/01/12	-	108,129,525	108,129,525	0.0%	172,478,284	62.7%
07/01/11	-	89,329,785	89,329,785	0.0%	192,370,258	46.4%

**Schedule of Employer Contributions**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Total Contributions</u>	<u>Percentage Contributed</u>
<b>Primary Government</b>			
2016	\$ 3,472,817	\$ 3,530,624	101.7%
2015	3,122,393	3,181,064	101.9%
2014	3,004,067	3,037,331	101.1%
2013	2,888,991	2,906,665	100.6%
2012	3,033,618	3,417,718	112.7%
<b>Department of Education</b>			
2016	\$ 10,903,284	\$ 7,182,936	65.9%
2015	10,340,752	6,681,801	64.6%
2014	12,018,403	7,749,540	64.5%
2013	11,382,578	7,142,433	62.7%
2012	9,323,251	7,499,576	80.4%

## NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### HAMILTON COUNTY, TENNESSEE June 30, 2016

#### PUBLIC EMPLOYEE RETIREMENT SYSTEMS

##### Actuarial information of the Tennessee Consolidated Retirement System Plans

Employer contributions for the year ended June 30, 2016, are based on the results of the July 1, 2013, actuarial valuation. Accordingly, governmental employers utilize the following notes to the schedule relating to the Actuarially Determined Contributions when presenting 2016.

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	7 years
Asset valuation method	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent, if provided

##### 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. 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 6.5%. The actuarial value of the unfunded actuarial accrued liability is being amortized as a level percentage of covered payroll 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 4.0%. The actuarial value of the unfunded actuarial accrued liability is being amortized as a level percentage of covered payroll 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, 2016**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 137,597,550	\$ 137,597,550	\$ 135,029,063	\$ (2,568,487)
Local sales tax	3,040,000	3,040,000	3,221,704	181,704
Business taxes	6,581,900	6,581,900	7,227,282	645,382
Wholesale beer tax	1,019,000	1,019,000	1,017,393	(1,607)
Total taxes	148,238,450	148,238,450	146,495,442	(1,743,008)
Licenses and permits	886,300	886,300	841,036	(45,264)
Intergovernmental revenues:				
State of Tennessee	18,774,712	20,653,477	19,386,353	(1,267,124)
United States Government	4,326,225	5,502,960	4,697,263	(805,697)
Cities	2,793,301	2,793,902	2,735,856	(58,046)
Total intergovernmental revenues	25,894,238	28,950,339	26,819,472	(2,130,867)
Charges for services:				
Health department	2,222,400	2,222,400	2,156,700	(65,700)
Other	13,737,211	13,794,611	12,059,071	(1,735,540)
Total charges for services	15,959,611	16,017,011	14,215,771	(1,801,240)
Fines, forfeitures and penalties	1,891,650	1,891,650	1,740,183	(151,467)
Investment earnings	578,827	578,827	464,184	(114,643)
Miscellaneous	4,005,239	4,044,753	4,984,510	939,757
Total revenues	197,454,315	200,607,330	195,560,598	(5,046,732)
<b>EXPENDITURES</b>				
Current:				
General government:				
County Clerk	1,893,010	1,918,028	1,917,903	125
Register	555,600	555,600	557,582	(1,982)
County Trustee	785,383	785,383	693,069	92,314
Assessor of Property	3,487,992	3,623,192	3,331,881	291,311
District Attorney General	1,240,812	1,240,812	1,259,986	(19,174)
Election Commission	1,606,723	1,608,184	1,422,493	185,691
Board of Equalization	5,000	5,000	1,000	4,000
Soil Conservation	120,635	120,635	121,431	(796)
Agricultural Department	236,410	236,410	229,000	7,410
County-City Planning Commission	737,718	737,718	737,718	-

(continued)



**BUDGETARY COMPARISON SCHEDULE--(continued)**

**GENERAL FUND DETAIL**

**HAMILTON COUNTY, TENNESSEE**

**Year Ended June 30, 2016**

	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	\$ 72,293	\$ 72,293	\$ 72,293	\$ -
CARTA	105,200	105,200	105,200	-
Economic Development	600,000	600,000	600,000	-
Representative-General Assembly	60,000	60,000	60,000	-
Enterprise Center	100,000	100,000	100,000	-
Community Development	-	11,389	11,389	-
Utilities	2,098,839	2,098,839	1,976,368	122,471
County Board of Commissioners	1,639,468	1,716,593	1,160,933	555,660
County Mayor	716,627	716,627	653,673	62,954
County Auditor	2,510,808	2,510,808	2,715,786	(204,978)
Chief of Staff	401,731	401,731	301,696	100,035
Chief Reading Officer	286,465	286,465	280,885	5,580
County Attorney	862,527	862,527	780,289	82,238
Emp Assistance Program	23,300	23,300	22,729	571
Benefits	568,581	568,581	499,592	68,989
Risk Management	236,270	236,270	233,744	2,526
Wellness & Fitness Programs	200,546	225,546	221,588	3,958
Drug & Alcohol Testing	10,500	10,500	6,012	4,488
American Disability Act	1,000	1,000	936	64
Human Resources Administrator	233,579	233,579	224,018	9,561
Insurance	183,113	183,113	185,297	(2,184)
Employee Benefits	2,286,740	2,286,740	1,741,959	544,781
Trustee's Commission	3,357,000	3,357,000	3,164,557	192,443
External Audits	204,000	204,000	173,144	30,856
TSCA Dues	9,937	9,937	9,937	-
NACO Dues	6,729	6,729	6,729	-
Equal Employment Opportunity	57,500	57,500	58,708	(1,208)
Finance Administrator	272,477	272,477	265,816	6,661
Accounting	2,001,271	2,001,271	1,817,603	183,668
Financial Management	274,267	274,267	231,107	43,160
Information Technology Services	3,346,659	3,349,724	2,808,679	541,045
Purchasing	542,672	543,154	537,108	6,046
Geographic Information System	889,607	975,707	959,962	15,745
Custodial Services	1,933,381	1,933,788	1,861,328	72,460
Real Property	349,125	349,125	332,948	16,177
Recycling	264,914	264,914	242,032	22,882
General Services Administrator	231,465	231,465	327,596	(96,131)
Development Services	500,288	500,288	463,061	37,227
Maintenance	3,173,010	3,178,885	3,171,329	7,556
Railroad Authority	135,411	135,411	134,056	1,355
Total general government	<u>41,416,583</u>	<u>41,787,705</u>	<u>38,792,150</u>	<u>2,995,555</u>

(continued)

**BUDGETARY COMPARISON SCHEDULE--(continued)**  
**GENERAL FUND DETAIL**

**HAMILTON COUNTY, TENNESSEE**  
**Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
Public safety:				
Drug Court	\$ -	\$ 425,000	\$ 426,207	\$ (1,207)
Medical Examiner	1,354,608	1,354,608	1,358,755	(4,147)
Criminal Court Clerk	1,466,607	1,540,658	1,445,141	95,517
Public Defender	701,008	701,008	684,432	16,576
General Sessions Court	1,403,993	1,403,993	1,405,272	(1,279)
Juries	153,250	153,250	113,607	39,643
Court Judges	572,508	573,268	562,071	11,197
Judicial Commission Magistrates	398,289	398,289	383,983	14,306
Juvenile Court	7,351,933	7,264,102	6,992,153	271,949
Forest Fire Prevention	4,000	4,000	4,000	-
Humane Education Society	620,970	620,970	620,970	-
Certified Cost Reimbursement	815,600	815,600	552,649	262,951
Building Inspection	1,232,053	1,232,053	1,183,078	48,975
Emergency Services	3,725,706	3,784,019	3,724,298	59,721
Corrections	16,445,215	16,463,865	16,590,855	(126,990)
Litter Grant	575,998	575,998	515,137	60,861
Homeland Security Grants	-	302,327	178,598	123,729
Security Services	973,182	973,182	898,889	74,293
Volunteer Emergency Services	524,956	575,603	519,330	56,273
WETA	2,491,950	2,491,950	2,282,986	208,964
Ambulance Services	9,344,532	9,385,962	9,788,440	(402,478)
Juvenile Court Clerk	2,489,253	2,489,253	2,363,230	126,023
Sheriff	31,198,414	32,131,481	32,042,332	89,149
Total public safety	<u>83,844,025</u>	<u>85,660,439</u>	<u>84,636,413</u>	<u>1,024,026</u>
Highways and streets:				
Public Works Administrator	247,488	247,488	242,520	4,968
Engineering Services	2,023,451	2,025,167	1,751,568	273,599
Highway	10,041,456	10,055,898	8,994,356	1,061,542
Total highways and streets	<u>12,312,395</u>	<u>12,328,553</u>	<u>10,988,444</u>	<u>1,340,109</u>

(continued)

**BUDGETARY COMPARISON SCHEDULE--(continued)**  
**GENERAL FUND DETAIL**

**HAMILTON COUNTY, TENNESSEE**  
**Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
Health:				
Air Pollution Control	\$ 188,548	\$ 188,548	\$ 188,548	\$ -
Baroness Erlanger Hospital	1,500,000	1,500,000	1,500,000	-
Health Department	<u>22,119,087</u>	<u>23,302,967</u>	<u>20,986,143</u>	<u>2,316,824</u>
Total health	<u>23,807,635</u>	<u>24,991,515</u>	<u>22,674,691</u>	<u>2,316,824</u>
Social services:				
Clerk and Master	866,551	866,551	869,345	(2,794)
Circuit Court Clerk	1,263,227	1,263,227	1,237,277	25,950
Urban League	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total social services	<u>2,179,778</u>	<u>2,179,778</u>	<u>2,156,622</u>	<u>23,156</u>
Culture and recreation:				
Armed Forces Day Parade	10,000	10,000	10,000	-
Bessie Smith Museum	65,865	65,865	65,865	-
Parks and Recreation Department	<u>7,978,032</u>	<u>7,990,122</u>	<u>7,259,039</u>	<u>731,083</u>
Total culture and recreation	<u>8,053,897</u>	<u>8,065,987</u>	<u>7,334,904</u>	<u>731,083</u>
Capital outlay	<u>3,613,903</u>	<u>4,241,086</u>	<u>3,252,109</u>	<u>988,977</u>
Total budgetary expenditures	<u>175,228,216</u>	<u>179,255,063</u>	<u>169,835,333</u>	<u>9,419,730</u>
Excess of revenues over expenditures	<u>22,226,099</u>	<u>21,352,267</u>	<u>25,725,265</u>	<u>4,372,998</u>

(continued)

**BUDGETARY COMPARISON SCHEDULE--(continued)**  
**GENERAL FUND DETAIL**

**HAMILTON COUNTY, TENNESSEE**  
**Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 14,685,603	\$ 14,685,603	\$ 14,312,025	\$ (373,578)
Transfers out	(37,866,231)	(38,166,231)	(39,146,132)	(979,901)
Sale of capital	<u>40,000</u>	<u>40,000</u>	<u>38,288</u>	<u>(1,712)</u>
Total other financing sources (uses)	<u>(23,140,628)</u>	<u>(23,440,628)</u>	<u>(24,795,819)</u>	<u>(1,355,191)</u>
Net change in fund balance	(914,529)	(2,088,361)	929,446	<u>\$ 3,017,807</u>
Fund balance allocation	<u>914,529</u>	<u>2,088,361</u>		
	<u>\$ -</u>	<u>\$ -</u>		
Add encumbrances at end of year			832,192	
Less encumbrances at beginning of year			<u>(760,413)</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			1,001,225	
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			<u>91,394,062</u>	
Fund balance at end of year--(GAAP Modified Accrual Basis)			<u>\$ 92,395,287</u>	



**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND**

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2016**

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 684,927	\$ 684,927	\$ 691,337	\$ 6,410
Charges for current services	550,000	550,000	566,773	16,773
Investment earnings	2,500	2,500	9,538	7,038
Miscellaneous	58,720	58,720	58,879	159
Total revenues	1,296,147	1,296,147	1,326,527	30,380
<b>EXPENDITURES</b>				
Debt Service:				
Principal retirement	28,470,733	28,470,733	28,477,143	(6,410)
Interest and fiscal charges	11,191,645	11,191,645	11,176,478	15,167
Total budgetary expenditures	39,662,378	39,662,378	39,653,621	8,757
Excess (deficiency) of revenues over (under) budgetary expenditures	(38,366,231)	(38,366,231)	(38,327,094)	39,137
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	37,866,231	37,866,231	38,846,132	979,901
Total other financing sources (uses)	37,866,231	37,866,231	38,846,132	979,901
Net change in fund balance	(500,000)	(500,000)	519,038	\$ 1,019,038
Fund balance allocation	500,000	500,000		
	\$ -	\$ -		
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			1,330,354	
Fund balance at end of year--(GAAP Modified Accrual Basis)			\$ 1,849,392	

**BUDGETARY COMPARISON SCHEDULE  
NONMAJOR GOVERNMENTAL FUND**

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2016**

	Hotel / Motel Fund			
	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Hotel/Motel occupancy tax	\$ 6,495,000	\$ 6,495,000	\$ 7,304,030	\$ 809,030
Investment earnings	5,000	5,000	697	(4,303)
Total revenues	<u>6,500,000</u>	<u>6,500,000</u>	<u>7,304,727</u>	<u>804,727</u>
<b>EXPENDITURES</b>				
Hotel/Motel occupancy tax	<u>6,500,000</u>	<u>6,500,000</u>	<u>7,304,727</u>	<u>(804,727)</u>
Total budgetary expenditures	<u>6,500,000</u>	<u>6,500,000</u>	<u>7,304,727</u>	<u>(804,727)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			-	
Fund balance at end of year--(GAAP Modified Accrual Basis)			<u>\$ -</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.

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, 2016**

	Special Revenue Funds	
	Constitutional Offices	Governmental Law Library
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,039,008	\$ 36,777
Investments	415,652	80,475
Receivables:		
Accounts	549,617	1,096
Intergovernmental	270,073	585
Due from other funds	330,765	-
 Total assets	\$ 5,605,115	\$ 118,933
 <b>LIABILITIES</b>		
Accrued items and other	\$ 532,674	\$ 1,660
Due to other funds	1,175,523	-
 Total liabilities	1,708,197	1,660
 <b>FUND BALANCES</b>		
Restricted for general government	1,988,030	-
Restricted for public safety	1,017,524	-
Restricted for social services	891,364	-
Committed for public safety	-	117,273
 Total fund balances	3,896,918	117,273
 Total liabilities and fund balances	\$ 5,605,115	\$ 118,933



<u>Hotel/ Motel</u>	<u>Economic Crimes</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 653,685	\$ 33,388	\$ 4,762,858
-	73,178	569,305
731,612	-	1,282,325
-	-	270,658
<u>-</u>	<u>-</u>	<u>330,765</u>
<u>\$ 1,385,297</u>	<u>\$ 106,566</u>	<u>\$ 7,215,911</u>
\$ 1,385,297	\$ 1,450	\$ 1,921,081
<u>-</u>	<u>-</u>	<u>1,175,523</u>
<u>1,385,297</u>	<u>1,450</u>	<u>3,096,604</u>
-	-	1,988,030
-	-	1,017,524
-	-	891,364
<u>-</u>	<u>105,116</u>	<u>222,389</u>
<u>-</u>	<u>105,116</u>	<u>4,119,307</u>
<u>\$ 1,385,297</u>	<u>\$ 106,566</u>	<u>\$ 7,215,911</u>

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

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2016**

	Special Revenue Funds	
	Constitutional Offices	Governmental Law Library
<b>REVENUES</b>		
Taxes	\$ -	\$ 13,722
Intergovernmental	143,820	-
Charges for services	22,019,424	-
Fines, forfeitures and penalties	57,284	-
Investment earnings	35,183	777
Miscellaneous	161,912	-
Total revenues	22,417,623	14,499
<b>EXPENDITURES</b>		
Current:		
General government	4,580,082	-
Public safety:		
Criminal Court	2,671,417	-
Sheriff	239,880	-
Other	-	19,729
Social services	3,510,441	-
Total expenditures	11,001,820	19,729
Excess (deficiency) of revenues over (under) expenditures	11,415,803	(5,230)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	300,000	-
Transfers out	(11,145,248)	-
Sale of capital assets	-	-
Total other financing sources (uses)	(10,845,248)	-
Net change in fund balances	570,555	(5,230)
Fund balances, beginning	3,326,363	122,503
Fund balances, ending	\$ 3,896,918	\$ 117,273

Hotel/ Motel	Economic Crimes	Total Nonmajor Governmental Funds
\$ 7,304,030	\$ -	\$ 7,317,752
-	-	143,820
-	-	22,019,424
-	35,862	93,146
697	553	37,210
-	-	161,912
<u>7,304,727</u>	<u>36,415</u>	<u>29,773,264</u>
7,304,727	-	11,884,809
-	-	2,671,417
-	-	239,880
-	-	19,729
-	18,763	3,529,204
<u>7,304,727</u>	<u>18,763</u>	<u>18,345,039</u>
-	17,652	11,428,225
-	-	300,000
-	-	(11,145,248)
-	-	-
-	-	(10,845,248)
-	17,652	582,977
-	87,464	3,536,330
<u>\$ -</u>	<u>\$ 105,116</u>	<u>\$ 4,119,307</u>

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

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2016**

	Circuit Court Clerk	Clerk and Master	County Clerk
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 304,231	\$ 1,308,042	\$ 891,462
Investments	-	-	-
Receivables:			
Accounts	975	-	21,426
Intergovernmental	-	-	-
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 305,206</u>	 <u>\$ 1,308,042</u>	 <u>\$ 912,888</u>
 <b>LIABILITIES</b>			
Accrued items and other	\$ 27,546	\$ 21,338	\$ 37,240
Due to other funds	<u>250,000</u>	<u>423,000</u>	<u>-</u>
 Total liabilities	 <u>277,546</u>	 <u>444,338</u>	 <u>37,240</u>
 <b>FUND BALANCES</b>			
Restricted for general government	-	-	875,648
Restricted for public safety	-	-	-
Restricted for social services	<u>27,660</u>	<u>863,704</u>	<u>-</u>
 Total fund balances	 <u>27,660</u>	 <u>863,704</u>	 <u>875,648</u>
 Total liabilities and fund balances	 <u>\$ 305,206</u>	 <u>\$ 1,308,042</u>	 <u>\$ 912,888</u>



Criminal Court Clerk	Register	Trustee	Sheriff Drug Fund	Sheriff State Sex Offenders Fund	Total Constitutional Officers
\$ 424,203	\$ 356,232	\$ 477,419	\$ 200,913	\$ 76,506	\$ 4,039,008
-	-	-	415,652	-	415,652
183,061	-	343,405	-	750	549,617
270,073	-	-	-	-	270,073
<u>300,883</u>	<u>-</u>	<u>-</u>	<u>29,882</u>	<u>-</u>	<u>330,765</u>
<u>\$ 1,178,220</u>	<u>\$ 356,232</u>	<u>\$ 820,824</u>	<u>\$ 646,447</u>	<u>\$ 77,256</u>	<u>\$ 5,605,115</u>
\$ 379,912	\$ 20,251	\$ 44,136	\$ 1,251	\$ 1,000	\$ 532,674
<u>500,000</u>	<u>-</u>	<u>287</u>	<u>-</u>	<u>2,236</u>	<u>1,175,523</u>
<u>879,912</u>	<u>20,251</u>	<u>44,423</u>	<u>1,251</u>	<u>3,236</u>	<u>1,708,197</u>
-	335,981	776,401	-	-	1,988,030
298,308	-	-	645,196	74,020	1,017,524
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>891,364</u>
<u>298,308</u>	<u>335,981</u>	<u>776,401</u>	<u>645,196</u>	<u>74,020</u>	<u>3,896,918</u>
<u>\$ 1,178,220</u>	<u>\$ 356,232</u>	<u>\$ 820,824</u>	<u>\$ 646,447</u>	<u>\$ 77,256</u>	<u>\$ 5,605,115</u>

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

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2016**

	Circuit Court Clerk	Clerk and Master	County Clerk
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>REVENUES</b>			
Intergovernmental	\$ 17,784	\$ -	\$ -
Charges for services	1,962,279	2,364,373	4,288,268
Fines, forfeitures and penalties	-	-	-
Investment earnings	8,423	7,203	5,268
Miscellaneous	<u>-</u>	<u>-</u>	<u>31,041</u>
 Total revenues	 <u>1,988,486</u>	 <u>2,371,576</u>	 <u>4,324,577</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	-	2,826,431
Public safety:			
Criminal Court	-	-	-
Sheriff	-	-	-
Social services	<u>1,975,160</u>	<u>1,535,281</u>	<u>-</u>
 Total expenditures	 <u>1,975,160</u>	 <u>1,535,281</u>	 <u>2,826,431</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>13,326</u>	 <u>836,295</u>	 <u>1,498,146</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	(737,121)	(1,385,000)
Sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
 Total other financing sources (uses)	 <u>-</u>	 <u>(737,121)</u>	 <u>(1,385,000)</u>
 Net change in fund balances	 13,326	 99,174	 113,146
Fund balances, beginning	<u>14,334</u>	<u>764,530</u>	<u>762,502</u>
Fund balances, ending	<u>\$ 27,660</u>	<u>\$ 863,704</u>	<u>\$ 875,648</u>

<u>Criminal Court Clerk</u>	<u>Register</u>	<u>Trustee</u>	<u>Sheriff Drug Fund</u>	<u>Sheriff State Sex Offenders Fund</u>	<u>Total Constitutional Officers</u>
\$ -	\$ -	\$ -	\$ 126,036	\$ -	\$ 143,820
2,643,653	2,083,323	8,677,528	-	-	22,019,424
-	-	-	28,334	28,950	57,284
953	1,834	7,153	4,206	143	35,183
<u>-</u>	<u>36,255</u>	<u>-</u>	<u>94,616</u>	<u>-</u>	<u>161,912</u>
<u>2,644,606</u>	<u>2,121,412</u>	<u>8,684,681</u>	<u>253,192</u>	<u>29,093</u>	<u>22,417,623</u>
-	781,186	972,465	-	-	4,580,082
2,671,417	-	-	-	-	2,671,417
-	-	-	218,947	20,933	239,880
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,510,441</u>
<u>2,671,417</u>	<u>781,186</u>	<u>972,465</u>	<u>218,947</u>	<u>20,933</u>	<u>11,001,820</u>
<u>(26,811)</u>	<u>1,340,226</u>	<u>7,712,216</u>	<u>34,245</u>	<u>8,160</u>	<u>11,415,803</u>
300,000	-	-	-	-	300,000
-	(1,338,790)	(7,684,337)	-	-	(11,145,248)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>300,000</u>	<u>(1,338,790)</u>	<u>(7,684,337)</u>	<u>-</u>	<u>-</u>	<u>(10,845,248)</u>
273,189	1,436	27,879	34,245	8,160	570,555
<u>25,119</u>	<u>334,545</u>	<u>748,522</u>	<u>610,951</u>	<u>65,860</u>	<u>3,326,363</u>
<u>\$ 298,308</u>	<u>\$ 335,981</u>	<u>\$ 776,401</u>	<u>\$ 645,196</u>	<u>\$ 74,020</u>	<u>\$ 3,896,918</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, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>CIRCUIT COURT CLERK</b>				
Cash	\$ 4,499,397	\$ 7,944,094	\$ 8,849,777	\$ 3,593,714
Certificates of deposit	<u>2,907,835</u>	<u>982,522</u>	<u>592,584</u>	<u>3,297,773</u>
Total assets	<u>\$ 7,407,232</u>	<u>\$ 8,926,616</u>	<u>\$ 9,442,361</u>	<u>\$ 6,891,487</u>
Accrued items and other	\$ 7,286,295	\$ 7,575,198	\$ 8,081,409	\$ 6,780,084
Intergovernmental payables	<u>120,937</u>	<u>1,351,418</u>	<u>1,360,952</u>	<u>111,403</u>
Total liabilities	<u>\$ 7,407,232</u>	<u>\$ 8,926,616</u>	<u>\$ 9,442,361</u>	<u>\$ 6,891,487</u>
<b>CLERK AND MASTER</b>				
Cash	\$ 3,928,864	\$ 16,353,805	\$ 16,549,317	\$ 3,733,352
Certificates of deposit	<u>3,872,652</u>	<u>806,967</u>	<u>485,440</u>	<u>4,194,179</u>
Total assets	<u>\$ 7,801,516</u>	<u>\$ 17,160,772</u>	<u>\$ 17,034,757</u>	<u>\$ 7,927,531</u>
Accrued items and other	\$ 6,315,268	\$ 5,967,621	\$ 5,480,972	\$ 6,801,917
Intergovernmental payables	<u>1,486,248</u>	<u>11,193,151</u>	<u>11,553,785</u>	<u>1,125,614</u>
Total liabilities	<u>\$ 7,801,516</u>	<u>\$ 17,160,772</u>	<u>\$ 17,034,757</u>	<u>\$ 7,927,531</u>
<b>COUNTY CLERK</b>				
Cash	\$ 2,795,565	\$ 28,947,150	\$ 28,744,832	\$ 2,997,883
Accounts receivable	<u>207</u>	<u>13,219</u>	<u>12,432</u>	<u>994</u>
Total assets	<u>\$ 2,795,772</u>	<u>\$ 28,960,369</u>	<u>\$ 28,757,264</u>	<u>\$ 2,998,877</u>
Accrued items and other	\$ 262,626	\$ 1,110,073	\$ 1,135,894	\$ 236,805
Intergovernmental payables	<u>2,533,146</u>	<u>27,850,296</u>	<u>27,621,370</u>	<u>2,762,072</u>
Total liabilities	<u>\$ 2,795,772</u>	<u>\$ 28,960,369</u>	<u>\$ 28,757,264</u>	<u>\$ 2,998,877</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE**  
**Year Ended June 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>CRIMINAL COURT CLERK</b>				
Cash	\$ 36,249	\$ 4,780,117	\$ 4,741,146	\$ 75,220
Accounts receivable	<u>142,816</u>	<u>61,221</u>	<u>-</u>	<u>204,037</u>
Total assets	<u>\$ 179,065</u>	<u>\$ 4,841,338</u>	<u>\$ 4,741,146</u>	<u>\$ 279,257</u>
Accrued items and other	\$ 179,065	\$ 3,294,839	\$ 3,194,647	\$ 279,257
Intergovernmental payables	<u>-</u>	<u>1,546,499</u>	<u>1,546,499</u>	<u>-</u>
Total liabilities	<u>\$ 179,065</u>	<u>\$ 4,841,338</u>	<u>\$ 4,741,146</u>	<u>\$ 279,257</u>
<b>JUVENILE COURT CLERK</b>				
Cash	\$ 48,451	\$ 877,407	\$ 894,394	\$ 31,464
Certificates of deposit	633,950	128,264	63,519	698,695
Investments	<u>95,526</u>	<u>-</u>	<u>35,493</u>	<u>60,033</u>
Total assets	<u>\$ 777,927</u>	<u>\$ 1,005,671</u>	<u>\$ 993,406</u>	<u>\$ 790,192</u>
Accrued items and other	<u>\$ 777,927</u>	<u>\$ 1,005,671</u>	<u>\$ 993,406</u>	<u>\$ 790,192</u>
Total liabilities	<u>\$ 777,927</u>	<u>\$ 1,005,671</u>	<u>\$ 993,406</u>	<u>\$ 790,192</u>
<b>REGISTER</b>				
Cash	\$ 1,138,905	\$ 12,262,269	\$ 12,198,432	\$ 1,202,742
Accounts receivable	<u>1,535</u>	<u>40,190</u>	<u>35,586</u>	<u>6,139</u>
Total assets	<u>\$ 1,140,440</u>	<u>\$ 12,302,459</u>	<u>\$ 12,234,018</u>	<u>\$ 1,208,881</u>
Intergovernmental payables	<u>\$ 1,140,440</u>	<u>\$ 12,302,459</u>	<u>\$ 12,234,018</u>	<u>\$ 1,208,881</u>
Total liabilities	<u>\$ 1,140,440</u>	<u>\$ 12,302,459</u>	<u>\$ 12,234,018</u>	<u>\$ 1,208,881</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE**  
**Year Ended June 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>SHERIFF</b>				
Cash	\$ 18,702	\$ 5,527	\$ 5,028	\$ 19,201
Investments	<u>120,169</u>	<u>295,083</u>	<u>86,248</u>	<u>329,004</u>
Total assets	<u>\$ 138,871</u>	<u>\$ 300,610</u>	<u>\$ 91,276</u>	<u>\$ 348,205</u>
Accrued items and other	<u>\$ 138,871</u>	<u>\$ 300,610</u>	<u>\$ 91,276</u>	<u>\$ 348,205</u>
Total liabilities	<u>\$ 138,871</u>	<u>\$ 300,610</u>	<u>\$ 91,276</u>	<u>\$ 348,205</u>
<b>TRUSTEE</b>				
Cash	<u>\$ 985,280</u>	<u>\$ 29,643,300</u>	<u>\$ 29,604,194</u>	<u>\$ 1,024,386</u>
Total assets	<u>\$ 985,280</u>	<u>\$ 29,643,300</u>	<u>\$ 29,604,194</u>	<u>\$ 1,024,386</u>
Intergovernmental payables	<u>\$ 985,280</u>	<u>\$ 29,643,300</u>	<u>\$ 29,604,194</u>	<u>\$ 1,024,386</u>
Total liabilities	<u>\$ 985,280</u>	<u>\$ 29,643,300</u>	<u>\$ 29,604,194</u>	<u>\$ 1,024,386</u>
<b>TOTAL CONSTITUTIONAL OFFICERS AGENCY FUNDS</b>				
Cash	\$ 13,451,413	\$ 100,813,669	\$ 101,587,120	\$ 12,677,962
Certificates of deposit	7,414,437	1,917,753	1,141,543	8,190,647
Investments	215,695	295,083	121,741	389,037
Accounts receivable	<u>144,558</u>	<u>114,630</u>	<u>48,018</u>	<u>211,170</u>
Total assets	<u>\$ 21,226,103</u>	<u>\$ 103,141,135</u>	<u>\$ 102,898,422</u>	<u>\$ 21,468,816</u>
Accrued items and other	\$ 14,960,052	\$ 19,254,012	\$ 18,977,604	\$ 15,236,460
Intergovernmental payables	<u>6,266,051</u>	<u>83,887,123</u>	<u>83,920,818</u>	<u>6,232,356</u>
Total liabilities	<u>\$ 21,226,103</u>	<u>\$ 103,141,135</u>	<u>\$ 102,898,422</u>	<u>\$ 21,468,816</u>

## **DISCRETELY PRESENTED COMPONENT UNIT HAMILTON COUNTY DEPARTMENT 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 Department 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.

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

### **PROPRIETARY FUND TYPES**

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

### **AGENCY FUND TYPES**

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

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2016**

	General Purpose School	Centralized Cafeteria	Education Capital Projects	Total Department of Education Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 38,323,939	\$ 7,262,995	\$ 365,907	\$ 45,952,841
Certificates of deposit	56,869	-	-	56,869
Investments	73,695,928	-	-	73,695,928
Receivables, net of allowance for uncollectible:				
Property taxes	142,937,015	-	-	142,937,015
Accounts	1,173,892	-	-	1,173,892
Intergovernmental	16,402,213	-	-	16,402,213
Due from other DOE funds	1,576,278	-	5,750,579	7,326,857
Due from primary government	149,075	-	-	149,075
Inventories	142,429	341,252	-	483,681
<b>Total assets</b>	<b>\$ 274,457,638</b>	<b>\$ 7,604,247</b>	<b>\$ 6,116,486</b>	<b>\$ 288,178,371</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,379,819	\$ 5,436	\$ 430,424	\$ 2,815,679
Accrued items and other	28,563,462	87,608	37,012	28,688,082
Due to other DOE funds	45,653,137	2,536,120	997,990	49,187,247
Due to primary government	20,264	1,638	-	21,902
<b>Total current liabilities</b>	<b>76,616,682</b>	<b>2,630,802</b>	<b>1,465,426</b>	<b>80,712,910</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned property taxes	136,092,783	-	-	136,092,783
Other	496,632	-	-	496,632
<b>Total deferred inflows of resources</b>	<b>136,589,415</b>	<b>-</b>	<b>-</b>	<b>136,589,415</b>
<b>FUND BALANCES</b>				
Nonspendable	142,429	341,252	-	483,681
Restricted for centralized cafeteria	-	4,401,974	-	4,401,974
Restricted for education	2,246,820	-	-	2,246,820
Restricted for instruction	35,302	-	-	35,302
Committed for education	6,242,047	-	-	6,242,047
Committed for capital projects	-	-	4,651,060	4,651,060
Committed for instruction	2,955,984	-	-	2,955,984
Committed for centralized cafeteria	-	230,219	-	230,219
Assigned for education	6,093,206	-	-	6,093,206
Unassigned	43,535,753	-	-	43,535,753
<b>Total fund balances</b>	<b>61,251,541</b>	<b>4,973,445</b>	<b>4,651,060</b>	<b>70,876,046</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 274,457,638</b>	<b>\$ 7,604,247</b>	<b>\$ 6,116,486</b>	<b>\$ 288,178,371</b>



**RECONCILIATION OF THE BALANCE SHEET OF HAMILTON COUNTY DEPARTMENT  
OF EDUCATION GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2016**

Differences in amounts reported for the Department of Education in the statement of net position on page A-16:

Fund balances - total Department of Education governmental funds	\$ 70,876,046
Amounts reported for the Department of Education in the statement of net position 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.	346,050,635
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.	6,859,453
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 position.	36,442,465
Long-term payable to primary government is not due until the related long-term liability is due and payable.	(126,979)
Long-term liabilities, consisting of accumulated leave, OPEB obligation and other long-term debt, are not due and payable in the current period and therefore are not reported in the funds.	<u>(62,541,973)</u>
Net position of the Department of Education	<u>\$ 397,559,647</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
HAMILTON COUNTY DEPARTMENT OF EDUCATION GOVERNMENTAL FUNDS  
HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2016**

	General Purpose School	Centralized Cafeteria	Education Capital Projects	Total Department of Education Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 204,442,618	\$ -	\$ -	\$ 204,442,618
Intergovernmental	174,785,508	17,596,979	-	192,382,487
Charges for services	4,812,872	3,531,383	-	8,344,255
Investment earnings	603,907	11,311	137	615,355
Miscellaneous	<u>5,573,061</u>	<u>4,123</u>	<u>-</u>	<u>5,577,184</u>
Total revenues	<u>390,217,966</u>	<u>21,143,796</u>	<u>137</u>	<u>411,361,899</u>
<b>EXPENDITURES</b>				
Current:				
Education	375,716,453	19,715,348	-	395,431,801
Capital outlay	<u>178,801</u>	<u>-</u>	<u>3,915,751</u>	<u>4,094,552</u>
Total expenditures	<u>375,895,254</u>	<u>19,715,348</u>	<u>3,915,751</u>	<u>399,526,353</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,322,712</u>	<u>1,428,448</u>	<u>(3,915,614)</u>	<u>11,835,546</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers between DOE funds	<u>(5,076,496)</u>	<u>-</u>	<u>5,076,496</u>	<u>-</u>
Net change in fund balances	9,246,216	1,428,448	1,160,882	11,835,546
Fund balances, beginning	<u>52,005,325</u>	<u>3,544,997</u>	<u>3,490,178</u>	<u>59,040,500</u>
Fund balances, ending	<u>\$ 61,251,541</u>	<u>\$ 4,973,445</u>	<u>\$ 4,651,060</u>	<u>\$ 70,876,046</u>

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

**HAMILTON COUNTY, TENNESSEE**

**Year Ended June 30, 2016**

Differences in amounts reported for governmental activities in the statement of activities  
on pages A-17 and A-18:

Net change in fund balances - total Department of Education governmental funds	\$ 11,835,546
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.	(12,325,562)
Bond payments are reported as expenditures in the Department of Education's governmental activities in the period paid.	97,065
The net effect of various transactions involving capital assets is to increase net position.	27,257,760
The loss on sale/abandonment of capital assets is not recognized in the Department of Education's governmental funds.	(2,011,958)
Other post employment benefits will not be funded therefore the expense is not recognized in the funds.	(3,634,777)
The net revenues of internal service funds are reported with governmental activities.	2,285,956
The net effect of the change in the net pension liability is included in the statement of activities.	16,716,007
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.	(618,952)
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.	<u>(44,149)</u>
Change in net position of governmental activities	<u>\$ 39,556,936</u>

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

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 134,062,249	\$ 134,062,249	\$ 134,403,853	\$ 341,604
Local sales tax	<u>64,655,921</u>	<u>65,655,921</u>	<u>70,038,765</u>	<u>4,382,844</u>
Total taxes	<u>198,718,170</u>	<u>199,718,170</u>	<u>204,442,618</u>	<u>4,724,448</u>
Intergovernmental revenues:				
State of Tennessee:				
Education	143,298,511	143,950,882	144,116,239	165,357
Food service	190,000	190,000	200,787	10,787
Federal funds received from State of Tennessee and other sources:				
Education	32,368,505	35,175,544	30,669,269	(4,506,275)
Food service	<u>16,959,791</u>	<u>16,959,791</u>	<u>17,396,192</u>	<u>436,401</u>
Total intergovernmental revenues	<u>192,816,807</u>	<u>196,276,217</u>	<u>192,382,487</u>	<u>(3,893,730)</u>
Charges for services:				
Education	4,338,682	4,606,452	4,812,872	206,420
Food service	<u>3,869,770</u>	<u>3,869,770</u>	<u>3,531,383</u>	<u>(338,387)</u>
Total charges for current services	<u>8,208,452</u>	<u>8,476,222</u>	<u>8,344,255</u>	<u>(131,967)</u>
Investment earnings:				
Education	250,000	250,000	603,907	353,907
Food service	<u>14,554</u>	<u>14,554</u>	<u>11,311</u>	<u>(3,243)</u>
Total investment earnings	<u>264,554</u>	<u>264,554</u>	<u>615,218</u>	<u>350,664</u>
Miscellaneous:				
Education	4,664,264	5,213,765	5,573,061	359,296
Food service	<u>-</u>	<u>-</u>	<u>4,123</u>	<u>4,123</u>
Total miscellaneous	<u>4,664,264</u>	<u>5,213,765</u>	<u>5,577,184</u>	<u>363,419</u>
Total revenues	<u>404,672,247</u>	<u>409,948,928</u>	<u>411,361,762</u>	<u>1,412,834</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, 2016**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
Current:				
Education:				
Regular instruction program	\$ 178,991,712	\$ 179,769,031	\$ 176,129,509	\$ 3,639,522
Special education program	34,761,802	35,044,670	34,578,254	466,416
Vocational education program	8,608,470	8,504,676	8,472,794	31,882
Attendance	1,689,604	1,673,863	1,542,124	131,739
Health services	3,551,734	3,625,802	3,571,774	54,028
Other student support	7,358,015	7,424,144	7,398,104	26,040
Regular instruction support	9,314,843	9,932,263	9,099,156	833,107
Special education support	2,989,444	2,996,287	2,970,862	25,425
Vocational education support	280,496	278,015	222,356	55,659
Board of education	6,208,104	6,208,612	6,013,825	194,787
Office of superintendent	1,028,949	1,261,343	1,221,495	39,848
Office of principal	24,608,144	24,945,799	24,913,971	31,828
Fiscal services	2,815,963	2,846,472	2,664,068	182,404
Human resources	1,274,339	1,271,425	1,196,629	74,796
Operation of plant	24,577,531	24,362,556	23,545,570	816,986
Maintenance of plant	8,169,056	8,331,733	7,817,838	513,895
Transportation	15,511,566	15,270,266	14,623,768	646,498
Central and other	2,313,190	2,737,106	2,639,945	97,161
Community services	3,004,565	3,037,571	2,674,557	363,014
Early childhood	2,823,123	2,823,123	2,803,029	20,094
Federal programs	31,806,282	34,846,530	29,783,672	5,062,858
Other self funded projects	2,010,000	3,517,978	3,054,483	463,495
Charter Schools	7,726,638	7,726,638	7,102,862	623,776
Education debt service	97,500	97,500	97,500	-
Food service	21,034,115	21,034,115	19,885,011	1,149,104
Total education	<u>402,555,185</u>	<u>409,567,518</u>	<u>394,023,156</u>	<u>15,544,362</u>
Capital outlay:				
Education	130,000	180,000	178,801	1,199
Total budgetary expenditures	<u>402,685,185</u>	<u>409,747,518</u>	<u>394,201,957</u>	<u>15,545,561</u>
<b>OTHER FINANCING USES</b>				
Transfers to other DOE funds	(3,000,000)	(5,076,496)	(5,076,496)	-
Net change in fund balance	(1,012,938)	(4,875,086)	12,083,309	<u>\$ 16,958,395</u>
Fund balance allocation	<u>1,012,938</u>	<u>4,875,086</u>		
	<u>\$ -</u>	<u>\$ -</u>		
Add encumbrances at end of year			3,655,348	
Less encumbrances at beginning of year			(5,063,993)	
Excess of nonbudgeted revenues and other financing sources over nonbudgeted expenditures and other financing uses				
Education Capital Projects			<u>1,160,882</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			11,835,546	
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			<u>59,040,500</u>	
Fund balances at end of year--(GAAP Modified Accrual Basis)			<u>\$ 70,876,046</u>	



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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2016**

	Department of Education Internal Service Fund
<b>ASSETS</b>	
Cash	\$ 2,279,170
Receivables	1,290,382
Due from other DOE funds	41,860,390
Prepaid items	113,975
Total current assets	45,543,917
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	132,760
Accrued claims	7,567,601
Total current liabilities	7,700,361
Noncurrent liabilities:	
Accrued claims	1,291,927
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue	109,164
Total deferred inflows of resources	109,164
<b>NET POSITION</b>	
Unrestricted	\$ 36,442,465

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

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2016**

	Department of Education Internal Service Fund
<b>OPERATING REVENUES</b>	
Charges for services	\$ 62,348,913
Other	1,095
Total operating revenues	62,350,008
<b>OPERATING EXPENSES</b>	
Unemployment compensation	84,336
Claims and premiums	59,979,509
Total operating expenses	60,063,845
Operating income (loss)	2,286,163
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest cost	(207)
Change in net position	2,285,956
Net position, beginning	34,156,509
Net position, ending	\$ 36,442,465

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

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2016**

	Department of Education Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from insurance premiums	\$ 59,919,093
Cash paid for unemployment compensation	(84,336)
Cash paid for claims and premiums	<u>(58,659,044)</u>
Net cash provided by operating activities	<u>1,175,713</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash paid for interest cost	<u>(207)</u>
Net cash used in investing activities	<u>(207)</u>
Net change in cash and cash equivalents	1,175,506
Beginning cash and cash equivalents	<u>1,103,664</u>
Ending cash and cash equivalents	<u><u>\$ 2,279,170</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	<u>\$ 2,286,163</u>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Change in accounts receivable	939,980
Change in due from other funds	(3,480,058)
Change in prepaid items	278,788
Change in accounts payable	58,006
Change in accrued claims	983,670
Change in deferred revenue	<u>109,164</u>
Total adjustments	<u>(1,110,450)</u>
Net cash provided by operating activities	<u><u>\$ 1,175,713</u></u>

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
HAMILTON COUNTY DEPARTMENT OF EDUCATION AGENCY FUND**

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2016**

ASSETS

Cash	\$	8,676,858
Accounts receivable		<u>2,117</u>

Total assets	\$	<u><u>8,678,975</u></u>
--------------	----	-------------------------

LIABILITES

Due to others	\$	<u>8,678,975</u>
---------------	----	------------------

Total liabilities	\$	<u><u>8,678,975</u></u>
-------------------	----	-------------------------

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
HAMILTON COUNTY DEPARTMENT OF EDUCATION AGENCY FUND**

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>ASSETS</b>				
Cash	\$ 7,935,968	\$ 13,833,859	\$ 13,092,969	\$ 8,676,858
Accounts receivable	-	2,117	-	2,117
Prepaid items	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>
 Total assets	 <u>\$ 7,936,068</u>	 <u>\$ 13,835,976</u>	 <u>\$ 13,093,069</u>	 <u>\$ 8,678,975</u>
<b>LIABILITIES</b>				
Due to others	<u>\$ 7,936,068</u>	<u>\$ 13,835,976</u>	<u>\$ 13,093,069</u>	<u>\$ 8,678,975</u>
 Total liabilities	 <u>\$ 7,936,068</u>	 <u>\$ 13,835,976</u>	 <u>\$ 13,093,069</u>	 <u>\$ 8,678,975</u>



**SCHEDULE OF PROPERTY TAXES RECEIVABLE**

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2016**

Year of Levy	Property Taxes Receivable	Allowance For Estimated Uncollectibles	Net Amount
2016 *	\$ 262,842,452	\$ 12,724,505	\$ 250,117,947
2015	16,240,228	553,214	15,687,014
2014	3,341,913	545,066	2,796,847
2013	1,524,107	432,694	1,091,413
2012	794,059	614,364	179,695
2011	942,551	868,372	74,179
2010	911,806	911,806	-
2009	<u>34,220</u>	<u>34,220</u>	<u>-</u>
	<u>\$ 286,631,336</u>	<u>\$ 16,684,241</u>	<u>\$ 269,947,095</u>

DISTRIBUTION TO PRIMARY GOVERNMENT

County General	<u>\$ 135,580,873</u>	<u>\$ 8,570,793</u>	<u>\$ 127,010,080</u>
----------------	-----------------------	---------------------	-----------------------

DISTRIBUTION TO COMPONENT UNIT

General Purpose School	<u>151,050,463</u>	<u>8,113,448</u>	<u>142,937,015</u>
	<u>\$ 286,631,336</u>	<u>\$ 16,684,241</u>	<u>\$ 269,947,095</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, 2016**

	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>AMOUNT</u>
<b>PRIMARY GOVERNMENT</b>			
<b>GOVERNMENTAL FUNDS</b>			
General Fund:			
First Tennessee	8/31/2016	0.68%	<u>\$ 15,000</u>
<b>AGENCY FUNDS</b>			
Constitutional Officers:			
Circuit Court Clerk	Various	Various	3,297,773
Clerk and Master	Various	Various	4,194,179
Juvenile Court Clerk	Various	Various	<u>698,695</u>
			<u>8,190,647</u>
Total primary government			<u>8,205,647</u>
<b>COMPONENT UNITS</b>			
<b>GOVERNMENTAL FUNDS</b>			
General Purpose School:			
First Tennessee	4/28/2017	0.50%	<u>56,869</u>
<b>PROPRIETARY FUNDS</b>			
"911" Emergency Communications District:			
First Tennessee Bank	10/9/2016	0.68%	7,393,053
First Tennessee Bank	10/9/2016	0.68%	1,170,000
First Tennessee Bank	6/13/2017	1.00%	<u>1,028,149</u>
			<u>9,591,202</u>
Total component units			<u>9,648,071</u>
Total certificates of deposit			<u>\$ 17,853,718</u>

**SCHEDULE OF INVESTMENTS BY FUND**

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2016**

Hamilton County government utilizes a centralized investment pool for investing certain excess cash balances for its funds, including the Hamilton County Department of Education, a discretely presented component unit. The Hamilton County Finance Division is responsible for investing the excess cash balances for these funds. At June 30, 2016, the centralized investment pool held the following investments:

	MATURITY DATE	INTEREST RATE	FACE VALUE
Certificates of Deposit	7/5/2016	0.64%	\$ 50,000,000
Certificates of Deposit	10/16/2017	1.15%	245,000
Certificates of Deposit	11/2/2017	1.05%	245,000
Certificates of Deposit	11/6/2017	1.00%	245,000
Certificates of Deposit	11/6/2017	1.10%	735,000
Certificates of Deposit	11/6/2017	1.20%	245,000
Certificates of Deposit	11/6/2017	1.15%	980,000
Certificates of Deposit	11/13/2017	1.10%	245,000
Certificates of Deposit	12/11/2017	1.20%	980,000
Certificates of Deposit	12/11/2017	1.15%	245,000
Certificates of Deposit	12/15/2017	1.30%	245,000
Certificates of Deposit	12/18/2017	1.25%	245,000
Federal Home Loan Bank	12/12/2016	0.70%	5,000,000
Federal Home Loan Bank	2/16/2018	1.00%	5,000,000
Federal Home Loan Mortgage Corp.	12/29/2016	0.78%	10,000,000
Federal Home Loan Mortgage Corp.	6/29/2017	0.85%	5,000,000
Federal Home Loan Mortgage Corp.	7/14/2017	0.90%	10,000,000
Federal Home Loan Mortgage Corp.	9/8/2017	1.00%	5,000,000
Federal Home Loan Mortgage Corp.	10/20/2017	0.88%	5,000,000
Federal Home Loan Mortgage Corp.	11/24/2017	0.90%	5,000,000
Federal Home Loan Mortgage Corp.	12/8/2017	1.05%	5,000,000
Federal Home Loan Mortgage Corp.	1/29/2018	1.25%	10,000,000
Federal Home Loan Mortgage Corp.	2/26/2018	1.05%	10,000,000
Federal Home Loan Mortgage Corp.	6/22/2018	1.13%	5,000,000
Federal Home Loan Mortgage Corp.	6/29/2018	1.10%	5,000,000
Federal Home Loan Mortgage Corp.	6/29/2018	1.15%	5,000,000
Federal Home Loan Mortgage Corp.	6/29/2018	0.92%	5,000,000
Federal Home Loan Mortgage Corp.	6/29/2018	0.95%	5,000,000
			<u>\$ 154,655,000</u>
Total investments in centralized investment pool			<u>\$ 154,655,000</u>

(continued)

**SCHEDULE OF INVESTMENTS BY FUND--(continued)**

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2016**

The investments in the centralized investment pool were held on behalf of the following funds:

	<u>AMOUNT</u>
PRIMARY GOVERNMENT	
GOVERNMENTAL FUNDS	
General Fund	\$ 55,692,778
Debt Service	1,234,700
Capital Projects	10,693,178
Constitutional Officers	415,652
Governmental Law Library	80,475
Economic Crimes	73,178
	<u>68,189,961</u>
PROPRIETARY FUNDS	
Internal Service	<u>12,380,074</u>
	<u>12,380,074</u>
FIDUCIARY FUNDS	
Constitutional Officers Agency Funds	<u>389,037</u>
	<u>389,037</u>
Total primary government	<u>80,959,072</u>
COMPONENT UNITS	
General Purpose School	<u>73,695,928</u>
Total component units	<u>73,695,928</u>
Total investments in centralized investment pool	<u>\$ 154,655,000</u>

(continued)

**SCHEDULE OF INVESTMENTS BY FUND--(continued)**

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2016**

	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>MARKET VALUE</u>
PRIMARY GOVERNMENT			
FIDUCIARY FUNDS			
PENSION TRUST FUND			
Mutual Funds	Various	Various	\$ 1,458,968
Domestic Corporate Bonds	Various	Various	413,925
Foreign Bonds/Notes	Various	Various	31,640
Domestic Equity Securities	Various	Various	145,708
Foreign Equity Securities	Various	Various	92,985
US Government Securities	Various	Various	148,998
Municipal Bonds	Various	Various	<u>128,827</u>
			<u>2,421,051</u>
OPEB TRUST FUND			
Mutual Funds	Various	Various	10,759,951
Domestic Corporate Bonds	Various	Various	2,106,916
Foreign Bonds/Notes	Various	Various	158,201
Domestic Equity Securities	Various	Various	2,303,483
Foreign Equity Securities	Various	Various	1,218,939
US Government Securities	Various	Various	870,729
Municipal Bonds	Various	Various	<u>602,810</u>
			<u>18,021,029</u>
Total fiduciary funds investments			<u>\$ 20,442,080</u>
COMPONENT UNITS			
PROPRIETARY FUNDS			
"911" Emergency Communications District:			
State of Tennessee Local		Monthly Weighted	
Government Investment Pool	N/A	Average	<u>\$ 74,494</u>



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

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2016**

TYPE OF ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	DEBT REMAINING AT JUNE 30, 2016			
			DATES	RATES	MATURITY SCHEDULE	PRINCIPAL
<b>BONDED DEBT</b>						
General Improvement	03/01/98 B	\$ 6,100,000	Aug/Feb	5.100	\$305,000; due 08/01/2016	\$ 305,000
				5.100	\$320,000; due 08/01/2017	320,000
				5.100	\$335,000; due 08/01/2018	335,000
				5.100	\$355,000; due 08/01/2019	355,000
				5.100	\$370,000; due 08/01/2020	370,000
				5.100	\$395,000; due 08/01/2021	395,000
				5.100	\$415,000; due 08/01/2022	415,000
				5.100	\$435,000; due 08/01/2023	435,000
				5.100	\$460,000; due 08/01/2024	460,000
General Improvement	03/10/09	8,883,000	Sept/Mar	4.000	\$595,020 a year; due 03/01/2017	595,020
				3.500	\$595,020; due 03/01/2018	595,020
						<u>1,190,040</u>
School	03/10/09	22,617,000	Sept/Mar	4.000	\$1,514,980 a year; due 03/01/2017	1,514,980
				3.500	\$1,514,980; due 03/01/2018	1,514,980
						<u>3,029,960</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2016**

TYPE OF ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	DEBT REMAINING AT JUNE 30, 2016			
			INTEREST DATES	RATES	MATURITY SCHEDULE	PRINCIPAL
BONDED DEBT--(continued)						
General Improvement (Recovery Zone Facility Bonds)	03/10/10 A	\$ 7,475,000	Sept/Mar	3.000	\$1,610,000 a year; due 03/01/2021-22	\$ 3,220,000
				3.250	\$1,610,000; due 03/01/2023	1,610,000
				3.500	\$1,610,000; due 03/01/2024	1,610,000
				4.000	\$1,035,000; due 03/01/2025	1,035,000
						<u>7,475,000</u>
General Improvement (taxable to bondholder)	03/10/10 B	16,115,000	Sept/Mar	4.000	\$1,610,000 a year; due 03/01/2017-18	3,220,000
				4.125	\$1,610,000; due 03/01/2019	1,610,000
				4.250	\$1,610,000; due 03/02/2020	1,610,000
						<u>6,440,000</u>
General Improvement (Recovery Zone Economic Development Bonds - taxable to bondholder) *	03/10/10 C	4,980,000	Sept/Mar	3.500	\$330,000; due 03/01/2017	330,000
				3.700	\$330,000; due 03/01/2018	330,000
				4.000	\$330,000; due 03/01/2019	330,000
				4.150	\$330,000; due 03/01/2020	330,000
				4.350	\$330,000; due 03/01/2021	330,000
				4.600	\$330,000; due 03/01/2022	330,000
				4.700	\$330,000; due 03/01/2023	330,000
				4.850	\$330,000; due 03/01/2024	330,000
			5.000	\$370,000; due 03/01/2025	370,000	
						<u>3,010,000</u>
General Improvement	11/08/11 A	12,875,000	July/Jan	5.000	\$727,644; due 01/01/2017	727,644
				5.000	\$764,395; due 01/01/2018	764,395
				5.000	\$802,194; due 01/01/2019	802,194
				5.000	\$843,143; due 01/01/2020	843,143
				5.000	\$885,143; due 01/01/2021	885,143
				3.250	\$1,107,741; due 01/01/2026	1,107,741
				3.500	\$1,144,491; due 01/01/2027	1,144,491
						<u>6,274,751</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2016**

TYPE OF ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	DEBT REMAINING AT JUNE 30, 2016			
			INTEREST		MATURITY SCHEDULE	PRINCIPAL
			DATES	RATES		
BONDED DEBT--(continued)						
School	11/08/11 A	\$ 48,435,000	July/Jan	5.000	\$2,737,356; due 01/01/2017	\$ 2,737,356
				5.000	\$2,875,605; due 01/01/2018	2,875,605
				5.000	\$3,017,806; due 01/01/2019	3,017,806
				5.000	\$3,171,857; due 01/01/2020	3,171,857
				5.000	\$3,329,857; due 01/01/2021	3,329,857
				3.250	\$4,167,259; due 01/01/2026	4,167,259
				3.500	\$4,305,509; due 01/01/2027	4,305,509
					<u>23,605,249</u>	
General Improvement	11/08/11 B	7,923,000	July/Jan	5.000	\$1,133,667; due 01/01/2017	1,133,667
				5.000	\$1,146,333; due 01/01/2018	1,146,333
				5.000	\$1,155,833; due 01/01/2019	1,155,833
					<u>3,435,833</u>	
School	11/08/11 B	4,587,000	July/Jan	5.000	\$656,333; due 01/01/2017	656,333
				5.000	\$663,667; due 01/01/2018	663,667
				5.000	\$669,167; due 01/01/2019	669,167
					<u>1,989,167</u>	
Water & Wastewater Treatment Authority	11/08/11 B	8,025,000	July/Jan	5.000	\$350,000; due 01/01/2017	350,000
				5.000	\$365,000; due 01/01/2018	365,000
				5.000	\$385,000; due 01/01/2019	385,000
				4.000	\$410,000; due 01/01/2020	410,000
				3.000	\$425,000; due 01/01/2021	425,000
				3.000	\$435,000; due 01/01/2022	435,000
				3.000	\$450,000; due 01/01/2023	450,000
				3.000	\$460,000; due 01/01/2024	460,000
				3.250	\$475,000; due 01/01/2025	475,000
				3.375	\$490,000; due 01/01/2026	490,000
				3.500	\$510,000; due 01/01/2027	510,000
				3.500	\$530,000; due 01/01/2028	530,000
				3.625	\$545,000; due 01/01/2029	545,000
3.750	\$565,000; due 01/01/2030	565,000				
3.750	\$370,000; due 01/01/2031	370,000				
					<u>6,765,000</u>	

(continued)

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2016**

TYPE OF ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	DEBT REMAINING AT JUNE 30, 2016			
			DATES	RATES	MATURITY SCHEDULE	PRINCIPAL
BONDED DEBT--(continued)						
General Improvement	04/10/13 A	\$ 10,061,000	Sept/Mar	4.000	\$670,623 a year; due 03/01/2017-22	\$ 4,023,738
				2.000	\$670,623; due 03/01/2023	670,623
				2.125	\$670,622; due 03/01/2024	670,622
				2.250	\$670,622; due 03/01/2025	670,622
				2.375	\$670,622; due 03/01/2026	670,622
				2.500	\$670,622; due 03/01/2027	670,622
				2.750	\$670,622; due 03/01/2028	670,622
					<u>8,047,471</u>	
School	04/10/13 A	50,549,000	Sept/Mar	4.000	\$3,369,377 a year; due 03/01/2017-22	20,216,262
				2.000	\$3,369,377; due 03/01/2023	3,369,377
				2.125	\$3,369,378; due 03/01/2024	3,369,378
				2.250	\$3,369,378; due 03/01/2025	3,369,378
				2.375	\$3,369,378; due 03/01/2026	3,369,378
				2.500	\$3,369,378; due 03/01/2027	3,369,378
				2.750	\$3,369,378; due 03/01/2028	3,369,378
					<u>40,432,529</u>	
General Improvement	04/10/13 B	6,701,100	Sept/Mar	4.000	\$950,611; due 03/01/2017	950,611
				4.000	\$943,922; due 03/01/2018	943,922
				4.000	\$936,489; due 03/01/2019	936,489
				4.000	\$929,800; due 03/01/2020	929,800
				4.000	\$921,624; due 03/01/2021	921,624
				3.000	\$920,138; due 03/01/2022	920,138
				3.000	\$909,732; due 03/01/2023	909,732
					<u>6,512,316</u>	
School	04/10/13 B	38,378,900	Sept/Mar	4.000	\$5,444,389; due 03/01/2017	5,444,389
				4.000	\$5,406,078; due 03/01/2018	5,406,078
				4.000	\$5,363,511; due 03/01/2019	5,363,511
				4.000	\$5,325,200; due 03/01/2020	5,325,200
				4.000	\$5,278,376; due 03/01/2021	5,278,376
				3.000	\$5,269,862; due 03/01/2022	5,269,862
				3.000	\$5,210,268; due 03/01/2023	5,210,268
					<u>37,297,684</u>	

(continued)

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2016**

TYPE OF ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	INTEREST		MATURITY SCHEDULE	PRINCIPAL
			DATES	RATES		
BONDED DEBT--(continued)						
General Improvement	05/07/15 A	\$ 11,442,000	Nov/May	5.000	\$762,800 a year; due 05/01/2017-30	\$ 10,679,200
						<u>10,679,200</u>
School	05/07/15 A	48,558,000	Nov/May	5.000	\$3,237,200 a year; due 05/01/2017-30	45,320,800
						<u>45,320,800</u>
General Improvement	05/07/15 B	7,194,600	Sept/Mar	2.000	\$465,554; due 03/01/2019	465,554
				5.000	\$454,811; due 03/01/2020	454,811
				5.000	\$459,585; due 03/01/2021	459,585
				5.000	\$1,488,579; due 03/01/2022	1,488,579
				5.000	\$1,544,684; due 03/01/2023	1,544,684
				4.000	\$1,603,177; due 03/01/2024	1,603,177
				4.000	\$1,178,210; due 03/01/2025	1,178,210
						<u>7,194,600</u>
School	05/07/15 B	22,940,400	Sept/Mar	2.000	\$1,484,446; due 03/01/2019	1,484,446
				5.000	\$1,450,189; due 03/01/2020	1,450,189
				5.000	\$1,465,415; due 03/01/2021	1,465,415
				5.000	\$4,746,421; due 03/01/2022	4,746,421
				5.000	\$4,925,316; due 03/01/2023	4,925,316
				4.000	\$5,111,823; due 03/01/2024	5,111,823
				4.000	\$3,756,790; due 03/01/2025	3,756,790
						<u>22,940,400</u>
TOTAL BONDED DEBT						<u>\$ 245,030,000</u>

(continued)



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

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2016**

TYPE OF ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	DEBT REMAINING AT JUNE 30, 2016			
			INTEREST		MATURITY SCHEDULE	PRINCIPAL
			DATES	RATES		
<b>OTHER DEBT OBLIGATIONS</b>						
Qualified Zone Academy Bonds, Series 2003	Various	\$ 1,365,000	-	None	\$90,733; due 12/23/2016 \$36,246; due 12/23/2017	\$ 90,733 36,246 <u>126,979</u>
Revolving Credit Agreement **	12/17/15	40,000,000	Monthly	Variable	12/17/2017	<u>40,000,000</u> <u>40,000,000</u>
<b>TOTAL BONDS, NOTES PAYABLE AND OTHER DEBT</b>						<b><u>\$ 285,156,979</u></b>

\* Under terms of the bond agreement, the Federal government has pledged to reimburse the County for 45% of all interest paid on the Recovery Zone Economic Development Bonds.

\*\* The principal balance outstanding under the Revolving Credit Agreement is due within two years from the date of the draw and will be converted to long-term general obligation bonds.

## DEBT SERVICE REQUIREMENTS TO MATURITY

### HAMILTON COUNTY, TENNESSEE

June 30, 2016

Year Ended June 30	Combined Totals	GENERAL OBLIGATION BONDS		
		Bond Principal	Interest	Total
2017	\$ 34,584,744	\$ 24,395,000	\$ 10,099,011	\$ 34,494,011
2018	73,636,320	24,575,000	9,025,074	33,600,074
2019	32,546,561	24,595,000	7,951,561	32,546,561
2020	29,820,254	22,920,000	6,900,254	29,820,254
2021	28,990,446	23,115,000	5,875,446	28,990,446
2022	28,098,934	23,235,000	4,863,934	28,098,934
2023	27,342,699	23,435,000	3,907,699	27,342,699
2024	20,606,789	17,590,000	3,016,789	20,606,789
2025	17,668,361	15,315,000	2,353,361	17,668,361
2026	15,582,994	13,805,000	1,777,994	15,582,994
2027	15,294,069	14,000,000	1,294,069	15,294,069
2028	9,354,469	8,570,000	784,469	9,354,469
2029	4,999,819	4,545,000	454,819	4,999,819
2030	4,800,063	4,565,000	235,063	4,800,063
2031	<u>383,875</u>	<u>370,000</u>	<u>13,875</u>	<u>383,875</u>
	<u>\$ 343,710,397</u>	<u>\$ 245,030,000</u>	<u>\$ 58,553,418</u>	<u>\$ 303,583,418</u>

- (1) Interest noted above for Other Debt includes the interest payable on debt outstanding which bears a fixed interest rate. Interest on certain of the outstanding notes payable is determined on a variable basis, and accordingly, is not included in the annual debt requirements noted above.

OTHER DEBT

Note Principal	Interest (1)	Total
\$ 90,733	\$ -	\$ 90,733
40,036,246	-	40,036,246
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ 40,126,979</u>	<u>\$ -</u>	<u>\$ 40,126,979</u>



**HAMILTON COUNTY, TENNESSEE**  
**June 30, 2016**

**Statistical Section**

This part of the County annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

**Contents**

**Page**

**Financial Trends**

**F-1**

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

**Revenue Capacity**

**F-9**

These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

**Debt Capacity**

**F-16**

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

**Demographic and Economic Information**

**F-19**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

**Operating Information**

**F-21**

These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



**Schedule I**  
**Hamilton County, Tennessee**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Governmental activities				
Net investment in capital assets	\$ 243,547,592	\$ 244,360,829	\$ 238,660,378	\$ 282,129,410
Restricted	-	-	52,298	541,385
Unrestricted	(86,040,888)	(94,151,918)	(89,414,839)	(102,953,837)
Total governmental activities net position	<u>\$ 157,506,704</u>	<u>\$ 150,208,911</u>	<u>\$ 149,297,837</u>	<u>\$ 179,716,958</u>
Primary government				
Net investment in capital assets	\$ 243,547,592	\$ 244,360,829	\$ 238,660,378	\$ 282,129,410
Restricted	-	-	52,298	541,385
Unrestricted	(86,040,888)	(94,151,918)	(89,414,839)	(102,953,837)
Total primary government net position	<u>\$ 157,506,704</u>	<u>\$ 150,208,911</u>	<u>\$ 149,297,837</u>	<u>\$ 179,716,958</u>

<b>Fiscal Year</b>					
<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 241,279,539	\$ 177,199,640	\$ 143,726,882	\$ 250,836,816	\$ 245,443,716	\$ 197,381,058
607,360	716,194	25,363,259	26,820,351	39,198,251	20,087,313
<u>(78,744,095)</u>	<u>(76,522,919)</u>	<u>(67,221,963)</u>	<u>(71,766,690)</u>	<u>(58,222,559)</u>	<u>(18,991,416)</u>
<u>\$ 163,142,804</u>	<u>\$ 101,392,915</u>	<u>\$ 101,868,178</u>	<u>\$ 205,890,477</u>	<u>\$ 226,419,408</u>	<u>\$ 198,476,955</u>
\$ 241,279,539	\$ 177,199,640	\$ 143,726,882	\$ 250,836,816	\$ 245,443,716	\$ 197,381,058
607,360	716,194	25,363,259	26,820,351	39,198,251	20,087,313
<u>(78,744,095)</u>	<u>(76,522,919)</u>	<u>(67,221,963)</u>	<u>(71,766,690)</u>	<u>(58,222,559)</u>	<u>(18,991,416)</u>
<u>\$ 163,142,804</u>	<u>\$ 101,392,915</u>	<u>\$ 101,868,178</u>	<u>\$ 205,890,477</u>	<u>\$ 226,419,408</u>	<u>\$ 198,476,955</u>

**Schedule II**  
**Hamilton County, Tennessee**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Expenses</b>				
Governmental activities:				
General Government	\$ 66,599,969	\$ 61,957,402	\$ 54,450,998	\$ 55,107,145
Public Safety:				
Sheriff	31,342,346	30,250,034	29,934,441	28,915,718
Criminal Court	4,048,753	2,724,085	4,181,671	4,185,439
Juvenile Court	1,633,352	1,495,996	8,112,975	8,022,995
Ambulance Services	9,966,416	9,514,960	9,513,721	28,986,494
Other	37,949,711	37,115,919	30,292,964	41,630,920
Highways and streets	11,666,094	12,396,414	8,542,153	14,995,362
Health	21,983,102	21,133,493	21,478,078	20,031,449
Social Services	6,914,723	6,274,516	6,624,641	7,145,934
Culture and recreation	8,898,519	7,921,387	7,018,607	8,069,498
Education	24,300,782	28,300,691	32,510,412	2,452,772
Interest on long-term debt	8,264,495	7,232,360	7,770,919	8,558,921
Total governmental activities expenses	<u>233,568,262</u>	<u>226,317,257</u>	<u>220,431,580</u>	<u>228,102,647</u>
Total primary government expenses	<u>233,568,262</u>	<u>226,317,257</u>	<u>220,431,580</u>	<u>228,102,647</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services				
General Government	20,749,436	20,414,588	19,044,471	19,360,899
Public Safety:				
Sheriff	550,006	785,553	1,234,909	1,045,569
Criminal Court	1,759,490	2,578,618	2,715,418	2,463,580
Juvenile Court	436,100	389,769	381,798	420,352
Ambulance Services	7,956,293	7,440,280	7,059,718	29,900,324
Other	3,182,933	2,272,222	2,278,610	9,455,129
Highways and streets	2,966,389	2,719,713	2,803,123	2,789,369
Health	2,311,092	1,915,656	1,806,662	1,825,028
Social Services	4,373,514	4,397,525	4,322,084	4,310,818
Culture and recreation	659,701	538,507	697,461	600,408
Operating grants and contributions	28,271,264	28,079,517	27,009,289	25,125,782
Capital grants and contributions	14,573,339	6,678,478	3,340,173	3,506,316
Total governmental activities program revenues	<u>87,789,557</u>	<u>78,210,426</u>	<u>72,693,716</u>	<u>100,803,574</u>
Total primary government program revenues	<u>87,789,557</u>	<u>78,210,426</u>	<u>72,693,716</u>	<u>100,803,574</u>
<b>Net (Expenses) Revenues</b>				
Governmental activities	<u>(145,778,705)</u>	<u>(148,106,831)</u>	<u>(147,737,864)</u>	<u>(127,299,073)</u>
Total primary government net expense	<u>(145,778,705)</u>	<u>(148,106,831)</u>	<u>(147,737,864)</u>	<u>(127,299,073)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes:				
Property taxes	133,609,320	131,896,902	131,026,476	127,585,203
Sales taxes	3,221,704	2,710,878	3,011,186	2,992,738
Business taxes	7,227,282	6,273,817	6,338,605	6,284,366
Hotel/Motel taxes	7,304,030	6,498,427	5,823,474	5,469,608
Other taxes	1,031,115	975,611	971,162	947,753
Gain/Loss on joint venture	(9,262)	11,842	32,625	-
Unrestricted investment earnings	899,950	551,529	525,199	593,559
Gain/Loss on disposal of property	(207,641)	98,899	1,659,848	-
Total general revenues	<u>153,076,498</u>	<u>149,017,905</u>	<u>149,388,575</u>	<u>143,873,227</u>
Total primary government	<u>153,076,498</u>	<u>149,017,905</u>	<u>149,388,575</u>	<u>143,873,227</u>
<b>Change in Net Position</b>				
Governmental activities	<u>7,297,793</u>	<u>911,074</u>	<u>1,650,711</u>	<u>16,574,154</u>
Total primary government	<u>\$ 7,297,793</u>	<u>\$ 911,074</u>	<u>\$ 1,650,711</u>	<u>\$ 16,574,154</u>

<b>Fiscal Year</b>					
<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 58,143,030	\$ 71,919,720	\$ 60,945,951	\$ 50,151,407	\$ 42,045,548	\$ 38,442,141
28,342,846	29,218,502	28,205,975	28,107,384	24,640,408	26,176,514
3,874,884	4,126,994	4,199,909	4,108,437	3,973,378	3,835,788
8,816,800	8,947,936	7,804,678	8,701,955	8,581,230	7,960,486
23,104,366	22,343,290	22,613,585	21,720,861	20,122,892	19,676,312
35,477,004	35,313,682	35,685,195	36,181,342	27,865,271	25,372,780
15,369,248	18,405,626	16,709,116	18,635,187	15,801,736	15,540,503
20,231,080	22,159,904	22,289,607	22,234,163	21,746,737	20,528,751
6,199,607	8,932,771	9,922,024	9,048,831	8,357,336	7,911,773
9,079,005	11,018,276	10,867,943	10,953,584	10,369,561	12,513,987
4,097,398	19,312,528	51,348,798	94,734,470	17,923,690	13,011,783
8,863,280	8,343,186	8,744,210	8,127,516	7,437,956	6,344,384
<u>221,598,548</u>	<u>260,042,415</u>	<u>279,336,991</u>	<u>312,705,137</u>	<u>208,865,743</u>	<u>197,315,202</u>
<u>221,598,548</u>	<u>260,042,415</u>	<u>279,336,991</u>	<u>312,705,137</u>	<u>208,865,743</u>	<u>197,315,202</u>
17,742,600	16,164,972	16,003,648	15,611,825	15,357,585	15,358,345
1,133,673	1,267,582	1,252,013	1,194,102	1,279,627	1,581,710
2,250,415	2,265,859	2,365,764	2,206,055	2,616,360	2,641,719
342,337	360,824	387,503	507,980	553,234	676,830
21,180,453	22,093,664	21,513,200	20,584,282	20,228,681	18,697,842
8,908,857	8,918,963	9,413,644	4,837,997	2,848,975	2,711,231
2,515,109	2,490,007	2,554,986	2,346,478	2,228,804	1,960,832
1,893,258	2,229,402	2,375,089	2,369,463	2,435,325	2,758,815
4,079,181	4,476,458	4,394,572	4,519,884	4,374,293	4,351,989
632,217	606,726	605,779	602,550	603,712	560,931
27,124,454	25,675,026	24,716,541	27,141,888	28,400,517	24,838,263
11,819,153	23,786,966	3,894,488	68,688,249	8,033,704	5,230,533
<u>99,621,707</u>	<u>110,336,449</u>	<u>89,477,227</u>	<u>150,610,753</u>	<u>88,960,817</u>	<u>81,369,040</u>
<u>99,621,707</u>	<u>110,336,449</u>	<u>89,477,227</u>	<u>150,610,753</u>	<u>88,960,817</u>	<u>81,369,040</u>
<u>(121,976,841)</u>	<u>(149,705,966)</u>	<u>(189,859,764)</u>	<u>(162,094,384)</u>	<u>(119,904,926)</u>	<u>(115,946,162)</u>
<u>(121,976,841)</u>	<u>(149,705,966)</u>	<u>(189,859,764)</u>	<u>(162,094,384)</u>	<u>(119,904,926)</u>	<u>(115,946,162)</u>
128,640,070	128,028,643	124,907,475	122,782,141	118,523,153	96,081,225
2,691,376	12,827,069	12,931,526	12,940,031	13,361,357	13,547,577
5,728,456	5,825,899	5,066,223	4,992,580	4,980,398	4,938,615
5,571,577	5,250,752	4,523,689	4,235,794	4,492,971	4,174,410
940,809	873,942	852,642	816,315	732,465	2,222,336
-	24,279	496,928	-	-	-
623,836	797,443	864,264	1,841,224	5,757,035	5,808,622
(366,650)	(4,397,324)	(63,805,282)	(6,042,632)	-	-
<u>143,829,474</u>	<u>149,230,703</u>	<u>85,837,465</u>	<u>141,565,453</u>	<u>147,847,379</u>	<u>126,772,785</u>
<u>143,829,474</u>	<u>149,230,703</u>	<u>85,837,465</u>	<u>141,565,453</u>	<u>147,847,379</u>	<u>126,772,785</u>
<u>21,852,633</u>	<u>(475,263)</u>	<u>(104,022,299)</u>	<u>(20,528,931)</u>	<u>27,942,453</u>	<u>10,826,623</u>
<u>\$ 21,852,633</u>	<u>\$ (475,263)</u>	<u>\$ (104,022,299)</u>	<u>\$ (20,528,931)</u>	<u>\$ 27,942,453</u>	<u>\$ 10,826,623</u>

**Schedule III**  
**Hamilton County, Tennessee**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified accrual basis of accounting)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Undesignated	-	-	-	-
Nonspendable	1,390,633	1,807,295	1,461,681	1,827,632
Restricted	14,461	12,835	676,543	-
Committed	-	51,669	635,790	-
Assigned	4,644,426	4,703,014	4,388,787	3,691,467
Unassigned	86,345,767	84,819,249	104,942,810	105,650,072
Total General Fund	<u>\$ 92,395,287</u>	<u>\$ 91,394,062</u>	<u>\$ 112,105,611</u>	<u>\$ 111,169,171</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Undesignated, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Restricted	3,896,918	3,326,363	3,699,234	541,385
Committed	25,174,169	53,325,270	22,323,862	12,509,279
Assigned	23,180,634	14,206,721	923,069	17,771,050
Unassigned	-	-	(432,212)	-
Total all other governmental funds	<u>\$ 52,251,721</u>	<u>\$ 70,858,354</u>	<u>\$ 26,513,953</u>	<u>\$ 30,821,714</u>

Presentation and classification of fund balances was changed in fiscal year 2011 in accordance with GASB statement 54.



Fiscal Year					
<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ -	\$ -	\$ 2,201,425	\$ 2,240,047	\$ 2,350,255	\$ 1,573,982
-	-	85,718,733	81,829,708	74,751,577	56,760,180
1,309,794	1,281,429	-	-	-	-
-	-	-	-	-	-
384,773	1,537,756	-	-	-	-
3,721,297	3,100,039	-	-	-	-
99,015,009	90,048,014	-	-	-	-
<u>\$ 104,430,873</u>	<u>\$ 95,967,238</u>	<u>\$ 87,920,158</u>	<u>\$ 84,069,755</u>	<u>\$ 77,101,832</u>	<u>\$ 58,334,162</u>
\$ -	\$ -	\$ 16,661,834	\$ 18,080,304	\$ 61,761,770	\$ 131,501,016
-	-	5,764,206	4,772,420	5,607,353	5,434,029
-	-	(30,688,283)	(19,622,546)	(15,833,094)	(104,202,005)
-	-	297,560	227,025	240,340	1,653,012
607,360	716,194	-	-	-	-
34,122,497	3,564,407	-	-	-	-
5,427,722	5,529,977	-	-	-	-
(31,943,966)	(46,775,161)	-	-	-	-
<u>\$ 8,213,613</u>	<u>\$ (36,964,583)</u>	<u>\$ (7,964,683)</u>	<u>\$ 3,457,203</u>	<u>\$ 51,776,369</u>	<u>\$ 34,386,052</u>

**Schedule IV**  
**Hamilton County, Tennessee**  
**Changes in Fund Balance, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified accrual basis of accounting)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>				
Taxes	\$ 153,813,194	\$ 150,086,536	\$ 147,308,652	\$ 143,132,173
Licenses, fees, and permits	841,036	683,952	776,100	793,667
Fines and penalties	1,833,329	1,860,362	1,921,990	1,476,871
Charges for services	37,065,288	35,182,223	63,906,651	64,816,716
Intergovernmental	40,583,286	33,995,494	30,757,104	29,029,942
Investment earnings	773,982	486,521	461,792	521,109
Miscellaneous	6,849,982	5,725,894	4,651,714	4,869,399
Total revenues	<u>241,760,097</u>	<u>228,020,982</u>	<u>249,784,003</u>	<u>244,639,877</u>
<b>Expenditures</b>				
General government	50,521,960	50,747,842	50,362,251	47,663,878
Public Safety:				
Sheriff	32,324,992	31,559,793	29,259,072	27,896,776
Criminal Court	4,116,558	2,834,843	4,068,093	4,122,911
Juvenile Court	1,467,125	1,407,321	8,217,867	7,902,056
Ambulance Services	9,829,870	9,277,506	29,926,931	28,412,229
Other	38,965,775	38,997,956	37,731,583	34,370,090
Highways and streets	10,968,407	11,075,618	10,287,522	12,569,217
Health	22,688,745	22,437,799	21,540,074	20,020,045
Social Services	6,581,931	6,729,372	6,714,942	7,100,228
Culture and recreation	7,343,145	7,589,563	7,358,539	7,348,349
Capital Outlay:				
General government	38,401,652	32,471,558	11,510,232	19,944,142
Education	36,577,612	21,901,273	7,514,503	32,030,140
Debt service:				
Interest	11,176,478	9,551,882	9,748,185	9,687,025
Principal	28,477,143	59,324,643	26,665,621	22,149,648
Total expenditures	<u>299,441,393</u>	<u>305,906,969</u>	<u>260,905,415</u>	<u>281,216,734</u>
Excess of revenues over/(under) expenditures	<u>(57,681,296)</u>	<u>(77,885,987)</u>	<u>(11,121,412)</u>	<u>(36,576,857)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	53,458,157	76,042,323	47,201,886	67,988,512
Transfers out	(53,458,157)	(76,042,323)	(47,201,886)	(67,988,512)
Proceeds from sale of bonds	40,000,000	60,000,000	5,000,000	105,690,000
Proceeds from line of credit	-	30,000,000	-	-
Premium from bonds	-	10,716,640	-	11,152,177
Proceeds from sale of refunding bonds	-	30,135,000	-	-
Premium on refunding bonds	-	5,725,718	-	-
Payment to refunded bonds escrow agent	-	(35,860,718)	-	(51,163,429)
Sale of capital assets	75,888	802,199	2,750,091	244,508
Total other financing sources (uses)	<u>40,075,888</u>	<u>101,518,839</u>	<u>7,750,091</u>	<u>65,923,256</u>
Net change in fund balances	<u>\$ (17,605,408)</u>	<u>\$ 23,632,852</u>	<u>\$ (3,371,321)</u>	<u>\$ 29,346,399</u>
Debt service as a percentage of noncapital expenditures	16.9%	26.1%	15.1%	13.9%

<b>Fiscal Year</b>					
<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
\$ 144,261,287	\$ 151,836,030	\$ 148,111,703	\$ 144,276,429	\$ 140,393,598	\$ 120,511,933
731,556	519,985	570,241	481,224	797,046	1,003,230
1,594,138	1,523,798	1,645,613	1,743,208	1,833,694	1,901,904
54,163,275	55,056,770	53,818,065	48,899,791	44,286,784	43,750,881
36,063,983	45,514,101	28,211,594	88,237,432	36,434,220	31,579,697
508,669	635,415	721,590	1,460,315	4,787,729	5,003,729
7,228,358	7,715,385	5,231,714	3,656,393	5,609,073	4,644,229
<u>244,551,266</u>	<u>262,801,484</u>	<u>238,310,520</u>	<u>288,754,792</u>	<u>234,142,144</u>	<u>208,395,603</u>
46,958,454	46,162,369	44,204,640	45,220,838	43,766,409	38,105,787
27,592,036	27,915,703	27,098,751	27,233,714	26,485,549	25,276,122
3,809,165	3,778,962	3,866,689	3,809,610	3,655,426	3,534,185
7,647,160	8,794,247	7,634,147	8,470,204	8,401,507	7,841,180
22,716,010	21,746,243	22,072,669	21,292,132	20,091,509	19,276,996
33,902,939	34,323,045	34,836,832	28,981,590	26,738,109	24,015,988
12,689,019	11,521,034	11,906,366	12,922,294	12,059,582	11,387,520
19,633,044	22,015,989	22,318,932	22,054,237	21,474,905	20,281,542
7,157,261	8,879,493	9,843,579	9,025,813	8,262,557	7,878,541
7,149,295	9,823,405	9,382,528	9,312,831	8,953,438	11,154,441
16,284,473	49,800,770	27,279,773	78,016,936	14,924,623	9,221,715
23,105,086	6,330,913	21,897,496	40,495,222	80,904,133	30,744,012
8,652,232	9,072,871	9,547,473	8,722,581	5,369,261	19,951,308
<u>22,930,469</u>	<u>23,755,338</u>	<u>23,884,805</u>	<u>46,909,239</u>	<u>18,674,736</u>	<u>6,626,765</u>
<u>260,226,643</u>	<u>283,920,382</u>	<u>275,774,680</u>	<u>362,467,241</u>	<u>299,761,744</u>	<u>235,296,102</u>
<u>(15,675,377)</u>	<u>(21,118,898)</u>	<u>(37,464,160)</u>	<u>(73,712,449)</u>	<u>(65,619,600)</u>	<u>(26,900,499)</u>
65,894,981	65,892,738	66,275,753	87,257,125	56,145,380	59,602,211
(65,894,981)	(65,892,738)	(66,275,753)	(87,257,125)	(56,145,380)	(59,477,211)
68,652,693	-	28,570,000	31,500,000	101,493,337	25,000,000
-	-	-	-	-	-
-	-	216,242	690,409	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>664,515</u>	<u>166,078</u>	<u>1,106,435</u>	<u>170,797</u>	<u>284,250</u>	<u>868,481</u>
<u>69,317,208</u>	<u>166,078</u>	<u>29,892,677</u>	<u>32,361,206</u>	<u>101,777,587</u>	<u>25,993,481</u>
<u>\$ 53,641,831</u>	<u>\$ (20,952,820)</u>	<u>\$ (7,571,483)</u>	<u>\$ (41,351,243)</u>	<u>\$ 36,157,987</u>	<u>\$ (907,018)</u>
14.3%	14.4%	14.8%	23.3%	11.6%	13.6%

**Schedule V**  
**Hamilton County, Tennessee**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Levy Year	Real Property		
		Residential Property	Commercial Property	Other Multi-Use Property
2008	2007	\$ 3,791,887,727	\$ 2,276,582,369	\$ 102,219,515
2009	2008	3,892,376,937	2,347,954,299	104,523,805
2010	2009	4,585,377,106	2,743,690,312	114,177,025
2011	2010	4,640,933,356	2,723,942,772	108,325,420
2012	2011	4,681,094,025	2,698,950,897	108,689,970
2013	2012	4,718,378,925	2,700,654,267	113,267,860
2014	2013	4,702,746,714	2,800,636,391	134,546,620
2015	2014	4,769,391,038	2,828,250,473	134,609,987
2016	2015	4,840,478,821	2,898,914,219	134,968,174
2017	2016	4,923,156,375	2,981,616,796	120,392,604

Source: Hamilton County Assessor's Office

Notes: Property in Hamilton County is reassessed once every four years. The County assesses property at 25% of actual value for residential property, 40% of actual value for commercial property and 30% of actual value for other multi-use property and personalty property. The public utilities assessments are made by the State of Tennessee for all counties and cities in the state. The Electric Power Board (EPB) is not included in these totals. The assessed and estimated values for the EPB for fiscal year 2017 are \$412,985,301 and \$750,882,365 respectively. Assessments for tax exempt properties are excluded from total taxable assessed value. The Hamilton County Tax Assessor does not maintain assessments for these properties. The current levy year assessed value for Public Utilities is not available. The amount reported is an estimate.

Personalty Property	Public Utilities Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
\$ 533,938,891	\$ 299,212,058	\$ 7,003,840,560	3.1540	\$ 23,523,556,774
556,193,467	306,586,243	7,207,634,751	3.1540	24,199,213,935
616,574,058	340,109,973	8,399,928,474	2.7652	28,254,952,916
600,198,491	304,075,212	8,377,475,251	2.7650	28,288,200,746
602,424,839	315,421,659	8,406,581,390	2.7650	28,415,629,965
634,320,306	323,769,821	8,490,391,179	2.7650	28,705,784,323
628,761,261	317,189,690	8,583,880,676	2.7652	28,930,431,362
635,961,929	332,475,202	8,700,688,629	2.7652	29,321,263,755
632,734,311	330,679,765	8,837,775,290	2.7652	29,769,445,051
661,655,590	330,000,000	9,016,821,365	2.7652	30,353,494,803

**Schedule VI**  
**Hamilton County, Tennessee**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
**(rate per \$100 of assessed value)**

Fiscal Year Ended June 30	County Direct Rates				Chattanooga	East Ridge
	General Government	Department of Education	District Road	Total Direct Rate		
2007	1.3159	1.5655	0.0126	2.8940	2.2020	1.0770
2008	1.5759	1.5655	0.0126	3.1540	2.2020	1.0770
2009	1.5759	1.5655	0.0126	3.1540	2.2020	1.2870
2010	1.3816	1.3726	0.0110	2.7652	1.9390	1.1227
2011	1.3816	1.3726	0.0110	2.7652	2.3090	1.4200
2012	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227
2013	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227
2014	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227
2015	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227
2016	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227

Source: Hamilton County Trustee's Office



Overlapping Rates

Red Bank	Lookout Mountain	Signal Mountain	Collegedale	Soddy-Daisy	Lakesite	Ridgeside	Walden
1.2600	1.8000	1.7750	1.2000	0.7800	0.2900	1.5010	0.5000
1.2600	1.8000	1.7750	1.2000	0.7800	0.2900	1.6000	0.5000
1.2600	1.8000	1.7750	1.3200	0.7800	0.2900	1.8000	0.5000
1.1001	1.4700	1.5134	1.1500	0.6860	0.2400	1.6070	0.4300
1.1001	1.4700	1.6634	1.3400	1.0000	0.2400	1.9000	0.4400
1.3500	1.6200	1.6634	1.3400	1.0000	0.2400	1.9000	0.4400
1.3561	1.6200	1.5684	1.3713	1.3524	0.2352	1.9063	0.4290
1.3500	1.6600	1.5684	1.3713	1.3524	0.2350	2.0100	0.4290
1.3500	1.7430	1.5684	1.3713	1.3524	0.2350	2.0100	0.4290
1.3500	1.8300	1.5684	1.3713	1.3524	0.2350	2.0100	0.4290

**Schedule VII**  
**Hamilton County, Tennessee**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**

Taxpayer	2016		
	Taxable Assessed Value	Rank	% of Total Assessed Valuation
Electric Power Board	\$ 412,985,301	1	4.75%
Volkswagen Chattanooga	209,259,292	2	2.41%
Tennessee Valley Authority	170,868,684	3	1.97%
Blue Cross Blue Shield of Tennessee	93,590,627	4	1.08%
CBL Properties	92,320,793	5	1.06%
Bellsouth Telecommunications	68,224,783	6	0.79%
McKee Foods Corporation	64,580,141	7	0.74%
Tennessee-American Water Company	61,107,205	8	0.70%
Walmart	45,207,476	9	0.52%
Norfolk Southern	40,450,794	10	0.47%
Provident Life & Accident	-		-
Chattanooga Gas Company	-		-
E. I. Dupont	-		-
Kenco Group	-		-
	<u>\$ 1,258,595,096</u>		<u>14.49%</u>

Source: Hamilton County Trustee & Hamilton County Assessor of Property

Note: This schedule serves a dual purpose of providing basic information about Hamilton County's most significant revenue payers and highlighting the degree to which we depend on a small number of payers.

<b>2007</b>		
Taxable Assessed Value	Rank	% of Total Assessed Valuation
\$ 205,793,697	1	2.91%
-		-
121,680,290	2	1.72%
-		-
70,829,472	3	1.00%
69,946,811	4	0.99%
46,893,748	6	0.66%
49,334,751	5	0.70%
-		-
-		-
39,856,927	8	0.56%
46,639,639	7	0.66%
31,734,947	9	0.45%
27,259,229	10	0.39%
\$ 709,969,511		10.04%

**Schedule VIII**  
**Hamilton County, Tennessee**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 187,738,019	\$ 179,757,257	95.749%	\$ 7,995,420	\$ 187,752,677	100.008%
2008	211,448,308	201,229,831	95.167%	10,074,014	211,303,845	99.932%
2009	217,659,937	205,689,580	94.500%	11,165,728	216,855,308	99.630%
2010	222,870,484	210,841,565	94.603%	10,783,234	221,624,799	99.441%
2011	223,245,685	210,215,791	94.163%	11,620,025	221,835,816	99.368%
2012	223,736,777	211,687,655	94.615%	10,483,716	222,171,371	99.300%
2013	225,823,440	213,711,111	94.636%	10,779,256	224,490,367	99.410%
2014	228,590,172	217,614,995	95.199%	8,723,546	226,338,541	99.015%
2015	231,397,863	221,090,224	95.545%	6,873,742	227,963,966	98.516%
2016	235,238,229	224,830,856	95.576%	-	224,830,856	95.576%

**Schedule IX**  
**Hamilton County, TN**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Governmental Activities</b>				<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Total Debt Per Capita</b>
	<b>General Obligation Bonds</b>	<b>Notes Payable</b>	<b>Net Deferred Premium</b>	<b>Short-Term Obligation</b>			
2007	\$ 107,730,000	\$ 14,989,671	\$ 1,195,863	\$ 25,000,000	\$ 148,915,534	1.24%	\$ 476
2008	188,260,000	12,649,202	7,155,506	25,000,000	233,064,708	1.85%	706
2009	200,110,000	10,389,963	6,996,505	46,560,000	264,056,468	2.09%	793
2010	206,960,000	8,030,725	6,478,763	43,060,000	264,529,488	2.15%	785
2011	185,550,000	5,677,713	5,641,678	64,616,000	261,485,391	2.02%	777
2012	223,705,000	4,170,834	12,891,039	28,556,000	269,322,873	1.98%	790
2013	263,545,000	2,614,726	20,111,397	-	286,271,123	1.97%	828
2014	238,300,000	6,193,607	18,050,485	-	262,544,092	1.78%	753
2015	272,965,000	668,964	29,918,021	-	303,551,985	2.00%	864
2016	245,030,000	40,126,979	29,005,417	-	314,162,396	2.02%	887

**Schedule X**  
**Hamilton County, TN**  
**Ratios of General Bonded Debt and Other Debt Outstanding**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Note Principal</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Bonded Debt Per Capita</b>
2007	\$ 107,730,000	\$ 39,989,671	0.63%	\$ 472
2008	188,260,000	37,649,202	0.93%	684
2009	200,110,000	56,949,963	0.91%	772
2010	206,960,000	51,090,725	0.91%	765
2011	185,550,000	70,293,713	0.90%	760
2012	223,705,000	32,726,834	0.89%	752
2013	263,545,000	2,614,727	0.92%	770
2014	238,300,000	6,193,607	0.83%	701
2015	272,965,000	669,043	0.92%	779
2016	245,030,000	40,126,979	0.94%	805



**Schedule XI**  
**Hamilton County, TN**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2016**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
City of Chattanooga	\$ 160,500,919	57.530%	\$ 92,336,179
Town of East Ridge	5,991,705	3.896%	233,437
Town of Red Bank	436,000	2.055%	8,960
Town of Lookout Mountain	-	1.264%	-
Town of Signal Mountain	1,231,170	2.978%	36,664
Town of Collegedale	1,911,026	3.201%	61,172
Town of Soddy Daisy	482,736	2.727%	13,164
Town of Walden	-	0.852%	-
Other debt			
City of Chattanooga	179,051,798	57.530%	103,008,499
Town of East Ridge	-	3.896%	-
Town of Red Bank	620,900	2.055%	12,759
Town of Lookout Mountain	-	1.264%	-
Town of Signal Mountain	-	2.978%	-
Town of Collegedale	496,926	3.201%	15,907
Town of Soddy Daisy	-	2.727%	-
Town of Walden	-	0.852%	-
Subtotal, overlapping debt			195,726,742
Hamilton County direct debt			<u>285,156,979</u>
Total direct and overlapping debt			<u>\$ 480,883,721</u>

Sources: Debt outstanding data provided by each municipality. Assessed value data used to estimate applicable percentages provided by Hamilton County Assessor's office.

Notes: Overlapping governments are those that coincide with the geographic boundaries of Hamilton County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses in Hamilton County. This process recognizes that, when considering the county's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident--and therefore responsible for repaying debt--of each overlapping government.

**Schedule XII**  
**Hamilton County, Tennessee**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (000's)</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
2006	312,905	\$ 12,008,126	\$ 38,376	5.4%
2007	330,168	12,598,201	38,157	3.9%
2008	332,848	12,664,312	38,048	5.8%
2009	337,175	12,315,482	36,525	9.8%
2010	336,463	13,243,679	38,520	8.7%
2011	340,855	13,923,706	39,921	8.3%
2012	345,545	14,818,334	41,974	8.5%
2013	348,673	14,901,870	42,739	7.2%
2014	351,220	15,492,953	44,112	6.1%
2015	354,098	15,585,911	44,016	4.9%

Sources: Personal income and per capita income information provided by the Chamber of Commerce: Bureau of Economic Analysis (BEA). For 2015, personal income and per capita income were interpolated based on percentage increases reported by Metropolitan areas in the BEA. Personal income and per capita income were updated to actuals as reported by BEA for 2010-2014. Population estimate was found at the U.S. Census Bureau. Unemployment information provided by State Department of Employment Security.

**Schedule XIII**  
**Hamilton County, Tennessee**  
**Principal Employers**  
**Current Year and Nine Years Ago**

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Blue Cross Blue Shield of Tennessee	4,899	1	2.55%	4,502	1	2.74%
Hamilton County Department of Education	4,508	2	2.34%	4,360	2	2.65%
Erlanger Health System	4,384	3	2.28%	3,410	4	2.07%
Tennessee Valley Authority	3,786	4	1.97%	3,869	3	2.35%
Amazon.com.dedc LLC	3,312	5	1.72%	-	-	0.00%
UnumProvident Corporation	2,800	6	1.45%	2,800	6	1.70%
McKee Foods Corporation	2,700	7	1.40%	3,200	5	1.94%
Memorial Health Care System	2,602	8	1.35%	2,152	8	1.31%
City of Chattanooga	2,250	9	1.17%	2,338	7	1.42%
Volkswagen Chattanooga	2,177	10	1.13%	-	-	0.00%
CIGNA Health Care System	-	-	-	1,850	9	1.12%
Pilgrim's Pride Corporation	-	-	-	1,839	10	1.12%
<b>Total</b>	<b>33,418</b>		<b>17.36%</b>	<b>30,320</b>		<b>18.42%</b>

Source: Chattanooga Area Chamber of Commerce



**Schedule XIV**  
**Hamilton County, TN**  
**Full-time Equivalent County Government Employees by Function/Program**  
**As of June 30, 2016**

<u>Function/Program</u>	<u>Full-time Equivalent Employees</u>									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Government	622	637	649	654	659	718	751	754	769	660
Public Safety <sup>1</sup>	713	698	662	656	652	500	534	447	384	379
Highways and Streets	88	90	95	98	97	98	97	125	130	129
Health <sup>2</sup>	259	265	269	269	267	267	277	291	262	238
Social Services <sup>3</sup>	0	0	0	0	0	0	58	108	108	83
Culture and Recreation	83	82	90	85	91	92	88	98	81	83
<b>Total</b>	<b>1,765</b>	<b>1,772</b>	<b>1,765</b>	<b>1,762</b>	<b>1,766</b>	<b>1,675</b>	<b>1,805</b>	<b>1,823</b>	<b>1,734</b>	<b>1,572</b>

Source: Hamilton County Human Resources Department

Notes: Full time equivalents (FTE)  
 Full time - 1 full time equivalent - these are permanent employees who earn pension and leave time  
 Skimp - .63 full time equivalent - these are permanent employees who do not work more than 1,300 hours a year, earn leave time but do not participate in pension  
 Part time - .5 full time equivalent - these are permanent employees who do not work more than 1,040 hours a year and do not participate in pension nor earn leave time  
 Temporary - .5 full time equivalent - these employees do not have permanent status, do not work more than 1,040 hours a year and do not participate in pension nor earn leave time

<sup>1</sup> The 2010 increase in the number of employees in Public Safety was due to the consolidation of the City and County 911 service

<sup>2</sup> There was an increase in 2009 in the number of employees in the Health Department because more manpower was needed to administer the two flu vaccines

<sup>3</sup> Social Services department was dissolved in June 2011

**Schedule XV**  
**Hamilton County, TN**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>General Government</b>			
County Clerk (DMV) - transactions processed	395,979	361,666	400,000
Register - documents recorded	67,189	66,254	69,147
Recycling - tons collected	2,099	2,104	2,239
<sup>1</sup> Election Commission - registered voters	186,384	207,044	206,444
Election Commission - votes cast in last election	29,100	83,193	53,685
Purchasing - bids posted	184	137	132
<b>Public Safety</b>			
Building Inspections - permits issued	1,193	1,069	1,149
Building Inspections - inspections and investigations	12,020	12,684	12,540
<sup>2</sup> Building Inspections - applications for new/existing septic system	593	438	378
Jail - average number inmates housed	539	535	635
Sheriff's Dept - physical arrests	7,895	6,872	6,175
Juvenile Court Judge - cases heard	5,625	5,385	5,346
Criminal Court Judge - cases heard	7,465	8,091	7,895
Ambulance Services - responded calls	23,257	22,632	21,462
Police Protection (Sworn, Correctional, Civilian and Others)	390	387	387
<b>Highways and Streets</b>			
Engineering Services - projects administered	31	58	73
<sup>3</sup> Highways & Streets - bridges maintained	67	67	67
<b>Health</b>			
Health Dept - patients seen	29,995	31,490	33,004
<b>Community Services (formerly Social Services)</b>			
<sup>4</sup> Emergency Assistance Program of Financial Services - households served	371	370	351
<sup>4</sup> Emergency Assistance Program of Financial Services - number of services	512	446	443
Chancery Court Judge - cases heard	2,489	2,073	2,330
Circuit Court Judge - cases heard	5,077	5,471	5,514
<b>Culture &amp; Recreation</b>			
Number of Facilities Maintained	32	32	32
<sup>5</sup> Number of Programs Offered	34	22	14
<b>Education</b>			
Public School Enrollment	43,319	43,511	42,141
Private School Enrollment	10,241	10,474	10,372

**Sources:** CABR from prior years, CAFR from prior years and various department personnel

<sup>1</sup> Note on Election Commission - The number of registered voters decreased in 2016 due to purging of names of those that had not voted since 2008.

<sup>2</sup> Note on Building Inspections - From 2010 - 2013 the housing crisis drastically affected the groundwater protection program. With few houses being built, bought or sold there was a large decrease in the number of applications for new/existing septic systems.

<sup>3</sup> Note on Highways & Streets - The number of bridges maintained decreased in 2010 because some bridges are now maintained by other city annexed areas.

<sup>4</sup> Note on Emergency Assistance Program - The number of households served and services rendered had both decreased due to inflation, decreased funding and program policy revision but both are now on the increase.

<sup>5</sup> Note on Culture & Recreation - The number of programs offered increased in 2015 and 2016 due to Culture & Recreation being able to offer more programs.



<b>Fiscal Year</b>						
<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
411,547	368,604	326,795	328,766	347,946	366,029	381,072
65,559	65,953	63,309	67,824	73,441	79,036	78,300
2,189	3,006	3,910	3,137	3,157	2,235	2,342
220,480	216,003	210,160	207,961	205,382	184,792	184,099
142,161	50,562	87,817	51,805	148,480	74,417	109,401
168	144	147	173	164	190	153
1,424	983	950	909	998	1,420	1,600
12,216	12,000	11,445	11,210	15,051	22,214	25,292
351	333	702	1,166	467	2,250	2,131
522	519	514	525	555	592	610
8,080	7,865	8,016	7,558	7,002	6,654	6,728
5,522	6,496	6,463	6,325	7,287	7,618	9,255
8,185	8,762	8,711	8,508	8,444	4,306	5,000
22,278	22,942	22,944	22,247	21,580	21,382	20,393
373	395	371	378	401	361	373
77	89	72	74	56	70	80
67	67	67	67	81	81	81
34,892	37,274	40,055	59,096	43,467	44,452	47,383
319	367	432	503	488	448	425
403	450	528	620	607	645	548
2,430	2,297	2,300	2,241	2,383	2,253	2,521
3,578	3,371	3,461	3,846	3,016	2,925	2,892
32	32	32	32	32	34	34
14	13	17	17	17	15	18
42,525	42,435	42,236	41,950	41,372	40,578	40,430
10,456	10,377	10,439	10,606	10,514	10,813	11,351

**Schedule XVI**  
**Hamilton County, TN**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Government					
Libraries	9	9	9	9	9
Recycling Stations	5	5	5	5	6
Telecommunications locations supported	212	212	212	224	224
Election Commission ballot boxes	127	127	127	127	127
Public Safety					
Volunteer Fire Stations	18	18	18	18	18
Ambulance Stations	15	15	15	15	15
<sup>1</sup> Sheriff patrol cars	285	260	262	241	247
Highways and Streets					
Miles of paved streets	2,665	2,665	2,665	2,665	2,624
Health					
Healthcare Systems	4	4	5	5	5
Culture & Recreation					
Number of Parks	122	122	122	122	122
Golf Courses	21	21	21	21	21
Recreation Centers	16	16	16	16	15
Theaters	17	17	17	17	17
Bowling Alleys	4	3	3	3	3

**Sources:** CAFR from prior years and various department personnel

<sup>1</sup> The fluctuation in the number of Sheriff patrol cars is due to cars being received in one year but not stripped and surplus until the next fiscal year.

**Fiscal Year**

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
9	9	9	9	9
6	6	6	6	6
223	208	202	202	202
125	125	125	125	122
18	18	17	17	17
15	15	15	15	15
271	262	244	225	211
2,622	2,380	2,380	2,380	2,380
5	5	5	5	5
122	90	90	98	98
21	21	21	21	21
15	15	16	17	17
17	17	15	15	15
3	3	3	3	3

**Schedule XVII**  
**Hamilton County, TN**  
**Salaries and Surety Bonds of Principal Officers**  
**Fiscal Year ended June 30, 2016**

<u>Official Title</u>	<u>Salary</u>	<u>Bond</u>
County Mayor	\$ 161,030	\$ 100,000
Superintendent of Schools	160,000	100,000
County Coroner	186,125	N/A
County Attorney	157,177	N/A
Finance Administrator	137,170	N/A
County Auditor	138,017	N/A
County Commissioners:		
Chester Bankston, <i>Chairman</i>	29,040	N/A
Gregory Beck	22,230	N/A
Tim Boyd	22,230	N/A
Randy Fairbanks, <i>Chairman, Pro Tempore</i>	25,633	N/A
James A. Fields	22,230	N/A
Joe Graham	22,230	N/A
Marty Haynes	22,230	N/A
Warren Mackey	22,230	N/A
Sabrena Smedley	22,230	N/A
<b><u>Constitutional Offices</u></b>		
Assessor of Property	\$ 117,232	\$ 50,000
Circuit Court Clerk	111,232	100,000
Clerk and Master	111,232	100,000
County Clerk	111,232	100,000
Criminal Court Clerk	111,232	100,000
Juvenile Court Judge	170,352	100,000
Juvenile Court Clerk	111,232	100,000
Register	111,232	100,000
Sheriff	122,355	100,000
Trustee	111,232	13,056,188

**HAMILTON COUNTY, TENNESSEE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Justice for Families Program	N/A	2014-FJ-AX-0029	\$ 174,145
Edward Byrne Memorial Justice Assistance Grant Program	N/A	2014-DJ-BX-1123 2015-DJ-BX-1042	38,104 <u>38,727</u>
			<u>76,831</u>
State Criminal Alien Assistance Program	16.606	2015-AP-BX-0549	19,859
Public Safety Partnership and Community Policing Grants	16.710	2013-UL-WX-0019	348,679
Passed through the Tennessee Commission of Children and Youth Domestic Violence	16.590	2013-FL-AX-0024	<u>72,551</u>
Total U.S. Department of Justice			<u>692,065</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the Tennessee Commission on Children and Youth: Supplemental Nutrition program for Women, Infants and Children	10.557	GG-15-43833-00	<u>1,650,713</u>
Total U.S. Department of Agriculture			<u>1,650,713</u>

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - continued  
 Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through the Tennessee Department of Human Services:			
Child Support Program Title IV-D	93.563	GG-13-39307-04	\$ 345,982
		GG-14-36014-03	<u>203,778</u>
			<u>549,760</u>
Social Services Block Grant	93.667	Z-16-49306	
		Z-16-49307	251,448
Passed through the Tennessee Department of Health:			
Maternal, Infant and Early Childhood Home Visiting Program	93.505	GG-15-42354-00	
		GG-16-47101-00	360,511
Welcome Baby Project		GG-16-46131-00	<u>110,005</u>
			<u>470,516</u>
Project Grants and Cooperative Agreements for Tuberculosis Control	93.116	GG-16-41300-00	303,400
Centers for Disease Control and Prevention: Injury Prevention and Control Research and State and Community-Based Programs	93.136	GG-15-44305-00	21,332
Family Planning Services	93.217	GG-13-38855-00	424,520
		GG-15-43755-00	
Immunization Cooperative Agreements	93.268	GG-16-49120-00	270,709
Centers for Disease Control and Prevention, Investigations and Technical Assistance	93.283	GG-15-40658-00	40,230
Public Health Emergency Preparedness	93.069	GG-16-46676-00	606,706
		GG-15-44402-00	
HIV Care Formula Grants	93.917	GG-16-48861-00	188,126
		GG-15-44022-02	
Preventive Health Services Grant: Sexually Trasmitted Diseases Control	93.977	GG-16-48467-00	185,474
Preventive Health and Health Services Block Grant	93.758	GG-16-46184	121,700
Assistance Programs for Chronic Disease Prevention and Control	93.945	GG-14-40752-00	68,654
		GG-15-44022-00	
HIV Prevention Activities - Health Department Based	93.944	GG-16-48467-00	228,332
Maternal and Child Health Services Block Grant - State and Local	93.994	GG-15-42152-00	55,515
Maternal and Child Health Services Block Grant	93.994	GU-16-44804-00	13,100
Prevention and Treatment of Substance Abuse Block Grant	93.994	GG-16-45363-00	<u>222,174</u>
			<u>290,789</u>

(continued)



**HAMILTON COUNTY, TENNESSEE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - continued**  
**Year Ended June 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Health Center Cluster:			
Health Center Program	93.224	H80CS00023-12-00	\$ 1,338,042
Total U.S. Department of Health and Human Services			<u>5,359,738</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through the Tennessee Emergency Management Agency:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1974-DR-TN	15,095
Emergency Management Performance Grants	97.042	None	253,079
Port Security Grant Program	N/A	EMW-2014-PU-00125	22,188
		EMW-2015-PU-00233	<u>2,168</u>
			<u>24,356</u>
Homeland Security Grant Program	97.067	EMW-2014-SS-00009	128,118
		EMW-2015-SS-00023	<u>28,972</u>
			<u>157,090</u>
Total U.S. Department of Homeland Security			<u>449,620</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed through the Tennessee Department of Transportation:			
Highway and Planning Construction	20.205	STP-M-9202(106)	4,690,004
Alcohol Open Container Requirements	20.607	154AL-15-64	29,962
National Priority Safety Programs	20.616	47353	76,077
		M2CPS-15-02	29,429
		M5HVE-16-10	<u>60,720</u>
			<u>166,226</u>
Total U.S. Department of Transportation			<u>4,886,192</u>
Total Expenditures of Federal Awards-Primary Government			<u>\$ 13,038,328</u>

(continued)

**HAMILTON COUNTY, TENNESSEE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - continued**  
**Year Ended June 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>COMPONENT UNITS</b>			
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through Tennessee Department of Agriculture:			
Food Donation (Noncash - Food Commodities)	10.565	None	\$ 1,112,854
Passed through Tennessee Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	None	4,191,946
National School Lunch Program	10.555	None	<u>12,963,086</u>
			<u>17,155,032</u>
Equipment Grant - HHFKA 201 Fund	10.579	None	32,400
HUSSC	10.574	None	<u>1,500</u>
Total U.S. Department of Agriculture			<u>18,301,786</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through Tennessee Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	None	12,521,044
Focus Hixson Middle	84.010	None	<u>85,895</u>
			<u>12,606,939</u>
Title II Part A Teacher and Principal Training and Recruiting	84.367	None	1,756,339
English Language Acquisition Grants	84.365	None	266,417
Career and Technical Education- Basic Grants to States	84.048	None	704,803
Safe and Drug-Free Schools and Communities National Programs	84.184	None	233,863
Twenty-First Century Community Learning Centers	84.287	None	561,304
National Science Foundation Project Inspire		1439895	140,462
Teacher Incentive Fund	84.374	None	293,405
Impact Aid	84.041	None	15,185
Special Education Cluster:			
Special Education- Grants to States	84.027	None	9,321,986
Special Education- Preschool Grants	84.173	None	<u>246,480</u>
			<u>9,568,466</u>
School Improvement Grants	84.377	None	3,627,459
Total U.S. Department of Education			<u>29,774,642</u>
Total Expenditures of Federal Awards-Component Units			<u>48,076,428</u>
Total Expenditures of Federal Awards- Reporting Entity			<u>\$ 61,114,756</u>

**HAMILTON COUNTY, TENNESSEE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
STATE GRANTS			
Board of Probation and Payroll	N/A	41921	\$ 300,085
Juvenile Detention Unit	N/A	39565	9,000
Governor's Highway Child Safety Program	N/A	N/A	7,530
Child Welfare Research and Demonstration - Casa Program	93.608	DG123531	16,500
TN Dept. of Mental Health and Substance Abuse Services-Recovery Court Program	N/A	46889	424,355
		GG-15-43193-00	
TN Dept. of Health - Safety Net Primary Care Services	N/A	GG-16-47119-00	15,000
TN Dept. of Health - Safety Net Primary Care Services	N/A	GG-15-43198-00	2,825
TN Dept. of Health - Safety Net Dental Services	N/A	GG-16-47721-00	14,220
TN Dept. of Health - Grant in Aid	N/A	GG-16-46243-01	421,797
TN Dept. of Health - Environmental Health Programs	N/A	GU-09-26086-00	320,619
TN Dept. of Health - HUGS	N/A	GG-14-35571-00	376,255
TN Dept. of Health - Oral Health	N/A	GG-12-36575-00	338,753
TN Dept. of Health - Fetal Infant Mortality Review	N/A	GG-16-45357-01	254,059
TN Dept. of Health - TENNdercare Community Outreach	N/A	GG-16-46131-00	287,090
TN Dept. of Transportation	N/A	Z16LIT033	277,973
TN Dept. of Environment & Conservation - Recycling & Waste Oil	N/A	N/A	9,149
TN Dept. of Environment & Conservation - Equestrian Trails	N/A	48021	1,017
TN Dept. of Economic & Community Development	N/A	50516	5,500,000
TN Dept. of Education - Tennessee Arts Commission	N/A	N/A	20,377
TN Dept. of Education - Family Resource Centers	N/A	N/A	29,828
TN Dept. of Education - Coordinated School Health	N/A	N/A	178,569
TN Dept. of Education - Safe Schools	N/A	N/A	149,754
TN Dept. of Education - Pre-K Pilot and Expansion	N/A	N/A	2,675,517
Total Expenditures of State Awards			<u>11,630,272</u>
Total Expenditures of Federal and State Awards			<u>\$ 72,745,028</u>



**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**June 30, 2016**

**NOTE A. BASIS OF PRESENTATION**

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

**NOTE B. SUBRECIPIENTS**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided To Subrecipient</u>
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 87,761
Justice Systems Response to Families	16.021	174,145
Social Services Block Grant	93.667	314,310
Homeland Security Grant Program	97.067	104,369

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

---

**County Commission  
of Hamilton County, Tennessee  
Chattanooga, Tennessee**

We have audited, 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, the 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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 8, 2017. Our report includes a reference to other auditors who audited the financial statements of the Hamilton County "911" Emergency Communications District as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

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

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



---

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Chattanooga, Tennessee  
March 8, 2017



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

---

**County Commissioner  
of Hamilton County, Tennessee  
Chattanooga, Tennessee**

**Report on Compliance for Each Major Federal Program**

We have audited Hamilton County Tennessee’s (the “County’s”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County’s major federal programs for the year ended June 30, 2016. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the County’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, Hamilton County, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

---

## Report on Internal Control Over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Chattanooga, Tennessee  
March 8, 2017

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

---

SECTION I  
SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_ yes  X  no

Significant deficiency(ies) identified? \_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_ yes  X  no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified? \_\_\_ yes  X  no

Significant deficiency(ies) identified? \_\_\_ yes  X  none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_ yes  X  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.010	Title I Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$1,833,543

Auditee qualified as low-risk auditee? \_\_\_ yes  X  no

**HAMILTON COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**SECTION II**  
**FINANCIAL STATEMENT FINDINGS**

**None**

**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**None reported**

**HAMILTON COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**SECTION IV**  
**STATUS OF PRIOR AUDIT FINDINGS**

**None reported**







**COVER PHOTO:**

The Walnut Street Bridge, with the North Shore in the background

**INSIDE FRONT & BACK COVERS:**

Officers and Sailors of the USS Chattanooga, line the rail at the Chattanooga Pier during the Remembrance Service honoring the Fallen Five

PAGE 3 — Display in front of the Komatsu America's Chattanooga plant. In 2016, Komatsu celebrated 30 years in Chattanooga

PAGE 4 — Jennie Lamb, wife of Parks and Recreation Director, Tom Lamb, enjoys cycling on the newest section of the Tennessee Riverwalk through the Wheland Foundry Pass

PAGE 5 — Interior of the entrance of the Chattanooga Choo Choo on the 75th Anniversary of Glenn Miller's recording of "Chattanooga Choo Choo"

PAGE 6 — Mural of Albert Einstein done by 9th and 10th grade students at STEM School Chattanooga

PAGE 9 — Media Center at the new Middle Valley Elementary School

PAGE 11 — Cyclists enjoy an afternoon ride on part of the newest section of the Tennessee Riverwalk, which passes through the former U.S. Pipe property

PAGE 13 — Walnut Commons, some of the new apartment complexes that have been built in the downtown Chattanooga area

PAGE 15 — Young riders enjoying the new Hercules Trail at Enterprise South Nature Park on the day of its grand opening

PAGE 16 — Paddleboarder enjoying the sunset and calm waters out at Chester Frost Park

PAGES 18 AND 19 — Members of various school color guards carry the American Flag in front of the All County Band during the Annual Armed Forces Day parade

PAGE 20 — Age-group athletes transitioning from swim to bike during the 2016 IronMan Chattanooga

PAGE v — New Wildlife Viewing Platform on Still Hollow Loop at Enterprise South Nature Park

PAGE vii — The Mike Howard Memorial Bridge on the Tennessee Riverwalk

PAGE xii — Mural on one side of the AT&T Building on MLK Boulevard

PAGE xiii — Firefighter sculpture at the entrance of the new Sale Creek Fire and Rescue Headquarters

PAGE xiv — Wall art at new Middle Valley Elementary that reflects the history of the schools (Falling Water Elementary and Ganns Middle Valley Elementary) that were combined into Middle Valley Elementary

PAGE xv — Coolidge Park and the North Shore from the Walnut Street Bridge

PAGE xvii — Engine sitting outside one of the bays at the new Sale Creek Fire and Rescue Headquarters

PAGE xix — Mural by local artist, Kevin Bates, in memory of the Fallen Five

PAGE xx — Kayakers enjoy an afternoon paddling on the Tennessee River in front of the Tennessee Aquarium

**BACK COVER:** One of 5 flags on the Chattanooga Pier honoring the Fallen Five. This flag is in memory of Gunnery Sergeant Thomas Sullivan (USMC)

Special thanks to Shelia Cannon of the Hamilton County Finance Division for her photo contributions to the 2016 CAFR.

**HAMILTON COUNTY  
FINANCE DIVISION**

455 North Highland Park Avenue  
Chattanooga, Tennessee 37404  
423-209-6330  
[www.hamiltontn.gov](http://www.hamiltontn.gov)