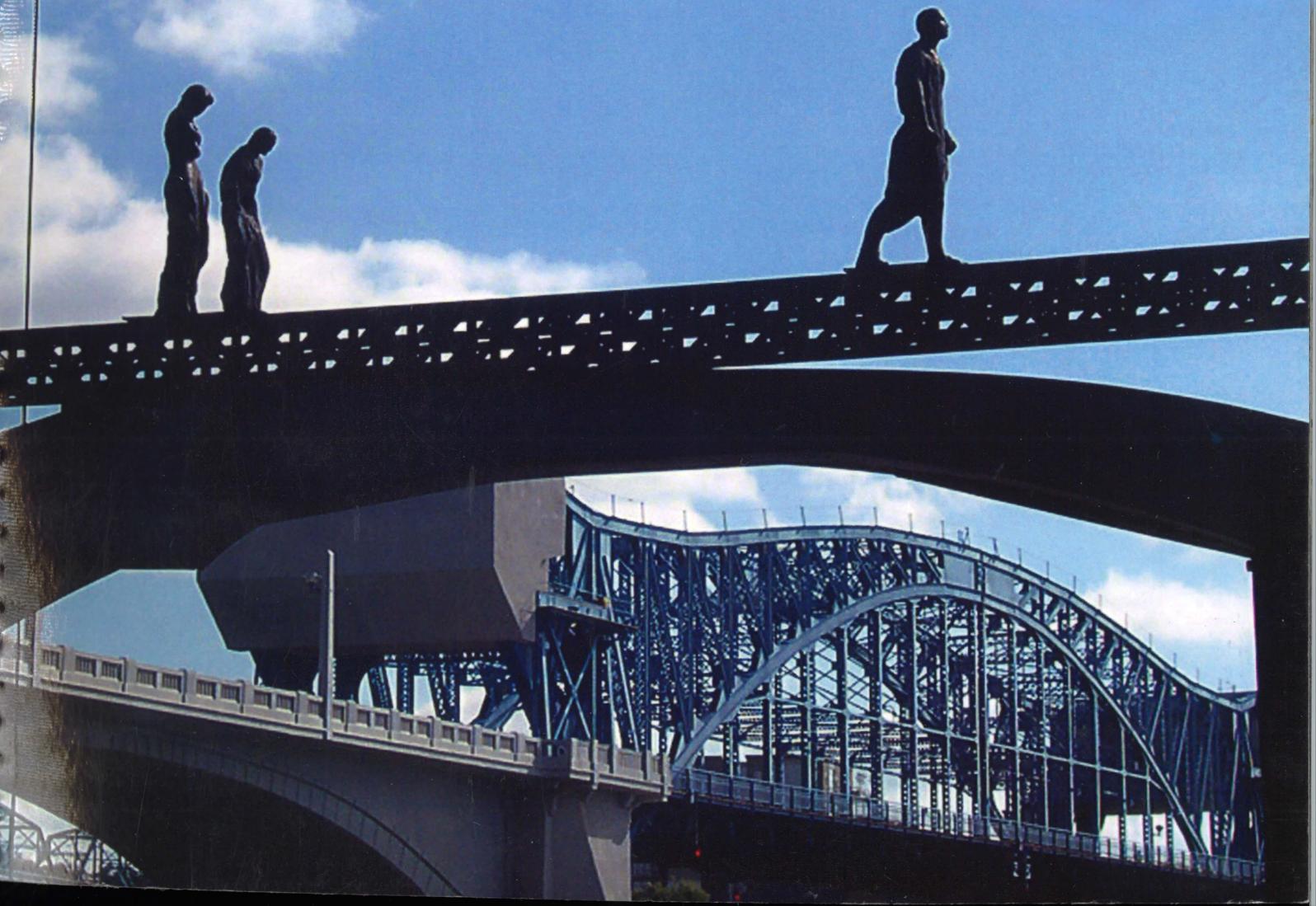


# Hamilton County Tennessee

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

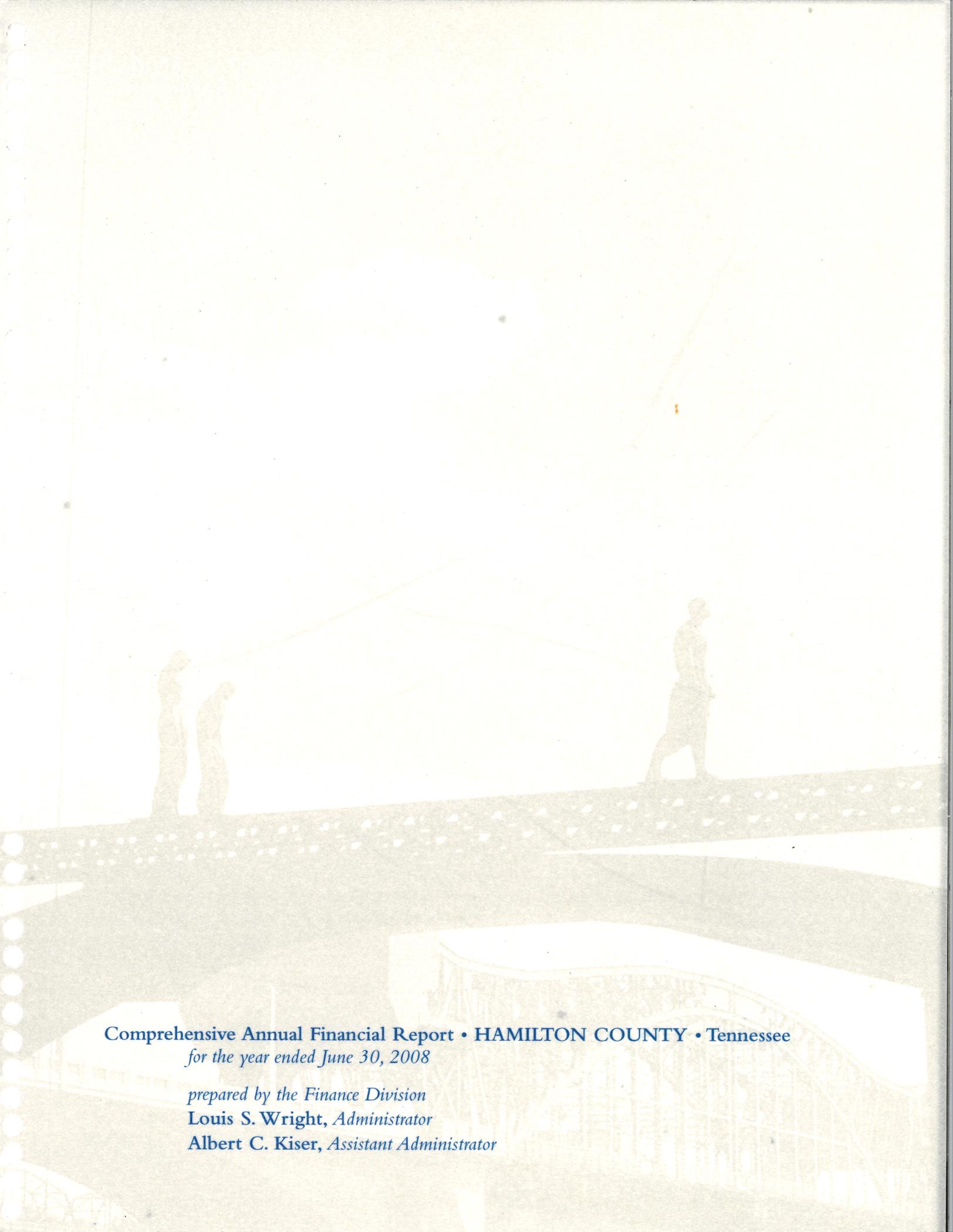
*for year ended June 30, 2008*





 TENNESSEE AQUARIUM





**Comprehensive Annual Financial Report • HAMILTON COUNTY • Tennessee**  
*for the year ended June 30, 2008*

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

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

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

December 17, 2008

As Hamilton County's Mayor, it is my duty to ensure that your tax dollars are used in a fiscally prudent manner that is beneficial to all who live, work or play in our county and protect your health and welfare. What follows is our service plan for Hamilton County residents.

In the middle of my fourth term, our effort to strengthen economic development has produced a rich harvest. On July 15, Volkswagen announced they would build an assembly plant at Enterprise South. This is the start of what I believe will be one of the greatest periods of change this region has seen since TVA brought electricity to the Tennessee Valley. In October, I spent time in Germany meeting with suppliers and showcasing the benefits of these businesses locating here in Hamilton County. Volkswagen will provide two thousand new jobs for our region. The number of jobs suppliers for Volkswagen will bring to our region is four times that amount. I am committed to making sure that Hamilton County gets its fair share of those companies.

Those jobs will need trainable, skilled workers. I remain committed to improving the educational level of our children so they will be able to take full advantage of the opportunities that arise in the near future. My partnerships with our education institutions such as The University of Tennessee at Chattanooga, Chattanooga State and the Hamilton County School System are stronger than ever as we work to forge new curriculum and standards to enable our children to embrace this new future.

The Center for Entrepreneurial Growth (CEG) continues to be a source of pride. The CEG provides aid to fledgling businesses from inception to mass marketing with one goal – to help them grow and succeed. I believe the CEG will play an even greater role in our community with the business opportunity that came our way this past summer.

Our award winning Health Department continues to spotlight health issues that can be resolved on a community wide basis. Our national recognized Step ONE (Optimize with Nutrition and Exercise) program continues to find new ways to spread information throughout the community on how to battle obesity. Step ONE's restaurant program expanded this past year with the inclusion of local Subways into its Eat Smart initiative. The partnership with the Junior League has expanded into additional Hamilton County schools instructing students on the importance of good nutrition. Step ONE has formed an alliance with more than 40 organizations and over 80 members called the Partnership for Healthy Living. The partnership's goal is to organize and unify the message of living healthy lifestyles and promoting those lifestyles throughout Hamilton County.



**Claude Ramsey**  
*County Mayor*

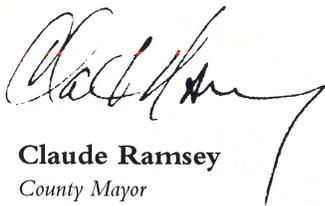
Visit [www.hamiltontn.gov](http://www.hamiltontn.gov)

Our Hamilton County Prescription Discount Card continues to help our residents who are struggling to pay for their medication. Since its inception in February 2007, residents who have used the card have saved \$2.3 million.

The Hamilton SHINES program continues its mission of reducing littering behavior in our community through education and enforcement of litter laws. We are making a difference through public education and community support. Our ongoing effort to stress the importance of keeping our community clean to our younger residents continues through anti-littering messages and lessons integrated into Hamilton County K-12 educational curriculum. I believe this message will be carried home by our children and will help influence and correct some of the bad habits adults may have developed, creating a cleaner community.

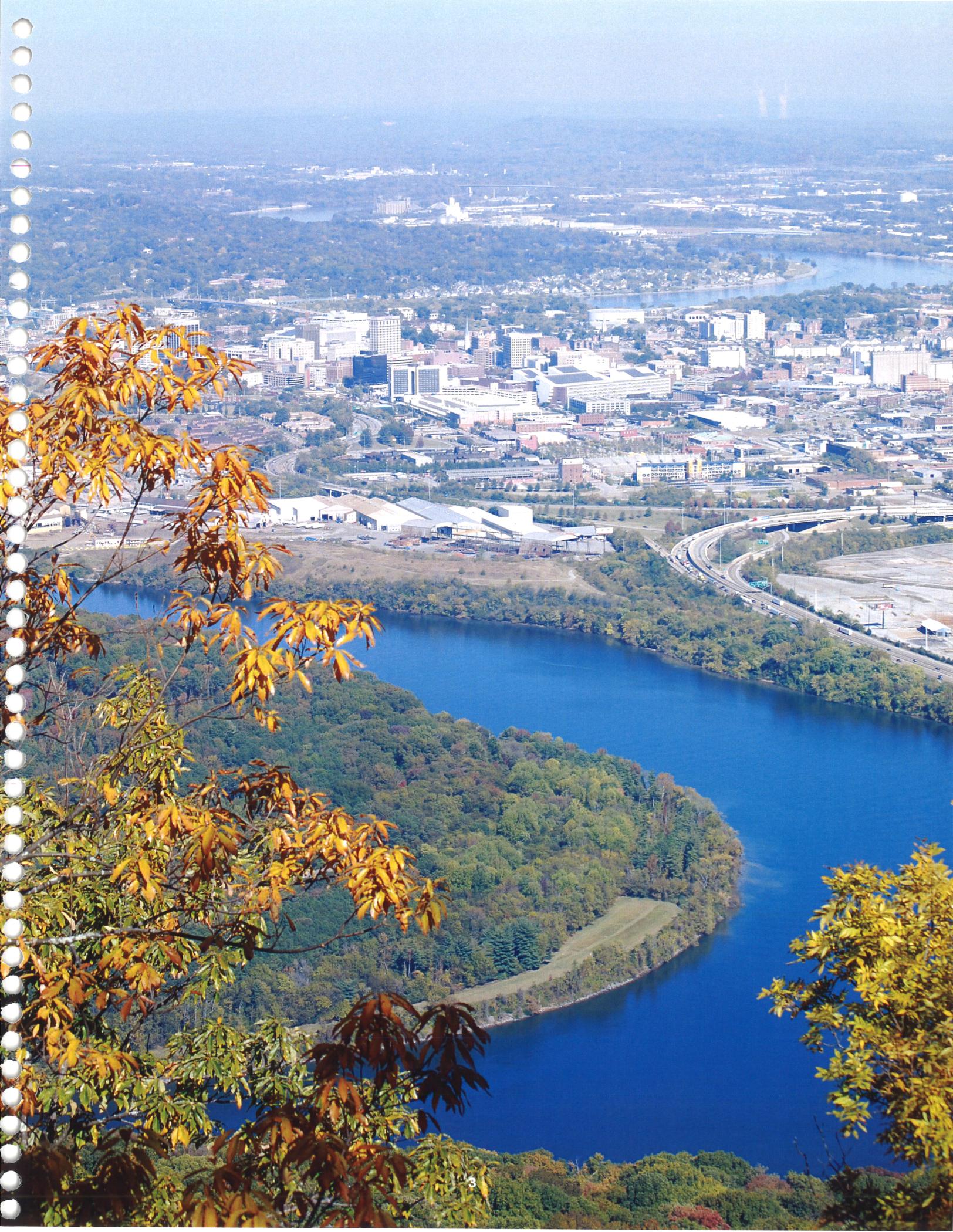
This past year has been the highlight of my four terms as your Hamilton County Mayor. But there is still much to be done, and I remain excited about creating opportunity for all of our residents. This is a time to remain focused on our very bright future and prepare for the intangibles that lie before us. I have always been proud to call Hamilton County home. Now the stage is set for us to show the world why Hamilton County is such a special place to live!

Sincerely,

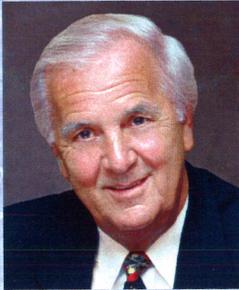


**Claude Ramsey**  
*County Mayor*

Visit [www.hamiltontn.gov](http://www.hamiltontn.gov)



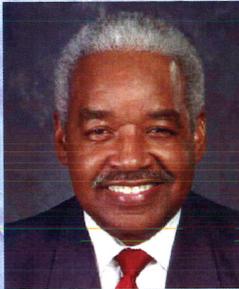
## **BOARD OF COMMISSIONERS** *for fiscal year ending June 30, 2008*



Curtis D. Adams  
*Commissioner*



Larry Henry  
*Commissioner*



Gregory Beck  
*Commissioner*



Bill Hullander  
*Chairman*



John Brooks  
*Commissioner*



Warren Mackey  
*Commissioner*



Richard Casavant  
*Commissioner*



Fred Skillern  
*Commissioner*



Jim Coppinger  
*Chairman, Pro Tempore*



HAMILTON COUNTY, TENNESSEE

**LOUIS S. WRIGHT**

*Administrator of Finance*

December 17, 2008

**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, 2008. This report was prepared in accordance with generally accepted accounting principles (GAAP) by the Finance Division of Hamilton County. Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material aspects. It is presented in a manner designed to fairly set forth the financial activity of the various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

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

The State of Tennessee requires an annual audit of the County's financial records. An independent firm of certified public accountants, Henderson, Hutcherson & McCullough, PLLC, has audited the County's financial statements in

accordance with this requirement. The independent firm is responsible to the County Board of Commissioners and is under contract to the State Comptroller of the Treasury. The independent auditor concluded, based upon the audit, that the County's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP and thus rendered an unqualified opinion. The report of independent accountants is presented in the financial section of this report.

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

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

# PROFILE OF HAMILTON COUNTY, TENNESSEE

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

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

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

Even though the Hamilton County Department of Education is a separate entity from Hamilton County, it constitutes a major portion of the funding requirement for the County. With a school system of 5,704 employees and a student population of 39,676, the Department of Education operating budget for fiscal year 2008 was \$352,286,455. Hamilton County financed 48.4%, or \$170,336,244 of this operating budget through local property taxes, sales tax collections and use of fund balance. State and federal appropriations and grants provided \$162,585,612, charges for services provided \$12,295,981 and miscellaneous items provided \$7,068,618.

## FACTORS AFFECTING FINANCIAL CONDITION

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

## LOCAL ECONOMIC OUTLOOK

In a period of economic uncertainty, Hamilton County remains strong and healthy. Unemployment has risen slightly above the national average, but continues to remain below the state average with more new jobs on the horizon. Continued development of the riverfront and downtown is a positive mark for the local economy, as well as the aggressive development and promotion of the Enterprise South Industrial Park which will house a manufacturing site of Volkswagen Group of America.

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

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

	General Fund	Special Revenue Funds	Debt Service Fund
1999	43,654	3,217	619
2000	45,938	11,623	1,438
2001	57,536	7,286	2,725
2002	55,315	8,897*	1,685
2003	53,605	9,251*	832
2004	52,619	8,338*	1,277
2005	49,714	6,709*	1,343
2006	55,363	8,440	1,421
2007	58,334	8,542	1,653
2008	77,102	8,638	240

\* Prior years do not include Children's Service and Economic Crimes



# MANAGEMENT'S GOALS AND OBJECTIVES

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

## SCHOOLS

Hamilton County has embarked on an aggressive capital plan to build new schools and to bring many older ones into the twenty-first century. Since 1996, Hamilton County has provided funding for the completion of eleven new schools (one with private funding) and major renovation of eighteen existing structures for a total cost of over \$257 million.

## RIVERWALK

The Tennessee Riverpark extends some thirteen miles from downtown Chattanooga to the Chickamauga Dam. Hamilton County joined with the City of Chattanooga and the RiverCity Company in developing this world-class facility. More than \$57 million in public and private funds were used for design and construction.

## ENTERPRISE SOUTH INDUSTRIAL PARK

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

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

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

water, sewer, natural gas, and electrical infrastructure have minimized the need for major upgrades.

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

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

## CAPITAL OUTLAY

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

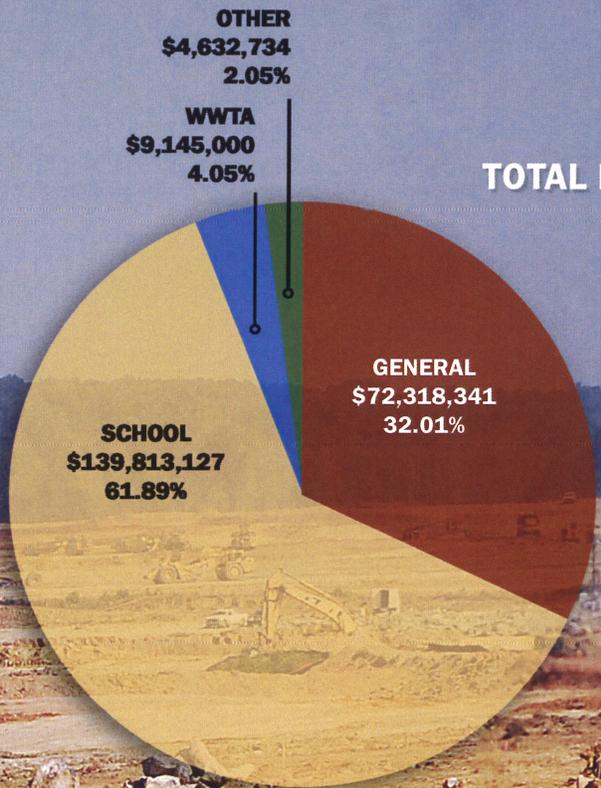
## FUND BALANCE

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

### Ratio of Net General Bonded Debt Outstanding

Fiscal Year Ended June 30	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
1999	\$ 152,365,000	1.08%	\$ 499
2000	135,890,000	0.93%	443
2001	173,680,000	1.15%	564
2002	154,960,000	0.88%	502
2003	139,070,000	0.77%	450
2004	162,040,000	0.89%	524
2005	143,380,000	0.77%	463
2006	125,510,000	0.57%	404
2007	107,730,000	0.45%	344
2008	188,260,000	0.79%	570

**HAMILTON COUNTY  
TOTAL DEBT AS OF JUNE 30, 2008  
\$225,909,202**





# FINANCIAL INFORMATION

## ACCOUNTING SYSTEM AND INTERNAL CONTROL

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

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

## BUDGET CONTROLS

The Board of Commissioners adopted the 2008 annual budget for the County in July 2007. A formal budget is employed as a management control device. The budgets are prepared on a basis consistent with GAAP except that encumbrances are treated as budgeted expenditures when the commitment to purchase has occurred. All unencumbered and unexpended appropriations lapse at year-end. The level at which expenditures may not legally exceed appropriations is the division level.

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

## CASH MANAGEMENT POLICIES AND PRACTICES

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

During fiscal year 2008, the County's cash resources were primarily invested in the State of Tennessee Local Government Investment Pool. The County did not invest in any derivatives or similar debt and investment instruments. The interest rates received by the County for the fiscal year ranged from 2.20 percent to 5.45 percent and yielded \$5,757,035 of interest income.

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

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

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

## RISK MANAGEMENT

The Hamilton County Financial Management Department administers the County's risk management program, which includes the self-funded insurance program (on-the-job injuries, auto and general liability) and commercial insurance program (property and boiler/machinery, other related policies) in order to protect the assets of Hamilton County.

The department is responsible for administering the claims associated with the self-funded program and does so utilizing a third-party claims administrator. The County has a Safety Program which is an integral part of this process and consists of an Executive Safety Committee and departmental safety committees, bolstered by regular staff training on a variety of topics as well as facility inspections.

In addition, the Risk Management Officer provides consultations on a variety of topics related to the various risks

that divisions/departments face in their daily service delivery. To further minimize the County's exposure, the Insurance Recommendations and Requirements Manual is utilized for the various contracts and agreements of the County. Through the utilization of external resources, Financial Management also maintains an accurate and up-to-date property schedule for insurance purposes and obtains an annual actuarial review and evaluation to ensure adequate funding is maintained for the self-funded program.

## GROUP INSURANCE

Each full-time employee is eligible for group medical and life insurance on the first of the month following thirty days of employment. The County offers two self-insured group medical plans through BlueCross BlueShield of Tennessee: a Co-pay PPO plan which was closed to new employees as of September 6, 2006 and a Coinsurance PPO plan, which is offered to all new hires. The County also provides \$20,000 of group term life insurance and \$20,000 of accidental death & dismemberment insurance at no cost to each full-time employee.

## PENSION TRUST FUNDS

The vast majority of employees participate in the State of Tennessee Consolidated Retirement System (TCRS). The remaining employees participate in three very small County-administered plans. More detailed information concerning these plans can be found in Note D.

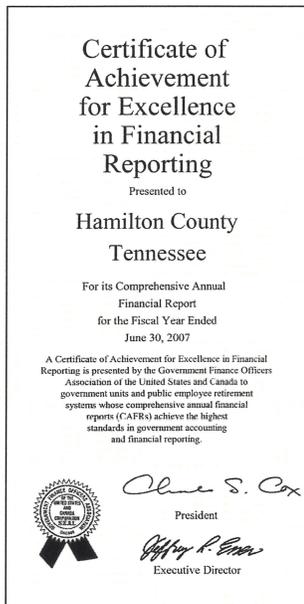
TCRS is an agent multiple-employer defined benefit pension plan, and publicly available financial reports can be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230.



# 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, 2007. Hamilton County has received this award for twenty-seven 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 reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

GFOA also presented a Distinguished Budget Presentation Award to the County for its Comprehensive Annual Budget Report (CABR) for the fiscal year beginning July 1, 2007. This is the sixth consecutive year Hamilton County received this award for the CABR. In order to be awarded a Distinguished Budget Presentation Award, a governmen-

tal unit must publish an easily readable and efficiently organized Comprehensive Annual Budget Report, which must conform to program standards and satisfy both generally accepted accounting principles and applicable legal requirements. Like the Certificate of Achievement for Financial Reporting, this award is valid for a period of one year only. We believe our CABR for the fiscal year beginning July 1, 2008 continues to conform to program requirements, and we have submitted it to GFOA to determine its eligibility for another award.

## ACKNOWLEDGEMENTS

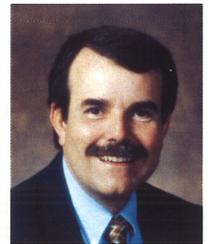
I would like to thank the entire staff of the Finance Division, the County Auditor's Office and the independent auditors for their cooperation and dedication in the preparation of this report. I would also like to express my gratitude for the support we have received from the County Mayor and the County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

Respectfully submitted,

**Louis S. Wright**  
*Administrator of Finance*



**LOUIS S. WRIGHT**  
*Administrator of Finance*



**ALBERT C. KISER**  
*Assistant Administrator of Finance*



## HAMILTON COUNTY GENERAL GOVERNMENT OFFICIALS

(as of June 30, 2008)

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

### Board of Commissioners

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

### Legislative

Carolyn Collins, *Administrator*

### Constitutional Officers

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

### Division & Department Heads

#### AUDITING

Bill W. McGriff, *County Auditor*  
Lee Brouner, *Assistant County Auditor*

#### FINANCE

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

#### HEALTH SERVICES

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

#### HUMAN SERVICES

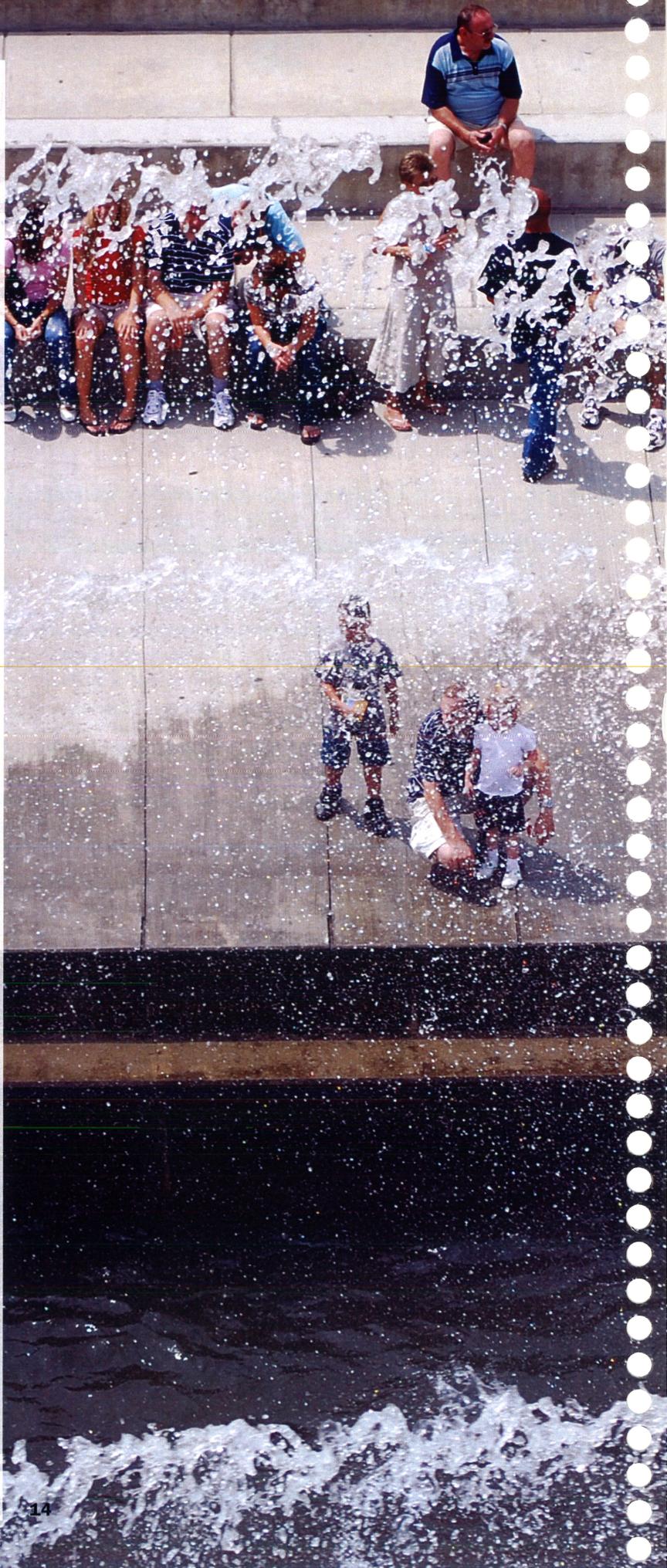
Scott Schoolfield, *Administrator*  
Don Allen, *Director of Emergency Services*  
Judi Byrd, *Director of Social Services*  
Worth Lillard, *Director of Maintenance*  
Barbara Payne, *Director of Corrections*  
Ron Priddy, *Director of Recreation*

#### LEGAL

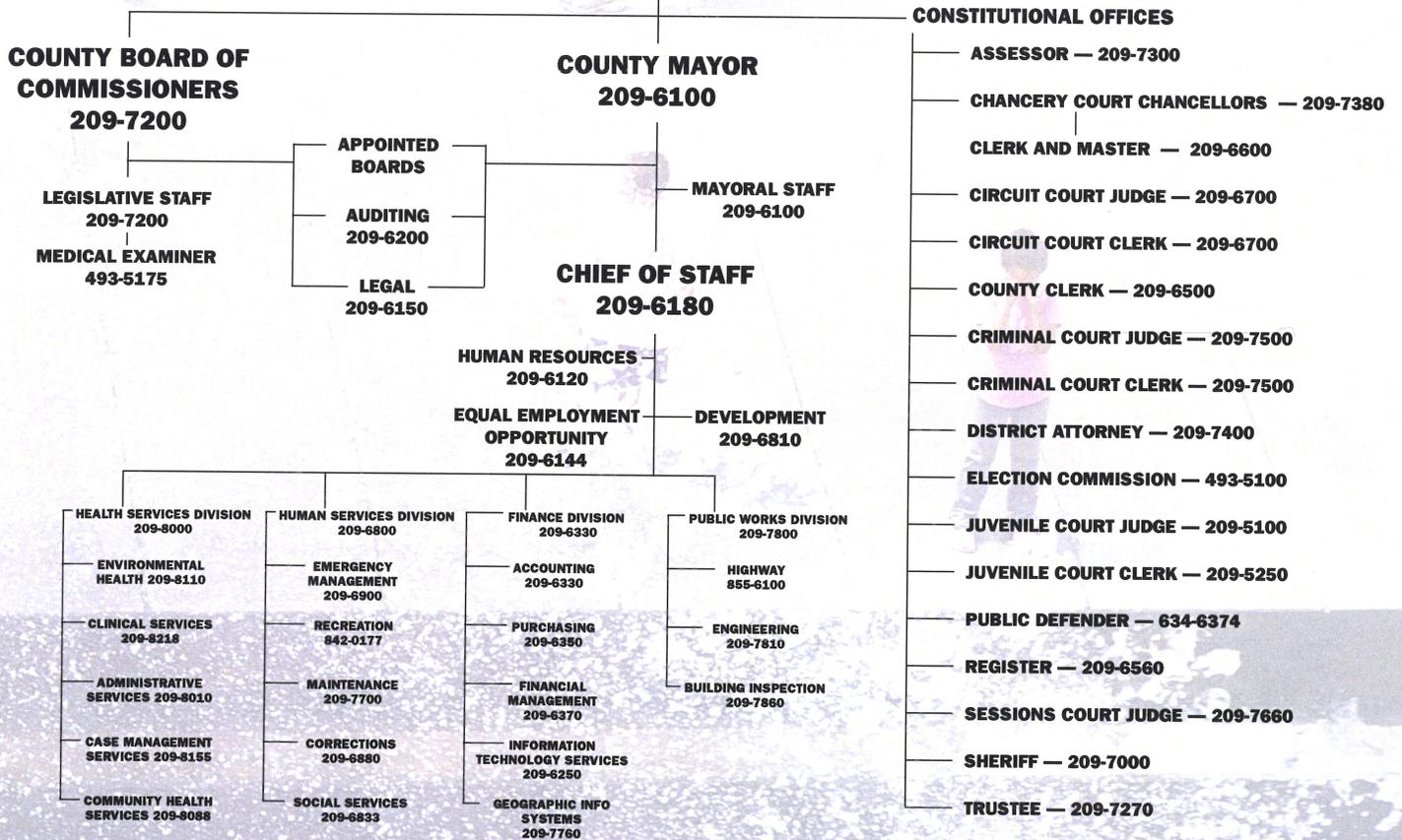
Rheubin M. Taylor, *County Attorney*

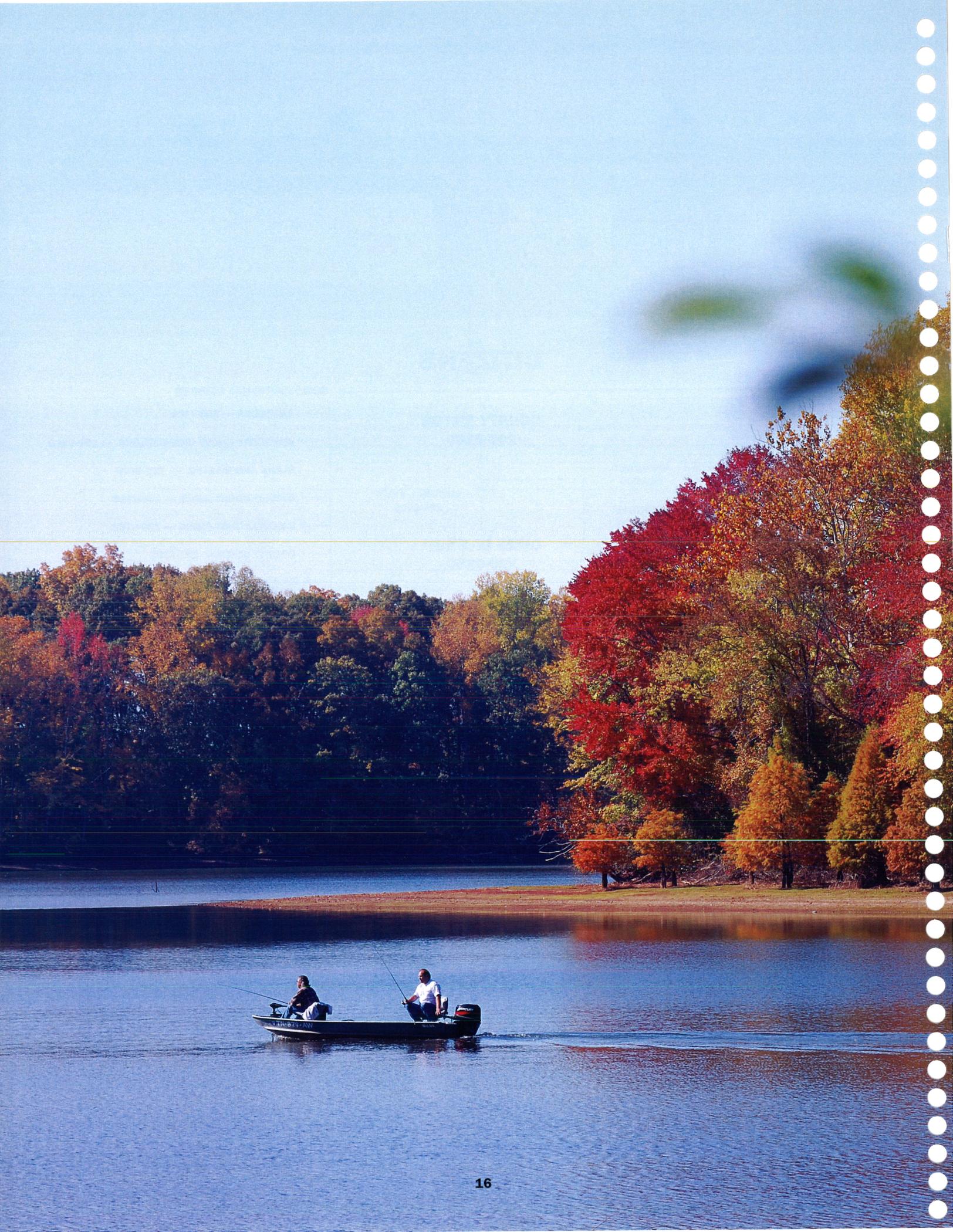
#### PUBLIC WORKS

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



# CITIZENS







HENDERSON HUTCHERSON & McCULLOUGH, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

**Report of Independent Certified Public Accountants  
on Financial Statements, Supplementary Information, and  
Schedule of Expenditures of Federal and State Awards**

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamilton County, Tennessee (the County) as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the discretely presented component units of the County as of and for the year ended June 30, 2008 as displayed in the County's basic financial statements, except as described in the last two sentences of this paragraph. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hamilton County "911" Emergency Communications District, which represent 4 percent and 1 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hamilton County "911" Emergency Communications District in the discretely presented component units, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamilton County, Tennessee as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the general fund and the sheriff fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of each of the discretely presented component units, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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AN INDEPENDENT MEMBER OF THE BDO SEIDMAN ALLIANCE

As discussed in Note J, the County implemented Governmental Accounting Standards Board Statement (GASB) No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", effective July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages iii-xvi of the Financial Section and the required supplementary information on pages B-1 through B-4 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal and state awards on pages G-1 through G-5 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the debt service fund (presented on pages C-1 through C-18), combining and individual fund financial statements of the Board of Education (a discretely presented component unit) (pages D-1 through D-9), and financial schedules (pages E-1 through E-17) are presented for purposes of additional analysis and are also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the debt service fund, combining and individual fund financial statements of the Board of Education (a discretely presented component unit), financial schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section (pages 1 through 14) and statistical tables (pages F-1 through F-20) are presented for purposes of additional analysis and are not a required part of the financial statements of the County. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Chattanooga, Tennessee  
December 17, 2008

Henderson Hutcherson  
& McCullough, PLLC

# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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, 2008. It is designed to:

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

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

## FINANCIAL HIGHLIGHTS

- The government-wide assets of Hamilton County at the close of fiscal year 2008 were \$599,910,388.
- Revenues for governmental funds increased \$25,746,540 or 12.35% over last year.
- Expenditures for governmental funds increased \$64,465,642 or 27.4% over last year.
- Capital project expenditures were \$92,778,157 with \$80,904,133 spent for education.
- Total debt at June 30, 2008 for the County was \$225,909,202, of which \$139,813,127 was for the Hamilton County Department of Education for capital improvements.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The County's basic financial statements contain three components:

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

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

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

The Statement of Activities presents information showing how the government's net assets changed during fiscal year 2008. Program revenues, which directly offset costs of specific functions, are allocated to those functions, resulting in the net expenses for governmental activities. General revenues, such as taxes, fines and interest earnings, offset the remaining costs resulting in the annual increase or decrease in net assets. This statement is intended to summarize the user's analysis of the net cost of various governmental services that are supported by general revenues.

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

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

# FUND FINANCIAL STATEMENTS

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

## GOVERNMENTAL FUNDS

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

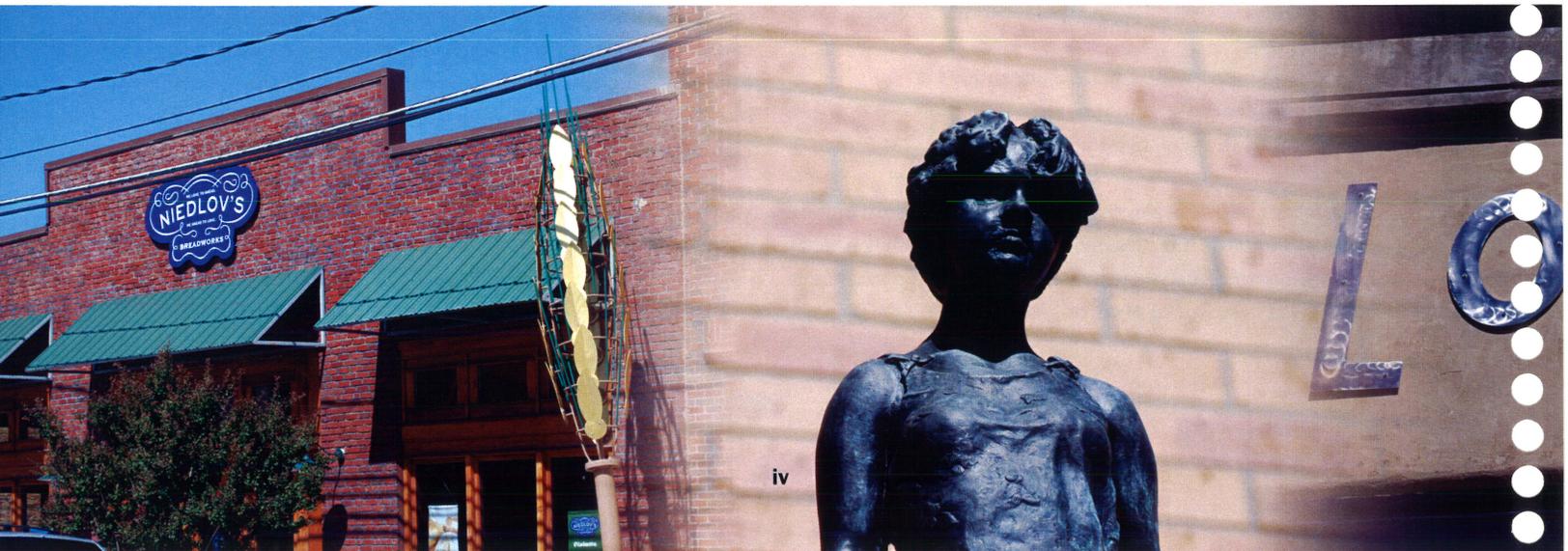
Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so,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

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

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

## PROPRIETARY FUNDS

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



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

## **FIDUCIARY FUNDS**

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

## **NOTES TO THE 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 financial statements can be found on pages A-20 to A-47 of this report.

## **OTHER INFORMATION**

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

of changes in assets and liabilities for the Constitutional Officers Agency Funds, combining statements for the Hamilton County Department of Education and various financial and statistical tables. Combining and individual fund schedules can be found on pages C-6 to D-9; the various financial and statistical tables can be found on pages E-1 to F-20.



# GOVERNMENT-WIDE FINANCIAL ANALYSIS

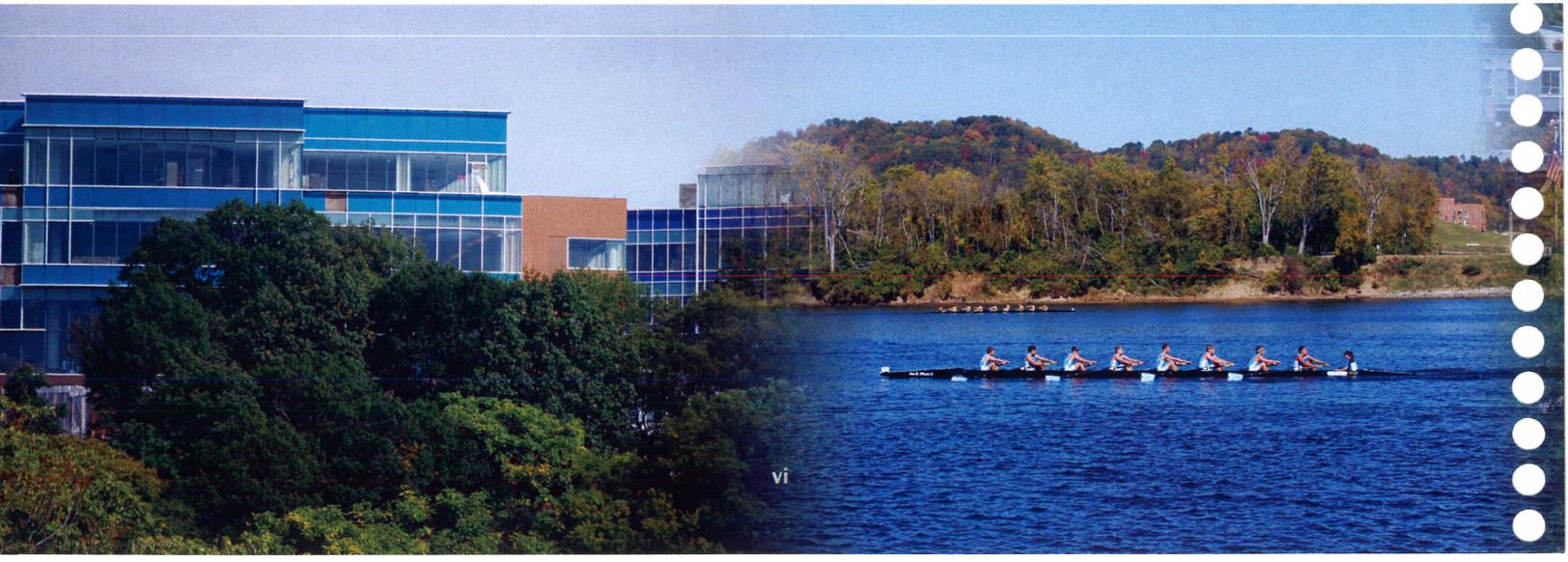
## HAMILTON COUNTY, TENNESSEE NET ASSETS

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
Current and Other Assets	\$ 289,166,731	\$ 246,819,193
Capital Assets	310,743,657	234,399,736
<b>TOTAL ASSETS</b>	<b>599,910,388</b>	<b>481,218,929</b>
<b>LIABILITIES</b>		
Long-term Liabilities	248,055,973	162,896,521
Other Liabilities	125,435,007	119,845,453
<b>TOTAL LIABILITIES</b>	<b>373,490,980</b>	<b>282,741,974</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	245,443,716	197,381,058
Restricted	39,198,251	20,087,313
Unrestricted	(58,222,559)	(18,991,416)
<b>TOTAL NET ASSETS</b>	<b>\$ 226,419,408</b>	<b>\$ 198,476,955</b>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$226,419,408 at the close of the fiscal year ended June 30, 2008.

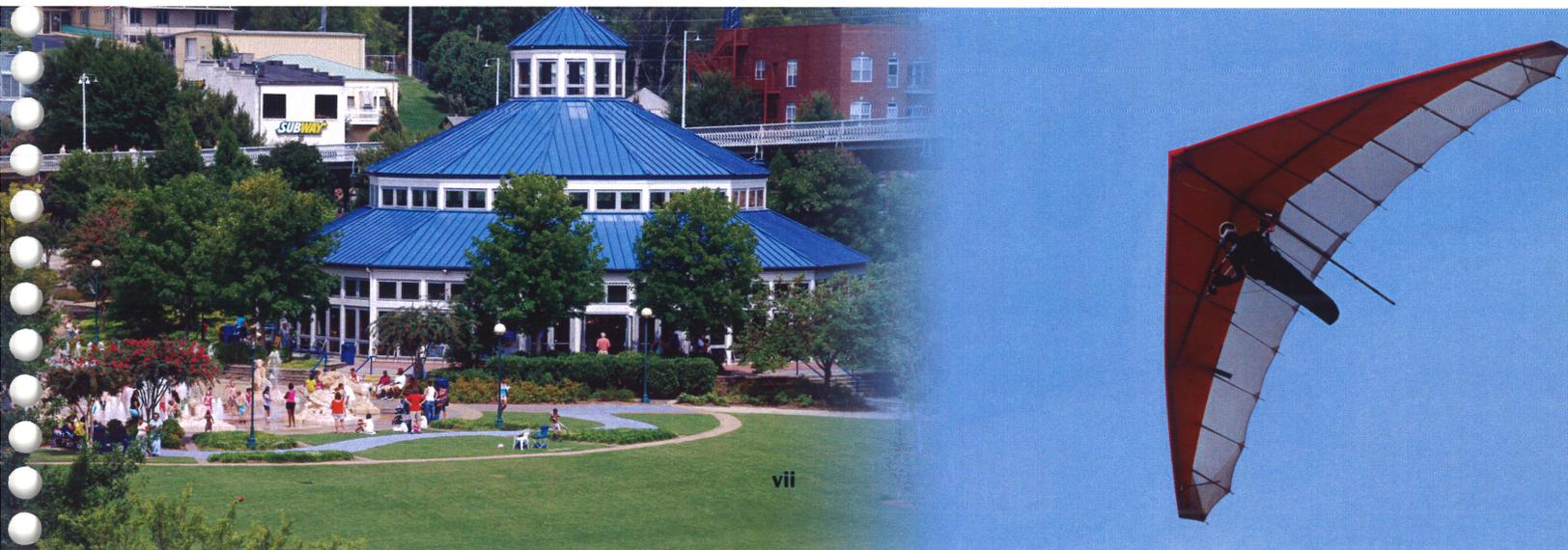
Net assets are comprised of three elements:

- (1) Investment in capital assets (e.g., land, buildings, infrastructures and equipment), less any related outstanding debt;
- (2) Restricted assets held for future capital improvements, debt repayment and other restrictions as prescribed by law; and
- (3) Unrestricted assets. The long-term liabilities of \$248,055,973 include \$139,813,127 of debt for assets contributed to the Hamilton County Department of Education, a component unit, which results in negative unrestricted net assets.

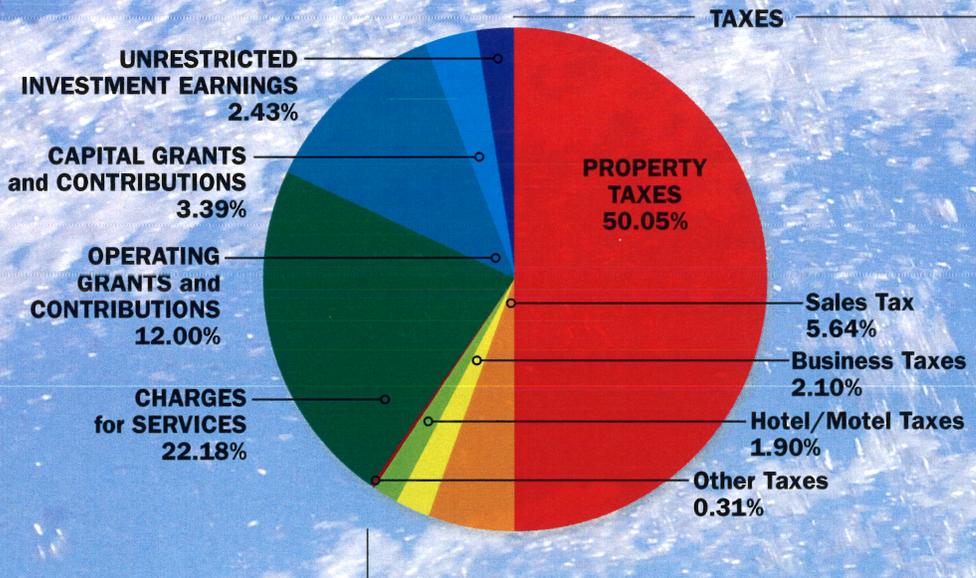
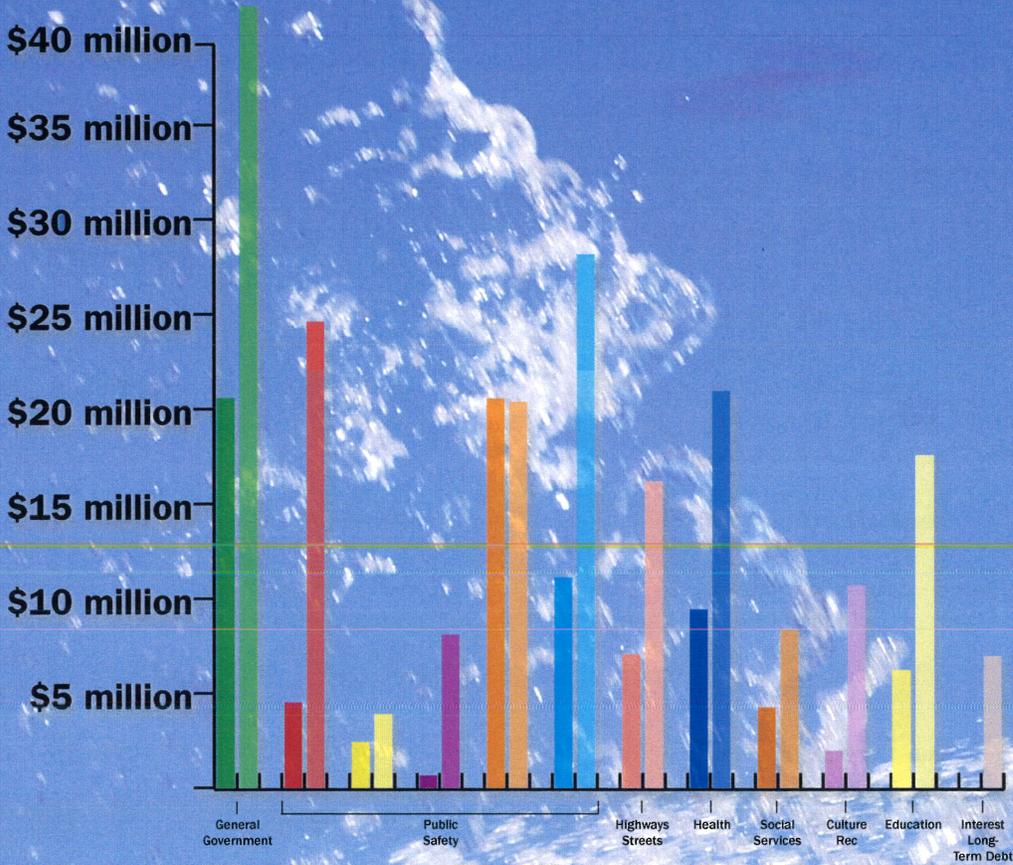


**HAMILTON COUNTY, TENNESSEE  
CHANGES IN NET ASSETS**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
<b>REVENUES</b>		
Program Revenues		
Charges for Services	\$ 52,526,596	\$ 51,300,244
Operating Grants and Contributions	28,400,517	24,838,263
Capital Grants and Contributions	8,033,704	5,230,533
Total Program Revenues	<u>88,960,817</u>	<u>81,369,040</u>
General Revenues		
Property Taxes	118,523,153	96,081,225
Other Taxes	23,567,191	24,882,938
Other	5,757,035	5,808,622
Total General Revenues	<u>147,847,379</u>	<u>126,772,785</u>
<b>TOTAL REVENUES</b>	<u>236,808,196</u>	<u>208,141,825</u>
<b>EXPENSES</b>		
General Government	42,045,548	38,442,141
Public Safety	85,183,179	83,021,880
Highways and Streets	15,801,736	15,540,503
Health	21,746,737	20,528,751
Social Services	8,357,336	7,911,773
Culture and Recreation	10,369,561	12,513,987
Education	17,923,690	13,011,783
Interest on Long-Term Debt	7,437,956	6,344,384
<b>TOTAL EXPENSES</b>	<u>208,865,743</u>	<u>197,315,202</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ 27,942,453</b>	<b>\$ 10,826,623</b>



# EXPENSES AND PROGRAM REVENUES



# REVENUES BY SOURCE

The County's net assets increased by \$27,942,453 during the current fiscal year. Elements key to this increase include:

- Property taxes increased by \$22,441,928 or 23.4%. Most of this increase is a result of growth and new development.
- Capital grants and contributions increased by \$2,803,171 or 53.6%. This growth is largely attributed to funds received for school renovations and construction.

In total, expenditures increased by \$11,550,541 or 5.9%. This increase is due, in part, to a \$4,911,907 or 37.7% increase in education expenditures as we continue to renovate and construct new schools. General government expenditures rose by \$3,603,407 or 9.4%, and public safety expenditures increased by \$2,492,491 or 9.8%. This increase may be largely attributed to the activities of the Statewide Meth Task Force.

## EXPENSES AND PROGRAM REVENUES

### for fiscal year ending June 30, 2008

	REVENUES	EXPENSES
General Government	\$ 20,667,736	\$ 42,045,548
Public Safety		
Sheriff	4,065,315	24,640,408
Criminal Court	2,616,360	3,973,378
Juvenile Court	553,234	8,581,230
Ambulance Services	20,228,681	20,122,892
Other	11,484,207	27,865,271
Highways and Streets	7,032,414	15,801,736
Health	9,153,596	21,746,737
Social Services	4,832,715	8,357,336
Culture and Recreation	1,663,686	10,369,561
Education	6,662,873	17,923,690
Interest on long-term debt	-	7,437,956
TOTAL	<u>\$ 88,960,817</u>	<u>\$ 208,865,743</u>

## REVENUES BY SOURCE

### for fiscal year ending June 30, 2008

	2008	PERCENTAGE	2007	PERCENTAGE
taxes				
Property Taxes	\$ 118,523,153	50.05%	\$ 96,081,225	46.16%
Sales Tax	13,361,357	5.64%	13,547,577	6.51%
Business Taxes	4,980,398	2.10%	4,938,615	2.37%
Hotel/Motel Tax	4,492,971	1.90%	4,174,410	2.01%
Other taxes	732,465	0.31%	2,222,336	1.07%
Charges for Services	52,526,596	22.18%	51,300,244	24.65%
Operating Grants and Contributions	28,400,517	12.00%	24,838,263	11.93%
Capital Grants and Contributions	8,033,704	3.39%	5,230,533	2.51%
Unrestricted Investment Earnings	5,757,035	2.43%	5,808,622	2.79%
TOTAL	<u>\$ 236,808,196</u>	100.00%	<u>\$ 208,141,825</u>	100.00%

# FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

## GOVERNMENTAL FUNDS

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

As of the end of fiscal year 2008, the County's governmental funds reported combined ending fund balances of \$128,878,201, an increase of \$36,157,987. The unreserved portion of fund balance was \$64,766,176. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed:

- 1) to liquidate contracts and purchase orders of the prior period \$52,928,259;
- 2) for inventories, prepaid items and notes advances \$8,158,315; and
- 3) to cover other legal requirements \$3,025,451.

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

The General Fund is the chief operating fund of the County. At the end of fiscal year 2008, unreserved fund balance of the General Fund was \$74,751,577, while the total fund balance was \$77,101,832. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 54.89% of the total General Fund expenditures, while total fund balance represents 56.61% of that same amount.

The unreserved fund balance of the County's General Fund increased by \$17,991,397 during the current fiscal year. The major reasons for that change are as follows:

- Property taxes increased by \$19,686,827 or 20.27% due to growth in the tax base and new development.
- A savings of \$4,521,588 in interfund transfers to Debt Service occurred as a result of debt refinancing and a lower interest rate.

The Debt Service fund has a total fund balance of \$240,340. This decrease of \$1,412,672 or 85.46 percent is largely attributed to the move of intergovernmental revenues, in addition

to the debt tax levy, to the General Fund to better comply with federal arbitrage regulations. Funds are transferred to the Debt Service fund as needed.

Capital Projects has a total fund balance of \$42,898,196, an increase of 77.33%. The portion of fund balance attributed to bonds increased 109.70 percent with the issuance of General Improvements, Series 2008. Consequently, commitments for school construction have risen from 3% to 38.5% or \$16,508,959, of fund balance. Other commitments include \$14,538,760 or 33.9% for economic development, \$1,931,888 or 4.5% for recreation capital projects and \$9,918,589 or 23.1% for general government improvements.

The Sheriff's fund balance of \$2,864,669 increased by \$575,055 from the prior year. The increase was largely due to an increased appropriation of \$1,209,427 from the general fund.

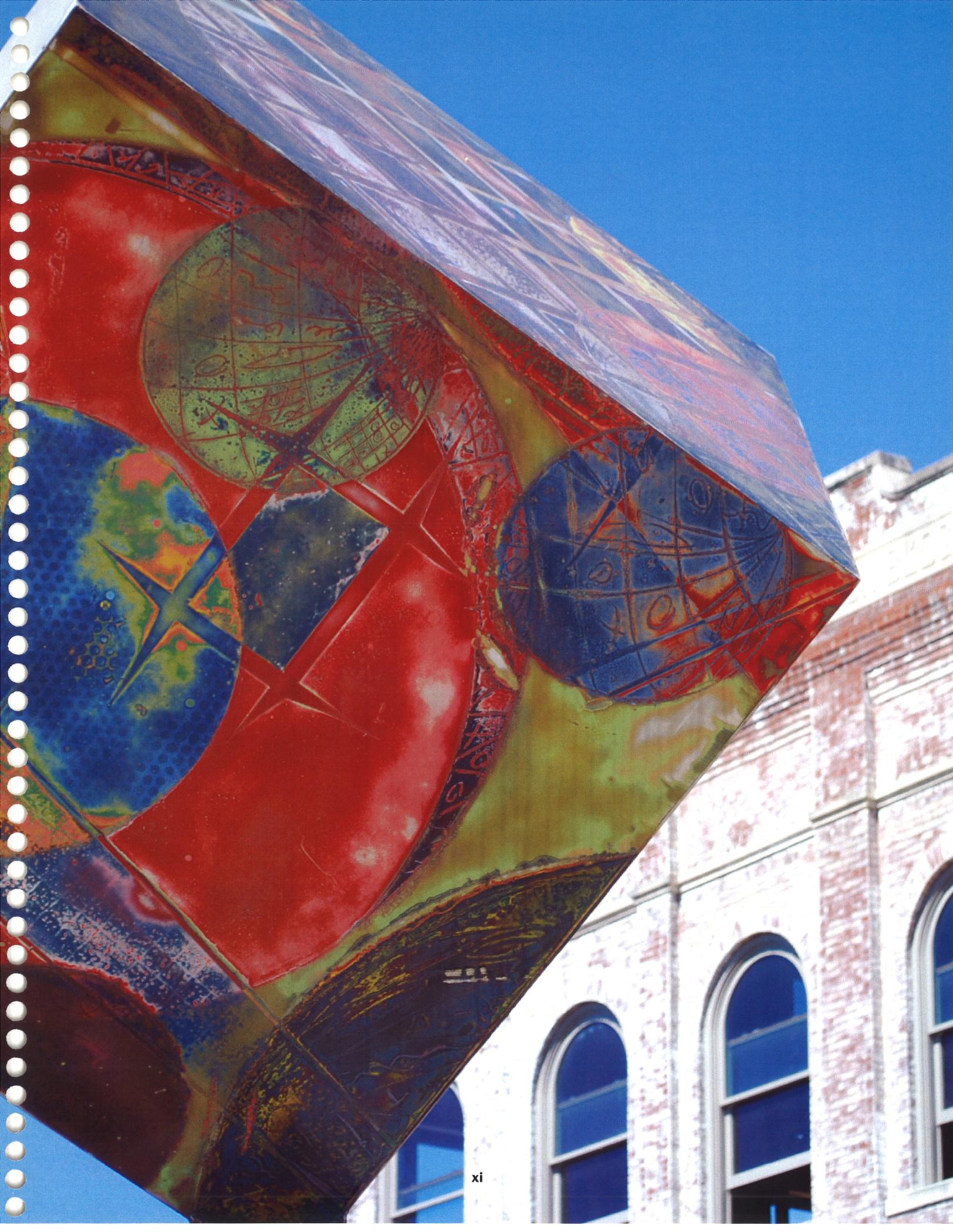
## PROPRIETARY FUNDS

The County's Proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The County's Proprietary fund is used to account for the self-insurance programs. The County is self-insured for health, unemployment compensation, on-the-job injury claims, property and liability claims and losses due to liabilities arising under the laws of the state and federal governments. The cost for these programs is funded through premiums paid by the departments and agencies of Hamilton County Government. Unrestricted net assets for the Proprietary Fund at the end of the fiscal year amounted to \$19,061,313.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the General Fund's original budget and final amended budget was \$4,285,200 and can be summarized as follows:

- Budget amendments not expended from the prior fiscal year, carried over into the current fiscal year accounted for \$1,741,618 of the increase.
- New grants from various state and federal agencies accounted for \$1,979,916 of the increase.
- Adjustments to operating budgets or new appropriations accounted for a \$563,666 increase.
- Actual revenues were less than final budgeted revenues by \$1.7 million largely due to the shortfall of \$1.4 million in charges for services.
- Expenditures were less than budgeted estimates by \$9.5 million. The General Fund was budgeted to add \$5.6 million of fund balance. With the favorable variance of actual expenditures to budget and the decrease in debt service needs due to debt refinancing, \$18.6 million was added to fund balance.



# CAPITAL ASSETS AND DEBT ADMINISTRATION

## CAPITAL ASSETS

The County's investment in capital assets as of June 30, 2008 amounts to \$310,743,657 (net of accumulated depreciation \$189,322,939). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructures and construction in progress. The change in the County's investment in capital assets for the current fiscal year was 20.5% or \$85,226,603. Additional information on the County's capital assets can be found in Note H on pages A-32 to A-33 of this report.

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

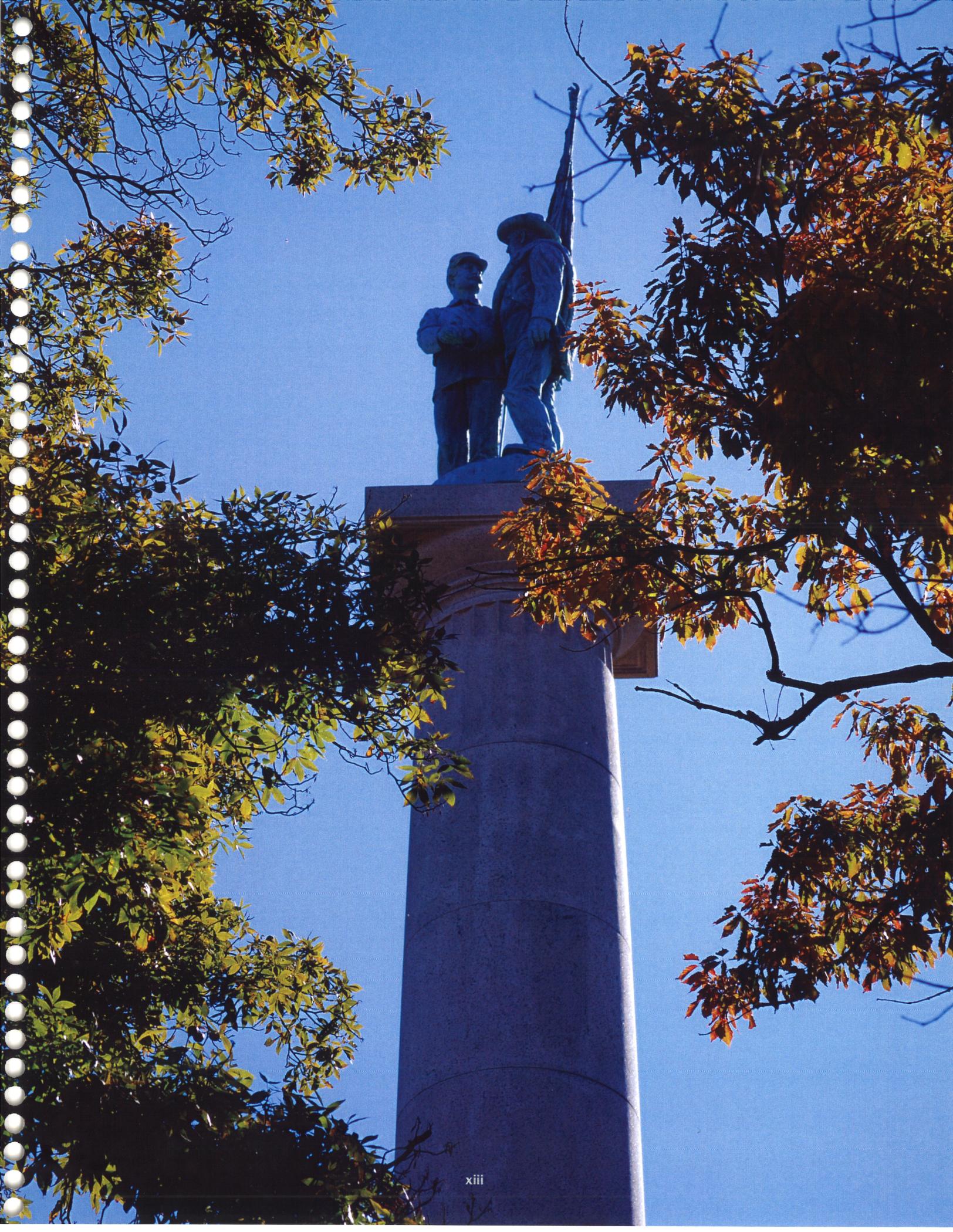
- Infrastructure Construction of Enterprise South
- School construction and renovations

## CAPITAL ASSET ACTIVITY FOR THE YEAR ENDED JUNE 30, 2008

### NET OF DEPRECIATION

	Beginning Balance	Additions	Retirements/ Depreciation	Ending Balance
Land	\$ 67,148,537	\$ 352,588	\$ (12,412)	\$ 67,488,713
Construction in Progress	43,930,333	89,002,980	(6,624,564)	126,308,749
Buildings	49,921,518	811,822	(2,465,740)	48,267,600
Improvements other than buildings	16,072,971	154,124	(1,095,077)	15,132,018
Machinery and equipment	9,271,958	4,733,867	(4,896,677)	9,109,148
Infrastructure	48,054,419	-	(3,616,990)	44,437,429
	<u>\$ 234,399,736</u>	<u>\$ 95,055,381</u>	<u>\$ (18,711,460)</u>	<u>\$ 310,743,657</u>





## LONG-TERM DEBT

At the end of fiscal year 2008, the County had general obligation bonds outstanding of \$188,260,000 and notes payable and other debt outstanding of \$37,649,202. Of this debt, \$139,813,127 or 61.9% was issued for Hamilton County Department of Education capital improvements.

The County's outstanding notes and bonded debt increased by \$78,189,530 or 52.9% during fiscal year 2008. This amount is the result of the issuance and refinancing of bonds netted with the scheduled retirement of debt. Additional information on the County's debt can be found in Note K on pages A-41 to A-43 of this report.

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

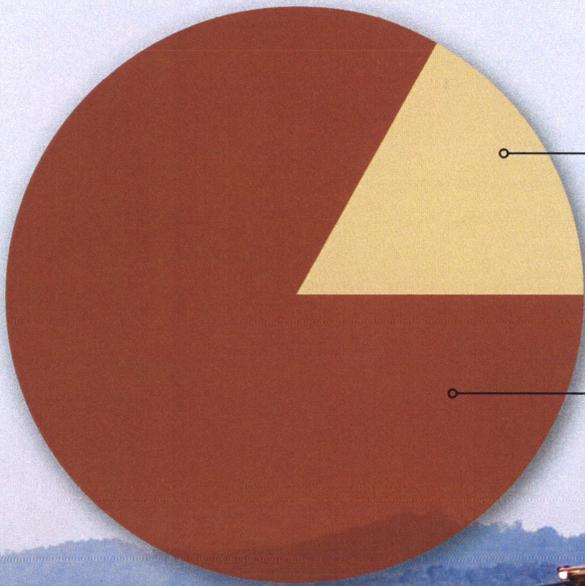
The following factors were considered in preparing the County's budget for fiscal year 2009:

- Property taxes increased over the prior year's budget. County General's projected revenue is estimated to grow 3.3%. The Department of Education has projected growth of 1.5%.
- Local sales taxes have been estimated to decrease less than 1% for the General Fund, and the Department of Education Fund is estimated to increase less than 1%. A trend analysis is maintained by the budget staff on collections and is used to project sales tax revenue.
- The pay plan, now in its eighth year, will be funded from revenue growth and strategic economic spending. This year's phase of the plan will cost \$2,161,331.
- The cost of health insurance for Hamilton County General Government increased by \$1,483,284 this fiscal year.
- As a result of an actuarial valuation, \$1,600,000 has been appropriated in the 2009 budget to fund the estimated annual required contribution for Hamilton County General Government's other post employment benefits.

During this past year, the Tennessee State Legislature passed major reform to the Basic Education Plan (BEP) funding formula. The BEP for 2009 is budgeted to increase \$15,672,603. Federal Funding to the Department of Education is budgeted to increase \$6,480,864.

### General Long-Term Debt

General Obligation Bonds Outstanding	\$ 188,260,000	83.33%
Other Notes	37,649,202	16.67%
	<u>225,909,202</u>	
Less: Unreserved Debt Service Fund Balance	<u>(240,340)</u>	
<b>Net General Long-Term Debt</b>	<b>\$ 225,668,862</b>	



**\$37,649,202**

16.67%

*Other Notes*

**\$188,260,000**

83.33%

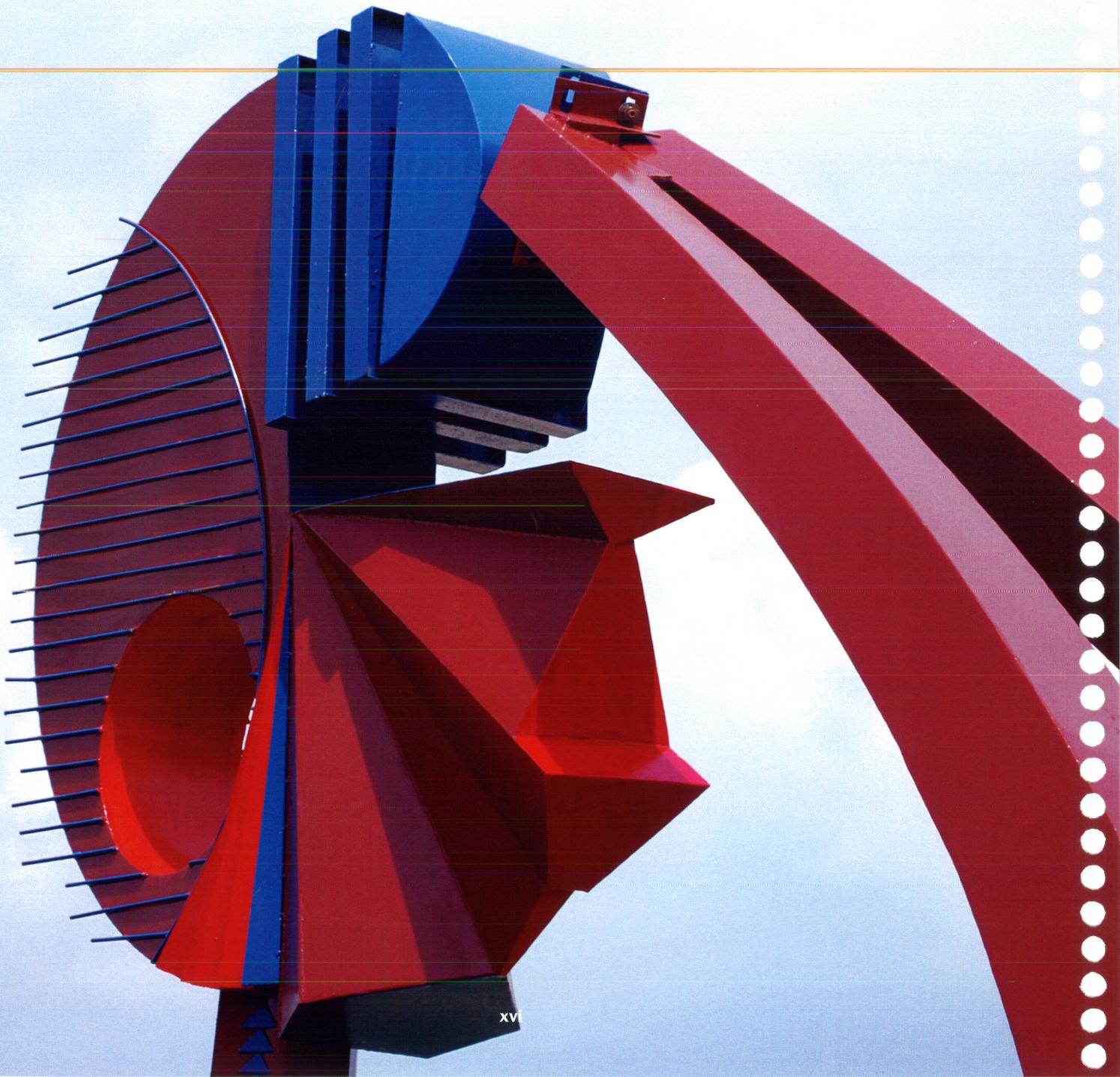
*General Obligation Bonds  
Outstanding*



## REQUESTS FOR INFORMATION

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

Additional financial information can be found on our web-site <http://www.hamiltontn.gov>. Two discretely presented component units, "911" Emergency Communication and the Water & Wastewater Treatment Authority have separately issued financial reports that can be obtained from: Hamilton County "911" Emergency Communication District, 3404 Amnicola Highway, Chattanooga, TN 37406; Water & Wastewater Treatment Authority, P.O. Box 8856, Chattanooga, TN 37414.



# STATEMENT OF NET ASSETS

## HAMILTON COUNTY, TENNESSEE

June 30, 2008

	Primary Government Governmental Activities	Component Units
	<u>                    </u>	<u>                    </u>
ASSETS		
Cash and cash equivalents	\$ 5,401,772	\$ 64,872,558
Certificates of deposit	-	8,094,359
Investments	134,119,694	6,156,477
Receivables, net of allowance for uncollectibles	128,422,541	136,014,648
Due from component units	17,906,553	-
Inventories	1,581,228	310,902
Prepaid items	307,722	2,816,467
Net pension asset	1,427,221	-
Land and other nondepreciable assets	193,797,462	18,805,407
Other capital assets, net of accumulated depreciation	<u>116,946,195</u>	<u>245,482,649</u>
 Total assets	 <u>599,910,388</u>	 <u>482,553,467</u>
LIABILITIES		
Accounts payable and accrued expenses	25,814,468	34,882,535
Due to primary government	-	17,906,553
Unearned revenue	99,620,539	112,372,845
Long-term liabilities:		
Due within one year	49,254,086	3,246,431
Due in more than one year	<u>198,801,887</u>	<u>25,102,972</u>
 Total liabilities	 <u>373,490,980</u>	 <u>193,511,336</u>
NET ASSETS		
Invested in capital assets, net of related debt	245,443,716	221,993,568
Restricted for:		
Capital projects	36,398,196	-
Litigants and beneficiaries	2,800,055	-
State statutes	-	3,676,091
Unrestricted	<u>(58,222,559)</u>	<u>63,372,472</u>
 Total net assets	 <u>\$ 226,419,408</u>	 <u>\$ 289,042,131</u>

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

**STATEMENT OF ACTIVITIES**

**HAMILTON COUNTY, TENNESSEE**

**Year ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>PRIMARY GOVERNMENT</b>			
Government activities:			
General government	\$ 42,045,548	\$ 15,357,585	\$ 4,611,070
Public safety:			
Sheriff	24,640,408	1,279,627	2,785,688
Criminal Court	3,973,378	2,616,360	-
Juvenile Court	8,581,230	553,234	-
Ambulance Services	20,122,892	20,228,681	-
Other	27,865,271	2,848,975	8,098,970
Highways and streets	15,801,736	2,228,804	4,405,267
Health	21,746,737	2,435,325	6,718,271
Social services	8,357,336	4,374,293	458,422
Culture and recreation	10,369,561	603,712	1,322,829
Education	17,923,690	-	-
Interest on long-term debt	7,437,956	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 208,865,743</b>	<b>\$ 52,526,596</b>	<b>\$ 28,400,517</b>
Component units:			
Education	\$ 356,462,877	\$ 24,346,044	\$ 50,492,683
Emergency communications	3,886,765	5,329,802	-
Water and wastewater treatment	8,278,065	8,306,109	-
Railroad authority	1,084,549	83,088	55,360
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 369,712,256</b>	<b>\$ 38,065,043</b>	<b>\$ 50,548,043</b>
General revenues:			
Property taxes			
Sales taxes			
Business taxes			
Hotel/Motel taxes			
Other taxes			
Grants and contributions not restricted to specific programs			
Unrestricted investment earnings			
Total general revenues			
Change in net assets			
Prior period adjustment			
Net assets, beginning			
Net assets, ending			

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

Net (Expense) Revenues and Changes in Net Assets		
Capital Grants and Contributions	Primary Government Governmental Activities	Components Units
\$ 699,081	\$ (21,377,812)	
-	(20,575,093)	
-	(1,357,018)	
-	(8,027,996)	
-	105,789	
536,262	(16,381,064)	
398,343	(8,769,322)	
-	(12,593,141)	
-	(3,524,621)	
(262,855)	(8,705,875)	
6,662,873	(11,260,817)	
-	(7,437,956)	
<u>\$ 8,033,704</u>	<u>(119,904,926)</u>	
\$ 4,085,996		\$ (277,538,154)
-		1,443,037
12,242,793		12,270,837
972,352		26,251
<u>\$ 17,301,141</u>		<u>(263,798,029)</u>
	118,523,153	113,585,413
	13,361,357	57,840,719
	4,980,398	-
	4,492,971	-
	732,465	-
	-	109,718,166
	<u>5,757,035</u>	<u>2,266,988</u>
	<u>147,847,379</u>	<u>283,411,286</u>
	27,942,453	19,613,257
	-	18,825,475
	<u>198,476,955</u>	<u>250,603,399</u>
	<u>\$ 226,419,408</u>	<u>\$ 289,042,131</u>

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

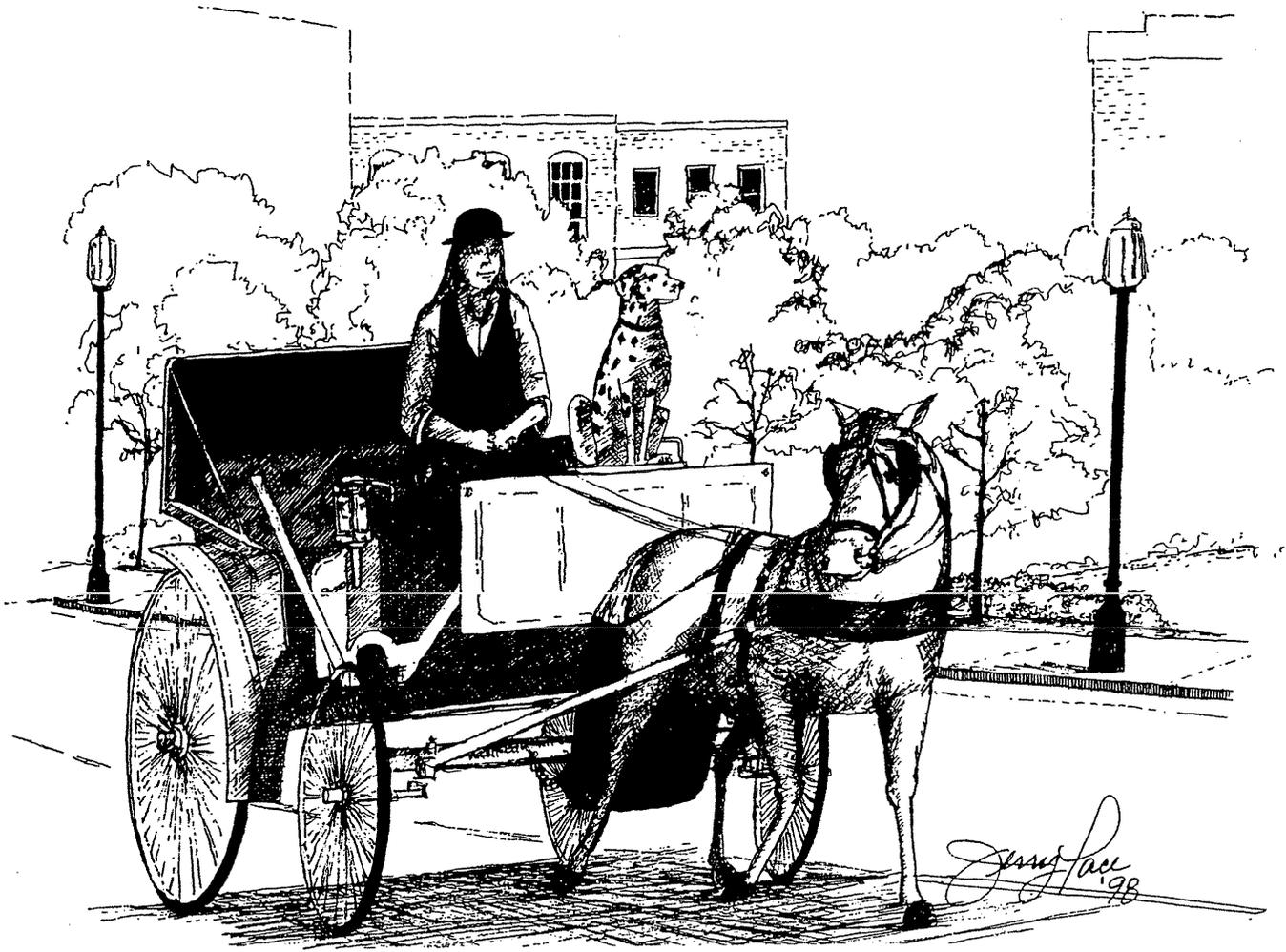
**HAMILTON COUNTY, TENNESSEE**

**June 30, 2008**

	General	Sheriff	Debt Service
<b>ASSETS</b>			
Cash and cash equivalents	\$ 638,863	\$ 53,781	\$ 2,658
Investments	65,211,015	3,221,047	187,719
Receivables, net of allowance for uncollectibles	124,475,379	391,183	45,729
Due from other funds	1,280,758	165,829	26,315
Due from component units	1,263,483	-	-
Inventories	1,581,228	-	-
Prepaid items	77,087	-	-
	<u>194,527,813</u>	<u>3,831,840</u>	<u>262,421</u>
Total assets	<u>\$ 194,527,813</u>	<u>\$ 3,831,840</u>	<u>\$ 262,421</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,778,172	\$ 153,534	\$ 22,081
Accrued items and other	4,526,813	813,637	-
Intergovernmental payables	4,045,038	-	-
Due to other funds	279,153	-	-
Unearned revenues:			
Uncollected property taxes	104,981,811	-	-
Other	814,994	-	-
	<u>117,425,981</u>	<u>967,171</u>	<u>22,081</u>
Total liabilities	<u>117,425,981</u>	<u>967,171</u>	<u>22,081</u>
<b>Fund balances:</b>			
Reserved for:			
Encumbrances	691,940	5,029	-
Inventories	1,581,228	-	-
Advances	-	-	-
Prepaid items	77,087	-	-
Litigants and beneficiaries	-	-	-
Restricted activities	-	535,096	-
Unreserved, reported in:			
General fund	74,751,577	-	-
Sheriff	-	2,324,544	-
Debt service	-	-	240,340
Capital projects fund	-	-	-
Special revenue funds	-	-	-
	<u>77,101,832</u>	<u>2,864,669</u>	<u>240,340</u>
Total fund balances	<u>77,101,832</u>	<u>2,864,669</u>	<u>240,340</u>
Total liabilities and fund balances	<u>\$ 194,527,813</u>	<u>\$ 3,831,840</u>	<u>\$ 262,421</u>

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

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 648,432	\$ 3,965,959	\$ 5,309,693
41,107,091	2,971,291	112,698,163
1,083,931	1,678,440	127,674,662
-	113,576	1,586,478
6,500,000	-	7,763,483
-	-	1,581,228
-	-	77,087
<u>\$ 49,339,454</u>	<u>\$ 8,729,266</u>	<u>\$ 256,690,794</u>
\$ 6,360,470	\$ 315,455	\$ 9,629,712
-	1,364,110	6,704,560
-	-	4,045,038
30,788	1,276,537	1,586,478
-	-	104,981,811
50,000	-	864,994
<u>6,441,258</u>	<u>2,956,102</u>	<u>127,812,593</u>
52,231,290	-	52,928,259
-	-	1,581,228
6,500,000	-	6,500,000
-	-	77,087
-	1,207,683	1,207,683
-	1,282,672	1,817,768
-	-	74,751,577
-	-	2,324,544
-	-	240,340
(15,833,094)	-	(15,833,094)
-	3,282,809	3,282,809
<u>42,898,196</u>	<u>5,773,164</u>	<u>128,878,201</u>
<u>\$ 49,339,454</u>	<u>\$ 8,729,266</u>	<u>\$ 256,690,794</u>



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

**HAMILTON COUNTY, TENNESSEE**  
**June 30, 2008**

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

Fund balances - total governmental funds	\$ 128,878,201
--	----------------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	310,743,657
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Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	6,226,266
---	-----------

Internal service funds are used by management to charge the costs of self-insurance programs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	19,061,313
--	------------

The County-administered pension plans have been funded in excess of annual required contributions, creating a net pension asset. This asset is not a currently available financial resource and is not reported in the funds.	1,427,221
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Long-term assets receivable from a component unit are not due until the related long-term liability is due and payable	10,143,068
--	------------

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets. This item consists of the following:

General obligation bonds	\$188,260,000	
Add: original issue premiums	7,155,506	
Notes payable & other debt	37,649,202	
Landfill post closure costs	240,000	
Compensated absences	14,751,265	
	<u>248,055,973</u>	
Accrued interest payable	2,004,345	
		<u>(250,060,318)</u>

Net assets of governmental activities	\$ <u>226,419,408</u>
---------------------------------------	-----------------------

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

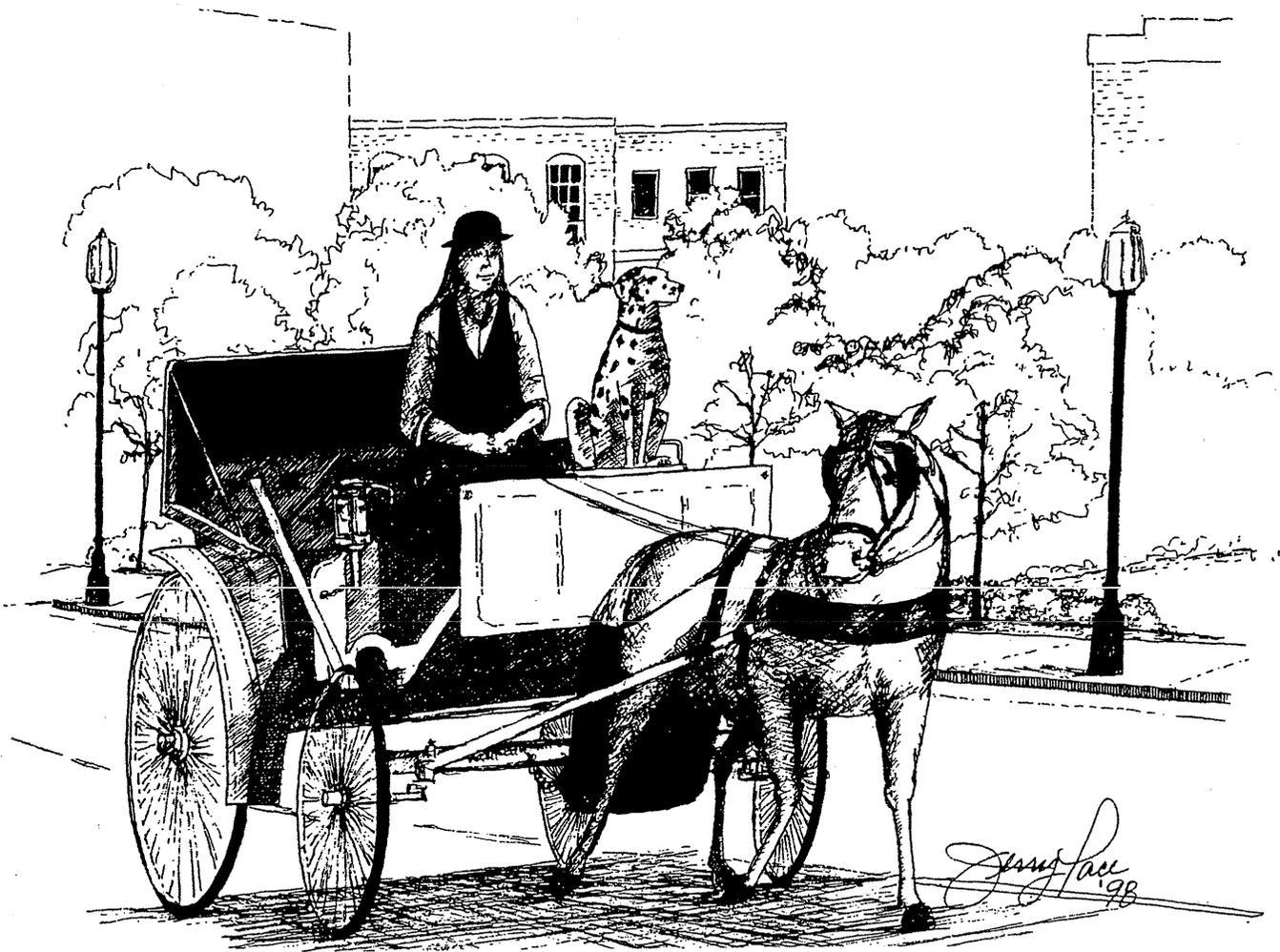
**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**HAMILTON COUNTY, TENNESSEE**  
**Year ended June 30, 2008**

	<u>General</u>	<u>Sheriff</u>	<u>Debt Service</u>
<b>REVENUES</b>			
Taxes	\$ 135,883,765	\$ -	\$ -
Licenses and permits	797,046	-	-
Intergovernmental	22,201,983	2,785,688	827,367
Charges for services	24,089,558	103,280	504,247
Fines, forfeitures and penalties	1,106,095	611,747	-
Investment earnings	1,795,707	170,695	54,339
Miscellaneous	4,692,778	564,600	-
	<u>190,566,932</u>	<u>4,236,010</u>	<u>1,385,953</u>
<b>EXPENDITURES</b>			
Current:			
General government	35,012,106	-	-
Public safety:			
Sheriff	-	26,485,549	-
Criminal Court	1,153,600	-	-
Juvenile Court	6,343,041	-	-
Ambulance Services	20,091,509	-	-
Other	23,157,518	-	-
Highways and streets	12,059,582	-	-
Health	21,474,905	-	-
Social services	4,895,033	-	-
Culture and recreation	8,953,438	-	-
Debt service:			
Principal	-	-	18,674,736
Interest and fiscal charges	-	-	5,369,261
Capital outlay:			
General government	3,048,639	-	-
Education	-	-	-
	<u>136,189,371</u>	<u>26,485,549</u>	<u>24,043,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>54,377,561</u>	<u>(22,249,539)</u>	<u>(22,658,044)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	10,032,004	22,824,594	21,678,711
Transfers out	(45,641,895)	-	(433,339)
Sale of capital assets	-	-	-
Proceeds from bond anticipation notes	-	-	-
	<u>(35,609,891)</u>	<u>22,824,594</u>	<u>21,245,372</u>
Net change in fund balances	18,767,670	575,055	(1,412,672)
Fund balances, beginning	<u>58,334,162</u>	<u>2,289,614</u>	<u>1,653,012</u>
Fund balances, ending	<u>\$ 77,101,832</u>	<u>\$ 2,864,669</u>	<u>\$ 240,340</u>

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

<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 4,509,833	\$ 140,393,598
-	-	797,046
7,099,099	3,520,083	36,434,220
270,429	19,319,270	44,286,784
-	115,852	1,833,694
2,100,254	666,734	4,787,729
<u>89,600</u>	<u>262,095</u>	<u>5,609,073</u>
<u>9,559,382</u>	<u>28,393,867</u>	<u>234,142,144</u>
-	8,754,303	43,766,409
-	-	26,485,549
-	2,501,826	3,655,426
-	2,058,466	8,401,507
-	-	20,091,509
-	3,580,591	26,738,109
-	-	12,059,582
-	-	21,474,905
-	3,367,524	8,262,557
-	-	8,953,438
-	-	18,674,736
-	-	5,369,261
11,874,024	1,960	14,924,623
<u>80,904,133</u>	<u>-</u>	<u>80,904,133</u>
<u>92,778,157</u>	<u>20,264,670</u>	<u>299,761,744</u>
<u>(83,218,775)</u>	<u>8,129,197</u>	<u>(65,619,600)</u>
148,439	1,461,632	56,145,380
-	(10,070,146)	(56,145,380)
284,250	-	284,250
<u>101,493,337</u>	<u>-</u>	<u>101,493,337</u>
<u>101,926,026</u>	<u>(8,608,514)</u>	<u>101,777,587</u>
18,707,251	(479,317)	36,157,987
<u>24,190,945</u>	<u>6,252,481</u>	<u>92,720,214</u>
<u>\$ 42,898,196</u>	<u>\$ 5,773,164</u>	<u>\$ 128,878,201</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, 2008**

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	\$ 36,157,987
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net assets	92,341,977
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities	(10,064,488)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums and deferred amount on refundings when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amount is the net effect of these differences in the treatment on long-term debt and related items.	(84,439,907)
The net revenues of internal service funds are reported with governmental activities	(263,117)
The net effect of various transactions involving capital assets is a decrease net assets	(5,933,568)
The net effect of the change in the net pension asset is included in the governmental activities in the statement of activities	(95,510)
Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds	(1,457,667)
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds	<u>1,696,746</u>
Change in net assets of governmental activities	<u>\$ 27,942,453</u>

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

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

**HAMILTON COUNTY, TENNESSEE**  
**Year ended June 30, 2008**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 135,495,764	\$ 135,495,764	\$ 135,883,765	\$ 388,001
Licenses and permits	1,067,500	1,067,500	797,046	(270,454)
Intergovernmental revenues	19,950,930	23,044,592	22,201,983	(842,609)
Charges for services	13,595,654	13,595,654	12,238,156	(1,357,498)
Fines, forfeitures and penalties	1,288,301	1,288,301	1,106,095	(182,206)
Investment earnings	1,800,000	1,800,000	1,795,707	(4,293)
Miscellaneous	4,128,994	4,141,994	4,692,778	550,784
Total revenues	<u>177,327,143</u>	<u>180,433,805</u>	<u>178,715,530</u>	<u>(1,718,275)</u>
<b>EXPENDITURES</b>				
Current:				
General government	34,712,734	36,556,460	34,790,965	1,765,495
Public safety	39,735,061	41,689,795	38,865,578	2,824,217
Highways and streets	12,980,539	12,980,539	12,055,836	924,703
Health	22,845,300	22,967,620	21,431,596	1,536,024
Social services	5,931,223	5,970,977	5,363,482	607,495
Culture and recreation	9,371,631	9,401,631	8,942,206	459,425
Capital outlay	4,153,591	4,448,257	3,043,626	1,404,631
Total expenditures	<u>129,730,079</u>	<u>134,015,279</u>	<u>124,493,289</u>	<u>9,521,990</u>
Excess of revenues over expenditures	<u>47,597,064</u>	<u>46,418,526</u>	<u>54,222,241</u>	<u>7,803,715</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	9,334,389	9,334,389	10,032,004	697,615
Transfers out	(50,163,383)	(50,166,968)	(45,641,895)	4,525,073
Total other financing sources (uses)	<u>(40,828,994)</u>	<u>(40,832,579)</u>	<u>(35,609,891)</u>	<u>5,222,688</u>
Net change in fund balance	6,768,070	5,585,947	18,612,350	13,026,403
Fund balance allocation	(6,768,070)	(5,585,947)	-	5,585,947
	<u>\$ -</u>	<u>\$ -</u>	18,612,350	<u>\$ 18,612,350</u>
Add encumbrances at end of year			691,940	
Less encumbrances at beginning of year			(536,620)	
Net change in fund balance--(GAAP Modified Accrual Basis)			18,767,670	
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			58,334,162	
Fund balance at end of year--(GAAP Modified Accrual Basis)			<u>\$ 77,101,832</u>	

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

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

**HAMILTON COUNTY, TENNESSEE  
Year ended June 30, 2008**

	Budget Original	Budget Final	Actual (Non - GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 2,438,608	\$ 2,682,878	\$ 2,785,688	\$ 102,810
Charges for current services	40,500	40,500	103,280	62,780
Fines, forfeitures and penalties	603,480	603,480	611,747	8,267
Investment earnings	10,000	10,000	170,695	160,695
Miscellaneous	653,038	653,038	564,600	(88,438)
Total revenues	<u>3,745,626</u>	<u>3,989,896</u>	<u>4,236,010</u>	<u>246,114</u>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Administration	1,901,244	1,867,292	1,930,803	(63,511)
Patrol	7,471,353	7,490,793	7,444,679	46,114
Jail	10,294,969	10,304,336	9,743,054	561,282
Process and court servers	694,856	694,856	713,427	(18,571)
Communications	1,564,045	1,564,099	1,528,407	35,692
Major crimes	1,783,102	1,795,548	1,531,010	264,538
Fugitive warrant	1,727,290	1,727,589	1,880,949	(153,360)
Special operations	960,534	976,266	787,504	188,762
Inmate commissary	-	-	301,741	(301,741)
Governor's Hwy Safety Grant	-	222,677	238,179	(15,502)
BOJ Bullerproff Vest Grant	-	32,352	-	32,352
IV-D civil process	172,827	172,827	170,113	2,714
Community Enhancement Grant	-	25,000	24,804	196
Total budgetary expenditures	<u>26,570,220</u>	<u>26,873,635</u>	<u>26,294,670</u>	<u>578,965</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	(22,824,594)	(22,883,739)	(22,058,660)	825,079
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>22,824,594</u>	<u>22,824,594</u>	<u>22,824,594</u>	<u>-</u>
Net change in fund balance	-	(59,145)	765,934	825,079
Fund balance allocation	-	59,145	-	(59,145)
	<u>\$ -</u>	<u>\$ -</u>	765,934	<u>\$ 765,934</u>
Add encumbrances at end of year			5,029	
Less encumbrances at beginning of year			(195,908)	
Net change in fund balance--(GAAP)			575,055	
Fund balance at beginning of year--(GAAP)			2,289,614	
Fund balance at end of year--(GAAP)			<u>\$ 2,864,669</u>	

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

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 HAMILTON COUNTY, TENNESSEE  
 June 30, 2008**

	<u>Governmental            Activities -            Internal Service            Fund</u>
<b>CURRENT ASSETS</b>	
Cash	\$ 92,079
Investments	21,421,531
Receivable	747,879
Prepaid insurance	<u>230,635</u>
Total current assets	<u>22,492,124</u>
<b>CURRENT LIABILITIES</b>	
Accounts payable	13,674
Accrued claims	<u>3,417,137</u>
Total current liabilities	<u>3,430,811</u>
<b>NET ASSETS</b>	
Unrestricted	<u>\$ 19,061,313</u>

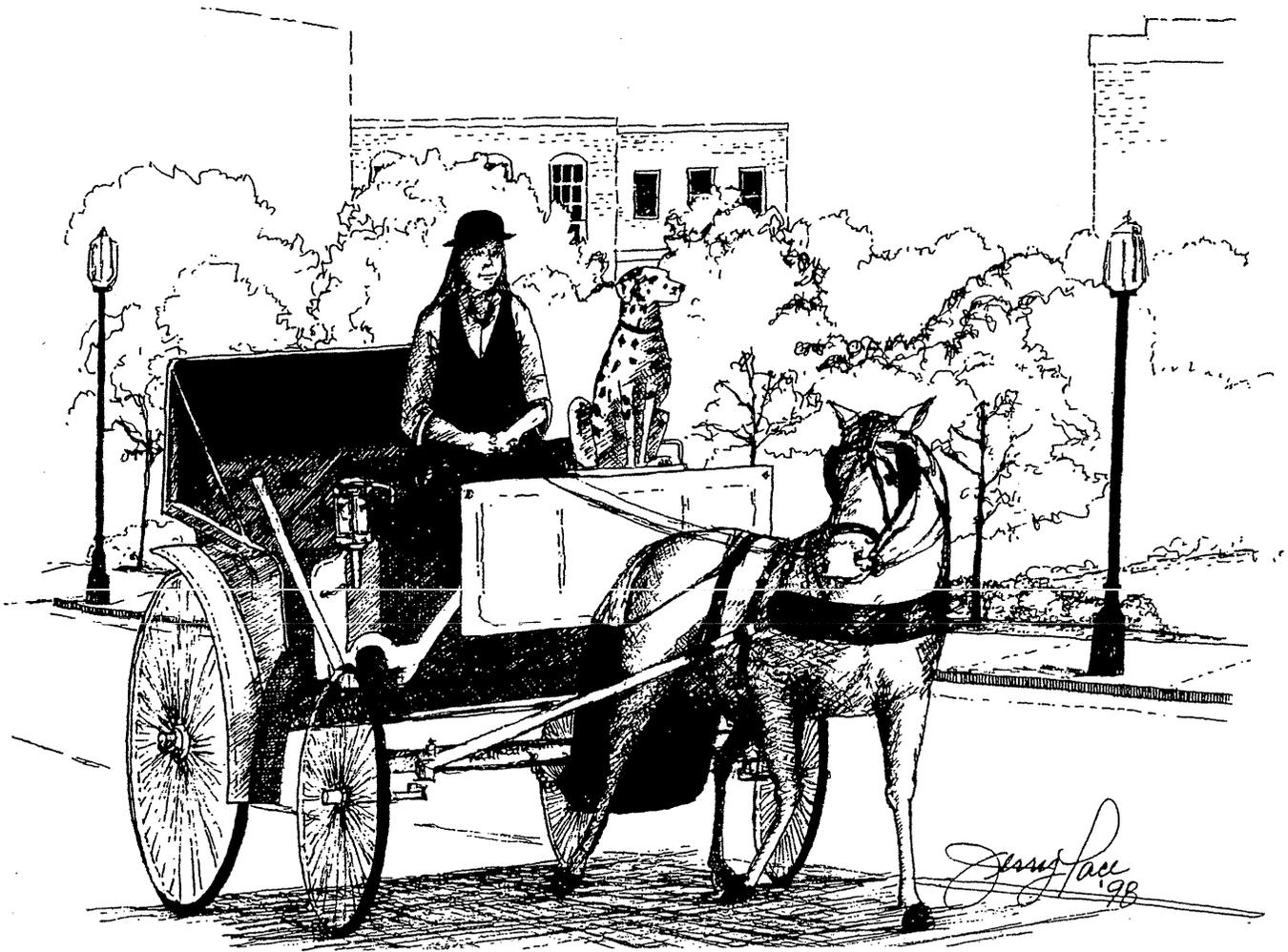
The Notes to Basic Financial Statements are an integral part of this statement.

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

**HAMILTON COUNTY, TENNESSEE  
Year ended June 30, 2008**

	Governmental Activities - Internal Service Fund
	<u>                    </u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 18,566,829
Other	<u>642,331</u>
Total operating revenues	<u>19,209,160</u>
<b>OPERATING EXPENSES</b>	
Unemployment compensation	34,415
Claims and premiums	19,903,499
Administration	<u>503,669</u>
Total operating expenses	<u>20,441,583</u>
Operating income (loss)	(1,232,423)
<b>NONOPERATING REVENUES</b>	
Investment earnings	<u>969,306</u>
Income (loss) before transfers	(263,117)
Transfers out	<u>-</u>
Change in net assets	(263,117)
Net assets, beginning	<u>19,324,430</u>
Net assets, ending	<u>\$ 19,061,313</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, 2008**

	Governmental Activities - Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from (paid for) insurance premiums	\$ 18,525,459
Cash paid for unemployment compensation	(34,415)
Cash paid for claims and premiums	(17,478,782)
Cash paid for administration	<u>(503,459)</u>
Net cash used in operating activities	<u>508,803</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers out	<u>-</u>
Net cash used in non-capital financing activities	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(21,421,531)
Proceeds from sale of investments	19,941,329
Interest on investments	<u>969,306</u>
Net cash provided by investing activities	<u>(510,896)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(2,093)
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>94,172</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 92,079</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating income (loss)	<u>\$ (1,232,423)</u>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Change in due from other funds	(690,670)
Change in due from component units	-
Change in accounts payable	(11,299)
Change in accrued claims	2,561,352
Change in prepaid insurance	(124,572)
Change in due to other funds	6,415
Change in deferred revenue	<u>-</u>
Total adjustments	<u>1,741,226</u>
Net cash used by operating activities	<u>\$ 508,803</u>

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

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2008**

	Pension Trust Funds	Constitutional Officers Agency Funds
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash	\$ 62,707	\$ 7,333,347
Certificates of deposit	76,715	11,549,049
Investments, at fair value:		
Mutual funds	1,190,557	239,432
Domestic corporate bonds	77,292	-
Domestic equity securities	1,135,758	-
Foreign securities	34,276	-
U.S. government securities	<u>52,379</u>	<u>-</u>
Total investments	<u>2,490,262</u>	<u>239,432</u>
Receivables:		
Interest	2,934	-
Accounts	1,949	99,836
Due from other funds	<u>-</u>	<u>-</u>
Total assets	<u>2,634,567</u>	<u>19,221,664</u>
<b>LIABILITIES</b>		
Accrued items and other	4,018	14,735,218
Intergovernmental payables	-	4,486,446
Due to other funds	<u>-</u>	<u>-</u>
Total liabilities	<u>4,018</u>	<u>19,221,664</u>
<b>NET ASSETS</b>		
Assets held in trust for pension benefits	<u>\$ 2,630,549</u>	<u>\$ -</u>

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

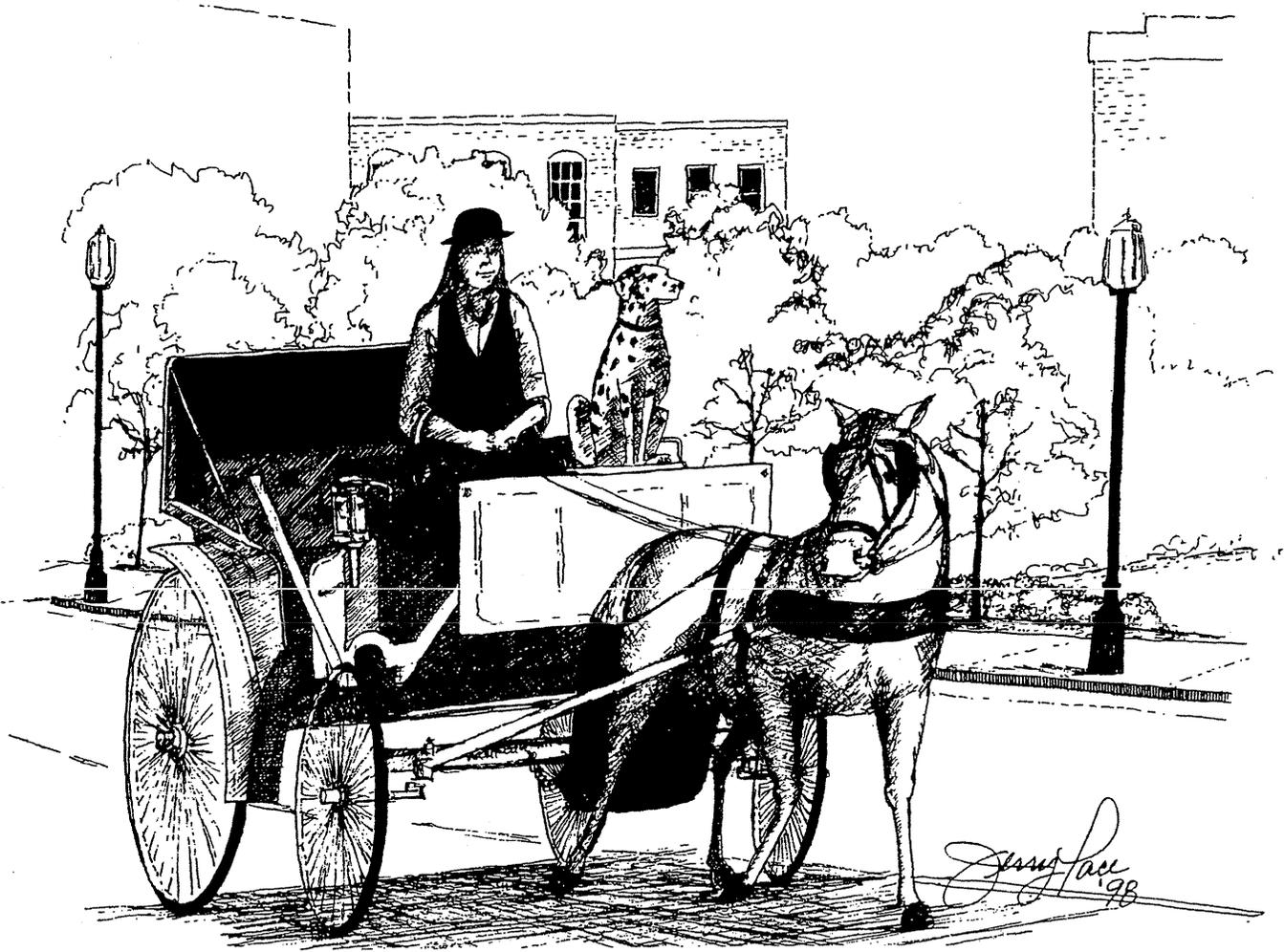
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

**HAMILTON COUNTY, TENNESSEE**

**Year ended June 30, 2008**

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 75,258
Plan members	<u>21,300</u>
Total contributions	<u>96,558</u>
Investment earnings:	
Net change in fair value of investments	(135,550)
Interest	<u>44,652</u>
Net investment income	<u>(90,898)</u>
Total additions	<u>5,660</u>
<b>DEDUCTIONS</b>	
Benefits	245,328
Administrative expense	<u>25,744</u>
Total deductions	<u>271,072</u>
Change in net assets	(265,412)
Net assets, beginning	<u>2,895,961</u>
Net assets, ending	<u><u>\$ 2,630,549</u></u>

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



**STATEMENT OF NET ASSETS  
COMPONENT UNITS**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2008**

	Hamilton County Board of Education	"911" Emergency Communication	Water & Wastewater Treatment Authority	Railroad Authority	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 61,499,972	\$ 877,260	\$ 2,477,301	\$ 18,025	\$ 64,872,558
Certificates of deposit	317,019	7,777,340	-	-	8,094,359
Investments	1,573,897	4,582,580	-	-	6,156,477
Receivables, net of allowance for uncollectibles	133,359,728	477,393	1,057,751	980,124	135,874,996
Receivables, restricted	-	-	139,652	-	139,652
Inventories	259,752	-	51,150	-	310,902
Prepaid items	2,620,551	25,852	170,064	-	2,816,467
Land and other nondepreciable assets	16,045,077	-	2,760,330	-	18,805,407
Capital assets, net of accumulated depreciation	<u>156,176,981</u>	<u>5,295,550</u>	<u>84,005,168</u>	<u>4,950</u>	<u>245,482,649</u>
<b>Total assets</b>	<u>371,852,977</u>	<u>19,035,975</u>	<u>90,661,416</u>	<u>1,003,099</u>	<u>482,553,467</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	32,982,580	177,434	769,155	953,366	34,882,535
Due to primary government	2,099,979	620	15,805,954	-	17,906,553
Unearned revenue	112,289,955	-	82,890	-	112,372,845
Noncurrent liabilities:					
Due within one year	2,371,893	-	874,538	-	3,246,431
Due in more than one year	<u>9,502,591</u>	<u>-</u>	<u>15,600,381</u>	<u>-</u>	<u>25,102,972</u>
<b>Total liabilities</b>	<u>159,246,998</u>	<u>178,054</u>	<u>33,132,918</u>	<u>953,366</u>	<u>193,511,336</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	172,222,058	5,295,550	44,475,960	-	221,993,568
Restricted for:					
Extracurricular activities	2,829,044	-	-	-	2,829,044
State statute	847,047	-	-	-	847,047
Unrestricted	<u>36,707,830</u>	<u>13,562,371</u>	<u>13,052,538</u>	<u>49,733</u>	<u>63,372,472</u>
<b>Total net assets</b>	<u>\$212,605,979</u>	<u>\$18,857,921</u>	<u>\$57,528,498</u>	<u>\$ 49,733</u>	<u>\$289,042,131</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, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>HAMILTON COUNTY BOARD OF EDUCATION</b>				
Regular instruction	\$ 161,969,105	\$ 1,892,862	\$ 17,347,355	\$ 2,182,466
Exceptional instruction	36,791,331	-	7,092,039	492,525
Vocational instruction	10,298,194	-	885,619	138,063
Support services:				
Pupil services	10,440,889	-	1,400,658	139,493
Instructional staff	22,567,796	-	10,470,021	-
Board of education	5,504,053	-	2,980	-
Administration	21,720,211	-	185,072	307,838
Business and fiscal services	2,620,658	-	6,465	-
Plant operation and maintenance	31,484,821	-	15,447	391,249
Pupil transportation	13,558,183	-	548,998	181,298
Central	3,643,771	-	29,857	-
Operation of noninstructional services:				
Community services	3,225,071	3,161,752	193,104	43,009
Early childhood education	2,580,406	-	2,436,046	-
Extracurricular	14,323,295	13,149,498	-	-
Child Nutrition	15,735,093	6,141,932	9,879,022	210,055
<b>TOTAL BOARD OF EDUCATION</b>	<u>356,462,877</u>	<u>24,346,044</u>	<u>50,492,683</u>	<u>4,085,996</u>
<b>"911" EMERGENCY COMMUNICATIONS</b>				
Emergency communications operations	3,886,765	5,329,802	-	-
<b>WATER &amp; WASTEWATER TREATMENT AUTHORITY</b>				
Water and wastewater treatment operations	8,278,065	8,306,109	-	12,242,793
<b>RAILROAD AUTHORITY</b>				
Railroad authority operations	1,084,549	83,088	55,360	972,352
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 369,712,256</u>	<u>\$ 38,065,043</u>	<u>\$ 50,548,043</u>	<u>\$ 17,301,141</u>

General revenues:

Property taxes

Sales taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Total general revenues

Change in net assets

Prior period adjustments

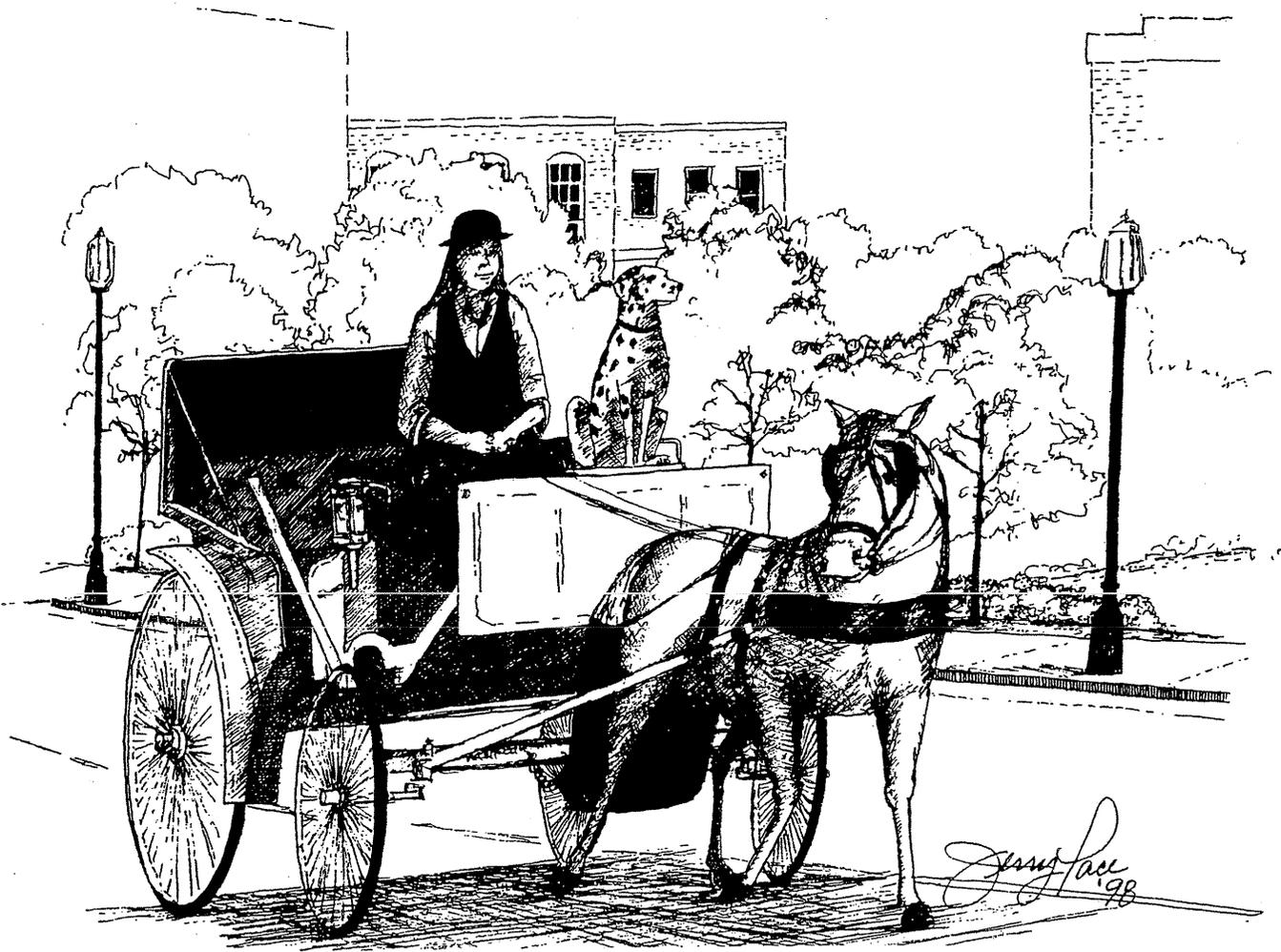
Net assets, beginning

Net assets, ending

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

Net (Expense) Revenue and  
Changes in Net Assets

Hamilton County Board of Education	"911" Emergency Communication	Water & Wastewater Treatment Authority	Railroad Authority	Total
\$ (140,546,422)				\$ (140,546,422)
(29,206,767)				(29,206,767)
(9,274,512)				(9,274,512)
(8,900,738)				(8,900,738)
(12,097,775)				(12,097,775)
(5,501,073)				(5,501,073)
(21,227,301)				(21,227,301)
(2,614,193)				(2,614,193)
(31,078,125)				(31,078,125)
(12,827,887)				(12,827,887)
(3,613,914)				(3,613,914)
172,794				172,794
(144,360)				(144,360)
(1,173,797)				(1,173,797)
495,916				495,916
<u>(277,538,154)</u>				
	\$ 1,443,037			1,443,037
		\$ 12,270,837		12,270,837
			\$ 26,251	26,251
				<u>(263,798,029)</u>
113,585,413	-	-	-	113,585,413
57,840,719	-	-	-	57,840,719
109,718,166	-	-	-	109,718,166
<u>1,734,259</u>	<u>453,197</u>	<u>79,532</u>	<u>-</u>	<u>2,266,988</u>
<u>282,878,557</u>	<u>453,197</u>	<u>79,532</u>	<u>-</u>	<u>283,411,286</u>
5,340,403	1,896,234	12,350,369	26,251	19,613,257
18,825,475	-	-	-	18,825,475
<u>188,440,101</u>	<u>16,961,687</u>	<u>45,178,129</u>	<u>23,482</u>	<u>250,603,399</u>
<u>\$ 212,605,979</u>	<u>\$ 18,857,921</u>	<u>\$ 57,528,498</u>	<u>\$ 49,733</u>	<u>\$ 289,042,131</u>



# NOTES TO BASIC FINANCIAL STATEMENTS

## HAMILTON COUNTY, TENNESSEE

June 30, 2008

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## NOTES TO BASIC FINANCIAL STATEMENTS

HAMILTON COUNTY, TENNESSEE  
JUNE 30, 2008

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### (1) REPORTING ENTITY

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

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Because of the closeness of their relationship with the primary government (the County), some component units are blended as though they are part of the primary government; however, most component units are discretely presented.

#### Discretely Presented Component Units

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

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

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

**Hamilton County Railroad Authority** – The Railroad Authority (the Authority) was organized under the Railroad Authority Act of the State of Tennessee. The Authority was established on February 20, 2002 for the purpose of improving rail service in Hamilton County. The five-member Board consists of the County Mayor, City of Chattanooga Mayor, one member elected by the Board of County Commissioners, one member elected by the Chattanooga City Council, and the President and CEO of Chattanooga Area Chamber of Commerce. The Authority's Board has final decision-making authority for the entity. The Board of Commissioners must approve any bonds or indebtedness of the Authority. Additional information may be obtained from: Hamilton County Railroad Authority, 625 Walnut St., Room 210, 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.

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

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

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

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

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements, focusing on either the County as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. At June 30, 2008, the County has no business-type activities in the primary government. In the government-wide Statement of Net Assets, the governmental activities (a) are presented on a consolidated basis in a single column and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

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

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

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

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

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

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

**(4) BASIS OF PRESENTATION**

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

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

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

**a) Major Funds:**

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

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

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

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

**b) Other Fund Types:**

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

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

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

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

**c) Non-Current Governmental Assets/Liabilities:**

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

**(5) BASIS OF ACCOUNTING**

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

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

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

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

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

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

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

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

**(6) BUDGET POLICY AND BUDGETARY DATA**

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

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

Public hearings are conducted which allow for taxpayer comments.

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

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

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

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

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

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

**(7) ASSETS, LIABILITIES, AND FUND EQUITY**

**a) Cash and Cash Equivalents**

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

**b) Investments**

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

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

**c) Receivables**

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

**d) Inventories and Prepaid Items**

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

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

**e) Capital Assets**

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

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

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

**f) Fund Balance**

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

**g) Pension Plans**

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

**(8) REVENUES, EXPENDITURES, AND EXPENSES**

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

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

**a) Property Taxes**

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

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

Lien date	January 1, 2007
Levy date	October 1, 2007
Tax bills mailed	October 1, 2007
Payment due dates	October 1, 2007 through February 28, 2008
Delinquency date	March 1, 2008
Tax sale – 2004 delinquent property taxes	June 2008

**b) Grant Revenue**

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

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

**c) Investment Income**

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

**d) Interfund Transactions**

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

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

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

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

**f) Indirect Costs**

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

**g) Estimates**

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

**h) Vacation Pay and Sick Leave**

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

**(9) NET ASSETS**

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

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

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

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

**(10) ACCOUNTING PRONOUNCEMENTS**

The County adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, required for fiscal periods beginning after December 15, 2006, in fiscal 2008. This statement addresses how governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits.

**NOTE B – RESTATEMENT OF PRIOR YEAR BALANCES**

As discussed in Note H, the Hamilton County Department of Education, a component unit, recorded adjustments to beginning net capital assets during the year ended June 30, 2008. As a result, net assets are restated at July 1, 2007 as follows:

	<u>Component Units</u>
Net assets, as previously reported	\$250,603,399
Adjustments to capital assets, net	<u>18,825,475</u>
	<u>\$269,428,874</u>

**NOTE C – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Compliance with Finance Related Legal and Contractual Provisions**

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

**Excess of Expenditures Over Appropriations in Individual Funds**

For the year ended June 30, 2008, the County had no material excess of expenditures over appropriations in individual funds.

**Net Assets/Fund Balance Deficit**

At June 30, 2008, the County has a deficit of \$58,222,559 in unrestricted net assets in the government-wide statement of net assets for governmental activities. This deficit results from the specific reporting requirements of the GASB Statement No. 34 reporting model. The County's government-wide financial statements include the liability for all general obligation bonds. Historically, significant portions of the County's general obligation bonds are issued to acquire, construct, and develop facilities for the Department of Education. These facilities are not recorded as capital assets of the County's governmental activities but are recorded as capital assets of the Department of Education, which is a discretely presented component unit. At June 30, 2008, the County's long-term liabilities include general obligation bonds of \$113,815,059 issued for the Department of Education capital projects.

Due to the nature of capital projects, funding may not be received until after commitments have been fulfilled. Therefore, the capital projects fund may reflect a deficit in unrestricted fund balance. At June 30, 2008, the County had a deficit of \$15,833,094 in unrestricted fund balance in the capital projects fund.

**NOTE D – CASH AND INVESTMENTS**

At June 30, 2008, investments of the primary government (except for Pension Trust Funds) and component units consist of the following:

	Weighted Average Maturity (Years)	Fair Value
Primary Government – Governmental Activities:		
U.S. Government agency securities	1.70	\$ 5,349,690
Investment in local investment pool	0.00	99,539,614
Investment in state investment pool	0.00	29,215,390
Cash balances classified as investments	0.00	<u>15,000</u>
Total	0.07	<u>\$ 134,119,694</u>
Primary Government – Agency Funds:		
U.S. Government agency securities	1.70	\$ 12,520
Investment in local investment pool	0.00	<u>226,912</u>
Total	0.09	<u>\$ 239,432</u>
Component Units:		
U.S. Government agency securities	1.70	\$ 63,674
Investment in local investment pool	0.00	1,204,333
Investment in state investment pool	0.00	<u>4,888,470</u>
Total	0.02	<u>\$ 6,156,477</u>

**Interest rate risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the County purchases investments with maturities of two years or less. The County presents its exposure to interest rate changes using the weighted average maturity method. The County manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to less than one year. The County's policies limit exposure to interest rate risk by requiring sufficient liquidity in the investment portfolio. 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** – The County’s policies are designed to maximize investment earnings while protecting the security of principal and providing adequate liquidity, in accordance with all applicable state laws. At June 30, 2008, the County’s investment in U.S. Government agency securities include Federal Home Loan Bank and Federal National Mortgage Association bonds, which were rated AAA by Moody’s Investor Service. The County also invests in the state investment pool, which is a 2a7-like pool. The state investment pool is not rated.

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

	Moody’s Rating	Fair Value
U.S. Government and agency securities	AAA	\$ 52,379
Domestic corporate bonds	AI	52,292
Domestic corporate bonds	BAA1	25,000
Domestic equity securities	A+	301,275
Domestic equity securities	A	162,713
Domestic equity securities	A-	165,191
Domestic equity securities	B+	245,098
Domestic equity securities	B	208,362
Domestic equity securities	B-	33,944
Domestic equity securities	Not rated	19,175
Mutual funds	Not rated	1,190,557
Foreign equity securities	Not rated	34,276
		<u>\$2,490,262</u>

**NOTE E – RECEIVABLES**

Receivables at June 30, 2008, consist of the following:

Funds	Property Taxes	Patients	Accounts	Inter-Governmental	Allowance for Uncollectibles	Net
<b>Primary Government:</b>						
General	\$116,139,962	\$5,738,204	\$2,071,293	\$ 9,170,552	\$8,644,633	\$124,475,378
Sheriff	-	-	49,237	341,947	-	391,184
Debt service	-	-	45,729	-	-	45,729
Capital projects	-	-	144,858	939,073	-	1,083,931
Internal service	-	-	747,879	-	-	747,879
Nonmajor	-	-	612,100	1,066,340	-	1,678,440
	<u>\$116,139,962</u>	<u>\$5,738,204</u>	<u>\$3,671,096</u>	<u>\$11,517,912</u>	<u>\$8,644,633</u>	<u>\$128,422,541</u>
<b>Component Units:</b>						
Governmental	\$123,986,124	\$ -	\$2,302,394	\$16,582,547	\$7,607,767	\$135,263,298
Proprietary	-	-	751,350	-	-	751,350
	<u>\$123,986,124</u>	<u>\$ -</u>	<u>\$3,053,774</u>	<u>\$16,582,547</u>	<u>\$7,607,767</u>	<u>\$136,014,648</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, 2008.

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

#### **NOTE F – SOLID WASTE DISPOSAL POST CLOSURE CARE COSTS**

The County utilizes the General Fund to account for post closure care costs of the Hamilton County Birchwood Landfill Area 1 and the TVA Model Landfill. The County completed closure of both Area 1 and the TVA Model Landfill in 2001. In accordance with state and federal regulations, the County is required to perform certain maintenance and monitoring functions for thirty years after closure. The estimated liability for post closure care costs of \$240,000 at June 30, 2008, is based on the use of 100% of capacity of both landfill areas. The estimated total current cost of the post closure care of \$240,000 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, 2008. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs and additional costs that might arise from changes in post closure requirements will be covered by appropriations in the General Fund.

#### **NOTE G – COMMITMENTS AND CONTINGENCIES**

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

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

The County has entered into various construction commitments. Such contracts include contracts for improvements to schools, industrial parks, jails, and other facilities related to general government capital projects. Several of these contracts were in progress but not completed as of June 30, 2008. The total contractual commitments outstanding as of June 30, 2008, aggregated approximately \$52,021,238. The County has sufficient funds available to cover these commitments.

**NOTE H – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008, is as follows:

**Primary Government**

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 67,148,537	\$ 352,588	\$ (12,412)	\$ 67,488,713
Construction in progress	<u>43,930,333</u>	<u>89,002,980</u>	<u>(6,624,564)</u>	<u>126,308,749</u>
Total non-depreciable assets	<u>111,078,870</u>	<u>89,355,568</u>	<u>(6,636,976)</u>	<u>193,797,462</u>
Depreciable Assets:				
Buildings	98,099,827	811,822	(3,136)	98,908,513
Improvements other than buildings	22,544,285	154,124	-	22,698,409
Machinery and equipment	38,437,434	4,733,867	(3,188,666)	39,982,635
Infrastructure	<u>144,679,577</u>	<u>-</u>	<u>-</u>	<u>144,679,577</u>
Total depreciable assets	<u>303,761,123</u>	<u>5,699,813</u>	<u>(3,191,802)</u>	<u>306,269,134</u>
Less Accumulated Depreciation for:				
Buildings	(48,178,309)	(2,462,643)	39	(50,640,913)
Improvements other than buildings	(6,471,314)	(1,095,077)	-	(7,566,391)
Machinery and equipment	(29,165,476)	(2,889,778)	1,181,767	(30,873,487)
Infrastructure	<u>(96,625,158)</u>	<u>(3,616,990)</u>	<u>-</u>	<u>(100,242,148)</u>
Total accumulated depreciation	<u>(180,440,257)</u>	<u>(10,064,488)</u>	<u>1,181,806</u>	<u>(189,322,939)</u>
Depreciable Assets, net	<u>123,320,866</u>	<u>(4,364,675)</u>	<u>(2,009,996)</u>	<u>116,946,195</u>
Governmental activities capital assets, net	<u>\$234,399,736</u>	<u>\$84,990,893</u>	<u>\$(8,646,972)</u>	<u>\$310,743,657</u>

**Discretely Presented Component Units**

	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets:				
Land	\$ 16,045,077	\$ -	\$ -	\$ 16,045,077
Construction in progress	<u>3,404,244</u>	<u>-</u>	<u>(643,914)</u>	<u>2,760,330</u>
Total non-depreciable assets	<u>19,449,321</u>	<u>-</u>	<u>(643,914)</u>	<u>18,805,407</u>
Depreciable Assets:				
Buildings	314,003,575	4,718,879	-	318,722,454
Improvements other than buildings	23,141,050	38,333	-	23,179,383
Machinery and equipment	27,261,957	1,580,146	(338,704)	28,503,399
Utility plant	<u>82,149,943</u>	<u>15,455,064</u>	<u>-</u>	<u>97,605,007</u>
Total depreciable assets	<u>446,556,525</u>	<u>21,792,422</u>	<u>(338,704)</u>	<u>468,010,243</u>
Less Accumulated Depreciation for:				
Buildings	(168,419,392)	(5,348,110)	-	(173,767,502)
Improvements other than buildings	(16,930,301)	(313,653)	-	(17,243,954)
Machinery and equipment	(15,656,081)	(2,134,436)	338,117	(17,452,400)
Utility plant	<u>(11,581,244)</u>	<u>(2,482,494)</u>	<u>-</u>	<u>(14,063,738)</u>
Total accumulated depreciation	<u>(212,587,018)</u>	<u>(10,278,693)</u>	<u>338,117</u>	<u>(222,527,594)</u>
Depreciable Assets, net	<u>233,969,507</u>	<u>11,513,729</u>	<u>(587)</u>	<u>245,482,649</u>
Component units capital assets, net	<u>\$253,418,828</u>	<u>\$11,513,729</u>	<u>\$(644,501)</u>	<u>\$264,288,056</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:	
Ambulance	\$ 364,078
Criminal Court	292,233
General Government	1,587,959
Health	271,257
Highway	4,142,341
Juvenile Court	145,776
Public Safety	968,902
Recreation	1,225,703
Sheriff	1,057,052
Social Services	9,187
Total	<u>\$ 10,064,488</u>

Discretely Presented Component Units:	
Education	\$ 6,663,419
Water & wastewater treatment	2,615,090
"911" Emergency communications	1,000,184
Total	<u>\$ 10,278,693</u>

Following the implementation of GASB Statement No. 34 in 2002, the Hamilton County Department of Education continued to expand and refine its capital assets records, and during 2008, reviewed and adjusted the depreciable lives of the capital assets. As a result, net capital assets have been adjusted for the effect of these changes, as follows:

	<u>Component Units</u>
Capital assets, net, as previously recorded	\$234,593,353
Adjustments for change in depreciable lives	<u>18,825,475</u>
Capital assets, net, as restated	<u>\$253,418,828</u>

**NOTE I – EMPLOYEE RETIREMENT SYSTEMS**

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

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

The following is a summary of each of these plans:

**Tennessee Consolidated Retirement Systems**

**(1) Political Subdivision Pension Plan (PSPP)**

**Plan Description:**

Employees of Hamilton County are members of the Political Subdivision Pension Plan (PSPP), an agent, multiple-employer, defined benefit pension plan administered by the TCRS. TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with thirty years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979,

become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Hamilton County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

**Funding Policy:**

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

Hamilton County is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008, was 15.01% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hamilton County is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost:**

For the year ending June 30, 2008, Hamilton County's annual pension cost of \$14,475,166 to TCRS was equal to Hamilton County's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent per year compounded annually; (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries); (c) projected 3.5 percent annual increase in the social security wage base; and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hamilton County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was twelve years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

**Trend Information:**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	\$14,475,166	100.00%	\$ -
6/30/07	13,421,822	100.00%	-
6/30/06	10,971,880	100.00%	-

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

**Plan Description:**

The Hamilton County Schools contribute to the SETHEEPP, a cost sharing, multiple-employer defined benefit pension plan administered by the TCRS. TCRS provides retirement as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's highest five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with thirty years of service. A reduced benefit is available to vested members who are at least age 55 or have twenty-five years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1,

1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at 3 percent.

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

#### **Funding Policy:**

Most teachers are required by state statute to contribute 5 percent of salary to the plan. The employer contribution rate for Hamilton County Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2008 was 6.24% of annual covered payroll. The employer contribution requirement for Hamilton County Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the year ending June 30, 2008, 2007, and 2006 were \$16,362,516, \$15,534,183, and \$14,453,467, respectively, equal to the required contribution for each year.

### **Hamilton County Administered Plans**

#### **Significant Accounting Policies:**

##### **Basis of Accounting**

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

##### **Method Used to Value Investments**

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

#### **Plan Description and Provisions:**

##### **(1) Employees' Pension Plan**

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

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

The normal retirement benefit is 50 percent of the employee's final average earnings, where final average earnings are based on the four-year period of service, which yields the highest arithmetic average of basic salary not in excess of \$800 per month. For employees hired prior to April 15, 1969, normal retirement date is the earlier of (1) completion of twenty-four years of credited service or (2) completion of twenty years of credited service and attainment of age 55. For employees hired thereafter, normal retirement date is the attainment of age 65 and completion of twenty-four years of credited service. In the event of total and permanent disability, participants who are not yet eligible for normal retirement benefits can receive a percentage of their final average earnings, based on their years of credited service at the time of disability. Benefit provisions are established and amended by the Private Acts of Tennessee.

(2) **Commissioners' Pension Plan**

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

(3) **Teachers' Pension Plan**

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

	<u>Employees' Pension Plan</u>	<u>Commissioners' Pension Plan</u>	<u>Teachers' Pension Plan</u>
Retirees and beneficiaries receiving benefits	35	11	11
Vested terminated employees	0	2	0
Active employees:			
Fully vested	0	5	0
Non vested	0	4	0
Actuarial valuation date	June 30, 2007	June 30, 2007	June 30, 2007

**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, 2008 are shown in the following table:

	<u>County Administered Retirement Plans</u>		
	<u>Employees'</u>	<u>Commissioners'</u>	<u>Teachers'</u>
	<u>Private Acts of TN</u>	<u>Private Acts of TN</u>	<u>Pension Board</u>
Contribution authorization:	Private Acts of TN	Private Acts of TN	Pension Board
How contributions are determined:	Actuarially	Actuarially	Actuarially
Required contribution rate:			
Active employees	6.4%	N/A	N/A
Employer	-	\$ 75,258	-
Other contributing entities	N/A	N/A	-
Actual contributions:			
Employees	-	-	\$ 21,300
Employer	-	\$ 75,258	-
Other contributing entities	N/A	N/A	-
Date of last actuarial valuation	June 30, 2007	June 30, 2007	June 30, 2007
Actuarial valuation date for current contributions	June 30, 2007	June 30, 2007	June 30, 2007
Actual assumptions:			
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Method for actuarial value of assets	Market Value	Market Value	Market Value
Inflation rate	N/A	N/A	N/A
Investment return	7.5%	6.0%	5.0%
Projected salary increases	N/A	4.0%	N/A
Amortization:			
Method	Level Dollar	Level Dollar	Level Dollar
Period	30 years open	5-10 years open	30 years open

**Annual Pension Cost:**

For the year ended June 30, 2008, no employer contributions were made for the Employees' and Teachers' Pension Plans. Contributions to the Commissioners' Pension Plan and Teachers' Pension Plan totaled \$96,558.

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

	Employees' Pension Plan	Commissioners' Pension Plan	Teachers' Pension Plan
Annual required contribution	\$ -	\$ 52,431	\$ 605
Interest on net pension obligation (asset)	(24,553)	(7,352)	(53,641)
Adjustment to annual required contribution	<u>47,694</u>	<u>16,648</u>	<u>160,236</u>
Annual pension cost	23,141	61,727	107,200
Contributions made	<u>-</u>	<u>(75,258)</u>	<u>(21,300)</u>
Increase in net pension obligation (asset)	23,141	(13,531)	85,900
Net pension obligation (asset) at beginning of year	<u>(327,374)</u>	<u>(122,534)</u>	<u>(1,072,823)</u>
Net pension obligation (asset) at end of year	\$ <u>(304,233)</u>	\$ <u>(136,065)</u>	\$ <u>(986,923)</u>

**Trend Information:**

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Employees' Plan:	6/30/07	\$24,901	0.0%	\$ (327,374)
	6/30/06	1,558	0.0%	(352,275)
	6/30/05	1,564	0.0%	(353,833)
Commissioners' Plan:	6/30/07	57,514	130.9%	(122,534)
	6/30/06	30,844	244.0%	(104,790)
	6/30/05	27,497	218.2%	(60,376)
Teachers' Plan:	6/30/07	92,662	0.0%	(1,072,823)
	6/30/06	9,728	0.0%	(1,165,485)
	6/30/05	10,676	78.2%	(1,175,213)

**Financial Reports:**

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

**COMBINING STATEMENT OF PLAN NET ASSETS**

	<u>Employees'</u> <u>Pension</u>	<u>Commissioners'</u> <u>Pension</u>	<u>Teachers'</u> <u>Pension</u>	Total Pension Trust Funds
<b>ASSETS</b>				
Cash	\$ (86,161)	\$ 148,868	\$ -	\$ 62,707
Certificate of deposit	-	-	76,715	76,715
Investments, at fair value:				
Domestic corporate bonds	77,292	-	-	77,292
Mutual funds	887,733	302,824	-	1,190,557
Domestic equity securities	1,135,758	-	-	1,135,758
Foreign securities	34,276	-	-	34,276
U.S. government securities	<u>52,379</u>	<u>-</u>	<u>-</u>	<u>52,379</u>
Total investments	<u>2,187,438</u>	<u>302,824</u>	<u>-</u>	<u>2,490,262</u>
Due from others	-	-	1,949	1,949
Interest receivable	<u>2,873</u>	<u>-</u>	<u>61</u>	<u>2,934</u>
Total receivable	<u>2,873</u>	<u>-</u>	<u>2,010</u>	<u>4,883</u>
 Total assets	 <u>2,104,150</u>	 <u>451,692</u>	 <u>78,725</u>	 <u>2,634,567</u>
<b>LIABILITIES</b>				
Accrued items	<u>-</u>	<u>-</u>	<u>4,018</u>	<u>4,018</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>4,018</u>	<u>4,018</u>
<b>NET ASSETS</b>				
Held in trust for pension benefits	<u>\$ 2,104,150</u>	<u>\$ 451,692</u>	<u>\$ 74,707</u>	<u>\$ 2,630,549</u>

**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS**

	<u>Employees'</u> <u>Pension</u>	<u>Commissioners'</u> <u>Pension</u>	<u>Teachers'</u> <u>Pension</u>	Total Pension Trust Funds
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ -	\$ 75,258	\$ -	\$ 75,258
Members	<u>-</u>	<u>-</u>	<u>21,300</u>	<u>21,300</u>
Total contributions	<u>-</u>	<u>75,258</u>	<u>21,300</u>	<u>96,558</u>
Investment earnings:				
Net increase (decrease) in fair value of investments	(135,550)	-	-	(135,550)
Interest	<u>29,778</u>	<u>11,393</u>	<u>3,481</u>	<u>44,652</u>
Net investment income (loss)	<u>(105,772)</u>	<u>11,393</u>	<u>3,481</u>	<u>(90,898)</u>
 Total additions	 <u>(105,772)</u>	 <u>86,651</u>	 <u>24,781</u>	 <u>5,660</u>
<b>DEDUCTIONS</b>				
Benefits	156,398	46,330	42,600	245,328
Consulting fees	2,780	2,780	2,780	8,340
Miscellaneous expense	5	-	250	255
Administrative expense	<u>17,149</u>	<u>-</u>	<u>-</u>	<u>17,149</u>
Total deductions	<u>176,332</u>	<u>49,110</u>	<u>45,630</u>	<u>271,072</u>
 Change in net assets	 (282,104)	 37,541	 (20,849)	 (265,412)
Net assets, beginning	<u>2,386,254</u>	<u>414,151</u>	<u>95,556</u>	<u>2,895,961</u>
 Net assets, ending	 <u>\$ 2,104,150</u>	 <u>\$ 451,692</u>	 <u>\$ 74,707</u>	 <u>\$ 2,630,549</u>

## NOTE J – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

### (1) Plan Description:

#### Primary Government

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

#### Department of Education

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

### (2) Funding Policy:

#### Primary Government

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

#### Department of Education

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

### (3) Annual OPEB Cost and Net OPEB Obligation:

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

	Primary Government	Department of Education	Total
Annual required contribution	\$ 2,582,000	\$ 7,447,000	\$ 10,029,000
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	(253,584)	(1,486,264)	(1,739,848)
Annual OPEB cost (expense)	2,328,416	5,960,736	8,289,152
Contributions made	(759,416)	(4,137,736)	(4,897,152)
Increase (decrease) in net OPEB obligation	1,569,000	1,823,000	3,392,000
Net OPEB obligation beginning of year	-	-	-
Net OPEB obligation end of year	\$ <u>1,569,000</u>	\$ <u>1,823,000</u>	\$ <u>3,392,000</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plans, and the net OPEB obligation for the current year was as follows:

Annual OPEB cost	\$ 2,328,416	\$ 5,960,736	\$ 8,289,152
Percentage of annual OPEB cost contributed	32.62%	69.42%	59.08%
Net OPEB obligation	\$ 1,569,000	\$ 1,823,000	\$ 3,392,000

#### (4) Funded Status and Funding Progress

##### Primary Government

As of January 1, 2007, the most recent actuarial valuation date, the County employees post retirement medical insurance benefits plan was 0% funded. The actuarial accrued liability for benefits was \$23,226,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,226,000. The covered payroll (annual payroll of active employees covered by the plan) was \$56,451,000, and the ratio of the UAAL to the covered payroll was 41.14%. The primary government is in the process of establishing a trust and will fund the annual required contribution. For the year ended June 30, 2008, a budgeted expenditure of \$1,600,000 was included in the General Fund.

##### Department of Education

As of January 1, 2007, the most recent actuarial valuation date, the Department of Education employees post retirement medical and dental insurance benefits plan was 0% funded. The actuarial accrued liability for benefits was \$75,988,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$75,988,000. The covered payroll (annual payroll of active employees covered by the plan) was \$169,692,000, and the ratio of the UAAL to the covered payroll was 44.78%. The Department of Education will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the Department will not fund the remaining portion of the annual required contribution.

#### (5) Actuarial Valuations

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

#### (6) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plans (the Plans as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term

volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2007 valuations for both Plans, the entry age actuarial cost method was used. The actuarial assumptions included a 0% rate of return because the County has not begun funding the Plans. Other key assumptions are as follows:

	<b>Primary Government</b>	<b>Department of Education</b>
Annual medical costs, first year	11%	10%
Future annual increases - medical	5% over a 6-year period	5% over a 5-year period
Dental	N/A	Capped at \$1,000/year
UAAL amortization period	30 years	30 years

**NOTE K – LONG-TERM LIABILITIES**

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

**General Obligation Bonds** – Hamilton County periodically issues general obligation bonds for the acquisition and construction of major capital facilities. These bonds are direct obligations and are backed by the full faith and credit of the County. These bonds are generally issued as 15- to 30- year serial bonds with the 15-year term being prevalent for the last few years. General obligation bonds are summarized by issue as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Amount Due Within One Year</u>
General Improvement, Series 1997 School, Series 1997	5.0%	\$ 155,108	\$ 155,108
General Improvement, Series 1998-A School, Series 1998-A	5.0%	3,374,892	3,374,892
General Improvement, Series 1998-B School, Series 1998-B	4.5 – 4.55%	2,130,526	1,065,263
General Improvement, Series 2000 School, Series 2000	4.5 – 4.55%	399,474	199,737
General Improvement, Series 2002 School, Series 2002	4.4 – 5.10%	5,360,000	210,000
General Improvement, Series 2004 School, Series 2004	5.0%	1,200,566	600,283
General Improvement, Series 2008-A School, Series 2008-A	5.0%	5,869,434	2,934,717
General Improvement, Series 2008-B School, Series 2008-B	4.0%	1,202,500	606,250
Water & Wastewater Treatment Authority, Series 2004	4.0%	3,607,500	1,818,750
	4.125 – 5.00%	13,933,334	1,266,666
	4.125 – 5.00%	8,066,666	733,334
	4.0 – 5.00%	33,000,000	2,201,134
	4.0 – 5.0%	64,000,000	4,268,866
	4.0 – 5.00%	8,317,907	-
	4.0 – 5.0%	28,497,093	-
	4.0 – 5.00%	<u>9,145,000</u>	<u>215,000</u>
<b>Total payable from the Debt Service Fund</b>		<b><u>\$188,260,000</u></b>	<b><u>\$19,650,000</u></b>

**Note Payable and Other Debt** – The County entered into a Loan Agreement (the “Agreement”) with the Public Building Authority of the County of Montgomery, Tennessee (the “Authority”) on February 2, 1996. This Agreement reserved funds for the County in the amount of \$9,500,000 (the “Loan”) from the proceeds of the Authority’s Adjustable Rate Pooled Financing Revenue Bonds (Tennessee County Loan Pool), Series 1995. The County is obligated under the Agreement to repay the Loan in installments consisting of (i) principal repayments payable annually for a 15-year term in certain amounts and on certain dates as specified in the Agreement and (ii) interest and certain expenses calculated and billed at the rate or rates and on the date or dates as specified in the Agreement. The Loan is a direct general obligation of the County and as such, the full faith, credit, and taxing power of the County are irrevocably pledged for its payment. The County has withdrawn \$9,500,000 of the Funds reserved to fund certain public work projects and the incidental and necessary expenses related thereto. At June 30, 2008, the balance due per the Agreement was \$2,553,400, of which \$806,000 is due within one year.

The County entered into another Loan Agreement (the "Agreement") with the Public Building Authority of the County of Montgomery, Tennessee (the "Authority") on February 17, 1999. This Agreement reserves funds for the County in the amount of \$9,000,000 (the "Loan") from the proceeds of the Authority's adjustable Rate Pooled Financing Revenue Bonds (Tennessee County Loan Pool), Series 1997. The County is obligated under the Agreement to repay the Loan in installments consisting of (i) principal repayments payable annually for a 14-year term in certain amounts and on certain dates as specified in the Agreement, and (ii) interest and certain expenses calculated and billed at the rate or rates and on the date or dates as specified in the Agreement. The Loan is a direct general obligation of the County and as such, the full faith, credit, and taxing power of the County are irrevocably pledged for its payment. As of June 30, 2008, the County has withdrawn \$8,998,350 of the Funds reserved to fund certain public works projects and the incidental and necessary expenses related thereto. At June 30, 2008, the balance due per the Agreement was \$4,465,000, of which \$673,000 is due within one year.

The County has a long-term Agreement with the Corrections Corporation of America ("CCA") for the management of the Hamilton County Penal Farm. This Agreement requires the County to make annual payments through 2013. The County's obligation under this Agreement is a direct general obligation of the County and as such, the full faith, credit, and taxing power of the County are irrevocably pledged for its payment. At June 30, 2008, the County's remaining obligation for this Agreement was \$1,417,734, of which \$267,005 is due within one year.

The County has entered into Agreements with certain municipalities within Hamilton County to fund a portion of the municipalities' debt obligations. These Agreements include obligations to the City of Chattanooga for the University of Tennessee at Chattanooga Stadium project, the Memorial Auditorium project, and the Bessie Smith Hall project. The County also has an Agreement with the City of East Ridge for the Camp Jordan Park project. These Agreements represent 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. At June 30, 2008, the County's remaining obligations to the City of Chattanooga total \$3,125,000, of which \$332,500 is due within one year. Remaining obligations to the City of East Ridge total \$90,000, of which \$90,000 is due within one year.

The County entered into a Loan Agreement (the "Agreement") with the Tennessee State School Bond Authority (the "Authority"), pursuant to TCA Sections 49-3-1202 et seq. as amended (the "Act") December 20, 2003. This Agreement reserves funds for the County in the amount of \$1,365,000 (the Loan) from the proceeds of the Authority's Qualified Zone Academy Bonds (the "Bonds"), Series 2003. The County is obligated under the Agreement to repay the Loan in installments consisting of principal and administrative expenses payable annually for a 15-year term in certain amounts and on certain dates as specified in the Agreement. The Loan is a direct general obligation of the County and as such, the full faith, credit and taxing power of the County are irrevocably pledged for its repayment. For the purpose of providing funds to finance the cost of the Projects, including the payment of legal and fiscal cost incident to the issuance and sale of the Bonds and the Loan Agreement and making and receiving the loan from the Authority, the Hamilton County Department of Education, on behalf of the County, shall make annual payments of principal in amounts equal to approximately level debt service payable in the years 2004 through 2018. The loan shall not bear interest. As of June 30, 2008, the County has withdrawn \$1,361,000 of the funds reserved. At June 30, 2008, the County's remaining obligation was \$998,068, of which \$90,733 is due within one year.

In August, 2006, the Board of Commissioners approved a resolution authorizing the issuance of bond anticipation notes in the form of commercial paper in an aggregate principal amount not to exceed \$125,000,000. Under the terms of the commercial paper agreements, all commercial paper reaching maturity is refinanced through the issuance of replacement short-term commercial paper debt, and the County is obligated to make monthly interest payments on the debt. At June 30, 2008, the County has withdrawn \$77,000,000 under the commercial paper agreement. Of that amount, the County has converted \$52,000,000 into general obligation bonds. \$25,000,000 is outstanding at June 30, 2008, bearing interest at the rates of 1.15-1.45%.

In April 2008, the County issued general obligation bonds, Series 2008, in the amount of \$97,000,000 for the purpose of funding capital projects for the Department of Education in the amount of \$64,000,000 and for general government projects in the amount of \$33,000,000. The Series 2008 bonds were issued at a premium of \$4,419,167, which is being amortized over the life of the bonds.

In April 2008, the County also issued general obligation refunding bonds, Series 2008B, in the amount of \$36,815,000 for the purpose of refunding certain callable general obligation bonds with par amounts totaling \$36,860,000 from Series, 1997A, Series, 1998A, and Series 2000. The Series 2008A bonds were issued at a premium of \$1,893,914, which is being amortized over the life of the bonds.

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:		
2009	\$ 19,650,000	\$ 7,900,166
2010	19,745,000	7,292,852
2011	17,355,000	6,464,007
2012	17,380,000	5,618,770
2013	13,760,000	4,887,170
2014-2018	56,560,000	16,590,032
2019-2023	37,800,000	6,271,169
2024-2028	2,900,000	1,054,422
2029-2033	2,530,000	498,944
2034	<u>580,000</u>	<u>26,970</u>
	<u>\$ 188,260,000</u>	<u>\$ 56,604,502</u>
Notes Payable and Other Debt:		
2009	\$ 27,259,238	\$ 218,998
2010	2,255,538	185,585
2011	2,345,338	151,652
2012	1,500,469	115,312
2013	1,548,238	86,578
2014-2018	2,649,643	96,709
2019	<u>90,738</u>	<u>-</u>
	<u>\$ 37,649,202</u>	<u>\$ 854,834</u>

**Changes in Long-term Liabilities** – During the year ended June 30, 2007, the following changes occurred in long-term liabilities:

	<u>Balance July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
<b>Primary Government-Governmental Activities</b>					
General obligation bonds	\$107,730,000	\$133,815,000	\$ 53,285,000	\$188,260,000	\$19,650,000
Notes payable and other debt	39,989,671	52,000,000	54,340,469	37,649,202	27,259,238
Landfill post closure costs	250,000	-	10,000	240,000	10,000
Compensated absences	<u>13,730,987</u>	<u>5,689,975</u>	<u>4,669,697</u>	<u>14,751,265</u>	<u>2,334,848</u>
	161,700,658	191,504,975	112,305,166	240,900,467	<u>\$49,254,086</u>
Net deferred premium	<u>1,195,863</u>	<u>6,313,081</u>	<u>353,438</u>	<u>7,155,506</u>	
	<u>\$162,896,521</u>	<u>\$197,818,056</u>	<u>\$112,658,604</u>	<u>\$248,055,973</u>	
<b>Component Units:</b>					
Notes payable and other debt	\$15,348,994	\$ 2,006,275	\$ 880,350	\$16,474,919	\$ 874,538
Compensated absences	<u>12,835,597</u>	<u>-</u>	<u>961,113</u>	<u>11,874,484</u>	<u>2,371,893</u>
	<u>\$28,184,591</u>	<u>\$ 2,006,275</u>	<u>\$ 1,841,463</u>	<u>\$28,349,403</u>	<u>\$3,246,431</u>

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

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

Total reductions in Long-Term Liabilities for Governmental Activities above exceed principal retirement expenditures in the Debt Service Fund by the amount of Hotel/Motel taxes that are used to reduce the County's obligations to other municipalities (\$245,000 in 2008), landfill post-closure care costs paid from the General Fund and compensated absences used during the year.

**NOTE L – CONSTITUTIONAL OFFICERS**

Certain operating expenditures of the Constitutional Officers for the year ended June 30, 2008, 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	\$748,564	\$ 289,141	\$ 11,820	\$ 1,049,525
Clerk and Master	516,618	185,015	15,523	717,156
County Clerk	1,381,722	254,029	13,233	1,648,984
Criminal Court Clerk	1,028,677	122,718	14,985	1,166,380
Juvenile Court Clerk	-	-	13,434	13,434
Register	305,722	80,593	1,481	387,796
Sheriff	-	-	747,859	747,859
Trustee	260,300	87,335	1,159	348,794
Election Commission	1,213,124	276,317	8,904	1,498,345
Assessor of property	<u>2,847,688</u>	<u>312,648</u>	<u>41,484</u>	<u>3,201,820</u>
	<u>\$ 8,302,415</u>	<u>\$1,607,796</u>	<u>\$869,882</u>	<u>\$10,780,093</u>

**NOTE M – 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, 2008, there were a total of 63 series outstanding (60 series of Industrial Revenue Bonds and 3 series of Mortgage Revenue Bonds). The aggregate principal amount payable for 6 Industrial Revenue Bond series issued after July 1, 1995, was \$4,668,288.

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

**NOTE 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 assets.

<u>Receivable Primary Government</u>	<u>Payable Primary Government</u>	<u>Amount</u>
General Fund	Sheriff	\$ 10,750
General Fund	Capital Projects	15,788
General Fund	Nonmajor Governmental Funds	1,254,220
Sheriff	General Fund	165,577
Sheriff	Nonmajor Governmental Funds	252
Debt Service	Capital Projects	15,000
Debt Service	Nonmajor Governmental Funds	11,315
Nonmajor Governmental Funds	General Fund	<u>113,576</u>
		<u>\$ 1,586,478</u>

<u>Receivable Primary Government</u>	<u>Payable Component Units</u>	<u>Amount</u>
Capital Projects Fund	Water & Wastewater Authority	\$ 6,500,000
General Fund	Water & Wastewater Authority	160,954
General Fund	General Purpose School	1,079,344
General Fund	Centralized Cafeteria	22,565
General Fund	"911" Emergency Communication	<u>620</u>
		<u>\$ 7,763,483</u>

<u>Receivable Component Units</u>	<u>Payable Component Units</u>	<u>Amount</u>
Education Capital Projects	General Purpose School	\$ 2,946,919
General Purpose School	Centralized Cafeteria	922,437
General Purpose School	BOE Payroll Fund	1,778
BOE Internal Service	Education Capital Projects	10,887
BOE Internal Service	General Purpose School	8,262,286
BOE Internal Service	Centralized Cafeteria	<u>1,225,774</u>
		<u>\$13,370,081</u>

**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	Debt Service	\$ 285,000
General Fund	Nonmajor Governmental Funds	9,747,004
Sheriff	General Fund	22,824,594
Debt Service	General Fund	21,355,568
Debt Service	Nonmajor Governmental Funds	323,143
Nonmajor Governmental Funds	General Fund	1,461,732
Capital Projects	Debt Service	<u>148,339</u>
		<u>\$56,145,380</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 has been repaid. In accordance with the lease agreement, the County has a one-third equity interest in the Corporation.

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

Condensed financial information for the Carter Street Corporation as of June 30, 2008, is as follows:

<b>ASSETS</b>	
Cash	\$ 743,931
Accounts receivable	317,246
Inventories	104,548
Prepaid expenses	61,920
Premises and equipment	11,525,940
Other assets	<u>14,500</u>
Total assets	<u>\$ 12,768,085</u>
<b>LIABILITIES AND FUND EQUITY</b>	
<b>LIABILITIES</b>	
Accounts payable and accrued items	\$ 170,703
Deferred revenues	10,000
Advance deposits	<u>51,882</u>
Total liabilities	<u>232,585</u>
<b>NET ASSETS</b>	
Invested in capital assets, Net of related debt	11,525,940
Unrestricted	<u>1,009,560</u>
Total net assets	<u>12,535,500</u>
Total liabilities and net assets	<u>\$ 12,768,085</u>

Schedule of Revenues, Expenses and Changes in Fund Equity:

Total operating revenues	\$ 6,176,061
Total operating expenses	<u>7,096,042</u>
Loss from operations	(919,981)
Non-operating revenues	260,970
Non-operating expenses	<u>-</u>
Net income	(659,011)
Net assets at July 1, 2007	<u>13,194,511</u>
Net assets at June 30, 2008	<u>\$ 12,535,500</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.

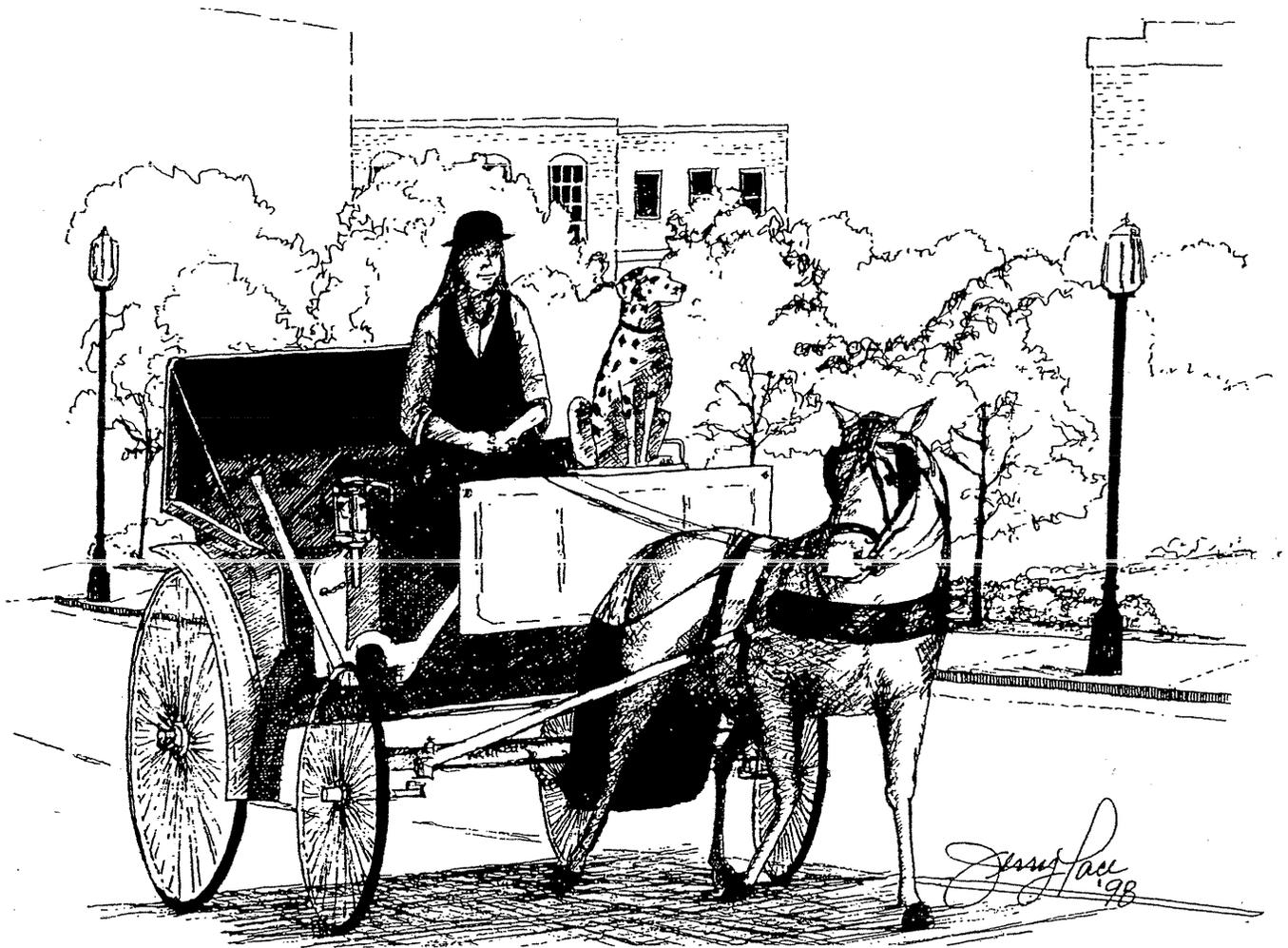
The County is self-funded for liability, on-the-job injuries, errors and omissions, unemployment compensation and the first \$25,000 per incident on property and boiler/machinery claims. The County has an excess liability policy with limits of \$1,000,000 per occurrence and a \$600,000 retention covering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

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

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated and periodically reevaluated, 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, 2006	\$ 841,945	\$ 5,724,345
Incurred claims	575,134	22,899,142
Claims payments	<u>(561,294)</u>	<u>(24,232,003)</u>
Unpaid claims, June 30, 2007	855,785	4,391,484
Incurred claims	9,120,111	28,593,629
Claims payments	<u>(6,558,759)</u>	<u>(28,344,912)</u>
Unpaid claims, June 30, 2008	<u>\$ 3,417,137</u>	<u>\$ 4,640,201</u>

At June 30, 2008, the Hamilton County Internal Service Fund has net assets of \$19,061,313, and the Department of Education Internal Service Fund has net assets of \$11,900,135. These net assets balances are designated for future catastrophic losses.



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

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2008**

Schedule of Funding Progress

(Dollar amounts in thousands)

Tennessee Consolidated Retirement System

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

Hamilton County Administered Plans

Actuarial Valuation Date (entry age normal)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
Employees' Retirement -						
06/30/07	2,256	1,083	(1,173)	208.4%	0	N/A
06/30/05	2,380	1,249	(1,131)	190.5%	0	N/A
06/30/03	2,539	1,413	(1,126)	179.7%	0	N/A
Commissioners' Retirement -						
06/30/07	414	652	238	63.5%	192	124.2%
06/30/05	330	614	284	53.8%	166	170.5%
06/30/03	465	488	23	95.3%	0	N/A
Teachers' Retirement -						
06/30/07	95	100	5	95.2%	0	N/A
06/30/05	151	151	0	100.0%	0	N/A
06/30/03	217	233	16	93.1%	0	N/A

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

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2008**

Schedule of Employer Contributions

Tennessee Consolidated Retirement System

Year Ended June 30	PSPP		SETHEPP	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2008	\$ 14,475,166	100.0%	\$ 16,362,516	100.0%
2007	13,421,822	100.0%	15,534,183	100.0%
2006	10,971,880	100.0%	14,453,467	100.0%
2005	10,027,369	100.0%	13,850,969	100.0%
2004	7,600,075	100.0%	11,325,694	100.0%
2003	7,437,867	100.0%	10,942,201	100.0%

Hamilton County Administered Plans

Year Ended June 30	Employees' Retirement		Commissioners' Retirement		Teachers' Retirement	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2008	\$ -	0.0%	\$ 52,431	0.0%	\$ 605	0.0%
2007	-	0.0%	49,563	151.8%	-	0.0%
2006	-	0.0%	30,454	247.1%	-	0.0%
2005	-	0.0%	27,317	219.6%	928	900.1%
2004	-	0.0%	27,317	18.6%	928	900.1%
2003	-	0.0%	1,194	0.0%	3,418	1707.6%

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS**

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2008**

Schedule of Funding Progress

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
County employees post retirement medical insurance benefits						
07/01/07	\$ -	\$ 23,226	\$ 23,226	0.00%	\$ 56,451	41.14%
Department of Education post retirement medical and dental insurance benefits						
07/01/07	\$ -	\$ 75,988	\$ 75,988	0.00%	\$ 169,692	44.78%

## **NOTE TO SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION**

### **HAMILTON COUNTY, TENNESSEE**

**June 30, 2008**

### **PUBLIC EMPLOYEE RETIREMENT SYSTEMS**

#### Actuarial Information of the County Administered Plans

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

### **OTHER POSTEMPLOYMENT BENEFITS**

#### Actuarial information of the County employees post retirement medical insurance benefits

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

#### Actuarial information of the Department of Education post retirement medical and dental insurance benefits

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

## **GENERAL FUND**

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

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND DETAIL**

**HAMILTON COUNTY, TENNESSEE  
Year ended June 30, 2008**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 116,184,980	\$ 116,184,980	\$ 116,826,407	\$ 641,427
Local sales tax	13,865,784	13,865,784	13,361,357	(504,427)
Business taxes	4,745,000	4,745,000	4,980,398	235,398
Wholesale beer tax	700,000	700,000	715,603	15,603
Total taxes	<u>135,495,764</u>	<u>135,495,764</u>	<u>135,883,765</u>	<u>388,001</u>
Licenses and permits	<u>1,067,500</u>	<u>1,067,500</u>	<u>797,046</u>	<u>(270,454)</u>
Intergovernmental revenues:				
State of Tennessee	15,696,652	17,722,698	18,338,561	615,863
United States Government	2,462,923	3,457,039	2,105,376	(1,351,663)
Cities	<u>1,791,355</u>	<u>1,864,855</u>	<u>1,758,046</u>	<u>(106,809)</u>
Total intergovernmental revenues	<u>19,950,930</u>	<u>23,044,592</u>	<u>22,201,983</u>	<u>(842,609)</u>
Charges for services:				
Health department	11,800,283	11,800,283	10,537,893	(1,262,390)
Other	<u>1,795,371</u>	<u>1,795,371</u>	<u>1,700,263</u>	<u>(95,108)</u>
Total charges for services	<u>13,595,654</u>	<u>13,595,654</u>	<u>12,238,156</u>	<u>(1,357,498)</u>
Fines, forfeitures and penalties	<u>1,288,301</u>	<u>1,288,301</u>	<u>1,106,095</u>	<u>(182,206)</u>
Investment earnings	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,795,707</u>	<u>(4,293)</u>
Miscellaneous	<u>4,128,994</u>	<u>4,141,994</u>	<u>4,692,778</u>	<u>550,784</u>
Total revenues	<u>177,327,143</u>	<u>180,433,805</u>	<u>178,715,530</u>	<u>(1,718,275)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
County Clerk	1,637,417	1,637,417	1,635,968	1,449
Register	549,061	549,061	499,979	49,082
County Trustee	377,406	377,406	342,635	34,771
Assessor of Property	3,242,855	3,242,855	3,316,611	(73,756)
District Attorney General	1,009,220	1,009,220	814,454	194,766
Election Commission	1,569,366	1,807,139	1,498,345	308,794
Board of Equalization	2,000	2,000	340	1,660
Soil Conservation	103,228	103,228	109,374	(6,146)
Agricultural Department	216,910	221,785	204,785	17,000
County-City Planning Commission	920,195	920,195	920,195	-

(continued)

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

**HAMILTON COUNTY, TENNESSEE**  
**Year ended June 30, 2008**

	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	\$ 61,579	\$ 66,579	\$ 66,579	\$ -
CARTA	100,200	100,200	100,200	-
Economic Development	560,000	560,000	560,000	-
Representative-General Assembly	10,500	10,500	9,783	717
Utilities	1,754,366	1,754,366	1,652,767	101,599
County Board of Commissioners	643,921	673,331	609,632	63,699
County Mayor	625,601	625,601	606,696	18,905
County Auditor	2,362,900	2,362,900	2,319,639	43,261
Chief of Staff	357,904	357,904	354,223	3,681
Chief Reading Officer	208,536	208,536	215,173	(6,637)
County Attorney	805,066	805,066	700,363	104,703
Emp Assistance Program	22,300	22,300	21,595	705
Human Resources	694,401	694,401	660,410	33,991
Insurance	165,000	165,000	120,096	44,904
Employee Benefits	2,118,559	2,118,559	1,725,852	392,707
Trustee's Commission	2,574,877	2,574,877	2,717,043	(142,166)
External Audits	245,000	245,000	220,772	24,228
TSCA Dues	9,937	9,937	9,937	-
NACO Dues	6,599	6,599	6,419	180
Equal Employment Opportunity	55,000	55,000	50,381	4,619
Finance Administrator	233,095	233,095	231,250	1,845
Accounting	1,868,331	1,868,331	1,769,516	98,815
Financial Management	389,905	389,905	394,036	(4,131)
Information Technology Services	2,915,544	2,915,544	2,840,829	74,715
Purchasing	391,366	391,366	380,642	10,724
Geographic Information System	609,018	657,518	716,814	(59,296)
Custodial Services	1,437,132	1,437,132	1,419,775	17,357
Real Property	357,769	357,769	311,829	45,940
Recycling	190,465	208,243	167,428	40,815
Human Services Administrator	200,118	200,118	199,696	422
Development Services	454,039	1,754,570	1,294,906	459,664
Maintenance	2,537,003	2,537,003	2,522,844	14,159
Railroad Authority	119,045	119,045	122,594	(3,549)
Telecommunications supplies	-	-	234,848	(234,848)
Summer Youth Development	-	199,859	113,712	86,147
Total general government	<u>34,712,734</u>	<u>36,556,460</u>	<u>34,790,965</u>	<u>1,765,495</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE**  
**Year ended June 30, 2008**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
Public safety:				
Medical Examiner	\$ 893,593	\$ 893,593	\$ 967,883	\$ (74,290)
Criminal Court Clerk	1,242,646	1,259,711	1,162,800	96,911
Public Defender	476,225	476,225	425,887	50,338
General Sessions Court	1,152,785	1,152,785	1,156,818	(4,033)
Juries	200,000	200,000	209,678	(9,678)
Court Judges	446,392	446,392	443,347	3,045
Judicial Commission Magistrates	235,693	235,693	333,623	(97,930)
Juvenile Crime Prosecution	38,236	38,236	29,135	9,101
Forest Fire Prevention	4,000	4,000	4,000	-
Juvenile Court	6,761,130	6,761,130	6,344,345	416,785
Humane Education Society	299,434	365,255	365,255	-
Certified Cost Reimbursement	905,600	905,600	811,813	93,787
Building Inspection	927,264	927,264	870,587	56,677
Emergency Services	2,392,949	4,219,797	2,692,101	1,527,696
Community Corrections Program	14,644,552	14,689,552	13,235,720	1,453,832
Litter Grant	441,957	441,957	462,367	(20,410)
911 Emergency Communications	-	-	215,551	(215,551)
Community Gun Violence Grant	-	-	454	(454)
Security Services	735,232	735,232	736,031	(799)
Volunteer Emergency Services	168,349	168,349	171,761	(3,412)
Ambulance Services	7,769,024	7,769,024	8,226,422	(457,398)
Total public safety	<u>39,735,061</u>	<u>41,689,795</u>	<u>38,865,578</u>	<u>2,824,217</u>
Highways and streets:				
Public Works Administrator	207,454	207,454	203,020	4,434
Engineering Services	3,582,363	3,582,363	3,168,460	413,903
Highway	9,190,722	9,190,722	8,684,356	506,366
Total highways and streets	<u>12,980,539</u>	<u>12,980,539</u>	<u>12,055,836</u>	<u>924,703</u>
Health:				
Air Pollution Control	188,548	188,548	188,548	-
Baroness Erlanger Hospital	3,000,000	3,000,000	3,000,000	-
Health Department	19,656,752	19,779,072	18,243,048	1,536,024
Total health	<u>22,845,300</u>	<u>22,967,620</u>	<u>21,431,596</u>	<u>1,536,024</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE**  
**Year ended June 30, 2008**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES--(continued):</b>				
Current--(continued):				
Social services:				
Clerk and Master	\$ 724,450	\$ 724,450	\$ 701,971	\$ 22,479
Circuit Court Clerk	1,055,667	1,055,667	1,037,940	17,727
Title XX	460,951	460,951	460,950	1
Alexian Senior Neighbors	10,000	10,000	10,000	-
Urban League	50,000	50,000	48,305	1,695
Emergency Support Programs	222,739	222,739	220,571	2,168
Chattanooga Endeavors	17,000	17,000	14,278	2,722
Chattanooga Homeless Coalition	13,500	13,500	13,500	-
Children's Services	<u>3,376,916</u>	<u>3,416,670</u>	<u>2,855,967</u>	<u>560,703</u>
Total social services	<u>5,931,223</u>	<u>5,970,977</u>	<u>5,363,482</u>	<u>607,495</u>
Culture and recreation:				
Bethlehem Sports Academy	15,000	15,000	15,000	-
Public Library	2,487,660	2,487,660	2,487,660	-
City Beautiful Commission	22,888	22,888	22,888	-
Allied Arts	150,000	150,000	150,000	-
Friends of Moccassin Bend	-	30,000	30,000	-
WTCI Public Television	30,000	30,000	30,000	-
Regional History Museum	28,000	28,000	28,000	-
Bessie Smith Museum	57,019	57,019	42,764	14,255
Heritage Hall	64,000	64,000	64,000	-
Parks and Recreation Department	<u>6,517,064</u>	<u>6,517,064</u>	<u>6,071,894</u>	<u>445,170</u>
Total culture and recreation	<u>9,371,631</u>	<u>9,401,631</u>	<u>8,942,206</u>	<u>459,425</u>
Capital outlay	<u>4,153,591</u>	<u>4,448,257</u>	<u>3,043,626</u>	<u>1,404,631</u>
Total budgetary expenditures	<u>129,730,079</u>	<u>134,015,279</u>	<u>124,493,289</u>	<u>9,521,990</u>
Excess of revenues over expenditures	<u>47,597,064</u>	<u>46,418,526</u>	<u>54,222,241</u>	<u>7,803,715</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE**  
**Year ended June 30, 2008**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 9,334,389	\$ 9,334,389	\$ 10,032,004	\$ 697,615
Transfers out	<u>(50,163,383)</u>	<u>(50,166,968)</u>	<u>(45,641,895)</u>	<u>4,525,073</u>
Total other financing sources (uses)	<u>(40,828,994)</u>	<u>(40,832,579)</u>	<u>(35,609,891)</u>	<u>5,222,688</u>
Net change in fund balance	6,768,070	5,585,947	18,612,350	13,026,403
Fund balance allocation	<u>(6,768,070)</u>	<u>(5,585,947)</u>	<u>-</u>	<u>5,585,947</u>
	<u>\$ -</u>	<u>\$ -</u>	18,612,350	<u>\$ 18,612,350</u>
Add encumbrances at end of year			691,940	
Less encumbrances at beginning of year			<u>(536,620)</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			18,767,670	
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			<u>58,334,162</u>	
Fund balance at end of year (GAAP Modified Accrual Basis)			<u>\$ 77,101,832</u>	

**EXPLANATION OF DIFFERENCES:**

**REVENUES**

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 178,715,530
Ambulance services bad debt	3,729,342
Ambulance services contractual allowance	<u>8,122,060</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 190,566,932</u>

**EXPENDITURES**

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 124,493,289
Adjustment for encumbrances	(155,320)
Ambulance services bad debt	3,729,342
Ambulance services contractual allowance	<u>8,122,060</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 136,189,371</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.

Statewide Meth Grant accounts for the revenues and expenditures associated with methamphetamine task forces in local law enforcement agencies throughout the State of Tennessee.

Recovery Court accounts for revenues and expenditures of this alternative sentencing program that provides substance abuse treatment to nonviolent drug offenders rather than incarceration.

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

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

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**HAMILTON COUNTY, TENNESSEE**

June 30, 2008

	Special Revenue Funds		
	Constitutional Officers	Governmental Law Library	Hotel/ Motel
<b>ASSETS</b>			
Cash	\$ 3,964,076	\$ 483	\$ 501
Investments	428,188	78,402	776,602
Receivables:			
Accounts	55,249	1,064	419,965
Intergovernmental	541,572	-	-
Due from other funds	<u>113,576</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 5,102,661</u>	<u>\$ 79,949</u>	<u>\$ 1,197,068</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued items and other payables	687,366	-	356,535
Due to other funds	<u>641</u>	<u>-</u>	<u>840,533</u>
Total liabilities	<u>688,007</u>	<u>-</u>	<u>1,197,068</u>
Fund Balances (Deficit):			
Reserved for restricted activities	1,211,794	-	-
Reserved for litigants and beneficiaries	-	-	-
Unreserved:			
Undesignated	<u>3,202,860</u>	<u>79,949</u>	<u>-</u>
Total fund balances	<u>4,414,654</u>	<u>79,949</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 5,102,661</u>	<u>\$ 79,949</u>	<u>\$ 1,197,068</u>

<u>Statewide Meth Grant</u>	<u>Recovery Court</u>	<u>Children's Services</u>	<u>Economic Crimes</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 415	\$ 484	\$ 3,965,959
-	-	1,618,005	70,094	2,971,291
11,701	124,121	-	-	612,100
524,768	-	-	-	1,066,340
-	-	-	-	113,576
<u>\$ 536,469</u>	<u>\$ 124,121</u>	<u>\$ 1,618,420</u>	<u>\$ 70,578</u>	<u>\$ 8,729,266</u>
\$ 204,958	\$ 110,497	\$ -	\$ -	\$ 315,455
320,209	-	-	-	1,364,110
<u>11,002</u>	<u>13,624</u>	<u>410,737</u>	<u>-</u>	<u>1,276,537</u>
<u>536,169</u>	<u>124,121</u>	<u>410,737</u>	<u>-</u>	<u>2,956,102</u>
300	-	-	70,578	1,282,672
-	-	1,207,683	-	1,207,683
-	-	-	-	3,282,809
<u>300</u>	<u>-</u>	<u>1,207,683</u>	<u>70,578</u>	<u>5,773,164</u>
<u>\$ 536,469</u>	<u>\$ 124,121</u>	<u>\$ 1,618,420</u>	<u>\$ 70,578</u>	<u>\$ 8,729,266</u>

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

**HAMILTON COUNTY, TENNESSEE  
Year ended June 30, 2008**

	Special Revenue Funds		
	Constitutional Officers	Governmental Law Library	Hotel/ Motel
<b>REVENUES</b>			
Taxes	\$ -	\$ 16,862	\$ 4,492,971
Intergovernmental	-	-	-
Charges for services	19,319,270	-	-
Fines, forfeitures and penalties	56,842	-	-
Investment earnings	287,106	2,979	4,233
Miscellaneous	250,394	-	-
Total revenues	<u>19,913,612</u>	<u>19,841</u>	<u>4,497,204</u>
<b>EXPENDITURES</b>			
Current:			
General government	4,580,242	-	4,174,061
Public safety:			
Criminal Court	2,501,826	-	-
Juvenile Court	2,058,466	-	-
Other	-	6,418	-
Social services	3,342,537	-	-
Capital outlay	-	-	-
Total expenditures	<u>12,483,071</u>	<u>6,418</u>	<u>4,174,061</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,430,541</u>	<u>13,423</u>	<u>323,143</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,461,632	-	-
Transfers out	<u>(9,322,642)</u>	<u>-</u>	<u>(323,143)</u>
Total other financing sources (uses)	<u>(7,861,010)</u>	<u>-</u>	<u>(323,143)</u>
Net change in fund balances	(430,469)	13,423	-
Fund balances at beginning of year	<u>4,845,123</u>	<u>66,526</u>	<u>-</u>
Fund balances at end of year	<u>\$ 4,414,654</u>	<u>\$ 79,949</u>	<u>\$ -</u>

<u>Statewide Meth Grant</u>	<u>Recovery Court</u>	<u>Children's Services</u>	<u>Economic Crimes</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,509,833
3,145,302	374,781	-	-	3,520,083
-	-	-	-	19,319,270
-	19,554	-	39,456	115,852
-	-	370,007	2,409	666,734
<u>11,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,095</u>
<u>3,157,003</u>	<u>394,335</u>	<u>370,007</u>	<u>41,865</u>	<u>28,393,867</u>
-	-	-	-	8,754,303
-	-	-	-	2,501,826
-	-	-	-	2,058,466
3,157,003	417,170	-	-	3,580,591
-	-	729	24,258	3,367,524
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,960</u>	<u>1,960</u>
<u>3,157,003</u>	<u>417,170</u>	<u>729</u>	<u>26,218</u>	<u>20,264,670</u>
<u>-</u>	<u>(22,835)</u>	<u>369,278</u>	<u>15,647</u>	<u>8,129,197</u>
-	-	-	-	1,461,632
<u>-</u>	<u>(13,624)</u>	<u>(410,737)</u>	<u>-</u>	<u>(10,070,146)</u>
<u>-</u>	<u>(13,624)</u>	<u>(410,737)</u>	<u>-</u>	<u>(8,608,514)</u>
-	(36,459)	(41,459)	15,647	(479,317)
<u>300</u>	<u>36,459</u>	<u>1,249,142</u>	<u>54,931</u>	<u>6,252,481</u>
<u>\$ 300</u>	<u>\$ -</u>	<u>\$ 1,207,683</u>	<u>\$ 70,578</u>	<u>\$ 5,773,164</u>

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

**HAMILTON COUNTY, TENNESSEE  
 June 30, 2008**

	Circuit Court Clerk	Clerk and Master	County Clerk
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 605,797	\$ 821,224	\$ 346,642
Investments	-	-	-
Receivables:			
Accounts	-	-	-
Intergovernmental	-	-	-
Due from other funds	-	-	15,035
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 605,797</u>	<u>\$ 821,224</u>	<u>\$ 361,677</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accrued items and other payables	\$ 43,667	\$ 28,829	\$ 118,895
Due to other funds	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>43,667</u>	<u>28,829</u>	<u>118,895</u>
<b>Fund Balances:</b>			
Reserved for restricted activities	-	-	1,848
Unreserved:			
Undesignated	562,130	792,395	240,934
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>562,130</u>	<u>792,395</u>	<u>242,782</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 605,797</u>	<u>\$ 821,224</u>	<u>\$ 361,677</u>

<u>Criminal Court Clerk</u>	<u>Juvenile Court Clerk</u>	<u>Register</u>	<u>Trustee</u>	<u>Total Constitutional Officers</u>
\$ 1,725,716	\$ -	\$ 348,122	\$ 116,575	\$ 3,964,076
-	428,188	-	-	428,188
51,596	3,653	-	-	55,249
268,300	41,972	-	231,300	541,572
<u>98,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,576</u>
<u>\$ 2,144,153</u>	<u>\$ 473,813</u>	<u>\$ 348,122</u>	<u>\$ 347,875</u>	<u>\$ 5,102,661</u>
\$ 370,112	\$ 87,213	\$ 19,649	\$ 19,001	\$ 687,366
<u>641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>641</u>
<u>370,753</u>	<u>87,213</u>	<u>19,649</u>	<u>19,001</u>	<u>688,007</u>
1,209,946	-	-	-	1,211,794
<u>563,454</u>	<u>386,600</u>	<u>328,473</u>	<u>328,874</u>	<u>3,202,860</u>
<u>1,773,400</u>	<u>386,600</u>	<u>328,473</u>	<u>328,874</u>	<u>4,414,654</u>
<u>\$ 2,144,153</u>	<u>\$ 473,813</u>	<u>\$ 348,122</u>	<u>\$ 347,875</u>	<u>\$ 5,102,661</u>

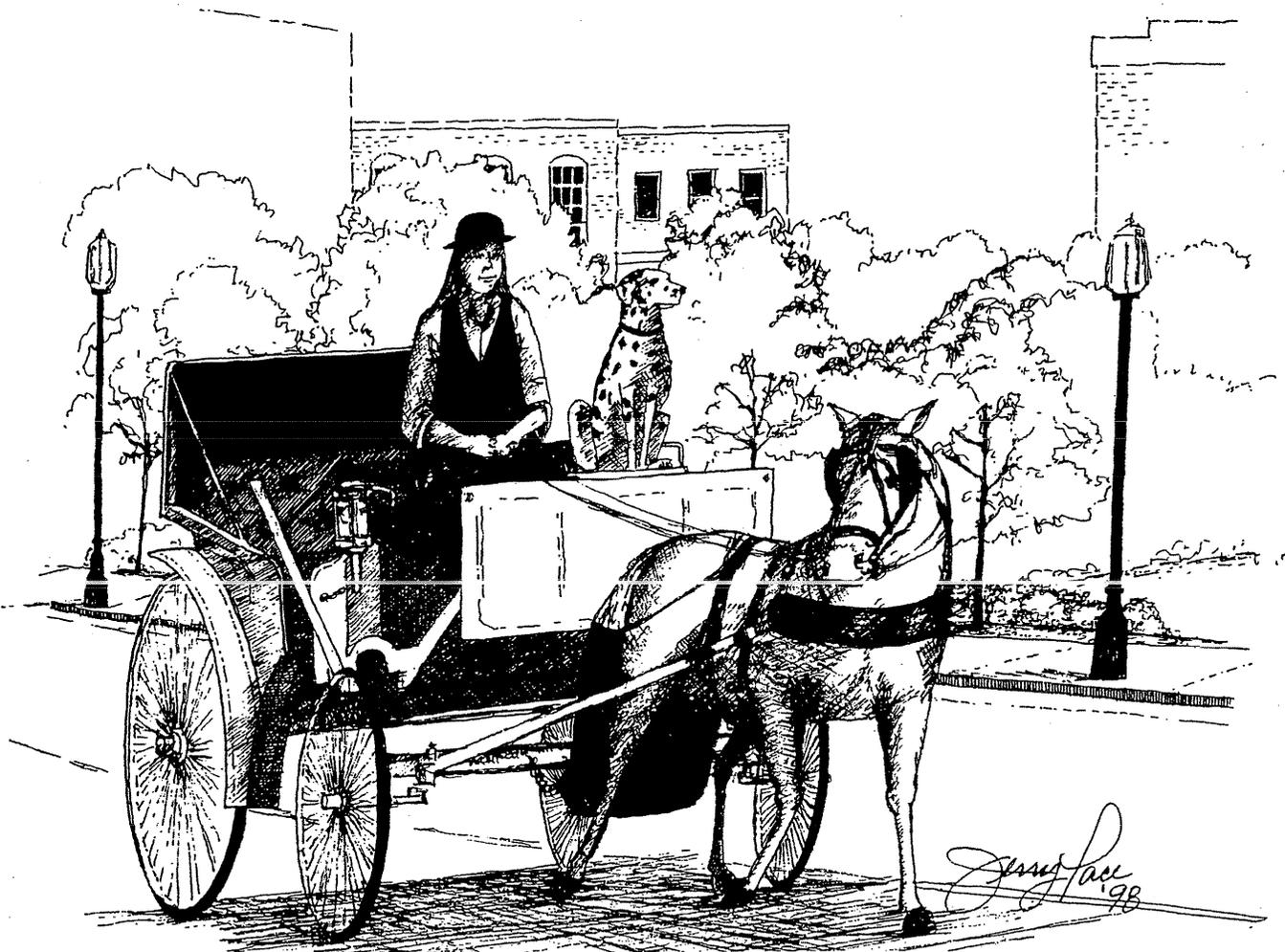
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
CONSTITUTIONAL OFFICERS NONMAJOR GOVERNMENTAL FUNDS**

**HAMILTON COUNTY, TENNESSEE**

**Year ended June 30, 2008**

	Circuit Court Clerk	Clerk and Master	County Clerk
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>REVENUES</b>			
Charges for services	\$ 1,984,810	\$ 2,349,633	\$ 3,090,502
Fines, forfeitures and penalties	-	-	-
Investment earnings	23,403	51,689	60,997
Miscellaneous	<u>-</u>	<u>-</u>	<u>246,789</u>
 Total revenues	 <u>2,008,213</u>	 <u>2,401,322</u>	 <u>3,398,288</u>
 <b>EXPENDITURES</b>			
Current:			
General government	-	-	3,051,198
Public safety:			
Criminal Court	-	-	-
Juvenile Court	-	-	-
Social services	<u>1,899,670</u>	<u>1,442,867</u>	<u>-</u>
 Total expenditures	 <u>1,899,670</u>	 <u>1,442,867</u>	 <u>3,051,198</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>108,543</u>	 <u>958,455</u>	 <u>347,090</u>
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	<u>(105,390)</u>	<u>(1,071,640)</u>	<u>(553,000)</u>
 Total other financing sources (uses)	 <u>(105,390)</u>	 <u>(1,071,640)</u>	 <u>(553,000)</u>
 Net change in fund balances	 3,153	 (113,185)	 (205,910)
 Fund balances at beginning of year	 <u>558,977</u>	 <u>905,580</u>	 <u>448,692</u>
 Fund balances at end of year	 <u>\$ 562,130</u>	 <u>\$ 792,395</u>	 <u>\$ 242,782</u>

<u>Criminal Court Clerk</u>	<u>Juvenile Court Clerk</u>	<u>Register</u>	<u>Trustee</u>	<u>Total Constitutional Officers</u>
\$ 2,616,360	\$ 492,787	\$ 2,366,660	\$ 6,418,518	\$ 19,319,270
-	56,842	-	-	56,842
51,770	18,576	22,119	58,552	287,106
-	3,605	-	-	250,394
<u>2,668,130</u>	<u>571,810</u>	<u>2,388,779</u>	<u>6,477,070</u>	<u>19,913,612</u>
-	-	675,509	853,535	4,580,242
2,501,826	-	-	-	2,501,826
-	2,058,466	-	-	2,058,466
-	-	-	-	3,342,537
<u>2,501,826</u>	<u>2,058,466</u>	<u>675,509</u>	<u>853,535</u>	<u>12,483,071</u>
<u>166,304</u>	<u>(1,486,656)</u>	<u>1,713,270</u>	<u>5,623,535</u>	<u>7,430,541</u>
-	1,461,632	-	-	1,461,632
-	-	(1,855,923)	(5,736,689)	(9,322,642)
-	1,461,632	(1,855,923)	(5,736,689)	(7,861,010)
166,304	(25,024)	(142,653)	(113,154)	(430,469)
<u>1,607,096</u>	<u>411,624</u>	<u>471,126</u>	<u>442,028</u>	<u>4,845,123</u>
<u>\$ 1,773,400</u>	<u>\$ 386,600</u>	<u>\$ 328,473</u>	<u>\$ 328,874</u>	<u>\$ 4,414,654</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, 2008**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>CIRCUIT COURT CLERK</b>				
Cash	\$ 1,553,668	\$ 7,117,507	\$ 7,634,142	\$ 1,037,033
Certificates of deposit	<u>3,315,931</u>	<u>1,141,657</u>	<u>933,895</u>	<u>3,523,693</u>
Total assets	<u>\$ 4,869,599</u>	<u>\$ 8,259,164</u>	<u>\$ 8,568,037</u>	<u>\$ 4,560,726</u>
Accrued items and other	\$ 4,841,003	\$ 7,891,808	\$ 8,200,738	\$ 4,532,073
Intergovernmental payables	<u>28,596</u>	<u>367,356</u>	<u>367,299</u>	<u>28,653</u>
Total liabilities	<u>\$ 4,869,599</u>	<u>\$ 8,259,164</u>	<u>\$ 8,568,037</u>	<u>\$ 4,560,726</u>
<b>CLERK AND MASTER</b>				
Cash	\$ 2,769,749	\$ 11,185,027	\$ 12,205,642	\$ 1,749,134
Certificates of deposit	<u>5,027,911</u>	<u>4,208,487</u>	<u>2,109,847</u>	<u>7,126,551</u>
Total assets	<u>\$ 7,797,660</u>	<u>\$ 15,393,514</u>	<u>\$ 14,315,489</u>	<u>\$ 8,875,685</u>
Accrued items and other	\$ 7,577,349	\$ 11,435,310	\$ 10,361,583	\$ 8,651,076
Intergovernmental payables	<u>220,311</u>	<u>3,958,204</u>	<u>3,953,906</u>	<u>224,609</u>
Total liabilities	<u>\$ 7,797,660</u>	<u>\$ 15,393,514</u>	<u>\$ 14,315,489</u>	<u>\$ 8,875,685</u>
<b>COUNTY CLERK</b>				
Cash	\$ 4,188,455	\$ 30,481,865	\$ 31,766,671	\$ 2,903,649
Accounts receivable	<u>1,375</u>	<u>53,393</u>	<u>38,595</u>	<u>16,173</u>
Total assets	<u>\$ 4,189,830</u>	<u>\$ 30,535,258</u>	<u>\$ 31,805,266</u>	<u>\$ 2,919,822</u>
Accrued items and other	\$ 103,660	\$ 832,626	\$ 827,401	\$ 108,885
Intergovernmental payables	<u>4,086,170</u>	<u>29,702,632</u>	<u>30,977,865</u>	<u>2,810,937</u>
Total liabilities	<u>\$ 4,189,830</u>	<u>\$ 30,535,258</u>	<u>\$ 31,805,266</u>	<u>\$ 2,919,822</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE  
 Year ended June 30, 2008**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>CRIMINAL COURT CLERK</b>				
Cash	\$ 2,400	\$ 4,374,808	\$ 4,172,431	\$ 204,777
Investments	30,528	-	30,528	-
Accounts receivable	<u>93,222</u>	<u>-</u>	<u>13,496</u>	<u>79,726</u>
Total assets	<u>\$ 126,150</u>	<u>\$ 4,374,808</u>	<u>\$ 4,216,455</u>	<u>\$ 284,503</u>
Accrued items and other	\$ 126,150	\$ 896,632	\$ 738,279	\$ 284,503
Intergovernmental payables	<u>-</u>	<u>3,478,176</u>	<u>3,478,176</u>	<u>-</u>
Total liabilities	<u>\$ 126,150</u>	<u>\$ 4,374,808</u>	<u>\$ 4,216,455</u>	<u>\$ 284,503</u>
<b>JUVENILE COURT CLERK</b>				
Cash	\$ 12,003	\$ 434,447	\$ 440,194	\$ 6,256
Investments	23,985	25	-	24,010
Certificates of deposit	<u>791,572</u>	<u>177,560</u>	<u>70,327</u>	<u>898,805</u>
Total assets	<u>\$ 827,560</u>	<u>\$ 612,032</u>	<u>\$ 510,521</u>	<u>\$ 929,071</u>
Accrued items and other	<u>\$ 827,560</u>	<u>\$ 612,032</u>	<u>\$ 510,521</u>	<u>\$ 929,071</u>
Total liabilities	<u>\$ 827,560</u>	<u>\$ 612,032</u>	<u>\$ 510,521</u>	<u>\$ 929,071</u>
<b>REGISTER</b>				
Cash	\$ 1,144,336	\$ 9,972,265	\$ 10,396,777	\$ 719,824
Accounts receivable	<u>3,090</u>	<u>29,860</u>	<u>29,013</u>	<u>3,937</u>
Total assets	<u>\$ 1,147,426</u>	<u>\$ 10,002,125</u>	<u>\$ 10,425,790</u>	<u>\$ 723,761</u>
Intergovernmental payables	<u>\$ 1,147,426</u>	<u>\$ 10,002,125</u>	<u>\$ 10,425,790</u>	<u>\$ 723,761</u>
Total liabilities	<u>\$ 1,147,426</u>	<u>\$ 10,002,125</u>	<u>\$ 10,425,790</u>	<u>\$ 723,761</u>

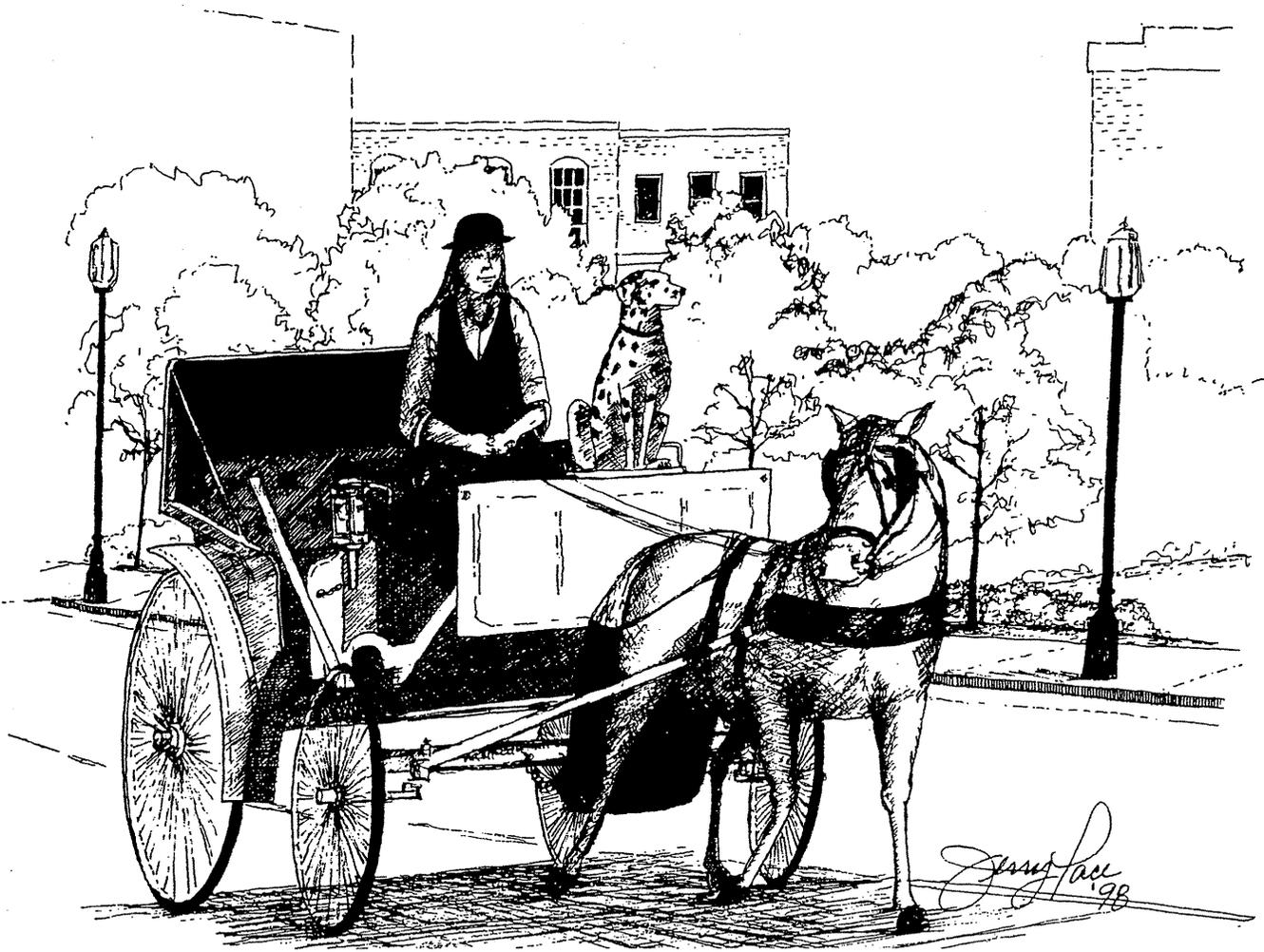
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**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES--(continued)**  
**CONSTITUTIONAL OFFICERS AGENCY FUNDS**

**HAMILTON COUNTY, TENNESSEE**

**Year ended June 30, 2008**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>SHERIFF</b>				
Cash	\$ 12,485	\$ 1,296,050	\$ 1,294,347	\$ 14,188
Investments	<u>146,650</u>	<u>68,772</u>	<u>-</u>	<u>215,422</u>
Total assets	<u>\$ 159,135</u>	<u>\$ 1,364,822</u>	<u>\$ 1,294,347</u>	<u>\$ 229,610</u>
Accrued items and other	<u>\$ 159,135</u>	<u>\$ 1,364,822</u>	<u>\$ 1,294,347</u>	<u>\$ 229,610</u>
Total liabilities	<u>\$ 159,135</u>	<u>\$ 1,364,822</u>	<u>\$ 1,294,347</u>	<u>\$ 229,610</u>
<b>TRUSTEE</b>				
Cash	<u>\$ 573,751</u>	<u>\$ 16,749,237</u>	<u>\$ 16,624,502</u>	<u>\$ 698,486</u>
Total assets	<u>\$ 573,751</u>	<u>\$ 16,749,237</u>	<u>\$ 16,624,502</u>	<u>\$ 698,486</u>
Intergovernmental payables	<u>\$ 573,751</u>	<u>\$ 16,749,237</u>	<u>\$ 16,624,502</u>	<u>\$ 698,486</u>
Total liabilities	<u>\$ 573,751</u>	<u>\$ 16,749,237</u>	<u>\$ 16,624,502</u>	<u>\$ 698,486</u>
<b>TOTAL CONSTITUTIONAL OFFICERS AGENCY FUNDS</b>				
Cash	\$ 10,256,847	\$ 81,611,206	\$ 84,534,706	\$ 7,333,347
Certificates of deposit	9,135,414	5,527,704	3,114,069	11,549,049
Investments	201,163	68,797	30,528	239,432
Accounts receivable	<u>97,687</u>	<u>83,253</u>	<u>81,104</u>	<u>99,836</u>
Total assets	<u>\$ 19,691,111</u>	<u>\$ 87,290,960</u>	<u>\$ 87,760,407</u>	<u>\$ 19,221,664</u>
Accrued items and other	\$ 13,634,857	\$ 23,033,230	\$ 21,932,869	\$ 14,735,218
Intergovernmental payables	<u>6,056,254</u>	<u>64,257,730</u>	<u>65,827,538</u>	<u>4,486,446</u>
Total liabilities	<u>\$ 19,691,111</u>	<u>\$ 87,290,960</u>	<u>\$ 87,760,407</u>	<u>\$ 19,221,664</u>



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

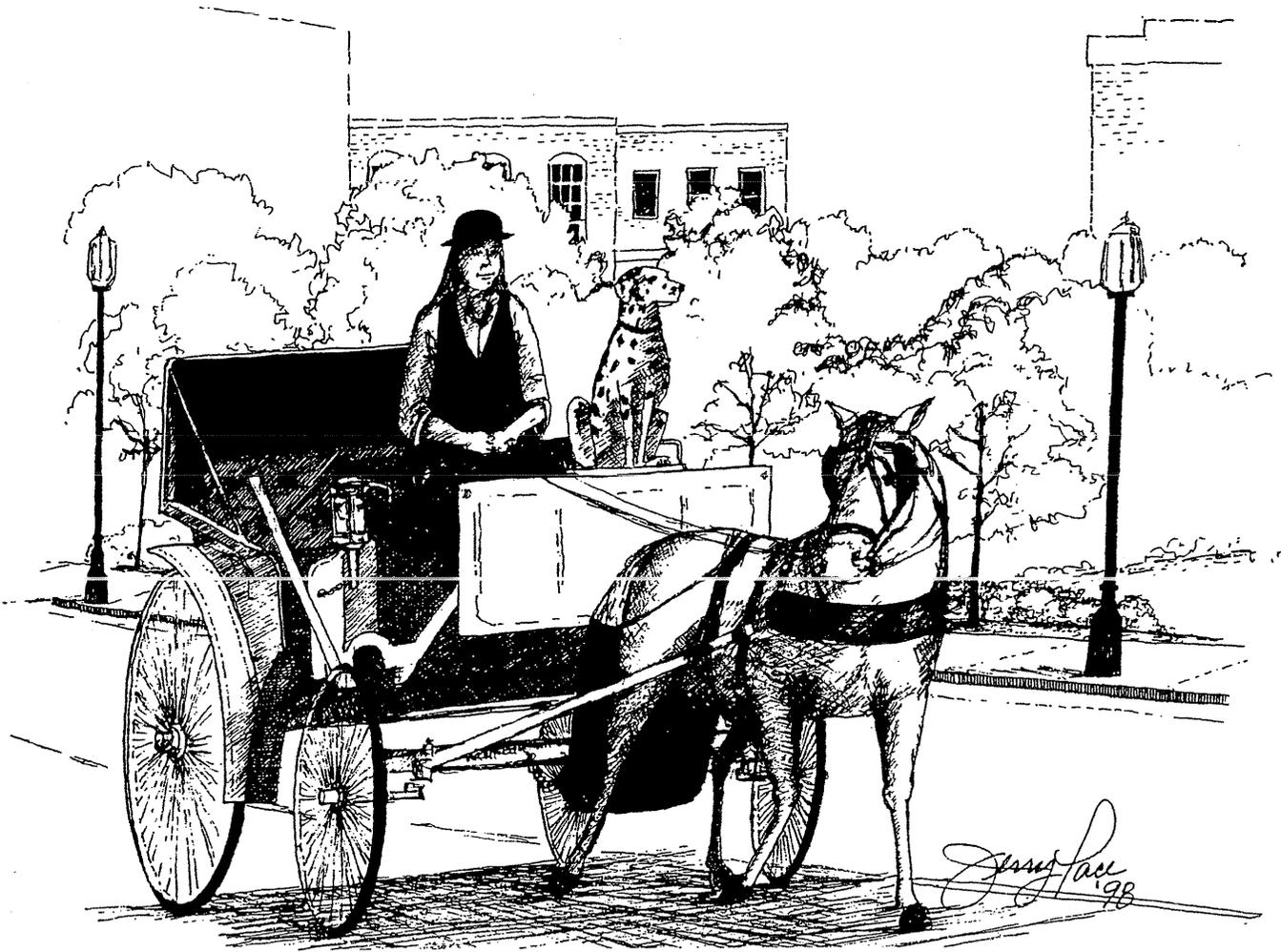
**HAMILTON COUNTY, TENNESSEE  
 Year ended June 30, 2008**

	Juvenile Court Clerk			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual (Non-GAAP Basis)	
	Original	Final		
<b>REVENUES</b>				
Charges for current services	\$ 603,000	\$ 603,000	\$ 492,787	\$ (110,213)
Fines, forfeitures and penalties	46,000	46,000	56,842	10,842
Investment earnings	-	-	18,576	18,576
Miscellaneous	4,408	4,408	3,605	(803)
<b>Total revenues</b>	<u>653,408</u>	<u>653,408</u>	<u>571,810</u>	<u>(81,598)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Juvenile Court	1,267,103	1,267,103	1,241,063	26,040
Social Services:				
Child support	847,937	847,937	817,403	30,534
<b>Total budgetary expenditures</b>	<u>2,115,040</u>	<u>2,115,040</u>	<u>2,058,466</u>	<u>56,574</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	(1,461,632)	(1,461,632)	(1,486,656)	(25,024)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,461,632	1,461,632	1,461,632	-
Net change in fund balance	-	-	(25,024)	(25,024)
Fund balance allocation	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	(25,024)	<u>\$ (25,024)</u>
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			<u>411,624</u>	
Fund balances at end of year--(GAAP Modified Accrual Basis)			<u>\$ 386,600</u>	

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND**

**HAMILTON COUNTY, TENNESSEE  
Year ended June 30, 2008**

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 827,367	\$ 827,367	\$ 827,367	\$ -
Charges for current services	450,000	450,000	504,247	54,247
Investment earnings	12,000	12,000	54,339	42,339
Total revenues	<u>1,289,367</u>	<u>1,289,367</u>	<u>1,385,953</u>	<u>96,586</u>
<b>EXPENDITURES</b>				
Debt Service:				
Principal retirement	18,424,736	18,424,736	18,674,736	(250,000)
Interest and fiscal charges	8,779,931	8,779,931	5,369,261	3,410,670
Total budgetary expenditures	<u>27,204,667</u>	<u>27,204,667</u>	<u>24,043,997</u>	<u>3,160,670</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	<u>(25,915,300)</u>	<u>(25,915,300)</u>	<u>(22,658,044)</u>	<u>3,257,256</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	26,200,300	26,200,300	21,678,711	4,521,589
Transfers out	<u>(285,000)</u>	<u>(285,000)</u>	<u>(285,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>25,915,300</u>	<u>25,915,300</u>	<u>21,393,711</u>	<u>4,521,589</u>
Net change in fund balance	-	-	(1,264,333)	(1,264,333)
Fund balance allocation	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>(1,264,333)</u>	<u>\$ (1,264,333)</u>
Excess of nonbudgeted revenues over nonbudgeted expenditures			<u>(148,339)</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			(1,412,672)	
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			<u>1,653,012</u>	
Fund balances at end of year--(GAAP Modified Accrual Basis)			<u>\$ 240,340</u>	



## **DISCRETELY PRESENTED COMPONENT UNIT HAMILTON COUNTY BOARD OF EDUCATION**

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

### **GOVERNMENTAL FUND TYPES**

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

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

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

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

### **PROPRIETARY FUND TYPES**

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

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2008**

	General Purpose School	Centralized Cafeteria	School Activity	Education Capital Projects	Total Board of Education Governmental Funds
<b>ASSETS</b>					
Cash	\$ 47,213,295	\$ 3,316,317	\$ 5,308,473	\$ 1,052,496	\$ 56,890,581
Certificates of deposit	-	-	317,019	-	317,019
Investments	395,112	305,890	-	824,654	1,525,656
Receivables (net of allowances for uncollectibles):					
Property taxes	116,378,357	-	-	-	116,378,357
Accounts	763,091	-	65,481	-	828,572
Intergovernmental	14,812,070	790,353	-	-	15,602,423
Due from other BOE funds	924,215	-	-	2,946,919	3,871,134
Inventories	55,499	183,301	20,952	-	259,752
<b>Total assets</b>	<b>\$ 180,541,639</b>	<b>\$ 4,595,861</b>	<b>\$ 5,711,925</b>	<b>\$ 4,824,069</b>	<b>\$ 195,673,494</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 3,654,950	\$ 8,398	\$ 73,013	\$ 171,583	\$ 3,907,944
Accrued items and other	21,776,461	122,547	-	19,946	21,918,954
Due to other BOE funds	11,210,984	2,148,210	-	10,887	13,370,081
Due to primary government	1,079,344	22,565	-	-	1,101,909
Deferred revenues:					
Uncollected property taxes	112,289,955	-	-	-	112,289,955
Other	721,042	-	-	-	721,042
<b>Total current liabilities</b>	<b>150,732,736</b>	<b>2,301,720</b>	<b>73,013</b>	<b>202,416</b>	<b>153,309,885</b>
<b>Fund Balances:</b>					
Reserved for encumbrances	5,630,439	214,729	-	797,883	6,643,051
Reserved for inventories	55,499	183,301	20,952	-	259,752
Reserved by state statute	847,047	-	-	-	847,047
Reserved for restricted activities	-	-	2,829,044	-	2,829,044
Unreserved:					
Designated for specific purposes	4,508,169	-	-	-	4,508,169
Undesignated	18,767,749	1,896,111	2,788,916	3,823,770	27,276,546
<b>Total fund balances</b>	<b>29,808,903</b>	<b>2,294,141</b>	<b>5,638,912</b>	<b>4,621,653</b>	<b>42,363,609</b>
<b>Total liabilities and fund balances</b>	<b>\$ 180,541,639</b>	<b>\$ 4,595,861</b>	<b>\$ 5,711,925</b>	<b>\$ 4,824,069</b>	<b>\$ 195,673,494</b>

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2008**

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

Fund balances - total Board of Education governmental funds	\$	42,363,609
Amounts reported for the Board of Education in the statement of net assets are different because:		
Capital assets used in the Board of Education's governmental activities are not financial resources and, therefore, are not reported in the funds.		172,222,058
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.		721,042
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 Board of Education in the statement of net assets.		11,900,135
Long-term liabilities, consisting of accumulated leave and other long-term debt, are not due and payable in the current period and therefore are not reported in the funds.		<u>(14,600,865)</u>
Net assets of the Board of Education	\$	<u>212,605,979</u>

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

**HAMILTON COUNTY, TENNESSEE**  
**Year ended June 30, 2008**

	<u>General Purpose School</u>	<u>Centralized Cafeteria</u>	<u>School Activity</u>	<u>Education Capital Projects</u>	<u>Total Board of Education Governmental Funds</u>
<b>REVENUES</b>					
Taxes	\$ 171,426,132	\$ -	\$ -	\$ -	\$ 171,426,132
Intergovernmental	146,704,777	9,876,354	-	-	156,581,131
Charges for services	5,083,534	6,141,932	14,108,216	-	25,333,682
Investment earnings	1,473,771	108,321	-	67,987	1,650,079
Miscellaneous	<u>5,016,196</u>	<u>2,668</u>	<u>-</u>	<u>-</u>	<u>5,018,864</u>
 Total revenues	 <u>329,704,410</u>	 <u>16,129,275</u>	 <u>14,108,216</u>	 <u>67,987</u>	 <u>360,009,888</u>
 <b>EXPENDITURES</b>					
Current:					
Education	318,460,205	15,381,777	14,317,544	3,377,875	351,537,401
Capital outlay	<u>171,603</u>	<u>194,223</u>	<u>-</u>	<u>-</u>	<u>365,826</u>
 Total expenditures	 <u>318,631,808</u>	 <u>15,576,000</u>	 <u>14,317,544</u>	 <u>3,377,875</u>	 <u>351,903,227</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>11,072,602</u>	 <u>553,275</u>	 <u>(209,328)</u>	 <u>(3,309,888)</u>	 <u>8,106,661</u>
 <b>OTHER FINANCING SOURCES (USES)</b>					
Transfers between BOE funds	<u>(4,000,000)</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>	<u>-</u>
 Net change in fund balances	 7,072,602	 553,275	 (209,328)	 690,112	 8,106,661
 Fund balances, beginning	 <u>22,736,301</u>	 <u>1,740,866</u>	 <u>5,848,240</u>	 <u>3,931,541</u>	 <u>34,256,948</u>
 Fund balances, ending	 <u>\$ 29,808,903</u>	 <u>\$ 2,294,141</u>	 <u>\$ 5,638,912</u>	 <u>\$ 4,621,653</u>	 <u>\$ 42,363,609</u>

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

**HAMILTON COUNTY, TENNESSEE**  
**Year ended June 30, 2008**

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

Net change in fund balances - total Board of Education governmental funds	\$ 8,106,661
Amounts reported for the Board 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	(6,663,419)
Bond payments are reported as expenditures in the Board of Education's governmental activities in the period paid.	97,500
The net effect of various transactions involving capital assets is to increase net assets	5,419,712
The loss on sale/abandonment of capital assets is not recongnized in the Board of Education's governmental funds.	(956)
The net revenues of internal service funds are reported with governmental activities	(56,399)
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	(861,887)
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds	<u>(700,809)</u>
Change in net assets of governmental activities	<u>\$ 5,340,403</u>

**BUDGETARY COMPARISON SCHEDULE  
HAMILTON COUNTY BOARD OF EDUCATION GOVERNMENTAL FUNDS**

**HAMILTON COUNTY, TENNESSEE**

**Year ended June 30, 2008**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
<b>Taxes</b>				
Property taxes	\$ 113,248,924	\$ 113,248,924	\$ 113,585,413	\$ 336,489
Local sales tax	<u>57,087,320</u>	<u>57,087,320</u>	<u>57,840,719</u>	<u>753,399</u>
Total taxes	<u>170,336,244</u>	<u>170,336,244</u>	<u>171,426,132</u>	<u>1,089,888</u>
<b>Intergovernmental revenues:</b>				
State of Tennessee:				
Education	102,211,612	115,409,930	115,621,066	211,136
Food service	186,000	186,000	181,266	(4,734)
Federal funds received from State of Tennessee and other sources:				
Education	23,417,511	37,712,920	31,083,711	(6,629,209)
Food service	<u>9,276,762</u>	<u>9,276,762</u>	<u>9,695,088</u>	<u>418,326</u>
Total intergovernmental revenues	<u>135,091,885</u>	<u>162,585,612</u>	<u>156,581,131</u>	<u>(6,004,481)</u>
<b>Charges for services:</b>				
Education	3,912,000	4,728,372	5,083,534	355,162
Food service	<u>7,567,609</u>	<u>7,567,609</u>	<u>6,141,932</u>	<u>(1,425,677)</u>
Total charges for current services	<u>11,479,609</u>	<u>12,295,981</u>	<u>11,225,466</u>	<u>(1,070,515)</u>
<b>Investment earnings:</b>				
Education	1,400,000	1,400,000	1,473,771	73,771
Food service	<u>134,000</u>	<u>134,000</u>	<u>108,321</u>	<u>(25,679)</u>
Total investment earnings	<u>1,534,000</u>	<u>1,534,000</u>	<u>1,582,092</u>	<u>48,092</u>
<b>Miscellaneous:</b>				
Education	2,082,554	5,534,618	5,016,196	(518,422)
Food service	<u>-</u>	<u>-</u>	<u>2,668</u>	<u>2,668</u>
Total miscellaneous	<u>2,082,554</u>	<u>5,534,618</u>	<u>5,018,864</u>	<u>(515,754)</u>
Total revenues	<u>320,524,292</u>	<u>352,286,455</u>	<u>345,833,685</u>	<u>(6,452,770)</u>

(continued)

**BUDGETARY COMPARISON SCHEDULE--(continued)**  
**HAMILTON COUNTY BOARD OF EDUCATION GOVERNMENTAL FUNDS**

**HAMILTON COUNTY, TENNESSEE**  
**Year ended June 30, 2008**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
Current:				
Education:				
Regular instruction program	\$ 140,121,564	\$ 150,447,110	\$ 147,722,548	\$ 2,724,562
Special education program	28,642,662	29,281,014	28,979,386	301,628
Vocational education program	9,088,869	9,120,306	9,163,037	(42,731)
Attendance	1,221,521	1,329,811	1,201,229	128,582
Health services	1,783,564	2,026,430	1,779,850	246,580
Other student support	5,601,159	5,864,209	5,813,684	50,525
Regular instruction support	8,643,941	9,238,673	8,768,269	470,404
Special education support	2,898,318	2,962,179	2,907,365	54,814
Vocational education support	223,905	234,878	215,552	19,326
Board of education	5,242,403	5,639,637	5,433,901	205,736
Office of superintendent	1,093,290	1,109,325	1,052,528	56,797
Office of principal	20,627,048	21,053,299	21,176,922	(123,623)
Fiscal services	2,779,903	2,765,095	2,608,758	156,337
Operation of plant	21,122,260	22,140,748	21,713,526	427,222
Maintenance of plant	6,654,693	6,769,731	6,947,720	(177,989)
Transportation	12,664,022	12,990,176	12,786,392	203,784
Central and other	3,536,130	3,710,813	3,568,533	142,280
Community services	2,606,350	2,649,459	2,547,022	102,437
Early childhood	1,306,665	2,529,864	2,474,613	55,251
Federal programs	22,470,864	38,299,388	32,207,519	6,091,869
Other self funded projects	738,290	4,799,326	4,129,930	669,396
Education debt service	162,500	162,500	97,500	65,000
Food service	16,850,971	16,850,971	15,532,820	1,318,151
Total education	<u>316,080,892</u>	<u>351,974,942</u>	<u>338,828,604</u>	<u>13,146,338</u>
Capital outlay:				
Education	130,000	175,000	171,603	3,397
Food service	313,400	313,400	194,223	119,177
Total budgetary expenditures	<u>316,524,292</u>	<u>352,463,342</u>	<u>339,194,430</u>	<u>13,268,912</u>
<b>OTHER FINANCING USES</b>				
Transfers to other BOE funds	(4,000,000)	(4,000,000)	(4,000,000)	-
Net change in fund balance	-	(4,176,887)	2,639,255	6,816,142
Fund balance allocation	-	4,176,887	-	(4,176,887)
	<u>\$ -</u>	<u>\$ -</u>	<u>2,639,255</u>	<u>\$ 2,639,255</u>
Add encumbrances at end of year			5,845,168	
Less encumbrances at beginning of year			(858,546)	
Excess of nonbudgeted revenues and other financing sources over over nonbudgeted expenditures and other financing uses			<u>480,784</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			8,106,661	
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			<u>34,256,948</u>	
Fund balances at end of year--(GAAP Modified Accrual Basis)			<u>\$ 42,363,609</u>	

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2008**

	<u>Board of Education Internal Service Fund</u>
<b>CURRENT ASSETS</b>	
Cash	\$ 4,408,417
Investments	48,241
Receivables	751,350
Due from other BOE funds	9,498,947
Prepaid items	<u>2,620,551</u>
Total current assets	<u>17,327,506</u>
<b>CURRENT LIABILITIES</b>	
Accounts payable	787,170
Accrued claims	<u>4,640,201</u>
Total current liabilities	<u>5,427,371</u>
<b>NET ASSETS</b>	
Unrestricted	<u>\$ 11,900,135</u>

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 FUND NET ASSETS  
 HAMILTON COUNTY BOARD OF EDUCATION INTERNAL SERVICE FUND  
 HAMILTON COUNTY, TENNESSEE  
 Year ended June 30, 2008**

	<u>Board of Education Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 46,981,276
Other	<u>129,646</u>
Total operating revenues	<u>47,110,922</u>
<b>OPERATING EXPENSES</b>	
Unemployment compensation	139,579
Claims and premiums	<u>47,111,922</u>
Total operating expenses	<u>47,251,501</u>
Operating loss	<u>(140,579)</u>
<b>NONOPERATING REVENUES</b>	
Investment earnings	<u>84,180</u>
Change in net assets	(56,399)
Net assets, beginning	<u>11,956,534</u>
Net assets, ending	<u>\$ 11,900,135</u>

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

**HAMILTON COUNTY, TENNESSEE**

**Year ended June 30, 2008**

	Board of Education Internal Service Fund
	<u>                    </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from insurance premiums	\$ 52,225,742
Cash paid for unemployment compensation	(576,406)
Cash paid for claims and premiums	<u>(47,469,398)</u>
Net cash used by operating activities	<u>4,179,938</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>81,914</u>
Net cash provided by investing activities	<u>81,914</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	4,261,852
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>146,565</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 4,408,417</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	<u>\$ (140,579)</u>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Change in accounts receivable	(177,112)
Change in due from other funds	5,207,752
Change in prepaid items	(1,074,209)
Change in accounts payable	115,369
Change in accrued claims	<u>248,717</u>
Total adjustments	<u>4,320,517</u>
Net cash used by operating activities	<u>\$ 4,179,938</u>

**SCHEDULE OF PROPERTY TAXES RECEIVABLE**

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2008**

Year of Levy	Property Taxes Receivable	Allowance For Estimated Uncollectibles	Net Amount
2008 *	\$ 225,396,844	\$ 12,623,760	\$ 212,773,084
2007	10,244,672	561,408	9,683,264
2006	2,568,657	436,929	2,131,728
2005	1,031,999	367,082	664,917
2004	<u>883,914</u>	<u>666,029</u>	<u>217,885</u>
	<u>\$ 240,126,086</u>	<u>\$ 14,655,208</u>	<u>\$ 225,470,878</u>

**DISTRIBUTION TO PRIMARY GOVERNMENT**

County General	\$ 116,139,962	\$ 7,047,441	\$ 109,092,521
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**DISTRIBUTION TO COMPONENT UNIT**

General Purpose			
School	<u>123,986,124</u>	<u>7,607,767</u>	<u>116,378,357</u>
	<u>\$ 240,126,086</u>	<u>\$ 14,655,208</u>	<u>\$ 225,470,878</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, 2008**

	Maturity Date	Interest Rate	Amount
<b>PRIMARY GOVERNMENT:</b>			
PENSION TRUST FUND	07/17/08	2.25%	\$ 76,715
<b>AGENCY FUNDS</b>			
Constitutional Officers:			
Circuit Court Clerk	Various	Various	3,523,693
Clerk and Master	Various	Various	7,126,551
Juvenile Court Clerk	Various	Various	<u>898,805</u>
Total primary government			<u>11,625,764</u>
<b>COMPONENT UNITS:</b>			
<b>GOVERNMENTAL FUNDS</b>			
School Activity:			
First Tennessee	Various	Various	53,059
SunTrust Bank	Various	Various	81,623
Cornerstone Community Bank	09/14/08	4.68%	27,146
Chattanooga Area Schools Federal Credit Union	Various	Various	<u>155,191</u>
			<u>317,019</u>
<b>PROPRIETARY FUNDS</b>			
"911" Emergency Communication:			
First Volunteer Bank	N/A	Variable	1,020,506
First Volunteer Bank	09/26/08	4.10%	563,533
First Volunteer Bank	07/04/08	5.10%	471,099
First Volunteer Bank	11/16/08	5.00%	887,267
First Tennessee	08/05/08	3.65%	1,753,201
First Tennessee	11/16/08	2.92%	499,371
First Tennessee	12/20/08	5.45%	1,054,580
SunTrust Bank	12/01/08	5.35%	907,291
Regions Bank	09/22/08	4.44%	525,240
Regions Bank	09/14/08	2.98%	<u>95,252</u>
			<u>7,777,340</u>
Total component units			<u>8,094,359</u>
Total			<u>\$ 19,720,123</u>

**SCHEDULE OF INVESTMENTS BY FUND**

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2008**

	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>FACE VALUE</u>	<u>BOOK VALUE</u>
<b>PRIMARY GOVERNMENT</b>				
<b>GENERAL FUND</b>				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	\$ 65,196,015	\$ 65,196,015
Certificate of Deposit Classified as Investments		4.85%	15,000	15,000
<b>SHERIFF</b>				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	3,221,047	3,221,047
<b>DEBT SERVICE</b>				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	187,719	187,719
<b>CAPITAL PROJECTS</b>				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	9,311,680	9,311,680
State of Tennessee Local Government Investment Pool	N/A	Monthly Weighted Average	29,215,390	29,215,390
Regions Investment Pool	N/A	Monthly Weighted Average	2,580,021	2,580,021
<b>OTHER GOVERNMENTAL FUNDS</b>				
Juvenile Court Clerk: Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	428,188	428,188
Governmental Law Library: Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	78,402	78,402
Hotel/Motel: Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	776,602	776,602

(continued)

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

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2008**

	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>FACE VALUE</u>	<u>BOOK VALUE</u>
OTHER GOVERNMENTAL FUNDS--(continued)				
Children's Services:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	\$ 1,618,005	\$ 1,618,005
Economic Crimes:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	70,094	70,094
INTERNAL SERVICE				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	21,421,531	<u>21,421,531</u>
Total Primary Government Funds				<u>134,119,694</u>
PENSION TRUST FUND				
Domestic Corporate Bonds	Various	Various	77,292	77,292
Mutual Funds	Various	Various	1,190,557	1,190,557
Domestic Equity Securities	Various	Various	1,135,758	1,135,758
Foreign Equity Securities	Various	Various	34,276	34,276
US Government Securities	Various	Various	52,379	52,379
AGENCY FUNDS				
Constitutional Officers:				
Juvenile Court Clerk:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	24,010	24,010
Sheriff:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	215,422	<u>215,422</u>
Total Fiduciary Funds				<u>2,729,694</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2008**

	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>FACE VALUE</u>	<u>BOOK VALUE</u>
<b>COMPONENT UNITS</b>				
<b>GOVERNMENTAL FUNDS</b>				
General Purpose School:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	\$ 326,419	\$ 326,419
Certificate of Deposit Classified as Investments	4/21/2009	2.50%	68,693	68,693
Centralized Cafeteria:				
State of Tennessee Local Government Investment Pool	N/A	Monthly Weighted Average	305,890	305,890
BOE Internal Service:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	48,241	48,241
BOE Education Capital Projects:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	824,654	824,654
<b>ENTERPRISE FUNDS</b>				
"911" Emergency Communication:				
State of Tennessee Local Government Investment Pool	N/A	Monthly Weighted Average	4,582,580	<u>4,582,580</u>
 Total Component Units				 <u>6,156,477</u>
 Total Investments				 <u>\$ 143,005,865</u>

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

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2008**

NAME OF ISSUE	INTEREST		DATE OF ISSUE
	RATES	DATES	
<b>BONDS PAYABLE</b>			
General Improvement	5.000	11-1/5-1	05/01/97
School	5.000	11-1/5-1	05/01/97
General Improvement	4.500 4.550	8-1/2-1	03/01/98
School	4.500 4.550	8-1/2-1	03/01/98
General Improvement	4.500 4.600 4.650 4.750 4.875 5.000 5.000 5.000 5.100 5.100 5.100 5.100 5.100 5.100 5.100 5.100 5.100	8-1/2-1	03/01/98
General Improvement	5.000	11-1/5-1	11/01/00
School	5.000	11-1/5-1	11/01/00
General Improvement	4.000 4.000	10-1/4-1	10/15/02
School	4.000 4.000	10-1/4-1	10/15/02

(continued)

FUTURE MATURITY SCHEDULE	PRINCIPAL AMOUNT		
	ISSUED	RETIRED	OUTSTANDING
155,108 a year, 5/1/2008-2009	\$ 310,216	\$ 155,108	\$ 155,108
3,374,892 a year, 5/1/2008-2009	6,749,784	3,374,892	3,374,892
1,065,263 a year, 08/01/2004-2008	5,326,315	4,261,052	1,065,263
1,065,263, 08/01/2009	1,065,263	-	1,065,263
199,737 a year, 08/01/2004-2008	998,685	798,948	199,737
199,737, 08/01/2009	199,737	-	199,737
210,000, 08/01/2008	210,000	-	210,000
220,000, 08/01/2009	220,000	-	220,000
225,000, 08/01/2010	225,000	-	225,000
235,000, 08/01/2011	235,000	-	235,000
250,000, 08/01/2012	250,000	-	250,000
265,000, 08/01/2013	265,000	-	265,000
275,000, 08/01/2014	275,000	-	275,000
290,000, 08/01/2015	290,000	-	290,000
305,000, 08/01/2016	305,000	-	305,000
320,000, 08/01/2017	320,000	-	320,000
335,000, 08/01/2018	335,000	-	335,000
355,000, 08/01/2019	355,000	-	355,000
370,000, 08/01/2020	370,000	-	370,000
395,000, 08/01/2021	395,000	-	395,000
415,000, 08/01/2022	415,000	-	415,000
435,000, 08/01/2023	435,000	-	435,000
460,625, 08/01/2024	460,000	-	460,000
600,283, a year, 11/01/2002-2009	4,802,264	3,601,698	1,200,566
2,934,717, a year, 11/01/2002-2009	23,477,736	17,608,302	5,869,434
606,250, 10/1/2008	606,250	-	606,250
596,250, 10/1/2009	596,250	-	596,250
1,818,750, 10/1/2008	1,818,750	-	1,818,750
1,788,750, 10/1/2009	1,788,750	-	1,788,750



FUTURE MATURITY SCHEDULE	PRINCIPAL AMOUNT		
	ISSUED	RETIRED	OUTSTANDING
1,266,666 a year, 1/1/2009-2010	\$ 2,533,332	\$ -	\$ 2,533,332
1,266,667 a year, 1/1/2011-2018	10,133,336	-	10,133,336
1,266,666, 1/1/2019	1,266,666	-	1,266,666
733,334 a year, 1/1/2009-2010	1,466,668	-	1,466,668
733,333 a year, 1/1/2011-2018	5,866,664	-	5,866,664
733,334, 1/1/2019	733,334	-	733,334
215,000, 1/1/2009	215,000	-	215,000
220,000, 1/1/2010	220,000	-	220,000
220,000, 1/1/2011	220,000	-	220,000
230,000, 1/1/2012	230,000	-	230,000
235,000, 1/1/2013	235,000	-	235,000
245,000, 1/1/2014	245,000	-	245,000
255,000a year, 1/1/2015-2016	510,000	-	510,000
270,000, 1/1/2017	270,000	-	270,000
280,000, 1/1/2018	280,000	-	280,000
290,000, 1/1/2019	290,000	-	290,000
310,000, 1/1/2020	310,000	-	310,000
320,000, 1/1/2021	320,000	-	320,000
335,000, 1/1/2022	335,000	-	335,000
350,000, 1/1/2023	350,000	-	350,000
365,000, 1/1/2024	365,000	-	365,000
380,000, 1/1/2025	380,000	-	380,000
400,000, 1/1/2026	400,000	-	400,000
420,000, 1/1/2027	420,000	-	420,000
440,000, 1/1/2028	440,000	-	440,000
460,000, 1/1/2029	460,000	-	460,000
480,000, 1/1/2030	480,000	-	480,000
505,000, 1/1/2031	505,000	-	505,000
530,000, 1/1/2032	530,000	-	530,000
555,000, 1/1/2033	555,000	-	555,000
580,000, 1/1/2034	580,000	-	580,000

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2008**

NAME OF ISSUE	INTEREST		DATE OF ISSUE
	RATES	DATES	
BONDS PAYABLE--(continued)			
General Improvement	4.000	6-30/1-1	04/08/08
	4.000		
	5.000		
	3.500		
	3.750		
	5.000		
	4.250		
	4.375		
School	4.000	6-30/1-1	04/08/08
	4.000		
	5.000		
	3.500		
	3.750		
	5.000		
	4.250		
	4.375		
General Improvement	4.000	6-30/1-1	04/08/08
	5.000		
	5.000		
	4.000		
	3.250		
	3.250		
	4.000		
School	4.000	6-30/1-1	04/08/08
	5.000		
	5.000		
	4.000		
	3.250		
	3.250		
4.000			

(continued)

<u>FUTURE MATURITY SCHEDULE</u>	<u>PRINCIPAL AMOUNT</u>		
	<u>ISSUED</u>	<u>RETIRED</u>	<u>OUTSTANDING</u>
2,201,134, 06/30/2009	\$ 2,201,134	\$ -	\$ 2,201,134
2,199,433, 06/30/2010	2,199,433	-	2,199,433
2,201,134 a year, 06/30/2011-2014	8,804,536	-	8,804,536
2,199,433, 06/30/2015	2,199,433	-	2,199,433
2,199,433, 06/30/2016	2,199,433	-	2,199,433
2,199,433 a year, 06/30/2017-2020	8,797,732	-	8,797,732
2,199,433 a year, 06/30/2021-2022	4,398,866	-	4,398,866
2,199,433, 06/30/2023	2,199,433	-	2,199,433
4,268,866, 06/30/2009	4,268,866	-	4,268,866
4,265,567, 06/30/2010	4,265,567	-	4,265,567
4,268,866 a year, 06/30/2011-2014	17,075,464	-	17,075,464
4,265,567, 06/30/2015	4,265,567	-	4,265,567
4,265,567, 06/30/2016	4,265,567	-	4,265,567
4,265,567 a year, 06/30/2017-2020	17,062,268	-	17,062,268
4,265,567 a year, 06/30/2021-2022	8,531,134	-	8,531,134
4,265,567, 06/30/2023	4,265,567	-	4,265,567
825,803, 06/30/2010	825,803	-	825,803
1,906,917, 06/30/2011	1,906,917	-	1,906,917
1,908,046, 06/30/2012	1,908,046	-	1,908,046
1,085,632, 06/30/2013	1,085,632	-	1,085,632
1,070,946, 06/30/2014	1,070,946	-	1,070,946
767,060, 06/30/2015	767,060	-	767,060
753,503, 06/30/2016	753,503	-	753,503
2,829,197, 06/30/2010	2,829,197	-	2,829,197
6,533,083, 06/30/2011	6,533,083	-	6,533,083
6,536,954, 06/30/2012	6,536,954	-	6,536,954
3,719,368, 06/30/2013	3,719,368	-	3,719,368
3,669,054, 06/30/2014	3,669,054	-	3,669,054
2,627,940, 06/30/2015	2,627,940	-	2,627,940
2,581,497, 06/30/2016	2,581,497	-	2,581,497
			<u>188,260,000</u>

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

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2008**

NAME OF ISSUE	INTEREST		DATE OF ISSUE
	RATES	DATES	
OTHER DEBT OBLIGATIONS			
Agreement between the County & City of Chattanooga regarding Finley Stadium	4.000 5.000 5.380 5.380 5.380 5.000 4.380 4.500	9-1/3-1	3/1/2002
Agreement between the County & Corrections Corporation of America	Variable	Monthly	11/1/1998
Agreement between the County & the City of East Ridge regarding Camp Jordan Park	Various	Monthly	5/24/1989

<u>FUTURE MATURITY SCHEDULE</u>	<u>PRINCIPAL AMOUNT</u>		
	<u>ISSUED</u>	<u>RETIRED</u>	<u>OUTSTANDING</u>
332,500, 9/1/2008	\$ 332,500	\$ -	\$ 332,500
347,500, 9/1/2009	347,500	-	347,500
362,500, 9/1/2010	362,500	-	362,500
385,000, 9/1/2011	385,000	-	385,000
402,500, 9/1/2012	402,500	-	402,500
422,500, 9/1/2013	422,500	-	422,500
427,500, 9/1/2014	427,500	-	427,500
445,000, 9/1/2015	445,000	-	<u>445,000</u>
			<u>3,125,000</u>
267,005, 12/7/2008	267,005	-	267,005
267,005, 12/7/2009	267,005	-	267,005
267,005, 12/7/2010	267,005	-	267,005
267,736, 12/7/2011	267,736	-	267,736
267,005, 12/7/2012	267,005	-	267,005
81,978, 12/7/2013	81,978	-	<u>81,978</u>
			<u>1,417,734</u>
90,000, 12/25/2008	90,000	-	<u>90,000</u>
			<u>\$ 225,909,202</u>

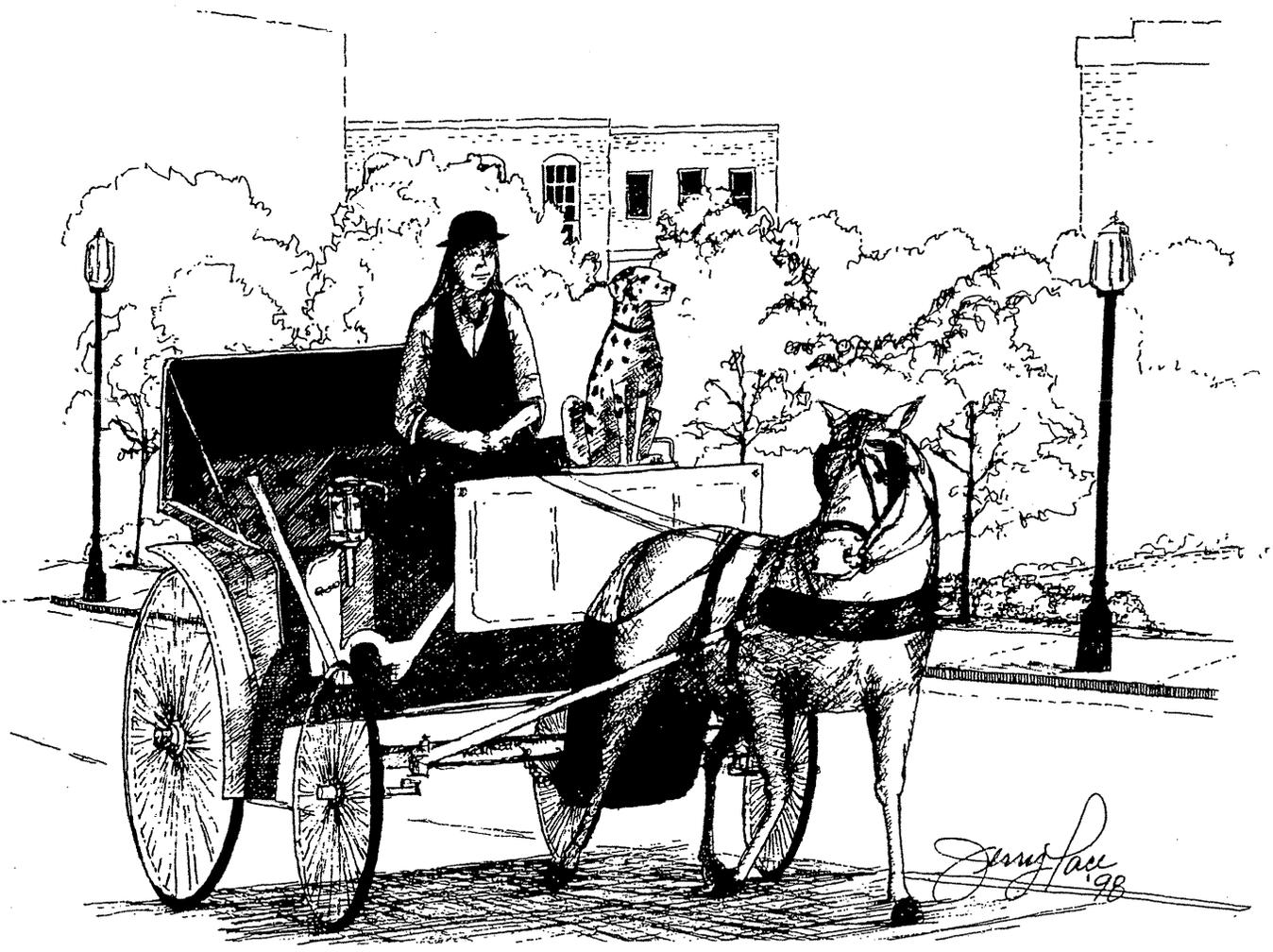
# DEBT SERVICE REQUIREMENTS TO MATURITY

## HAMILTON COUNTY, TENNESSEE

June 30, 2008

Year Ended June 30	Combined Totals	GENERAL OBLIGATION BONDS		
		Bond Principal	Interest	Total
2009	\$ 55,028,402	\$ 19,650,000	\$ 7,900,166	\$ 27,550,166
2010	29,478,975	19,745,000	7,292,852	27,037,852
2011	26,315,997	17,355,000	6,464,007	23,819,007
2012	24,614,551	17,380,000	5,618,770	22,998,770
2013	20,281,986	13,760,000	4,887,170	18,647,170
2014	19,479,956	13,720,000	4,288,426	18,008,426
2015	16,667,042	12,390,000	3,729,432	16,119,432
2016	16,167,710	12,345,000	3,276,964	15,621,964
2017	11,993,332	9,040,000	2,862,599	11,902,599
2018	11,588,344	9,065,000	2,432,611	11,497,611
2019	11,182,197	9,090,000	2,001,459	11,091,459
2020	8,696,151	7,130,000	1,566,151	8,696,151
2021	8,365,464	7,155,000	1,210,464	8,365,464
2022	8,096,794	7,195,000	901,794	8,096,794
2023	7,821,301	7,230,000	591,301	7,821,301
2024	1,071,032	800,000	271,032	1,071,032
2025	1,071,785	840,000	231,785	1,071,785
2026	602,575	400,000	202,575	602,575
2027	604,175	420,000	184,175	604,175
2028	604,855	440,000	164,855	604,855
2029	604,615	460,000	144,615	604,615
2030	603,225	480,000	123,225	603,225
2031	605,905	505,000	100,905	605,905
2032	607,422	530,000	77,422	607,422
2033	607,777	555,000	52,777	607,777
2034	606,970	580,000	26,970	606,970
	<u>\$ 283,368,538</u>	<u>\$ 188,260,000</u>	<u>\$ 56,604,502</u>	<u>\$ 244,864,502</u>





**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 - 8**

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 - 14**

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 - 17**

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 - 20**

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. The county implemented Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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

	<b>Fiscal Year</b>	
	<u>2008</u>	<u>2007</u>
Governmental activities		
Invested in capital assets, net of related debt	\$ 245,443,716	\$ 197,381,058
Restricted	39,198,251	20,087,313
Unrestricted	(58,222,559)	(18,991,416)
Total governmental activities net assets	<u>\$ 226,419,408</u>	<u>\$ 198,476,955</u>
Primary government		
Invested in capital assets, net of related debt	\$ 245,443,716	\$ 197,381,058
Restricted	39,198,251	20,087,313
Unrestricted	(58,222,559)	(18,991,416)
Total primary government net assets	<u>\$ 226,419,408</u>	<u>\$ 198,476,955</u>

Note: The county began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Hamilton County does not have any business-type activities.

**Schedule II**  
**Hamilton County, Tennessee**  
**Changes in Net Assets, Last Five Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Expenses</b>					
Governmental activities:					
General Government	\$ 42,045,548	\$ 38,442,141	\$ 34,981,305	\$ 31,552,148	\$ 32,954,221
Public Safety:					
Sheriff	24,640,408	\$26,176,514	\$25,294,547	\$23,797,816	\$25,316,591
Criminal Court	3,973,378	\$3,835,788	\$3,586,288	\$3,516,738	\$3,459,762
Juvenile Court	8,581,230	\$7,960,486	\$7,638,342	\$7,214,860	\$6,975,183
Ambulance Services	20,122,892	\$19,676,312	\$17,811,039	\$17,687,413	\$15,058,814
Other	27,865,271	\$25,372,780	\$22,751,522	\$21,415,997	\$19,337,349
Highways and streets	15,801,736	\$15,540,503	\$13,673,235	\$15,464,132	\$14,288,450
Health	21,746,737	\$20,528,751	\$19,121,961	\$18,231,342	\$17,674,360
Social Services	8,357,336	\$7,911,773	\$7,776,426	\$7,914,628	\$8,120,070
Culture and recreation	10,369,561	\$12,513,987	\$10,460,777	\$7,427,337	\$7,244,976
Education	17,923,690	\$13,011,783	\$12,792,560	\$35,440,590	\$15,308,638
Interest on long-term debt	7,437,956	\$6,344,384	\$6,533,192	\$7,109,395	\$6,910,473
<b>Total governmental activities expenses</b>	<u>208,865,743</u>	<u>197,315,202</u>	<u>182,421,194</u>	<u>196,772,396</u>	<u>172,648,887</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services					
General Government	15,357,585	15,358,345	17,509,655	13,905,047	13,429,971
Public Safety:					
Sheriff	1,279,627	1,581,710	1,187,587	1,174,128	1,187,862
Criminal Court	2,616,360	2,641,719	2,393,387	2,312,890	2,406,421
Juvenile Court	553,234	676,830	752,358	686,231	708,734
Ambulance Services	20,228,681	18,697,842	18,387,291	17,770,987	15,664,216
Other	2,848,975	2,711,231	2,856,527	2,691,956	2,212,027
Highways and streets	2,228,804	1,960,832	514,874	1,342,931	814,626
Health	2,435,325	2,758,815	3,006,494	2,841,652	2,689,289
Social Services	4,374,293	4,351,989	3,762,669	3,427,119	3,398,463
Culture and recreation	603,712	560,931	536,093	463,407	435,785
Operating grants and contributions	28,400,517	24,838,263	24,653,509	22,965,548	24,226,919
Capital grants and contributions	8,033,704	5,230,533	3,091,343	9,706,722	7,659,577
<b>Total governmental activities program revenues</b>	<u>88,960,817</u>	<u>81,369,040</u>	<u>78,651,787</u>	<u>79,288,618</u>	<u>74,833,890</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	<u>(119,904,926)</u>	<u>(115,946,162)</u>	<u>(103,769,407)</u>	<u>(117,483,778)</u>	<u>(97,814,997)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes:					
Property taxes	118,523,153	96,081,225	90,818,279	85,451,188	84,841,031
Sales taxes	13,361,357	13,547,577	15,715,561	12,102,963	11,173,363
Business taxes	4,980,398	4,938,615	5,096,014	1,830,352	3,602,133
Hotel/Motel taxes	4,492,971	4,174,410	3,960,862	3,748,663	3,447,598
Other taxes	732,465	2,222,336	744,167	1,244,418	1,349,121
Unrestricted grants and contributions					
Investment earnings	5,757,035	5,808,622	3,863,330	3,024,794	1,864,570
Miscellaneous					
<b>Total governmental activities</b>	<u>147,847,379</u>	<u>126,772,785</u>	<u>120,198,213</u>	<u>107,402,378</u>	<u>106,277,816</u>
<b>Change in Net Assets</b>					
Governmental activities	<u>\$ 27,942,453</u>	<u>\$ 10,826,623</u>	<u>\$ 16,428,806</u>	<u>\$(10,081,400)</u>	<u>\$ 8,462,819</u>

Note: The county began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Hamilton County does not have any business-type activities.

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund				
Reserved	\$ 2,350,255	\$ 1,573,982	\$ 2,723,959	\$ 2,962,829
Unreserved	74,751,577	56,760,180	52,638,869	46,751,479
Total General Fund	<u>\$ 77,101,832</u>	<u>\$ 58,334,162</u>	<u>\$ 55,362,828</u>	<u>\$ 49,714,308</u>
All Other Governmental Funds				
Reserved	\$ 61,761,770	\$ 131,501,016	\$ 25,471,500	\$ 21,053,176
Unreserved, reported in:				
Special revenue funds	5,607,353	5,434,029	3,547,007	2,578,486
Capital projects funds	(15,833,094)	(104,202,005)	9,245,897	21,133,440
Debt service funds	240,340	1,653,012	-	-
Total all other governmental funds	<u>\$ 51,776,369</u>	<u>\$ 34,386,052</u>	<u>\$ 38,264,404</u>	<u>\$ 44,765,102</u>

<b>Fiscal Year</b>					
<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>
\$ 2,382,206	\$ 3,300,986	\$ 2,988,648	\$ 3,827,168	\$ 3,136,995	\$ 2,252,996
51,103,451	50,303,712	52,325,865	53,045,083	42,801,152	41,400,974
<u>\$ 53,485,657</u>	<u>\$ 53,604,698</u>	<u>\$ 55,314,513</u>	<u>\$ 56,872,251</u>	<u>\$ 45,938,147</u>	<u>\$ 43,653,970</u>
\$ 26,095,969	\$ 44,895,624	\$ 24,905,748	\$ 17,984,974	\$ 15,175,328	\$ 32,789,721
3,834,186	5,633,612	5,270,253	6,189,113	11,170,644	2,768,942
29,905,968	1,307,236	40,709,079	66,313,244	27,072,524	33,602,116
-	-	-	-	-	-
<u>\$ 59,836,123</u>	<u>\$ 51,836,472</u>	<u>\$ 70,885,080</u>	<u>\$ 90,487,331</u>	<u>\$ 53,418,496</u>	<u>\$ 69,160,779</u>

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Revenues</b>				
Taxes	\$ 140,393,598	\$ 120,511,933	\$ 116,247,392	\$ 103,885,905
Licenses, fees, and permits	797,046	1,003,230	1,118,017	996,136
Fines and penalties	1,833,694	1,901,904	1,908,302	2,033,385
Charges for services	44,286,784	43,750,881	42,471,528	40,461,142
Intergovernmental	36,434,220	31,579,697	27,744,852	32,777,664
Investment earnings	4,787,729	5,003,729	3,160,096	2,495,371
Other revenues	5,609,073	4,644,229	5,409,088	3,592,125
<b>Total revenues</b>	<u>234,142,144</u>	<u>208,395,603</u>	<u>198,059,275</u>	<u>186,241,728</u>
<b>Expenditures</b>				
General government	43,766,409	38,105,787	35,410,918	34,050,720
Public Safety:				
Sheriff	26,485,549	25,276,122	24,518,755	22,599,098
Criminal Court	3,655,426	3,534,185	3,261,864	3,219,691
Juvenile Court	8,401,507	7,841,180	7,388,345	7,005,899
Ambulance Services	20,091,509	19,276,996	17,479,465	17,514,899
Other	26,738,109	24,015,988	22,200,063	20,359,518
Highways and streets	12,059,582	11,387,520	9,638,478	9,663,858
Health	21,474,905	20,281,542	19,009,220	17,873,029
Social Services	8,262,557	7,878,541	7,747,039	7,774,655
Culture and recreation	8,953,438	11,154,441	10,245,016	9,331,150
Capital Outlay				
General government	14,924,623	9,221,715	12,700,379	20,860,077
Education	80,904,133	30,744,012	4,599,993	9,424,380
Debt service				
Interest	5,369,261	19,951,308	6,800,427	20,716,808
Principal	18,674,736	6,626,765	19,978,367	7,370,865
Issuance Cost				
<b>Total expenditures</b>	<u>299,761,744</u>	<u>235,296,102</u>	<u>200,978,329</u>	<u>207,764,647</u>
Excess of revenues over/(under) expenditures	<u>(65,619,600)</u>	<u>(26,900,499)</u>	<u>(2,919,054)</u>	<u>(21,522,919)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	56,145,380	59,602,211	57,900,713	55,682,262
Transfers out	(56,145,380)	(59,477,211)	(57,775,713)	(55,557,262)
Bond and note proceeds	101,493,337	25,000,000	-	934
Bond premium	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Sale of capital assets	284,250	868,481	1,941,876	2,554,615
<b>Total other financing sources (uses)</b>	<u>101,777,587</u>	<u>25,993,481</u>	<u>2,066,876</u>	<u>2,680,549</u>
<b>Net change in fund balances</b>	<u>\$ 36,157,987</u>	<u>\$ (907,018)</u>	<u>\$ (852,178)</u>	<u>\$ (18,842,370)</u>
Debt service as a percentage of noncapital expenditures	11.8%	13.6%	14.6%	15.8%

Note: The county began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Hamilton County does not have any business-type activities.

Fiscal Year

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
\$ 103,730,509	\$ 103,201,249	\$ 102,799,560	\$ 100,251,585	\$ 97,159,569	\$ 88,002,691
740,949	595,693	478,886	475,783	520,943	577,248
1,207,113	1,670,186	1,758,453	1,446,421	1,734,989	1,927,604
38,146,870	31,329,385	30,229,202	26,983,601	23,154,631	20,762,480
32,600,800	36,656,544	26,910,941	25,897,754	20,893,719	21,064,420
1,591,905	1,976,814	3,776,567	5,935,725	4,780,535	5,647,482
2,852,462	3,819,227	2,820,758	2,856,951	7,438,565	2,609,155
<u>180,870,608</u>	<u>179,249,098</u>	<u>168,774,367</u>	<u>163,847,820</u>	<u>155,682,951</u>	<u>140,591,080</u>
33,625,625	33,708,497	34,132,849	34,223,148	28,116,172	25,498,052
			49,376,760	45,181,659	40,139,137
23,593,493	22,319,578	21,083,913			
3,184,747	2,855,969	2,636,307			
6,913,363	5,195,263	4,529,038			
14,842,261	11,218,477	11,632,439			
18,620,790	17,818,148	16,590,536			
10,384,639	9,888,106	10,583,226	8,103,653	7,876,225	7,053,587
17,852,323	17,318,336	15,970,858	14,414,966	13,774,376	12,642,259
8,114,455	10,156,391	8,213,683	8,712,605	8,448,708	7,985,237
9,891,062	9,656,196	9,525,518	8,923,026	8,465,941	7,824,564
			29,836,020	38,034,073	32,345,955
16,835,355	21,972,705	7,738,764			
15,879,834	13,311,115	21,292,864			
6,549,742	7,807,029	8,954,469	8,803,710	7,870,267	8,460,705
19,028,505	19,153,505	21,212,089	17,610,689	18,373,206	17,678,335
<u>205,316,194</u>	<u>202,379,315</u>	<u>194,096,553</u>	<u>180,004,577</u>	<u>176,140,627</u>	<u>159,627,831</u>
(24,445,586)	(23,130,217)	(25,322,186)	(16,156,757)	(20,457,676)	(19,036,751)
51,706,028	50,668,288	54,195,459	53,710,403	48,189,616	24,592,048
(51,581,028)	(50,543,288)	(54,070,459)	(53,652,621)	(49,303,560)	(25,754,758)
30,015,266	32,106,910	435,904	56,942,955	4,062,001	541,128
1,278,540	-	-	-	-	-
-	(30,122,469)	-	-	-	-
907,390	262,353	493,465	625,425	-	-
<u>32,326,196</u>	<u>2,371,794</u>	<u>1,054,369</u>	<u>57,626,162</u>	<u>2,948,057</u>	<u>(621,582)</u>
\$ 7,880,610	\$ (20,758,423)	\$ (24,267,817)	\$ 41,469,405	\$ (17,509,619)	\$ (19,658,333)
14.8%	16.1%	18.3%	14.7%	14.9%	16.4%

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

Fiscal Year Ended June 30	Real Property			Personalty Property
	Residential Property	Commercial Property	Other Multi-Use Property	
1999	\$ 2,061,983,253	\$ 1,449,270,814	\$ 55,777,315	\$ 473,490,322
2000	2,125,332,928	1,489,447,088	58,974,760	507,208,891
2001	2,179,884,250	1,530,466,437	59,930,440	538,284,895
2002	2,651,812,860	1,754,913,695	72,547,310	567,016,262
2003	2,712,679,140	1,806,507,185	72,650,505	543,049,870
2004	2,778,249,335	1,820,877,702	81,426,865	535,345,864
2005	2,855,267,780	1,842,598,736	82,034,675	533,938,891
2006	3,511,594,235	2,136,195,594	93,950,970	527,095,881
2007	3,791,887,727	2,276,582,369	102,219,515	574,160,097
2008	3,892,376,937	2,347,954,299	104,523,805	556,193,467

Source: Hamilton County Assessor's Office

Notes: Property in Hamilton County is reassessed once every four years. The county assesses property at approximately 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 2008 are \$214,401,205 and \$389,820,373 respectively.

<u>Public Utilities Property</u>	<u>Less: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>
\$ 252,214,712	\$ -	\$ 4,292,736,416	\$ 3.519	\$ 14,117,907,707
239,512,969	-	4,420,476,636	3.519	14,547,706,393
277,215,584	-	4,585,781,606	3.061	15,043,782,544
308,775,833	-	5,355,065,960	3.061	17,687,824,855
312,777,498	-	5,447,664,198	3.061	17,988,005,465
285,476,577	-	5,501,376,343	3.061	18,240,149,012
297,427,438	-	5,611,267,520	2.894	18,621,590,339
333,289,963	-	6,602,126,643	2.894	22,063,003,846
329,134,150	-	7,073,983,858	3.154	23,712,031,264
299,212,058	-	7,200,260,566	3.154	24,185,806,326

**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				City of		
	General Government	Department of Education	District Road	Total Direct Rate	Chattanooga	East Ridge	Red Bank
2000	\$ 1.6960	\$ 1.8060	\$ 0.0170	\$ 3.5190	\$ 2.3100	\$ 1.2000	\$ 0.9420
2001	1.6960	1.8060	0.0170	3.5190	2.3100	1.2000	0.9420
2002	1.4750	1.5710	0.0150	3.0610	2.5160	1.0610	1.0500
2003	1.4328	1.6134	0.0148	3.0610	2.5160	1.0610	1.0500
2004	1.4328	1.6134	0.0148	3.0610	2.5160	1.2500	1.2200
2005	1.4128	1.6334	0.0148	3.0610	2.5160	1.2500	1.2200
2006	1.3159	1.5655	0.0126	2.8940	2.2020	1.0770	1.2600
2007	1.3159	1.5655	0.0126	2.8940	2.2020	1.0770	1.2600
2008	1.5759	1.5655	0.0126	3.1540	2.2020	1.0770	1.2600
2009	1.5759	1.5655	0.0126	3.1540	2.2020	1.2870	1.2600

Source: Hamilton County Trustee's Office

Overlapping Rates								Total Direct & Overlapping Rates
Lookout Mountain	Signal Mountain	Collegedale	Soddy-Daisy	Lakesite	Ridgeside	Town of Walden		
\$ 1.4970	\$ 1.3600	\$ 1.2190	\$ 0.5850	\$ 0.3990	\$ 1.9270	\$ 0.7100		\$ 15.6680
1.4970	1.3600	1.2190	0.5850	0.3990	1.9270	0.7100		15.6680
1.4970	1.6500	1.0786	0.4900	0.3390	1.9300	0.5800		15.2526
1.8000	1.6500	1.0786	0.4900	0.3390	1.9300	0.5800		15.5556
2.2000	1.6500	1.0786	0.4900	0.3390	1.9300	0.5800		16.3146
2.7000	1.6500	1.0500	0.4900	0.3390	1.9300	0.5800		16.7860
2.0136	1.4250	0.9520	0.7800	0.2900	1.5010	0.5000		14.8946
1.8000	1.7750	1.2000	0.7800	0.2900	1.5010	0.5000		15.2790
1.8000	1.7750	1.2000	0.7800	0.2900	1.6000	0.5000		15.6380
1.8000	1.7750	1.3200	0.7800	0.2900	1.8000	0.5000		16.1680

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

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	% of Total Assessed Valuation	Taxable Assessed Value	Rank	% of Total Assessed Valuation
Electric Power Board	\$ 214,401,205	1	3.25%	\$ 148,505,560	1	3.57%
TVA	124,099,022	2	1.88%	103,192,398	2	2.48%
Bellsouth Telecommunications	73,700,075	3	1.12%	77,644,784	3	1.87%
Lebcon Assoc/C B L	72,720,787	4	1.10%	39,465,847	5	0.95%
Tennessee-American Water Co.	48,115,280	5	0.73%	38,074,014	6	0.92%
McKee Baking/Foods Corp.	44,143,405	6	0.67%	30,707,889	8	0.74%
Chattanooga Gas Company	38,924,574	7	0.59%	36,026,462	7	0.87%
Provident Life /Unum Provident	36,046,459	8	0.55%	29,418,807	9	0.71%
E. I. Dupont	30,430,470	9	0.46%	63,499,213	4	1.53%
Kenco Group	29,433,150	10	0.45%	-	-	-
Tallan Holdings/Properties	-		-	13,026,206	10	0.31%
	<u>\$ 712,014,427</u>		<u>10.80%</u>	<u>\$ 579,561,180</u>		<u>13.95%</u>

Source: Hamilton County Trustee

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.

**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
1999	\$ 118,708,194	\$ 113,036,704	95.2%	\$ 5,276,130	\$ 118,312,834	99.7%
2000	145,508,958	137,767,700	94.7%	6,947,670	144,715,370	99.5%
2001	149,435,772	141,232,237	94.7%	7,726,833	148,959,070	99.7%
2002	154,402,498	145,190,063	94.0%	9,032,812	154,222,875	99.9%
2003	156,901,705	149,006,804	95.0%	7,006,385	156,013,189	99.4%
2004	158,594,035	150,434,347	94.9%	7,823,147	158,257,494	99.8%
2005	162,140,351	153,718,818	94.8%	7,496,398	161,215,216	99.4%
2006	181,473,837	173,318,379	95.5%	6,844,605	180,162,984	99.3%
2007	187,738,019	179,757,257	95.7%	5,596,071	185,353,328	98.7%
2008	211,448,308	201,229,831	95.2%	-	201,229,831	95.2%

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

<b>Governmental Activities</b>						
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Notes Payable</b>	<b>Certificates of Participation</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
1999	\$ 152,365,000	\$ 7,172,309	\$ 2,705,000	\$ 162,242,309	1.98%	\$ 531
2000	135,890,000	7,454,888	2,065,000	145,409,888	1.67%	474
2001	173,680,000	21,594,284	1,405,000	196,679,284	2.14%	639
2002	154,960,000	19,642,195	715,000	175,317,195	1.88%	568
2003	139,070,000	22,384,490	-	161,454,490	1.69%	522
2004	162,040,000	20,975,624	-	183,015,624	1.85%	591
2005	143,380,000	19,570,147	-	162,950,147	1.58%	526
2006	125,510,000	17,322,009	-	142,832,009	1.38%	459
2007	107,730,000	39,989,671	-	147,719,671	1.29%	472
2008	188,260,000	37,649,201	-	225,909,201	1.87%	684

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>
1999	\$ 152,365,000	1.08%	\$ 499
2000	135,890,000	0.93%	443
2001	173,680,000	1.15%	564
2002	154,960,000	0.88%	502
2003	139,070,000	0.77%	450
2004	162,040,000	0.89%	524
2005	143,380,000	0.77%	463
2006	125,510,000	0.57%	404
2007	107,730,000	0.45%	344
2008	188,260,000	0.79%	570

**Schedule XI**  
**Hamilton County, TN**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2008**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
City of Chattanooga	\$ 96,296,919	56.052%	\$ 53,976,349
Town of East Ridge	3,502,818	4.517%	158,222
Town of Red Bank	1,882,293	2.486%	46,794
Town of Lookout Mountain	920,000	1.468%	13,506
Town of Signal Mountain	6,773,582	2.820%	191,015
Town of Collegedale	1,461,723	1.905%	27,846
Town of Soddy Daisy	900,000	2.769%	24,921
<b>Other debt</b>			
City of Chattanooga	310,153,520	56.052%	173,847,251
Town of East Ridge	2,083,403	4.517%	94,107
Town of Red Bank	9,412,183	2.486%	233,987
Town of Lookout Mountain	-	1.468%	-
Town of Signal Mountain	60,000	2.820%	1,692
Town of Collegedale	2,388,357	1.905%	45,498
Town of Soddy Daisy	-	2.769%	-
Subtotal, overlapping debt			228,661,188
Hamilton County direct debt			225,909,201
Total direct and overlapping debt			454,570,389

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 recognized 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**

Calendar Year	Population	Personal Income (a)	Per Capita Income	Unemployment Rate
1998	305,616	\$ 8,180,195	\$ 26,766	4.4%
1999	306,915	8,713,778	28,392	3.3%
2000	308,011	9,185,564	29,822	2.9%
2001	308,497	9,312,261	30,186	3.2%
2002	309,200	9,557,091	30,909	4.2%
2003	309,482	9,875,092	31,908	4.1%
2004	309,729	10,294,307	33,236	3.5%
2005	310,935	10,349,379	33,285	5.8%
2006	312,905	11,482,511	36,696	5.4%
2007	330,168	12,093,381	36,628	3.9%

(a) Amounts expressed in thousands

Sources: Personal income and per capita income information provided by the Chamber of Commerce: Bureau of Economic Analysis (BEA). For 2007, personal income and per capita income were interpolated based on percentage increases reported by Metropolitan areas in the BEA. The BEA updates the 2 prior years data to actuals; therefore, personal income and per capita income were updated to actuals as reported by BEA for 2004-2006. 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>2008</u>			<u>1999</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	4,801	1	15.60%	3,567	2	12.52%
Hamilton County Department of Education	4,296	2	13.96%	4,931	1	17.31%
Erlanger Health System	3,621	3	11.77%	2,976	5	10.45%
Tennessee Valley Authority	3,500	4	11.37%	3,051	4	10.71%
McKee Foods Corporation	3,200	5	10.40%	3,200	3	11.23%
UnumProvident Corporation	2,800	6	9.10%	2,144	8	7.53%
Memorial Health Care System	2,609	7	8.48%	2,081	9	7.31%
City of Chattanooga	2,317	8	7.53%	2,432	6	8.54%
CIGNA Healthcare	1,850	9	6.00%	1,849	10	6.49%
Hamilton County Government	1,781	10	5.79%			
Synthetic Industries				2,253	7	7.91%
<b>Total</b>	<u>30,775</u>		<u>100.00%</u>	<u>28,484</u>		<u>100.00%</u>

Source: Chattanooga Area Chamber of Commerce

**Schedule XIV**  
**Hamilton County, TN**  
**Full-time Equivalent County Government Employees by Function Program**  
**As of June 30, 2008**

<u>Function/Program</u>	<u>Full-time-Equivalent Employees</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Government	769	660	536
Public Safety	384	379	365
Highways and Streets	130	129	111
Health	262	238	278
Social Services	108	83	97
Culture and Recreation	81	83	89
<b>Total</b>	<b>1,734</b>	<b>1,572</b>	<b>1,476</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 the pension nor earn leave time

Information for years prior to 2006 is not readily available; therefore, the ten-year comparison as recommended by GASB Statement 44 is not presented.

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

<u>Function/Program</u>	<u>Fiscal Year</u>					
	2008	2007	2006	2005	2004	2003
<b>General Government</b>						
County Clerk (DMV) - transactions processed	366,029	381,072	404,066	393,942	369,790	392,387
Register - documents recorded	79,036	78,300	81,687	89,228	86,165	83,337
Recycling - tons collected	2,235	2,342	2,218	2,200	1,710	1,479
Election Commission - registered voters	184,792	184,099	182,250	176,671	169,399	164,193
Election Commission - votes cast in last election	74,417	109,401	50,968	137,272	28,514	89,030
Purchasing - bids posted	190	153	150	135	131	145
<b>Public Safety</b>						
Building Inspections - permits issued	1,420	1,600	1,616	1,609	1,531	1,419
Building Inspections - inspections and investigations	22,214	25,292	24,562	22,838	22,437	19,524
Jail - average number inmates housed	592	610	583	561	607	669
Sheriff's Dept - physical arrests	6,654	6,728	6,723	6,843	6,896	6,590
Juvenile Court Judge - cases heard	7,618	9,255	7,574	7,699	7,765	7,558
Criminal Court Judge - cases heard	4,306	5,000	4,866	4,396	4,747	3,907
Ambulance Services - responded calls	21,382	20,393	20,536	20,624	19,608	18,662
Police Protection (Sworn, Correctional, Civilian and Others)	361	373	393	385	388	387
<b>Highways and Streets</b>						
Engineering Services - projects administered	70	80	69	100	99	99
Highways & Streets - bridges maintained	81	81	81	81	81	81
<b>Health</b>						
Health Dept - patients seen	44,452	47,383	49,817	58,808	50,419	48,867
Environmental Health - processed appl for new/existing septic system	2,250	2,131	828	1,044	2,554	2,369
<b>Social Services</b>						
Emergency Assistance Program of						
Financial Services - # households served	448	425	350	331	338	387
Emergency Assistance Program of Financial Services - # of services	645	548	420	386	421	382
Chancery Court Judge - # cases heard	2,253	2,521	2,520	2,266	2,452	1,998
Circuit Court Judge - #cases heard	2,925	2,892	3,088	3,357	3,431	3,379
<b>Culture &amp; Recreation</b>						
# Facilities Maintained	34	34	34	34	32	30
# Programs Offered	15	18	18	17	16	18
<b>Education</b>						
Public School Enrollment	40,578	40,430	40,826	40,376	40,774	40,138
Private School Enrollment	10,813	11,351	11,330	11,348	11,328	10,857

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

**Note:** Information for years prior to 2003 is not readily available; therefore, the ten-year comparison as recommended by GASB Statement 44 is not presented.

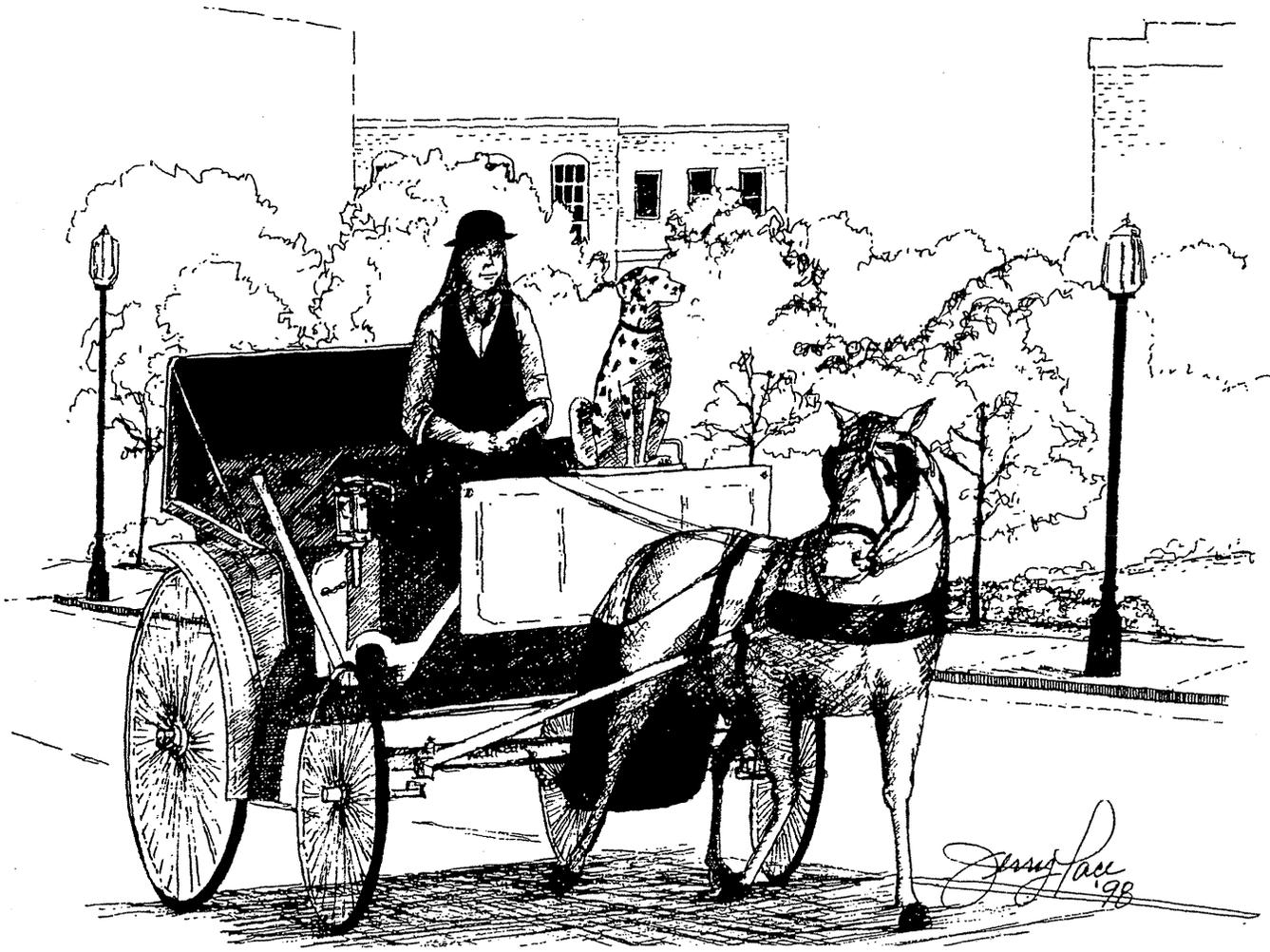
\*\*\*\*Note on EAP - The number of households served and services rendered by the Emergency Assistance Program have both decreased on average about 35% over the last decade due to inflation, decreased funding and program policy revision.

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

<u>Function/Program</u>	<u>Fiscal Year</u>					
	2008	2007	2006	2005	2004	2003
<b>General Government</b>						
Libraries	9	9	9	9	9	9
Recycling Stations	6	6	5	5	5	5
Telecommunications locations supported	202	202	202	202	202	202
Election Commission ballot boxes	125	122	122	122	122	122
<b>Public Safety</b>						
Volunteer Fire Stations	17	17	17	17	17	17
Ambulance Stations	15	15	15	15	15	15
Sheriff patrol cars	225	211	224	207	201	214
<b>Highways and Streets</b>						
Miles of paved streets	2380	2380	2435	2380	2379	2379
<b>Health</b>						
Healthcare Facilities	5	5	5	5	5	5
<b>Culture &amp; Recreation</b>						
Number of Parks	98	98	97	92	119	119
Golf Courses	21	21	21	21	16	16
Recreation Centers	17	17	17	17	15	15
Ball Fields	154	154	161	132	122	122
Public Tennis Courts	165	165	165	161	191	200
Swimming Pools	32	32	32	28	55	55
Theaters	15	15	14	14	17	17
Bowling Alleys	3	3	3	3	3	3

**Sources:** Prior year CAFRs and various department personnel

**Note:** Information for years prior to 2003 is not readily available; therefore, the ten-year comparison as recommended by GASB Statement 44 is not presented.



**HAMILTON COUNTY, TENNESSEE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**Year ended June 30, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through Tennessee Housing Development Agency HOME Investments Partnership Program	14.239	HM-05-21	\$ 94,991
High Tech Small Business Incubator	14.246	2008-AP-BX-1614	<u>224,849</u>
Total U.S. Department of Housing and Urban Development			<u>319,840</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed through Tennessee Emergency Management Agency: Emergency Management Performance Grants	16.007	GG-06-12229-00	<u>47,910</u>
Passed through Tennessee Commission of Children and Youth: Juvenile Accountability Incentive Block Grants	16.523	GG-08-23508-00	<u>29,569</u>
Title V: Delinquency Prevention Program	16.548	GG-07-12761-00	<u>20,364</u>
Tennessee Methamphetamine Grants			
Tennessee Methamphetamine Initiative	16.580	2007-DD-BX-0002	2,423,614
Intelligence System	16.580	2006-DD-BX-0206	<u>732,855</u>
Total Tennessee Methamphetamine Grants Program			<u>3,156,469</u>
Passed through Tennessee Drug Court Treatment Resource Fund Criminal Justice Program	16.585	Z-05025517-00	<u>374,781</u>
Domestic Violence	16.590	2005-WE-AX-0015	<u>211,400</u>
State Criminal Alien Assistance Program	16.606	2008-AP-BX-1614	<u>20,546</u>
Total U.S. Department of Justice			<u>3,861,039</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed through Tennessee Department of Transportation: TN River park - Millennium Project	20.205	STP-EN-9202(64)	915
Governor's Highway Safety Grant	20.607	Z-08-024035-00	<u>139,455</u>
Total U.S. Department of Transportation			<u>140,370</u>

(continued)

**HAMILTON COUNTY, TENNESSEE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**Year ended June 30, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through Tennessee Commission on Children and Youth:			
Supplement Nutrition Program for Women, Infants and Children	10.557	GG-07-12994-00	\$ 6,600
	10.557	GG-08-22504-00	<u>1,062,621</u>
Total Supplement Nutrition Program for Women, Infants and Children			<u>1,069,221</u>
Passed through Tennessee Department of Health:			
Project Grants and Cooperative Agreements for Tuberculosis State TB Outreach	93.116	GG-08-21266-01	<u>181,300</u>
Centers for Disease Control and Prevention: Injury Prevention and Control Research and State and Community Based Programs	93.136	GG-08-21825-00	<u>19,164</u>
Immunization Grants	93.268	GG-07-20575-00 & GG-08-24031-00	<u>250,650</u>
Centers for Disease Control and Prevention: Investigations and Technical Assistance	93.283	GG-07-12837-00 & GG-08-22525-01	804,213
	93.283	GG-08-21855-00	63,684
	93.283	GG-08-20895-00	<u>52,894</u>
Total Investigations and Technical Assistance			<u>920,791</u>
Medical Assistance Program	93.778	GG-08-23309-01	<u>84,528</u>
Centers for Disease Control: Investigations and HIV Care Formula Grants	93.917	GG-08-24280-00	<u>186,300</u>
HIV Prevention Activities: Health Department Based	93.940	Z-07-038097-00 & GG-08-23715-00	<u>279,055</u>
Preventative Health Services: Sexually Transmitted Diseases Control Grants	93.977	Z-07-038097-00 & GG-08-23715-00	<u>214,900</u>
Preventative Health and Health Services Block Grant	93.991	GG-08-21318-00	117,317
	93.991	GG-08-22525-01	<u>4,016</u>
Total Preventative Health and Health Services Block Grant			<u>121,333</u>

(continued)

**HAMILTON COUNTY, TENNESSEE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**Year ended June 30, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Family Planning	93.217	Z-07-038097-00 & GU-08-21260-01	\$ <u>226,200</u>
Maternal and Child Health Services Block Grant	93.994	GU-08-21260-01	205,400
	93.994	Z-05-013025-00 & GG-08-23715-00	40,000
	93.994	GG-08-22109-00	12,435
	93.994	GG-08-21259-00	<u>132,444</u>
Total Maternal and Child Health Services Block Grant			<u>390,279</u>
Passed through Tennessee Department of Human Services:			
Child Support Enforcement	93.563	GG-07-12426 & GG-08-21960-00	<u>490,156</u>
Social Services Block Grant	93.667	GG-08-21911-00 & Z-08-022679/78	<u>524,495</u>
Total U.S. Department of Health and Human Services			<u>4,958,372</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through Tennessee Emergency Management Agency:			
Domestic Preparedness	97.004	GG-07-22822-00	17,935
Presidential Disaster	97.036	Z-05-024728-01	89,181
Emergency Management	97.042	Z-07-20640-00	97,021
Homeland Security	97.078	Z-05-013020-00	137,547
Homeland Security	97.067	Z-05-025162 & GG-07-21787-01	<u>1,159,554</u>
Total U.S. Department of Homeland Security			<u>1,501,238</u>
Total Expenditures of Federal Awards - Primary Government			<u>10,780,859</u>
<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	350,190
Passed through Tennessee Department of Education:			
School Breakfast Program	10.553	None	2,368,019
National School Lunch Program	10.555	None	<u>7,327,069</u>
Total U. S. Department of Agriculture			<u>10,045,278</u>

(continued)

**HAMILTON COUNTY, TENNESSEE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**Year ended June 30, 2008**

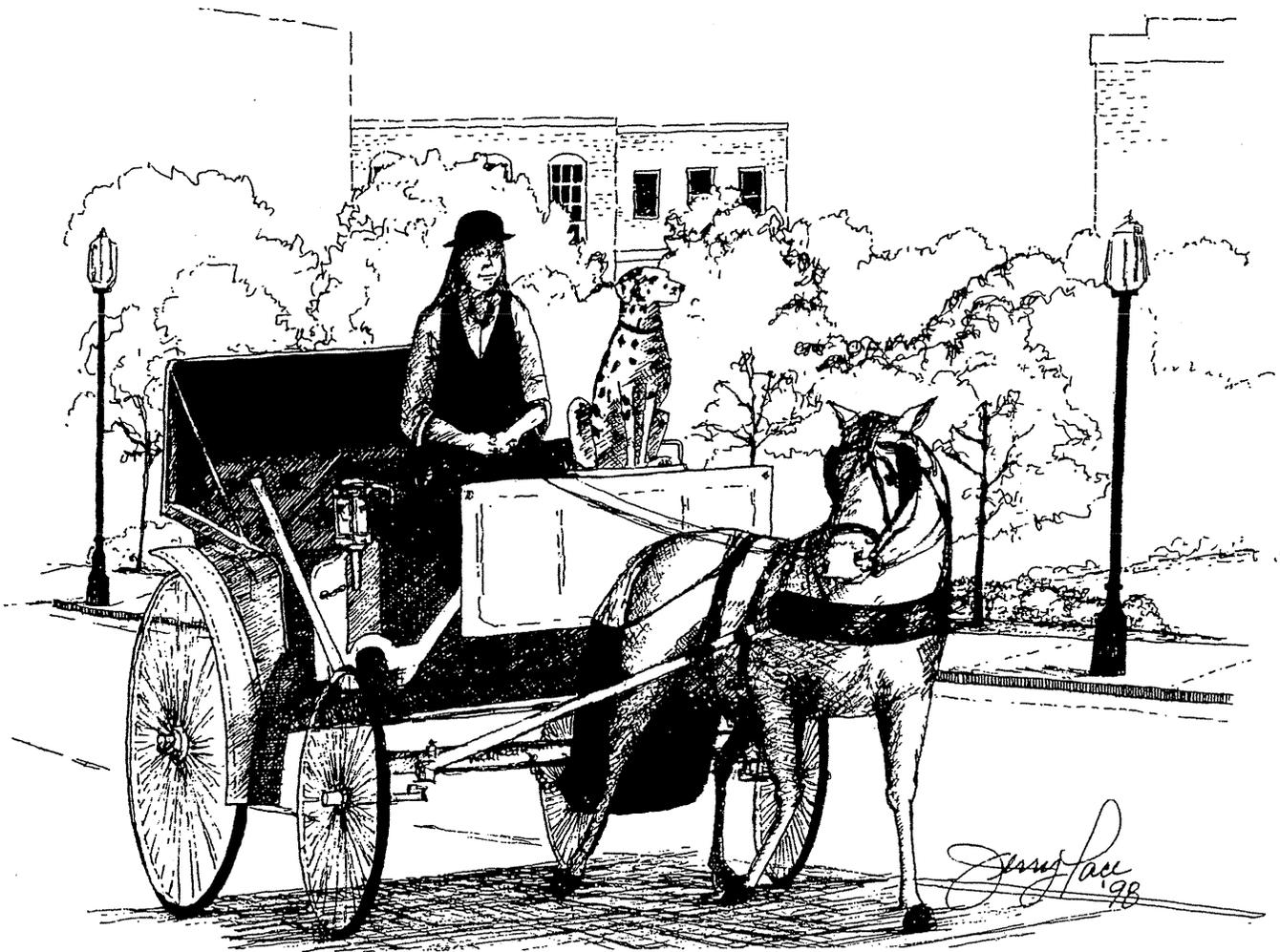
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through Tennessee Department of Education:			
Title I Grants to Local Educational Agencies	84.010	None	\$ 10,466,591
Special Education: Grants to States	84.027	None	8,885,624
Vocational Education: Basic Grants to States	84.048	None	888,010
Preschool Incentive Grant	84.173	None	262,807
Safe and Drug-Free Schools and Communities: State Grants	84.186	None	246,417
Education for Homeless Children and Youth	84.196	None	101,428
Twenty-First Century Community Learning Centers	84.287	None	147,194
State Grants for Innovative Programs	84.298	None	249,283
Education Technology State Grants	84.318	None	2,685,728
Reading First State Grants	84.357	None	2,078,217
English Language Acquisition/Enhancement	84.365	None	163,865
Improving Teacher Quality State Grants	84.367	None	2,490,298
Impact Aid - Public Law 874	84.041	None	15,447
Magnet Schools Assistance Grant	84.165	U-165A040070	528,355
Fund for the Improvement of Education	84.215	V-215L032031	<u>205,415</u>
Total U.S. Department of Education			<u>29,414,679</u>
Total Expenditures of Federal Awards - Component Units			<u>39,459,957</u>
Total Expenditures of Federal Awards - Reporting Entity			<u>50,240,816</u>

**HAMILTON COUNTY, TENNESSEE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**Year ended June 30, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>STATE GRANTS</b>			
Board of Probation and Parole	N/A	Z-08-012318-00	\$ 325,924
Juvenile Detention Unit	N/A	Z-08-022762-00	9,000
Byrne Justice Assistance Grant	N/A	N/A	108,759
Justice Assistance Grant	N/A	N/A	12,500
Administrative Office of the Courts	N/A	N/A	28,230
TN Board of Equalization	N/A	N/A	132,526
TN Election Commission - Help America Vote	N/A	N/A	1,773
Child Welfare Research and Demonstration - Casa Program	N/A	Z-08-23421-00	15,000
TN Dept. of Health- STARS	N/A	GG-08-23549-00	15,789
TN Dept. of Health - Community Development/Health Access	N/A	GG-08-21318-00	252,497
TN Dept. of Health - Tennder Care	N/A	GG-08-21224-00	255,222
TN Dept. of Health - Grant in Aid	N/A	GG-08-21214-00	371,300
TN Dept. of Health - Renal	N/A	GG-08-20924-00	64,500
TN Dept. of Health - HUGS	N/A	GG-08-21265-01	369,427
TN Dept. of Health - Oral Health	N/A	GG-08-20897-01	329,930
TN Dept. of Health - Families First	N/A	GU-08-21260-01	40,100
TN Dept. of Health - Community Prevention	N/A	GG-08-22780-00	49,255
TN Dept. of Health - State TB Outreach	N/A	GG-08-21266-01	372,600
TN Dept. of Health - Children's Special Services	N/A	GG-08-21259-00	136,400
TN Dept. of Health - Governor's Prevention Initiative	N/A	GG-08-22780-00	246,843
TN Dept. of Transportation	N/A	Z-08-20998-00	112,545
TN Dept. of Transportation	N/A	Z-08-20998-00	71,724
TN Dept. of Transportation	N/A	Z-08-20998-00	108,821
TN Dept. of Economic & Community Development - Hamilton Plastics	N/A	N/A	59,008
TN Dept. of Economic & Community Development - TAG Manufacturing	N/A	GG-04-11284-00	94,037
TN Dept. of Economic & Community Development - Mobray Mtn.	N/A	GG-05-12403-00	409,082
TN Dept. of Economic & Community Development - Choose Chattanooga	N/A	N/A	7,591
TN Dept. of Environment & Conservation - Enterprise South	N/A	Z-07-0313780-00	123,776
TN Dept of Environment & Conservation-Recycling & Waste Oil	N/A	GG-03-0405-00	17,778
TN Dept of Environment & Conservation-Waste Tire	N/A	Z-03-011-350-04	276,093
TN Dept. of Education - Coordinated School Health	N/A	N/A	141,894
TN Dept. of Education - Ed Tech Launch	N/A	N/A	12,644
TN Dept. of Education - Family Resource Center	N/A	N/A	89,069
TN Dept. of Education - One Room Drop in School	N/A	N/A	98,202
TN Dept. of Education - Pilot 500	N/A	N/A	257,512
TN Dept. of Education - Pre K Lottery Fund	N/A	N/A	2,390,476
TN Dept. of Education - Safe Schools	N/A	N/A	150,812
TN Dept. of Education - SOAR	N/A	N/A	101,773
TN Dept. of Education - Lottery for Education After School	N/A	N/A	13,237
TN Dept. of Education - Targeted Assistance	N/A	N/A	1,054,782
TN Dept. of Education - Vocational Education	N/A	N/A	68,518
Total Expenditures of State Awards			<u>8,796,949</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 59,037,765</u>



# NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

## HAMILTON COUNTY, TENNESSEE

June 30, 2008

### 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 Subrecipients</u>
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 35,041
Domestic Violence	16.590	173,764
Title I - Grants to Local Educational Agencies	84.010	150
Title IV - Safe and Drug-Free Schools and Communities	84.186	96,854
Title V - Innovative Education Program Strategies	84.298	6,558
Title II - Part D Technology	84.318	5,737
Title II - Part A	84.367	24,485
Safe Schools Act	N/A	108,890
Social Services Block Grant	93.667	460,950
Governor's Prevention Initiative	93.994	204,838



HENDERSON, HUTCHERSON & McCULLOUGH, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamilton County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Hamilton County's basic financial statements and have issued our report thereon dated December 17, 2008. We did not audit the financial statements of Hamilton County "911" Emergency Communications District. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for the Hamilton County "911" Emergency Communications District, was based solely on the work of 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for determining our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the County's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### 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 and the report of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, the management of Hamilton County, Tennessee, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chattanooga, Tennessee  
December 17, 2008

Henderson Hutcherson  
& McCullough, PLLC



HENDERSON, HUTCHERSON & McCULLOUGH, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

**Report on Compliance With Requirements**  
**Applicable to Each Major Federal Program and on Internal**  
**Control Over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of Hamilton County, Tennessee, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Hamilton County, Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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### Internal Control Over Compliance

The management of Hamilton County, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Board of Commissioners, the management of Hamilton County, Tennessee, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chattanooga, Tennessee  
December 17, 2008

*Henderson Hutcherson  
for McCullough, PLLC*

**HAMILTON COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_yes      X no
- Significant deficiencies that are not considered to be material weaknesses? \_\_\_yes      X none reported
- Noncompliance material to financial statements noted? \_\_\_yes      X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? \_\_\_yes      X no
- Significant deficiencies that are not considered to be material weaknesses? \_\_\_yes      X no

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	U.S. Department of Agriculture:
10.553	School Breakfast Program
10.555	National School Lunch Program
	U.S. Department of Health and Human Services
10.557	Supplemental Nutrition Program for Women, Infants and Children
	U.S. Department of Housing and Urban Development:
14.239	IHOME Investments Partnership Program
	U.S. Department of Education:
84.010	Title I Grants to Local Educational Agencies
84.048	Vocational Education: Basic Grants to States
84.357	Reading First State Grants
84.165	Magnet Schools Assistance Grant

(continued)

(continued)

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

\$ 1,507,224

Auditee qualified as low-risk auditee?

X yes      \_\_\_\_\_ no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported

**HAMILTON COUNTY, TENNESSEE**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended June 30, 2008**

06.2 Federal Awards

*Condition:* The accounting and reporting of federal and state awards are maintained by various county offices, making it difficult to determine the completeness of the Schedule of Federal and State Awards.

*Status:* The County has made significant improvement in this area.

## PHOTO IDENTIFICATION

Cover	Metal sculpture by Aaron P. Hussey framing the overlook on the shore of Renaissance Park near the Market Street Bridge. The bridge renovation was completed in the summer of 2007.
Inside Front	Tennessee Aquarium Ocean Journey banners.
Page 3	Moccasin Bend and Downtown Chattanooga from Point Park on Lookout Mountain.
Page 4	An up close view of the waterfall at the entrance to Enterprise South.
Page 7	Newly unveiled public art on the First Street Corridor, "Diversity" by Cecilia Lueza and Rick Munne.
Page 9	Volkswagen plant site preparation at Enterprise South.
Page 10	More newly unveiled public art on the First Street Corridor, "Double Dutch – A Jump for Joy," stainless steel and bronze pipe by Garry R. Bibbs.
Pages 12 and 13	MAINx24 festival, Fort Negley Neighborhood Party; traditional two-story homes newly constructed in Jefferson Heights.
Pages 14 and 15	The water cannons at the base of The Passage on the 21st Century Waterfront.
Page 16	Fishermen on Harrison Bay.
Pages iv and v	Niedlov's Breadworks, Chattanooga's only organic artisan bread bakery, housed in renovated historic property at 215 Main Street; public art on Main Street, "Kate" by Daud Akhiev; the Lofts on Main; metal sculpture that serves at the gate to the Lofts on Main parking lot; single-family home under construction in Jefferson Heights. Public art on Main Street, "Party Dress" by John Petrey.
Pages vi and vii	BlueCross BlueShield of Tennessee's new headquarters under construction on Cameron Hill; Head of Hooch, an annual late-fall event on the Tennessee River; Coolidge Park; hang glider.
Page viii	Water from the water cannons at the base of The Passage on the 21st Century Waterfront.
Page xi	The intersection of Main and Market Street, across from Herman H. Battle Academy, public art framed against renovation work on one of the Main Street warehouses.
Page xii	The entrance to Point Park, 12-pounder Napoleon Cannons at the edge of Lookout Mountain's Point Park; a hang glider's vista.
Page xiii	The New York Peace Monument at Point Park, Lookout Mountain. On top of the shaft, a Union and a Confederate soldier shake hands under one flag, signifying peace and brotherly love. The monument is 95 feet high, 50 feet wide at the base, and constructed of Tennessee marble and pink Massachusetts granite.
Pages xiv and xv	Volkswagen plant site preparation at Enterprise South.
Page xvi	Newly installed public art in Renaissance Park, "The Fifth Element" by Hanna Jubran.
Inside Back	The boat dock at the base of the 21st Century Waterfront steps.
Back	A continuation of the cover photo of the Market Street Bridge from Renaissance Park.



**HAMILTON COUNTY  
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