

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Tennessee Housing Development Agency			
Home Investments Partnership Program	14.239	HTF-07-09	\$ 314,399
Community Development Block Grant - Brownfields Economic Development	14.246	SBAHQ-08-1-0121	<u>167,600</u>
Total U.S. Department of Housing and Urban Development			<u>481,999</u>
U.S. DEPARTMENT OF JUSTICE			
Regional State Methamphetamine Grants	16.580	GG-09-25727-00	1,130,241
	16.580	2006-DD-BX-0206	190,270
Passed through the Tennessee Drug Court Treatment Resource Fund			
Drug Court Treatment Program	16.585	Z-0-025517-00	405,491
Passed through the Tennessee Commission of Children and Youth			
Title V - Delinquency Prevention Program	16.548	GG-07-12761-00	25,635
Domestic Violence	16.590	2005-WE-AX-0015	<u>237,149</u>
Total U.S. Department of Justice			<u>1,988,786</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Tennessee Commission on Children and Youth			
Supplemental Nutrition program for Women, Infants and Children	10.557	GG-08-22504-00	984,463
Passed through the Tennessee Department of Health			
Project Grants and Cooperative Agreements for Tuberculosis Control Program State TB outreach	93.116	GG-09-24928-00	272,000
Centers for Disease Control and Prevention: Injury Prevention and Control			
Research and State and Community Based Programs	93.136	GG-09-25721-00	34,380
Immunization Grants	93.268	GG-09-27381-00	284,783
Centers for Disease Control: Investigations and HIV Care Formula Grants	93.917	GG-09-27297-00	185,683
HIV Prevention Activities: Health Department Based	93.940	GG-08-23715-00	318,075
Preventive Health Services: Sexually Transmitted Diseases Control Grants	93.997	GG-08-23715-00	222,398
Preventive Health and Health Services Block Grant	93.991	GG-09-25321-00	17,282
	93.991	GG-09-26168-00	121,700
Centers for Disease Control and Prevention, Investigations and			
Technical Assistance	93.283	GG-09-25431-00	706,578
	93.283	GG-09-24922-01	54,011
Medical Assistance Program	93.778	GG-08-23309-01	114,298
Childhood Lead Poisoning Prevention Project	93.197	GG-09-24163.00	266,092
Family Planning	93.217	GU-09-25636-00	541,600

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - continued
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
Prevention and Treatment of Substance Abuse Block Grant	93.959	GG-09-26309-00	111,288
Maternal and Child Health Services Block Grant	93.994	GG-09-24160-00	13,051
	93.994	GG-09-24961-00	145,802
	93.994	GG-09-25348-00	56,896
Passed through the Tennessee Department of Human Services			
Child Support program Title IV-D	93.563	GG-09-25813-00 & GG-09-25249-01	503,149
Social Service Block Grant program	93.667	Z-09-215426	<u>325,210</u>
Total U.S. Department of Health and Human Service			<u>5,278,739</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the Tennessee Emergency Management Agency Emergency Management Performance Grants	97.042	DG-0924430-00	198,979
Public Assistance Disaster Grant	97.036	FEMA-1786-DR-LA & GG-06-12229-00	202,110
Port Security Grant Program	97.056	2007-GB-T7-0131	93,893
Buffer Zone Protection Program	97.078	GG-08-25544-00	166,762
Homeland Security Grant Program	97.067	GG-07-21787-01 & GG-08-24422-00	<u>424,359</u>
Total U.S. Department of Homeland Security			<u>1,086,103</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the Tennessee Department of Transportation			
Governor's Highway Safety Grant	20.607	Z-08-024035 & Z-09-124610	<u>124,348</u>
Total U.S. Department of Transportation			<u>124,348</u>
U.S. DEPARTMENT OF INTERIOR			
U.S. Geological Survey	15.809	06ERAG0037	<u>50,000</u>
Total U.S. Department of Interior			<u>50,000</u>
Total expenditures of federal awards-primary government			<u>\$ 9,009,975</u>

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - continued

Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
COMPONENT UNITS			
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Tennessee Department of Agriculture: Food Donation (Noncash - Food Commodities)	10.565	None	\$ 819,978
Passed through Tennessee Department of Education: School Breakfast Program	10.553	None	2,564,790
National School Lunch Program	10.555	None	<u>7,808,493</u>
			<u>11,193,261</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through Tennessee Department of Education: Title 1 Grants to Local Educational Agencies	84.010	None	11,533,009
Special Education- Grants to States	84.027	None	9,376,813
Impact Aid	84.041	U165A040070	18,146
Career and Technical Education- Basic Grants to States	84.048	None	888,635
Magnet Schools Assisstance	84.165	None	13,604
Special Education- Preschool Grants	84.173	None	230,737
Safe and Drug-Free Schools and Communities State Grants	84.186	Q2158070005	174,887
Education for Homeless Children and Youth	84.196	None	103,272
Funds for Improvement of Education	84.215	None	453,090
Twenty-First Century Community Learning Centers	84.287	None	278,639
State Grants for Innovative Program	84.298	None	257,879
Education Technology State Grants	84.318	S359B080041	2,364,791
Reading First State Grants	84.357	None	1,731,674
Early Reading	84.359	None	827,579
English Language Acquisition Grants	84.365	None	193,947
Improving Teacher Quality State Grants	84.367	None	2,195,434
School Improvement Grants	84.377	None	58,320
Total U.S. Department of Education			<u>30,700,456</u>
Total Expenditures of Federal Awards-Component Units			<u>41,893,717</u>
Total Expenditures of Federal Awards- Reporting Entity			<u><u>\$ 50,903,692</u></u>

**HAMILTON COUNTY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
STATE GRANTS			
Board of Probation and Payroll	N/A	Z-08-012318-00	\$ 310,278
Juvenile Detention Unit	N/A	Z-08-022762-00	9,000
Juvenile Accountability Block Grant	N/A	GG-09-26799-00	18,233
Bullet-proof Vests Partnership Grant	N/A	BOBX-07039158	11,170
Byrne Justice Assistance Grant	N/A	N/A	3,089
TN Board of Equalization	N/A	N/A	108,844
Child Welfare Research and Demonstration - Casa Program	N/A	Z-08-2341-00	15,000
TN Dept. of Health - STARS	N/A	GG-08-23549-00	15,789
TN Dept. of Health - Commuity Development/Health Access	N/A	GG-09-25350-00	124,266
TN Dept. of Health - Tobacco Use	N/A	GG-09-25353-00	60,034
TN Dept. of Health - Grant in Aid	N/A	GG-09-25640-00	454,000
TN Dpet. Of Health - Renal Intervention	N/A	GG-09-25640-00	62,339
Tn Dept. of Health - HUGS	N/A	GG-09-24927-00	378,400
TN Dept. of Health - Oral Health	N/A	GG-09-25637-00	322,345
TN Dept. of Health - Family Planning	N/A	GU-09-25636-00	40,100
TN Dept. of Health - Community Prevention	N/A	GG-09-26309-00	10,952
TN Dept. of Health - State TB Outreach	N/A	GG-09-24928-00	391,304
TN Dept. of Health - Children's Special Services	N/A	GG-09-24961-00	129,700
TN Dept. of Health - Emergency Dental	N/A	GG-08-25793-00	50,000
TN Dept. of Health - Fetal Infant Mortality Review	N/A	GG-09-27735-00	12,545
TN Dept. of Transportation	N/A	Z-09-212751-00	310,194
TN. Dept. of Economic & Community Development-Mobray Mtn.	N/A	GG-05-12403-00	45,713
TN. Dept. of Economic & Community Development-Choose Chattanooga	N/A	N/A	904
TN. Dept. of Economic & Community Development-National Print Group	N/A	GG-08-23365-00	122,908
TN. Dept. of Economic & Community Development-LTJ Infrastructure	N/A	GG-08-25557-00	985,683
TN Dept. of Environment & Conservation - Enterprise South	N/A	Z-07-0313780-00	87,825
TN Dept. of Environment & Conservation - Recycling & Waste Oil	N/A	GG-03-405-00	16,183
TN Dept. of Environment & Conservation - Waste Tire	N/A	Z-08-213009-08	297,672
TN Dept. of Education - Coordinated School Health	N/A	N/A	225,004
Tn. Dept. of Education - Perkins IV Reserve	N/A	N/A	2,675
TN. Dept. of Education - Family Resource Center	N/A	N/A	90,231
TN. Dept. of Education - One Room Drop in School	N/A	N/A	7,340
TN. Dept. of Education - Pilot 500	N/A	N/A	146,151
TN. Dept. of Education - Pre-K Lottery Fund	N/A	N/A	923,497
TN. Dept. of Education - Safe Schools	N/A	N/A	198,156
TN. Dept. of Education - SOAR	N/A	N/A	29
TN. Dept. of Education - Pre-K Pilot and Expansion	N/A	N/A	1,558,765
TN. Dept. of Education - Targeted Assistance	N/A	N/A	149,366
Total Expenditures of State Awards			<u>7,695,684</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u><u>\$ 58,599,376</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

HAMILTON COUNTY, TENNESSEE

June 30, 2009

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>Federa CFDA Number</u>	<u>Amount Provided To Subrecipient</u>
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 72,291
Domestic Violence	16.590	178,036
U.S. Geological Survey	15.809	50,000
Social Services Block Grant	93.667	422,119
Governor's Prevention Notice	93.994	120,818
Home Investment Partnership Program	14.239	314,399
Tobacco Prevention	93.283	19,361
TEMA-Port Security	97.056	68,333
Title I - Grants to Local Educational Agencies	84.010	1,745
Title IV - Safe and Drug-Free Schools and Communities	84.186	15,452
Title V - Innovative Education Program Strategies	84.298	10,535
Title II - Part D Technology	84.318	11,798
Title II - Part A	84.367	18,495
Safe Schools Act	N/A	154,005
Title V - Public Charter Schools Program	84.282A	450,000

**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, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents and have issued our report thereon dated January 22, 2010. We did not audit the financial statements of the 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 designing 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 on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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. We consider the deficiency, Finding 2009-01, described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

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.

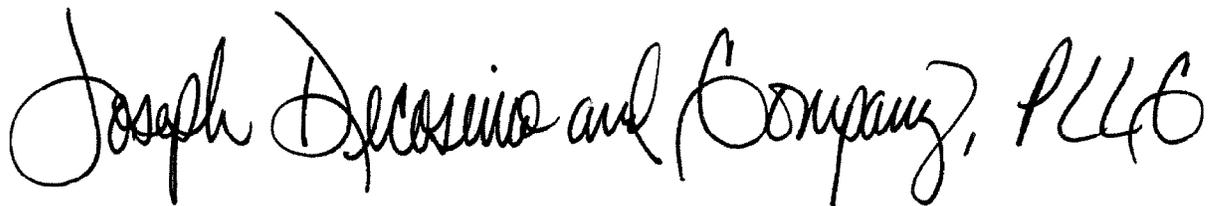
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the above significant deficiency, Finding 2009-01, is not a material weakness.

Compliance and Other Matters

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

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Honorable Mayor, 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.

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

Chattanooga, Tennessee
January 22, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR 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, 2009. 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 of 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, 2009.

Internal Control Over Compliance

The management of Hamilton County, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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 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 internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Honorable Mayor, 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.

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

Chattanooga, Tennessee
January 22, 2010

HAMILTON COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiency identified that is not considered to be a material weakness? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	U.S. Department of Agriculture:
	<i>Child Nutrition Cluster:</i>
	School Breakfast Program
	National School Lunch Program
	U.S. Department of Education:
	<i>Special Education Cluster (IDEA):</i>
	Special Education Grants to States
	Special Education - Preschool Grants
	Title I Grant to Local Educational Agencies
	Education Technology State Grants
	Reading First State Grant
	Improving Teacher Quality State Grant
10.533	
10.555	
84.027	
84.173	
84.010	
84.318	
84.357	
84.367	

Dollar threshold used to distinguish between type A and type B programs: \$1,527,111.

Auditee qualified as low risk auditee? Yes No

HAMILTON COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

II. FINANCIAL STATEMENT FINDINGS

Finding 2009-1 - Failure to Perform Physical Count of Fixed Assets

Criteria: Hamilton County Board of Education has established a policy for each school to perform a physical inventory count of fixed assets on an annual basis.

Condition: A significant number of schools have failed to perform a physical inventory count of fixed assets on an annual basis.

Effect: The lack of performing a physical inventory count of fixed assets has resulted in a significant deficiency in the County's internal control over financial reporting.

Cause: A significant number of schools have failed to perform a physical inventory count of fixed assets on an annual basis.

Recommendation: Our review of certain fixed asset records reveals that there may be assets recorded in the County's records that are no longer in use or assets in use that have not been recorded in the County's records. We believe that this indicates the need for the County to strictly enforce their policy of performing a complete physical inventory of fixed assets on annual bases, which will be the best and most efficient method for developing an accurate listing of all fixed assets. Additionally, this will allow the County to develop procedures whereby the fixed asset listing is reconciled to the general ledger, which will ensure an accurate accounting for assets.

Management's Response:

Management acknowledges that a number of schools are not complying with the current policy of performing an inventory of fixed assets on an annual basis. In order to correct this situation, it is the intent of Management to hire a third-party firm to conduct a physical inventory on or before June 30, 2010. If any exceptions are noted during this physical inventory, the necessary adjustments and approvals will be obtained and properly recorded in the June 30, 2010, financial statements.

Subsequent to June 30, 2010, it is the intention of Management to utilize a third-party firm to conduct a physical inventory on an annual basis.

In the opinion of Management, any unrecorded assets and/or overstated assets resulting from those schools that did not perform an annual inventory, are immaterial to the overall financial condition and financial statements of the Hamilton County Board of Education.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

IV. SCHEDULE OF PRIOR AUDIT FINDINGS

None reported.





Oars from the Head of the Hooch stacked on the riverbank at Ross's Landing.

COVER PHOTO: *Volkswagen plant site preparation at Enterprise South, taken in late summer 2008.*



ABOVE: The 1.9 million-square-foot Volkswagen under construction, taken from approximately the same vantage point, one year later. The only VW plant in the U.S., the plant will employ 2,000 and produce 150,000 vehicles per year beginning in 2011.



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